Havilah Resources

A New Mining Force in South Australia

ANNUAL REPORT 2017

Havilah Resources Limited
(ASX:HAV)

Level 1
164 Fullarton Road
Dulwich, SA 5065, Australia

www.havilah-resources.com.au
Tel: + 61 (08) 8155 4500
Email: info@havilah-resources.com.au

We are Havilah Resources, a new mining force in South Australia.

About Havilah

Havilah Resources is a mineral exploration and development company that is focused on the highly prospective and underexplored Curnamona geological province of northeastern South Australia.

Havilah has delineated JORC resources in excess of 1.4 million tonnes of copper, 3.6 million ounces of gold, 8.2 million kilograms of cobalt and 450 million tonnes of iron ore.

The Company plans to develop its three advanced copper-gold-cobalt projects over the next three years as part of its *Copper Growth Strategy*. Operations at the Portia Gold Mine continue.

Our Vision

To become A New Mining Force in South Australia by delivering value and tangible benefits to our shareholders, partners and the community in which we operate.

What Distinguishes Us?

- LARGE JORC RESOURCE INVENTORY
- HIGHLY PROSPECTIVE TENEMENTS
- STRONG PROJECT PIPELINE
- EXPLORATION SUCCESS
- OPERATING GOLD MINE
- STRATEGIC RELATIONSHIPS
- SKILLED TEAM
- EXTENSIVE LOCAL KNOWLEDGE

How Havilah has Delivered in 2017

MINING REVENUE
$17 million

NET DEBT
$0

GOLD
24,000+ oz
produced from Portia to date

COPPER
1.4 Mt
JORC copper inventory increased by the Kalkaroo resource upgrade.

GOLD
3.6 Moz
JORC gold inventory increased by the Kalkaroo resource upgrade.

Exploration

Multiple potential ore-grade copper-tungsten intersections from drilling at Croziers.

Relationships

Strategic partnership with Wanbao Mining to complete a PFS for Kalkaroo copper-gold by the end of 2017.

New Adelaide Office

Anticipating ongoing growth, Havilah moved to new offices that will cater for future expansion .

Workforce

Strategic additions to a highly skilled workforce that covers the range of disciplines required for a succesful mining company.

Technical Capacity

Expanded technical capability covers permitting , exploration, mine planning and plant operation.

Permitting

Ongoing mine permitting and PFS work for Kalkaroo, North Portia, Mutooroo copper-gold-cobalt projects.

Key Achievements Timeline 2017

2016

A GOLDEN YEAR.

- First Portia Gold Pour
  First Gold Sales
- First 10,000 ounces of Gold produced from Portia
- Investec loan paid off - Debt Free Portia Project
- Havilah receives PACE grant to fund exploration drilling
- 20,000 ounces of gold produced from Portia

2017

MOVING ON TO BIGGER THINGS.

- Kalkaroo Resource Upgrade
  - Copper up >80% to 1.14 Mt, Gold up >60% to 3.3 Moz
- PACE drilling confirms Copper-Tungsten discovery at Croziers
- MOU signed with Wanbao Mining for Kalkaroo PFS
- Record Portia gold plant ore throughput of 107,000 tonnes for the fourth quarter of FY17
- Kalkaroo Native Title terms finalised
- Havilah moves to new office to cater for future expansion
- Appointment of Project Manager for Mutooroo Copper-Cobalt project permitting and PFS
- Unveiling of the ***Copper Growth Strategy***
- Potential IOCG target identified

"A year of great achievements in which we continued to operate the Portia gold mine, substantially boosted copper and gold resources and commenced strategic discussions with a major Chinese copper miner."

2017

Annual Report

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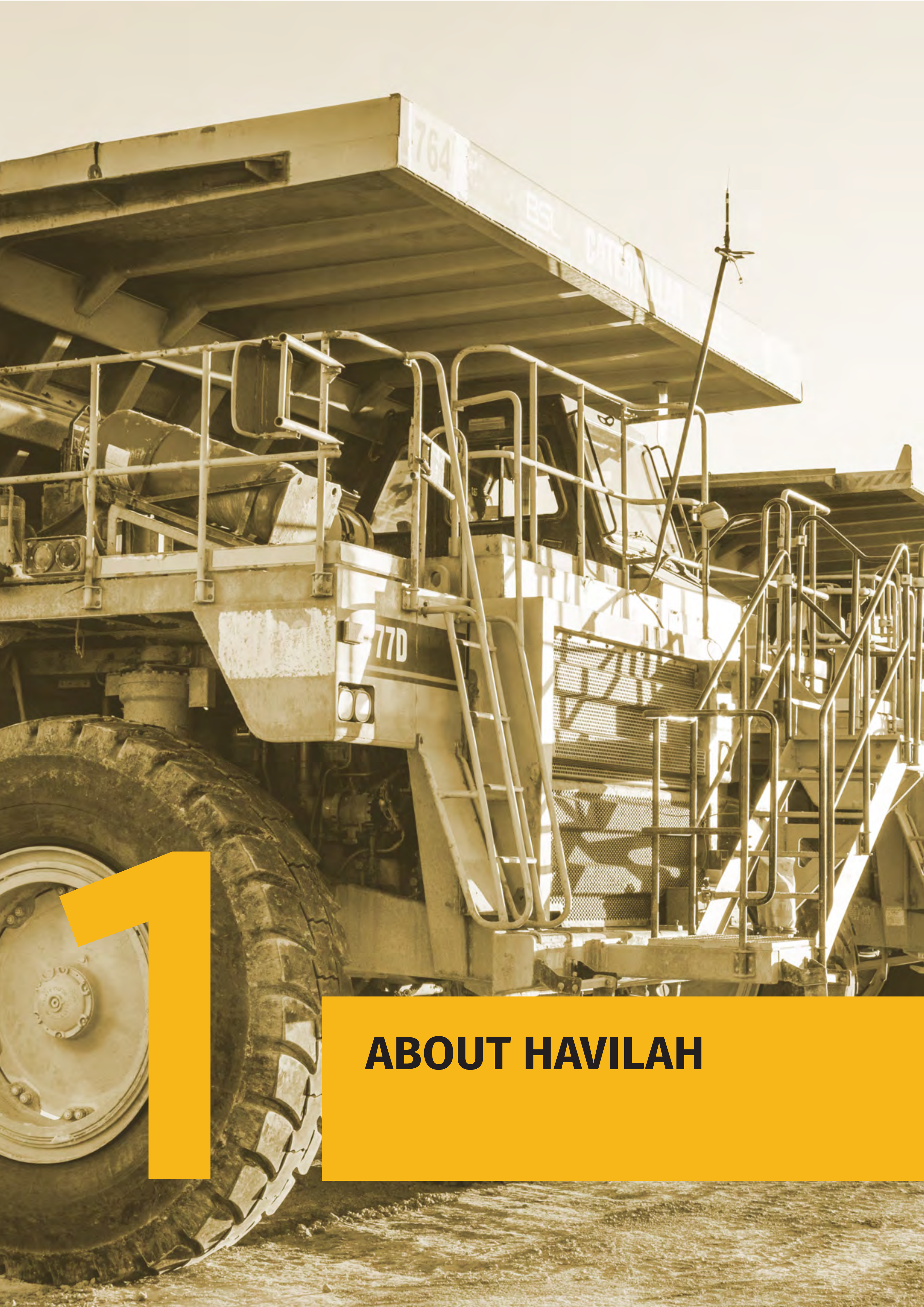


1 ABOUT HAVILAH

A letter to our stakeholders from the Chairman and the Managing Director.

"... the main value driver for Havilah lies in developing its substantial copper resources."

1 November 2017

Havilah Resources Limited (Havilah or the Company) achieved a number of new milestones this year. The Portia Gold Mine operated continuously and has now produced over 24,000 ounces of gold Although production has at times been challenging, the operation has repaid all of its debt, funded substantial plant upgrades and siteworks and also a considerable amount of exploration. It has also funded some continuing work on development projects.

There is no doubt that the revenue sharing / partnership arrangement with Consolidated Mining and Civil Pty Ltd (CMC) of Broken Hill has been important for the success of the Portia project, and we are grateful for CMC's continued hard work.

A generally unrecognised spin-off of Portia is that it has helped to make the adjacent North Portia project considerably more attractive due to the existing infrastructure, including the Portia open pit with its potential water and tailings storage capability. The knowledge gained about the mining, geotechnical and groundwater aspects of Portia will also greatly enhance the planning and risk management strategies for North Portia and Kalkaroo.

A remarkable global development is the pace of the paradigm shift in the way the world uses and stores electrical energy, nowhere more apparent than in the explosion of electric vehicle and lithium battery manufacturing capacity. Market analysts predict that metals like copper and cobalt will be major beneficiaries due to the short term supply constraints. This is good news for a company like Havilah that controls mineral deposits with substantial quantities of both metals.

It is apparent that the main value driver for Havilah lies in developing its substantial copper resources. It was against this background that Havilah formulated its *Copper Growth Strategy* to advance development of its three copper-gold-cobalt projects by optimising the balance between risk, retained project equity and speed of development. The substantial Kalkaroo resource upgrade with a >80% increase in contained copper metal to 1.14 million tonnes and gold metal to 3.3 million ounces during the year was a good step in the right direction and positions Kalkaroo as one of the largest undeveloped copper-gold resources in Australia.

Another major step in executing our *Copper Growth Strategy* was the Memorandum of Understanding with Wanbao Mining Limited, a substantial off-shore Chinese copper and cobalt miner. Wanbao agreed to fund a prefeasibility study on the upgraded Kalkaroo resource to be managed by well credentialed mining consultants, RPM Global. The pre-feasibility work has progressed well to date and is on track for completion before the end of the year. Wanbao will make a development paticipation decision based on the results of the pre-feasibility study early in 2018.

Havilah continues discussions with various parties concerning potential cooperation and funding arrangements for its Mutooroo copper-cobalt and North Portia copper-gold projects.

During the year Havilah carried out regional exploration with the assistance of a South Australian government PACE grant. This resulted in confirmation of a new copper-tungsten discovery at the Croziers prospect. This discovery is particularly attractive because of the shallow overburden. A potentially major Iron Oxide Copper Gold system was also identified near Portia. The size of the target warrants a major follow up drilling campaign.

Havilah also added to its tenement position with some strategic acquisitions and applications for areas that became vacant. As a result, Havilah has consolidated its position and now holds complete coverage over the Grants iron ore basin. Havilah also holds near complete tenement coverage over the Curnamona copper belt, the Mutooroo cobalt district and a very significant new geophysical anomaly with analogies to Olympic Dam.

Securing our tenement position is fundamentally important because it gives us the opportunity to replace any mineral resources that we may joint venture or sell, through new discoveries. It also gives us the chance to continue applying our exploration knowledge for the benefit of shareholders.

We trust shareholders will like the new look of the Annual Report and will enjoy reading about the achievements and future prospects of our Company.

As usual, our management, technical team and field personnel have worked extremely hard all year and on your behalf we express our thanks to them for a job well done, often under quite challenging circumstances. We look forward to using their skills as we progress our *Copper Growth Strategy.*

We wish to thank you on behalf of the Board for your continued support of Havilah as we implement our *Copper Growth Strategy* at a time when the world needs the commodities from the mines we plan to develop.

Yours faithfully,

Mr Ken Williams
Chairman

Dr. Chris Giles
Managing Director

Havilah's Copper Growth Strategy

Positioned for Growth

Havilah's *Copper Growth Strategy* is focused on driving growth and creating long term value for shareholders through the development of its advanced stage copper-gold-cobalt projects and in making new mineral discoveries in the Curnamona Copper Belt.

FOUNDATION	APPROACH	EXECUTION	VALUE

Foundation

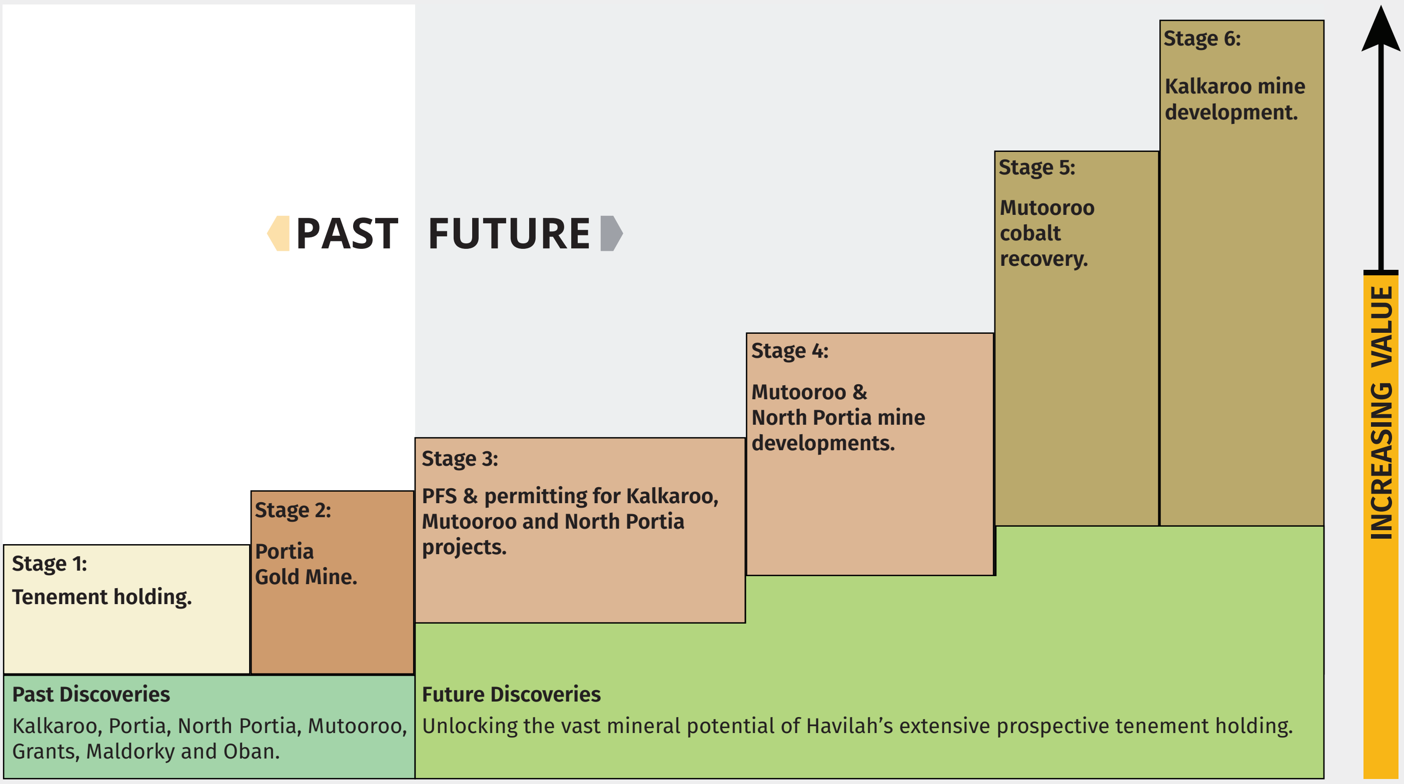
- Low sovereign risk location with a genuinely supportive government and transparent mining regulations.
- Large prospective exploration tenement holding in the highly endowed Curnamona Copper Belt.
- Three advanced copper projects progressing towards development decisions, namely Kalkaroo copper-gold, North Portia copper-gold, Mutooroo copper-cobalt.

Copper	Gold	Cobalt
1.4 Mt	3.6 Moz	8.2 Mkg

Approach

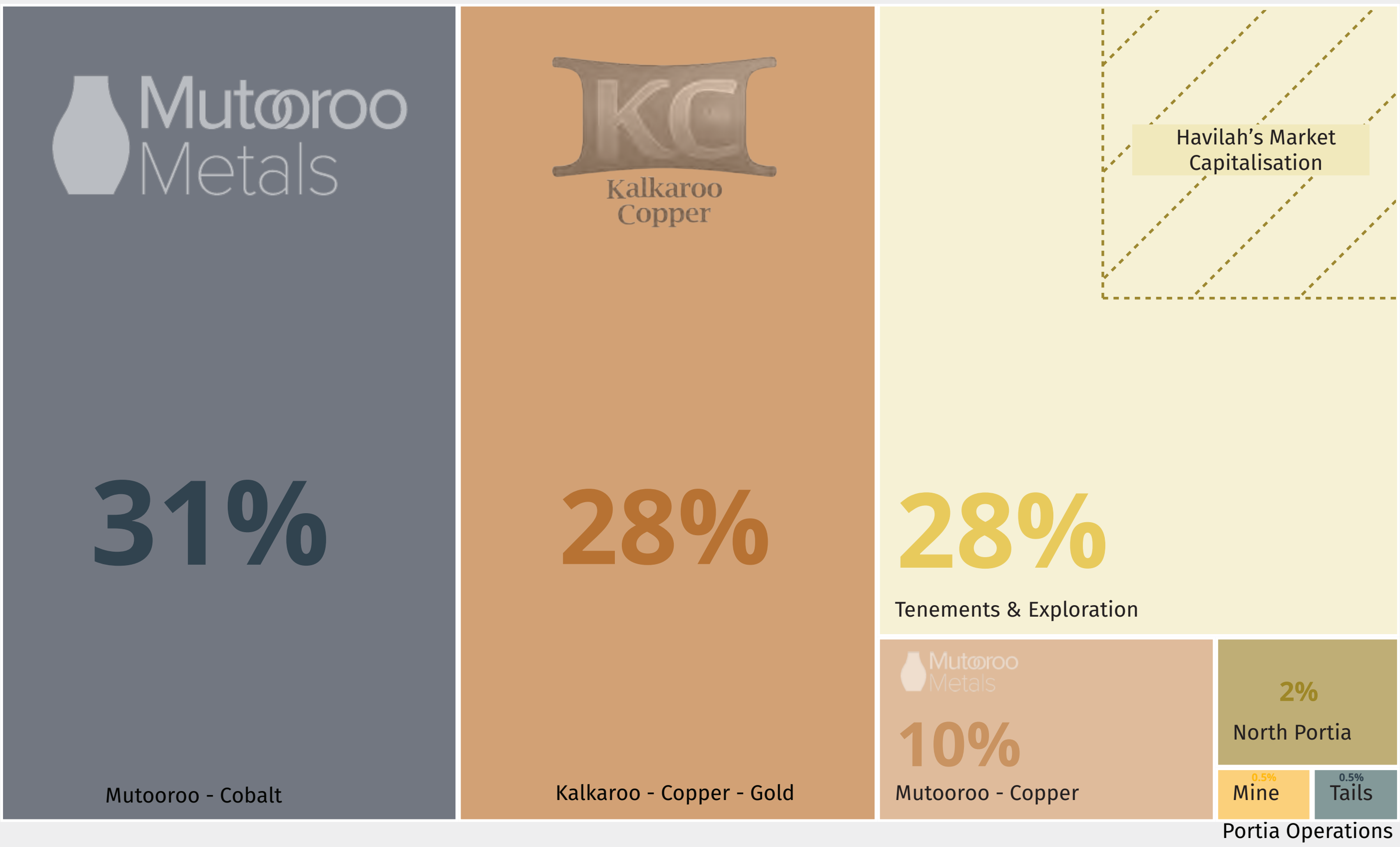
- Develop what is within our reach, fundable and manageable - eg Mutooroo is a very attractive lower capex copper-cobalt project.
- Consider various ownership and funding arrangements for large capex projects - eg Kalkaroo is a higher capex, longer life project likely to be developed through a partnership.
- Work with strategic partners where there are synergies - eg Portia revenue sharing arrangement.
- Replenish the project pipeline with new discoveries leveraging off the large prospective tenement holding and extensive knowledge base.
- Leverage experience of the technical team who are experienced in exploration, permitting, deal making and operations.

Execution of The Copper Growth Strategy



The diagram above summarises the key value adding stages as Havilah's *Copper Growth Strategy* is progressively executed. The diagram below summarises the value that can potentially be added by the *Copper Growth Strategy*. In each case the size of the boxes represents the percentage value that is added by each element of the *Copper Growth Strategy*.

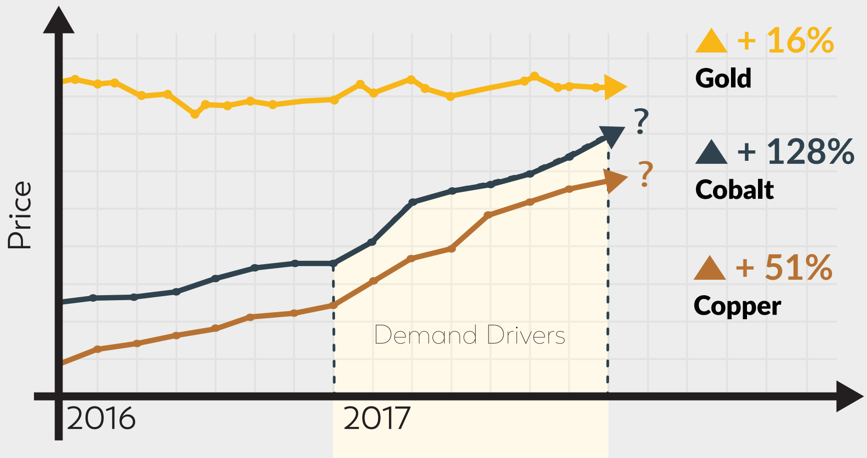
Havilah Value Proposition Arising from Execution of the Copper Growth Strategy

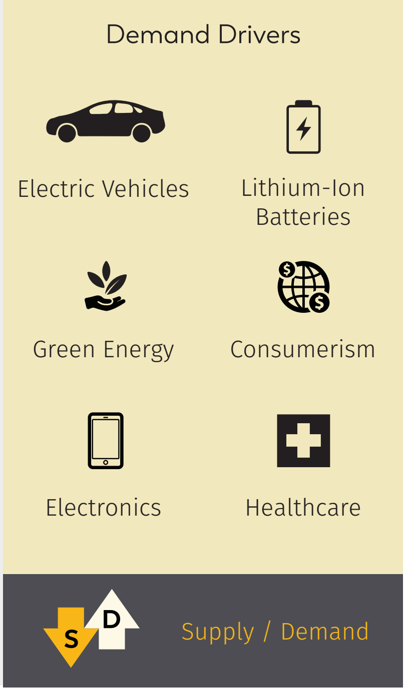


Well Positioned for the Future

Positioned in the right *Commodities*

Demand for copper and cobalt are continuing to increase in conjunction with growing consumerism and the rising green energy revolution. Meanwhile, global supply chains are static and vulnerable to political instability, resulting in a potential deficit in copper and cobalt supplies in the near term.





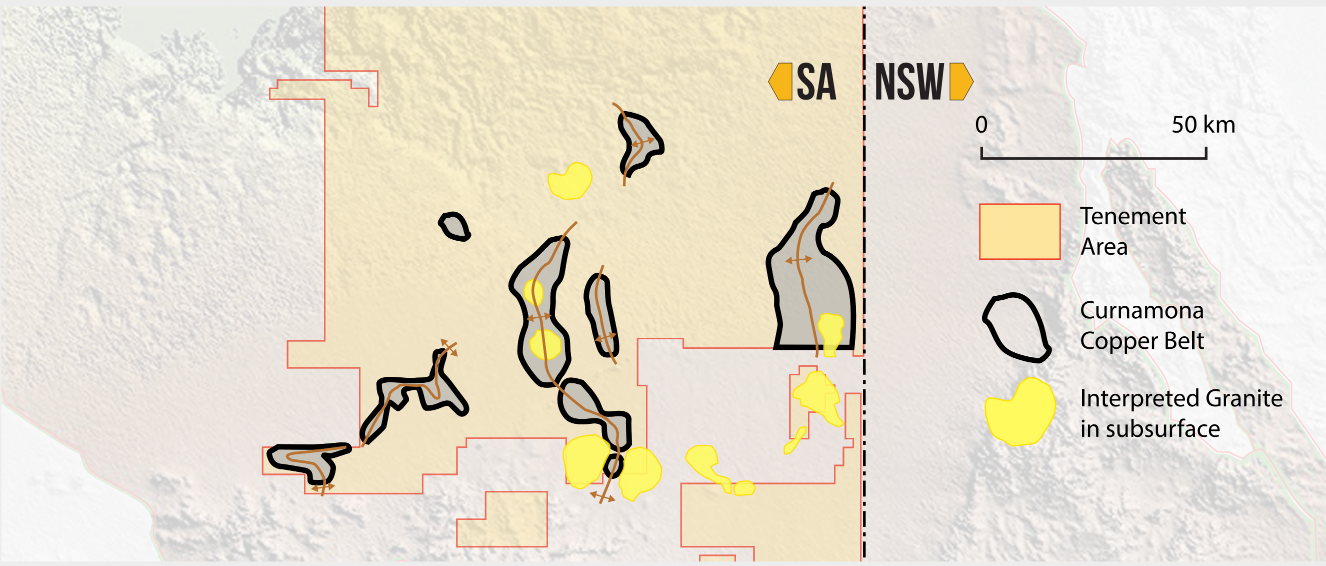
Positioned in the right *Country*

Havilah will be a significant player in the South Australian Government's Plan for Accelerating Exploration (PACE) Copper Initiative, which aims to triple South Australia's Copper production to 1 million tonnes per annum by 2030. Havilah aims to make a meaningful contribution to this target as it progressively executes its Copper Growth Strategy.

South Australia

Positioned in the right *Geology*

Havilah controls 14,000 km^2 of the prospective Curnamona Craton which is host to the famous Broken Hill lead-zinc-silver deposit. Havilah has delineated more than a 200 km strike of the Curnamona Copper Belt, which is host to Havilah's Kalkaroo and North Portia copper-gold deposits and numerous other promising prospects.



What Drives Havilah's Value?

Operational

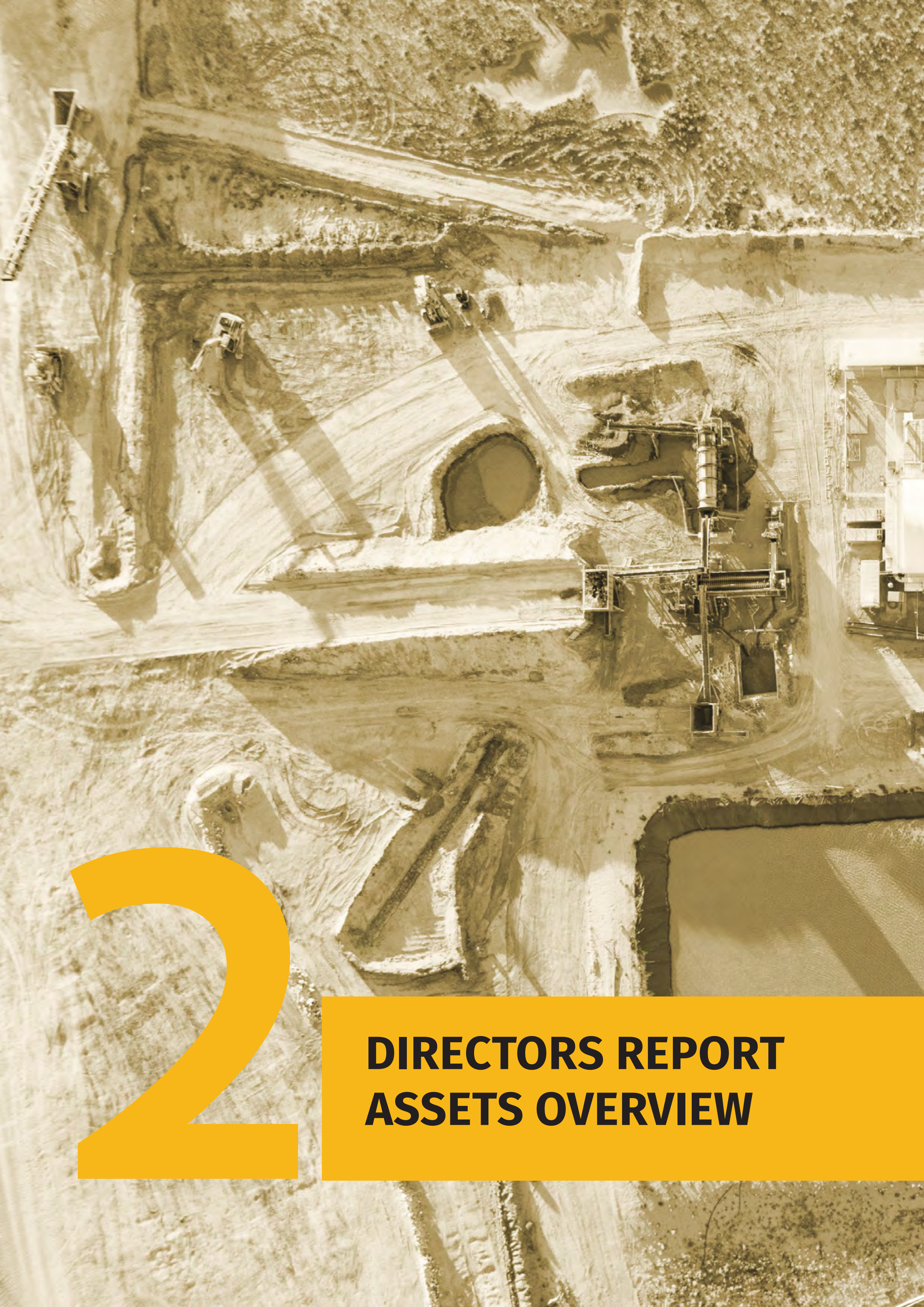
- Three advanced copper projects progressing towards development (Kalkaroo, North Portia, Mutooroo).
- Diversified Resource Inventory (Copper, Gold, Cobalt, Iron Ore).
- Successful exploration to development history (Portia Gold Mine).
- Multiple highly prospective projects and prospects with appreciable upside potential.
- Proven track record of exploration and discovery capabilities (PACE).

Corporate & Finance

- Projects are debt free.
- Ability to generate revenue.
- Risk averse approach.
- Skilled and motivated management, technical and administrative team.

Relationships Community Environment

- Strategic partnership commenced with Wanbao Mining, a Chinese copper mining company to develop Kalkaroo (copper-gold).
- Vast local knowledge due to focus of work in one region only.
- Capable of expediting local permitting issues, including native title agreements.
- Sponsorships with local communities to support community events.
- Minimizing environmental impact through the application of sustainable mining practices and rehabilitation programs.



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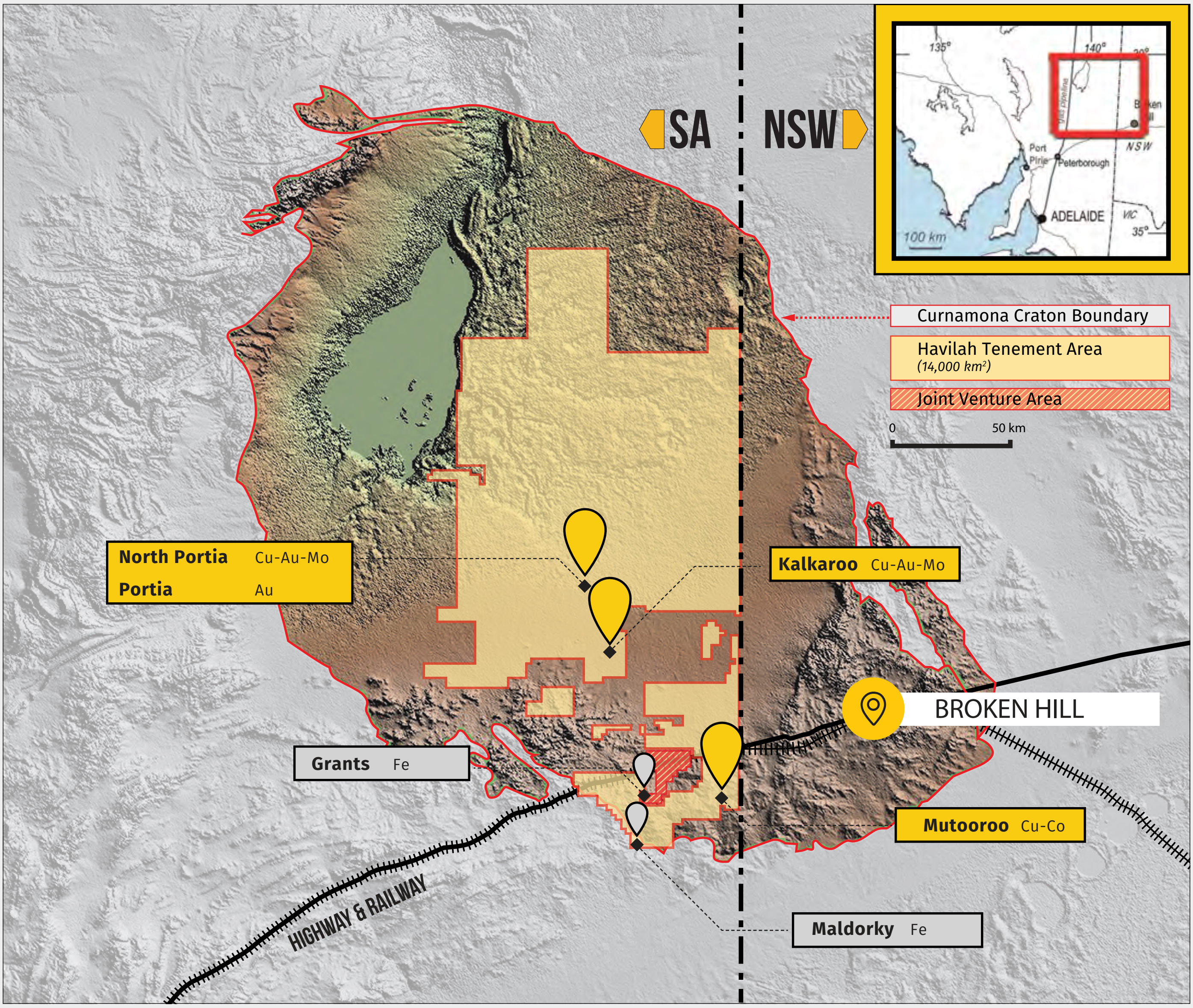
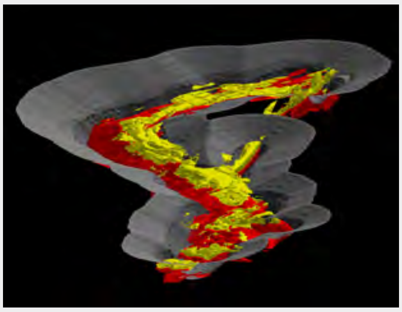
DIRECTORS REPORT
ASSETS OVERVIEW

Assets Overview



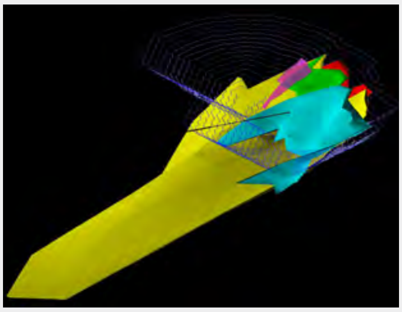
Project Pipeline

EXPLORATION	ADVANCED PROSPECTS	PRE-FEASIBILITY	PRE-DEVELOPMENT	MINING
World class discovery potential	Multiple promising drill results	JORC resources, feasibility studies, mining lease proposals	Planning, costing, permitting and securing partnership	Cash flow from gold production
14,000 km² of tenements	Eurinilla Cu - Au Wilkins Cu - Au Lilydale Fe Croziers Cu - Au Prospect Hill Sn	North Portia Cu - Au Mutooroo Cu - Co Maldorky Fe Grants Fe	Kalkaroo Cu - Au - Mo - Co	Portia Au
Many promising prospects - Cu, Au, Co, Fe, Sn, Mo				



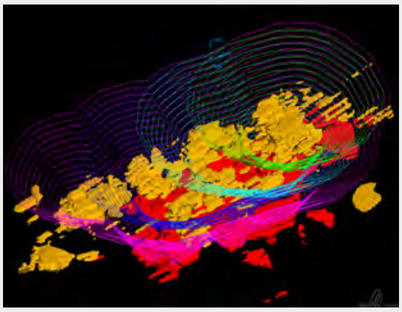
KALKAROO

Kalkaroo is Havilah's flagship project and represents one of the largest undeveloped open pit copper-gold deposits in Australia. The project is located 50 km North of the Transcontinental Railway and Barrier Highway. It is located on the 550km^2 Kalkaroo Station, owned by Havilah.



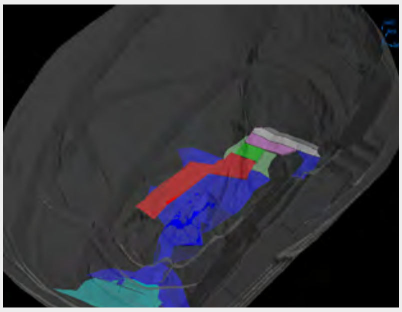
MUTOOROO

The Mutooroo project is 40 minutes drive West of Broken Hill and 16 km South of the Transcontinental Highway. An attractive grade (1.5%) open pit copper deposit that contains South Australia's only cobalt resource.



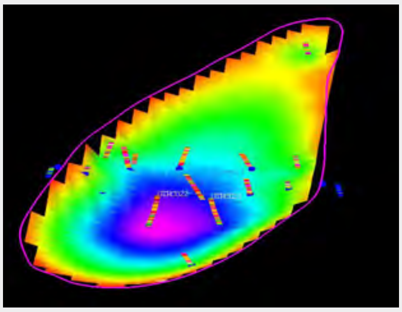
NORTH PORTIA

North Portia lies a few hundred metres north of Portia on the same mining lease. It contains attractive copper and gold grades in approximately 4 million tonnes of secondary enriched ore that will be the target of Havilah's next phase of mining after Portia.



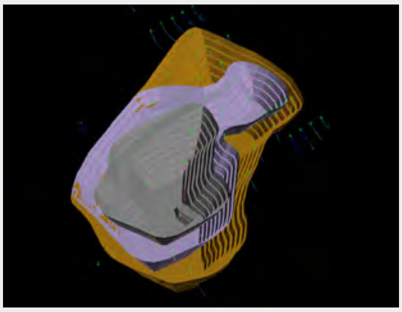
PORTIA

The Portia Gold Mine is Havilah's first mining operation and has been operating for the last two and a half years. So far, it has produced over 24,000 ounces of gold, allowing repayment of all project debt and funding considerable exploration drilling.



GRANTS

A potentially massive size outcropping iron ore deposit that lies within a 10 x 6 km unexplored Iron Ore basin. The project lies 8 km South of the main Transcontinental Railway line and less than one hour drive from Broken Hill.



MALDORKY

An outcropping iron ore deposit that has the highest grade (30%) of its Braemar iron peers, the softest ore, lowest stripping ratio and closest to the Transcontinental Railway line, all factors that will favour its early development.

KALKAROO STATION

A key non-mineral asset owned by Havilah is the 550km^2 Kalkaroo station on which the Kalkaroo copper-deposit lies. Ownership of this land has several important benefits :

1. Avoids any potential conflict with landholders who are using the land for stock grazing.
2. Avoids potentially costly land use compensation payments.
3. Allows Havilah to carry out meaningful conservation programs on its land which can be used for environmental benefit offset purposes.
4. Provides Havilah with a "home" base from which it can conduct its exploration and store drill samples and drill core.

KALKAROO Cu-Au

Copper
1.14 Mt

Gold
3.3 Moz

Key Project Facts and Statistics

Metals	**Copper, Gold**
Ownership	**100%**
Status	Mining lease approval in final stages. PFS due for completion at end of 2017.
Progress	Resource upgrade. Co-operation on PFS with Wanbao Mining.
Mining Plan	Sufficient resource for at least a 14 year mine life based on a 200 m deep open pit.

Project Overview

Kalkaroo is one of the largest undeveloped copper-gold deposits in Australia following a recent resource upgrade that incorporated new drilling data. During the year a Memorandum of Understanding (MOU) was signed with Wanbao Mining, a large offshore Chinese copper producer. Under this MOU Wanbao Mining will fund a pre-feasibility study, to be managed by mining consultants, RPM Global. Based on the results of this study, Wanbao Mining will decide whether to participate in the project via a funding for equity arrangement.

Ongoing negotiations with the native title claimants led to finalisation of the terms for a mining agreement. This is a necessary pre-requisite for grant of a mining lease by the regulators. Kalkaroo is now recognised as a stratabound copper belt style replacement deposit. Accordingly, excellent potential exists for discovery of additional copper-gold mineralisation in undrilled extensions of the prospective horizon both long strike and down-dip and in several nearby prospects.

Highlights

Resource upgrade increased copper by >80% to 1.14 million tonnes and gold by >60% to 3.3 million ounces.

MOU with Wanbao Mining to fund PFS leading to investment decision in early 2018.

Native Title terms agreed, which was the last major hurdle to grant of a mining lease.

Havilah owns Kalkaroo Station - No locked gates.

Future Works

Sign Native Title agreement and finalise grant of mining lease.

Complete all mine permitting requirements with regulators.

Complete PFS and mine financing decision by Wanbao Mining.

MUTOOROO Cu-Co-Au

Copper	Cobalt
191,000 t	8,200 t

Key Project Facts and Statistics

Metals	Copper, Cobalt, Gold
Ownership	100%
Status	Mining lease application.
Progress	PFS and permitting work in progress.
Mining Plan	7 year mine plan targets 500,000t sulphide ore per annum in a 130 metre deep open pit.

Project Overview

Mutooroo is a comparatively high grade open pittable copper-cobalt sulphide deposit located 16 kilometres south of the Transcontinental Railway about 40 minutes drive west of Broken Hill. It consists of a series of stacked sulphide rich lodes developed within a 45 degree west dipping shear zone within high grade metamorphic rocks of Broken Hill age.
It is South Australia's only cobalt resource, and is a potentially valuable source of cobalt for lithium-ion batteries that are driving a revolution in electric vehicles and energy storage. In the stage 1 development it is proposed to produce a copper and cobaltian pyrite concentrate from a 0.5 million tonne per annum operation over an initial seven year mine life. This is estimated to require a relatively low capex. Work is in progress on determining the optimum method of recovering cobalt salts from the pyrite and maximise returns.

Highlights

- Comparatively high grade open pit sulphide copper-cobalt deposit.
- Favourable logistics within daily commuting distance of Broken Hill.
- Dedicated project manager appointed.
- South Australia's only cobalt resource.
- Opportunity to be an active player in the cobalt "Energy Metal" space.

Future Works

- Progression of PFS and mine permitting work.
- Detailed metallurgical studies of recovery of cobalt from pyrite.
- Drilling resource extensions to extend mining life of shallow open pittable resources.
- Drilling nearby prospects.

NORTH PORTIA Cu – Au

Copper	Gold
101,000 t	234,500 oz

Key Project Facts and Statistics

Metals	Copper, Gold
Ownership	100%
Status	Existing mining lease
Progress	Further infill drilling completed. PFS and permitting tasks in progress.
Mining Plan	5 year mine plan will target 100,000 oz gold and 32,000 t copper from secondary saprolite ore in a 150 metre deep open pit.

Project Overview

The North Portia copper-gold deposit lies a few hundred metres north of the Portia Gold Mine on the same mining lease. The initial mining target is an oxidised gold zone starting at approximately 50m below surface overlying a supergene copper sulphide - gold zone down to approximately 150m below surface. Initial test work shows that the ore material has simple metallurgy and can produce a high quality concentrate with no penalty elements.

Much of the available Portia mine infrastructure can be utilized to reduce capital expenditure requirements, such as the camp, workshop, access roads, water supply and processing plant. The Portia open pit void has significant value as a large water balance pond and for disposal of acid generating material. A large knowledge data base from Portia can be directly applied to North Portia and assist with the permitting process.

Highlights

Updated internal resource model largely confirms current resource, but with a higher degree of confidence.

Attractive metal grades in gold cap and underlying enriched copper zone.

Comparatively simple metallurgy that produces a clean concentrate.

Can make use of existing Portia infrastructure to reduce capex.

Lies on same mining lease as Portia which should simplify permitting.

Future Works

Additional drilling to fill in some gaps identified by resource model.

Diamond drilling to obtain key metallurgical samples.

Additional metallurgical testing allowing for completion of processing flow sheet design.

Completion of PFS and permitting for Phase 1 of mining.

Arranging funding for the above work.

PORTIA GOLD MINE

Gold Produced	Gold Revenue
>24,000 oz	$19 M

Key Project Facts and Statistics

Metals	Gold
Ownership	100%
Status	Majority of overburden removed and approaching final open pit design.
Progress	More than half of known resource mined. Ongoing exploration drilling.
Mine	375,000 tonnes of ore mined. 4,986,000 BCM's of overburden mined.

Project Overview

The Portia Gold Mine commenced on 30 March 2015 under a shared risk / revenue arrangement with a well respected and experienced Broken Hill based mining contractor. After a 12 month period of overburden removal, first gold was poured in May 2016. Numerous challenges with the soft overburden, dewatering and processing plant were overcome, with resulting improved operational performance in all aspects of the operation during the year. A major exploration effort both within and adjacent to the open pit has identified gold mineralisation outside of the original ore envelope both at depth and along strike to the south and the viability of mining this material is subject to ongoing evaluation. Opportunities for extending the Portia mine life include processing the tailings, mining and processing sulphide ore below -30RL and following extensions (if viable) towards North Portia.

Highlights

Funded repayment of outstanding debt, gold plant and a major exploration effort.

Processing plant upgrades resulted in a 40% increase in ore throughput and a 51% reduction in processing costs on a $/tonne basis.

C1 Cash Cost margin maintained at 60%.

Plant upgrades completed resulting in higher ore throughput.

Future Works

Ongoing mining of remaining ore within currently defined resource.

Ongoing exploration to delineate additional gold resources.

Mining of potential additional ore that will extend the current mine life.

Study feasibility of treating tailings in order to determine optimum recovery method.

Evaluate the options for mining and processing the sulphide ore material below -30 RL.

EXPLORATION

Havilah holds 14,000 km² of the highly prospective Curnamona Craton located in North Eastern South Australia. This ground position has been patiently acquired by Havilah and explored over the past fourteen years, with outstanding success. Havilah has delineated all of its published JORC resources for copper, gold, cobalt, iron ore and uranium. It has also discovered or confirmed many other promising prospects which are yet to be drilled to resource status . The Croziers copper-tungsten project was confirmed during the year as a significant new discovery by a PACE supported drilling program. The region has proven high discovery potential for several different styles of mineral deposits as detailed below.

Curnamona Copper Belt

Marked by a persistent copper-gold-cobalt mineralised horizon that can be traced for more than 200 km along strike, with strong similarities to the Central African copper belt. Hosts the Kalkaroo and North Portia deposits and Croziers prospect which is a promising new copper-tungsten discovery on the copper belt. Many other prospects remain to be fully tested.

Mutooroo Cobalt District

An area of widespread cobalt mineralisation centred on the Mutooroo copper-cobalt project. Numerous poorly tested prospects identified by earlier geochemical sampling in this area of minimal to no cover.

Iron Oxide Copper Gold (IOCG) magnetotelluric (MT) Target Area

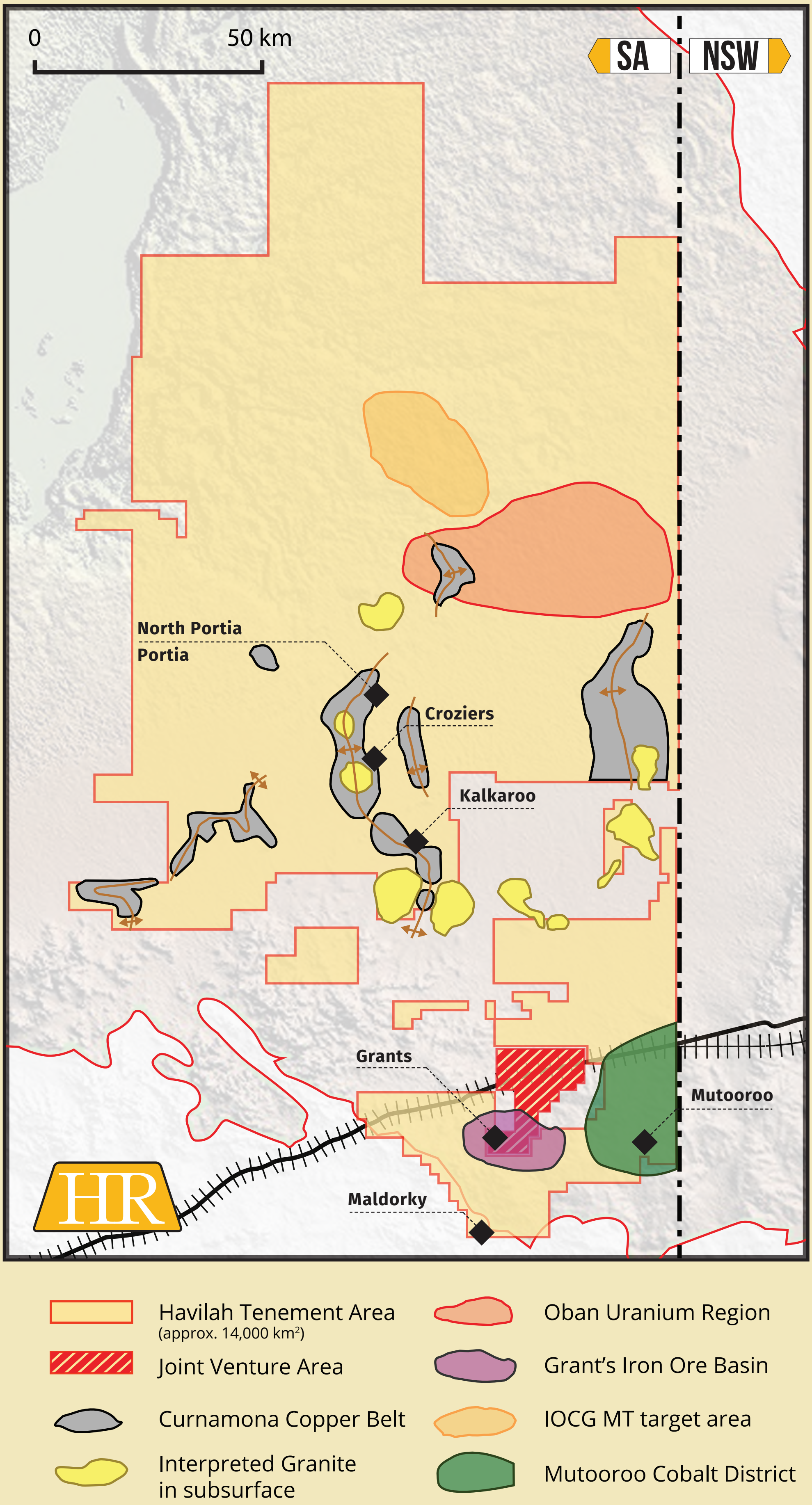
IOCG style alteration signatures were confirmed by Havilah drilling in the centre of the Benagerie Dome during the year. Subsequently, magnetotelluric geophysical surveys to the north identified a very large Olympic Dam style target signature within a comparable geological setting that lies entirely within Havilah tenements.

Grants Iron Ore Basin

A large 10x6 km iron ore basin comprised of a thick sequence of almost flat-lying Braemar Iron Formation. The iron ore potential was first identified by Havilah's drilling in 2012 where 180 metres of almost flat-lying continuous iron ore mineralisation grading 23% Fe was intersected from surface in one drillhole at the Grants deposit. During the year Havilah secured tenement coverage over all of the Grants Iron Ore Basin.

Oban Palaeochannel Uranium

An area of widespread roll front uranium mineralisation, including the Oban deposit discovered by Curnamona Energy in 2006. Havilah applied for significant areas of open ground where previous drilling has identified many targets for follow up.



0
50 km
SA
NSW
North Portia
Portia
Croziers
Kalkaroo
Grants
Mutooroo
Maldorky
HR
Havilah Tenement Area
(approx. 14,000 km²)
Joint Venture Area
Curnamona Copper Belt
Interpreted Granite
in subsurface
Oban Uranium Region
Grant's Iron Ore Basin
IOCG MT target area
Mutooroo Cobalt District

JORC Resource Summary

Tables summarising the published JORC resources cited in this Annual Report.

As of 31 July 2017:

Project	Resource category	Tonnes	Copper (%)	Gold (g/t)	Molybdenum (ppm)	Cobalt (%)	Contained Copper (Tonnes)	Contained Gold (ounces)
Kalkaroo[1]	Gold Cap (Measured)	12,000,000	-	0.82				514,600
	Gold Cap (Indicated)	6,970,000	-	0.62				added to above
	Gold Cap (Inferred)	2,710,000	-	0.68				added to above
	CuAu (Measured)	74,500,000	0.56	0.42			1,140,000	2,770,000
	CuAu (Indicated)	46,200,000	0.5	0.34			added to above	added to above
	CuAu (Inferred)	111,800,000	0.44	0.35			added to above	added to above
Portia [2 5]	Inferred	294,000		2.1				20,000
North Portia [3 5]	Indicated (supergene)	2,750,000	1.0	0.65	451		101,000	234,500
	Inferred (sulphide)	8,610,000	0.85	0.64			added to above	added to above
Mutooroo[4]	Measured sulphide	4,149,000	1.23	0.18		0.14	191,000	43,000
	Indicated sulphide	1,697,000	1.52	0.35		0.14	added to above	added to above
	Inferred sulphide	6,683,000	1.71				added to above	
	Measured oxide	598,000	0.56	0.08		0.04		
Total all projects	**All categories**	**278,961,000**					**1,432,000**	**3,582,100**

Numbers in table rounded
Based on JORC resources, details released to ASX. [1] 29 March 2017, [2] 25th June 2009, [3] 23 November 2010, [4] 18th October 2010, [5] Under the mining and funding contract for the Portia gold mine between Havilah's wholly-owned subsidiary, Benagerie Gold Pty Ltd (Benagerie), and CMC, development and mining of Portia is being conducted on a shared risk/shared revenue basis. CMC is solely responsible for all mining and related costs and is entitled to 50% of the gravity recoverable gold once it is produced and available for sale. Benagerie is solely responsible for ore processing and producing gold ingots at its own cost. Royalties and similar obligations are met jointly by Benagerie and CMC, but otherwise the parties do not have rights to the assets or obligations for the liabilities of the other party.

As of 31 July 2016:

Project	Resource category	Tonnes	Copper (%)	Gold (g/t)	Molybdenum (ppm)	Cobalt (%)	Contained Copper (Tonnes)	Contained Gold (ounces)
Kalkaroo	Gold Cap (Measured)	18,690,000		0.74				445,000
	CuAu (Measured)	85,890,000	0.52	0.41			622,500	1,561,000
	CuAu (Indicated)	38,620,000	0.45	0.33			added to above	added to above
	Mo inferred	4,500,000			615			
Portia	Inferred	635,000		2.9				54,000
North Portia	Indicated (supergene)	2,750,000	1.0	0.65	451		101,000	234,500
	Inferred (sulphide)	8,610,000	0.85	0.64			added to above	added to above
	Indicated (supergene Mo only)	7,732,000			531			
Mutooroo	Measured sulphide	4,149,000	1.23	0.18		0.14	192,000	92,700
	Indicated sulphide	1,697,000	1.52	0.35		0.14	added to above	added to above
	Inferred sulphide	6,683,000	1.71	0.21		0.13	added to above	added to above
	Measured oxide	598,000	0.56	0.08		0.04		
Total all projects	**All categories**	**168,322,000**					**915,500**	**2,387,000**

As of 31 July 2017 and 31 July 2016:

Project	Resource category	Tonnes	Iron (%)	FE concentrate (tonnes)	Estimated yield
Maldorky[1]	Indicated	147,000,000	30.1	59,000,000	40%
Grants[2]	Inferred	304,000,000	24	100,000,000	33%
Total all projects	**All categories**	**451,000,000**		**159,000,000**	

Numbers in table rounded
Based on JORC resources, details released to ASX on: [1] 10 June 2011, [2] 5 December 2012, applying an 18% cut-off in both cases

Portia Gold Mine - Production Summary

	Units	Quarter Ending				Year Ended
		31 October 2016	31 January 2017	30 April 2017	31 July 2017	31 July 2017
Overburden mined	BCM	1,392,000	1,167,000	1,042,000	285,000	3,886,000
Ore mined	t	127,000	135,000	61,000	18,000	341,000
Total tonnes processed (wet)	T	76,000	74,000	84,000	106,000	340,000
Grade processed	g/t	3.9	3.6	0.9	0.5	2.1
Gold produced	oz	8,138	7,618	2,130	1,428	19,314
Gold sold - Total	oz	9,134	7,504	2,429	1,742	20,809
Gold sold - Havilah Share	oz	4,567	3,752	1,215	871	10,405

		Havilah's Joint Share of Operations	
		Year Ended 31 July 2017	Year Ended 31 July 2016
C1 Cash Cost	A$/oz	640	374
All-in Sustaining Cost	A$/oz	880	585
All-in Cost	A$/oz	1,300	628
Depreciation & Amortisation	A$/oz	347	365
Average realised gold price	A$/oz	1,620	1,618

The guidance provided in the table above relies on the definitions described below.

C1 cash cost - represents the cost for mining, processing and administration after accounting for movements in inventory (predominantly ore stockpiles). It includes net proceeds from by-product credits, but excludes the cost of royalties and capital costs for exploration, mine development and plant and equipment.

All-in Sustaining Cost (AISC) - is made up of the C1 cash cost plus royalty expense, sustaining capital expense and general corporate and administration expenses. AISC is calculated on a per ounce sold basis which aligns to the World Gold Council standard.

All-in Cost (AIC) - is made up of the AISC plus major capital and exploration expenditure.

Tenement Schedule

FINANCIAL YEAR ENDED 31 JULY 2017

Project Name	Exploration Tenement No.	Tenement Name	Area (km²)	Registered Owner[1]	% Interest
Curnamona Craton	EL4967	Frome	53	Curnamona	100
	EL5179	Cutana	363	Havilah	100
	EL5246	Chocolate Dam	59	Havilah	100
	EL5260	Cochra	17	Havilah	100
	EL5369	Lake Charles	322	Havilah	100
	EL5370	Yalkalpo	194	Curnamona	100
	EL5393	Mingary	229	Exco, Polymetals[4]	0
	EL5396	Olary	76	Havilah	100
	EL5420	Lake Namba	516	Havilah	100
	EL5421	Swamp Dam	53	Havilah	100
	EL5422	Telechie	347	Havilah	100
	EL5423	Yalu	491	Havilah	100
	EL5437	Woodville Dam	64	Havilah	100
	EL5448	Carnanto	836	Havilah	100
	EL5463	Prospect Hill South	30	Havilah	100
	EL5476	Lake Yandra	329	Havilah	100
	EL5478	Tarkarooloo	264	Havilah	100
	EL5488	Eurinilla	70	Havilah	100
	EL5502	Collins Tank	29	Havilah	100
	EL5505	Lake Frome	106	Havilah	100
	EL5578	Kalabity	148	Havilah	100
	EL5593	Billeroo West	176	Havilah	100
	EL5703	Bundera	343	Havilah	100
	EL5753	Mutooroo Mine	23	Havilah	100
	EL5754	Mundi Mundi	73	Havilah	100
	EL5755	Bonython Hill	20	Havilah	100
	EL5760	Bumbarlow	999	Havilah	100
	EL5764	Maljanapa	996	Havilah	100
	EL5785	Moko	961	Havilah	100
	EL5800	Kalkaroo	998	Havilah	100
	EL5801	Mutooroo West	72	Havilah	100
	EL5802	Mulyungarie	1139	Havilah	100
	EL5803	Telechie North	35	Havilah	100
	EL5824	Coolibah Dam	226	Havilah	100
	EL5831	Bonython Hill (2)	120	Havilah	100
	EL5848	Mingary	354	Havilah	100
	EL5853	Oratan	107	Havilah	100
	EL5873	Benagerie	585	Havilah	100
	EL5891	Prospect Hill	45	Teale & Brewer[2]	65
	EL5903	Border Block	35	Havilah	100
	EL5904	Mundaerno Hill	58	Havilah	100
	EL5915	Emu Dam	614	Havilah	100
	EL5940	Coonarbine	619	Havilah	100
	EL5951	Jacks Find	103	Curnamona	100
	EL5952	Thurlooka	221	Curnamona	100
	EL5956	Wompinie	139	Havilah	100
	EL5964	Yalkalpo East	77	Curnamona	100
	EL5965	Billeroo	129	Curnamona	100
	EL5966	Moolawatana	196	Curnamona	100
	ELA 2017/00117	Bindarrah	157	Curnamona	100
Gawler Craton	EL5107	Pernatty	135	Red Metal, Havilah[3]	13.29
	EL5579	Sandstone	215	Havilah	100
Frome	GEL181	Frome	1305	Geothermal	100

Tenement Schedule

FINANCIAL YEAR ENDED 31 JULY 2017

Project Name	Mining Tenement No.	Tenement Status	Area (Ha)	Registered Owner[1]	% Interest
Portia & North Portia	ML6346	Renewable 01 October 2028	1745.10	Benagerie	100
	MC4345	Extractive Minerals Lease application	29.80	Benagerie	100
Kalkaroo	MC3826	Mining Lease application	249.20	Kalkaroo	100
	MC3827	Mining Lease application	248.30	Kalkaroo	100
	MC3828	Extractive Minerals Lease application	90.00	Kalkaroo	100
	MC4368	Mining Lease application	974.90	Kalkaroo	100
	MC4369	Mining Lease application	138.00	Kalkaroo	100
	MPLA T02680	Miscellaneous Purpose Lease application	248.80	Kalkaroo	100
	MPLA T02978	Miscellaneous Purpose Lease application	51.68	Kalkaroo	100
Lilydale	MC4264	Mining Lease application	249.64	Lilydale	100
	MC4265	Mining Lease application	249.70	Lilydale	100
	MC4266	Mining Lease application	249.70	Lilydale	100
	MC4267	Mining Lease application	249.74	Lilydale	100
Maldorky	MC4271	Mining Lease application	249.49	Maldorky	100
	MC4272	Mining Lease application	248.06	Maldorky	100
	MC4273	Mining Lease application	131.95	Maldorky	100
	MC4274	Mining Lease application	116.82	Maldorky	100
	MC4364	Mining Lease application	112.24	Maldorky	100
Mutooroo	ML5678	Renewable 29 August 2018	16.00	Mutooroo	100
	MC3565	Mining Lease application	100.30	Mutooroo	100
	MC3566	Mining Lease application	138.20	Mutooroo	100

Note 1	
Havilah:	Havilah Resources Limited
Curnamona:	Curnamona Energy Pty Limited, a wholly owned subsidiary of Havilah Resources Limited
Benagerie:	Benagerie Gold Pty Limited, a wholly owned subsidiary of Havilah Resources Limited
Kalkaroo:	Kalkaroo Copper Pty Ltd, a wholly owned subsidiary of Havilah Resources Limited
Lilydale:	Lilydale Iron Pty Ltd, a wholly owned subsidiary of Havilah Resources Limited
Maldorky:	Maldorky Iron Pty Ltd, a wholly owned subsidiary of Havilah Resources Limited
Mutooroo:	Mutooroo Metals Pty Ltd, a wholly owned subsidiary of Havilah Resources Limited
Geothermal:	Geothermal Resources Pty Limited, a wholly owned subsidiary of Havilah Resources Limited
Exco, Polymetals:	Exco Operations (SA) Ltd, Polymetals (White Dam) Pty Ltd
Red Metal:	Red Metal Limited
Teale & Brewer:	Teale and Associates Pty Ltd, Adrian Mark Brewer

Note 2

Agreement - farm-in to earn 85% interest in tenement

Note 3

Agreement - farm-in to dilute to 10%

Note 4

Agreement - farm-in to earn 75% interest in the rights to iron ore and associated minerals

Summary of governance arrangements and internal controls in place for the reporting of mineral resources

Mineral Resources are estimated by suitably qualified employees and consultants in accordance with the JORC Code, using industry standard techniques and internal guidelines for the estimation and reporting of Mineral Resources. These estimates and the supporting documentation were reviewed by suitably qualified Competent Persons prior to inclusion in this Annual Report.

Competent Person's Statement

The information in this Annual Report that relates to Exploration Targets, Exploration Results, Mineral Resources and Ore Reserves is based on data compiled by geologist, Dr Chris Giles, a Competent Person who is a member of The Australian Institute of Geoscientists. Dr Giles is a Director of the Company and is employed by the Company on a consultancy agreement. Dr Giles has sufficient experience, which is relevant to the style of mineralisation and type of deposit and activities described herein, to qualify as a Competent Person as defined in the 2012 Edition of 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Giles consents to the inclusion in this report of the matters based on his information in the form and context in which it appears. Information for the Kalkaroo resource complies with the JORC Code 2012. All other information was prepared and first disclosed under the JORC Code 2004 on the basis that the information has not materially changed since it was last reported.

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DIRECTORS REPORT
CORPORATE OVERVIEW

Corporate Overview

Principal Activities

The principal activity of Havilah is exploration for gold, copper, cobalt and other base metals and mineral deposits, with the objective to develop the discoveries into profitable operating mines. Havilah's first mine, the Portia Gold Mine, commenced gold production during the previous financial year.

There have been no significant changes in the nature of these activities during the financial year.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

Significant Changes in the State of Affairs

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

Indemnification of Officers and External Auditor

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

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

Environmental Regulations

The Group carries out exploration activities on its mineral exploration tenements in South Australia, and mining and processing activities on the ML on which the Portia Gold Mine is located.

The Group's operations, exploration and permitting activities are subject to various State and Commonwealth environmental legislation. With an aim to achieve 'best practice' in this area, the Group has met all environmental regulatory obligations for the reporting year.

Marketing and Promotion

To continue to promote its activities, Havilah produced several more high quality video clips of the Portia Gold Mine as described in the field by its Managing Director, Dr Chris Giles. These clips have been posted on Havilah's website and are designed to provide shareholders and interested parties with an extra dimension of information that cannot be fully relayed in static presentations and reports.

Havilah has continued to build its presence on social media as well as updated its website to make it more user friendly. Dr Chris Giles, Managing Director, has also made presentations at a number of conferences during the year.

Community Support

The Group has keenly supported local communities and Aboriginal groups in the catchment area of its operations. Most notably the Group has provided sponsorship support to the Port Augusta based Lakeyres football, cricket and netball teams which aim to encourage the participation of indigenous youth in healthy sporting activities. Havilah is also a long-term supporter of the Royal Flying Doctor Service via the annual Yunta Races as well as through direct donations. Earlier in 2017 the Group was pleased to sponsor the St Patrick's Day Race, held annually in Broken Hill.

Diversity In Employment

The Group recognises that strength lies in diversity, that talent can be found in unlikely places, and that our multiskilled workforce is a great source of competitive advantage. The Board is committed to workplace equality and diversity and, where possible, offers flexible working arrangements, where possible, in support of this.

The Group has attracted highly skilled people to perform key functions and continues to hire the best people that the market has to offer. The commencement of operations at the Portia Gold Mine enabled the Group to expand the work force and improve our diversity profile.

The Group currently has 29 employees, 8 female and 21 male. As of 31 July 2017, the percentage of our work force represented by females has increased to 28%. This is a 107% increase from the prior year. Female employees represent 39% of the professional employees in the Group. This is a 172% increase from the prior year. There is currently no female representation on the Group's Board of Directors.

Graduate Employment

In a State where employment opportunities for young people can be hard to find, we are proud of the proportionally high number of recent university graduates that we have hired. These high calibre individuals have brought enthusiasm, energy, and a fresh perspective to the Group, complementing our existing depth of knowledge and experience. Their retention is key to our ambitious growth strategy.

Corporate Governance Statement

The Board is committed to achieving and demonstrating high, but fit for purpose, standards of corporate governance. As such, Havilah Resources Limited (Havilah or the Company) and its Subsidiaries (the Group) have made it a priority to develop and adopt systems of control and accountability as the basis for the administration of the Group's corporate governance based on the ASX Principles and Recommendations.

In line with the spirit of the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition (the ASX Principles and Recommendations) the Group has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for the Group's corporate governance practices, taking into account factors such as the size of the Group and the Board, resources available and activities of the Group.

Where, after due consideration, the Group's corporate governance practices depart from the ASX Principles and Recommendations, the Board has provided full disclosure of the nature of and reason for the adoption of its own practice.

Further information about the Company's corporate governance practices is set out on the Company's website at www.havilah-resources.com.au. In accordance with the ASX Principles and Recommendations, information published on the Company's website includes charters (for the Board and its committees), the Company's Code of Conduct and other policies and procedures relating to the Board and its responsibilities.

"If not, why not" Reporting

During the financial year the Group has followed each of the ASX Principles and Recommendations, other than in relation to the matters specified below. Australian Accounting Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Principle 1 Recommendation 1.5
Notification of Departure:
Diversity targets have not been established.

Explanation of Departure:
Due to the small size of the Group, the Board does not consider it practical at this point in time to establish diversity targets. The Board is, however, committed to diversity in the workforce and will establish measurable objectives as the Group grows.

Principle 1 Recommendation 1.6
Notification of Departure:
Formal process for evaluating the performance of the Board, its committees and individual Directors not disclosed.

Explanation of Departure:
The Board continually monitors its performance. Given the size of the Board and the regular interaction between Board members, the Board considers that to date this process has been adequate, however, it plans to establish a more formal process as the Group develops

Principle 1 Recommendation 1.7
Notification of Departure:
Formal process for evaluating the performance of Senior Executives not disclosed.

Explanation of Departure:
The Board continually monitors the performance of the management team. Given the size of the Group and the regular interaction between the Board and the management team, the Board considers that to date this process has been adequate, however, plans to establish a more formal process as the Group develops.

Principle 2 Recommendation 2.1
Notification of Departure:
Nomination Committee not established and process for evaluating the performance of the Board, its Committees, and individual Directors not disclosed.

Explanation of Departure:
In accordance with its Nominations Policy, the Board continually monitors Board size, composition, skill sets and succession issues. Given the size of the Group and the regular interaction between Board members, the Board considers at this stage that the process in place is adequate.

Principle 4 Recommendation 4.1
Notification of Departure:
The Audit Committee does not consist of only Non-Executive Directors.

Explanation of Departure:
Due to the Board of Directors only consisting of three members, the whole Board comprises the Audit and Risk Committee, including the Managing Director.

Principle 7 Recommendation 7.3
Notification of Departure:
The Group does not have an internal audit function.

Explanation of Departure:
Due to the small size of the Group there is not an internal audit function. The Chairman of the Audit and Risk Committee plays a hands-on role in the evaluation and review of the risk management and internal control processes employed by management.

Principle 8 Recommendation 8.1
Notification of Departure:
There is no Remuneration Committee.

Explanation of Departure:
There is no Remuneration Committee due to the small size of the Board. In accordance with its Remuneration Policy, the whole Board undertakes the functions of the Remuneration Committee to set and review the level and composition of remuneration for Directors and Other Key Management Personnel.

Principle 8 Recommendation 8.2
Notification of Departure:
There are no specific policies and practices regarding the remuneration of Directors and Other Key Management Personnel

Explanation of Departure:
Due to the small size of the Group and the Board, outside of the Remuneration Policy there are no specific remuneration practices. The maximum aggregate annual remuneration which may be paid to Non-Executive Directors is currently $0.300 million. This cannot be increased without approval of Havilah's shareholders.

Meet the Board

Kenneth Graham Williams

BEc (Hons), MAppFin, MAICD

Position: Independant Non-Executive Chairman
Director (since 2003) / Chairman (since 2013)

Mr Ken Williams has extensive experience in mining finance and his skills complement the technical skills of Dr Chris Giles. Mr Ken Williams has previously held roles in the treasury operations at Qantas Airways Limited and Normandy Mining Limited, before becoming Chief Financial Officer of Normandy, then Group Executive Finance and Business Manager at Newmont Australia Limited. He is currently non-executive Director on a number of public, private and not-for-profit boards. Mr Ken Williams is a resident of Adelaide and a member of the Australian Institute of Company Directors.

Other Current Directorships	:	AWE Limited (Appointed 2009)
Previous (Last 3 Years)	:	None
Interests in shares	:	557,358 Ordinary Shares
Interest in options	:	Unlisted - 600,000 share options

Christopher William Giles

BSc (Hons), PhD, MAIG

Position: Managing Director / Director (since 2002)

Dr Chris Giles is an internationally experienced geologist having been directly involved in exploration programs, resulting in the discovery of several currently operating gold mines in various parts of the world, including in Indonesia, Tanzania and the Tanami and Eastern Goldfields regions of Australia.

He is a co-founder of Havilah and as the founding Technical Director of Havilah discovered or delineated eight new mineral deposits on its tenements in the Curnamona Province of north-eastern South Australia. He has been jointly responsible for ground selection and overseeing exploration programs that have discovered Havilah's large JORC mineral inventory.

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

Other Current Directorships	:	None
Previous (Last 3 Years)	:	None
Interests in shares	:	40,921,108 Ordinary Shares
Intest in options	:	Unlisted - 2,400,000 share options

Paul Stratford Mertin

GAICD

Position: Independent Non-Executive Director / Chairman of Audit and Risk Committee Director (since 2013)

Mr Paul Mertin retired during October 2013 as the Head of NAB Corporate Banking in South Australia after a 33 year career at National Australia Bank, in a range of roles. He has a broad understanding of funding options available to Havilah as the Group continues to review financing options for its projects and has extensive contacts across the business community.

Mr Paul Mertin is currently working for Bendigo Bank as a Senior Strategic Relationship Partner, a role that includes providing Community Bank® company boards across South Australia with support and guidance on strategy, governance and director education. Mr Paul Mertin is a resident of Adelaide and a Graduate Member of the Australian Institute of Company Directors

Other Current Directorships : None

Previous (Last 3 Years) : None

Interests in shares : 169,350 Ordinary Shares

Intest in options : Unlisted - 600,000 share options

Walter Douglas Richards

Comm (Hons) (Accountancy), MSPM, CA, CA(SA), ACMA

Position: Chief Financial Officer & Company Secretary (since 2014)

Mr Walter Richards worked for Newmont Mining Corporation in a variety of roles, most recent being Regional Vice President – Finance, Africa during the project development and construction of its Akyem mine in Ghana, West Africa.

While working in the internal audit group of Newmont, he was responsible for the implementation of the Sarbanes-Oxley Act requirements relating to corporate governance and internal controls.

Prior to working for Newmont he was Chief Mine Site Accountant and Project Controller for Stillwater Mining Company. Mr Walter Richards is a resident of Adelaide and a member of the Institute of Chartered Accountants Australia and New Zealand, South African Institute of Chartered Accountants and the Chartered Institute of Management Accountants.

Meetings of Directors

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

Due to the Group's limited size and activities, the Group does not have a remuneration committee.

Name	Director's Meetings	
	Held	Attended
C W Giles	10	10
P S Mertin	10	10
K G Williams	10	10

Name	Audit and Risk Committee	
	Held	Attended
C W Giles	2	2
P S Mertin	2	2
K G Williams	2	2

Financial Review

Key Business Metrics		31 July 2017 $ '000	31 July 2016 $ '000	Change
Total Revenue		**16,860**	**2,745**	**514%**
Cost of goods sold (excluding D&A[1])		(8,324)	(761)	-994%
Corporate, G&A, exploration and other costs (excluding D&A[1])		(2,006)	(1,839)	-9%
Exploration and evaluation impairment loss		(199)	(469)	57%
EBITDA[2]		**2,549**	**(302)**	**944%**
(Loss)/profit for the financial year		**(4,229)**	**1,210**	**449%**
Capitalised expenditure:				
Property, plant and equipment		3,068	4,779	-36%
Mine development expenditure		1,619	1,211	34%
Exploration & evaluation expenditure		4,048	2,238	81%
Total capitalised expenditure:		**8,735**	**8,228**	**6%**
Gold Sales	**oz**	**10,405**	**1,698**	
C1 Cash Cost	A$/oz	640	374	-71%
All-in Sustaining Cost	A$/oz	880	585	-50%
Basic earnings per share	**cents**	**(2.45)**	**0.7**	

1. Depreciation and amortisation ('D&A')
2. EBITDA is non-IFRS financial information and is not subject to audit. Refer to Note 3(c) for reconciliation of EBITDA to loss before income tax expense.

Financial Performance Summary

Earnings/(loss) before interest, tax, depreciation and amortisation (EBITDA) for the financial year was $2.549 million (2016: loss $0.302 million). This includes an exploration and evaluation impairment provision of $0.199 million (2016: $0.469 million) and the impairment provision of Mine Development expenditure of $4.153 million (see Note 11 for further details).

The Consolidated Statement of Profit or Loss and Other Comprehensive Income shows a loss after tax for the financial year of $4.229 million (2016: profit of $1.210 million).

The prior year total comprehensive income for the financial year included an unrealised net fair value loss on hedging of $0.969 million. The hedging was for 10,000 ounces of gold production from the Portia Gold Mine and was held for strategic rather than trading purposes. At financial year end the full 10,000 (2016: 1,698) ounces of gold had been delivered against the hedging facility (2016: 8,302 ounces yet to be delivered).

The Group has estimated tax losses to carry forward of $55.309 million (2016: $55.743 million). This has not been recognised in the financial statements in the current year.

As at 31 July 2017 the Group had available cash of $0.888 million (2016: $0.709 million). The Group repaid $3.500 million on the Investec Loan Facility during the financial year resulting in the facility being fully repaid (2016: $3.500 million outstanding balance).

Fixed asset expenditure decreased during the financial year reflecting that the build of the Portia Gold Mine processing plant was completed in the prior financial year. Expenditure on exploration increased due to infill drilling at North Portia, regional exploration drilling partly funded by a PACE grant, and drilling of the southern extension of the Portia gold deposit.

Operating activities, mainly related to Portia, resulted in net cash inflow for the financial year of $6.201 million (2016: $1.620 million). Net cash flows used in investing activities for the financial year was $6.547 million (2016: $7.139 million).
Earnings per share is a loss of ($0.025) (2016: profit $0.007).

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.

Subsequent Events

Other than noted in Note 37 to the financial statements, 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.

Share Options

During and since the end of the financial year no unlisted share options to acquire ordinary shares in Havilah Resources Limited were granted under the Company's Employee Share Option Plan, 675,000 unlisted share options were exercised and 400,000 unlisted share options previously granted lapsed.

At the date of this report there were no listed share options outstanding.

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

Number of ordinary shares under option	Class of shares	Exercise price of share option	Expiry date of share option
1,200,000[1]	Ordinary	$0.36	1 April 2018
1,675,000[2]	Ordinary	$0.25	26 June 2018
500,000[3]	Ordinary	$0.54	30 June 2018
3,600,000[2]	Ordinary	$0.36	15 December 2018
50,000[1]	Ordinary	$0.38	1 May 2019
800,000[4]	Ordinary	$0.41	6 October 2019

[1] Share options issued under an employment contract.
[2] Share options issued under the Employee Share Option Plan
[3] Share options issued under a contract to a service provider.
[4] Share options issued under a funding arrangement.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 82 of the annual report.

Rounding of Amounts

The Company is of a kind referred to in Class Order 98/100, issues by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

4 Remuneration Report (Audited)


FURNACE
TECHNOLOGIES

Remuneration Report

This report outlines the remuneration arrangements in place for Directors and Other Key Management Personnel of the Group.

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:

- Dr Chris Giles (Managing Director)
- Mr Paul Mertin (Independent Non-Executive Director)
- Mr Ken Williams (Independent Non-Executive Chairman)
- Mr Walter Richards (Chief Financial Officer & Company Secretary)

Relationship between the remuneration policy and Group performance

The tables below set out summary information about the Group's earnings and movements in shareholder wealth to 31 July 2017.

	31 July 2017 $'000	31 July 2016 $'000	31 July 2015 $'000	31 July 2014 $'000	31 July 2013 $'000
Revenue	16,860	2,745	-	-	-
EBITDA	2,549	(302)	(4,496)	(8,128)	(4,172)
(Loss)/profit after tax for the financial year	(2,549)	1,210	(4,793)	(8,280)	(4,320)
Total comprehensive (loss)/income	(3,260)	241	(4,793)	(8,280)	(4,396)

		31 July 2017	31 July 2016	31 July 2015	31 July 2014	31 July 2013
Share price at beginning of the financial year	$	0.41	0.25	0.15	0.35	0.64
Share price at end of the financial year	$	0.36	0.41	0.25	0.15	0.35
Basic (loss)/profit per ordinary share	cents	(2.45)	0.70	(3.10)	(6.90)	(3.70)
Diluted (loss)/profit per ordinary share	cents	(2.45)	0.60	(3.10)	(6.90)	(3.70)

No dividends have been declared during the five years ended 31 July 2017 and the Board of Directors does not recommend the payment of a dividend in respect of this financial year.

There is no link between the Group's performance and the setting of remuneration, except as discussed below in relation to share options for Directors and Other Key Management Personnel.

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 relevant Director concerned. The compensation of Other Key Management Personnel is reviewed by the Board of Directors.

The Board of Directors assesses the appropriateness of the nature and amount of remuneration 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 deems it necessary. No external advice on remuneration matters was obtained during the financial year ended 31 July 2017.

The issue of share options to Directors and Other Key Management Personnel as part of their remuneration is not dependent on the satisfaction of performance conditions other than as set out below. These conditions have been determined to align the performance of the Directors and Other Key Management Personnel with the performance of the Group.

Remuneration Report

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.

Executive Director remuneration

The Board of Directors seeks 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 a service agreement with a related entity of Dr Chris Giles, details of which are set out below.

Non-Executive Director remuneration

The Board of Directors seeks to set remuneration of the Non-Executive Directors at a level which provides the Group with the ability to attract and retain Directors of a high calibre, whilst incurring a cost which is appropriate at this stage of the Group's development.

As of 16 December 2016, as Non-Executive Chairman, Mr Ken Williams is entitled to receive fees, as a Director, of $97,717 (2016: $87,996) per annum exclusive of statutory superannuation.

As of 16 December 2016, as Non-Executive Director, Mr Paul Mertin is entitled to receive fees, as a Director and Chairman of the Audit and Risk Committee, of $59,361 (2016: $45,767) per annum exclusive of statutory superannuation.

Chief Financial Officer & Company Secretary remuneration

Mr Walter Richards receives remuneration of $330,000 per annum, exclusive of statutory superannuation.

Transactions with Directors and related entities of Directors

The Group had entered into a consultancy agreement with a related entity of Dr Chris Giles. As at 31 July 2017, the Group had no contingent liability in relation to this agreement (2016: $nil).

Detail of the consultancy agreement entered into by Havilah and concluding at 31 July 2018 is set out below.

Director	Type	Detail	Term
C W Giles	Consultancy	Minimum of 1,600 hours per annum at $174,984 per annum and additional hours at $100 per hour.[1]	Extended from 31 July 2017 to 31 July 2018

[1] Dr Chris Giles has not invoiced the Group for any additional hours for this financial year.

Share-based payments granted as compensation for this financial year

The Group operates ownership-based share option schemes for executives, employees and contractors of Havilah. In accordance with the provisions of the plans, as approved by shareholders at the 2009 Annual General Meeting, the Board of Directors may grant to executives, employees and contractors share 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 Group when exercised.

No share options were issued to Other Key Management Personnel during the financial year.

During the financial year no share options were issued by the Company to the Directors (2016: 3.600 million share options were issued, with a fair value at grant date of $0.417 million).

Remuneration Report

Summary of amounts paid to Directors and Other Key Management Personnel

The following tables disclose the compensation of Directors and Other Key Management Personnel:

Financial year ended 31 July 2017	Short-term employee benefits (incl consulting fees) $	Bonuses $	Post-employment superannuation $	Share-based payments options [4 5] $	Total $
C W Giles	174,984[1]	134,000[2]	-	-	308,984
P S Mertin	53,697	-	5,101	-	58,798
K G Williams	93,667	-	8,898	-	102,565
W D Richards	330,000	136,037[2 3]	44,574	27,521	538,132
Total	**652,348**	**270,037**	**58,573**	**27,521**	**1,008,479**

Financial year ended 31 July 2016	Short-term employee benefits (incl consulting fees) $	Bonuses $	Post-employment superannuation $	Share-based payments options [4 5] $	Total $
C W Giles	174,984[1]	-	-	274,104	449,088
P S Mertin	45,767	-	4,348	71,349	121,464
K G Williams	87,996[1 6]	-	3,837	71,349	163,182
W D Richards	268,003	73,812[7]	32,472	-	374,287
Total	**576,750**	**73,812**	**40,657**	**416,802[4]**	**1,108,021**

[1] Consulting fees paid to a nominated company in which the Director has a controlling interest.
[2] Bonus paid used to immediately exercise listed options.
[3] Bonus consisted of salary adjustments from May 2015.
[4] Share options do not represent cash payments to Directors and Other Key Management Personnel. Share options granted may or may not be exercised by Directors and Other Key Management Personnel.
[5] Amortisation cost of share options granted over vesting period.
[6] From 1 March 2016 payments were made directly to the Director, including statutory superannuation.
[7] The accrued bonus was approved by the Board of Directors in recognition of the work performed in association with the Portia Gold Mine. This consisted of a bonus of $40,200 and salary adjustments of $33,612 for salary increase from February 2014.

No Directors or Other Key Management Personnel were appointed during the financial year, nor received a payment as part of their consideration, for agreeing to hold the position.

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each executive by the Board of Directors and is as follows:

	Fixed Remuneration		Variable Remuneration	
	2017	2016	2017	2016
C W Giles	57%	39%	43%	61%
P S Mertin	100%	41%	0%	59%
K G Williams	100%	56%	0%	44%
W D Richards	71%	80%	29%	20%

Share options held by Directors and Other Key Management Personnel

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

Share options series	Grant date	Expiry date	Grant date fair value	Vesting date
Executive Director Options	9 December 2015	15 December 2018	$0.11	100% vested
Non-Executive Director Options	9 December 2015	15 December 2018	$0.12	100% vested
Employee Options	1 April 2014	1 April 2018	$0.11	100% vested

Remuneration Report

During the financial year ended 31 July 2017 no share options issued to Directors or Other Key Management Personnel lapsed (31 July 2016: nil share options lapsed).

Value of share options – basis of calculation:

- Value of share options granted at issue date is calculated by multiplying the fair value of share options at issue date or execution of employment agreements, if earlier, by the number of share options granted during the financial year;
- Value of share options exercised at exercise date is calculated by multiplying the fair value of share options at the time they are exercised (calculated as the difference between exercise price and the ASX last sale price on the day that the share options were exercised) by the number of share options exercised during the financial year. Where the exercise price is greater than the last sale price, the value is $nil;
- Value of share options cancelled is calculated by multiplying the fair value of share options at the time they were cancelled by the number of share options cancelled during the financial year. Where the exercise price is greater than the last sale price, the value is $nil; and
- Value of share options lapsed at the lapse date is calculated by multiplying the market price of the share options at the time they lapsed by the number of share options lapsed during the financial year. Where the exercise price is greater than the last sale price, the value is $nil.

The total value of share options included in compensation for the financial year is calculated in accordance with Australian Accounting Standard AASB 2 'Share-based Payment'. Share options granted during the financial year are recognised in compensation in the Consolidated Statement of Profit or Loss and Other Comprehensive Income over their vesting period.

Directors and Other Key Management Personnel equity holdings

Fully paid ordinary shares issued by Havilah - Number of ordinary shares:

	Balance at 31 July 2016	Net other changes[1]	Balance at 31 July 2017	Balance held nominally[2]
C W Giles	27,155,870	13,765,238	40,921,108	-
P S Mertin	167,775	1,575	169,350	-
K G Williams	464,465	92,893	557,358	-
W D Richards	177,000	227,907	404,907	-

[1] Represents ordinary shares purchased on market or listed options exercised.
[2] Held nominally refers to the situation where the ordinary shares are in the name of the Director or Other Key Management Personnel but he is not the beneficial owner.

Share options issued by Havilah - Number of options

	Balance at 31 July 2016	Unlisted acquired during financial year	Listed acquired during financial year	Listed lapsed/disposed/ exercised during financial year	Balance at 31 July 2017	Balance vested at 31 July 2017	Not yet vested	Vested during financial year
C W Giles	19,519,176	-	-	17,119,176	2,400,000	2,400,000	-	-
P S Mertin	601,575	-	-	1,575	600,000	600,000	-	-
K G Williams	692,893	-	-	92,893	600,000	600,000	-	-
W D Richards	1,722,797	-	-	522,797	1,200,000	1,200,000	-	-

Signed on 1 November 2017 in accordance with a resolution of Directors made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the Directors,

KGWilliams

Mr Ken Williams
Chairman

5 Annual Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

- For the Financial Year ended 31 July 2017

	Note	Year ended 31 July 2017 $'000	Year ended 31 July 2016 $'000
Revenue		16,860	2,745
Cost of goods sold		(11,935)	(1,381)
Gross Profit		**4,925**	**1,364**
Other income	4(a)	383	41
Expenses			
Exploration expenditure written off	10	(199)	(469)
Impairment of mine development expenditure	11	(4,153)	-
Administration expenses		(696)	(555)
Employee expenses		(847)	(551)
Share based payments expense		(33)	(400)
Finance costs		(430)	(294)
Corporate costs		(201)	(240)
Depreciation and amortisation	12	(164)	(163)
Directors fees		(161)	(142)
Impairment of other financial assets		(69)	49
Loss before income tax	**4(b)**	**(1,644)**	**(1,360)**
Tax (expense)/income	5(a)	(2,585)	2,570
(Loss)/Profit for the year		**(4,229)**	**1,210**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit of loss:			
Fair value reversal/(loss) on hedging instrument, net of tax		969	(969)
Total comprehensive (loss)/income for the year		**(3,260)**	**241**
Earnings per share: Basic (cents per share)	28	(2.45)	0.70
Earnings per share: Diluted (cents per share)	28	(2.45)	0.60

This statement should be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of Financial Position

- As at 31 July 2017

	Note	31 July 2017 $'000	31 July 2016 $'000
Current Assets			
Cash and cash equivalents	6	888	709
Inventory	7	1,843	1,328
Trade and other receivables	8	238	757
Other	9	124	-
Total Current Assets		**3,093**	**2,794**
Non-Current Assets			
Exploration and evaluation expenditure	10	33,913	30,064
Mine development expenditure	11	-	5,722
Property, plant and equipment	12	9,279	7,827
Deferred tax assets	5(b)	-	3,000
Other receivables	13	1,020	1,829
Other financial assets	14	107	283
Total Non-Current Assets		**44,319**	**48,725**
TOTAL ASSETS		**47,412**	**51,519**
Current Liabilities			
Trade and other payables	15	2,504	2,900
Borrowings	16	141	3,329
Provisions	17	694	516
Derivative financial liability	18	-	1,384
Other		507	507
Total Current Liabilities		**3,846**	**8,636**
Non-Current Liabilities			
Borrowings	19	-	6
Provisions	20	1,047	1,840
Other	21	1,142	1,264
Total Non-Current Liabilities		**2,189**	**3,110**
TOTAL LIABILITIES		**6,035**	**11,746**
NET ASSETS		**41,377**	**39,773**
Equity			
Contributed equity	22	65,072	60,183
Reserves	23	(1,841)	(2,534)
Accumulated losses		(21,854)	(17,876)
TOTAL EQUITY		**41,377**	**39,773**

This statement should be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

- For the Financial Year ended 31 July 2017

	Contributed equity $'000	Fair-value revaluation reserve $'000	Buy-out reserve $'000	Share-based payments reserve $'000	Accumulated losses $'000	Total $'000
Balance at 1 August 2015	**59,142**	**-**	**(2,600)**	**635**	**(19,086)**	**38,901**
Profit for the financial year	-	-	-	-	1,210	1,210
Net fair value loss on hedging instrument	-	(1,384)	-	-	-	(1,384)
Related income tax	-	415	-	-	-	415
Total comprehensive income/(loss) for the financial year	**-**	**(969)**	**-**	**-**	**1,210**	**241**
Issue of 3,752,000 ordinary shares with placement	938	-	-	-	-	938
Costs associated with issue of ordinary shares	(49)	-	-	-	-	(49)
Related income tax	15	-	-	-	-	15
Issue of 455,967 ordinary shares on exercise of listed share options	137	-	-	-	-	137
Share-based payment expenses	-	-	-	400	-	400
Balance at 31 July 2016	**60,183**	**(969)**	**(2,600)**	**1,035**	**(17,876)**	**39,773**
Loss for the financial year	-	-	-	-	(4,229)	(4,229)
Net fair value loss on hedging instrument	-	1,384	-	-	-	1,384
Related income tax	-	(415)	-	-	-	(415)
Total comprehensive income for the financial year	**-**	**969**	**-**	**-**	**(4,229)**	**(3,260)**
Issue of 1,516,569 ordinary shares for purchase of plant and equipment	872	-	-	-	-	872
Issue of 675,000 ordinary shares on exercise of unlisted options	224	-	-	(57)	-	167
Issue of 12,642,927 ordinary shares on exercise of listed share options	3,793	-	-	-	-	3,793
Unlisted share options lapsed	-	-	-	(251)	251	-
Share-based payment expenses	-	-	-	33	-	33
Balance at 31 July 2017	**65,072**	**-**	**(2,600)**	**760**	**(21,854)**	**41,378**

This statement should be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

- For the Financial Year ended 31 July 2017

	Note	Year ended 31 July 2017 $'000	Year ended 31 July 2016 $'000
Cash flow from operating activities			
Receipts from customers		16,860	3,252
Miscellaneous receipts		19	22
Payments to suppliers		(10,487)	(1,504)
Interest and other costs of finance paid		(191)	(150)
Net cash flows provided by operating activities	31(a)	**6,201**	**1,620**
Cash flow from investing activities			
Interest received		12	19
Refund for security deposit		107	310
Payments for exploration and evaluation		(4,245)	(1,863)
Payments for mine development		(1,278)	(1,111)
Payments for property, plant and equipment		(1,143)	(4,494)
Net cash flows used in investing activities		**(6,547)**	**(7,139)**
Cash flow from financing activities			
Proceeds from issue of ordinary shares		3,961	1,075
Payments for ordinary share issue costs		-	(49)
Proceeds from government grants		200	-
Proceeds from borrowings		-	4,000
Payment for borrowing costs		(54)	(330)
Repayment of borrowings		(3,582)	(604)
Net cash flows provided by financing activities		**525**	**4,092**
Net increase/(decrease) in cash		**179**	**(1,427)**
Cash at beginning of financial year		709	2,136
Cash at end of financial year	31(b)	888	709

This statement should be read in conjunction with the notes to the consolidated financial statements.

1. Significant Accounting Policies

Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and comply with other requirements of the law. The consolidated financial statements are for the consolidated entity consisting of Havilah Resources Limited and its subsidiaries (the 'Group'). A description of the nature of the operations and principal activities of the Group are described in the Directors' Report. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Compliance with Australian Accounting Standards ensures that the consolidated financial statements and notes of the Group comply with International Financial Reporting Standards (IFRS).

Basis of preparation

These general purpose financial statements have 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.

In the application of Australian 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.

Significant accounting estimates, assumptions and judgements

The following are significant accounting estimates, assumptions and judgements in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves. The determination of a Joint Ore Reserves Committee (JORC) resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an estimated interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable interest rate.

Ore reserve and resource estimates

The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons (as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources (the JORC Code)). Reserves determined in this way are taken into account in the calculation of impairment.

Provision for rehabilitation estimates

Provision for rehabilitation is estimated taking into consideration facts and circumstances available at the reporting date. This estimate is based on the expenditure required to undertake the rehabilitation, taking into consideration the time value of money. Factors that may affect this liability include future disturbances caused by further development, changes in technology, changes in regulations, price increases and change in the timing of cash flows. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the reporting period in which they change or become known.

Recoverability of deferred tax assets

The Group's ability to recognise deferred tax assets relies on assumptions about the generation of future taxable profits. These taxable profit estimates are based on estimated future production, commodity prices, and exchange rates, operating costs, rehabilitation costs and capital expenditures.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain plant and equipment.

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

(a) 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 and expensed 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 acquisition-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 Australian Accounting 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 'Business Combinations' 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.

(b) Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position and for presentation in the Consolidated Statement of Cash Flows comprise cash on hand, cash in banks and short-term bank deposits that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(c) 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 short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflow.

(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 reporting period 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 their 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 financial 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 and reclassified to mine development.

(e) 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's 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 reporting 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.

(f) 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.

(g) Goods and services tax

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

- 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
- 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 Consolidated 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.

(h) 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 and evaluation activities are recognised as deferred income in the Consolidated 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 reporting 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 reporting period in which it becomes receivable.

Amounts received under the Research and Development Tax Incentive scheme are treated as Government Grants.

(i) Inventories

Ore, gold in circuit and gold bullion is physically measured or estimated and valued at the lower of cost and net realisable value. Costs are determined using an average weighted cost which includes the Group's direct and overhead costs, including amortisation and depreciation.

(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 interest 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 reporting 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 reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the financial 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 financial 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 consolidated 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 reporting 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.

Current and deferred tax for financial 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 Limited 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 head 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 5 to the consolidated 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) Contributed equity

Ordinary shares are classified as equity. Issued capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of ordinary shares are deducted from issued share capital, net of any related income tax.

(m) Joint arrangements

The Group undertakes a number of business activities through joint arrangements, which exist when two or more parties have joint control. Joint arrangements are classified as either joint operations or joint ventures, based on the contractual rights and obligations between the parties to the arrangement. The Group has two types of joint arrangements – joint operations and joint ventures.

Joint operation

A joint operation is an arrangement in which the Group shares joint control, primarily via contractual arrangements with other parties. In a joint operation, the Group has rights to the assets and obligations for the liabilities relating to the arrangement. This includes situations where the parties benefit from the joint activity through a share of the output, rather than by receiving a share of the results of trading. In relation to the Group's interest in a joint operation, the Group recognises: its share of assets and liabilities; revenue from the sale of its share of the output and its share of any revenue generated from the sale of the output by the joint operation; and its share of expenses. All such amounts are measured in accordance with the terms of the arrangement, which is usually in proportion to the Group's interest in the joint operation.

Joint ventures

A joint venture is a joint arrangement in which the parties that share joint control have rights to the net assets of the arrangement. A separate vehicle, not the parties, will have the rights to the assets and obligations to the liabilities relating to the arrangement. More than an insignificant share of output from a joint venture is sold to third parties, which indicates the joint venture is not dependent on the parties to the arrangement for funding, nor do the parties have an obligation for the liabilities of the arrangement. Joint ventures are accounted for using the equity accounting method.

(n) Leased assets

Finance leases

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 Consolidated 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 to profit or loss.

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

Operating leases

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.

(o) Mine development

Mine development expenditure is recognised at cost less accumulated amortisation and any impairment losses. Where commercial production in an area of interest has commenced, mine development is amortised over the economic life of the mine on a units of production basis. Changes in factors such as estimates of proved and probable reserves that affect unit of production amortisation calculations are accounted for on a prospective basis.

(p) Property, plant and equipment

Pastoral leases are stated at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the pastoral lease.

Plant and equipment is 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.

Plant 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 are reviewed at the end of each annual reporting period.

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

- Computer and office equipment: 2.5 - 10 years;
- Motor vehicles: 8 - 10 years;
- Operating equipment: 2.5 - 10 years;
- Heavy equipment: 8 - 10 years;
- Rail, water & other infrastructure: 8 - 10 years;
- Portable dewatering infrastructure: 7 - 25 years;
- Processing plant: 1-20 years or the life of the Portia Gold Mine where the asset is limited by the life of the mine.

(q) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and subsidiaries controlled by the Company. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the reporting period are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the separate financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries 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 attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between the aggregate of the fair value of the consideration received and the fair value of any retained interest and the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(r) Rehabilitation provisions

A provision for rehabilitation is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. In practice, provisions are recognised at the time environmental disturbance occurs, and where disturbance increases over the life of an operation, the provision is increased accordingly.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settled the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). Costs included are based on currently available facts, technology expected to be available at the time of the rehabilitation, and laws and regulations presently enacted (or virtually certain of being enacted).

When some of the economic benefits required to settle a provision are expected to be recovered from a third party either directly or by the third party settling amounts directly, a receivable is recognised as an asset it if is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Rehabilitation provisions, net of any recognised reimbursement asset, are capitalised as part of mine development expenditure where they are expected to increase the economic benefits flowing from the use or eventually disposal of the asset, or when they represent an obligation to remediate at the end of the asset's life and are recoverable from future economic benefits from using the asset. Rehabilitation provisions arising in respect of exploration and evaluation activities are capitalised into the cost of exploration and evaluation expenditure in accordance with Note 1(d).

(s) Revenue recognition

Sales revenue

Revenue from sales of refined metals is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured, which means:

- The product is in a form suitable for delivery and no further processing is required by or on behalf of the Group;
- The quantity and quality (grade) of the product can be determined with reasonable accuracy;
- The product has been dispatched to the customer and is no longer under the physical control of the Group;
- The selling price can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred, or expected to be incurred, in respect of the transaction can be measured reliably.

As a result of the above policy, generally sales revenue is recognised at the time of shipment. Where metal is delivered into physical gold delivery contracts, sales revenue is recognised at the time of the metal transfer into the buyer's metals account

Interest income

Interest income 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.

(t) Share-based payments

Equity-settled share-based payments 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 issue 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.

2. Going Concern

The financial report has been prepared on the going concern basis, which assumes that the Group will be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.

For the year ended 31 July 2017 the Group incurred a net loss of $4.229 million (net profit 31 July 2016: $1.210 million), had a net cash inflow from operating activities of $6.201 million (31 July 2016: $1.620 million) and a net cash outflow from investing activities of $6.547 million (31 July 2016: $7.139 million). As at 31 July 2017, the Group has a net current asset deficiency position of $0.753 million (31 July 2016: $5.842 million) and cash reserves of $0.888 million (31 July 2016: $0.709 million).

Subsequently to 31 July 2017 the Group has raised a net amount of $0.450 million from a share placement and funding agreement with Bergen. As at 30 October 2017, $1.020 million has been received under the Rights Issue, refer to Note 37 Subsequent Events for additional information.

In order to meet the Group's anticipated minimum administration costs and continue to pay its debts as and when they fall due and payable (excluding exploration commitments but including statutory fees), the Group is dependent on raising additional funds. The Group is also dependent on successfully operating the Portia Gold Mine, including achieving the planned gold price, production and recovery level, to meet the operating and sustaining capital costs for the Portia Gold Mine.

As stated above, the Group will be required to raise additional funding (which may include placement of shortfall from the current rights issue, another pro-rata rights issue to shareholders, placement of shares or a sale or partial sale of some of the Group's assets) of at least a further $0.750 million by 31 December 2017, and at least a further $1.000 million during the second half of the Group's financial year.

At the date of signing this report the Board of Directors have reasonable grounds to believe that the Group will achieve the above and that it is therefore appropriate to prepare the financial report on the going concern basis.

Should the Group be unable to achieve successful outcomes in respect of the matters outlined above, there is a material uncertainty as to whether the Group will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts and the amount and classification of liabilities that might be necessary should the Group not continue as a going concern.

3. Segmentation Information

(a) Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director and the Management Team (the chief business decision makers) in assessing performance and in determining the allocation of resources.

The Group's one operational Mine Site, Exploration & Development and Corporate are each treated as individual operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Corporate includes share-based payment expenses and other corporate expenditures supporting the business during the financial year. Segment performance is evaluated based on earnings before interest, income tax, depreciation and amortisation expense (EBITDA).

The Group's operations are all undertaken in South Australia.

(b) Segment information

The segment information for the reportable segments for the financial year is as follows:

31 July 2017	Mine Operations $'000	Exploration & Development $'000	Corporate $'000	Total $'000
Segment revenue	16,860	-	-	16,860
EBITDA	4,778	(199)	(2,030)	2,549
Impairment included in EBITDA	(4,153)	(199)	-	(4,352)
Depreciation and amortisation	(4,641)	(158)	(6)	(4,805)
Additions to property, plant & equipment	2,770	241	57	3,068
Total assets	9084	36,911	1,417	47,412
Total liabilities	4,079	926	1,030	6,035

31 July 2016				
Segment revenue	2,745	-	-	2,745
EBITDA	1,982	(469)	(1,815)	(302)
Impairment included in EBITDA	-	(469)	-	(469)
Depreciation and amortisation	(1,572)	(160)	(3)	(1,735)
Additions to property, plant & equipment	4,771	8	-	4,779
Total assets	13,934	32,979	4,606	51,519
Total liabilities	7,620	942	3,184	11,746

	Year ended 31 July 2017 $'000	Year ended 31 July 2016 $'000
(c) Segment reconciliation		
Reconciliation of loss before income tax		
EBITDA	2,549	(302)
Depreciation and amortisation expense	(164)	(163)
Depreciation and amortisation on COGS	(3,611)	(620)
Interest income – bank term deposits	12	19
Finance costs	(430)	(294)
Loss before income tax	**(1,644)**	**(1,360)**

4. Profit/(Loss) from Operations

	Year ended 31 July 2017 $'000	Year ended 31 July 2016 $'000
(a) Profit/(Loss) before income tax includes the following specific revenues from continuing operations		
Other income:		
Amortised deferred income (Government grant)	323	-
Sundry income	29	-
Diesel fuel rebates received	19	22
Interest income – bank term deposits	12	19
	383	**41**
(b) Profit/(Loss) before income tax has been arrived at after charging the following specific expenses from continuing operations		
Employee and contractor benefits expense:		
Post employment benefits:		
Accumulated benefit superannuation plans	278	154
Share-based payments:		
Equity settled share-based payments[1]	33	(17)
Other employee and contractor benefits	3,236	2,441
	3,547	**2,578**
Less amounts capitalised	(1,847)	(1,776)
Less charged to COGS	(853)	(251)
Total employee benefit expense[2]	**847**	**534**

[1] Equity-settled share-based payments expense relates to share options granted during the financial year and amortisation of share options granted in prior reporting periods. Share options do not represent cash payments and share options granted may or may not be exercised by the holder.

[2] This represents employee expenses not capitalised as part of exploration and evaluation expenditure, mine development expenditure and disclosed in COGS.

5. Income Tax

	Year ended 31 July 2017 $'000	Year ended 31 July 2016 $'000
(a) Income tax recognised in profit or loss		
The prima facie consolidated tax expense/(income) on loss before income tax reconciles to the tax expense in the financial statements as follows:		
Loss before income tax	**(1,644)**	**(1,360)**
Income tax calculated at 30%	(493)	(408)
Share-based payments expense	10	120
Other	(96)	(2)
Current financial year revenue tax losses not recognised	-	745
Prior financial year revenue losses de-recognised	3,164	-
Prior financial year revenue losses set up	-	(3,025)
Tax expense/(income)	**2,585**	**(2,570)**

	Year ended 31 July 2017 $'000	Year ended 31 July 2016 $'000
(b) Recognised deferred tax assets and (liabilities)		
Deferred tax assets and (liabilities) are attributable to the following:		
Inventory	(183)	(208)
Exploration and evaluation expenditure	(11,896)	(10,787)
Mine development expenditure	177	(1,603)
Plant and equipment	31	(85)
Other financial assets	220	199
Derivative financial liability	-	415
Trade and other payables	36	250
Employee benefit provisions	216	158
Deferred income	188	128
Costs associated with issue of ordinary shares	51	80
	(11,160)	**(11,453)**
Tax losses recognised	11,160	14,453
Net deferred tax assets	-	3,000
c) Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Revenue tax losses	5,433	2,270
Capital tax losses	11	11
Total	**5,444**	**2,281**

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

(d) 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 Limited. The members of the tax-consolidated group are identified at Note 34 to the consolidated 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 Limited 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.

6. Cash and Cash Equivalents

	31 July 2017 $'000	31 July 2016 $'000
Cash at bank	6	184
Cash on deposit	882	525
Total	**888**	**709**

7. Inventories

	31 July 2017 $'000	31 July 2016 $'000
Gold in circuit and gold bullion at cost	1,018	814
Ore stockpiles at cost	825	514
Total	**1,843**	**1,328**

8. Trade and Other Receivables

	31 July 2017 $'000	31 July 2016 $'000
GST recoverable	204	605
Other receivables	34	152
Total	**238**	**757**

9. Other Current Assets

	31 July 2017 $'000	31 July 2016 $'000
Prepayments	124	-

10. Exploration and Evaluation Expenditure

	31 July 2017 $'000	31 July 2016 $'000
Cost brought forward	30,064	28,295
Expenditure incurred during the financial year	4,048	2,238
Exploration and evaluation expenditure written off	(199)	(469)
Cost carried forward	**33,913**	**30,064**

Current and prior financial year expenditure written off relates to on-going expenditure to maintain iron ore, uranium and geothermal exploration tenements. The amount written off was $0.199 million (2016: $0.469 million).

The expenditure is carried forward on the basis that exploration or evaluation activities in the areas of interest have not reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant activity in, or in relation to, the areas is continuing. The future recoverability of the carrying amount of capitalised exploration and evaluation expenditure is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

11. Mine Development Expenditure

	31 July 2017 $'000	31 July 2016 $'000
Cost brought forward	5,722	5,769
Expenditure incurred during the financial year	1,619	1,211
Amortisation expense[1]	(3,188)	(1,258)
Impairment	(4,153)	-
Cost carried forward	**-**	**5,722**
[1] Amortisation expense has been allocated as follows:		
Charged to inventory	(874)	(784)
Charged to cost of goods sold	(2,314)	(474)
Total	**(3,188)**	**(1,258)**

For the Portia Gold Mine, the Group carried out a review of the recoverable amount of the cash generating unit's net assets, as a result of the variability in the grade, the uncertainty of the remaining ore tonnes, and the mine plan now also including non-JORC material.

A value in use model was used to assess the net present value of the Portia Gold Mine cash generating unit. The key inputs to the model were: recoveries and processing throughput based on current performance, the current mine plan, the expected grade based on the updated analysis of the recent drilling programme results, a gold price of $1,620 per oz, and a discount rate of 10%.

As a result of this analysis an impairment of mining development of $4.153 million was recorded at 31 July 2017. No impairment assessment was performed in 2016 as there was no indication of impairment.

12. Property, Plant and Equipment

	Pastoral lease at cost $'000	Plant and Equipment at cost $'000	Equipment under finance lease at cost $'000	Total $'000
Gross carrying amount				
Balance at 31 July 2015	**2,241**	**4,164**	**55**	**6,460**
Additions	-	4,779	-	4,779
Transfers	-	-	-	-
Disposals	-	-	-	-
Balance at 31 July 2016	**2,241**	**8,943**	**55**	**11,239**
Additions	-	3,068	-	3,068
Transfers	-	-	-	-
Disposals	-	-	-	-
Balance at 31 July 2017	**2,241**	**12,011**	**55**	**14,307**
Accumulated depreciation/amortisation				
Balance at 31 July 2015	-	**2,916**	**19**	**2,935**
Depreciation/amortisation expense[1]	-	397	8	405
Capitalised depreciation	-	72	-	72
Transfers	-	-	-	-
Disposals	-	-	-	-
Balance at 31 July 2016	-	**3,385**	**27**	**3,412**
Depreciation/amortisation expense[1]	-	1,532	6	1,538
Capitalised depreciation	-	78	-	78
Transfers	-	-	-	-
Disposals	-	-	-	-
Balance at 31 July 2017	-	**4,995**	**33**	**5,028**
Net book value				
At 31 July 2016	2,241	5,558	28	**7,827**
At 31 July 2017	2,241	7,016	22	**9,279**

[1] **Depreciation/amortisation expense has been allocated as follows:**	**31 July 2017**	**31 July 2016**
Charged to inventory	77	96
Charged to cost of goods sold	1,297	146
Charged to Profit/(Loss)	164	163
Total	**1,538**	**405**

13. Other Non-Current Receivables

	31 July 2017 $'000	31 July 2016 $'000
Rehabilitation liability assumed by unrelated entity	1,020	1,829

Responsibility for the rehabilitation activities at the Portia Gold Mine has been assumed by CMC (see Note 20).

14. Other Financial Assets

	31 July 2017 $'000	31 July 2016 $'000
At amortised cost:		
Bank term deposits (Note 27(d))	60	180
Security deposits	17	5
At fair value:		
Available-for-sale financial assets:		
Shares in an ASX listed entity	30	98
Total	**107**	**283**

15. Trade and Other Payables

	31 July 2017 $'000	31 July 2016 $'000
Trade payables [1]	1,879	2,002
Accruals	545	830
Amounts payable to related entities of Directors[1]	80	68
Total	**2,504**	**2,900**

[1]The average credit period on purchases is 45 days. No interest is charged on trade payables.

16. Borrowings

	31 July 2017 $'000	31 July 2016 $'000
Secured:		
Investec loan	-	3,500
Loan establishment costs	-	(185)
Finance lease liability at amortised cost (Note 33)	5	14
Unsecured:		
Insurance premium funding	136	-
Total	**141**	**3,329**

Investec Loan has been repaid in full during the year. This Loan Facility was entered into on 24 September 2015 for $6.000 million to provide funding for the Portia Gold Mine. The loan bore interest at a variable market rate and was secured by a mortgage over the Portia Mining Lease and by Havilah Resources Limited's shareholding in Benagerie Gold Pty Ltd. It was to be repaid in full by 23 March 2017. The effective interest rate on the loan was 5.85% (2016: 5.85%).

Finance lease is secured by the assets leased. The borrowings are fixed interest rate debt with repayment periods not exceeding four years. The current weighted average effective interest rate on the finance lease liabilities is 5.37% (2016: 5.37%).

Insurance premium funding is a fixed interest rate debt with a repayment period not exceeding one year. The effective interest rate is 4.15% (2016: nil).

17. Current Provisions

	31 July 2017 $'000	31 July 2016 $'000
Employee benefits	694	516

18. Derivative Financial Liability

	31 July 2017 $'000	31 July 2016 $'000
Unrealised loss on gold hedge	-	1,384

19. Non-Current Liabilities – Borrowings

	31 July 2017 $'000	31 July 2016 $'000
Secured:		
Finance lease liability at amortised cost (Note 33)	-	6

Secured by the assets leased. The borrowings are fixed interest rate debt with repayment periods not exceeding four years. The current weighted average effective interest rate on the finance lease liabilities is 5.37% (2016: 5.37%).

20. Non-Current Provisions

	31 July 2017 $'000	31 July 2016 $'000
Employee benefits	27	11
Rehabilitation provision	1,020	1,829
Total	**1,047**	**1,840**
Movement in site rehabilitation provision		
Opening balance	1,829	1,650
(Reduction in)/addition to provision recognised	(809)	179
Closing balance	**1,020**	**1,829**

Rehabilitation Provision

The rehabilitation provision represents the expected costs of rehabilitating the Group's exploration and mining operations. The provision includes $1.020 million (2016: $1.829 million) in respect of rehabilitation obligations in relation to the Group's mining operations at the Portia Gold Mine. This amount has been classified as a non-current liability as it is expected that the mining operations and rehabilitation activities at the Portia Gold Mine will be substantially completed twelve months after the reporting date. Under the terms of the mining and funding contract for the Portia Gold Mine between CMC and the Group, CMC is responsible for undertaking the rehabilitation activities at its own cost (see Note 27(d)). On the basis of CMC's obligations, the Group has recognised an other non-current receivable asset of $1.020 million (2016: $1.829 million) (see Note 13).

21. Non-Current Liabilities - Other

	31 July 2017 $'000	31 July 2016 $'000
Deferred income	1,142	1,264

Deferred income relates to Government grants received for exploration and research and development activities.

22. Contributed Equity

	Year ended 31 July 2017		Year ended 31 July 2016	
	'000	$'000	'000	$'000
Balance at beginning of the financial year	168,597	60,183	164,389	59,142
Issue of ordinary shares on exercise of listed share options at $0.30 per share	12,642	3,793	456	137
Issue of ordinary shares for purchase of plant and equipment at $0.57 per share	1,517	872	-	-
Issue of ordinary shares on exercise of unlisted share options	675	224	-	-
Issue of ordinary shares pursuant to placement at $0.25 per share	-	-	3,752	938
Costs associated with issue of ordinary shares	-	-	-	(49)
Related income tax benefit	-	-	-	15
Balance at the end of the financial year	**183,431**	**65,072**	**168,597**	**60,183**

The Company does not have a limited amount of authorised capital and ordinary shares have no par value.

Voting rights of shareholders are governed by the Company's Constitution. In summary, on a show of hands, every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and upon a poll each such attending shareholder is entitled to one vote for every fully paid ordinary share held.

Ordinary shares participate in dividends as declared from time to time and the proceeds on winding up of the Company in proportion to the number of fully paid ordinary shares held.

Ordinary shares
During the year 1,516,569 ordinary shares were issued for the purchase of plant and equipment installed at the Portia Gold Mine, valued at $0.872 million in total.

Listed share options
As a result of the rights issue during the 31 July 2015 financial year, 36,041,345 listed share options with an exercise price of $0.30 which expired on 30 June 2017 were issued for no consideration. During the financial year 12,642,927 (2016: 455,967) of these listed share options were exercised, resulting in the balance of 22,929,273 expiring on 30 June 2017.

Unlisted share options

23. Reserves

	31 July 2017 $'000	31 July 2016 $'000
Share-based payments reserve [1]	759	1,035
Buy-out reserve [2]	(2,600)	(2,600)
Hedging reserve [3]	-	(969)
Total	**(1,841)**	**(2,534)**

[1] The share-based payments reserve is used to recognise the grant date fair value of share-based payments as described in Note 1(t). Further information about share-based payments to Directors, Other Key Management Personnel, employees, and contractors is made in Note 32 to the consolidated financial statements.

[2] The buy-out reserve resulted from the purchase of Curnamona Energy Pty Limited's and Geothermal Resources Pty Limited's non-controlling interests by Havilah Resources Limited and represents the difference between the consideration paid and the carrying value of the non-controlling interest.

[3] The hedging reserve was used to recognise unrealised (losses)/gains on the gold hedge, which was entered into as a condition of the Investec loan and risk management facility in the previous financial year.

24. Directors and Other Key Management Personnel Compensation

The Key Management Personnel of the Group during the financial year were:

- Dr Chris Giles (Managing Director)
- Mr Paul Mertin (Independent Non-Executive Director)
- Mr Ken Williams (Independent Non-Executive Chairman)
- Mr Walter Richards (Chief Financial Officer & Company Secretary)

The aggregate compensation of Key Management Personnel of the Group is set out below:

	Year Ended 31 July 2017 $	Year Ended 31 July 2016 $
Short-term employee benefits[1]	922,385	650,562
Post-employment benefits	58,573	40,657
Share-based payments expense[2]	27,521	416,802
Total	**1,008,479**	**1,108,021**

[1] Where short-term employee benefits relate to exploration and/or evaluation activities, they are capitalised as part of exploration and evaluation and amortisation of share options granted in prior reporting periods. Share options do not represent cash payments and share options granted may or may not be exercised by the holder.

[2] Share-based payments expense relates to share options granted during the financial year to Directors and Other Key Management Personnel expenditure (Note 10).

Detailed remuneration disclosures for the Key Management Personnel are provided in the audited Remuneration Report on pages 42 to 45.

25. Remuneration of External Auditor

	Year ended 31 July 2017 $	Year ended 31 July 2016 $
Audit and review of the financial reports	82,000	102,000

The external auditor of Havilah Resources Limited is Deloitte Touche Tohmatsu.

26. Related Party Disclosures

a) Subsidiaries

The ultimate Parent Company within the Group is Havilah Resources Limited.
Details of the percentage of ordinary shares in subsidiaries are disclosed in Note 34 to the consolidated financial statements.

b) Directors and Other Key Management Personnel compensation

Details of Directors and Other Key Management Personnel compensation are disclosed in Note 24 to the consolidated financial statements.

c) Transactions with Directors and related entities

During the financial year the Group paid $13,000 (2016: $6,000) for social media and marketing services to a related party of Dr Chris Giles and $23,000 (2016: $4,000) for accounting services, under normal terms and conditions, to a company controlled by a related party of Mr Walter Richards.

27. 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, known as exploration expenditure commitments, on mineral exploration tenements it holds. The exploration expenditure commitments of the Group will vary from time to time, subject to statutory approval. The terms of current and future joint arrangements, the grant or relinquishment of licences, and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the Group.

On 1 January 2016 the Group entered into a new AEA (Curnamona Project) with the DPC, covering all its mineral exploration tenements (excluding ELs 5463, 5579, 5940 & 5956). This AEA covers a period of 2 years from 1 January 2016 with an agreed overall expenditure commitment across the relevant mineral exploration tenements of $10.000 million for that period (as at 31 July 2017 the Group had spent a total of $3.295 million on these tenements). In addition, the arrangement includes a statutory relinquishment of 10% of the area of tenements at the end of the two years if the expenditure commitment is met. Relinquishment of an additional percentage of the area of tenements may be required (the actual percentage area under this potential scenario is to be negotiated with DPC if it eventuates). At the expiry of the current Arrangement (31 December 2017) it is the intent of the Group to enter into a new two year arrangement, subject to agreement of DPC.

On 1 July 2017 the Group entered into a second AEA (Border Project) with DPC, covering ELs 5502, 5437, 5831 & 5848 (tenements acquired from Minotaur Operations Pty Ltd during the year). The AEA covers a period of 12 months from 1 July 2017 with an agreed overall expenditure commitment across the relevant mineral exploration tenements of $0.250 million for that period (as at 31 July 2017 the Group had spent $0.146 million on these tenements). In addition, the arrangement includes a statutory relinquishment of 10% of the area of tenements at the end of the twelve months if the expenditure commitment is met. Relinquishment of an additional percentage of the area of tenements may be required (the actual percentage area under this potential scenario is to be negotiated with DPC if it eventuates). At the expiry of the current Arrangement (30 June 2018) it is the intent of the Group to enter into a new arrangement, subject to agreement of DPC.

The minimum expenditure commitment on mineral exploration tenements not covered by an AEA is approximately:

	31 July 2017 $'000	31 July 2016 $'000
No later than one year	521	269
Later than one year but not later than two years	209	96
Later than two years but not later than five years	-	-

b) Future production

The Group has a contingent liability in relation to payments to Glencore International AG, that are required to be paid based on 10% of the Group's share of any future mining profits from the Kalkaroo Copper-Gold Project, until the total amount paid reaches $7.000 million.

c) Native title

Native title claims exist over all mineral exploration 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, as such the contingent liability is unknown.

d) Guarantee and indemnity commitments

The Group has access to performance bond facilities provided by Investec to the value of $1.600 million. This is secured by a mortgage over the Portia Mining Lease and by Havilah Resources Limited's shareholding in Benagerie Gold Pty Ltd.
The Group has utilised $1.441 million of the available facility for:

- The Group's 50% share ($1.225 million) of an unconditional irrevocable bank guarantee for the rehabilitation of the Portia Gold Mine for $2.450 million provided to the Minister for Mineral Resource Development. CMC has provided an unconditional irrevocable bank guarantee to the Group's bankers in support of its 50% share ($1.225 million) of this guarantee.
- A security deposit on the lease of the Group's office premises to the South Australian Tourism Commission for $0.116 million
- A rehabilitation bond issued by Geothermal Resources Pty Limited for $0.100 million to the Minister for Mineral Resource Development.

The Group has also provided restricted cash deposits of $0.060 million as security for the following unconditional irrevocable bank guarantees:

- A bank guarantee facility of $0.030 million provided to Havilah Resources Limited by its banker for the provision of various rehabilitation bonds to the Minister for Mineral Resource Development.
- A rehabilitation bond issued by Mutooroo Metals Pty Limited for $0.010 million to the Minister for Mineral Resource Development; and
- A rehabilitation bond issued by Maldorky Iron Pty Limited for $0.010 million to the Minister for Mineral Resource Development.
- Security of $0.010 million for a purchase card facility provided to the Group by its banker.

e) Operating leases

The Group's office is located in leased office premises at 164 Fullarton Road, Dulwich, South Australia. The lease expires on 7 May 2022 and lease costs include office and car park rental.

Operating Lease Commitments :

	31 July 2017 $'000	31 July 2016 $'000
Not later than 1 year	196	-
Later than 1 year and not later than 5 years	930	-

f) Finance Leases

Finance lease liabilities are disclosed in Note 33 :

28. Earnings per Share

	Year ended 31 July 2017 Cents per Share	Year ended 31 July 2016 Cents per Share
Basic earnings per ordinary share – from continuing operations	(2.45)	0.70
Diluted earnings per ordinary share – from continuing operations	(2.45)	0.60

Basic and diluted earnings per ordinary share

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

	Year ended 31 July 2017 $'000	Year ended 31 July 2016 $'000
Net (loss)/profit for the financial year	(4,229)	1,210

Earnings used in the calculation of basic and diluted profit/(loss) per share agree directly to the net profit/(loss) attributable to members of the parent company in the Consolidated Statement of Comprehensive Income.

	2017 Number '000	2016 Number '000
Weighted average number of ordinary shares	172,714	166,882

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2017 Number '000	2016 Number '000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	172,714	166,882
Shares deemed to be issued for no consideration in respect of:		
Listed options	32,506	35,955
Unlisted options	4,156	7,374
Total	**209,376**	**210,211**

29. Company Status

Havilah Resources Limited is a public company limited by shares and is listed on the ASX. It is domiciled and operating in Australia.

30. 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 16 and 19, cash and cash equivalents, and equity attributable to equity holders of the parent company, comprising issued capital, reserves and accumulated losses.

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

	Note	31 July 2017 $'000	31 July 2016 $'000
Categories of financial instruments:			
Financial assets			
Cash and cash equivalents	6	888	709
Trade and other receivables	8	238	757
Bank term deposits	14	60	180
Available-for-sale financial assets	14	30	98
Security deposits	14	17	5
Financial liabilities			
Trade and other payables	15	2,504	2,900
Borrowings	16,19	141	3,335

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.

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.

If interest rates had been 50 basis points higher or lower throughout the financial year and all other variables were held constant, the Group's net profit would decrease/increase by $0.004 million (2016: $0.008 million). This is attributable to interest rates on bank deposits.

The Group's sensitivity to interest rates has decreased with the repayment of the Investec loan facility.

Commodity Price Risk

The Group is exposed to commodity price fluctuations through the sale of gold bullion.

A requirement of the Investec loan facility was hedging of 10,000 oz of gold production from the Portia Gold Mine. The gold hedge was held for strategic rather than trading purposes. The Group does not actively trade in gold hedging. At financial year end 10,000 (2016 : 1,698) oz of gold had been delivered against the hedging facility, thereby completing the hedging arrangement.

Post the completion of the hedging arrangement, the Group was exposed to commodity price fluctuations through the sale of gold bullion. If the gold price changed by +/-5% from the average realised gold price during the year, with all other variables held constant, the estimated impact on post-tax profit and equity would have been:

	31 July 2017 $'000
Impact on post tax profit	
Gold price +5%	170
Gold price -5%	(170)
Impact on equity	
Gold price +5%	170
Gold price -5%	(170)

Equity price sensitivity

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.

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 profit/(loss) would decrease/increase by $0.003 million (2016: $0.004 million).

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

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.

Fair value of financial instruments

	Weighted average effective interest rate %	Less than one year $'000	One to two years $'000	Two to five years $'000
2017				
Non-interest bearing	-	2,504	-	-
Fixed interest rate instruments	4.04	146	-	-
2016				
Non-interest bearing	-	2,625	-	-
Fixed interest rate instruments	5.83	3,718	6	-

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 financial assets and financial liabilities are not materially different to its carrying amount.

Fair value measurement of assets and liabilities

(a) Fair value hierarchy

AASB 13 'Fair Value Measurement' requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1) ;
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at on a recurring basis:

31 July 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000
Assets			-
Other financial assets			-
Shares available for sale	30	-	-
Liabilities			-
Derivative financial instruments			-
Derivatives used for hedging	-	-	-
Total Net Assets/(Liabilities)	**30**	**-**	**-**

31 July 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000
Assets			
Other financial assets			
Shares available for sale	98	-	-
Liabilities			-
Derivative financial instruments			-
Derivatives used for hedging	-	(1,384)	-
Total Net Assets/(Liabilities)	**98**	**(1,384)**	**-**

The Group did not measure any financial assets or financial liabilities on a non-recurring basis as at 31 July 2017.

(b) Valuation techniques

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets and financial liabilities held by the Group is the current bid price. These instruments are included in level 1. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial assets and financial liabilities include:

- The use of quoted market prices or dealer quotes for similar instruments.
- Gold derivatives – future cash flows are estimated based on gold forward rates and US$/A$ forward exchange rates (from observable forward curves at the end of the reporting period) and the contracted rates. Cash flows are discounted at a rate that reflects the time value of money and credit risk (entity and counterparty credit risk).

All of the resulting fair value estimates are included in either level 1 or 2. There are no financial instruments included in level 2 or 3 for the financial year ended 31 July 2017.

31. Note to the Consolidated Statement of Cash Flows

	Year ended 31 July 2017 $'000	Year ended 31 July 2016 $'000
a) Reconciliation of (loss)/profit to net cash flows used in operating activities		
(Loss)/profit for the financial year	(4,229)	1,210
Exploration and expenditure written off	199	469
Impairment of mine development expenditure	4,153	-
COGS - Depreciation and amortisation expense	3,611	620
Depreciation and amortisation expense	164	163
Amortisation of debt establishment costs	239	145
Share-based payments expense	33	400
Impairment/(reversal of Impairment) of other financial assets	69	(49)
Interest income – bank deposits	(12)	(19)
Deferred income (Government grant) amortised	(323)	-
Decrease/(increase) in assets:		
Trade and other receivables	445	(729)
Inventory	437	(24)
Other assets	79	83
Deferred tax assets	2,585	(2,570)
(Decrease)/increase in liabilities:		
Trade and other payables	(1,443)	1,358
Deferred income	-	507
Provisions	194	56
Net cash flows provided by operating activities	**6,201**	**1,620**
b) Reconciliation of cash and cash equivalents		
Cash at bank	6	184
Cash on deposit	882	525
Total	**888**	**709**

c) Non-cash transactions

During the current year, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- The Group purchased plant and equipment via issue of shares valued at $0.872 million (2016: $ nil).
- The Group obtained insurance premium funding of $0.203 million (2016: $ nil).

32. Share Option Plans for Directors and Employees

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

Employee Share Option Plan

The Group has established an employee share option plan for Havilah. In accordance with the provisions of the plan, Directors may issue share options to purchase ordinary shares to employees and contractors. Each share option is to subscribe for one fully paid ordinary share in the Company. Share options can be exercised in the year of vesting and share options not exercised during a particular year will accumulate and may be exercised in subsequent years until their expiry.

Other relevant details are:

- Consideration of $1.00 (in total) is payable by the recipient on receipt of share options issued.
- The share options are issued at an issue price 45% above the volume weighted average share price for five consecutive trading days at the time the share option is granted.
- The share options have various time and/or performance related vesting conditions.
- The share options expire at the earlier of either three or four years from issue date or one month from the date the share option holder ceases to be an employee of the Company.

No share options were issued to employees or directors during the current financial year.

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

Share Option Series	Number	Issue date	Expiry date	Exercise price $	Grant date fair value $
Employee share option plan					
Issued 23 February 2012	400,000	23 February 2012	23 February 2016	0.98	0.25
Issued 25 June 2012	250,000	25 June 2012	25 June 2016	1.09	0.40
Issued 25 June 2012	352,000	25 June 2012	25 June 2016	1.09	0.29
Issued 1 April 2014	1,200,000	1 April 2014	1 April 2018	0.36	0.11
Issued 25 June 2014	2,150,000	25 June 2014	25 June 2018	0.25	0.07
Issued 15 September 2014	100,000	26 September 2014	18 August 2017	0.22	0.15
Issued 26 June 2015	100,000	29 June 2015	1 May 2019	0.38	0.11
Director share options					
Issued 15 December 2015	3,600,000	15 December 2015	15 December 2018	0.36	0.12

The share options issued by Havilah were priced using the Black-Scholes model. Set out below are the inputs used in the Black-Scholes model to value share options granted during the comparative reporting period:

	15 December 2015
Issue date share price	$0.24
Exercise price	$0.36
Expected volatility	89.3%
Share option life	3 years
Dividend yield	-
Risk free interest rate	2.00%

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

	Year ended 31 July 2017		Year ended 31 July 2016	
	Number of share options	Weighted average exercise price $	Number of share options	Weighted average exercise price $
Balance at beginning of the financial year	7,150,000	0.33	4,352,000	0.43
Issued during the financial year	-	-	3,600,000	0.36
Exercised during the financial year	(225,000)	0.27	-	0
Expired during the financial year	(400,000)	0.25	(802,000)	1.06
Balance at end of the financial year	**6,525,000**	**0.33**	**7,150,000**	**0.33**
Exercisable at end of the financial year	6,500,000	0.33	6,604,162	0.33

Issue date	Number	Exercise price	Expiry date
01 April 2014	1,200,000	$0.36	01 April 2018
25 June 2014	1,675,000	$0.25	25 June 2018
26 June 2015	50,000	$0.38	01 May 2019
15 December 2015	3,600,000	$0.36	15 December 2018
Total	**6,525,000**		

The share options outstanding at the end of the financial year had an average exercise price of $0.33 (2016: $0.33) and a weighted average remaining contractual life of 411 days (2016: 767 days).

33. Finance Leases

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

	Minimum future lease payments		Present value of minimum future lease payments	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Not later than one year	5	15	5	14
Later than one year and not later than 5 years	-	6	-	5
Minimum lease payments	**5**	**21**	**5**	**19**
Less future finance charges	-	(1)	-	-
Present value of minimum lease payments	**5**	**20**	**5**	**19**
Included in the consolidated financial statements as:				
Current interest bearing liabilities (Note 16)			5	14
Non-current interest bearing liabilities (Note 19)			-	6
Total			**5**	**20**

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

34. Composition of the Group

Name	Country of incorporation	Principal activity	Ownership and voting interest	
			2017	2016
Parent Company:				
Havilah Resources Limited	Australia	Holding company and owner of various exploration licences	100%	100%
Subsidiaries:				
Benagerie Gold Pty Limited	Australia	Owner of the Portia gold project and North Portia copper-gold project (Mining Lease Granted)	100%	100%
Curnamona Energy Pty Limited	Australia	Owner of Oban Energy Pty Limited and various uranium exploration licences	100%	100%
Geothermal Resources Pty Limited	Australia	Owner of Neo Oil Pty Ltd and a geothermal exploration licence.	100%	100%
Kalkaroo Copper Pty Ltd	Australia	Owner of the Kalkaroo copper-gold project (Mining Lease application in process)	100%	100%
Kalkaroo Pastoral Company Pty Limited	Australia	Owner of the Kalkaroo Station pastoral lease	100%	100%
Lilydale Iron Pty Ltd	Australia	Owner of Lilydale iron ore project (Mining Lease application in process)	100%	100%
Maldorky Iron Pty Ltd	Australia	Owner of the Maldorky iron ore project (Mining Lease application in process)	100%	100%
Mutooroo Metals Pty Ltd	Australia	Owner of the Mutooroo copper-cobalt project (Mining Lease application in process)	100%	100%
Neo Oil Pty Ltd	Australia	No Current Tenements	100%	100%
Oban Energy Pty Limited	Australia	No Current Tenements	100%	100%

All the entities listed in the table above are members of the Australian tax-consolidated group.

35. Joint Operation and Joint Venture Arrangements

a) Joint operation arrangement

Portia Gold Mine Joint Operation with Consolidated Mining & Civil Pty Ltd

On 6 January 2015 the Group entered into a mining and processing agreement with CMC to develop the Portia Gold Mine.

CMC is responsible for funding and performing mining operations and delivery of the gold ore to the surface stockpile at its sole expense and risk. The Group is responsible for the construction of the processing plant (achieving commercial production in May 2016), processing the ore and producing gold ingots for delivery to a refiner at its sole expense. Revenue (or physical gold) is shared 50:50 for all gravity recoverable gold mined from the Portia gold deposit. A joint operating committee, chaired by the Group, oversees the operation and receives and considers operational reports, with day to day mining activities being the responsibility of CMC. A bank guarantee has been provided by CMC in support of the Group meeting 50% of its rehabilitation bond requirement set by the Minister for Mineral Resource Development while CMC is responsible for all site rehabilitation. The Group is responsible for access payments to the landholder and to the Adnyamathanha native title claimants. Both parties are jointly responsible for payment of a 1% revenue royalty to a previous corporate owner of the mining tenement, the State Government royalty and gold refining costs.

b) Joint venture arrangements

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

	Year ended 31 July 2017	Year ended 31 July 2016
Exco Joint Venture	Earning up to 75%[1]	Earning up to 75%[1]
Prospect Hill Joint Venture	Earning up to 85%	Earning up to 85%
Pernatty Lagoon Joint Venture	Surrendering up to 90%	Surrendering up to 90%

[1] In the right to iron ore and associated minerals.

Exco joint venture agreement with Exco Operations (SA) Ltd and Polymetals (White Dam) Pty Ltd

On 21 November 2011 the Group entered into a farm-in agreement (Agreement) with Exco Operations (SA) Ltd and Polymetals (White Dam) Pty Ltd relating to exploration on EL5393 (formally EL4200). The Group will earn a participating interest in the rights to iron ore and other minerals occurring with the iron ore which may exist on the tenement under the agreement.

The Group agreed to undertake an exploration program on the tenement over a three year period from 21 November 2011 with a minimum total expenditure of $1.200 million, which would give the Group a 75% interest in any future development of the project or a higher interest if the partners elect not to contribute to future expenditure.

Due to land access issues in relation to Part 9B of the South Australia Mining Act of 1971 the Group has been prevented from meeting its farm-in obligation by 21 November 2014 as required by the Agreement. The parties have agreed to amend the Agreement by extending the date for completion of the expenditure commitment from 21 November 2014 to a date being six months after the date on which the exploration approvals are granted by the Department of the Premier and Cabinet of South Australia. As of 31 July 2017 this approval has not yet been obtained.

As at 31 July 2017 the Group has spent $0.901 million under the Agreement.

Prospect Hill joint venture agreement with Teale and Associates Pty Ltd and Adrian Brewer

On 26 March 2007 the Group entered into a farm-in agreement (Agreement) with Teale and Associates Pty Ltd and Adrian Brewer relating to exploration on EL5891 (formerly EL4806 & EL3605) that allowed the Group to earn a participating interest in the tenement.

The Group undertook to fund an exploration program exceeding $0.500 million on the tenement over a three year period from 26 March 2007 in order to earn a 65% interest in the tenement, and this has been met. The Group is able to earn an additional 20% interest in the tenement by completing a bankable feasibility study.

As at 31 July 2017 the Group has spent $1.019 million under the Agreement.

Pernatty Lagoon joint venture agreement with Red Metal Limited

On 15 October 2004 the Group entered into a farm-in agreement (Agreement) with Red Metal Limited (RML) relating to exploration on EL6014 (formerly EL5107 & EL3854 & EL2979).

Under the Agreement, RML was required to spend an amount of $1.000 million over a period of five years (ended on 15 October 2009) on exploration work, which entitled RML to secure a 70% interest in the tenement. RML met the required minimum spend of $0.100 million on exploration prior to withdrawal.

RML has secured a 70% interest in the tenement and the Group has elected to not contribute to further exploration expenditure which has diluted its interest further. Once the interest of the Group is diluted to 10% then the Group shall either convert its interest into a 10% carried interest or exchange its interest into a right to receive a net smelter royalty which is determined depending on metal prices.

As at 31 July 2017 RML has spent $3.269 million under the Agreement and the Group's interest has been diluted to 12.6%.

36. Parent Company Financial Information

	31 July 2017 $'000	31 July 2016 $'000
Statement of Financial Position		
Assets		
Current assets	1,250	1,313
Non-current assets	43,421	45,942
Total assets	**44,671**	**47,255**
Liabilities		
Current liabilities	3,392	8,122
Non-current liabilities	415	199
Total liabilities	**3,807**	**8,321**
Net assets	**40,864**	**38,934**
Equity		
Contributed equity	65,072	60,183
Reserves	760	67
Accumulated losses	(24,968)	(21,316)
Total equity	**40,864**	**38,934**
Comprehensive Income		
(Loss)/profit for the financial year	(3,903)	370
Other comprehensive income/(loss)	968	(968)
Total comprehensive loss	**(2,935)**	**(598)**

Commitments for expenditure and contingent liabilities of Parent Company

Exploration expenditure commitments

The exploration expenditure commitments are similar to that of the Group as detailed in Note 27(a).

Native title

Native title claims exist over all mineral exploration 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, as such the contingent liability is unknown.

37. Subsequent Events

The Annual Report was authorised for issue by the Board of Directors on 31 October 2017.

On 5 October 2017 Havilah announced a $2.050 million placement of 6,212,121 shares with Bergen.

On 5 October 2017 Havilah announced that it entered into a $1.600 million funding arrangement with Bergen where Havilah is required to make a payment to Bergen in consideration of Bergen entering into the funding agreement. Bergen will thereafter make regular payments to Havilah over a period of up to 20 months, with the calculation of such payments taking into account Havilah's share price prior to each payment. Future amounts payable by Bergen to Havilah are not subject to a cap and no further shares will be required to be issued. Bergen has been granted 800,000 unlisted options with an exercise price of $0.41 expiring on 6 October 2019.

On 5 October 2017 Havilah announced a pro-rata one for seven renounceable rights issue at an issue price of $0.20 per share to raise a total of $5.429 million. For each two new shares subscribed for, an attaching free option to purchase an additional share for $0.40 on or before 30 November 2019 will be issued. Eligible shareholders who accepted their full entitlement under the offer have the opportunity to apply for additional new shares at an issue price of $0.20 per share with an attaching free option for each two new shares subscribed for to purchase an additional share for $0.40 on or before 30 November 2019. The rights issue raised $1.020 million as of 30 October 2017 and closed on 31 October 2017. The final amount raised will be know by 7 November 2017.

Other than the above, there were no other matters or circumstances occuring 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.

38. Adoption of new and revised accounting standards

Certain new Australian Accounting Standards and Interpretations have been published that are not mandatory for this financial year. The Group's assessment of the impact of the relevant new Australian Accounting Standards and Interpretations is set out below:

(i) AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'
The AASB has amended AASB 11 'Joint Arrangements'. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business' as defined in AASB 3 'Business Combinations'. The amendments to AASB 11 apply prospectively for annual reporting periods beginning on or after 1 January 2016. The Group has interests in a number of joint operations. The Group is yet to assess the full impact of the amendments given it will only apply to future potential transactions. The Group will apply the amendments to the revised standard prospectively to acquisitions of an interest in a joint operation occurring on or after 1 August 2016. Transactions before that date are grand fathered.

(ii) AASB 16 'Leases'
This is the new standard for lease recognition, replacing AASB 117 'Leases'. AASB 16 is applicable for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The new standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. The Group is yet to assess AASB 16's full impact but the change will have a pervasive impact, as it will result in the recognition of almost all leases in the consolidated statement of financial position. The Group does not intend to adopt the new standard before its operative date, which means that it would first be applied during the financial year ending 31 July 2020.

(iii) AASB 15 'Revenue from Contracts with Customers'
This the new standard for revenue recognition, replacing AASB 118 'Revenue' which covers revenue arising from the sale of goods and the rendering of services and AASB 111 'Construction Contracts' which covers construction contracts. It is applicable for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The new standard's core principle will require the Group to recognise revenue to depict when control over a good or service is transferred to a customer in amounts that reflect the consideration (that is, payment) to which the Group expects to be entitled in exchange for those goods or services. The Group is yet to assess AASB 15's full impact. The Group does not intend to adopt the new standard before its operative date, which means that it would first be applied during the financial year ending 31 July 2019.

(iv) AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'
The AASB has amended AASB 112 'Income Taxes. The amendments to AASB 112 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendments do not change the underlying principles for the recognition of deferred tax assets. The amendments are applicable to annual reporting periods beginning on or after 1 January 2017 but are available for early adoption, subject to certain conditions. The Group is yet to assess the amended AASB 112's full impact. The Group does not intend to adopt the revised standard before its operative date, which means that it would first be applied during the financial year ending 31 July 2018.

(v) AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'
The AASB has amended AASB 107 'Statement of Cash Flows'. The amendments to AASB 107 introduce additional disclosures that will enable users of financial statements to better evaluate the changes in liabilities arising from financing activities. The amendments require disclosure of changes arising from: cash flows, such as drawdowns and repayments of borrowings; and non-cash changes, such as acquisitions, disposals and unrealised foreign currency differences. The amendments are applicable to annual reporting periods beginning on or after 1 January 2017 but is available for early adoption, subject to certain conditions. The Group is yet to assess the amended AASB 107's full impact. The Group does not intend to adopt the revised standard before its operative date, which means that it would first be applied during the financial year ending 31 July 2018.

(vi) AASB 9 'Financial Instruments'
AASB 9 'Financial Instruments' addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The new standard is applicable to annual reporting periods beginning on or after 1 January 2018 but is available for early adoption. The Group is yet to assess AASB 9's full impact but at this time it appears it will have limited impact for the Group. The Group does not intend to adopt the new standard before its operative date, which means that it would first be applied during the financial year ending 31 July 2019.

(vii) AASB 2016-5 'Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions'
The AASB has amended AASB 2 'Share-based Payment'. The amendments to AASB 2 address the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, the classification of share-based payment transactions with a net settlement feature for withholding tax obligations and the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are applicable to annual reporting periods beginning on or after 1 January 2018 but is available for early adoption. The Group is yet to assess the amended AASB 2's full impact. The Group does not intend to adopt the revised standard before its operative date, which means that it would first be applied during the financial year ending 31 July 2019.

There are no other Australian Accounting Standards that are not yet effective and that are expected to have a material impact on the Group in the current or future financial years and on foreseeable future transactions .

Directors' Declaration

In the opinion of the Directors of Havilah Resources Limited:

The consolidated financial statements and notes of Havilah Resources Limited are in accordance with the Corporations Act 2001, including :

i) giving a true and fair view of its financial position as at 31 July 2017 and of its performance for the financial year ended on that date; and

ii) complying with Australian Accounting Standards (including the Australian
performance for the financial year ended on that date; and

Accounting Interpretations) and the Corporations Regulations 2001; and

There are reasonable grounds to believe that Havilah Resources Limited will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 31 July 2017.

Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Board of Directors:

KWilliams

Mr Ken Williams
Chairman

1 November 2017

Deloitte Touche Tohmatsu
ABN 74 490 121 060
11 Waymouth Street
Adelaide, SA, 5000
Australia

Phone: +61 8 8407 7000
www.deloitte.com.au

1 November 2017

The Board of Directors
Havilah Resources Limited
164 Fullarton Road
DULWICH SA 5065

Dear Board Members

Havilah Resources Limited

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 Limited.

As lead audit partner for the audit of the financial statements of Havilah Resources Limited for the year ended 31 July 2017, 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

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

Yours faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Darren Hall
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
11 Waymouth Street
Adelaide, SA, 5000
Australia

Phone: +61 8 8407 7000
www.deloitte.com.au

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Havilah Resources Limited (the "Company") and its subsidiaries (the "consolidated entity"), which comprises the consolidated statement of financial position as at 31 July 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the consolidated entity 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 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report which indicates that for the year ended 31 July 2017 the consolidated entity incurred a net loss of $4,229,000 and had a net cash inflow from operating activities of $6,201,000 and a net cash outflow from investing activities of $6,547,000. As at 31 July 2017, the consolidated entity has a net current asset deficiency position of $753,000. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the consolidated entity to continue as a going concern. Our opinion is not modified in respect of this matter.

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Our procedures in relation to going concern included, but were not limited to:

- Inquiring of management and the directors in relation to events and conditions that may impact the assessment on the consolidated entity's ability to continue as a going concern;
- Challenging the assumptions contained in management's cash flow forecast in relation to the consolidated entity's ability to continue as a going concern; and
- Assessing the adequacy of the disclosure related to going concern in Note 2.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying value of exploration and evaluation assets	
As at 31 July 2017 the consolidated entity has $33,913,000 of exploration and evaluation expenditure as disclosed in Note 10. Significant judgement is applied in determining the treatment of exploration and evaluation expenditure including: • Whether the conditions for capitalisation are satisfied; • Which elements of exploration and evaluation expenditures qualify for recognition; and • Whether the facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment.	Our procedures included, but were not limited to: • Obtaining a schedule of the areas of interest held by the consolidated entity and assessing whether the rights to tenure of those areas of interest remained current at balance date; • Holding discussions with management as to the status of ongoing exploration programmes in the respective areas of interest; • Assessing whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; and • Assessing whether any facts or circumstances existed to suggest impairment testing was required. We also assessed the appropriateness of the disclosures included in Note 10 to the financial statements.
Impairment of Portia Gold Mine cash generating unit	
As at 31 July 2017 an impairment assessment has been undertaken for the Portia Gold Mine cash generating unit (CGU) using a discounted cash flow model, to assess the recoverability of the carrying value of this CGU, resulting in an impairment of mining development expenditure of $4,153,000 as disclosed in Note 11.	In conjunction with our valuation experts our procedures included, but were not limited to: • Assessing the valuation methodology; • Obtaining an understanding of management's processes associated with the preparation of the impairment model; • Challenging the key assumptions and methodology used by management in the impairment model;

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Impairment of Portia Gold Mine cash generating unit (continued)	
There are a number of key judgements made in determining the inputs into this model including: • Processing throughput; • Grade, • Recoveries; and • Gold price.	• Testing on a sample basis the mathematical accuracy of the impairment model; • Analysing the future projected cash flows used in the model to determine whether they are reasonable and supportable given the current results from the drilling programme, actuals costs of processing, actual recoveries in processing and current gold price; and • Assessing the recoverable amount against the carrying value of the cash generating unit. We also assessed the appropriateness of the disclosures in Note 11 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 31 July 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the consolidated entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the consolidated entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the consolidated entity's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 42 to 45 of the Director's Report for the year ended 31 July 2017.

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In our opinion, the Remuneration Report of Havilah Resources Limited, for the year ended 31 July 2017, complies with section 300A of the *Corporations Act 2001*.

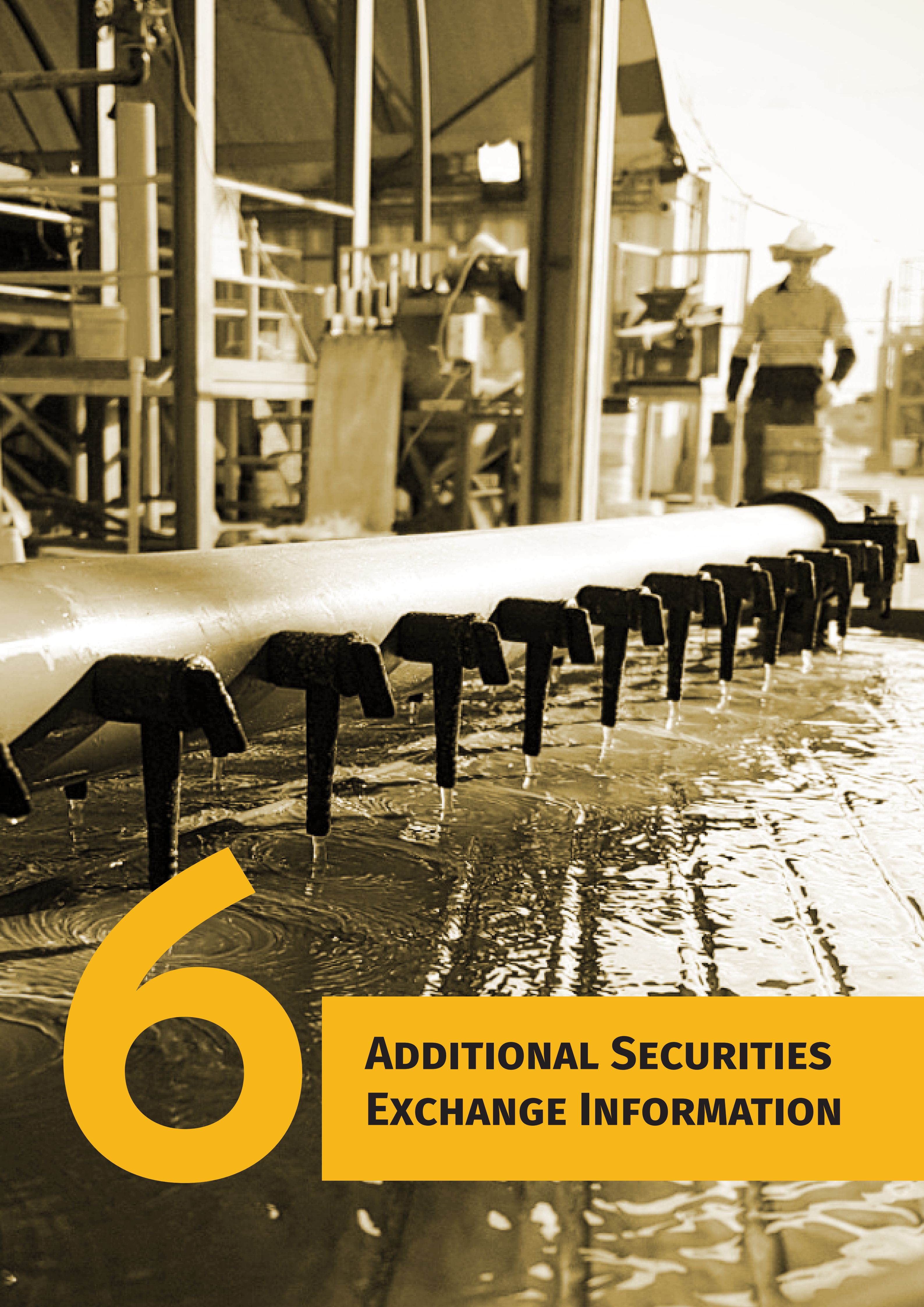
Responsibilities

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Darren Hall
Partner
Chartered Accountants
Adelaide, 1 November 2017



6 Additional Securities Exchange Information

Additional Securities Exchange Information

- For the Financial Year ended 31 July 2017

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this Annual Report is set out below. The information is effective for the Company as at 27 October 2017.

Substantial Shareholders

The number of ordinary shares held by substantial shareholders and their associates (who hold 5% or more of total fully paid ordinary shares on issue), as disclosed in substantial holder notices given to the Company, is set out below :

Shareholder	Number of shares
Trindal Pty Ltd	40,921,108
First Names (Jersey) Limited	16,955,425
Glencopper SA Pty Ltd	10,153,756

Voting Rights

Voting rights of shareholders are governed by the Company's Constitution.

Ordinary Shares: In summary, on a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each such attending shareholder is entitled to one vote for every fully paid ordinary share held.

Unlisted Options: No voting rights.

Ordinary shares (HAV)		
Twenty largest shareholders	**Number held**	**Percentage of issued shares**
Trindal Pty Ltd	40,921,108	21.5
First Names (Jersey) Limited	16,955,425	8.9
Glencopper SA Pty Ltd	10,153,756	5.3
Bergen Global Opportunity Fund II, LLC	6,502,569	3.4
Paul Clark	6,360,000	3.3
Statsmin Nominees Pty Ltd	4,556,346	2.4
Rockland Pty Ltd	3,951,800	2.1
Brian Murphy	3,226,609	1.7
J P Morgan Nominees Australia Limited	2,888,903	1.5
Krystyna Kasperowicz	2,056,000	1.1
Dianne Pearl Investments Pty Ltd	1,935,851	1.0
BNP Paribas Noms Pty Ltd	1,730,802	0.9
Keith Johnson	1,650,000	0.9
Talager Pty Ltd	1,597,147	0.8
Citicorp Nominees Pty Ltd	1,415,027	0.7
National Nominees Limited	1,395,497	0.7
Werner Lushington + Sylvia Lushington	1,200,000	0.6
Gerard Angelillo	1,100,000	0.6
Craig Park Pty Ltd	1,100,000	0.6
HSBC Custody Nominees (Australia) Limited	1,096,249	0.6
Total	**111,793,089**	**58.8**

Additional Securities Exchange Information

- For the Financial Year ended 31 July 2017

Distribution of Equity Security Holders

Holding	Ordinary shares
1 - 1,000	258
1,001 - 5,000	848
5,001 - 10,000	445
10,001 - 100,000	921
100,001 - 1,000,000	174
1,000,001 and over	26
Total	**2,672**

There were 705 shareholders holding less than a marketable parcel of ordinary shares to the value of $500.

Unissued equity securities	Number of options
Unlisted options – Director share options	3,600,000
Unlisted options – Employee share option plan	2,925,000
Unlisted options – Service providers/contractors	500,000
Unlisted options – Investors	800,000
Total	**7,825,000**

Securities exchange

The Company is listed on the ASX.

Corporate Directory

Office Holders

Kenneth Graham Williams
BEc(Hons), MAppFin
(Independent Non-Executive Chairman)

Christopher William Giles
BSc(Hons), PhD
(Managing Director)

Paul Stratford Mertin
GAICD
(Independent Non-Executive Director)

Walter Douglas Richards
BComm(Hons)(Accountancy), MSPM, CA, CA(SA), ACMA
(Chief Financial Officer & Company Secretary)

Registered Office and Principal Place of Business

164 Fullarton Road
Dulwich, South Australia 5065

Telephone:	+61 (08) 8155 4500
Website:	www.havilah-resources.com.au
Email:	info@havilah-resources.com.au

Share Registrar

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
Adelaide, South Australia 5000

External Auditor

Deloitte Touche Tohmatsu
11 Waymouth Street
Adelaide, South Australia 5000

Solicitors to the Company

Arion Legal
Level 2, 136 Greenhill Rd
Unley, South Australia, 5061

Forward Looking Statements

This Annual Report prepared by Havilah Resources Limited (or 'the Company') includes forward looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as 'may', 'will', 'expect', 'intend', 'plan', 'estimate', 'anticipate', 'continue', and 'guidance', or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licences and permits and diminishing quantities or grades of reserves, political and social risks, changes to the regulatory framework within which the Company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation.

Forward looking statements are based on the Company and its management's good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the Company's business and operations in the future. The Company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the Company's business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the Company or management or beyond the Company's control.

Although the Company attempts and has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be as anticipated, estimated or intended, and many events are beyond the reasonable control of the Company. Accordingly, readers are cautioned not to place undue reliance on forward looking statements. Forward looking statements in this Annual Report speak only at the date of issue. Subject to any continuing obligations under applicable law or the ASX listing rules, in providing this information the Company does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

GLOSSARY

Abbreviation	Full term	Abbreviation	Full term
A cents	Australian cents	Inf	inferred
A$	Australian dollars	IOCG	iron oxide copper gold
A$/oz	Australian dollars per ounce	JORC	Joint Ore Reserves Committee
AASB	Australian Accounting Standards Board	kg	kilograms
AEA	Amalgamated Expenditure Arrangement	km	kilometre
AIC	all-in cost	km^2	square kilometre
AISC	all-in sustaining cost	Meas	measured
ASX	Australian Stock Exchange	Mkg	million kilograms
Au	gold	ML	Mining Lease
BCM	bank cubic metre	MOU	Memorandum of Understanding
Bergen	Bergen Global Opportunity Fund II, LLC	Mo	molybdenum
capex	capital expenditure	Moz	million ounces
CGU	cash generating units	MT	magnetotelluric
CMC	Consolidated Mining and Civil Pty Ltd	Mt	million tonnes
Co	cobalt	Mtpa	million tonnes per annum
COGS	costs of goods sold	NAB	National Australia Bank
Cu	copper	No.	number
D&A	depreciation and amortisation	NSW	New South Wales
DPC	Department of the Premier and Cabinet of South Australia	oz	troy ounce
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortisation	PACE	Plan for Accelerating Copper Exploration
EL	Exploration Lease	PEL	Petroleum Exploration Lease
Fe	iron	PFS	Prefeasibility Study
g/t	grams per tonne	RL	reduced level
Glencore	Glencore International AG	RL	Retention Lease
GST	Goods and Services Tax	SA	South Australia
G&A	general and administrative	Sn	tin
ha	hectares	t	tonne
Havilah	Havilah Resources Limited	U	uranium
IFRS	International Financial Reporting Standards	US$	United States dollars
incl	inclusive	Wanbao	Wanbao Mining Limited

Havilah Resources

A New Mining Force in South Australia

Havilah Resources Limited
(ASX:HAV)

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