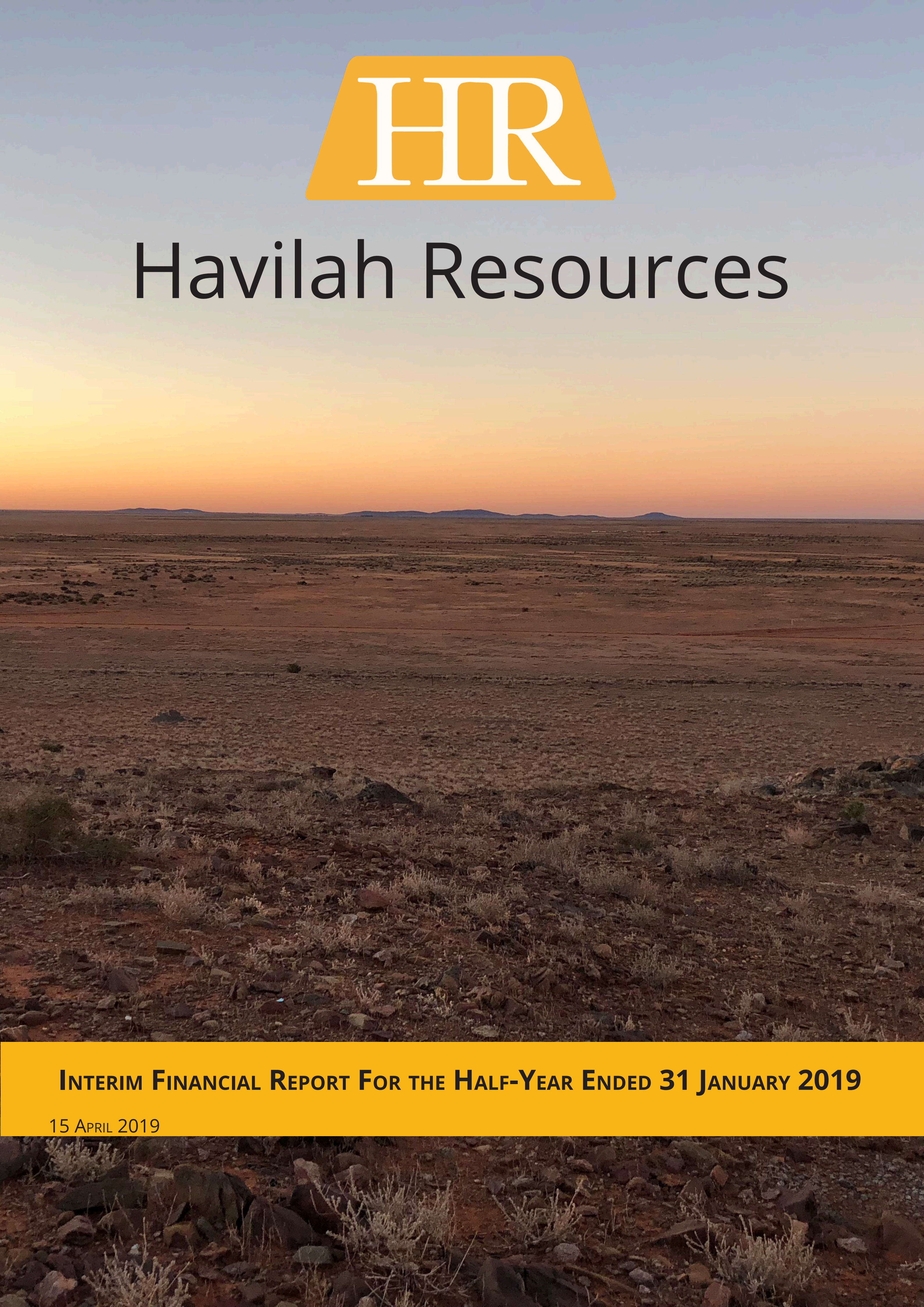
Havilah Resources



Interim Financial Report For the Half-Year Ended 31 January 2019

15 April 2019

Contents

Office Holders

Mark Robert Stewart	Independent Non-Executive Chairman
Martin Simon Janes	Independent Non-Executive Director
Christopher William Giles	Executive Director - Technical
Walter Douglas Richards	Chief Executive Officer
Claire Louise Redman	Company Secretary & Business Manager
Simon Jeremy Gray	Company Secretary

Registered and Principal Office

Level 1, 164 Fullarton Road Dulwich South Australia 5065

Share Registrar

Computershare Investor Services Pty Limited

Level 5, 115 Grenfell Street Adelaide South Australia 5000

External Auditors

Deloitte Touche Tohmatsu

11 Waymouth Street Adelaide South Australia 5000

Solicitors to the Company

Piper Alderman

Level 16, 70 Franklin Street Adelaide South Australia 5000

Securities Exchange Listing

Havilah Resources Limited's (HAV) shares and listed options (HAVOC) are listed on the Australian Securities Exchange (ASX).

Directors’ Report for the Financial Half-Year Ended 31 January 2019

The Board of Directors submits herewith the Interim Financial Report of Havilah Resources Limited (the ‘Company’) and its subsidiaries (the ‘Group’) for the financial half-year ended 31 January 2019 (the ‘financial half-year’) in order to comply with the provisions of the *Corporations Act 2001*.

The directors of the Company during the financial half-year and up to the date of this Directors’ Report are set out below:

Mark Stewart	Independent Non-Executive Chairman (appointed 12 December 2018)
	Independent Non-Executive Director
Martin Janes	Independent Non-Executive Director (appointed 2 January 2019)
Christopher Giles	Executive Director - Technical
Kenneth Williams	Independent Non-Executive Chairman (until 12 December 2018)
	Independent Non-Executive Director (resigned 3 January 2019)

All directors held office during and since the end of the period unless otherwise stated.

Financial Performance

Key Business Metrics	Financial Half-Year ended 31 January 2019 $ '000	Financial Half-Year ended 31 January 2018 $ '000	Change
Continuing operations			
Revenue	111	-	100%
Corporate and admin costs (excluding D&A[1])	(1,298)	(863)	(50%)
Exploration and evaluation impairment loss	(201)	(108)	(86%)
Revision of carrying amount of other financial assets[2]	(2,527)	-	(100%)
LBITDA[3 & 4]	(4,491)	(558)	(705%)
Loss for the financial half-year	(4,698)	(1,225)	(284%)
Capitalised expenditure for the six months:			
Property, plant and equipment	1	66	(98%)
Exploration and evaluation expenditure	1,305	1,455	(10%)
Total capitalised expenditure for the six months:	1,306	1,521	(14%)
Discontinued operations			
Revenue	-	3,648	100%
Cost of goods sold (excluding D&A[1])	-	(4,566)	100%
Revision of carrying amount of other financial assets	-	29	100%
LBITDA[3 & 4]	-	(950)	100%
Loss for the financial half-year	-	(3,965)	100%
Capitalised expenditure for the six months:			
Property, plant and equipment	-	126	100%
Total capitalised expenditure for the six months:	-	126	100%

[1] Depreciation and amortisation ('D&A').

[2] Refer Note 4 to the condensed consolidated financial statements.

[3] LBITDA definition is loss before interest, tax, depreciation and amortisation.

[4] LBITDA is non-IFRS (International Financial Reporting Standards) financial information and is not subject to review.

Result for the Period

Income Statement

The consolidated result of the Group for the financial half-year was a loss after tax expense of $4.698 million (31 January 2018: $5.190 million loss).

Revenue for the Group for the financial half-year was $0.111 million (31 January 2018: $3.648 million).

Corporate costs for the financial half-year include $0.255 million associated with the payment to the Australian Taxation Office (ATO) resulting from re-assessed Research and Development claims from the 2013 and 2014 financial years. Also included in corporate costs is $0.130 million of expenses associated with the Extraordinary General Meeting held in February 2019.

Statement of Financial Position

The assets of the Group decreased by 3% to $47.994 million (31 July 2018: $49.389 million) due in part to the revision of the carrying value of the receivable relating to the divestment of North Portia (see Note 4).

The Group’s assets as at 31 January 2019 include a receivable of $1.000 million, received subsequently, being the amount due from SIMEC Mining in relation to the extension of the exclusivity agreement with SIMEC Mining on the Group’s Maldorky and Grants iron ore projects.

The Group’s liabilities increased by 71% to $7.382 million (31 July 2018: $4.307 million) due in part to the recognition of $1.000 million of deferred income in relation to the SIMEC Mining exclusivity extension (this amount will be deducted from any amount payable by SIMEC Mining to the Group under any transaction that may be concluded between the parties, within calendar year 2019), but is primarily due to the drawdown of $2.500 million on the Investec standby debt facility.

Cash Flow

The financial half-year ended with a cash balance of $1.182 million (31 January 2018: $2.222 million). Net cash used in operating activities was $0.846 million (31 January 2018: $1.202 million).

Net cash outflows from investment activities were $1.982 million (31 January 2018: $3.088 million).

Net cash inflows from financing activities were $2.163 million (31 January 2018: $5.624 million). The inflow is primarily the result of a drawdown of the Investec standby debt facility.

Review of Operations

Highlights - Group Operations

- Results from new surface geochemical sampling identified several high priority copper-cobalt prospects in the vicinity of the existing Mutooroo project, which supports a change in approach to increase throughput and extend the planned mine life by potentially accessing additional mineralisation in the Mutooroo Copper-Cobalt District.
- The preliminary Kalkaroo pre-feasibility study (PFS) is to be updated with the results of a comprehensive metallurgical program to take advantage of the opportunities identified. The Kalkaroo Native Title Mining Agreement has also been finalised to allow for the granting of a Mining Lease (ML).
- North Portia’s permitting to allow for overburden removal and mining of the saprolite gold cap by its new owner has been delayed from the original plan. The divestment terms for North Portia have been revised subsequent to the end of the financial half-year to remove the Company’s permitting responsibility and disconnect payments from permitting (refer Note 4 for further details).
- Drilling in the Grants Basin has confirmed the discovery of a large iron ore deposit.

Kalkaroo Copper-Cobalt-Gold Project

An extensive metallurgical testing program commenced as part of the PFS update being undertaken by the Company with the aim of improving recoveries, better defining processing pathways and evaluating the market potential of the copper and pyrite concentrates. In December 2018, the Native Title Mining Agreement for the Kalkaroo project was signed by the relevant native title parties paving the way for granting of the Mining Lease.

Mutooroo Copper-Cobalt-Gold Project

Plans to undertake a scoping study for the Mutooroo deposit are being progressed with the aim of initially defining a lower risk, reduced capital copper only project.

North Portia Copper-Cobalt-Gold Project

Following the July 2018 sale of Benagerie Gold (a subsidiary of the Company) to Consolidated Mining and Civil (CMC), the Company has continued work on the permitting to support the reprocessing of Portia gravity tailings and the initial stages of developing the North Portia deposit on CMC’s behalf, as outlined in the transaction agreement, but has also been actively negotiating revised terms to the transaction. Subsequent to the end of the financial half-year the parties have agreed to revised terms as described in Note 4 to the condensed consolidated financial statements.

Portfolio

Maldorky

The second response document was completed and submitted to the Department for Energy and Mining (DEM) to satisfy the requirements of the Mining Lease approvals process. SIMEC Mining also commenced an extensive due diligence program on the Group’s iron ore projects, including the Maldorky deposit. Two additional diamond drill holes were completed to provide further metallurgical material for testwork.

Grants/Grants Basin

As part of the SIMEC Mining due diligence work, 3,500 m of Reverse Circulation (RC) drilling was undertaken in the western section of Grants Basin as well as a diamond (DD) drillhole for metallurgical sample. The program of RC and DD drill testing of the Grants Basin was successful in discovering a major new iron ore deposit. Wide spaced RC and diamond drilling intersected significant widths of iron bearing sequence over a 3.5 km^2 area in the western parts of the basin.

Exploration

Ongoing surface sampling in the Mutooroo Copper-Cobalt District was successful in firming up several high priority copper-cobalt anomalies, including Sidewinder, Copperhead and Scorpion. Most of these lie within 10 kms of the existing Mutooroo Project.

Matters Subsequent to the End of the Financial Half-Year

Other than noted in Note 4 to the condensed consolidated financial statements, there has been no matter or circumstance that has arisen since the end of the financial half-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.

External Auditor's Independence Declaration

A copy of the external Auditor's Independence Declaration for the financial half-year, as required under Section 307C of the *Corporations Act 2001*, is included on page 23.

Rounding of Amounts

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the Directors' Report and financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

This Directors' Interim Financial Report is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors:

M. R. Stewart

Mark Stewart

Independent Non-Executive Chairman

15 April 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Financial Half-Year Ended 31 January 2019

	Note	31 January 2019 $'000	31 January 2018 $'000
Continuing operations			
Revenue		111	-
Other income		2	10
Revision of carrying amount of other financial assets	4	(2,527)	-
Corporate and other administration costs	5	(1,360)	(942)
Finance costs	5	(496)	(79)
Share based payments expense	5	(227)	-
Impairment of capitalised exploration expenditure		(201)	(108)
Loss before income tax		(4,698)	(1,119)
Income tax expense		-	(106)
Loss for the financial half-year from continuing operations		(4,698)	(1,225)
Discontinued operations			
Loss for the financial half-year from discontinued operations		-	(3,965)
Loss for the financial half-year attributable to equity holders of the Company		**(4,698)**	**(5,190)**
Other comprehensive income, net of tax		-	-
Total comprehensive loss for the financial half-year attributable to equity holders of the Company, net of income tax		**(4,698)**	**(5,190)**
Loss per share attributable to equity holders of the Company:		**Cents**	**Cents**
Basic loss per ordinary share		(2.2)	(2.7)
Diluted loss per ordinary share		(2.2)	(2.7)

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 31 January 2019

	Note	31 January 2019 $'000	31 July 2018 $'000
Current assets			
Cash and cash equivalents		1,182	1,847
Inventory		571	571
Trade and other receivables		80	144
Other financial assets	4, 6	6,455	3,182
Other current assets		11	156
Total current assets		8,299	5,900
Non-current assets			
Exploration and evaluation expenditure	7	34,088	32,984
Property, plant and equipment	8	2,912	2,973
Other financial assets	4, 6	2,695	7,533
Total non-current assets		39,695	43,489
Total assets		47,994	49,389
Current liabilities			
Trade and other payables		703	866
Borrowings	9	2,540	171
Provisions		631	723
Other financial liability	10	940	1,363
Deferred income	6	1,000	-
Other		507	508
Total current liabilities		6,321	3,631
Non-current liabilities			
Other financial liability	10	385	-
Other		676	676
Total non-current liabilities		1,061	676
Total liabilities		7,382	4,307
Net assets		**40,612**	**45,083**
Equity			
Contributed equity	11	71,675	71,675
Reserves		(2,276)	(2,086)
Accumulated losses		(28,787)	(24,506)
Total equity		**40,612**	**45,083**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the Financial Half-Year Ended 31 January 2019

	Contributed Equity $'000	Buy-out Reserve $'000	Fair-value Revaluation Reserve $'000	Share-based Payments Reserve $'000	Accumulated Losses $'000	Total Equity $'000
Balance as at 1 August 2017	65,072	(2,600)	-	760	(21,854)	41,378
Loss for financial half-year	-	-	-	-	(5,190)	(5,190)
Total comprehensive loss for financial half-year	-	-	-	-	(5,190)	(5,190)
Transactions with owners in their capacity as owners:						
Issue of 28,202,463 ordinary shares on rights issue at $0.20 per share	5,640	-	-	-	-	5,640
Issue of 6,212,121 ordinary shares to Bergen at $0.33 per share	2,050	-	-	-	-	2,050
Adjustment to record Bergen deferred settlement arrangement	(889)	-	-	-	-	(889)
Issue of 353,448 shares to Bergen at $0.29 per share for commencement fee	103	-	-	-	-	103
Issue of 800,000 unlisted options to Bergen	(39)	-	-	39	-	-
Share issue costs	(353)	-	-	-	-	(353)
Income tax consequences of share issue costs	106	-	-	-	-	106
Balance as at 31 January 2018	**71,690**	**(2,600)**	**-**	**799**	**(27,044)**	**42,845**
Balance as at 1 August 2018	71,675	(2,600)	-	514	(24,506)	45,083
Loss for financial half-year	-	-	-	-	(4,698)	(4,698)
Total comprehensive loss for financial half-year	-	-	-	-	(4,698)	(4,698)
Transactions with owners in their capacity as owners:						
Issue of 5,000,000 unlisted options to Investec	-	-	-	139	-	139
Issue of 2,500,000 unlisted options to Investec	-	-	-	76	-	76
Unlisted options lapsed				(417)	417	-
Share-based payment expenses	-	-	-	12	-	12
Balance as at 31 January 2019	**71,675**	**(2,600)**	**-**	**324**	**(28,787)**	**40,612**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the Financial Half-Year Ended 31 January 2019

	31 January 2019 $'000	31 January 2018 $'000
Cash flows from operating activities		
Receipts from customers	111	3,648
Miscellaneous receipts	-	38
Payments to suppliers and employees	(920)	(4,827)
Interest and other costs of finance paid	(37)	(61)
Net cash flows used in operating activities	(846)	(1,202)
Cash flows from investing activities		
Interest received	2	2
Refund of security deposits	-	3
Payments for exploration and evaluation expenditure	(1,588)	(1,545)
Payments associated with sale of subsidiary in prior financial year	(392)	-
Purchase of plant and equipment	(4)	(1,548)
Net cash flows used in investing activities	(1,982)	(3,088)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	-	5,870
Payments for ordinary shares issue costs	-	(139)
Proceeds from borrowings	2,500	-
Payment for borrowing costs	(262)	-
Repayments of borrowings	(75)	(107)
Net cash flows provided by financing activities	2,163	5,624
Net (decrease)/increase in cash and cash equivalents	(665)	1,334
Cash and cash equivalents at beginning of financial half-year	1,847	888
Cash and cash equivalents at end of financial half-year	**1,182**	**2,222**

The accompanying notes form an integral part of these condensed consolidated financial statements.

For the Financial Half-Year Ended 31 January 2019

Note 1. Significant Accounting Policies

Basis of Preparation of Condensed Consolidated Financial Statements

This Interim Financial Report is a general purpose financial report, which has been prepared in accordance with AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*.

The condensed consolidated financial statements consisting of Havilah Resources Limited and its subsidiaries (the 'Group') have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The condensed consolidated financial statements do not include all the notes of the type normally included in an Annual Report and should be read in conjunction with the Annual Report for the financial year ended 31 July 2018.

The condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as disclosed in the Group's Annual Report for the financial year ended 31 July 2018, except for the impact of the Standards and Interpretations as described below. These accounting policies are consistent with Australian Accounting Standards and with IFRS.

Statement of Compliance

Compliance with AASB 134 ensures compliance with IFRS IAS 134 'Interim Financial Reporting'.

Amendments to Accounting Standards and new Interpretations that are mandatorily effective for the current reporting period

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in the annual financial statements for the year ended 31 July 2018.

Standards and Interpretations affecting amounts reported in the current period

The following new and revised Standards and Interpretations have been adopted in the current financial period.

- AASB 2016-2 Disclosure Initiative: Amendments to AASB 107
- AASB 2017-2 Further Annual Improvements 2014-2016 Cycle
- AASB 9 'Financial Instruments', and the relevant amending standards
- AASB 15 'Revenue from Contracts with Customers'

The initial adoption of each of the above standards, interpretations and revisions has not had a material impact on the amounts reported in these condensed consolidated financial statements but may affect the accounting for future transactions or arrangements.

Standards and Interpretations in issue not yet adopted

At the date of authorising the condensed consolidated financial report, the following Standards and Interpretations listed below were issued but not yet effective.

Standard/Interpretation	Effective for the annual reporting period beginning on	Expected to be initially applied in the financial year ending
AASB 16 'Leases'	1 January 2019	31 July 2020

The Directors anticipate that the above amendments and interpretations will not have a material impact on the financial report of the Group in the year or period of initial application.

Note 2. Going Concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the half-year ended 31 January 2019 the Group incurred a net loss of $4.698 million (31 January 2018: $5.190 million), had a net cash outflow from operating activities of $0.846 million (31 January 2018: $1.202 million) and a net cash outflow from investing activities of $1.982 million (31 January 2018 $3.088 million).

In order to meet the Group's anticipated minimum administration costs, exploration commitments, progress key projects and continue to pay its debts as and when they fall due and payable, the Group is dependent on receiving the $4.000 million from CMC by November 2019 under the revised arrangement as outlined in Note 4 and on raising additional funds by December 2019.

Should the $4.000 million not be received from CMC by November 2019, the Group would need to either extend the Investec facility or raise additional funds through a share issue or asset sales.

At the date of approving this financial 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.

Note 3. Segment Information

(a) Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Leadership Team (Chief Operating Decision Maker) in assessing performance and in determining the allocation of resources.

Corporate includes share-based payment expenses and other corporate expenditures supporting the business during the period. Segment performance is evaluated based on EBITDA/(LBITDA).

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

(b) Segment information

The segment information for the reportable segments for the financial half-year ended 31 January 2019 is as follows:

31 January 2019	Exploration & Evaluation $'000	Corporate $'000	Total $'000
Segment Revenue	-	111	111
LBITDA	(201)	(4,290)	(4,491)
Impairment of capitalised exploration expenditure	(201)	-	(201)
Revision of carrying value of financial assets included in LBITDA[1]	-	(2,527)	(2,527)
Depreciation and amortisation	(47)	(15)	(62)
Additions to property, plant and equipment	-	1	1
Total Assets	36,932	11,062	47,994
Total Liabilities	704	6,678	7,382

31 January 2018	Portia Gold Mine $'000	Exploration & Evaluation $'000	Corporate $'000	Total $'000
	Discontinued operations	Continuing operations		
Segment Revenue	3,648	-	-	3,648
LBITDA	(950)	(108)	(450)	(1,508)
Impairment of capitalised exploration	-	(108)	-	(108)
Revision of carrying value of assets included in LBITDA	29	-	-	29
Depreciation and amortisation[2]	-	(66)	(13)	(79)
Depreciation and amortisation on COGS[3]	(3,420)	-	-	(3,420)
Additions to property, plant and equipment	126	20	46	192
Total Assets	4,827	38,245	3,479	46,551
Total Liabilities	1,777	827	1,102	3,706

[1] Refer Note 4 to the condensed consolidated financial statements.

[2] Mine operations' depreciation was capitalised into Mine development expenditure.

[3] Cost of goods sold.

(c) Segment reconciliation

	Financial Half-Year ended 31 January 2019 $'000	Financial Half-Year ended 31 January 2018 $'000
LBITDA	(4,491)	(1,508)
Interest income	2	2
Interest expense	(147)	(45)
Other	-	(34)
Depreciation and amortisation	(62)	(79)
Depreciation and amortisation on COGS	-	(3,420)
Loss before income tax	(4,698)	(5,084)

Note 4. Revision of Carrying Amount of Other Financial Assets

On 8 April 2019, the Company announced to the market that it had agreed to revised terms with CMC and Benagerie Gold and Copper (BGC) for the divestment of the Benagerie Mining Lease.

The key commercial points of the revised transaction terms with respect to the divestment of North Portia are as follows:

- First payment of $1.000 million was made in July 2018 when the transaction closed.
- Second payment of $2.000 million was made on 5 April 2019 following the execution of the Heads of Agreement (HOA) for the revised terms.

- Third payment of $4.000 million within 30 business days of the execution of the HOA, which is to be kept in escrow while documentation is completed. If the documentation is not executed by the parties within 30 business days after the funds are placed in escrow then the funds can be released to CMC and in that case the original transaction documents will again govern the relationship between the parties.
- Final payment of $3.800 million payable once the first $3.500 million of production revenue from the North Portia project is achieved.
- The Company has no further permitting obligations with respect to the ML.

The carrying amounts of the associated financial receivables and payables in the accounts as at 31 January 2019 have been adjusted to reflect the revised terms, resulting in an expense of $2.527 million.

Note 5. Expenses

	Financial Half-Year ended 31 January 2019 $'000	Financial Half-Year ended 31 January 2018 $'000
Corporate and other administration costs		
Net employee benefits expense	412	400
Administration expenses	388	321
Research and development tax amendment penalties	255	-
Extraordinary general meeting expenses	130	-
Directors' fees	90	92
Depreciation and amortisation expense	62	79
Corporate costs	23	50
	1,360	942
Net employee benefits expense		
Gross employee benefits expense	1,421	1,789
Less amount capitalised as evaluation expenditure	(1,009)	(1,004)
Less amount expensed to COGS	-	(385)
	412	400
Finance costs		
Debt establishment costs	262	-
Interest expense	147	45
Amortisation of debt establishment costs	56	18
Bank fees	31	16
	496	79
Share-based payments expense		
Share-based payments to Investec	215	-
Share-based payments to Directors	12	-
	227	-

Note 6. Other Financial Assets

During the financial half-year, SIMEC Mining elected to extend the exclusivity period to complete its due diligence on the Group's Maldorky and Grants iron ore projects until 31 March 2019. In accordance with the extension agreement entered into in December 2018, the Group is entitled to receive $1.000 million from SIMEC Mining. This has been recorded in the accounts as an Other Financial Asset. As the $1.000 million payment will be deducted from any amount payable by SIMEC Mining to the Group under any potential future transaction that may be concluded between the parties during calendar year 2019, this amount has been recorded as Deferred Income and the revenue impact will be recognised at such time as the exclusivity period expires and/or a transaction is completed with SIMEC Mining.

As detailed in Note 4, the Group has revised the carrying amount of the CMC receivable as at 31 January 2019 recording a Current Other Financial Asset of $5.455 million and a Non-Current Other Financial Asset of $2.595 million.

Note 7. Exploration and Evaluation Expenditure

	Exploration & Evaluation $'000
As at 31 July 2018	
Cost	32,984
Half-Year ended 31 January 2019	
Opening carrying amount	32,984
Additions	1,305
Impairment of capitalised exploration	(201)
Carrying amount at the end of the period	34,088
As at 31 January 2019	
Cost	34,088

Note 8. Property, Plant and Equipment

	Land $'000	Plant & Equipment $'000	Total $'000
As at 31 July 2018			
Cost	2,241	3,967	6,208
Accumulated depreciation	-	(3,235)	(3,235)
Net book amount	2,241	732	2,973
Included in above			
Carrying amount of leased assets	-	17	17
	-	17	17
Half-Year ended 31 January 2019			
Opening net book amount	2,241	732	2,973
Additions	-	1	1
Depreciation expense	-	(62)	(62)
Closing net book amount	2,241	671	2,912
As at 31 January 2019			
Cost	2,241	3,968	6,209
Accumulated depreciation	-	(3,297)	(3,297)
Net book amount	2,241	671	2,912
Included in above			
Carrying amount of leased assets	-	-	-

Note 9. Borrowings

During the financial half-year ended 31 January 2019, the Group obtained a $6.000 million standby debt facility from Investec.

The key points of the agreement with Investec are:

- Maturity date of 4 December 2019 (12 months from execution of the facility documents).
- Interest is set at the floating Bank Bill Swap Bid Rate (BBSY) plus a credit margin of 8.00%.
- Investec will be issued with a potential total of up to 10.000 million three-year unlisted options, depending on the actual utilisation of the facility. The exercise price will be set at a 20% premium over the 30-day volume weighted average share price when the issue of options is triggered. 5.000 million options were issued on 1 November 2018 with an exercise price of $0.234. A further 2.500 million options were issued on 31 December 2018 with an exercise price of $0.220. As at the end of the financial half-year ended 31 January 2019, a total of 7.500 million unlisted options have been issued to Investec.
- The Company and its subsidiaries, Kalkaroo Copper Pty Ltd and Mutooroo Metals Pty Ltd, provided guarantees in support of the facility.
- Cancellation of the Portia contingent success fee, which was to have applied if production from Portia exceeded 50,500 ounces of gold in total with a cap of 80,000 ounces. This was part of the terms of the 2015 $6.000 million loan and risk management facility.

As at the end of the financial half-year, the Group has drawn down $2.500 million of this facility, with $3.500 million remaining available subject to the Group continuing to meet the compliance and liquidity requirements of the facility.

In addition, the Group has access to a $0.500 million overdraft facility with National Australia Bank (NAB) at a business lending rate of 3.98% plus a customer margin of 2.20% (secured). As at the end of the financial half-year, the Group has no balance owing on this facility and the full $0.500 million is available for use.

The Group also has access to $0.500 million bank guarantee facility provided by NAB, of which $0.216 million is currently being utilised.

Note 10. Other Financial Liabilities

During the financial half-year ended 31 January 2019, the Company entered into a payment plan with the ATO in respect of the amount outstanding due to amended income tax returns for the 2013 and 2014 periods for Research and Development claims disallowed. The accounts as at 31 January 2019 include Other Financial Liabilities of $1.325 million in relation to this, which includes interest ($0.111 million) and penalties ($0.255 million) imposed.

It should be noted that the Company continues to dispute the findings of Industry Science Australia and re-affirms its position that the Research and Development projects claimed are legitimate and has argued its case at the Administrative Appeals Tribunal hearing which commenced in March 2019 and is scheduled to continue in June 2019.

Note 11. Contributed Equity

During the financial half-year ended 31 January 2019, the Company established a standby debt facility with Investec that resulted in the issuing of unlisted options to Investec in two tranches. Both tranches vest 12 months after the date of the facility agreement and the shares are to be held in escrow until the facility is repaid or cancelled. Expected vesting date used for valuation purposes is 4 December 2019. The first tranche was 5.000 million unlisted options which have an exercise price of $0.234, expire on 1 November 2021 and have been valued at $0.319 million. The second tranche issued was 2.500 million unlisted options which have an exercise price of $0.220, expire on 20 December 2021 and have been valued at $0.174 million. The full value of $0.493 million will be amortised and included in the Share-based Payments Reserve balance within the condensed consolidated financial statements over the expected vesting period.

Dr Christopher Giles was issued with 2.400 million unlisted share options in the current financial half-year period.

The options will vest and be able to be exercised:

- During a bid period;
- At any time after a change of control event has occurred;
- If, on an application under section 411 of the *Corporations Act 2001*, a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other Company;
- If the Company secures funding via joint venture with a third party or by other means, for the development of one of its projects;
- If the Company sells a mineral project of the Company or an interest therein to a third party (other than a related body corporate or related entity of the Company) for a gross consideration valued at more than $10.000 million; or
- If the Company makes a new discovery or expands an existing discovery, which is defined as at least five holes with potential ore grade intersections.

These options expire on 12 December 2021, have an exercise price of $0.36 and have been valued at $0.071 million using an estimated vesting date of 12 June 2020.

A total of 3.600 million unlisted share options previously granted to Directors expired during the financial half-year.

As at 31 January 2019, there were 218.249 million listed shares on issue (31 January 2018: 218.199 million), as well as 13.607 million listed options (31 January 2018: 13.589 million) and 11.350 million unlisted options (31 January 2018: 7.825 million).

Note 12. Commitments for Expenditure and Contingent Liabilities

No changes to disclosure in Note 31 of the 31 July 2018 Annual Report other than as noted below:

Guarantee and indemnity commitments

a) The Group has restricted cash deposits of $0.060 million and a $0.500 million bank guarantee facility with NAB (see Note 9) as security for the unconditional irrevocable bank guarantees detailed in the 31 July 2018 Annual Report.

Note 13. Key Management Personnel

Remuneration arrangements of key management personnel are disclosed in the Annual Report.

During the half-year ended 31 January 2019, several changes to the position and remuneration of Key Management Personnel occurred.

Mr Kenneth Williams retired from his role as Independent Non-Executive Chairman of the Board on 12 December 2018 and was replaced by Mr Mark Stewart. Mr Stewart is entitled to a remuneration package of $97,717 per year, exclusive of superannuation in this new role as Independent Non-Executive Chairman.

On 12 December 2018, Mr Williams assumed the role of Independent Non-Executive Director. Mr Williams was entitled to $50,000 per year as Non-Executive Director and $15,000 as Chairman of the Audit and Risk Committee, exclusive of superannuation.

Mr Williams retired from this role on 3 January 2019 and was replaced as Independent Non-Executive Director by Mr Martin Janes. Mr Janes' remuneration is $50,000 per year as Non-Executive Director and $15,000 as Chairman of the Audit and Risk Committee, exclusive of superannuation. As of 31 January 2019, Mr Janes holds 200,000 fully paid ordinary shares in Havilah.

Mr Simon Gray was appointed as Joint Company Secretary on 29 January 2019 with Ms Claire Redman. Mr Walter Richards resigned from his role as Company Secretary effective 1 February 2019 but remains in the position of Chief Executive Officer.

Mr Richard Buckley's position as Senior Mine Planning Engineer has been elevated to take on further responsibility and accountability for the technical delivery of Havilah's advanced projects from January 2019. Mr Buckley is entitled to a remuneration package of $250,000 per year exclusive of superannuation and he holds 100,000 fully paid ordinary shares in Havilah, while a related party of Mr Buckley owns 6,000 fully paid ordinary shares.

Note 14. Related Parties

During the financial half-year, the following transactions took place with related parties:

- $0.092 million in consulting services were received pursuant to the ongoing consulting services agreement with Dr Christopher Giles (as detailed in the 2018 Annual Report). Under this agreement, payments for services received are made to a nominated company in which Dr Giles has a controlling interest;
- $0.055 million of legal services were provided by a related party (Arion Legal) of Mr Mark Stewart;
- $0.010 million was paid to a related party (ITABA) of Mr Walter Richards during a transitioning period to bring certain accounting services inhouse after the contract was terminated on 8 October 2018;
- $0.005 million paid to Balmoral Consulting for advisory services to the Board to ensure a smooth transition following Mr Kenneth Williams' retirement as a director. The Group entered into a consulting agreement with Balmoral Consulting after the retirement of Mr Williams; and
- $0.004 million for marketing, social media and public relations support to a related party (William Giles) of Dr Christopher Giles.

The terms and conditions of all these transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities or parties on an arm's length basis. The rates paid for these services were also competitive when compared to commercial rates available for the same or similar services from non-related party providers.

Note 15. Subsequent Events

Other than detailed in Note 4, there were no matters or circumstances occurring subsequent to the end of the financial half-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.

Directors’ Declaration

For the Financial Half-Year Ended 31 January 2019

The Directors declare that:

1. In the Directors’ opinion, the condensed consolidated financial statements and notes, set out on pages 9 to 21, are in accordance with the *Corporations Act 2001*, including:

    a) Complying with Australian Accounting Standard AASB 134 ‘Interim Financial Reporting’ and the *Corporations Regulations 2001*; and

    b) Giving a true and fair view of the financial position as at 31 January 2019 and of the performance for the financial half-year ended on that date; and

2. In the Directors’ opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Directors:

M. R. Stewart

Mark Stewart

Independent Non-Executive Chairman

15 April 2019

Deloitte.

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15 April 2019

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 review of the financial statements of Havilah Resources Limited for the half-year ended 31 January 2019, 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 review; and

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Darren Hall
Partner
Chartered Accountants

Deloitte.

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Independent Auditor's Review Report to the Members of Havilah Resources Limited

We have reviewed the accompanying half-year financial report of Havilah Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 January 2019, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 22.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 January 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of Havilah Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Havilah Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report which indicates that the consolidated entity incurred a net loss of $4,698,000, experienced net cash outflows from operating activities of $846,000 and investing activities of $1,982,000 for the half-year ended 31 January 2019. As stated in note 2, 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 conclusion is not modified in respect of this matter.*

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Havilah Resources Limited is not in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 January 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Darren Hall
Partner
Chartered Accountants
Adelaide, 15 April 2019

Forward Looking Statement

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

Although the Group 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 Group. Accordingly, readers are cautioned not to place undue reliance on forward looking statements. Forward looking statements in this Interim Financial 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 Group 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.

Registered Office and Principal Place of Business

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