HAVILAH RESOURCES NL

ABN 39 077 435 520

ANNUAL REPORT
2010

Corporate Directory

Office Holders

Keith Robert Johnson, PhD *(Executive Chairman)*
Christopher William Giles, PhD *(Executive Director)*
Kenneth Graham Williams *(Non-executive Director)*
Edward James Grose, CPA *(Company Secretary)*

Registered and Principal Office

63 Conyngham Street
Glenside South Australia 5065

telephone:	(08) 8338 9292
facsimile:	(08) 8338 9293
website:	www.havilah-resources.com.au
email:	info@havilah-resources.com.au

Share Registrar

Computershare Investor Services Pty Limited
(ACN 078 279 277)
Level 5, 115 Grenfell Street
Adelaide South Australia 5000

Auditors

Deloitte Touche Tohmatsu
11 Waymouth Street
Adelaide South Australia 5000

Solicitors to the Company

O'Loughlins Lawyers
Level 2, 99 Frome Street
Adelaide South Australia 5000

Contents

Front cover: Drilling at Mt John prospect

- *Havilah has a substantial combined metal inventory of over 500,000 t of copper, 1,000,000 oz gold and 17,500 t cobalt based on JORC resources for its Kalkaroo and Mutooroo deposits.*
- *Two new substantial iron ore discoveries at Lilydale and Maldorky, with extremely favourable mining geometry and logistics.*
- *Completion of the Kalkaroo feasibility study and peer reviews, fulfilling Havilah's obligations under the funding arrangement with Glencore.*
- *Pre-feasibility study of Mutooroo deposit establishes a resource of 13 million tonnes of 1.48% copper, plus substantial cobalt, sulphur, gold and iron.*
- *Curnamona Energy (Havilah 45.4%) commenced field leach trials at its Oban deposit using a well house of its design.*
- *Geothermal Resources (Havilah 58%) substantially advanced the business models for its Frome and Penola-Robe projects.*

Discovery hole at Maldorky iron ore project (note lack of outcrop)

Gravity test plant at Portia

Chairman’s Statement

22 October 2010

Dear Fellow Shareholders,

Metal prices have recovered well from the slump of the GFC and the Chinese and Australian economies are performing well. Havilah has continued progressing its various projects through permitting and has finalised the feasibility study on Kalkaroo. We have maintained a healthy cash balance and expanded our project pipeline to our iron ore projects at Lilydale and Maldorky. These iron ore projects are close to our other copper-gold assets and we will be able to exploit synergies in their development.

We have announced JORC resources on two of our copper projects, with Kalkaroo containing 325,000 tonnes of copper and 980,000 ozs gold, along with Mutooroo, which contains another 192,000 tonnes of copper, 92,000 ozs gold and 17,500 tonnes of cobalt. A roaster and sulphuric acid plant is required to liberate full value of the Mutooroo ore. As there is a strong local market for the sulphuric acid we are confident the project will be developed. Recently, we have resumed our targeted exploration program in the Kalkaroo region and initial indications for discovery of additional copper-gold resources are extremely promising.

JORC resource calculations are in progress for North Portia, which will add to our copper-gold inventory. Due to geotechnical constraints at the Portia gold deposit and the difficulty in establishing a large JORC resource (due to the nuggety nature of the gold), experimentation with downhole extraction technology has been undertaken. We have successfully extracted the coarse gold up the drill pipe and are proceeding to finalise the MARP for Portia based on this mining method. It will produce a modest cash flow for minimal capital outlay when in production.

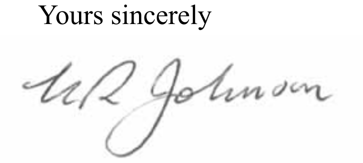
The iron ore deposits in northeastern South Australia are shaping up as a major new iron ore province. Havilah secured a good ground position some time ago and drilling has shown thick continuous sedimentary iron formations at our two projects. These iron deposits are similar to the magnetite deposits now being developed in Western Australia. They require crushing and magnetic separation to produce a commercial product but have the advantage of being comparatively soft, requiring much less energy to liberate the iron. The resultant product shows exceptionally low impurities. Proximity of the Transcontinental Railway will be highly advantageous in bringing these deposits into production. I predict South Australia will become a very significant player in the iron ore business over the next 100 years, supporting the urbanisation of China and India.

Our subsidiary, Curnamona Energy, is currently conducting an situ recovery field trial, using a small test plant constructed for the purpose. There have been some issues related to the well field pattern and screen positioning but this is being rectified. The aim is to extract typical leach solutions suitable for finalisation of production plant design so that the chemical regime can be optimised. We will be looking to move this project to a full mining lease in 2011 and securing a permit to mine and export uranium.

Our other subsidiary company, Geothermal Resources, after drilling two exploration holes to 1,800 metres depth and confirming a sizeable thermal energy resource, was not successful in attracting a $7m Geothermal Drilling Program grant from the Commonwealth Government. This has caused us to re-evaluate this sector, as the capital requirements without government support are onerous and viable production of electricity remains a challenge.

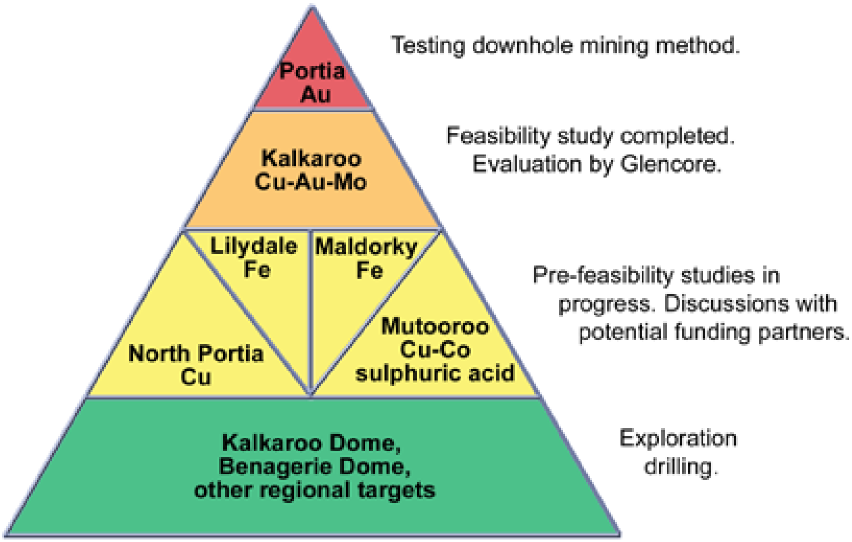
We recently issued Bonus Options to all eligible shareholders on a 1 for 4 basis. Previous options had expired out of the money and the new options reward our patient and loyal shareholders. It also provides a future method of raising capital by the exercise of the options on a fair and equitable basis for all existing shareholders. Your Directors remain committed to the task of building Havilah and will persist until we succeed in our endeavours.

Yours sincerely

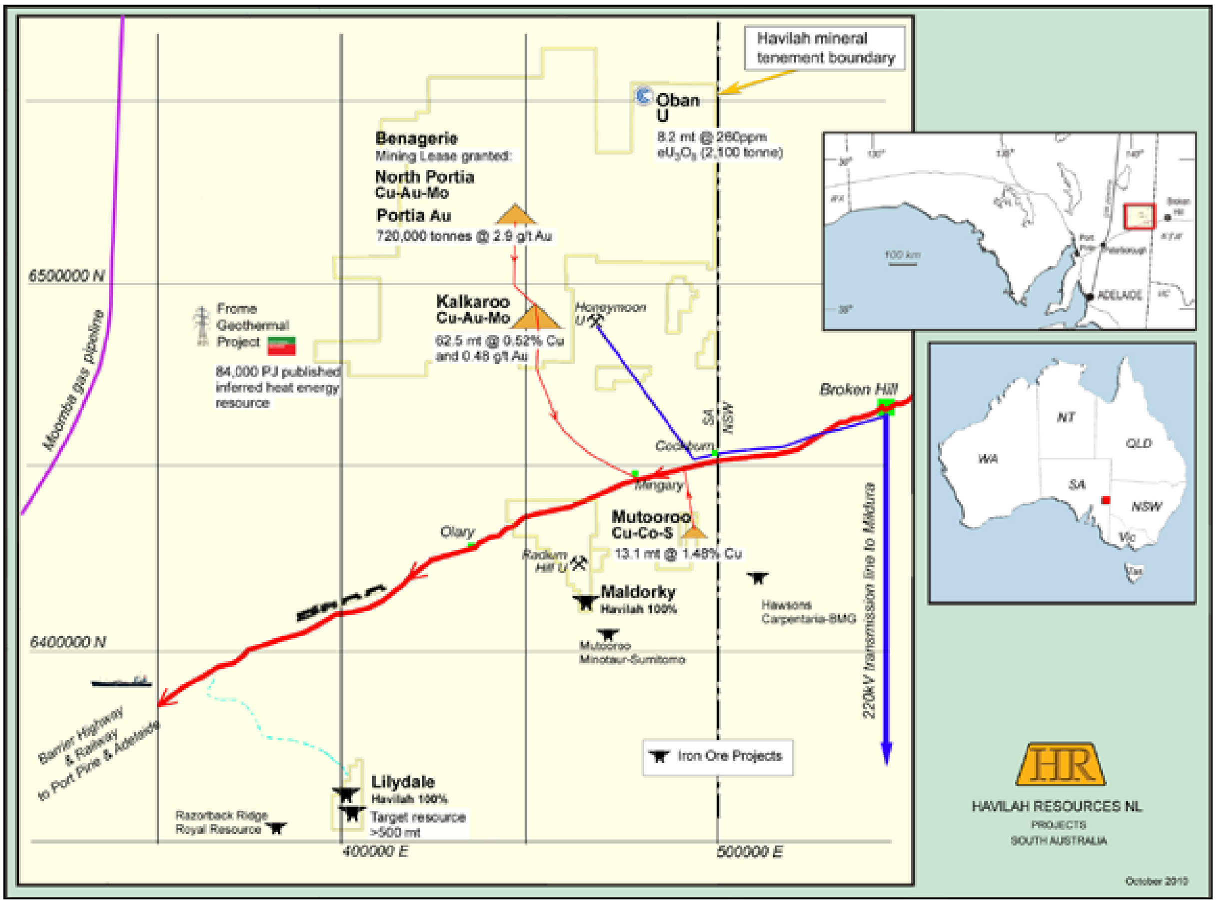


Bob Johnson, Ph.D
Chairman

Havilah Resources NL ("Havilah") holds exploration licences covering more than 7000 square kilometres of the highly mineralised Curnamona Province in northeastern South Australia. It also holds strategic investments in uranium explorer, Curnamona Energy Limited (45.4%) and geothermal energy explorer, Geothermal Resources Limited (58%). Over the past year, work concentrated on progressing feasibility studies on two advanced projects, where previous exploration had identified significant mineral deposits, namely Kalkaroo and Mutooroo, resulting in a significant inventory of copper, gold, molybdenum and cobalt. Regional exploration was highly successful in discovering two new iron ore deposits in a newly emerging iron ore district in northern South Australia. All projects are 100% owned at a time of near record high prices for many commodities.



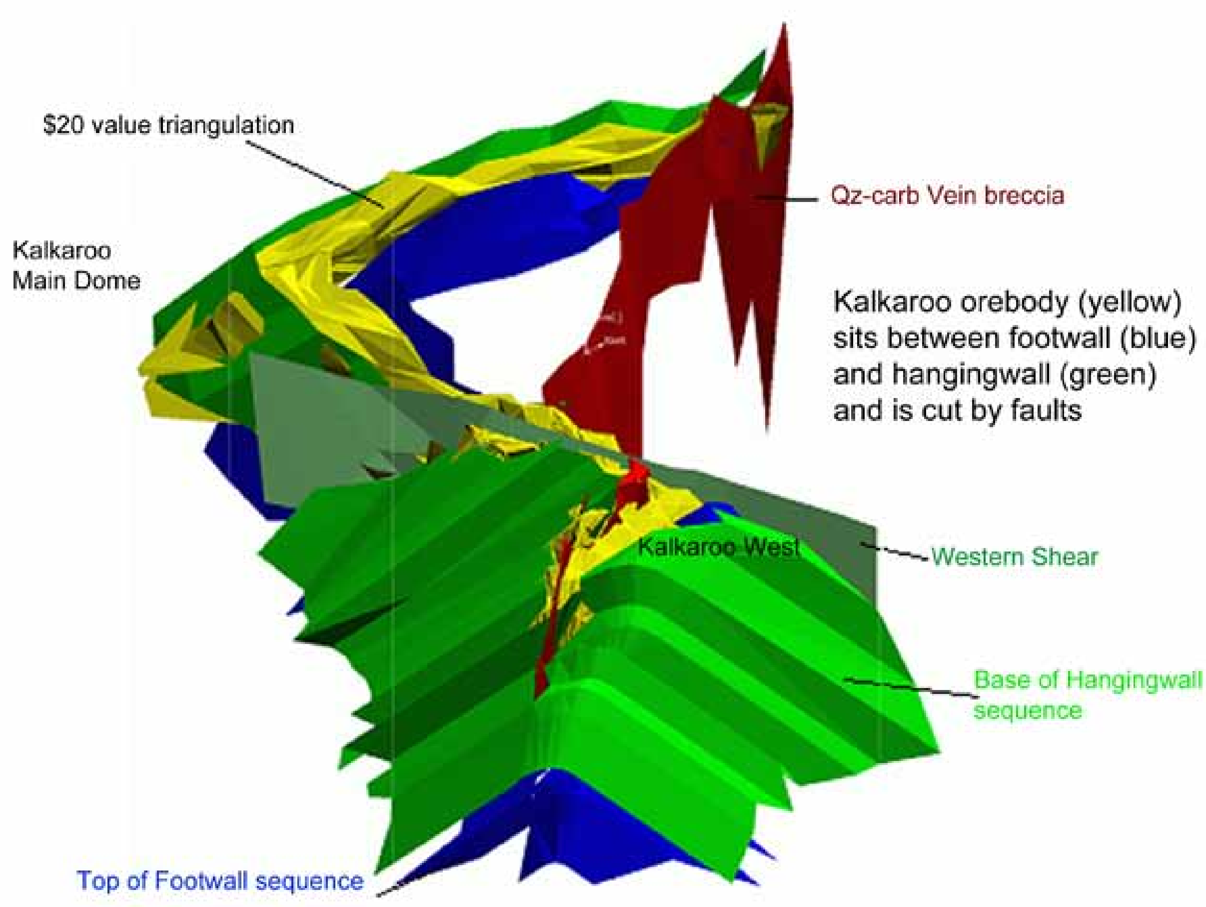
Havilah Prospect Status



Kalkaroo Project (Copper-gold-molybdenum, 100% Havilah)

An important milestone during the year was completion of the Kalkaroo feasibility study and peer reviews, thus fulfilling Havilah's obligations under the funding arrangement with Glencore International. Glencore is currently evaluating the feasibility study in order to decide whether it wishes to proceed with ongoing funding of the project.

The feasibility study considered a high tonnage throughput open pit operation based on a previously published resource block model containing a measured resource of 62 Mt @ 0.55% Cu and 0.44 g/t Au (ASX release 7 May 2009). The feasibility study involved a rigorous study of all aspects of the Kalkaroo deposit including geological resource estimation, metallurgical recovery and processing flow sheet design, open pit mine design, capital and operating cost estimation and financial analysis. Numerous related aspects such as environmental, open pit dewatering, site works and access road upgrade were also examined, to produce a comprehensive study of the economic viability of the deposit.



Key findings of the feasibility study are:

- Kalkaroo is a medium size copper-gold deposit containing over 320,000 tonnes of copper and almost 1 million ounces of gold, based on a detailed resource model backed up by 353 drillholes, 31,000 assays and 11,000 density measurements.
- The deposit is amenable to a bulk mining operation at the rate of 4.5 Mtpa for a period of twelve years.
- At projected long term copper price of US$6,600/t (75% of current price) and gold price of US$1,000/oz, the project produces a cash surplus of A$605 million.
- There is considerable scope to improve the project economics through discovery of more ore, increased metal recoveries, reduced capital costs and reduced mining costs though judicious management.
- There are no major development obstacles and the project is extremely robust at present metal prices.

It is important to note that no account was taken of the appreciable molybdenum or malachite mineralisation, which could add appreciable revenue for only incremental cost. Also, much of the gold and native copper in the upper part of the orebody can be recovered by gravity methods thereby minimising plant capital expenditure and operating costs during the initial years of mining.

In summary, Kalkaroo is a substantial copper-gold deposit, which represents a valuable asset for Havilah at a time when copper and gold prices are approaching record levels.

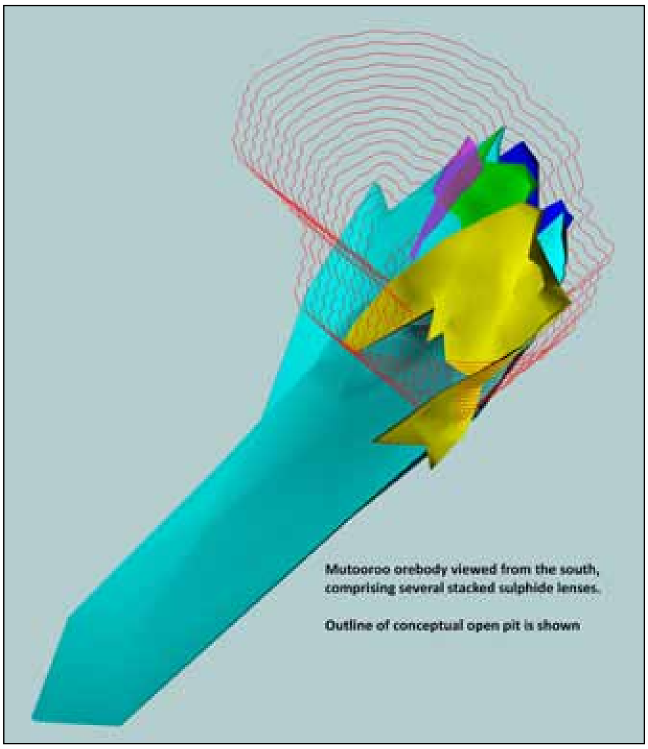
Kalkaroo native copper ore from drill chips

Mutooroo Project (Copper-cobalt-sulphuric acid, 100% Havilah)

As part of its pre-feasibility studies, Havilah recently released a JORC compliant resource of **13.1 million tonnes of 1.48% copper** for the Mutooroo deposit. Substantial amounts of gold, cobalt, sulphur and iron are also present. This resource is based on a total 250 drillholes, and more than 7,000 assayed samples and 650 density measurements.

There is good potential for discovery of additional sulphide ore both along strike and down dip, as resource drilling has focused on the southern 700 metres of the roughly 2,000 metre known strike of the lode zone.

Mutooroo contains over 2.5 million tonnes of sulphur and is therefore a potentially significant feedstock source for the production of sulphuric acid. Metallurgical testwork has shown that the sulphide ore can be successfully roasted to produce sulphuric acid , and the copper and cobalt can be leached from the calcine residue, which is actually very pure iron ore. The roasting and acid generation process is highly exothermic and potentially significant amounts of electricity can be generated from the harnessed heat.



A processing flow sheet and indicative costs for a 500,000 tonne per annum roaster and sulphuric acid plant to treat Mutooroo sulphide ore was prepared by an experienced metallurgical consultant. First pass cost estimates show that to construct a roaster and acid plant with electricity co-generation will cost approximately $250-300 million and will require large quantities of high quality water. Given the high projected future demand for sulphuric acid in South Australia, it is likely that all sulphuric acid produced could be consumed locally, which is a major positive factor for the project.

The alternative of shipping the sulphide ore to an offshore smelter or roaster for processing has also been seriously investigated by Havilah. To this end, a consultant has been employed to systematically make contact with all potentially suitable smelters and roasters along the east coast of China. This alternative would eliminate the high capital component and the onerous local regulatory hurdles, but bypasses value adding in South Australia, through replacement of sulphuric acid imports and the opportunity to generate non-CO_2 producing electricity for local consumption.

Portia – North Portia (Gold-copper, Havilah 100%)

Early in 2010 Havilah was offered a mining lease by PIRSA, on the basis of a planned open pit gold mine at Portia. The dramatic escalation in mining costs over the last three years and the more than three-fold increase in mining royalties have made exploitation of the 70,000 ounce Portia gold resource via conventional open pit mining a considerably more risky proposition than when first proposed, notwithstanding the high gold price.

Consequently, during the year Havilah experimented with a downhole mining method, which involves air-lifting of slurried silts that host the base of Tertiary gold mineralisation. Several design modifications were tested and **coarse gold was recently successfully extracted from the base of Tertiary layer**. Havilah's present aim is to determine whether the method can be expanded to a commercial scale, which will allow gold production for a much reduced capital outlay and minimal project risk vs open pit mining.

If it decides to proceed with this mining method, Havilah will be required by PIRSA to amend the Mining Lease terms to cover a downhole mining operation.

A feasibility study on the North Portia copper-gold deposit commenced during the year. This included a 3,200 metre, 27 hole shallow air core drilling program with the objective of defining a JORC resource for the previously incompletely drilled shallower secondary copper sulphide mineralisation.

Encouraging drilling results were reported, including **52 metres of 1.44% copper and 0.89 g/t gold in drillhole NPAC 39**, similar to earlier results from the deposit. The style of copper-gold mineralisation is comparable to Kalkaroo, but with roughly double the copper grades.

Portia gold recovered by downhole extraction method

Resource calculations presently in progress will determine the size and grade of the secondary copper-gold resource at North Portia and whether it can support a stand-alone operation. If not, North Portia could also provide supplementary feed to a mining operation at Kalkaroo in order to boost total copper and gold production.

Lilydale Iron Ore Project (Havilah 100%)

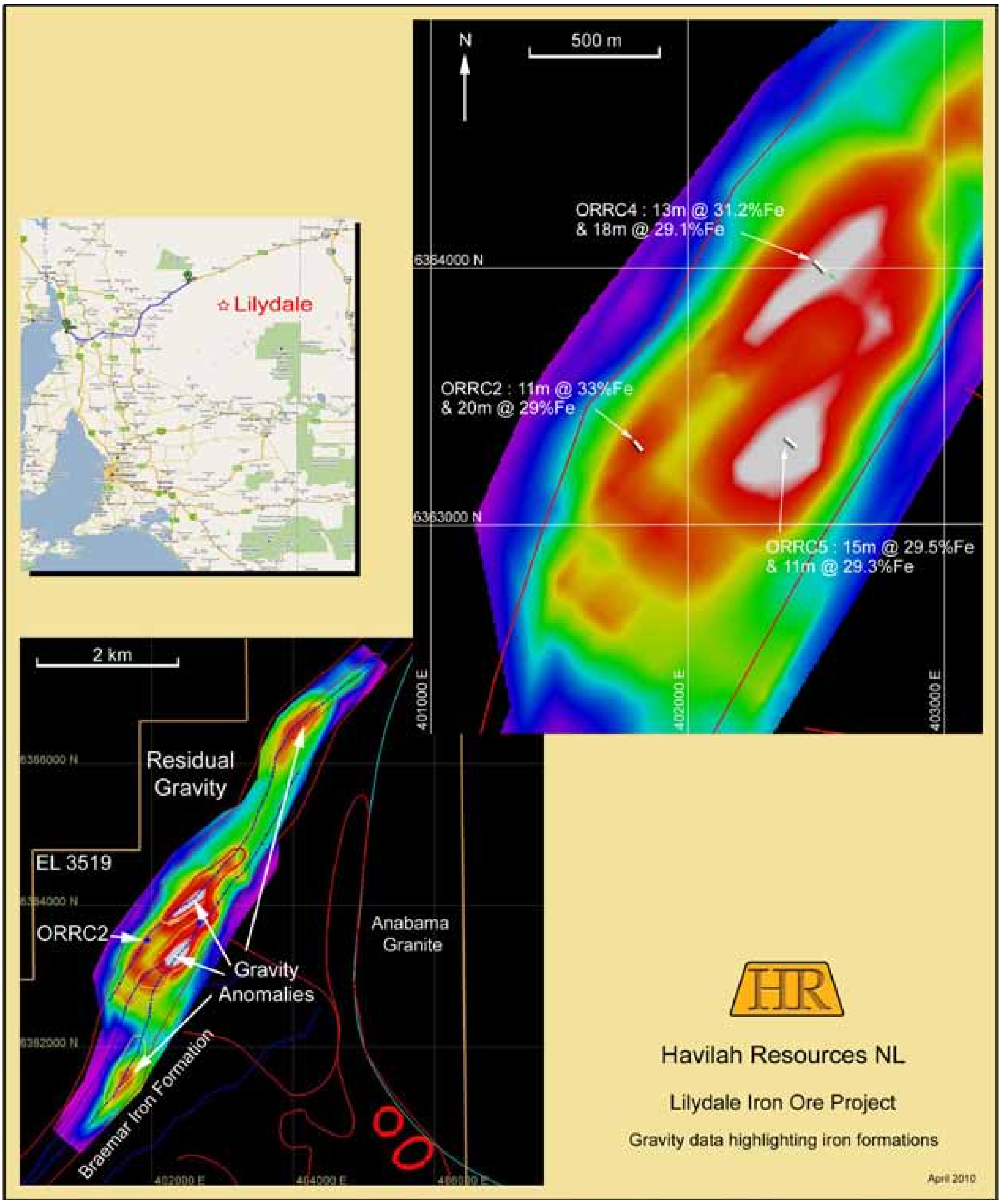
The Lilydale iron ore project lies 50 km southeast of Yunta, which is located on the Transcontinental Railway, some 200 km east of Port Pirie. Aeromagnetic anomalies associated with magnetic ironstone indicate that at least 35 km of strike of the prospective Braemar Iron Formation lie within EL 3519.

Coarse-grained magnetite drill chips from Lilydale on hand magnet

A shallow reconnaissance RC percussion drilling program commenced in late February, targeting the area of highest combined gravity and magnetic response along a poorly exposed portion of the Braemar Iron Formation, where it was interpreted that the concentration of iron would be highest. Only five drillholes were completed before heavy rains in the district prematurely halted the drilling program. These are the first drillholes drilled into the non-outcropping Braemar Iron Formation in this region.

Consistent grades of 29-33% Fe in magnetite bearing ironstone were returned from three widely spaced locations, **representing a new discovery with considerable tonnage potential**. Davis Tube test results on RC drill chip samples showed that high iron concentrates (containing up to 68% Fe) could be obtained for a relatively coarse grind size (106 microns) with a high 68% of total iron recovered from the sample. **The levels of impurity elements such as alumina, phosphorous and titanium are extremely low, indicating that a high purity, high value magnetite concentrate can be produced.** These results compare more than favourably with those recently published for the Braemar Iron Formation by other explorers in the region.

Ample tonnages of iron ore are potentially available, given the strike length of more than 35 km within Havilah's 100% owned EL 3519. The Lilydale project has the advantage that potentially economic widths of iron formation extend almost from the surface, with negligible overburden and only a thin oxidised zone. In addition, the material is considerably softer than silica-rich magnetite iron formations elsewhere in Australia, thus requiring less energy for grinding.



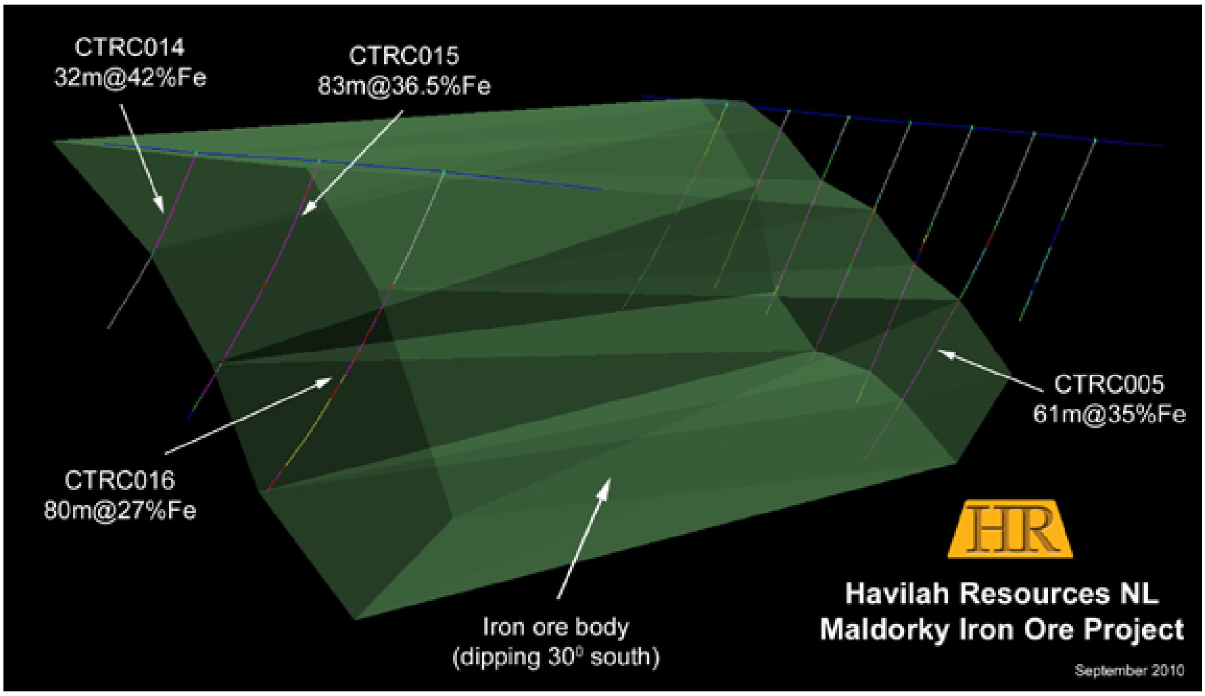
Maldorky Iron Ore Project (Havilah 100%)

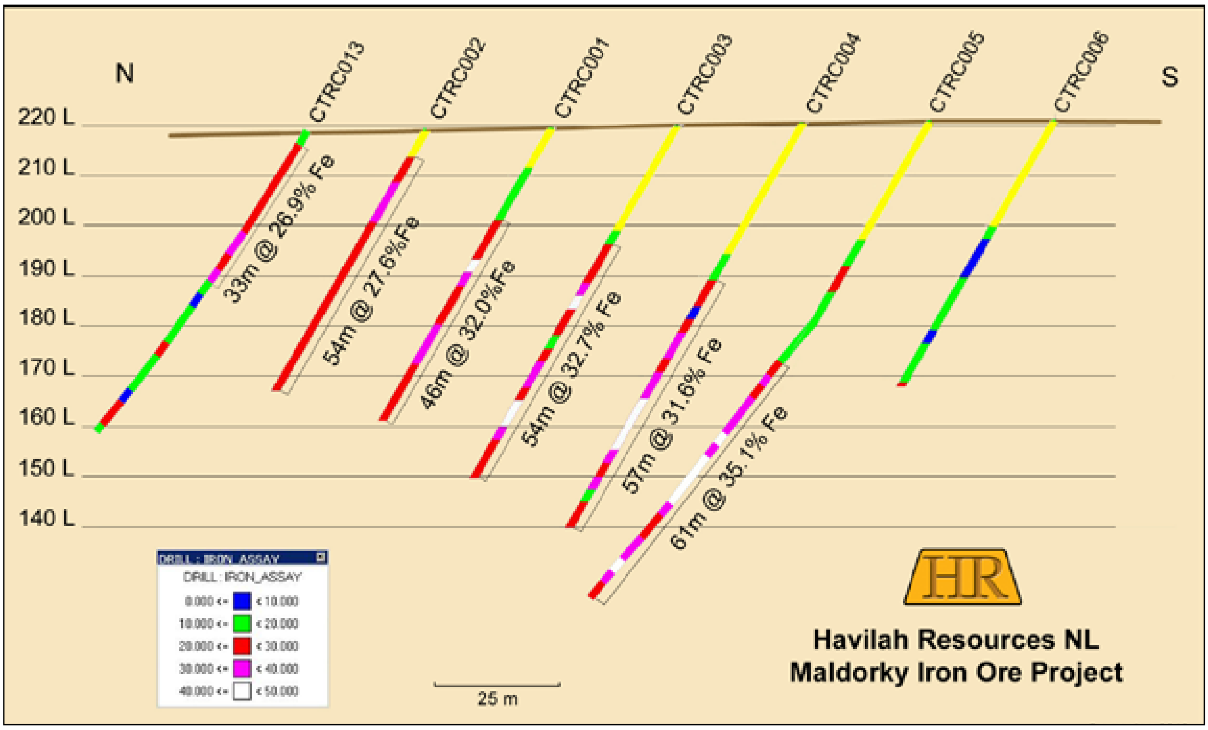
The Maldorky iron ore project lies 28 km south of the Transcontinental Railway, 300 km east of Port Pirie. It is Havilah's second new iron ore discovery and like Lilydale it does not outcrop.

Two lines of drillholes have defined over 50m thickness of shallow south dipping iron rich siltstones, with generally better than average iron grades for the Braemar Iron Formation, including 68 metres @ 37.7% Fe, from 1-69 metres in drillhole CTRC015.

Davis tube test results indicate that up to 36% of the iron ore can be upgraded to a magnetite product with more than 70% Fe. The magnetite recoveries are quite variable in spite of consistent iron head grades, indicating varying ratios of magnetic and non-magnetic iron ore minerals in the rock , due to the effects of weathering.

The shallow dip of the iron formation and negligible overburden are favourable for a low cost open pit mining operation. Development of the project is also favoured by the flat open terrain suitable for construction of a 28 km haul road between the project site and the railway line.





CURNAMONA ENERGY LIMITED (Havilah 45.4% ownership)

Curnamona Energy successfully commenced a field leach trial operation at Oban, with installation of a well house and circulation of acidified solution through the uranium bearing sands. Acceptable flow rates were achieved, establishing that the sands are sufficiently permeable to sustain an in situ recovery leaching operation.

Regional exploration drilling continued to produce many uranium hits warranting follow up with more close-spaced drilling in the future.

GEOTHERMAL RESOURCES LIMITED (Havilah 58% ownership)

With the **Frome project** hot fractured rock proof of concept drilling target confirmed, Geothermal Resources has been seeking an external partner to assist with funding of the next stage of work. The proof of concept wells are designed to establish that the hot water flow rates could support a commercial operation, similar to that presently being tested by Geodynamics Limited in the Cooper Basin.

At the **Penola-Robe project**, the Company commenced systematically interpreting all available seismic data for 'bright spots' which can give an indication of zones of higher than average porosity within the known sedimentary aquifers. Thusfar, this work has identified several potential high porosity zones located at optimal depths within the target Pretty Hill Formation, in settings comparable to Panax Geothermal Limited's nearby Salamander 1 well.

FUTURE STRATEGY

Havilah's twin objectives are to build shareholder value by successful exploration and mine development. This strategy will be advanced over the next twelve months by working towards the following goals:

1. Granting of a mining lease and securing financing for Kalkaroo project development.
2. Completion of the Mutooroo feasibility study, granting of a mining lease and securing project development financing.
3. Completion of feasibility studies on the Lilydale and Maldorky iron ore projects and advancing mining lease applications.
4. Drilling various high priority regional exploration targets.

The bureaucratic process involved in obtaining a mining lease in South Australia is complex and time consuming, involving liaison with numerous government departments and compilation of extensive documentation. As a result Havilah has recently engaged the full time services of a consultant who specialises in this work to manage the process and so minimise slippage of time.

This will allow Havilah management to focus on other key technical tasks involved in the advancement of these projects, such as resource drilling, mine planning, infrastructure and financing. It is also important that sufficient management time is spent on regional exploration if Havilah is to maintain its record of exploration success.

FINANCE

At balance date Havilah held cash of approximately $6.1 million. Exploration expenditure during the year was approximately $3.0 million, spread over a number of projects, as described above.

Approximately $0.6 million of expenditure was joint venturer's funds that were specifically allocated to completion of the Kalkaroo feasibility study.

The information in this report has been prepared by Dr Bob Johnson who is a member of the Australasian Institute of Mining and Metallurgy and Dr Chris Giles who is a member of The Australian Institute of Geoscientists. Drs Johnson and Giles are employed by the Company on consulting contracts. They have sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration to qualify as Competent Persons as defined in the JORC Code 2004. Drs Johnson and Giles consent to the release of the information compiled in this report in the form and context in which it appears.

Iron ore outcrop near Maldorky

Schedule of Tenements

Tenement Number	Tenement Name	Area (km^2)	Registered Company
CURNAMONA CRATON			
EL 3382	Mutooroo Mine	23	Havilah 100%
EL 3405	Mundi Mundi	73	Havilah 100%
EL 3419	Bonython Hill	20	Havilah 100%
EL 3442	Kalkaroo	998	Havilah 100%
EL 3448	Mutooroo West	72	Havilah 100%
EL 3482	Mulyungarie	1139	Havilah 100%
EL 3503	Telechie North	35	Havilah 100%
EL 3519	Oratan	107	Havilah 100%
EL 3543	Border Block	35	Havilah 100%
EL 3544	Mundaerno Hill	58	Havilah 100%
EL 3586	Benagerie	585	Havilah 100%
EL 3605	Prospect Hill	45	Havilah earning 80%
EL 3694	Emu Dam	614	Havilah 100%
EL 3895	Cutana	363	Havilah 100%
EL 4133	Chocolate Dam	59	Havilah 100%
EL 4225	Lake Charles	322	Havilah 100%
EL 4259	Lake Namba	516	Havilah 100%
EL 4260	Swamp Dam	53	Havilah 100%
EL 4261	Telechie	347	Havilah 100%
EL 4262	Yalu	491	Havilah 100%
EL 4313	Eurinilla	70	Havilah 70%, Alphadale 30%
EL 4441	Billeroo West	176	Havilah 100%
GAWLER CRATON			
EL 3854	Pernatty	316	Red Metal 70%, Havilah 30%

ML Number	Status	Area (Ha)	Applicant
5678	Renewable 29 Aug 2011	16	Mutooroo Metals PL
6346	Renewable 01 Oct 2016	1745.1	Benagerie Gold PL
MC Number			
3565	ML applied for	100	Mutooroo Metals PL
3566	ML applied for	138	Mutooroo Metals PL
3826	ML applied for	249.2	Kalkaroo Copper PL
3827	ML applied for	248.3	Kalkaroo Copper PL
3828	Extractive Lease applied for	90	Kalkaroo Copper PL
MPL T02680	Application special purposes lease	249	Kalkaroo Copper PL
RL Number			
123	Renewable 24 Jul 2013	248.1	Oban Energy PL

Statutory Reports

CORPORATE GOVERNANCE STATEMENT

This section summarises the corporate governance policies and procedures of Havilah Resources NL ("Havilah").

The Board of Directors of Havilah aims to achieve the highest standards of corporate governance and has established corporate governance policies and procedures consistent with the ASX Corporate Governance Council's publication "Principles of Good Corporate Governance and Best Practice Recommendations".

Havilah's board composition, the small number of directors and the governance structure reflect the Company's position as a small capitalisation junior mineral explorer currently with no source of regular income other than interest income. In Havilah's case its mineral tenements and any mineral resources that it discovers are of greater value and risk than purely financial assets. As a result the Board believes that not all of the recommendations are appropriate to Havilah. Any departures from the recommendations are outlined in this section.

BOARD CHARTER

The Board of Directors monitors the progress and performance of Havilah on behalf of its shareholders, by whom it is elected and to whom it is accountable. The Board Charter, which is summarised below, seeks to ensure that the Board discharges its responsibilities in an effective and capable manner.

Board Responsibilities

The Board's primary responsibility is to satisfy the expectations and be a custodian for the interests of its shareholders. In addition, the Board seeks to fulfil its broader ethical and statutory obligations, and ensure that Havilah operates in accordance with these standards. The Board is also responsible for identifying areas of risk and opportunity, and responding appropriately.

The responsibility for the administration and functioning of Havilah is delegated by the Board to a company owned by the Executive Chairman, which has a management contract with the Company, and a company owned by the Technical Director, which has a consulting contract with the Company. By monitoring the performance of these contracts, the Board ensures that Havilah is appropriately administered and managed.

Through regular and frequent contact between the Board and management and by monitoring management's activities, reports and performance, the Board ensures that management is aware of and responsive to the risks, opportunities and priorities recognised by the Board.

The Board guides the composition of a strategic planning process which adheres to the interests and expectations of Havilah's shareholders, and develops policies that manage risks and opportunities, and monitors company progress, expenditure, significant business investments and transactions and key performance indicators.

Havilah's board retains the power to make all investment decisions.

Composition of the Board

It is a policy of Havilah that the Board comprises individuals with a range of knowledge, skills and experience that are appropriate to its activities and objectives. Havilah's three current directors are professionally qualified and have pertinent skills in mineral exploration, mineral resource/reserve evaluation, mine planning and development, financial risk management and project financing, which are directly relevant to the Company's activities.

The number of directors must not be less than three. Currently, the Board is comprised of Dr Bob Johnson, the Executive Chairman, who is engaged via a consulting contract with a company associated with him; Dr Chris Giles, the Executive Technical Director, who is engaged via a consulting contract with a company associated with him; and Mr Ken Williams who is an independent Non-executive Director. Information on the directors is contained on page 19 of this annual report. The Board considers that the current composition of the board is ideal for a company of Havilah's size, having regard to the mix of skills and expertise, and capacity for efficient decision making.

Directors can seek independent advice at the expense of the Company, and have access to the Company Secretary at all times.

Independence

Havilah does not have a majority of independent directors and maintains that to add two further directors to achieve this will mean significant additional expense and make for less efficient decision making, which would be to the detriment of a very small mineral exploration company such as Havilah. The Chairman is not an independent director, and again to achieve this for a small company such as Havilah would make for an inefficient board and management. It is the Board's contention that all directors, whether independent or not, can and should act objectively at all times in the best interests of the Company and its shareholders.

Havilah's policy is that any director must abstain from discussions and voting on any matters with which that director is associated and therefore potentially conflicted and this policy is strictly observed.

Nomination Committee

In view of the small size of Havilah's board, the Board in its entirety acts, effectively, as a nominations committee. As such, the Board believes that a nomination committee is unnecessary for Havilah.

Nomination, Appointment and Retirement of Directors

If a vacancy occurs or if it is considered that the Board would benefit from the services and skills of an additional director, the Board selects a panel of candidates with appropriate expertise and experience, and appoints the most suitable candidate. Any such appointee would be required under the constitution to retire at the next annual general meeting and is eligible for election by shareholders at that meeting.

For directors retiring by rotation, the Board assesses that director before recommending re-election.

Compensation Arrangements and Remuneration Committee

The remuneration of the Non-executive Director of Havilah is reviewed by the Board and approved by the other directors. The Technical Director and Chairman have consulting contracts with Havilah via their respective associated companies on industry standard commercial terms, which are approved by the non-associated directors.

The Board believes that the small size of the board and the fact that remuneration matters are monitored by the Board in its entirety, having regard to industry standard norms makes a separate remuneration committee unnecessary and inappropriate.

The maximum aggregate annual remuneration which may be paid to non-executive directors is currently $100,000. This cannot be increased without approval of Havilah's shareholders.

Information on remuneration of directors is contained on pages 22 to 26 of this annual report.

D&O Insurance and Indemnity

The Company maintains a Directors and Officers and Company Reimbursement Insurance Policy.

Performance Evaluation

The small size of the board and the high risk nature of the Company's exploration activities make the establishment of a formal performance evaluation strategy unnecessary. Performance evaluation is a discretionary matter for consideration by the entire board and in the normal course of events the Board will review performance of management, directors and board as a whole.

LOCAL INDIGENOUS COMMUNITIES

Havilah has a policy that respects the culture and rights of all indigenous peoples with whom it comes into contact, and will consider assistance to any such communities that are deprived, with community benefit programmes. This assistance will normally focus on health, education, training and employment of indigenous people who are directly affected by Havilah's exploration and development projects.

ENVIRONMENT

Havilah has a policy of best practice management of the environmental impacts of exploration, development and mining, in accordance with the prevailing regulations.

BUSINESS RISKS

Havilah is involved in the high risk business of mineral exploration in which successful outcomes are the exception. Consequently the Company's major business risk is that its capital will be exhausted prior to making a successful discovery that can be converted into a profitable mine.

The Board aims to reduce this investment risk by extremely judicious selection of projects and careful drilling of only the best targets, and in this way Havilah is able to maximise the chances of success while minimising expenditure.

Proposed exploration programmes and budgets are normally submitted to the Board each six months for consideration and approval. At each meeting of the Board, the Technical Director presents a summary of exploration activities and estimated expenditures, which allows the Board to regularly monitor and assess the Company's performance against approved programmes and budgets.

CODE OF CONDUCT

The Board acknowledges the need for the highest standards of corporate governance practice and ethical conduct by all directors, consultants and contractors of Havilah. The Board strives to provide leadership in this regard so that a culture of honesty and integrity is engendered in the Company. In this regard it is expected that all Havilah directors, consultants and contractors will preserve the highest standards of integrity, accountability and honesty in their dealings, operating in strict adherence to statutory and ethical obligations. Given that Havilah has few full time employees and only a handful of consultants and contractors employed at various times, mentoring and monitoring compliance is straightforward.

SECURITIES TRADING POLICY

As a result of the nature of Havilah's exploration activities, directors, consultants and contractors of Havilah will sometimes be in possession of sensitive information that could be classified as "inside" knowledge. They may also be aware of potential transactions between Havilah and other companies.

Havilah has adopted a code of conduct that prohibits its directors, consultants and contractors from either buying or selling any shares in the company while they are in possession of any potentially market sensitive information prior to its public release to the ASX. This is designed to specifically prevent any insider trading by any director, consultant or contractor of Havilah.

Supervisory and Compliance Procedures

Havilah has procedures to ensure all directors, consultants and contractors of Havilah are familiar with these policies, that they are reviewed on a regular basis and updated as necessary.

The trading activity of each Director, consultant and contractor is reviewed on a monthly basis by monitoring share movement reports.

AUDIT COMMITTEE

Prior to 2010, owing to its small size and limited number of directors, Havilah did not form an audit committee. Havilah's operations are relatively simple and can be effectively monitored via trial balances, which are compiled monthly by the company secretary, who is a CPA. The Board has established internal controls, whereby all invoices must be approved by one or more non-associated director before payment by the company secretary. Large sums of money cannot be paid or transferred without signature by two persons including the Company Secretary, the Chairman and/or the Technical Director.

The Board considers that ongoing monitoring of Havilah's accounts by the half yearly external review and annual external audit (for the half yearly financial report and annual report respectively) and quarterly compilations for the Appendix 5B releases provides adequate safeguards, given the relative simplicity of Havilah's financial statements.

Each director makes a point of satisfying himself concerning the validity of the financial statements before they are signed off. Due to the anticipated increase in Havilah's activities in future years, subsequent to the 2010 year end, the Board resolved to form an audit committee. The audit committee will be chaired by Mr Ken Williams, the independent non-executive director, and Dr Chris Giles will be a member. Dr Bob Johnson will attend by invitation.

EXTERNAL AUDITOR ATTENDANCE AT ANNUAL GENERAL MEETINGS

The external auditor attends annual general meetings and is available to answer questions from shareholders on the auditor's report and the conduct of the audit.

CONTINUOUS DISCLOSURE POLICY

Havilah is committed to continuous disclosure of material information as a means of promoting transparency and investor confidence. Havilah's practices are designed to ensure the Company is fully compliant with the ASX Listing Rules, including in particular those relating to continuous disclosure. Havilah's record of timely disclosure of market sensitive information and lack of any evidence of pre-announcement "leaks" indicates its compliance in this regard.

SHAREHOLDER COMMUNICATIONS STRATEGY

Havilah places great importance on the communication of accurate and timely information to its shareholders and market participants and recognises that efficient and continuous contact with stakeholders is an essential part of earning their trust and loyalty. Shareholders are actively encouraged to communicate with the Company. Interested persons can join an email list to be notified immediately of important announcements to the ASX.

Investment Briefings

Havilah holds investment briefings for shareholders, analysts and other interested parties at various locations and times when directors believe it is appropriate.

Website: www.havilah-resources.com.au

Havilah believes its website is its most effective communication medium with shareholders, and therefore expends some effort keeping information on its website up to date and relevant. ASX announcements, quarterly reports and presentations plus relevant diagrams and photographs are regularly posted on Havilah's website.

Directors' Report

The directors of Havilah Resources NL submit herewith this directors report and the attached financial report of the company for the financial year ended 31 July 2010. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The names and particulars of the directors of the company during or since the end of the financial year are:

Keith Robert Johnson
Christopher William Giles
Kenneth Graham Williams

Details of the Directors are:

Keith Robert Johnson (Executive Chairman) BSc(Hons), PhD, FAusIMM, aged 63

Dr Bob Johnson, a geologist, is one of the world's leading practitioners of the application of computers to geological modelling and mine planning.

His company, Maptek Pty Ltd, is a major supplier of technical mining software with a network of integrated offices across Australia, North and South America, Africa and Europe marketing the interactive Vulcan mining system. This experience has provided a broad understanding of ore bodies and of the role of 3D geometry in structural geology.

Dr Johnson, a resident of Adelaide, is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the American Society of Mining Engineers.

Christopher William Giles (Executive Technical Director) BSc(Hons), PhD, MAIG, aged 56

Dr Chris Giles is an experienced geologist having supervised exploration programmes for a variety of organisations all over the world.

During his career he has worked on exploration teams that have been directly responsible for the discovery of six operating gold mines. As exploration manager of East African Gold Mines Limited he was responsible for ground selection and supervising initial exploration programs that resulted in the discovery of two substantial gold deposits in the Mara region of Tanzania that are currently in production.

Dr Giles is a resident of Adelaide and a Member of the Australian Institute of Geoscientists.

Kenneth Graham Williams (Non-executive Director) BEc(Hons), aged 49

Mr Williams has extensive experience in mining finance and his skills complement the technical skills of Drs Johnson and Giles. Mr Williams has previously held roles in the treasury operations at Qantas Airways Limited and Normandy Mining Limited, before becoming Chief Financial Officer of Normandy. Until March 2003 he was Group Executive Finance and Business Manager at Newmont Australia Limited.

Mr Williams is a resident of Adelaide and a member of the Australian Institute of Company Directors and the Finance and Treasury Association.

Directorships of other listed companies

Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

Name	Company	Period of Directorship
K R Johnson	Curnamona Energy Limited	since January 2005
K R Johnson	Geothermal Resources Limited	since July 2005
C W Giles	Curnamona Energy Limited	since January 2005
C W Giles	Geothermal Resources Limited	since July 2005
K G Williams	Curnamona Energy Limited	since January 2005
K G Williams	Geothermal Resources Limited	since July 2005
K G Williams	AWE Limited	since August 2009
K G Williams	Queensland Cotton Holdings Limited	to August 2007

Company Secretary

Edward James Grose CPA, aged 63

Mr Grose has been employed by Maptek Pty Ltd for 16 years as financial controller. Prior to that he worked for four years in a public accounting practice and has also had 20 years in the banking industry in a variety of roles. Mr Grose is a resident of Adelaide and a member of CPA Australia.

PRINCIPAL ACTIVITIES

The principal activity of the Group (Havilah Resources NL and its controlled entities) is exploration for gold, base metals and other mineral deposits.

DIVIDENDS

No dividends were paid or declared since the start of the financial year, and the Directors do not recommend the payment of dividends in respect of the financial year.

REVIEW OF OPERATIONS

An important milestone during the year was completion of the **Kalkaroo feasibility study** and peer reviews, thus fulfilling Havilah's obligations under the funding arrangement with Glencore International. Glencore is currently evaluating the feasibility study with the view to deciding whether it wishes to proceed with ongoing funding of the project.

At **Mutooroo** Havilah continued to advance the feasibility study work on several fronts, including design of a processing flow sheet and first pass costs for a 500,000 tonne per annum roaster and sulphuric acid plant to treat the **Mutooroo massive sulphide ore.** A detailed resource and financial model for Mutooroo is being prepared in order to determine the best development scenarios for the deposit.

At **Portia** ongoing experimentation with a downhole airlift mining method continued with encouraging results.

On the exploration front, Havilah made two new iron ore discoveries at **Lilydale** and **Maldorky.** Preliminary metallurgical test work indicates that the iron ore can be beneficiated to a high iron, low impurity magnetite product. Further work is planned.

Field recovery trials commenced on **Curnamona Energy's** (45.4% owned by Havilah) Oban sand-hosted uranium deposit, using a well house especially designed for the purpose. Acidified solutions are currently being circulated through a five hole well pattern at acceptable flow rates.

Geothermal Resources (58% owned by Havilah) completed a 27 km long seismic line with the objective of refining the location of the two proposed proof of concept wells, Frome 15 and 16. Detailed seismic interpretation of earlier seismic data for the Penola-Robe project area identified several high prospectivity areas for hot sedimentary aquifer geothermal resources.

CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the Group.

SUBSEQUENT EVENTS

Other than noted elsewhere in this report or attached financial statements or notes thereto, there has been no matter or circumstance that has arisen since the end of the financial year, that has significantly affected or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

ENVIRONMENTAL REGULATIONS

The Group carries out exploration activities on its exploration tenements in South Australia.

The Group's exploration operations are subject to environmental regulations under the various laws of South Australia and the Commonwealth. The Group adopts a best practice approach in satisfaction of the regulations. No breaches of the regulations have occurred during the year.

FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

SHARE OPTIONS

During and since the end of the financial year, the following options to acquire ordinary shares in Havilah Resources NL or Geothermal Resources Limited were granted, cancelled, exercised or expired, in relation to the Directors Share Option plan of the respective company or had been granted under the respective company's Employee Share Option Plan:

	Options issued		Options cancelled	Options exercised		Options expired
Issuing entity	Number of options issued	Number of ordinary shares under option	Number of options cancelled	Number of options exercised	Number of ordinary shares granted on exercise	Number of options expired
Havilah Resources NL – Unlisted options	-	-	290,000	-	-	3,520,000
Havilah Resources NL – Listed options	-	-	-	-	-	3,580,143
Geothermal Resources Limited	-	-	-	-	-	-

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of ordinary shares under option	Class of shares	Exercise price of option	Expiry date of option
Havilah Resources NL	200,000	Ordinary	$0.96	17 February 2011
Havilah Resources NL	50,000	Ordinary	$0.75	10 October 2011
Havilah Resources NL	75,000	Ordinary	$1.78	12 February 2012
Havilah Resources NL	100,000	Ordinary	$2.12	13 April 2012
Havilah Resources NL	50,000	Ordinary	$2.31	8 June 2012
Havilah Resources NL	100,000	Ordinary	$2.18	17 December 2012
Havilah Resources NL	200,000	Ordinary	$1.50	3 April 2013
Havilah Resources NL	400,000	Ordinary	$0.46	23 March 2014
Havilah Resources NL	1,800,000	Ordinary	$1.99	10 January 2013
Havilah Resources NL	500,000	Ordinary	$2.25	6 March 2013
Havilah Resources NL	1,000,000	Ordinary	$1.80	6 March 2013
Geothermal Resources Limited	1,600,000	Ordinary	$0.60	21 March 2011
Geothermal Resources Limited	200,000	Ordinary	$0.31	19 October 2011
Geothermal Resources Limited	25,000	Ordinary	$0.36	12 February 2012
Geothermal Resources Limited	200,000	Ordinary	$0.86	30 July 2013

All share options are unlisted. The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

No shares were issued by Havilah Resources NL during or since the end of the financial year as a result of the exercise of an option.

DIRECTORS' INTERESTS

The following table sets out each director's relevant interest in shares and options of Havilah Resources NL as at the date of this report.

Directors	Fully Paid Ordinary Shares	Share Options - Listed	Share Options - Unlisted
K R Johnson	2,924,529	-	800,000
C W Giles	10,868,608	-	800,000
K G Williams	214,297	-	200,000

The following table sets out each director's relevant interest in shares and options of Geothermal Resources Limited as at the date of this report.

Directors	Fully Paid Ordinary Shares	Share Options - Listed	Share Options - Unlisted
K R Johnson	671,263	-	750,000
C W Giles	627,726	-	750,000
K G Williams	86,307	-	100,000

MEETINGS OF DIRECTORS

The following table sets out the number of directors' meetings held during the financial year while the person was a director and the number of meetings attended by each director.

Name	Held	Attended
K R Johnson	5	5
C W Giles	5	5
K G Williams	5	5

Due to the Company's size and activities, the Company does not have audit or remuneration committees.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 58 of the annual report.

NON-AUDIT SERVICES

The Directors are of the opinion that the services as disclosed in Note 21 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the year the Company paid a premium in respect of a contract insuring the directors and officers of the Company against a liability incurred as such by a director or officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate, against a liability, incurred as such by an officer or auditor.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors, other key management personnel of the Group and company secretary.

Director and other key management personnel details

The following persons acted as directors or other key management personnel of the Group during or since the end of the financial year:

- K R Johnson (Executive Chairman)
- C W Giles (Executive Technical Director)
- K G Williams (Non-executive Director)

Company Secretary details

The following person acted as company secretary for the Company during or since the end of the financial year:

- E J Grose

Relationship between the remuneration policy and company performance

The tables below set out summary information about the Group's earnings and movements in shareholder wealth to 31 July 2010:

	31 July 2010 $	31 July 2009 $	31 July 2008 $	31 July 2007 $	31 July 2006 $
Revenue	400,564	895,077	1,674,288	948,829	1,295,796
Net loss before tax	(1,116,704)	(1,206,985)	(4,934,837)	(920,665)	(985,201)
Net loss after tax	(1,116,704)	(1,218,212)	(5,687,087)	(437,044)	(947,516)
Loss attributable to equity holders of the parent	(985,808)	(1,118,715)	(4,101,718)	(179,054)	(705,815)

REMUNERATION REPORT (continued)

	31 July 2010 $	31 July 2009 $	31 July 2008 $	31 July 2007 $	31 July 2006 $
Share price at beginning of year	$0.59	$1.15	$2.35	$0.66	$0.99
Share price at end of year	$0.36	$0.59	$1.15	$2.35	$0.66
Basic earnings per share	(1.2) cents	(1.4) cents	(5.1) cents	(0.2) cents	(1.0) cents
Diluted earnings per share	(1.2) cents	(1.4) cents	(5.1) cents	(0.2) cents	(1.0) cents

No dividends have been declared during the five years ended 31 July 2010 and the Directors do not recommend the payment of a dividend in respect of the year ended 31 July 2010.

There is no link between the Group's performance and the setting of remuneration except as discussed below in relation to options for directors, other key management personnel and company secretary.

Remuneration policy

Due to its size, the Group does not have a remuneration committee. The compensation of directors is reviewed by the Board of Directors with the exclusion of the director concerned. The compensation of other key management personnel is reviewed by the Board of Directors.

The Board of Directors assess the appropriateness of the nature and amount of remuneration of such persons on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from retention of high quality directors and other key management personnel. External advice on remuneration matters is sought whenever the Board of Directors deem it necessary.

The remuneration of directors is not dependent on the satisfaction of a performance condition. The remuneration of other key management personnel and company secretary is not dependent on the satisfaction of performance conditions, other than share options that have been granted in the current and prior years.

Remuneration philosophy

The performance of the Group depends on the quality of its directors and other key management personnel and therefore the Group must attract, motivate and retain appropriately qualified industry personnel. The Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract and retain high calibre directors and other key management personnel;
- link executive rewards to shareholder value (by the granting of share options);
- link rewards with the strategic goals and performance of the Group; and
- ensure total remuneration is competitive by market standards.

There is currently no policy or monitoring of key management personnel's limiting their risk in relation to issued options.

Executive Director remuneration

The Board of Directors seek to set remuneration of executive directors at a level which provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is appropriate at this stage of the Group's development.

Currently the Group has services agreements with entities associated with K R Johnson and C W Giles, details of which are set out below.

Non-Executive Director remuneration

The Board of Directors seek to set remuneration of the non-executive director at a level which provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is appropriate at this stage of the Group's development.

Currently, as non-executive director, K G Williams is entitled to receive $25,000 per annum, increased from $20,600 per annum on 1 August 2007. K G Williams is also a non-executive director of Geothermal Resources Limited and Curnamona Energy Limited with which he is entitled to receive $20,000 per annum from each of the respective companies.

REMUNERATION REPORT (continued)

Company Secretary remuneration

E J Grose is the Company's secretary. He is an employee of an entity associated with K R Johnson. He receives no remuneration from the Group, other than share options.

Consultancy Agreements

The Group has entered into consultancy agreements with related entities of K R Johnson and C W Giles. Should the agreements be terminated at an earlier date, a contingency exists for the contracted amount payable to the end of the term. As at 31 July 2010, the Group had a contingent liability in relation to these agreements of $602,600 (2009: $200,000). The Directors may terminate the agreement by giving one month's notice.

Details of consultancy agreements entered into by Havilah Resources NL and outstanding as at 31 July 2010 are set out below.

Director	Type	Details	Term
K R Johnson	Consultancy	Minimum of 1600 hours per annum at $153,492 per annum and additional hours at $100 per hour.	Three years from 21 March 2009 with an option for Havilah Resources NL to extend the term for a further two years on two occasions.
C W Giles	Consultancy	Minimum of 1600 hours per annum at $153,492 per annum and additional hours at $100 per hour.	Three years from 21 March 2009 with an option for Havilah Resources NL to extend the term for a further two years on two occasions.

Details of consultancy agreements entered into by Geothermal Resources Limited and outstanding as at 31 July 2010 are set out below:

Director	Type	Details	Term
K R Johnson	Consultancy	Minimum of 600 hours per annum at $68,220 per annum with additional hours at the rate of $100 per hour.	Three years from 21 March 2006 with an option for Geothermal Resources Limited to extend the term for a further two years on two occasions. The agreement was extended for a further two years on 21 March 2009.
C W Giles	Consultancy	Minimum of 600 hours per annum at $68,220 per annum with additional hours at the rate of $100 per hour.	Three years from 21 March 2006 with an option for Geothermal Resources Limited to extend the term for a further two years on two occasions. The agreement was extended for a further two years on 21 March 2009.

Share-based payments granted as compensation for the current year

The Group operates ownership-based share option schemes for executives, employees and contractors of the particular company. In accordance with the provisions of the plans, as approved by shareholders at previous annual general meetings, the Directors may grant to executives, employees and contractors options to purchase parcels of ordinary shares at an exercise price set by the Directors.

Each share option converts into one ordinary share of the company that issued the share option when exercised. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. One fifth of the options vest in each year (on the grant date in the first year and the anniversary of the grant date in subsequent years) and can be exercised in that year upon vesting. Options not exercised during a particular year will accumulate and may be exercised in subsequent years until their expiry.

REMUNERATION REPORT (continued)

Summary of amounts paid to key management personnel and company secretary

The following table discloses the compensation of the key management personnel and company secretary (E J Grose):

2010	Short term employee benefits (including Consulting Fees*) $	Post employment Super-annuation $	Share-based payments options $**	Total $	Percentage of total remuneration for the year that consists of Options
K R Johnson					
From Havilah Resources NL	160,192	-	-	160,192	-
From Geothermal Resources Limited	87,920	-	-	87,920	-
Total	248,112	-	-	248,112	-
C W Giles					
From Havilah Resources NL	187,943	-	-	187,943	-
From Kalkaroo Copper Pty Ltd	4,000	-	-	4,000	-
From Geothermal Resources Limited	208,545	-	-	208,545	-
Total	400,488	-	-	400,488	-
K G Williams					
From Havilah Resources NL	25,000	-	-	25,000	-
From Geothermal Resources Limited	20,000	-	-	20,000	-
Total	45,000	-	-	45,000	-
E J Grose					
From Havilah Resources NL	-	-	10,020***	10,020	100%
From Geothermal Resources Limited	-	-	495***	495	100%
Total	-	-	10,515	10,515	-
Total	693,600	-	10,515	704,115	-

* Consulting fees paid to nominated company in which the key management personnel has a controlling interest.
** Share options do not represent cash payments to key management personnel and company secretary. Share options granted may or may not be exercised by key management personnel.
*** Amortisation of options granted over vesting period.

2009	Short term employee benefits (including Consulting Fees*) $	Post employment Super-annuation $	Share-based payments options $**	Total $	Percentage of total remuneration for the year that consists of Options
K R Johnson					
From Havilah Resources NL	137,412	-	-	137,412	-
From Geothermal Resources Limited	91,216	-	-	91,216	-
Total	228,628	-	-	228,628	-
C W Giles					
From Havilah Resources NL	153,362	-	-	153,362	-
From Kalkaroo Copper Pty Ltd	21,300	-	-	21,300	-
From Geothermal Resources Limited	155,500	-	-	155,500	-
Total	330,162	-	-	330,162	-
K G Williams					-
From Havilah Resources NL	25,000	-	-	25,000	-
From Geothermal Resources Limited	20,000	-	-	20,000	-
Total	45,000	-	-	45,000	-
E J Grose					
From Havilah Resources NL	-	-	19,420***	19,420	100%
From Geothermal Resources Limited	-	-	1,328***	1,328	100%
Total	-	-	20,748	20,748	-
Total	603,790	-	20,748	624,538	-

* Consulting fees paid to nominated company in which the key management personnel has a controlling interest.
** Share options do not represent cash payments to key management personnel and company secretary. Share options granted may or may not be exercised by key management personnel.
*** Amortisation of options granted over vesting period.

No key management personnel appointed during the year received a payment as part of his consideration for agreeing to hold the position.

REMUNERATION REPORT (continued)

Share options held by key management personnel and company secretary

During the financial year, the following share options were on issue:

Company	Options series	Grant date	Expiry date	Grant date fair value	Vesting date
Havilah Resources NL	(i) Director Options	15 July 2005	15 July 2010	$0.81	15 July 2005
Havilah Resources NL	(ii) Director Options	19 December 2007	10 January 2013	$1.07	10 January 2008
Havilah Resources NL	(iii) Issued 22 April 2008	4 April 2008	4 April 2013	$0.55	*
Geothermal Resources Limited	(iv) Director Options	10 August 2005	21 March 2011	$0.01	21 March 2006
Geothermal Resources Limited	(v) Issued 19 Oct 2006	19 October 2006	19 October 2011	$0.13	*

* One fifth of the options vest in each year (on the grant date in the first year and the anniversary of the grant date in subsequent years) and can be exercised in that year upon vesting. Options not exercised during a particular year will accumulate and may be exercised in subsequent years until their expiry.

There are no further service or performance criteria that need to be met in relation to options granted to directors (option series (i),(ii),(iv) above) before the beneficial interest vests in the recipient. Executives, employees and contractors receiving options under option series (iii), (v), above are entitled to the beneficial interests only if they continue to be employed with the company at the time of the respective vesting dates. The Directors have decided that the performance conditions associated with options are appropriate, after consideration of industry practice.

During the year no share options were issued to key management personnel or company secretary and no options issued to key management personnel or company secretary were exercised. 3,520,000 options held by key management personnel or company secretary lapsed during the year.

Value of options – basis of calculation:

- Value of options granted at grant date is calculated by multiplying the fair value of options at grant date by the number of options granted during the financial year.
- Value of options exercised at exercise date is calculated by multiplying the fair value of options at the time they are exercised (calculated as the difference between exercise price and the Australian Securities Exchange last sale price on the day that the options were exercised) by the number of options exercised during the financial year.
- Value of options lapsed at the lapse date is calculated by multiplying the fair value of options at the time they lapsed by the number of options lapsed during the financial year.

The total value of options included in compensation for the financial year is calculated in accordance with Accounting Standard AASB 2 "Share-based Payment". Options granted during the financial year are recognised in compensation over their vesting period.

Signed on 22 October 2010 in accordance with a resolution of directors made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the Directors.

K R Johnson
Chairman
Adelaide

HAVILAH RESOURCES NL
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 JULY 2010

	Note	Year ended 31/7/2010 $	Year ended 31/7/2009 $
Revenue	3(a)	400,564	895,077
Depreciation and amortisation expense	11	(198,087)	(214,108)
Insurance expense		(103,250)	(156,307)
Annual leave expense		-	(28,419)
Management fees		(346,632)	(343,699)
Consultant fees		(57,158)	(3,078)
Legal fees		(18,105)	(9,022)
Directors fees		(45,000)	(45,000)
Audit and tax fees		(82,000)	(72,000)
ASX listing fees		(45,038)	(50,861)
Shareholder administration fees		(34,248)	(45,869)
Finance costs - Interest on finance leases		(30,987)	(34,869)
Printing expense		(7,008)	(18,269)
Computer charges		(31,871)	(41,459)
Telecommunications expense		(2,873)	(51,236)
Salary expense		(16,742)	-
Exploration expenditure written off	8	(59,740)	(36,929)
Share based payments		(67,365)	(169,788)
Share of loss of associate entity accounted for using the equity method	9	(199,318)	(148,020)
Impairment of other financial assets		(76,208)	(594,453)
Other expenses		(95,638)	(38,676)
Loss before tax	3(b)	(1,116,704)	(1,206,985)
Income tax expense	4	-	(11,227)
Loss for the year		(1,116,704)	(1,218,212)
Other comprehensive income		-	-
Total comprehensive income for the year		(1,116,704)	(1,218,212)
Loss attributable to:			
Owners of the Company	19	(985,808)	(1,118,715)
Non controlling interest		(130,896)	(99,497)
		(1,116,704)	(1,218,212)
	24	(1.2)	(1.4)
Earnings per share: Basic (cents per share)			
Earnings per share: Diluted (cents per share)	24	(1.2)	(1.4)

Notes to the financial statements are included on pages 31 to 56

HAVILAH RESOURCES NL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2010

	Note	31/7/2010 $	31/7/2009 $
Current Assets			
Cash and cash equivalents	5	6,492,540	10,653,345
Trade and other receivables	6	28,640	133,045
Other	7	27,123	37,738
Total Current Assets		6,548,303	10,824,128
Non-Current Assets			
Exploration and evaluation expenditure	8	32,750,661	29,064,082
Investment accounted for using the equity method	9	5,080,093	5,249,858
Other financial assets	10	270,417	346,625
Plant and equipment	11	747,315	759,712
Deferred tax asset	4	-	-
Total Non-Current Assets		38,848,486	35,420,277
TOTAL ASSETS		45,396,789	46,244,405
Current Liabilities			
Trade and other payables	12	268,887	296,117
Borrowings	13	143,688	173,817
Provisions	14	134,360	169,156
Other	36	14,000,000	-
Total Current Liabilities		14,546,935	639,090
Non-Current Liabilities			
Borrowings	15	150,141	162,983
Other	16	2,445,738	16,168,571
Total Non-Current Liabilities		2,595,879	16,331,554
TOTAL LIABILITIES		17,142,814	16,970,644
NET ASSETS		28,253,975	29,273,761
Equity			
Issued capital	17	25,446,287	25,446,287
Reserves	18	8,495,501	8,403,598
Accumulated losses	19	(6,880,514)	(5,894,706)
Equity attributable to owners of the Company		27,061,274	27,955,179
Non-controlling interest		1,192,701	1,318,582
TOTAL EQUITY		28,253,975	29,273,761

Notes to the financial statements are included on pages 31 to 56

HAVILAH RESOURCES NL
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 JULY 2010

	Share capital	Share option reserve	Accumulated losses	Attributable to owners of the parent	Non-controlling interest	Total
	$	$	$	$	$	$
Balance at 1 August 2008	25,446,287	8,202,633	(5,142,088)	28,506,832	923,568	29,430,400
Loss for the year	-	-	(1,118,715)	(1,118,715)	(99,497)	(1,218,212)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	(1,118,715)	(1,118,715)	(99,497)	(1,218,212)
Share based payment	-	158,479	-	158,479	11,309	169,788
Share of associate company's movement in reserves	-	42,486	-	42,486	-	42,486
Shares issued by Geothermal Resources Limited	-	-	-	-	849,299	849,299
Gain attributable to owners of the parent as a result of share issue by Geothermal Resources Limited	-	-	366,097	366,097	(366,097)	-
Balance at 31 July 2009	25,446,287	8,403,598	(5,894,706)	27,955,179	1,318,582	29,273,761
Balance at 1 August 2009	25,446,287	8,403,598	(5,894,706)	27,955,179	1,318,582	29,273,761
Loss for the year	-	-	(985,808)	(985,808)	(130,896)	(1,116,704)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	(985,808)	(985,808)	(130,896)	(1,116,704)
Share based payment	-	62,350	-	62,350	5,015	67,365
Share of associate company's movement in reserves	-	29,553	-	29,553	-	29,553
	25,446,287	8,495,501	(6,880,514)	27,061,274	1,192,701	28,253,975

Notes to the financial statements are included on pages 31 to 56

HAVILAH RESOURCES NL
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2010

	Notes	Year ended 31/7/2010 $	Year ended 31/7/2009 $
Cash flow from operating activities			
Receipts from customers		156,330	281,991
Payments to suppliers		(907,724)	(698,910)
Interest and other costs of finance paid		(30,987)	(34,869)
Net cash used in operating activities	27(b)	(782,281)	(451,788)
Cash flow from investing activities			
Interest received		303,790	587,740
Payments for exploration and evaluation		(3,730,719)	(9,281,711)
Government grant received for exploration activities		277,166	830,211
Net cash inflow from acquisition	34	-	2
Payments for plant and equipment		(20,690)	(19,356)
Net cash used in investing activities		(3,170,453)	(7,883,114)
Cash flow from financing activities			
Proceeds from issue of equity securities by subsidiaries		-	887,320
Payments for share issue costs in subsidiaries		-	(37,424)
Repayment of borrowings		(207,971)	(153,480)
Net cash (used in)/provided by financing activities		(207,971)	696,416
Net decrease in cash		(4,160,805)	(7,638,486)
Cash at beginning of financial year		10,653,345	18,291,831
Cash at end of financial year	27(a)	6,492,540	10,653,345

Notes to the financial statements are included on pages 31 to 56

1 SUMMARY OF ACCOUNTING POLICIES

Statement of compliance

The financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial statements and notes of the Group comply with the International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the Directors on 22 October 2010.

Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

As at 31 July 2010 current liabilities exceed current assets by $7,998,632. Included in current liabilities is an "other liability" of $14,000,000 which is expected to be settled by a non-cash means or deferred within the next 12 months. Refer to Note 36 to the financial statements for further comments.

The Directors are confident that, as a result of the expected settlement or deferral of the "other liability", the Group's cash resources will be sufficient to enable the Group to meet its obligations as and when they fall due.

In the application of accounting standards management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purposes entities) controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests on non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition' the carrying amount of non-controlling interests is the amount of these interests at initial recognition plus non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributable to non-controlling interests even if this results in the non-controlling interest having a deficit basis.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the Company.

Where the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 "Financial Instruments: Recognition and Measurement" or , where appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(b) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the borrowing using the effective interest rate method.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and bank deposits.

(d) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest, are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

i) the rights to tenure of the area of interest are current; and

ii) at least one of the following conditions is also met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, costs of studies, exploration drilling, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they relate directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances (as defined in AASB 6 “Exploration for and Evaluation of Mineral Resources”) suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount. The recoverable amount of the exploration and evaluation assets (or the cash-generating unit(s) to which they have been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment, reclassified to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

(e) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the group in respect of services provided by employees up to reporting date.

Contributions to accumulated benefit superannuation plans are expensed when incurred.

(f) Government grants

Government grants are assistance by government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and the grant will be received. Government grants whose primary condition is to assist with exploration activities are recognised as deferred income in the statement of financial position and recognised as income on a systematic basis when the related exploration and evaluation expenditure is written off or amortised.

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. Government grants receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income in the period in which it becomes receivable.

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(g) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

Other financial assets are classified into the following specified categories: held-to-maturity investments, available-for-sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Held-to-maturity investments
Bills of exchange and debentures are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Available-for-sale financial assets
Certain shares and share options held by the Group are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the year. Fair value has been determined based on quoted market prices.

Loans and receivables
Trade receivables, loans and other receivables are recorded at amortised cost less impairment.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

(h) Financial instruments issued by the Group

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(i) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(j) Impairment of assets (other than exploration and evaluation)

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(k) Income tax

Current tax
Current tax is calculated by references to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group and the Company intends to settle its current tax assets and liabilities on a net basis.

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(k) Income tax (continued)

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Havilah Resources is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the Group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in Note 4 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(l) Joint ventures

Interests in jointly controlled assets and operations are reported in the financial statements by including the Group's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

(m) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset (refer to Note 1(n)).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(n) Plant and equipment

Plant, machinery and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

• Plant and equipment	3-5 years
• Plant and equipment under finance lease	4 years

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(o) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of their fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquistion-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interest in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 "Income Taxes" and AASB 119 "Employee Benefits" respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 "Share-based Payment"; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(p) Revenue recognition

Rendering of services
Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at reporting date
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total costs of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Interest revenue
Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(q) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that vest on or after 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(r) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

(s) Adoption of new and revised accounting standards

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 8 "Operating Segments" - refer Note 2 to the financial statements
- AASB 101 "Presentation of Financial Statements"

The adoption of AASB 101 "Presentation of Financial Statements" resulted in changes to the Group's presentation of, or disclosure in, its financial statements in that, the Group no longer presents an income statement and a statement of recognised income and expenses, but presents a statement of comprehensive income and a statement of changes in equity.

Various Standards and Interpretations were on issue but were not yet effective at the date of authorisation of the financial report. The issue of these Standards and Interpretations does not affect the Group's present policies and operations. The directors anticipate that the adoption of these Standards and Interpretations in future periods will not materially affect the amounts recognised in the financial statements of the Group but may change the disclosure presently made in the financial statements of the Group.

2 SEGMENT INFORMATION

The Group has adopted AASB 8 "Operating Segments" with effect from 1 August 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (being the Directors in the case of the Group) in order to allocate resources to the segment and to assess its performance.

The Group manages its various exploration interests in Australia on a portfolio basis. There are two distinct portfolios, namely exploration activities undertaken by Havilah Resources NL and its wholly owned subsidiaries ("Havilah") and Geothermal Resources Limited and its wholly owned subsidiary ("Geothermal"). The decision to allocate resources to individual projects within each of the two portfolios is predominately based on available cash reserves, technical data and the expectations of future commodity and/or energy prices. The Group's investment in its associate, Curnamona Energy Limited, is treated as a standalone investment and is not actively monitored by the Directors.

Consistent with the above, internal reports provided to the Directors for assessing performance and determining the allocation of resources within the Group only provide information about the cash resources available to each of Havilah and Geothermal, together with the related technical data arising from exploration in each entity's portfolio.

In the opinion of the Directors, the group effectively operates in two segments, being Havilah exploration in Australia and Geothermal exploration in Australia. As at 31 July 2010 the available cash reserve for Havilah and Geothermal was $6,126,262 and $266,278 respectively (2009: $9,472,533 and $1,080,812 respectively).

Previously the Group reported that it operated in one segment, being exploration in Australia.

	Year ended 31/7/10 $	Year ended 31/7/09 $
3 LOSS FROM OPERATIONS		
(a) Revenue		
Revenue consisted of the following items:		
Interest revenue – bank deposits	304,190	588,870
Services	89,991	294,326
Other revenue	6,383	11,881
	400,564	895,077
(b) Loss before income tax has been arrived at after charging the following expenses from continuing operations		
Impairment of other financial assets	(76,208)	(594,453)
Employee benefits expense:		
Share-based payments:		
Equity-settled share-based payments(i)	(67,365)	(169,788)
Annual leave expense	-	(28,419)
Other employee benefits	(61,742)	(45,000)
Total employee benefit expense	(129,107)	(243,207)

(i) Equity-settled share-based payments relate to share options granted during the current year and amortisation of options granted in prior periods to key management personnel and employees. Share options do not represent cash payments to key management personnel or employees and share options granted may or may not be exercised by the key management personnel or employee.

	Year ended 31/7/10 $	Year ended 31/7/09 $
4 INCOME TAX		
(a) Income tax recognised in profit or loss		
Current tax expense/(income)	-	-
Adjustments recognised in the current year in relation to the current tax of prior years	-	70,699
Deferred tax expense/(income) relating to the origination and reversal of temporary differences and tax losses (Note 4d)	-	(59,472)
Total tax expense/(income)	-	11,227
The prima facie income tax expense/(income) on loss before income tax reconciles to the tax expense/(income) in the financial statements as follows:		
Loss before tax	(1,116,704)	(1,206,985)
Income tax income calculated at 30%	(335,011)	(362,096)
Share based payments	20,210	50,937
Share of losses of associated entity	59,795	44,406
Other	59,667	45,176
Revenue tax losses not recognised	368,092	330,758
Prior year revenue tax losses recognised	(172,753)	(168,653)
	-	(59,472)
Adjustments recognised in the current year in relation to the current tax of prior years	-	70,699
	-	11,227

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	Year ended 31/7/10 $	Year ended 31/7/09 $
4 INCOME TAX (continued)		
(b) Recognised deferred tax assets and (liabilities):		
Deferred tax assets and (liabilities) are attributable to the following:		
Trade and other receivables	(274)	(234)
Exploration and evaluation expenditure	(9,763,928)	(8,614,252)
Other financial assets	142,250	121,461
Trade and other payables	34,405	41,778
Provisions	40,308	50,747
Other liabilities	733,507	650,571
Share issue costs	12,046	27,485
	(8,801,686)	(7,722,444)
Tax value of losses carried forward	8,801,686	7,722,444
Net deferred tax assets/(liabilities)	-	-
(c) Unrecognised deferred tax assets:		
Deferred tax assets have not been recognised in respect of the following items:		
Revenue tax losses:		
Entities in tax consolidation group	668,253	2,264,744
Other subsidiaries	338,977	247,656
Capital tax losses	10,670	10,670
	1,017,900	2,523,070

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

	Year ended 31/7/10 $	Year ended 31/7/09 $
(d) Movement in recognised net deferred tax asset:		
Opening balance	-	-
Recognised in equity	-	11,227
Recognised in income	-	(11,227)
Closing balance	-	-

(e) Tax consolidation

Relevance of tax consolidation to the Group

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Havilah Resources NL. The members of the tax-consolidated group are identified at Note 30 to the financial statements.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax-funding arrangement and a tax-sharing arrangement with the head entity. Under the terms of the tax-funding arrangement, Havilah Resources NL and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax-sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax-sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax-funding agreement.

		31/7/10 $	31/7/09 $
5	**CURRENT ASSETS – CASH AND CASH EQUIVALENTS**		
	Cash on hand	140	140
	Cash at bank	277,276	502,976
	Cash on deposit	6,215,124	10,150,229
		6,492,540	10,653,345

		31/7/10 $	31/7/09 $
6	**CURRENT TRADE AND OTHER RECEIVABLES**		
	Amounts due from associates[a]	5,115	50,520
	GST recoverable	21,948	81,348
	Accrued interest receivable	1,577	1,177
		28,640	133,045

(a) The average credit period is 30 days.
No interest is charged on amounts due

		31/7/10 $	31/7/09 $
7	**CURRENT ASSETS-OTHER**		
	Prepayments	27,123	37,738

		31/7/10 $	31/7/09 $
8	**NON-CURRENT EXPLORATION AND EVALUATION EXPENDITURE**		
	Cost brought forward	29,064,082	21,629,498
	Acquisition of tenements	-	17,498
	Expenditure incurred during the year	3,746,319	7,454,015
	Exploration expenditure written off	(59,740)	(36,929)
	Cost carried forward	32,750,661	29,064,082

Expenditure written off relates to exploration and evaluation expenditure associated with tenements or parts of tenements that have been surrendered.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

		31/7/10 $	31/7/09 $
9	**INVESTMENT ACCOUNTED FOR USING EQUITY METHOD**		
	Investment in associate	5,080,093	5,249,858

			Ownership interest	
Name of entity	**Country of incorporation**	**Principal activity**	**2010 %**	**2009 %**
Curnamona Energy Limited	Australia	Exploration	45.4	45.4

	31/7/10 $	31/7/09 $
9 INVESTMENT ACCOUNTED FOR USING EQUITY METHOD (continued)		
Summarised financial information in respect of the Group's associate is set out below:		
Financial position		
Total assets	12,316,020	13,012,007
Total liabilities	540,450	862,340
Net assets	11,775,570	12,149,667
Group's share of associate's net assets	5,080,093	5,249,858
Financial performance		
Total revenue	281,925	410,175
Total loss for the period	(439,221)	(326,179)
Group's share of associate's loss	(199,318)	(148,020)
Movement in reserves	65,124	93,621
Group's share of associate's movement in reserves	29,553	42,486

Contingent liabilities and capital commitments

The Group's share of contingent liabilities and capital commitments of the associate is disclosed in Note 23 to the financial statements.

	31/7/10 $	31/7/09 $
10 OTHER FINANCIAL ASSETS		
At cost:		
Options for shares in other entity	-	2,458
At fair value:		
Available-for-sale financial assets:		
Shares in other entity	270,417	344,167
	270,417	346,625

	Plant and Equipment at cost $	Equipment under finance lease at cost $	Total $
11 PLANT AND EQUIPMENT			
Gross carrying amount			
Balance at 1 August 2008	737,346	711,380	1,448,726
Additions	19,356	-	19,356
Balance at 1 August 2009	756,702	711,380	1,468,082
Additions	20,690	165,000	185,690
Transfer	89,668	(89,668)	-
Balance at 31 July 2010	867,060	786,712	1,653,772
Accumulated depreciation/amortisation			
Balance at 1 August 2008	301,133	193,129	494,262
Depreciation/amortisation expense	114,867	99,241	214,108
Balance at 1 August 2009	416,000	292,370	708,370
Depreciation/amortisation expense	86,802	111,285	198,087
Transfer	49,354	(49,354)	-
Balance at 31 July 2010	552,156	354,301	906,457
Net Book Value			
At 31 July 2009	340,702	419,010	759,712
At 31 July 2010	314,904	432,411	747,315

		31/7/10 $	31/7/09 $
12	**CURRENT LIABILITIES – TRADE AND OTHER PAYABLES**		
	Trade payables [(a)]	38,916	59,870
	Accruals	134,784	176,585
	Amounts payable to related entities of key management personnel [(a)]	95,187	59,662
		268,887	296,117

(a) The average credit period on purchases is 30 days.
No interest is charged on payables.

13	**CURRENT LIABILITIES – BORROWINGS**		
	Secured:		
	Finance lease liability at amortised cost (Note 29) [(a)]	143,688	173,817

(a) Secured by the assets leased. The borrowings are fixed interest rate debt with repayment periods not exceeding 4 years. The current weighted average effective interest rate on the finance lease liabilities is 8.52% p.a.. (2009: 8.31% p.a).

14	**CURRENT PROVISIONS**		
	Employee benefits	134,360	169,156
15	**NON-CURRENT LIABILITIES – BORROWINGS**		
	Secured:		
	Finance lease liability at amortised cost (Note 29) [(a)]	150,141	162,983

a) Secured by the assets leased. The borrowings are fixed interest rate debt with repayment periods not exceeding 4 years. The current weighted average effective interest rate on the finance lease liabilities is 8.52% p.a. (2009: 8.31% p.a.).

16	**NON-CURRENT LIABILITIES - OTHER**		
	Deferred income (government grants received (PACE and REDI) for exploration activities)	2,445,738	2,168,571
	Other [(a)]	-	14,000,000
		2,445,738	16,168,571

(a) This amount related to funding received from Glencore International AG, refer to Note 36 of the financial statements for further details.

17	**ISSUED CAPITAL**		
	81,978,521(2009: 81,978,521) fully paid ordinary shares	25,446,287	25,446,287

The Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

		31/7/10 $	31/7/09 $
18	**RESERVES**		
	Share option reserve	8,495,501	8,403,598

The share option reserve arises on the grant of share options:

- to key management personnel, employees and contractors under the share option plans
- others

Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to key management personnel and employees is made in Note 28 to the financial statements.

	Year ended 31/7/10 $	Year ended 31/7/09 $
19 ACCUMULATED LOSSES		
Balance at the beginning of the financial year	(5,894,706)	(5,142,088)
Net loss	(985,808)	(752,618)
Gain attributable to owners of the parent as a result of share issue by Geothermal Resources Limited	-	366,097
Balance at the end of the financial year	(6,880,514)	(5,894,706)

20 KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group during the year were:

- Keith Robert Johnson (Executive Chairman)
- Christopher William Giles (Executive Technical Director)
- Kenneth Graham Williams (Non Executive Director)

The aggregate compensation of key management personnel of the Group is set out below:

Short-term employee benefits	693,600	603,790
Share-based payments (i)	-	-
	693,600	603,790

(i) Share-based payments relate to share options granted during the year to key management personnel. Share options do not represent cash payments to key management personnel and share options granted may or may not be exercised by key management personnel.

As the majority of short term employee benefit relates to exploration activities, they are capitalised as part of exploration and evaluation expenditure (Note 8).

21 REMUNERATION OF AUDITOR

Audit and review of the financial reports:		
Havilah Resources NL and wholly owned subsidiaries	48,500	38,500
Geothermal Resources Ltd and wholly owned subsidiary	27,500	24,500
Training	5,008	-
REDI grant audit	6,000	3,000
Tax services	-	6,000
	87,008	72,000

The auditor of Havilah Resources NL is Deloitte Touche Tohmatsu.

22 RELATED PARTY DISCLOSURES

a) Equity interests in related parties

Equity interest in subsidiaries
Details of the percentage of ordinary shares in subsidiaries are disclosed in Note 30 to the financial statements.

Equity interest in associate
Details of the percentage of ordinary shares in the associate are disclosed in Note 9 to the financial statements.

b) Key management personnel compensation

Details of key management compensation are disclosed in Note 20 to the financial statements.

22 RELATED PARTY DISCLOSURES (continued)

c) Transactions with key management personnel and the related entities

During the year, related entities of certain key management personnel provided administration services and drilling services to the Group on normal commercial terms and conditions totaling $1,017,544 (2009: $610,884).

Details of the amounts paid by Havilah Resources NL and its wholly owned subsidiaries are set out below.

	Type of Service	Amount 2010 $	Amount 2009 $	Terms and Conditions
K R Johnson	Administration	173,148	171,441	$13,575 per month to September 2008 then $14,429 per month, for the provision of office space, general administration and accounting services. The agreement was extended for a further two years on 18 March 2010.
K R Johnson	Administration	24,175	12,000	Preparation and publishing of annual report at hourly rates varying from $75 to $175.
K R Johnson	Drilling plant hire and services	343,467	18,079	Drilling services and sample preparation services are charged at various rates per metre ($17 to $40) and various hourly rates ($60 to $340).
K R Johnson	Maintenance for Vulcan software	14,886	12,922	One year's charge at 15% of original purchase price.
K R Johnson	General services	67,294	56,571	Purchase of sundry computer hardware and provision of employee mobile phone plans and benefits.
K R Johnson	Consultancy	198,000	-	Consulting services are charged at a daily rate of $2000.

Details of the amounts paid by Geothermal Resources Limited are set out below.

	Type of Service	Amount 2010 $	Amount 2009 $	Terms and Conditions
K R Johnson	Administration	173,482	171,768	$13,600 per month to September 2009 then $14,457 per month for the provision of office space, general administration and accounting services. The agreement was extended for a further two years on 21 March 2010.
K R Johnson	Administration	23,092	13,560	Preparation and publishing of annual and quarterly reports at hourly rates varying from $75 to $175 and provision of employee mobile phone plans and benefits.
K R Johnson	Drilling plant hire and services	-	154,543	Drilling services and sample preparation services are charged at various rates per metre ($17 to $40) and various hourly rates ($60 to $340).

d) Key management personnel equity holdings

Fully paid ordinary shares issued by Havilah Resources NL

2010	Balance at 31 July 2009 Number	Net other changes Number	Balance at 31 July 2010 Number	Balance held Nominally Number
K R Johnson	2,904,529	20,000	2,924,529	-
C W Giles	10,868,608	-	10,868,608	-
K G Williams	214,297	-	214,297	-

2009	Balance at 31 July 2008 Number	Net other changes Number	Balance at 31 July 2009 Number	Balance held Nominally Number
K R Johnson	2,898,529	6,000	2,904,529	-
C W Giles	8,618,608	2,250,000	10,868,608	-
K G Williams	214,297	-	214,297	-

22 RELATED PARTY DISCLOSURES (continued)

d) Key management personnel equity holdings (continued)

Options issued by Havilah Resources NL

2010	Balance 31 July 2009 Number	Listed options acquired during the year	Listed options expired during the year	Unlisted options expired during the year	Balance 31 July 2010 Number	Balance vested at 31 July 2010 Number	Vested and exercis-able Number	Vested but not exercis-able Number	Options vested during year Number
K R Johnson	2,450,562	-	(562)	(1,650,000)	800,000	800,000	800,000	-	-
C W Giles	2,950,858	-	(500,858)	(1,650,000)	800,000	800,000	800,000	-	-
K G Williams	448,569	-	(28,569)	(220,000)	200,000	200,000	200,000	-	-

2009	Balance 31 July 2008 Number	Listed options acquired during the year	Listed options expired during the year	Unlisted options expired during the year	Balance 31 July 2009 Number	Balance vested at 31 July 2009 Number	Vested and exercis-able Number	Vested but not exercis-able Number	Options vested during year Number
K R Johnson	2,450,562	-	-	-	2,450,562	2,450,562	2,450,562	-	-
C W Giles	2,456,500	494,358	-	-	2,950,858	2,950,858	2,950,858	-	-
K G Williams	448,569	-	-	-	448,569	448,569	448,569	-	-

Fully paid ordinary shares issued by Geothermal Resources Limited

2010	Balance 31 July 2009 Number	Net other changes Number	Balance at 31 July 2010 Number	Balance held Nominally Number
K R Johnson	671,263	-	671,263	-
C W Giles	627,726	-	627,726	-
K G Williams	86,307	-	86,307	-

2009	Balance 31 July 2008 Number	Net other changes Number	Balance at 31 July 2009 Number	Balance held Nominally Number
K R Johnson	530,638	140,625	671,263	-
C W Giles	487,101	140,625	627,726	-
K G Williams	39,432	46,875	86,307	-

Options issued by Geothermal Resources Limited

2010	Balance 31 July 2009 Number	Granted as compens-ation Number	Exercised during the year Number	Balance 31 July 2010 Number	Balance vested at 31 July 2010 Number	Vested and exercisable Number	Vested but not exercisable Number	Options vested during year Number
K R Johnson	750,000	-	-	750,000	750,000	750,000	-	-
C W Giles	750,000	-	-	750,000	750,000	750,000	-	-
K G Williams	100,000	-	-	100,000	100,000	100,000	-	-

2009	Balance 31 July 2008 Number	Granted as compens-ation Number	Exercised during the year Number	Balance 31 July 2009 Number	Balance vested at 31 July 2009 Number	Vested and exercisable Number	Vested but not exercisable Number	Options vested during year Number
K R Johnson	750,000	-	-	750,000	750,000	750,000	-	-
C W Giles	750,000	-	-	750,000	750,000	750,000	-	-
K G Williams	100,000	-	-	100,000	100,000	100,000	-	-

e) Transactions with Geothermal Resources Limited

During the year ended 31 July 2010 the Group charged $115,632 (2009: $149,129), on normal commercial terms and conditions, to Geothermal Resources Ltd in relation to the hire of equipment and labour relating to exploration activities. There are no amounts outstanding at year end.

During the financial year ended 31 July 2010 the Group incurred $54,928 (2009: nil), on normal commercial terms and conditions from Geothermal Resources Limited for hire of equipment relating to exploration activities. There are no amounts outstanding at year end.

22 RELATED PARTY DISCLOSURES (continued)

f) Transactions involving Curnamona Energy Limited

During the year ended 31 July 2010 the Group charged $71,638 (2009: $188,791), on normal commercial terms and conditions, to Curnamona Energy Limited in relation to the hire of equipment and labour relating to exploration activities. There are no amounts outstanding at year end.

During the financial year ended 31 July 2010 the Group incurred $89,659 (2009: $58,740), on normal commercial terms and conditions from Curnamona Energy Limited for hire of equipment relating to exploration activities. There are no amounts outstanding at year end.

g) Ultimate parent entity

The ultimate parent entity is Havilah Resources NL.

23 COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

a) Exploration Expenditure Commitments

The Group has certain obligations to perform exploration work and expend minimum amounts of money on such works on mineral exploration tenements.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences, and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the Group.

Total expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements, excluding commitments where a joint venture party has agreed to meet the Group's obligations, are approximately:

	Year ended 31/7/10 $	**Year ended 31/7/09 $**
No later than one year	1,960,000	1,981,000
Later than one year but not later than two years	980,000	1,750,000
Later than two years but not later than five years	1,540,000	1,680,000
	4,480,000	5,411,000

The Group has certain exploration obligations on areas covered by the various geothermal exploration licences in accordance with the work programs as approved by the Minister for Mineral Resources Development ("Minister").

The minimum work requirements for the geothermal exploration licences are set out below:

Year of term of licence	Minimum work requirements
One	Geological and geophysical studies
Two	Geological and geophysical studies
Three	Geological and geophysical studies
Four	Drill one deep well
Five	Flow test well, review data and renewal studies

The above work can be conducted anywhere within the boundaries of the Group's four geothermal licences.

The minimum work requirement in relation to the petroleum exploration licences is to provide to Primary Industries and Resources SA by 27 April 2011 a plan to drill a well or do a seismic survey.

The Group, when requested by the Minister, must lodge and maintain with the Minister a security of $50,000 or such greater sum as specified by the Minister for geothermal exploration licences. The security will either be cash or an unconditional irrevocable bank guarantee or letter in a form and from a financial institution approved by the Minister. As at 31 July 2010, an unconditional irrevocable bank guarantee for $100,000 (2009: $100,000) had been provided.

23 COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES (continued)

b) Associate Company's Exploration Expenditure Commitments

Curnamona Energy Limited has certain obligations to perform exploration work and expend minimum amounts of money on such works on mineral exploration tenements.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences, and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the Group.

The Group's share of Curnamona Energy Limited expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	Year ended 31/7/10 $	Year ended 31/7/09 $
No later than one year	249,700	272,400
Later than one year but not later than two years	249,700	272,400
Later than two years but not later than five years	77,180	394,980
	576,580	939,780

c) Consultancy and Management Services Agreements

The Group has entered into consultancy and management service agreements with related entities of K R Johnson and C W Giles. Should the agreements be terminated at an earlier date, a contingency exists for the contracted amount payable to the end of the term. As at 31 July 2010 the Group had a contingent liability in relation to these agreements of $1,180,316 (2009: $431,080). The Directors may terminate the agreement by giving one month's notice.

Details of the agreements entered into by Havilah Resources NL and outstanding as at 31 July 2010 are set out below.

Director	Type	Details	Term
K R Johnson	Consultancy	Minimum of 1600 hours per year at $153,492 per annum, with additional hours at the rate of $100 per annum.	Three years from 21 March 2009 with an option for Havilah Resources NL to extend the term for a further two years on two occasions.
C W Giles	Consultancy	Minimum of 1600 hours per year at $153,492 per annum, with additional hours at the rate of $100 per annum.	Three years from 21 March 2009 with an option for Havilah Resources NL to extend the term for a further two years on two occasions.
K R Johnson	Management Services	$173,148 per annum for the provision of office space, general administration and accounting services.	Agreement is for two years from 18 March 2010.

Details of management and service agreements entered into by the Geothermal Resources Limited and outstanding as at 31 July 2010 are set out below:

Director	Type	Details	Term
K R Johnson	Consultancy	Minimum of 600 hours per year at $68,220 per annum with additional hours at $100 per hour.	Three years from 21 March 2006 with an option for Geothermal Resources Limited to extend the term for a further two years on two occasions.
C W Giles	Consultancy	Minimum of 600 hours per year at $68,220 per annum with additional hours at $100 per hour.	Three years from 21 March 2006 with an option for Geothermal Resources Limited to extend the term for a further two years on two occasions.
K R Johnson	Management Services	$163,200 per annum to September 2008 then increased to $173,484 per annum.	$13,600 per month to September 2008 then $14,457 per month for the provision of office space, general administration and accounting services. The agreement was extended for a further two years on 21 March 2010.

d) Native Title

Native title claims exist over some tenements in South Australia in which the Group has interests. The Group is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Group or its projects.

24 EARNINGS PER SHARE

	2010 Cents per Share	2009 Cents per Share
Basic earnings per share – from continuing operations	(1.2)	(1.4)
Diluted earnings per share – from continuing operations	(1.2)	(1.4)

Basic and Diluted Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2010 $	2009 $
Net loss for the year	(985,808)	(1,118,715)

Earnings used in the calculation of basic and diluted earnings per share agree directly to the net loss attributable to members of the parent entity in the statement of comprehensive income.

	2010 Number	2009 Number
Weighted average number of ordinary shares	81,978,521	81,978,521

The number of ordinary shares used in the calculation of diluted earnings per share is the same as the number used in the calculation of basic earnings per share, as options are not considered dilutive.

25 COMPANY STATUS

Havilah Resources NL is a public company incorporated and operating in Australia.

26 FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 13 and 15, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in Notes 17, 18 and 19 respectively.

Due to the nature of the Group's activities (exploration) the Directors believe that the most advantageous way to fund activities is through equity and secured borrowings. The Group's exploration activities are monitored to ensure that adequate funds are available.

	31/7/10 $	31/7/09 $
Categories of financial instruments:		
Financial assets		
Cash and cash equivalents	6,492,540	10,653,345
Loans and receivables	28,640	133,045
Available for sale	270,417	344,167
Other financial assets	-	2,458
Financial liabilities		
Amortised cost	562,716	632,917

Interest rate risk management

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

26 FINANCIAL INSTRUMENTS (continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net loss would decrease/increase by $42,865 (2009: decrease/increase by $72,363). This is attributable to interest rates on bank deposits.

The Group's sensitivity to interest rates has decreased compared to the prior year as a result of the decrease in cash and cash equivalents.

Other price risks

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. At reporting date, if the equity prices had been 5% higher or lower, the Group's net loss would decrease/ increase by $13,521 (2009: $17,208).

The Group's sensitivity to equity prices has not changed significantly from the prior year.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from activities.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, other than deposits with the Group's banker. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than one year $	One to two years $	Two to five years $
2010				
Non-interest bearing	-	268,887	-	-
Fixed interest rate instruments	8.52%	162,684	105,704	54,736
2009				
Non-interest bearing	-	296,117	-	-
Fixed interest rate instruments	8.31%	194,758	114,624	60,313

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. The fair value of the finance lease liability is not materially different to its carrying amount.

	Year ended 31/7/10 $	Year ended 31/7/09 $
27 NOTES TO THE STATEMENT OF CASH FLOWS		
a) Reconciliation of cash		
Cash on hand	140	140
Cash at bank	277,276	502,976
Cash on deposit	6,215,124	10,150,229
	6,492,540	10,653,345
b) Reconciliation of loss to net cash used in operating activities		
Loss for the year	(1,116,704)	(1,218,212)
Depreciation and amortisation	198,087	214,108
Equity settled share based payments	67,365	169,788
Interest revenue	(304,190)	(588,870)
Loss on other financial assets	76,208	594,453
Share of loss of associated entity	199,318	148,020
Capitalised exploration expenditure written off	59,740	36,929
(Increase)/decrease in assets:		
Trade and other receivables	104,805	75,583
Other assets	10,615	38,892
Deferred tax assets	-	11,227
Increase/(decrease) in liabilities:		
Trade and other payables	(42,829)	37,875
Provisions	(34,796)	28,419
Net cash used in operating activities	(782,381)	(451,788)

c) Non cash financing and investing activities

During the year the Group acquired equipment to the value of $165,000 (2009: nil) through finance leases. These amounts are not reflected in the cash flow statement.

d) Cash balances not available for use

The Group has provided a term deposit for $100,000 (2009: $100,000) to its banker as security for a bank guarantee given to the Minister for Mineral Resources Development. The bank guarantee is in relation to the Group's geothermal exploration activities.

28 SHARE OPTION PLANS FOR DIRECTORS AND EMPLOYEES

The Group has ownership-based remuneration schemes (share options) for directors and employees. The share options are not listed, carry no rights to dividends and no voting rights.

Employee Share Option Plan

The Group has established employee share option plans for Havilah Resources NL and Geothermal Resources Ltd. In accordance with the provisions of the plans, as approved by shareholders at the relevant annual general meeting, directors may issue options to purchase shares in the relevant company to executives, employees and contractors at an issue price determined by the market price of ordinary shares at the time the option is granted. No directors participate in the Employee Share Option Plans.

Each option is to subscribe for one fully paid ordinary share in the relevant company, with the option expiring five years from date of issue. One fifth of the options granted will vest, and can be exercised, in any one year and options not exercised during a particular year will accumulate and may be exercised in subsequent years, until their expiry.

Havilah Resources NL Director Options

The Company on 10 January 2008 granted 1,800,000 options to directors. Details of the number issued to each director are set out in Note 22 to the financial statements.

The optionholder is entitled, on payment of the relevant exercise price per share to be allotted one ordinary share in the Company for each option exercised. The options are exercisable in whole or in part at any time on or before midnight on the relevant expiry date. Options not exercised before the expiry of the exercise period will lapse.

28 SHARE OPTION PLANS FOR DIRECTORS AND EMPLOYEES (continued)

Geothermal Resources Limited Director Options

Geothermal Resources Limited on 10 August 2005 granted 1,600,000 options to directors. Details of number issued to each director are set out in Note 22 to the financial statements.

The optionholder is entitled, on payment of 60 cents per share to be allotted one ordinary share in the Company for each option exercised. The options are exercisable in whole or in part at any time on or before midnight on 21 March 2011. Options not exercised before the expiry of the exercise period will lapse.

The following share-based payments were in existence during the current and comparative reporting periods:

Havilah Resources NL

Option series	Number	Grant date	Expiry date	Exercise price $	Fair value of each option at grant date $
Employee share option plan					
Issued 8 October 2003	100,000	8 October 2003	8 October 2008	0.25	0.06
Issued 9 May 2005	200,000	9 May 2005	9 May 2009	1.02	0.49
Issued 29 August 2005	100,000	29 August 2005	29 August 2010	1.06	0.71
Issued 17 February 2006	200,000	17 February 2006	17 February 2011	0.96	0.34
Issued 19 October 2006	90,000	19 October 2006	19 October 2011	0.75	0.30
Issued 12 February 2007	275,000	12 February 2007	12 February 2012	1.78	0.47
Issued 13 April 2007	100,000	13 April 2007	13 April 2012	2.12	1.37
Issued 8 June 2007	150,000	8 June 2007	8 June 2012	2.31	1.07
Issued 17 December 2007	300,000	17 December 2007	17 December 2012	2.18	0.73
Issued 4 April 2008	350,000	4 April 2008	4 April 2013	1.50	0.55
Issued 28 August 2008	50,000	28 August 2008	28 August 2013	1.32	0.32
Issued 23 March 2009	400,000	23 March 2009	23 March 2014	0.46	0.17
Director options					
Issued 15 July 2005	3,520,000	15 July 2005	15 July 2010	1.18	0.81
Issued 10 January 2008	1,800,000	19 December 2007	10 January 2013	1.99	1.07

Weighted average remaining contractual life of share options under the Havilah Resources NL director and employee share option plans is 854 days (2009: 774 days).

Geothermal Resources Limited

Option series	Number	Grant date	Expiry date	Exercise price $	Fair value of each option at grant date $
Employee share option plan					
Issued 19 October 2006	200,000	19 October 2006	19 October 2011	0.31	0.13
Issued 12 February 2007	25,000	12 February 2007	12 February 2012	0.36	0.19
Issued 30 July 2008	200,000	30 July 2008	30 July 2013	0.86	0.29
Director options					
Issued 10 August 2005	1,600,000	10 August 2005	21 March 2011	0.60	0.01

Weighted average remaining contractual life of share options under the Geothermal Resources Limited director and employee share option plans is 343 days (2009: 708 days).

The options were priced using the Black-Scholes model.

Set out below are the inputs used in the Black-Scholes model to value options granted during the current and comparative reporting period:

28 SHARE OPTION PLANS FOR DIRECTORS AND EMPLOYEES (continued)

Havilah Resources NL

Option series	28 August 2008	23 March 2009
Grant date share price	$0.90	$0.34
Exercise price	$1.32	$0.46
Expected volatility	66.2%	88.8%
Option life	5 years	5 years
Dividend yield	-	-
Risk free interest rate	5.25%	3.25%

The following reconciles the outstanding share options granted to employees and directors at the beginning and end of the financial year:

Havilah Resources NL

	Year ended 31/7/10		Year ended 31/7/09	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	6,885,000	1.42	7,185,000	1.47
Granted during the financial year	-	-	450,000	0.56
Forfeited during the financial year	(290,000)	1.83	(450,000)	1.80
Expired during the financial year	(3,520,000)	1.18	(300,000)	0.76
Balance at end of financial year (i)	3,075,000	1.65	6,885,000	1.42
Exercisable at end of financial year	2,660,000	1.75	5,995,000	1.44

(i) Balance at end of the financial year

Grant date	Number	Exercise price	Expiry date
29 August 2005	100,000	$1.06	29 August 2010
17 February 2006	200,000	$0.96	17 February 2011
19 October 2006	50,000	$0.75	19 October 2011
12 February 2007	75,000	$1.78	12 February 2012
13 April 2007	100,000	$2.12	13 April 2012
8 June 2007	50,000	$2.31	8 June 2012
17 December 2007	100,000	$2.18	17 December 2012
19 December 2007	1,800,000	$1.99	10 January 2013
4 April 2008	200,000	$1.50	4 April 2013
23 March 2009	400,000	$0.46	23 March 2014
	3,075,000		

The share options outstanding at the end of the end of the financial year had an average exercise price of $1.65 (2009: $1.42) and a weighted average remaining contractual life of 854 days (2009: 774 days).

Geothermal Resources Limited

	Year ended 31/7/10		Year ended 31/7/09	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	2,025,000	0.59	2,025,000	0.59
Balance at end of financial year (i)	2,025,000	0.59	2,025,000	0.59
Exercisable at end of financial year	1,900,000	0.59	1,815,000	0.59

28 SHARE OPTION PLANS FOR DIRECTORS AND EMPLOYEES (continued)

Geothermal Resources Limited (continued)

(i) Balance at end of the financial year

Grant date	Number	Exercise price	Expiry date
10 August 2005	1,600,000	$ 0.60	21 March 2011
19 October 2006	200,000	$0.31	19 October 2011
12 February 2007	25,000	$0.36	12 February 2012
30 July 2008	200,000	$0.86	30 July 2013
	2,025,000		

(ii) The share options outstanding at the end of the financial year had an average exercise price of $0.59 (2009: $0.59) and a weighted average remaining contractual life of 343 days (2009: 708 days).

29 LEASES

Finance lease arrangements relate to plant and equipment with a term of four years.

	Minimum future lease payments 2010 $	Minimum future lease payments 2009 $	Present value of minimum future lease payment 2010 $	Present value of minimum future lease payment 2009 $
Not later than one year	162,684	194,758	143,688	173,817
Later than one year and not later than 5 years	160,440	174,937	150,141	162,983
Minimum lease payments	323,124	369,695	293,829	336,800
Less future finance charges	(29,295)	(32,895)	-	-
Present value of minimum lease payments	293,829	336,800	293,829	336,800

Included in the financial statements as:

Current interest bearing liabilities (Note 13)	143,688	173,817
Non current interest bearing liabilities (Note 15)	150,141	162,983
Total	293,829	336,800

30 SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest 2010 %	Ownership interest 2009 %
Parent entity			
Havilah Resources NL(i)	Australia		
Subsidiaries			
Kalkaroo Copper Pty Ltd(i)	Australia	100%	100%
Mutooroo Metals Pty Ltd(i)	Australia	100%	100%
Benagerie Gold Pty Ltd(i)	Australia	100%	100%
Lilydale Iron Pty Ltd(i) (ii)	Australia	100%	-
Geothermal Resources Limited	Australia	58.68%	58.68%
Neo Oil Pty Ltd	Australia	58.68%	58.68%

(i) These companies are members of the tax-consolidated group.
(ii) The Company was incorporated on 22 April 2010 and on that date became a subsidiary of Havilah Resources NL.

31 JOINT VENTURE ASSETS

The Group's interests in unincorporated joint venture assets were as follows:

	Year ended 31/7/10	Year ended 31/7/09
Eurinella Joint Venture	70%	70%
Prospect Hill Joint Venture	Earnt 65%	Increasing to 65%
Kalkaroo Joint Venture(i)	Decreasing to 84%	Decreasing to 84%
Pernatty Joint Venture	Decreasing to 25%	Decreasing to 30%

The above joint ventures are only involved in exploration and evaluation activities. The amount included in exploration and evaluation expenditure (Note 8 to the financial statements) includes $15,180,094 (2009: $14,458,590) relating to the above joint ventures. There are no other assets or liabilities in the joint ventures.

(i) Refer to Note 36 to the financial statements for comments about this joint venture.

32 GENERAL INFORMATION

Havilah Resources NL is a listed public company, incorporated and operating in Australia. Havilah Resources NL's registered office and its principal place of business are as follows:

Registered office	Principal place of business
63 Conyngham Street Glenside South Australia 5065	63 Conyngham Street Glenside South Australia 5065

33 SUBSEQUENT EVENTS

On 28 September 2010 the Company announced that it is going to make a pro-rata bonus issue of share options on the basis of one share option for every four shares held as at 8 October 2010. The options will be issued for no consideration with an exercise price of 50 cents each and with an expiry date of 30 October 2013. On 25 October 2010 the Company will be issuing 20,494,842 share options.

Other than the matter disclosed above there are no other matters or circumstances occurring subsequent to the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

34 ACQUISITION OF SUBSIDIARY

On 3 December 2008 Geothermal Resources Limited issued 50,000 ordinary shares to acquire all the issued capital of Neo Oil Pty Ltd.

Details of assets acquired are as follows:

	Book value $	Fair value adjustment $	Fair value on acquisition $
Current assets			
Cash	2	-	2
Non current assets			
Tenement acquisitions	-	17,498	17,498
Total	2	17,498	17,500

	Year ended 31/7/09 $
Net cash flow on acquisition	
Total purchase consideration	17,500
Less: non cash consideration	(17,500)
Consideration paid in cash	-
Less: cash and cash equivalents	(2)
Net cash inflow from acquisition	(2)

35 PARENT ENTITY DISCLOSURES

	31/7/10 $	31/7/09 $
(a) Financial position		
Assets		
Current assets	6,018,242	8,701,228
Non-current assets	21,117,874	16,264,736
Total assets	27,136,116	24,965,964
Liabilities		
Current liabilities	14,311,819	462,715
Non-current liabilities	3,261,510	14,613,496
Total liabilities	17,573,329	15,076,211
Equity		
Issued capital	25,446,287	25,446,287
Accumulated losses	(22,727,787)	(22,345,594)
Reserves	6,844,287	6,789,060
Total equity	9,562,787	9,889,753

	Year ended 31/7/10 $	Year ended 31/7/09 $
(b) Financial performance		
(Loss)/Profit for the year	(382,193)	860,208
Other comprehensive income	-	-
Total comprehensive income	(382,193)	860,208

(c) Commitments for expenditure and contingent liabilities

Exploration expenditure commitments

Total expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements, excluding commitments where a joint venture party has agreed to meet the Group's obligations, are approximately:

	Year ended 31/7/10 $	Year ended 31/7/09 $
No later than one year	1,960,000	1,981,000
Later than one year but not later than two years	980,000	1,750,000
Later than two years but not later than five years	1,540,000	1,680,000
	4,480,000	5,411,000

Consultancy and management services agreements

The Company has entered into consultancy and management service agreements with related entities of K R Johnson and C W Giles. Should the agreements be terminated at an earlier date, a contingency exists for the contracted amount payable to the end of the term. As at 31 July 2010 the Company had a contingent liability in relation to these agreements of $800,220 (2009: $115,432). The Directors may terminate the agreement by giving one month's notice. Details of the agreements are set out in Note 24(c) to the financial statements.

Native title

Native title claims exist over some tenements in South Australia in which the Company has interests. The Company is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Company or its projects.

Letter of support

The Company has provided a financial letter of support to Geothermal Resources Limited to enable Geothermal Resources Limited to pay its debts as and when they fall due.

36 OTHER LIABILITY

On 29 June 2007 the Company and its wholly owned subsidiary, Kalkaroo Copper Pty Ltd ("Kalkaroo"), entered into an Agreement with Glencore International AG ("Glencore") whereby Glencore would fully fund a $14 million feasibility study on the Kalkaroo Copper Project ("Project") and arrange project financing for the subsequent mining joint venture in order to earn a conditional 14% participating interest in the Project and secure a metals off-take right.

In accordance with the Agreement, the funds for the feasibility study were advanced to Kalkaroo in full over an eight month period commencing from 29 June 2007.

As at 31 July 2010, $14 million (2009: $14 million) had been received and recorded as an "Other Liability". The feasibility study has been provided to Glencore and is presently being evaluated by them. The Agreement states that after the Feasibility Study is completed if "the Project is independently assessed as a bankable operation (or a non-bankable operation) then within four months of that assessment" the liability can be settled in one of two ways:

- Glencore may elect to form an unincorporated joint venture with the Company for development of the Project, with the joint venture interests being 86% Havilah and 14% Glencore. Glencore will be responsible for arranging all project finance required for the Project, with no recourse to the Company whatsoever for any security requirements relating to the Project financing. In this case the $14 million provided by Glencore for the feasibility study will be considered full payment by Glencore for a 14% participating interest in the Project and be recognised as a reduction in capitalised exploration expenditure, in accordance with the company's accounting policy for exploration and evaluation expenditure.
- Glencore may elect not to proceed with the financing of the Project, in which case Glencore will, subject to any necessary shareholder approval, be issued with shares in the company to the value of $7 million (calculated by reference to a specified share price formula) and the remaining $7 million balance of the liability will convert to an interest free loan which will be repayable from 10% of the Company's share of any future profits from the Project. Upon the issue of shares the Agreement will terminate, except in respect of the above payments from future profits.

If at the expiry of the four month period the joint venture has not been formed then, on written notice from the Company to Glencore, the above second option is triggered.

Because the liability is expected to effectively be settled in one of the above ways within the next 12 months, the liability has been classified as a current liability in the statement of financial position (in the previous period the amount was classified as non-current).

However, under both outcomes, the Company will not be required to pay any cash to settle the liability within the next 12 months.

Directors' Declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;

(c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; and

(d) the Directors have been given the declarations required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to Section 295(5) of the Corporations Act 2001.

On behalf of the Directors

K R Johnson
Chairman

22 October 2010
Adelaide

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

11 Waymouth Street
Adelaide SA 5000
GPO Box 1969
Adelaide SA 5001

Tel: +61 (0) 8 8407 7000
Fax: +61 (0) 8 8407 7001
www.deloitte.com.au

Board of Directors
Havilah Resources NL
63 Conyngham Street
GLENSIDE SA 5065

22 October 2010

Dear Board Members

Havilah Resources NL

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Havilah Resources NL.

As lead audit partner for the audit of the financial statements of Havilah Resources NL for the financial year ended 31 July 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jody Burton
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

11 Waymouth Street
Adelaide SA 5000
GPO Box 1969
Adelaide SA 5001

Tel: +61 (0) 8 8407 7000
Fax: +61 (0) 8 8407 7001
www.deloitte.com.au

Independent Auditor's Report to the members of Havilah Resources NL

Report on the Financial Report

We have audited the accompanying financial report of Havilah Resources NL, which comprises the statement of financial position as at 31 July 2010, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 27 to 57.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of Havilah Resources NL is in accordance with the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the consolidated entity's financial position as at 31 July 2010 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 26 of the directors' report for the year ended 31 July 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Havilah Resources NL for the year ended 31 July 2010, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jody Burton
Partner
Chartered Accountants
Adelaide, 22 October 2010

Additional Stock Exchange Information

Information Relating to Shareholders at 19 October 2010

Substantial Shareholders

The names of substantial shareholders shown in the Company's Register are:

Shareholder	*Number of Shares*
Lion Selection Group Limited	15,275,750
Trindal Pty Ltd	7,052,968
IFG Trust (Jersey) Limited	6,791,665

Distribution of Shareholders

Number of Ordinary Shares Held	*Number of Holders*	*Ordinary Shares*
1 - 1,000	283	173,286
1,001 - 5,000	657	1,925,124
5,001 - 10,000	364	2,899,549
10,001 - 100,000	634	18,624,241
100,001 - Over	70	58,356,321
	2,008	**81,978,521**

At the closing price on SEATS at 19 October 2010 there were 150 shareholders with less than a marketable parcel of shares to the value of $500

Top Twenty Shareholders of Ordinary Shares as at 19 October 2010

Name	*Units*	*% of Issued Capital*
Lion Selection Group Limited	15,275,750	18.63
Trindal Pty Ltd <Trindal Super Fund A/C>	7,052,968	8.60
IFG Trust (Jersey) Limited	6,791,665	8.28
Trindal Pty Ltd <Trindal Super Fund A/C>	2,250,000	2.74
Mrs Selvie Tjowasi	2,027,800	2.47
Heilongjiang Resources Limited	2,000,000	2.44
Statsmin Nominees Pty Ltd	1,876,149	2.29
IFG Trust (Jersey) Limited	1,470,942	1.79
Trindal Pty Ltd	1,422,629	1.74
Prof Geoffrey Driscoll + Mrs Jan Driscoll <Driscoll Super Fund A/C>	1,100,000	1.34
Willstreet Pty Ltd	1,050,000	1.28
Statsmin Nominees Pty Ltd <Statsmin Super Fund A/C>	1,036,000	1.26
Mr Brian Kenneth Murphy <Murphy's Super Fund A/C>	915,928	1.12
Woolsthorpe Investments Ltd	872,225	1.06
Mr Louis Milton Moyes + Mrs Janet Moyes	805,178	0.98
Woolsthorpe Investments Ltd	802,000	0.98
Mr Gordon Miksza & Mr Phillip Miksza <Gordon Miksza S/F A/C>	548,955	0.67
Mr Paul Clark	514,406	0.63
Yandal Investments Pty Ltd	500,000	0.61
Woolsthorpe Limited	499,285	0.61
Total of top 20 holdings	**48,811,880**	**59.54**
Other holdings	**33,166,641**	**40.46**
Total fully paid shares issued	**81,978,521**	**100.00**

Distribution of Optionholders

Number of Options Held	Number of Holders	Listed Options
1 - 1,000	789	341,684
1,001 - 5,000	835	2,076,572
5,001 - 10,000	180	1,282,562
10,001 - 100,000	186	4,484,798
100,001 - Over	21	12,309,226
	2011	**20,494,842**

Top Twenty Holders of Listed Options at 19 October 2010

Name	Number	%
Lion Selection Group Limited	3,818,938	18.63
Trindal Pty Ltd <Trindal Super Fund A/C>	1,763,242	8.60
IFG Trust (Jersey) Limited	1,697,917	8.28
Trindal Pty Ltd <Trindal Super Fund A/C>	562,500	2.74
Mrs Selvie Tjowasi	506,950	2.47
Heilongjiang Resources Limited	500,000	2.44
Statsmin Nominees Pty Ltd	469,038	2.29
IFG Trust (Jersey) Limited	367,736	1.79
Trindal Pty Ltd	355,658	1.74
Prof Geoffrey Driscoll & Mrs Jan Driscoll <Driscoll Super Fund A/C>	275,000	1.34
Willstreet Pty Ltd	262,500	1.28
Statsmin Nominees Pty Ltd <Statsmin Super Fund A/C>	259,000	1.26
Mr Brian Kenneth Murphy <Murphy's Super Fund A/C>	228,982	1.12
Woolsthorpe Investments Limited	218,057	1.06
Mr Louis Milton Moyes & Mrs Janet Moyes	206,295	1.01
Woolsthorpe Investments Limited	200,500	0.98
Mr Gordon Miksza & Mr Phillip Miksza <Gordon Miksza S/F A/C>	137,239	0.67
Mr Paul Clark	128,602	0.63
Yandal Investments Pty Ltd	125,000	0.61
Woolsthorpe Limited	124,822	0.61
Total	**12,207,976**	**59.57**

Unquoted Equity Securities: Options

The following options were unquoted:	Number on Issue	Number of Holders
Options issued pursuant to Havilah Resources Employee Share Option Plan	925,000	11
Options issued pursuant to Havilah Resources Director Share Option Plan	1,800,000	3
Other options issued	1,500,000	1
Total unquoted options held by 15 optionholders	**2,225,000**	

HAVILAH RESOURCES NL

63 Conyngham Street
Glenside South Australia 5065
telephone: (08) 8338 9292
facsimile: (08) 8338 9293
website: www.havilah-resources.com.au
email: info@havilah-resources.com.au