



Havilah Resources

A New Mining Force in South Australia



ANNUAL REPORT 2016

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)

Share Registrar

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

Registered Office and Principal Place of Business

31 Flemington Street
Glenside South Australia 5065
telephone: (08) 8338 9292
facsimile: (08) 8338 9293
website: www.havilah-resources.com.au
email: info@havilah-resources.com.au
ACN: 077 435 520

External Auditor

Deloitte Touche Tohmatsu
11 Waymouth Street
Adelaide South Australia 5000

Solicitors to the Company

Thomson Geer Lawyers
7/19 Gouger Street
Adelaide South Australia 5000

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.

Company Highlights

Havilah met its major objective for the year in producing first gold from the Portia Gold Mine in May and successfully making the important transition from explorer to miner.

Mine Development Progress

Portia Gold Mine

A number of noteworthy milestones were achieved during the year.

- > Proved it was possible to successfully and safely mine through the soft overburden and manage the groundwater inflows.
- > Mined first gold ore in early March, more than three months ahead of schedule.
- > Completed the gold processing plant two months early in April. It has proven well suited to recovering gold from the soft, clay-rich Portia ore.
- > Poured first gold in May.
- > First \$1.000 million earned from gold sales.
- > Identified indications of substantial new bedrock gold mineralisation in the pit floor and extending south of the current open pit.

Advanced Project Development Progress

North Portia Copper-Gold Project

Investigated possible follow on from the Portia Gold Mine to utilise the same infrastructure.

- > Two rounds of infill drilling were completed for improved resource definition.
- > Some of the highest ever grade copper and gold drilling results were obtained by Havilah for this deposit.

Kalkaroo Copper-Gold Project

Continued advances in de-risking project.

- > Mining Lease Application in final stages of processing by the Department of State Development (South Australia).
- > Work continued on revision of the deposit's geological and resource model and mining plan with the aim of publishing a Probable Ore Reserve.
- > Havilah field office and exploration camp shifted to Kalkaroo Station.

Corporate

Recipient of the Inaugural Ocean Partners Commercial Achievement Award

In recognition of the innovative funding model that enabled the Portia Gold Mine to come to fruition, Havilah was awarded the inaugural South Australian Chamber of Mines and Energy's Ocean Partners Commercial Achievement Award.



First gold sales and first cash flow from a mining operation in the history of Havilah.

Chairman's Letter

28 October 2016

Dear Fellow Shareholder,

Havilah Resources Limited (Havilah or the Company or the Group) achieved many significant milestones this year. After 12 months of meeting the challenges of mining through the soft overburden material, first ore was brought to the surface at the end of March, some three and a half months earlier than originally planned and three months prior to the scheduled completion of our processing plant. Shortly thereafter, the processing plant was operational and first gold ore was processed in late April and we poured our first gold bar in May 2016. The first gold sale was recorded in early June and it is pleasing to report that since then the processing plant has proven to be effective in recovering the gravity gold from the Portia ore.

The revenue sharing / partnership arrangement with Consolidated Mining and Civil Pty Ltd (CMC) of Broken Hill has exceeded our expectations in the face of many challenges. Together we have overcome pit wall slips, groundwater inflows and several abnormally high rainfall events this year.

Apart from reaching first gold production, other achievements that all shareholders can be proud of are Havilah earning its first \$1.000 million in gold sales in June, the early repayment of \$0.500 million of the Investec debt in July and record daily gold concentrate production of 34 kg in one day shortly after year end.

As the Portia open pit goes ever deeper we learn more about the geology and mining conditions. In recent months mining of ore in the floor of the open pit has exposed the underlying bedrock which shows promising signs of vein and replacement style gold mineralisation.

At the same time, our recent drilling to the south has returned several high grade gold intersections, indicating southern extensions of the gold mineralisation outside of the current

mine design. With initial drill indicated extensions to the south and gold bearing material still beneath us in the open pit floor, the prospects for expansion of the Portia Gold Mine and extending the mine life are looking very promising.

Havilah achieved a major milestone in its history with pouring of its first gold bar from the Portia Gold Mine in May this year. This was after many months of hard work in removing the overburden and exposing the ore, and the planning and construction of the gravity processing plant.

With cash flow from an operating gold mine, Havilah now looks to the future with great confidence. At North Portia, just 500 m north of the Portia open pit, two rounds of resource infill drilling have been completed this year with the objective to bring the oxidised copper-gold zone to a JORC Measured Resource status so that mine design work can be completed. Many of the new copper-gold intersections better those in earlier resource drilling, which is most encouraging. Mining at North Portia would be able to utilise the considerable investment in existing Portia infrastructure and the advantage of a granted Mining Lease.

Slightly further afield, there are many prospects with numerous ore grade intercepts that were identified in the late 90's by the Pasminco-Werrie Gold joint venture, including Lorenzo and Shylock, that have never been followed up with systematic drilling. With the assistance of a \$0.200 million PACE grant, received after year end, and cash flow from the Portia Gold Mine, Havilah is planning a major exploration effort in the Portia area over the next 12 months.

The Kalkaroo Copper-Gold Project had to take second priority with all the focus on Portia, but we are now in a position to more actively pursue its technical advancement, financing and potential future development. Similarly, we plan to revisit the Mutooroo Copper-Cobalt Project with a view to finding ways to exploit its considerable copper and cobalt potential.

Last year we said that "we are now a mine operator with the prospect of significant income in 2016". This year I am pleased that cash flow has now started to be realised from gold sales, we have been able to meet our debt repayments and can look forward to the prospect of a substantial steady cash flow going forward. This will be the key to funding exploration for our next round of discoveries and funding the vital pre-development work on our other advanced projects.

As always, our management, technical team and field personnel have worked extremely hard to achieve the milestones I have recounted here, which we can all be justifiably proud of as Havilah shareholders. I am sure you would want me to express our gratitude to them for their efforts to achieve the successes of the past year.

I feel special thanks is due to Steve Radford and the CMC team who, from day one, have worked tirelessly to help make the Portia Gold Mine a success.

I wish to thank you on behalf of the Board for your continued support of Havilah as we stand at the threshold of a new era of growth and development for the Company.

Yours faithfully,

Mr Ken Williams
Chairman

Table of Contents

Directors' Report	6
Review of Operations	6
Mineral Resources and Tenement Schedule	20
Review of Financial Results	24
Director and Company Secretary Details	26
Remuneration Report (Audited)	28
Corporate Governance Statement	32
Corporate Overview	33
Annual Financial Statements	35
Consolidated Statement of Profit or Loss and Other Comprehensive Income	35
Consolidated Statement of Financial Position	36
Consolidated Statement of Changes in Equity	37
Consolidated Statement of Cash Flows	38
Notes to the Consolidated Financial Statements	39
Directors' Declaration	65
Auditor's Independence Declaration	66
Independent Auditor's Report	67
Additional Securities Exchange Information	68

Havilah acknowledges Ben Clifford, Dawn Likouresis, Joel Lingard, Steve Radford, Reece Singleton and Geoff Stolz for some photography in this Annual Report. Other pictures are from Havilah archives.

Directors' Report

Review of Operations

Last year in this Review, Directors said that they "remain confident that Havilah will achieve its stated mining objectives at Portia". Achievement of first gold production this year and establishing a cash flow from gold sales are important steps in Havilah fulfilling its objective of developing its large and diversified mineral resource inventory and becoming a "New Mining Force in South Australia".

We have been aided by a favourable gold price and a very competent and focused mining partner in CMC. However, had Havilah not expended the effort to develop Portia it would not have been the recipient of such benefits.

Maintaining gold production from the Portia Gold Mine continues to be an ongoing daily challenge that includes pumping water from the pit, constant optimising of mine designs in response to behaviour of the soft overburden materials and modifying the processing plant to optimise gold production. With the assistance of CMC, we have met all of these challenges and many more, including abnormally high rainfall in the region over an extended period.

Achievement of first gold production this year and establishing a cash flow from gold sales are further important steps in Havilah fulfilling its objective of developing its large and diversified resource inventory.

In spite of this, gold production has been maintained and even broken production records.

Based on bedrock exposures in the Portia open pit and recent drilling results, indications are that Portia could develop into a long life bedrock gold mining proposition going forward. In the meantime the cash flow generated by Havilah will allow it to retire all of its existing project debt and provide surplus cash to fund future drilling budgets.

Persistent and innovative exploration has been the means by which Havilah

has progressed to its current gold producer status. Given the large number of promising drill ready targets in the vicinity of the Portia Gold Mine we have high expectations that further significant gold discoveries might be made in the near future as we re-start our exploration drilling. We will be assisted in this with a PACE grant of \$0.200 million for drilling, which is direct peer endorsement for the quality of our exploration targets.

With the Portia Gold Mine underway, Havilah has set about determining how it can best extend the mine life. As foreshadowed last year, appreciable drilling work has been completed at North Portia in order to better define the upper oxidised copper-gold resource.

Results from this drilling have in many cases bettered earlier results and will be incorporated into an updated resource model.

This will be the basis for generating an optimised open pit design, from which the economics of following on mining North Portia after Portia will be evaluated.



Havilah Project Locations



Havilah will also maintain an active near and in-pit drilling program with an expectation to expand the current Portia resource. Thus far this drilling has been successful in outlining additional gold mineralisation in the pit floor and also to the immediate south of the current open pit design.

Work on Havilah's other projects during the financial year has been affected by the focus of all resources on achieving sustainable gold production from the Portia Gold Mine.

Notwithstanding this, for the Kalkaroo Project, the mining lease application has been advancing through the Department of State Development's (DSD) assessment process and is now in the final approval stages.

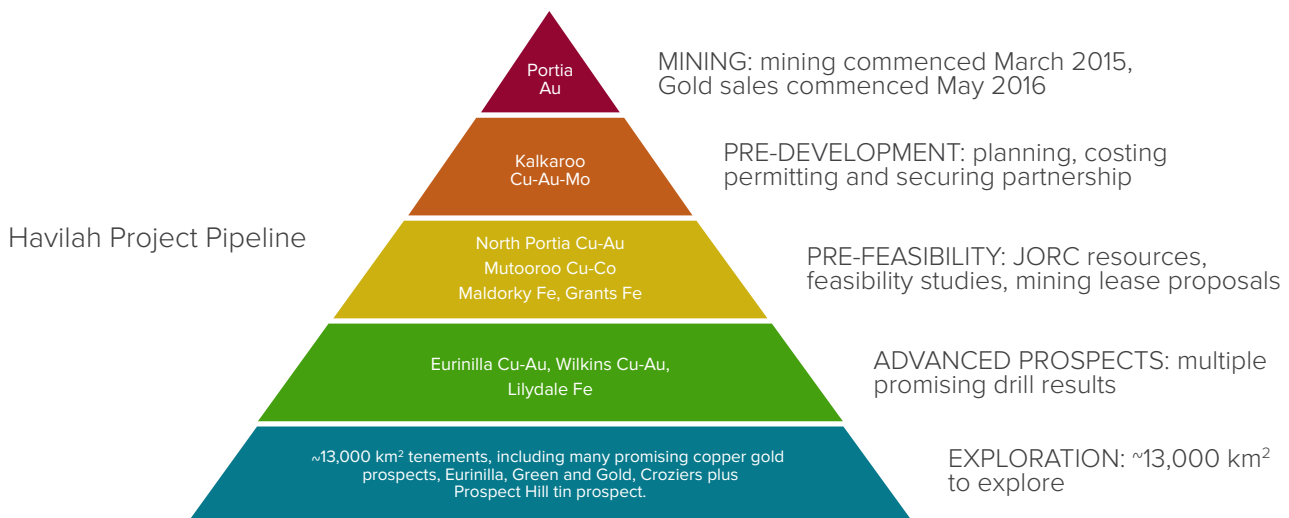
Havilah has continued to negotiate with the Adnyamathanha people with the view to finalising a Native Title Mining Agreement. It has also engaged with potential investment partners concerning financing for development of the Kalkaroo deposit.

Several key outstanding tasks will continue to be addressed in the next 12 months, including:

- > Grant of a Mining Lease that confers the right to mine at Kalkaroo.
- > Compilation and submission of a Program for Environmental Protection and Rehabilitation (PEPR) document with DSD in order to obtain final mining approvals.
- > Finalisation of the processing flow sheet design allowing more accurate estimation of the capital and operating costs.
- > Updated resource and open pit mine design and release of a Probable Ore Reserve estimate.
- > Engagement with potential project funding partners.

Given the current positive outlook for cobalt, Havilah plans to accelerate activities at its Mutooroo Copper-Cobalt Project in the next 12 months. The aim will be to progress a low capital strategy that recovers the bulk of the copper and cobalt via flotation methods and leaching of the remaining sulphide and oxidised ore material.

The main immediate task is to complete and submit all documentation in order to obtain a Mining Lease for the project. This will lead into compilation of the additional documentation required for environmental protection and rehabilitation approvals.



Directors' Report

Portia Gold Mine FY16 Production Summary

June 2016 – July 2016	Units	Total	
Overburden mined	BCM	5,206,000	
Ore mined	t	164,000	
Total tonnes processed (wet)	t	32,000	
Grade processed	g/t	2.4	
Havilah's Share of Production			
Gold produced	oz	2,516	4,962
Gold sold	oz	1,698	3,396
Achieved gold price	A\$/oz	1,618	
Havilah's Share of Joint Operations			
C1 Cash Cost	A\$/oz	374	
All-in Sustaining Cost	A\$/oz	585	
All-in Cost	A\$/oz	628	
Depreciation & Amortisation	A\$/oz	365	

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.

Commercial production was achieved in late May 2016 with the first gold pour. Total tonnes processed represents lower grade material processed in June and July 2016, while the production and throughput stabilised at the processing plant at the Portia Gold Mine. Plans are in place to ramp production up through plant modifications.

Gold sales are shared 50/50 with CMC as a result of the Mining and Processing Agreement. The unit costs represent Havilah's share of costs under this agreement and therefore does not include CMC's mining costs.



Directors' Report

Portia Gold Project

(Gold, 100% Havilah)

Brief history and overview of the project

Copper mineralisation was first discovered in the area in a sample collected from the bottom of a uranium exploration drillhole completed by Marathon Petroleum in the 1980s. The Pasminco-Werrie Gold joint venture followed up the Marathon Petroleum copper hit in the mid-to late 1990s and discovered widespread copper, gold, molybdenum, lead and zinc mineralisation in the Benagerie Dome. They completed a considerable amount of high quality drilling and geophysical work and outlined numerous promising prospects, including Portia and North Portia. Portia is covered by more than 70 metres of younger sediments and hence has no surface expression.

The Pasminco-Werrie joint venture found the Portia gold mineralisation hard to define on account of abundant coarse-grained gold, which made conventional sampling and assaying techniques unreliable. Havilah resolved this problem by washing selected drill samples in a trommel / Knelson concentrator and obtaining a gravity concentrate, from which gold was picked under a binocular microscope and weighed on a precision analytical balance.

Based on more than 200 drillholes sampled in this way, an Inferred Resource of 720,000 tonnes @ 2.9 g/t for 67,000 ounces of gold has been estimated, using a high grade cutoff of 60 g/t. The known gold mineralisation was closely drilled and has proven to be consistently gold mineralised over an area of at least 600 m x 100 m, and ranging from 1 to 4 m in thickness.



Containers of gold concentrate from Portia Gold Mine

Mineral resources

Resource Category	Tonnes	Copper (%)	Gold (g/t)	Molybdenum (ppm)	Cobalt (%)	Contained Cu (tonnes)	Contained Au (ounces)	Contained Mo (kg)	Contained Co (kg)
Inferred	635,000	-	2.9	-	-	-	54,000	-	-

Applying a top cutoff gold grade of 60 g/t and updated for tonnes and ounces mined

Key project facts and statistics

Metals: Gold

Ownership: 100% owned

Status: Mining of overburden commenced in March 2015. Processing plant commissioned in May 2016

Progress: Approximately 87% of overburden removed as of May 2016. Construction of processing plant commenced

Main Contractors: Consolidated Mining and Civil Pty Ltd (CMC)

Total Overburden: 7.0 million m³

Overburden Removed: 6.1 million m³ (31 July 2016)

Total Ore Tonnes: 355,000 in optimised open pit

Total Recoverable Metal: 51,000 ounces of gold

Royalty: 3.5% State royalty and 1% production royalty

Significant project milestones achieved

Discovery Date: 1990s by Pasminco-Werrie Gold JV

Resource Declaration: June 2009

Native Title Status: Native Title Agreement in place with Adnyamathanha people - May 2008

Permitting: 1,745 Ha Mining Lease granted October 2009. PEPR approved - October 2014

Financing: Mining contract - January 2015. Processing plant financing - 30 October 2015

Infrastructure Work Commenced: November 2014

Project Development: January 2015

Mining Commenced: March 2015. First ore mined March 2016

Processing Plant Construction Completed and First Ore Treated: April 2016

First Gold Poured: May 2016

First Gold Sales: June 2016



Recent highlights

On 7 January 2015, the Company announced that it had executed a contract for mining of the Portia gold deposit with Consolidated Mining & Civil Pty Ltd (CMC), a well respected and experienced Broken Hill based mining contractor. This contract allows for development and mining of Portia on a shared risk / shared revenue basis.

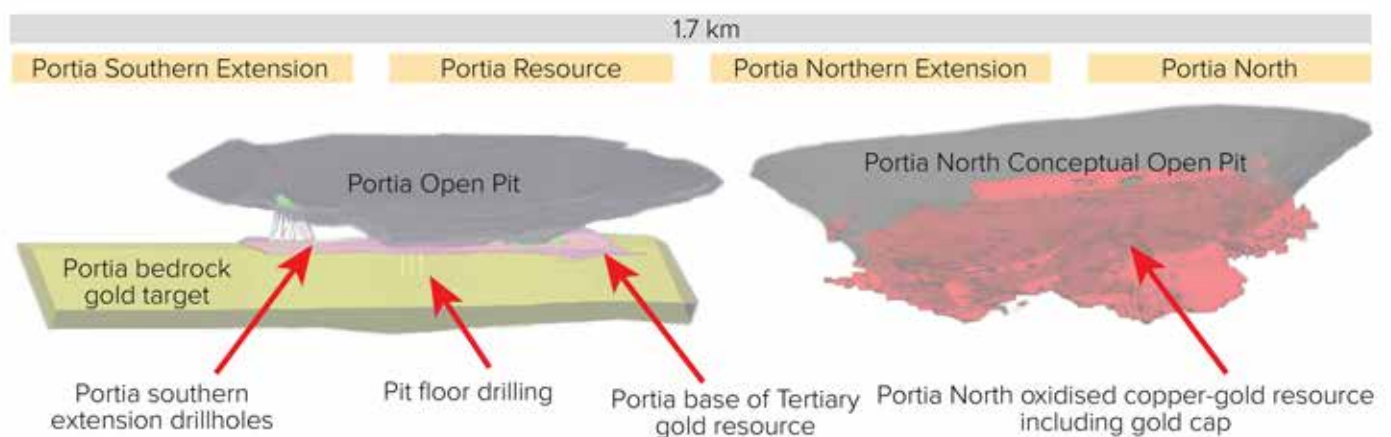
Upon execution of the contract, CMC moved swiftly to commence work on the project, with all required site works substantially complete and removal of overburden from the Portia open pit commencing on 30 March 2015. CMC estimated that first gold ore would be delivered to the surface for processing in July 2016, but due to some deft changes in mine design it was possible to access ore three and half months earlier than this, and first ore was delivered to the surface in March 2016. The processing plant was completed two months ahead of schedule and treated first gold ore in April, with the first gold pour in May. Since then, in spite of numerous heavy rainfall events that have temporarily suspended mining at various times, ore processing has continued without stopping, and steady gold production has been maintained. The processing plant has proven effective in recovering the gravity gold largely in accordance with design.

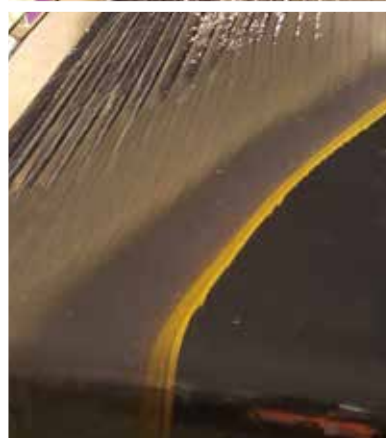
Mining and pit wall stability monitoring has been aided by the use of a state of the art Sentry I-Site laser scanner. This has allowed very accurate comparison of the actual mining profiles against design. It has also provided continuous monitoring of the slightest movements in the pit walls following some earlier pit wall slips and re-design of the pitwall angle and mining configuration.

Future project work planned

Portia commenced with only a short eighteen month mine life outlook. Havilah's key task going forward is to determine additional gold resources that will extend the mine life to at least several years to take full advantage of the existing infrastructure. To this end Havilah has completed thorough resource drilling of the adjacent North Portia Copper-Gold deposit during the year. Work to determine the economic viability of mining North Portia as a follow on from Portia is currently in progress.

Recent drilling of the southern extensions of the Portia mineralisation beyond the current mine design has returned encouraging results and a cutback to access this material is being considered. In the meantime, documentation for necessary mining approvals for the cutback, which must be sought many months ahead of commencement due to the normal time required for review and approval by the Department of State Development (SA), is being prepared in anticipation that mining will proceed.







Directors' Report

North Portia Copper Gold Project

(Copper Gold, 100% Havilah)

Brief history and overview of the project

Copper mineralisation was first discovered in the area in a sample collected from the bottom of a uranium exploration drillhole completed by Marathon Petroleum in the 1980s. The Pasminco-Werrie Gold joint venture followed up the Marathon Petroleum copper hit in the mid-to late 1990s and discovered widespread copper, gold, molybdenum, lead and zinc mineralisation in the Benagerie Dome. They completed a considerable amount of high quality drilling and geophysical work and outlined numerous promising prospects, including Portia and North Portia. North Portia is covered by more than 50 metres of younger sediments and hence has no surface expression.

Havilah acquired Pasminco's 70% interest in the joint venture from the receivers of Pasminco, and subsequently purchased the remaining 30% to give it 100% ownership of the entire area.

North Portia contains an Indicated + Inferred Resource of 11.3 million tonnes of 0.89% Cu, 0.64 g/t Au and 500 ppm Mo. This translates to a metal inventory of 101,000 tonnes copper, 234,000 oz gold and 5.68 million kg of molybdenum. The ore is very similar to Kalkaroo and could potentially provide several years additional mill feed for a sulphide concentration operation at Kalkaroo.

The indicated resource coincides with the base of weathered rock, with higher grades of copper due to supergene enrichment in the weathering zone. This oxidised upper part of the deposit, comprising 3-4 million tonnes of free digging higher grade material is of immediate interest as a potential follow on mining proposition after Portia. The primary resource (in fresh unweathered rock) has been classified as Inferred, because of the wider drillhole spacing and hence less certainty in the continuity of the mineralisation.

0.05% molybdenum (Mo) occurs within the defined copper and gold resource, but molybdenum also forms an extensive halo surrounding the supergene copper-gold mineralisation. Molybdenum mineralisation lying within a 100 ppm envelope was modelled, resulting in a significant stand-alone molybdenum resource in the supergene zone as shown in the following table.

Mineral resources

Resource Category	Tonnes	Copper (%)	Gold (g/t)	Molybdenum (ppm)	Cobalt (%)	Contained Cu (tonnes)	Contained Au (ounces)	Contained Mo (kg)	Contained Co (kg)
Indicated (supergene)	2,750,000	1.0	0.65	451	-	101,000	234,500	5,680,000	-
Inferred (sulphide)	8,610,000	0.85	0.64	531	-	added to above	added to above	added to above	-
Indicated (supergene Mo only)	7,732,000	-	-	340	-	-	-	added to above	-

Key project facts and statistics

Metals: Gold, copper

Ownership: 100% owned

Status: Assessment of feasibility of mining and processing the supergene ore on site commenced July 2015

Progress: Additional drilling requirements identified from updated mine plan

Total Overburden: 13 million m³

Total Ore Tonnes: 4 million tonnes (supergene only)

Total Recoverable Metal: 101,000 tonnes copper, 234,000 oz gold

Royalty: 3.5% for Gold and 5% for Copper for the State royalty and 1% production royalty

Significant project milestones achieved

Discovery Date: 1990s

Resource Declaration: November 2010

Native Title Status: Native Title Agreement in place with Adnyamathanha people - May 2008

Permitting: 1,745 Ha Mining Lease approved - October 2009

Resource Infill Drilling: Two rounds of drilling completed June 2016

Recent highlights

Havilah is presently evaluating the economics of mining the upper supergene portion of the North Portia Copper-Gold deposit following on from Portia and in order to take advantage of mining infrastructure currently in place. This year two rounds of shallow resource infill drilling have been completed in order to gain greater confidence in the oxidised resource. This returned some of the best ever copper and gold drill intersections from this deposit to date. Non-drilling work at North Portia has taken second priority this year behind extending the Portia gold resource and hence dates have been extended from those indicated last year.

The viability of North Portia as a stand-alone mining proposition is potentially enhanced by several positive factors:

- > The favourable copper and gold grades of the deposit.
- > Low cost of mining overburden and oxidised ore - due to the free-digging nature of the material.
- > Potential for a significant reduction in waste mining cost - by backfilling the Portia open pit with North Portia overburden (possibly employing an innovative conveyor system developed by CMC).
- > The soft oxidised ore will not require crushing or grinding - metallurgical tests will determine the extent to which simple gravity methods can be employed to recover the copper and gold.
- > All mining infrastructure and mining equipment are already in place for the current Portia mining operation – it is possible that the Portia processing plant may also be suitable for treatment of the ore.
- > North Portia deposit lies within the existing Portia mining lease - additional permitting required should largely follow the procedures already established for Portia.

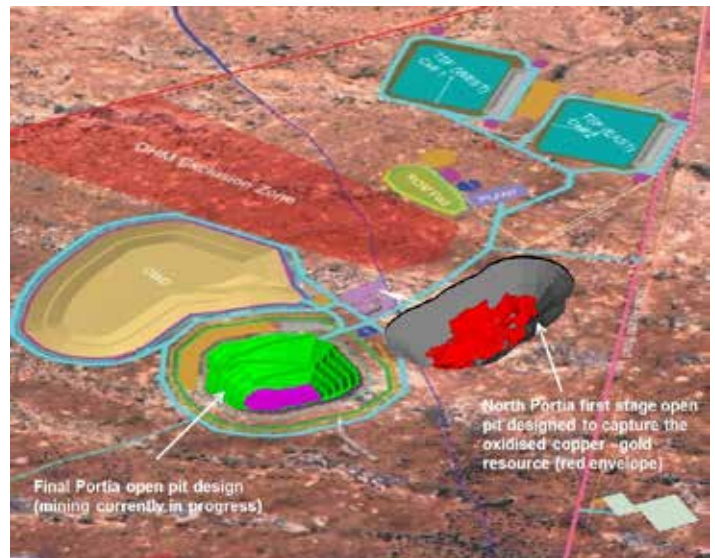
Studies on mining the underlying harder sulphide ore would be delayed until such times as it is exposed in the floor of the open pit some three or four years after mining commences. Metallurgical testwork by Pasminco showed that the primary chalcopyrite ore produced good recoveries and concentrate grades via standard flotation methods. By this time it is expected that the milling and sulphide concentrator should be operational at Kalkaroo and the North Portia sulphide ore could be trucked to there.

Future project work planned

In order to assess the viability of the North Portia project, Havilah will progress the following key tasks:

- > Updating the geological resource model to JORC Measured Resource status by incorporating the new drilling data and from this generating an open pit mine design that can be used for economic modelling.
- > Determine recoveries of secondary copper (chalcocite) and gold in the oxidised ore, which will require core drilling in order to obtain sufficient sample to carry out the necessary metallurgical tests.
- > Groundwater monitoring studies to assist in the preparation of mining approval documentation.

If mining and treating the oxidised ore on site is proven to be viable, the immediate key task will be preparation and approval by DSD of a PEPR document in order to allow mining to proceed.



Directors' Report

Kalkaroo Project

(Copper Gold Molybdenum, 100% Havilah)

Brief history and overview of the project

Kalkaroo was explored by a number of major mining groups in the past including Placer, Newcrest Mining and MIM Exploration, who completed more than 45,000 metres of drilling in the region. Following acquisition of the project by Havilah in 2004 and a detailed evaluation of all historical exploration data, Havilah developed a 3D geological model of an interpreted copper resource envelope which it commenced drill testing later that year. This model had not been tested by previous explorers.

In the ensuing years Havilah drilled more than 360 percussion and diamond drillholes for a total of more than 65,000 metres and revised upwards its initial mineral resource three times to the latest estimate as summarised in the following table.

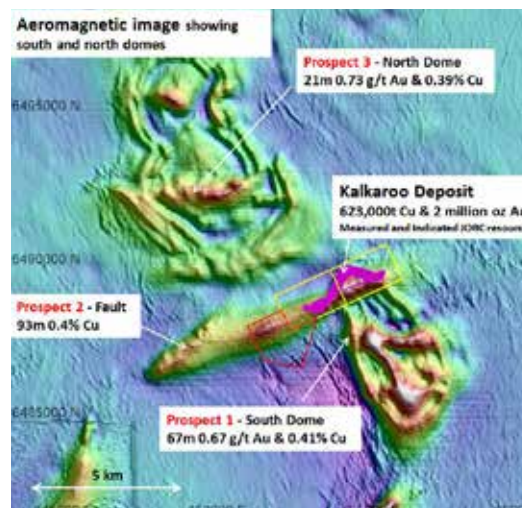
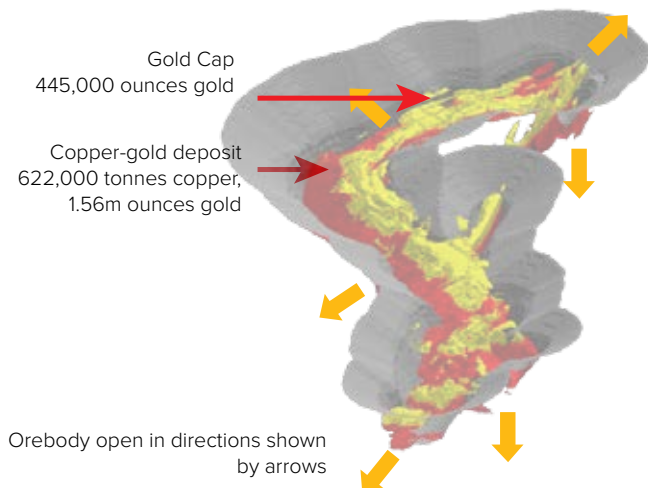
Mineral resources

Resource Category	Tonnes	Copper (%)	Gold (g/t)	Molybdenum (ppm)	Cobalt (%)	Contained Cu (tonnes)	Contained Au (ounces)	Contained Mo (kg)	Contained Co (kg)
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	-	-	-	2,768,000	-

These resources are comprised of four main ore types from top to bottom, which reflect a deeply weathered, supergene enrichment profile as follows:

1. **Supergene free gold**, with generally minor copper, largely recoverable by gravity methods.
2. **Native copper and gold**, largely recoverable by gravity methods.
3. **Chalcocite copper dominant with gold**, recoverable by conventional flotation.
4. **Chalcopyrite copper dominant with gold**, recoverable by conventional flotation.

The Kalkaroo deposit is formed of replacement style copper-gold-molybdenum mineralisation located on the northern faulted portion of a major structural dome. Hydrothermal fluids have replaced particular favourable units in a 150-200 metre thick mine sequence package of rocks. Structural preparation by major cross-cutting faults appears to have been important in creating open spaces and channelling mineralising solutions. Excellent exploration potential exists in unexplored strike extension of the mine sequence. Highest grades of gold and copper at shallowest depths are found at West Kalkaroo, where the favourable units are cut by a major fault zone, and as a result open pit mining will commence on this portion of the deposit.



Several prospects within 5km of Kalkaroo

Key project facts and statistics

Metals: Gold, Copper, Molybdenum

Ownership: 100% owned

Status: Mining Lease Application document has met DSD adequacy requirements and comments arising from public exposure of the document have been addressed by Havilah

Progress: Native title negotiations, updated mineral resource and mining plan (aiming for release of a Probable Ore Reserve), process flow sheet design and tighter capital and operating expenditure estimates to Bankable Feasibility Study standards

Total Waste: 370 million tonnes (over life of mine)

Total Ore Tonnes: 144 million tonnes

Annual Production: 34,000 tonnes copper, 106,000 oz gold over life of mine

Royalty: 3.5% for Gold and 5% for Copper for the State royalty. Future production payment: 10% of Havilah's share of any future mining profits to Glencore International AG, until the total amount paid reaches \$7,000 million

Significant project milestones achieved

Acquisition Date: 2004 from Placer Dome and MIM Exploration

Resource Declaration: Originally February 2005, updated February 2007 and February 2012

Native Title Status: Negotiations on-going with Adnyamathanha native title claimants

Permitting: Mining Lease document first lodged – August 2014, commencement public exposure period – December 2014, document addressing public comments lodged – June 2015

Parameter	High Capital Start-up	Lower Capital Start-up
Mine life	14 years	17.5 years
Upfront capex (± 30%)	A\$340 M	A\$83 M
Annual metal production	34,000 tpa copper 108,000 oz gold	Rising to 35,000 tpa copper 106,000 oz gold from year 6
Total site operating & copper transport & refining costs (per lb payable copper)	US\$2.47	US\$2.57
Gold revenue credit (per lb payable copper)	US\$1.89	US\$1.89
C1 Cash Cost (net of Au by-product credit and rounded)	US\$0.59	US\$0.69
Breakeven copper price (NPV=0 at a 10% discount rate)	US\$1.40/lb	US\$1.65/lb

Figures reported in the above table are based on financial models that assume a copper price of US\$2.80 per lb, a gold price of US\$1,300 per oz and an exchange rate of A\$:US\$0.80. All the assumptions underpinning the information continue to apply and have not materially changed.

Recent highlights

Havilah's focus on establishing and expanding the Portia gold mine has meant that less work has been carried out at Kalkaroo than was originally planned this year. Also, the depressed copper outlook has meant that seeking development finance via conventional channels is challenging, thus somewhat reducing the imperative to develop the deposit at this stage. Nevertheless there have been ongoing negotiations with the view to finalising a native title mining agreement with the Adnyamathanha people and Havilah has continued to actively seek and engage potential development partners.

Future project work planned

Havilah's program of work planned for the next year will essentially be a continuation of that outlined for the previous year including:

- > Advancing the Mining Lease Proposal document through the regulatory process until the Mining Lease is granted, which includes finalising a native title mining agreement with the Adnyamathanha people.
- > Generating an updated resource statement that for the first time will incorporate a Probable Ore Reserve.
- > Completion of the Program for Environmental Protection and Rehabilitation document necessary to obtain the required mining approvals.
- > Complete processing flow sheet design and costing to BFS standard.
- > Engaging with potential investors who can assist in providing development funding.

Directors' Report

Mutooroo Project

(Copper Cobalt Gold, 100% Havilah)

Brief history and overview of the project

Mutooroo is a lode-style massive sulphide deposit located in South Australia about 60 km west of Broken Hill, containing an estimated 13.1 million tonnes of 1.48% copper plus appreciable cobalt, gold and sulphur. Metallurgical studies indicate that a modern roasting / acid plant would be capable of efficiently recovering all valuable products including sulphuric acid, copper, cobalt, iron ore and electricity.

The Mutooroo Copper Mine was worked in the period between 1887-1914, with reported production of some 6,000 tonnes of mostly hand-picked oxidised material, including 2,557 tonnes of 6.58% copper and a parcel of 218 tonnes of 19.3% copper.

More than 30 diamond drillholes were completed by Broken Hill South in the 1960s into the deeper sulphide bearing portion of the lode zone resulting in a sulphide copper resource estimate of 8.7 million tonnes of 1.9% copper. This historic resource figure may not comply with current JORC reporting standards, but is considered to be reliable in light of the number of diamond drillholes upon which it is based.

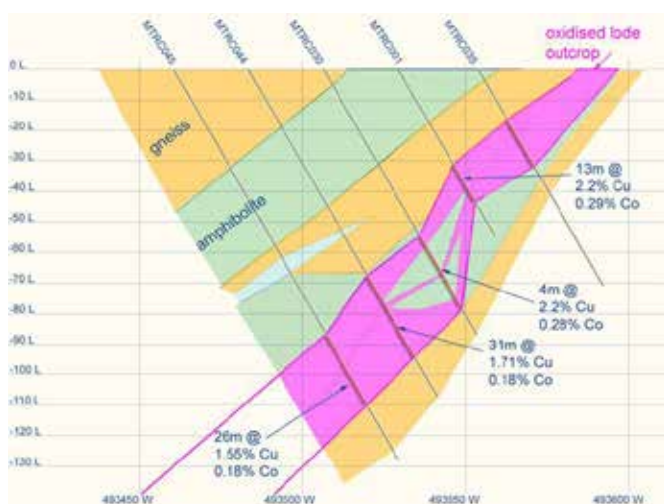
The prospect lay largely dormant until Havilah commenced exploration in 2005, with an initial objective of drilling the largely untested top 200 metres of the lode system for an open pit deposit. Havilah's drilling showed the Mutooroo copper-cobalt mineralisation occurs as a series of stacked sulphide rich lodes developed within a 45 degree west dipping shear zone that is largely confined to an amphibolite sill within Broken Hill age high grade metamorphic rocks. The orebody shows a distinctive vertical zonation caused by weathering and oxidation and transitions into massive sulphides below approximately 15 metres depth.

Mineral resources

Havilah has estimated a JORC Measured, Indicated and Inferred Resource of 13.1 million tonnes of 1.48% copper and 0.14% cobalt based on more than 7,000 assayed samples from 250 drillholes, as summarised in the following table.

Resource Category	Tonnes	Copper (%)	Gold (g/t)	Molybdenum (ppm)	Cobalt (%)	Contained Cu (tonnes)	Contained Au (ounces)	Contained Mo (kg)	Contained Co (kg)
Measured sulphide	4,149,000	1.23	0.18	-	0.14	192,000	92,700	-	17,540,000
Indicated sulphide	1,697,000	1.52	0.35	-	0.14	added to above	added to above	-	added to above
Inferred sulphide	6,683,000	1.71	0.21	-	0.13	added to above	added to above	-	added to above
Measured oxide	598,000	0.56	0.08	-	0.04	-	-	-	-

Only about one third of the known strike of the Mutooroo sulphide mineralisation has been drilled, so there is considerable scope to expand the Mutooroo resource both along strike and at depth with additional drilling.



Massive sulphide core



Key project facts and statistics

Metals: Cobalt, Copper, Gold

Ownership: 100% owned

Status: Mining Lease proposal in progress

Progress: Native title and land access negotiations early stage

Total Ore Tonnes: 13.1 million tonnes @ 1.48% copper

Total Recoverable Metal: potentially 192,000 tonnes of copper, 17,500 tonnes of cobalt and 2.5 million tonnes of sulphuric acid based on the current JORC resource

Royalty: 5% State royalty

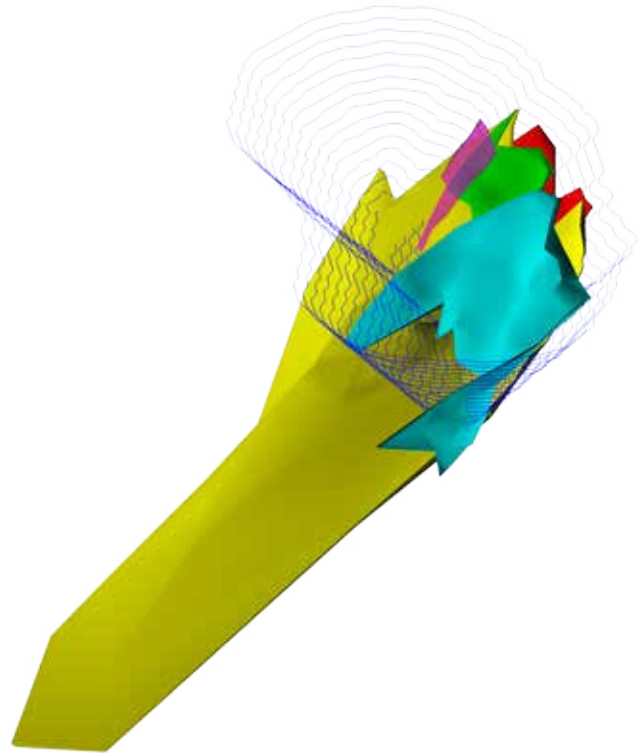
Significant project milestones achieved

Discovery Date: Early prospectors

Resource Declaration: October 2010

Native Title Status: Negotiations ongoing with Wilyakali native title claimants

Permitting: Mining Lease Application lodged, supporting documentation being prepared



Future project work planned

Mutooroo is a potentially valuable source of the strategic or “energy metal” cobalt, which is an important component of the majority of lithium-ion batteries. With the upsurge occurring in lithium-ion battery manufacture driven by the revolution in electric cars and household energy storage, demand for cobalt is likely to increase significantly over the next decade. Almost all cobalt is produced as a by-product and therefore the supply is relatively inelastic. Moreover, more than 50% of cobalt supply comes from the Democratic Republic of the Congo, and it is likely that manufacturers will prefer to source supplies from more stable, non-conflict parts of the world. Deposits such as Mutooroo are therefore likely to become extremely sought after as a supply of cobalt for some time to come.

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

Given the positive outlook for cobalt, Havilah plans to accelerate its activities at Mutooroo in the next 12 months. The main immediate task is to complete all the documentation in order to obtain a Mining Licence for the project.

Directors' Report

Mineral Resources and Tenement Schedule

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

As of 31 July 2016

Project	Resource Category	Tonnes	Copper (%)	Gold (g/t)	Molybdenum (ppm)	Cobalt (%)	Contained Copper (tonnes)	Contained Gold (ounces)
Kalkaroo ¹	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 ^{2,5}	Inferred	635,000		2.9				54,000
North Portia ³	Indicated (supergene)	2,750,000	1.0	0.65	451		101,000	234,500
	Inferred (sulphide)	8,610,000	0.85	0.64	531		Added to above	Added to above
	Indicated (supergene Mo only)	7,732,000			340			
Mutooroo ⁴	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 2015

Project	Resource Category	Tonnes	Copper (%)	Gold (g/t)	Molybdenum (ppm)	Cobalt (%)	Contained Copper (tonnes)	Contained Gold (ounces)
Kalkaroo ¹	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 ^{2,5}	Inferred	720,000		2.9				67,000
North Portia ³	Indicated (supergene)	2,750,000	1.0	0.65	451		101,000	234,500
	Inferred (sulphide)	8,610,000	0.85	0.64	531		Added to above	Added to above
	Indicated (supergene Mo only)	7,732,000			340			
Mutooroo ⁴	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⁺	168,407,000					915,500	2,400,000

Numbers in table rounded

Based on JORC resources, details released to ASX: ¹29 February 2012, ²26 June 2009, ³23 October 2010, ⁴18 October 2010

⁺Tonnes excludes Molybdenum, which in part overlaps other resources

⁵Under the mining and funding contract for the Portia gold mine between Havilah's wholly-owned subsidiary, Benagerie Gold Pty Ltd (Benagerie), and Consolidated Mining & Civil Pty Ltd (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 and 31 July 2015

Project	Resource Category	Tonnes	Iron (%)	Iron (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: ¹10 June 2011, ²5 December 2012, applying an 18% cut-off in both cases

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 the 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 the presentation of the matters based on his information in the form and context in which it appears. Information for Kalkaroo and Croziers has been updated to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. All other information was prepared and first disclosed under the JORC Code 2004.



Tenement schedule for the financial year ended 31 July 2016

Project Name	Exploration Tenement No.	Tenement Name	Area (km ²)	Registered Owner	% Interest
Curnamona Craton	EL 4727	Oratan	107	Havilah Resources Limited	100
	EL 4782	Benagerie	585	Havilah Resources Limited	100
	EL 4806	Prospect Hill	45	Teale and Brewer ¹	Earning 85% ²
	EL 4817	Border Block	35	Havilah Resources Limited	100
	EL 4818	Mundaerno Hill	58	Havilah Resources Limited	100
	EL 4940	Emu Dam	614	Havilah Resources Limited	100
	EL 4967	Frome	53	Curnamona Energy Pty Limited	100
	EL 5049	Jacks Find	103	Curnamona Energy Pty Limited	100
	EL 5050	Kopi Flat	348	Curnamona Energy Pty Limited	100
	EL 5051	Thurlooka	361	Curnamona Energy Pty Limited	100
	EL 5052	Yalkalpo East	76	Curnamona Energy Pty Limited	100
	EL 5053	Billeroo	129	Curnamona Energy Pty Limited	100
	EL 5054	Moolawatana	368	Curnamona Energy Pty Limited	100
	EL 5106	Coonee	136	Curnamona Energy Pty Limited	100
	EL 5179	Cutana	363	Havilah Resources Limited	100
	EL 5246	Chocolate Dam	59	Havilah Resources Limited	100
	EL 5260	Cochra	17	Havilah Resources Limited	100
	EL 5369	Lake Charles	322	Havilah Resources Limited	100
	EL 5370	Yalkalpo	194	Curnamona Energy Pty Limited	100
	EL 5393	Mingary	229	Exco, Polymetals ³	Earning 75% ⁴
	EL 5396	Olary	151	Havilah Resources Limited	100
	EL 5420	Lake Namba	516	Havilah Resources Limited	100
	EL 5421	Swamp Dam	53	Havilah Resources Limited	100
	EL 5422	Telechie	347	Havilah Resources Limited	100
	EL 5423	Yalu	491	Havilah Resources Limited	100
	EL 5448	Carnanto	836	Havilah Resources Limited	100
	EL 5463	Prospect Hill South	30	Havilah Resources Limited	100
	EL 5476	Lake Yandra	682	Havilah Resources Limited	100
	EL 5478	Tarkarooloo	264	Havilah Resources Limited	100
	EL 5488	Eurinilla	70	Havilah Resources Limited	100
	EL 5505	Lake Frome	232	Havilah Resources Limited	100
	EL 5578	Kalabity	148	Havilah Resources Limited	100
	EL 5593	Billeroo West	176	Havilah Resources Limited	100
	EL 5703	Bundera	343	Havilah Resources Limited	100
	EL 5753	Mutooroo Mine	23	Havilah Resources Limited	100
	EL 5754	Mundi Mundi	73	Havilah Resources Limited	100
	EL 5755	Bonython Hill	20	Havilah Resources Limited	100
	EL 5760	Bumbarlow	999	Havilah Resources Limited	100
	EL 5764	Maljanapa	996	Havilah Resources Limited	100
	EL 5785	Moko	961	Havilah Resources Limited	100
	EL 5800	Kalkaroo	998	Havilah Resources Limited	100
	EL 5801	Mutooroo West	72	Havilah Resources Limited	100
	EL 5802	Mulyungarie	1,139	Havilah Resources Limited	100
	EL 5803	Telechie North	35	Havilah Resources Limited	100
	ELA 2016/00016	Coolibah Dam	226	Havilah Resources Limited	100
	ELA 2016/00088	Coonarbine	619	Havilah Resources Limited	100
Gawler Craton	EL 5107	Pernatty	178	Red Metal Limited ⁵	87 ⁶
	EL 5579	Sandstone	215	Havilah Resources Limited	100
Geothermal Licence	GEL 181	Frome	1,305	Geothermal Resources Pty Limited	100
Project Name	Mining Tenements No.	Tenement Status	Area (Ha)	Registered Owner	% Interest
Portia	ML 6346	Renewed 20 June 2016	1,745.1	Benagerie Gold Pty Limited	
	MC 4345	Extractive Minerals Lease applied for	29.8	Benagerie Gold Pty Limited	
Kalkaroo	MC 3826	Mining Lease applied for	249.2	Kalkaroo Copper Pty Ltd	
	MC 3827	Mining Lease applied for	248.3	Kalkaroo Copper Pty Ltd	
	MC 3828	Extractive Minerals Lease applied for	90.0	Kalkaroo Copper Pty Ltd	
	MC 4368	Mining Lease applied for	974.9	Kalkaroo Copper Pty Ltd	
	MC 4369	Mining Lease applied for	138.0	Kalkaroo Copper Pty Ltd	
	MPLA T02680	Application	248.8	Kalkaroo Copper Pty Ltd	
	MPLA T02978	Application	51.7	Kalkaroo Copper Pty Ltd	
Lilydale	MC 4264	Mining Lease applied for	249.6	Lilydale Iron Pty Ltd	
	MC 4265	Mining Lease applied for	249.7	Lilydale Iron Pty Ltd	
	MC 4266	Mining Lease applied for	249.7	Lilydale Iron Pty Ltd	
	MC 4267	Mining Lease applied for	249.7	Lilydale Iron Pty Ltd	
Maldorky	MC 4271	Mining Lease applied for	249.5	Maldorky Iron Pty Ltd	
	MC 4272	Mining Lease applied for	248.1	Maldorky Iron Pty Ltd	
	MC 4273	Mining Lease applied for	132.0	Maldorky Iron Pty Ltd	
	MC 4274	Mining Lease applied for	116.8	Maldorky Iron Pty Ltd	
	MC 4364	Mining Lease applied for	112.2	Maldorky Iron Pty Ltd	
Mutooroo	ML 5678	Renewable 29 August 2018	16.0	Mutooroo Metals Pty Ltd	
	MC 3565	Mining Lease applied for	100.3	Mutooroo Metals Pty Ltd	
	MC 3566	Mining Lease applied for	138.2	Mutooroo Metals Pty Ltd	

Note 1 Teale & Brewer: Adrian Mark Brewer, Teale and Associates Pty Ltd

Note 2 Agreement - farm-in to earn 85% interest in tenement

Note 3 Exco, Polymetals: Exco Operations (SA) Ltd, Polymetals (White Dam) Pty Ltd

Note 4 Agreement - farm-in to earn 75% interest in the rights to iron ore and associated minerals

Note 5 Havilah Resources Limited is a registered co-owner - 13%

Note 6 Agreement - farm-in to dilute to 10%



Directors' Report

Review of Financial Results

The Group has successfully transitioned from explorer to mine operator. First gold production at the Portia Gold Mine commenced two months early during May 2016 and the first loan repayment was made during July 2016.

Financial Performance Summary

Key Business Metrics	31 July 2016 \$ '000	31 July 2015 \$ '000	Change
Total Revenue	2,745	-	100%
Cost of goods sold (excluding D&A ¹)	(761)	-	(100%)
Corporate, admin, exploration and other costs (excluding D&A ¹)	(1,839)	(1,588)	(16%)
Exploration and evaluation impairment loss	(469)	(3,319)	86%
EBITDA²	(302)	(4,496)	93%
Profit/(loss) for the financial year	1,210	(4,793)	125%
Capitalised expenditure:			
Property, plant and equipment	4,779	2,654	80%
Mine development expenditure	1,211	1,346	(10%)
Exploration & evaluation expenditure	2,238	1,729	29%
Total capitalised expenditure:	8,228	5,729	44%
Gold Sales	1,698 oz	- oz	100%
C1 Cash Cost	A\$374/oz	A\$-/oz	(100%)
All-in Sustaining Cost	A\$585/oz	A\$-/oz	(100%)
Basic earnings per share	0.7 cents	(3.1) cents	123%

¹ Depreciation and amortisation ('D&A')

² EBITDA is non-IFRS financial information and is not subject to audit. Refer to Note 2(c) for reconciliation of EBITDA to loss before income tax expense.

Earnings/(loss) before interest, tax, depreciation and amortisation (EBITDA) for the financial year was a loss of \$0.302 million (2015: loss of \$4.496 million). This includes an exploration and evaluation impairment write-down of \$0.469 million (2015: \$3.319 million related to iron ore exploration activity).

The Consolidated Statement of Profit or Loss and Other Comprehensive Income shows a profit after tax for the financial year of \$1.210 million (2015: loss of \$4.793 million). The profit includes a gross profit of \$1.364 million from the Portia Gold Mine operations (2015: \$nil) which is the result of the Group's first revenue generated from gold sales.

Total comprehensive income for the financial year included an unrealised net fair value loss on hedging of \$0.969 million (2015: \$nil) as the result from marking the outstanding hedges to market. The hedging is for 10,000 ounces of gold production from Portia and is held for strategic rather than trading purposes. At financial year end 1,698 (2015: nil) ounces of gold had been delivered against the hedging facility leaving 8,302 (2015: nil) ounces yet to be delivered at a hedged price of \$1,618.

The Group has estimated tax losses to carry forward of \$55.743 million (2015: \$53.260 million).

As at 31 July 2016 the Group had available cash of \$0.709 million (2015: \$2.136 million). The Group drew down \$4.000 million on the Investec Loan Facility during the financial year, of which \$0.500 million was repaid prior to financial year end resulting in an outstanding balance at financial year end of \$3.500 million (2015: \$nil).

Capital expenditure increased significantly during the financial year, which was mainly due to the Group successfully constructing the Portia Gold Mine processing plant which reached commercial production in May 2016. Expenditure on exploration also increased and was focussed on infill drilling at North Portia and the southern extension of the Portia gold deposit, with favourable results announced to the ASX.

Operating activities, mainly related to Portia, resulted in net cash inflow for the financial year of \$1.620 million (2015: cash outflow of \$1.359 million). Net cash flows used in investing activities for the financial year was \$7.139 million (2015: \$3.370 million), mainly related to Portia construction activities.

Basic earnings per share is a profit of 0.7 cents (2015: loss 3.1 cents).



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 35 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.



Directors' Report

Director and Company Secretary Details

The following persons were Directors of Havilah during or since the end of the financial year:



Kenneth Graham Williams

BEC(Hons), MAppFin, MAICD
Independent 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 Directorships (last 3 years):

None

Interests in shares:

464,465 ordinary shares

Interest in options:

Listed	–	92,893 share options
Unlisted	–	600,000 share options



Christopher William Giles

BSc(Hons), PhD, MAIG
Managing Director

Director since 2002
Managing Director since 2013

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. As Technical Director of Havilah, 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 Directorships (last 3 years):

None

Interests in shares:

27,155,870 ordinary shares

Interest in options:

Listed	–	17,119,176 share options
Unlisted	–	2,400,000 share options



Paul Stratford Mertin

GAICD
Independent Non-Executive Director

Chairman of Audit 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 Directorships (last 3 years):

None

Interests in shares:

167,775 ordinary shares

Interest in options:

Listed	–	1,575 share options
Unlisted	–	600,000 share options



Walter Douglas Richards

Comm(Hons)(Accountancy),
MSPM, CA, CA(SA), ACMA
Chief Financial Officer & Company Secretary

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 tables set out the number of Directors meetings held during the financial year while the person was a Director and the number of meetings attended by each Director.

Name	Directors Meetings	
	Held	Attended
C W Giles	15	15
P S Mertin	15	15
K G Williams	15	15

Name	Audit and Risk Committee	
	Held	Attended
C W Giles	2	1
P S Mertin	2	2
K G Williams	2	1

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

Directors' Report

Remuneration Report (Audited)

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 2016.

	31 July 2016 \$'000	31 July 2015 \$'000	31 July 2014 \$'000	31 July 2013 \$'000	31 July 2012 \$'000
Revenue	2,745	-	-	-	-
EBITDA ¹	302	(4,496)	(8,128)	(4,172)	(5,534)
Profit/(Loss) after tax for the financial year	1,210	(4,793)	(8,280)	(4,320)	(5,888)
Total comprehensive income/(loss)	241	(4,793)	(8,280)	(4,396)	(5,816)
Total comprehensive income/(loss) attributable to equity holders of the Company	241	(4,793)	(8,280)	(4,396)	(3,500)

¹ EBITDA is non-IFRS financial information and is not subject to audit.

	31 July 2016 \$	31 July 2015 \$	31 July 2014 \$	31 July 2013 \$	31 July 2012 \$
Share price at beginning of financial year	\$0.25	\$0.15	\$0.35	\$0.64	\$0.63
Share price at end of financial year	\$0.41	\$0.25	\$0.15	\$0.35	\$0.64
Basic profit/(loss) per ordinary share	0.7 cents	(3.1) cents	(6.9) cents	(3.7) cents	(3.7) cents
Diluted profit/(loss) per ordinary share	0.6 cents	(3.1) cents	(6.9) cents	(3.7) cents	(3.7) cents

No dividends have been declared during the five years ended 31 July 2016 and the Directors do 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 2016.

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 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.

Currently, as Non-Executive Chairman, Mr Ken Williams is entitled to receive fees, as a Director, of \$87,996 per annum exclusive of statutory superannuation.

As a Non-Executive Director, Mr Paul Mertin is entitled to receive fees, as a Director and Chairman of the Audit and Risk Committee, of \$45,767 per annum exclusive of statutory superannuation.

Chief Financial Officer & Company Secretary remuneration

Mr Walter Richards receives remuneration of \$268,003 per annum, exclusive of statutory superannuation.

Mr Walter Richards was issued on 25 June 2014 with 1,200,000 share options with an expiry date of 1 April 2018, provided he remains an employee of the Group, on the following terms:

- > 600,000 share options are exercisable before 1 April 2018 at an exercise price of \$0.36;
- > 600,000 share options are exercisable at an exercise price of \$0.36 upon the date that is the later of:
 - > the issue date; and
 - > the date that the Group:
 - > commences construction of a mineral development project (either alone or as a party to a joint venture); or
 - > completes the sale of one of its mineral projects or an interest therein to a third party (other than a related body corporate or related entity of the Group) for a gross consideration valued at more than \$10,000,000, whether in cash or non-cash contributions; or
 - > enters into any other material agreement or transaction as determined and assessed by the Board in its absolute discretion.

These performance conditions were met during the previous financial year with the start of development of the Portia Gold Mine.

Transactions with Directors and related entities of Directors

The Group had entered into a consultancy agreement with a related entity of Dr Chris Giles. Should the agreement be terminated at an earlier date, a contingency existed for the contracted amount payable to the end of the term. As at 31 July 2016, the Group had no contingent liability in relation to this agreement (2015: \$116,656).

Detail of the consultancy agreement entered into by Havilah and concluding at 31 July 2016 is set out below. At the date of this report a new contract is yet to be finalised. Discussions are ongoing and it is expected to be concluded shortly.

Director	Type	Details	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 21 March 2016 to 31 July 2016.

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 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, 3,600,000 million unlisted share options were issue by the Company to the Directors, as approved by shareholders at the 2015 Annual General Meeting, with a fair value at grant date of \$416,802.

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 2016	Short term employee benefits (including consulting fees ¹) \$	Bonuses \$	Post employment Superannuation \$	Share-based payments options ³ \$	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 ^{1,2}	-	3,837 ²	71,349	163,182
W D Richards	268,003	73,812 ⁵	32,472	-	374,287
Total	576,750	73,812	40,657	416,802 ⁴	1,108,021

Financial year ended 31 July 2015	Short term employee benefits (including consulting fees) \$	Post employment Superannuation \$	Share-based payments options ³ \$	Total \$
C W Giles	174,984 ¹	-	-	174,984
P S Mertin	45,767	4,348	-	50,115
K G Williams	87,996 ¹	-	-	87,996
W D Richards	201,197	19,114	60,546	280,857
Total	509,944	23,462	60,546 ⁴	593,952

¹ Consulting fees paid to a nominated company in which the Director has a controlling interest.

² From 1 March 2016 payments were made directly to the Director, including statutory superannuation.

³ 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 and may or may not realise any cash benefit.

⁴ Amortisation cost of share options granted over vesting period.

⁵ 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 \$33,612 for back dating of the salary increase to February 2014.

No Directors or Key Management Personnel appointed during the year received a payment as part of his 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	
	2016	2015	2016	2015
C W Giles	39%	100%	61%	0%
P S Mertin	41%	100%	59%	0%
K G Williams	56%	100%	44%	0%
W D Richards	80%	78%	20%	22%

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	See 1 below
Non-Executive Director Options	9 December 2015	15 December 2018	\$0.12	See 2 below

1. Share options are exercisable once the Portia Gold Mine produces first gold.

2. One half of share options vest immediately the other half are exercisable once the Portia Gold Mine produces first gold.

The Directors have decided that the performance conditions associated with share options are appropriate, after consideration of industry practice.

During the financial year ended 31 July 2016 no share options issued to Directors or Other Key Management Personnel lapsed (31 July 2015: 3,300,000 share options issued to Directors on 23 November 2010, lapsed and were valued at \$nil).

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 2015	Net other changes ¹	Balance at 31 July 2016	Balance held nominally ²
C W Giles	16,749,438	10,406,432	27,155,870	-
P S Mertin	107,775	60,000	167,775	-
K G Williams	464,465	-	464,465	-
W D Richards	169,000	8,000	177,000	-

¹ Represents ordinary shares purchased on market.

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 2015	Unlisted acquired during financial year	Listed acquired during financial year	Listed disposed during financial year	Balance at 31 July 2016	Balance vested at 31 July 2016	Vested and exercisable	Not yet vested	Vested during financial year
C W Giles	3,349,890	2,400,000	15,969,286	2,200,000	19,519,176	19,519,176	19,519,176	-	2,400,000
P S Mertin	1,575	600,000	-	-	601,575	601,575	601,575	-	600,000
K G Williams	92,893	600,000	-	-	692,893	692,893	692,893	-	600,000
W D Richards	1,722,797	-	-	-	1,722,797	1,722,797	1,722,797	-	-



Directors' Report

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.

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 \$0.200 million. This cannot be increased without approval of Havilah's shareholders.

Directors' Report

Corporate Overview

Corporate

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 also expanded its presence on social media and updated its website to make it more user friendly and compatible with smart phones and tablets. Dr Chris Giles, Managing Director, has also made presentations at a number of conferences during the year.

Principal Activities

The principal activity of Havilah is exploration for gold, copper 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 financial year.

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



Lakeyres A Grade Netball Team takes a break during the SA Aboriginal Football and Netball State Carnival

Diversity

The Group recognises that a diverse and talented workforce is a competitive advantage and that the Group's success is the result of the quality and skills of its people. The Board is committed to workplace diversity and to support this offers flexible working arrangements when the opportunity allows it. The Group believes that it has attracted appropriately skilled people to perform the required key functions and will continue to adopt the policy of recruiting the best people available.

The Group currently has one full time female worker, two part time female workers, one casual male worker and eleven full time male workers. As of 31 July 2016, the percentage of its work force represented by females was 20% and female representation on the Group's Board of Directors was nil.

Environmental Regulations

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

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

Community Support

The Group has keenly supported local communities and Aboriginal groups in the catchment area of its operations, most notably the Port Augusta based Lakeyres football, cricket and netball teams, 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 and through direct donations.

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, other than the commencement of gold production at the Portia Gold Mine.

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.



Lakeyres 2016 Football Team

Share Options

During and since the end of the financial year 3,600,000 unlisted share options to acquire ordinary shares in Havilah Resources Limited were granted under the Company's Employee Share Option Plan, and 802,000 unlisted share options previously granted lapsed.

At the date of this report there were 33,242,824 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
33,242,824 ¹	Ordinary	\$0.30	30 June 2017
250,000 ²	Ordinary	\$0.21	30 June 2017
250,000 ²	Ordinary	\$0.28	30 June 2017
100,000 ³	Ordinary	\$0.22	18 August 2017
1,200,000 ³	Ordinary	\$0.36	1 April 2018
2,150,000 ⁴	Ordinary	\$0.25	26 June 2018
500,000 ²	Ordinary	\$0.54	30 June 2018
3,600,000 ⁴	Ordinary	\$0.36	15 December 2018
100,000 ³	Ordinary	\$0.38	1 May 2019

¹ Issued pursuant to a prospectus dated 23 July 2014, and a placement dated 20 October 2014.

² Share options issued under a contract to a service provider.

³ Share options issued under an employment contract.

⁴ Share options issued under the Havilah Employee Share Option Plan.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 66 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.

Signed on 28 October 2016 in accordance with a resolution of Directors made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the Directors

Mr Ken Williams

Chairman

Adelaide

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Financial Year ended 31 July 2016

	Note	Year ended 31 July 2016 \$'000	Year ended 31 July 2015 \$'000
Revenue		2,745	-
Cost of goods sold		(1,381)	-
Gross Profit		1,364	-
Other income	3(a)	41	493
Expenses			
Exploration expenditure written off	10	(469)	(3,319)
Administration expenses		(555)	(620)
Employee expenses		(551)	(385)
Share based expenses		(400)	(238)
Finance costs		(294)	(61)
Corporate costs		(240)	(194)
Depreciation and amortisation	12	(163)	(216)
Directors fees		(142)	(138)
(Reversal of)/impairment of other financial assets		49	(59)
Site restoration	17	-	45
Loss before income tax	3(b)	(1,360)	(4,692)
Income tax benefit/(expense)	4(a)	2,570	(101)
Profit/(Loss) for the year		1,210	(4,793)
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value loss on hedging instrument, net of tax		(969)	-
Total comprehensive income/(loss) for the year		241	(4,793)
Earnings per share: Basic (cents per share)	28	0.7	(3.1)
Earnings per share: Diluted (cents per share)	28	0.6	(3.1)

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

Consolidated Statement of Financial Position

As at 31 July 2016

	Note	31 July 2016 \$'000	31 July 2015 \$'000
Current Assets			
Cash and cash equivalents	6	709	2,136
Inventory	7	1,328	-
Trade and other receivables	8	757	28
Other	9	-	83
Total Current Assets		2,794	2,247
Non-Current Assets			
Exploration and evaluation expenditure	10	30,064	28,295
Mine development expenditure	11	5,722	5,769
Property, plant and equipment	12	7,827	3,525
Deferred tax assets	4(b)	3,000	-
Other receivables	13	1,829	1,650
Other financial assets	14	283	544
Total Non-Current Assets		48,725	39,783
TOTAL ASSETS		51,519	42,030
Current Liabilities			
Trade and other payables	15	2,900	431
Borrowings	16	3,329	104
Provisions	17	516	471
Derivative financial liability	18	1,384	-
Deferred income		507	-
Total Current Liabilities		8,636	1,006
Non-Current Liabilities			
Borrowings	19	6	19
Provisions	20	1,840	1,650
Other	21	1,264	1,264
Total Non-Current Liabilities		3,110	2,933
TOTAL LIABILITIES		11,746	3,939
NET ASSETS		39,773	38,091
Equity			
Contributed equity	22	60,183	59,142
Reserves	23	(2,534)	(1,965)
Accumulated losses		(17,876)	(19,086)
TOTAL EQUITY		39,773	38,091

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 2016

	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 2014	52,329	-	(2,600)	11,745	(25,641)	35,833
Loss for the financial year	-	-	-	-	(4,793)	(4,793)
Total comprehensive income/(loss) for the financial year	-	-	-	-	(4,793)	(4,793)
Share options lapsed	-	-	-	(11,348)	11,348	-
Issue of 30,084,206 ordinary shares with rights issue	4,212	-	-	-	-	4,212
Issues of 5,957,139 ordinary shares with placement of rights issue over-subscription	834	-	-	-	-	834
Issue of 8,000,000 ordinary shares with placement	2,000	-	-	-	-	2,000
Costs associated with issue of ordinary shares	(338)	-	-	-	-	(338)
Issue of 13,178 ordinary shares on exercise of listed share options issued at \$0.30 per share	4	-	-	-	-	4
Related income tax	101	-	-	-	-	101
Share-based payment expenses	-	-	-	238	-	238
Balance at 31 July 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 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 issued at \$0.30 per share	137	-	-	-	-	137
Share-based payment expenses	-	-	-	400	-	400
Balance at 31 July 2016	60,183	(969)	(2,600)	1,035	(17,876)	39,773

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 2016

	Note	Year ended 31 July 2016 \$'000	Year ended 31 July 2015 \$'000
Cash flow from operating activities			
Receipts from customers		3,252	-
Miscellaneous receipts		22	24
Payments to suppliers and employees		(1,504)	(1,322)
Interest and other costs of finance paid		(150)	(61)
Net cash provide by/(used in) operating activities	31(a)	1,620	(1,359)
Cash flow from investing activities			
Interest received		19	83
Refund/(payment) for security deposit		310	(5)
Payments for exploration and evaluation		(1,863)	(1,749)
Payments for mine development		(1,111)	(1,321)
Payments for property, plant and equipment		(4,494)	(1,604)
Research and Development tax incentive received		-	1,226
Net cash flows used in investing activities		(7,139)	(3,370)
Cash flow from financing activities			
Proceeds from issue of ordinary shares		1,075	7,050
Payments for ordinary share issue costs		(49)	(338)
Proceeds from borrowings		4,000	-
Payment for borrowing costs		(330)	-
Repayment of borrowings		(604)	(1,097)
Net cash provided by/(used in) financing activities		4,092	5,615
Net (decrease)/increase in cash		(1,427)	886
Cash at beginning of financial year		2,136	1,250
Cash at end of financial year	31(b)	709	2,136

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



Notes to the Consolidated Financial Statements

1 Summary of 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 the principal activities of the Group are included 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 the future economic benefits are likely either from future development 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)).

All mineral resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, mineral resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.

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

1 Summary of Significant Accounting Policies (cont)

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.

1 Summary of Significant Accounting Policies (cont)

(d) Exploration and evaluation expenditure (cont)

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.

1 Summary of Significant Accounting Policies (cont)

(h) Government grants (cont)

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.

1 Summary of Significant Accounting Policies (cont)

(k) Income tax (cont)

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(q)).

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: either the life of the asset or the life of the Portia Gold Mine where the asset is limited by the life of the mine.

1 Summary of Significant Accounting Policies (cont)

(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 settle 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 if it 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 eventual 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 (e).

1 Summary of Significant Accounting Policies (cont)

(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, sales revenue is recognised when title passes. 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 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 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 2016	Mine Operations \$'000	Exploration & Development \$'000	Corporate \$'000	Total \$'000
Segment Revenue	2,745	-	-	2,745
EBITDA	1,982	(469)	(1,815)	(302)
Impairment included in EBITDA	-	(469)	-	(469)
Depreciation and amortisation¹	(1,572)	(160)	(3)	(1,735)
Additions to property, plant & equipment²	4,771	8	-	4,779
Total Assets	13,934	32,979	4,606	51,519
Total Liabilities	7,620	942	3,184	11,746

¹ Refer to Notes 11 and 12 for reconciliation of amortisation and depreciation

² Excludes transfers between segments

2 Segment Information (cont)

31 July 2015	Mine Operations \$'000	Exploration & Development \$'000	Corporate \$'000	Total \$'000
Segment Revenue	-	-	-	-
EBITDA	-	(3,058)	(1,438)	(4,496)
Impairment included in EBITDA	-	(3,319)	-	(3,319)
Depreciation and Amortisation	(26)	(210)	(6)	(242)
Additions to property, plant & equipment	397	2,253	4	2,654
Total Assets	7,864	31,240	2,926	42,030
Total Liabilities	2,425	770	744	3,939

	Year ended 31 July 2016 \$'000	Year ended 31 July 2015 \$'000
(c) Segment Reconciliation		
Reconciliation of loss before income tax expense		
EBITDA	(302)	(4,496)
Depreciation and amortisation expense	(163)	(216)
Depreciation and amortisation on COGS	(620)	-
Interest income - bank deposits	19	81
Finance costs	(294)	(61)
Loss before income tax expense	(1,360)	(4,692)

3 Profit/(Loss) from Operations

	Year ended 31 July 2016 \$'000	Year ended 31 July 2015 \$'000
Loss before income tax includes the following specific revenues from continuing operations		
(a) Other income		
Other income consists of the following items:		
Deferred income (Government Grant)	-	388
Interest income – bank term deposits	19	81
Diesel fuel rebates received	22	24
	41	493
(b) Loss before income tax has been arrived at after charging the following expenses from continuing operations		
Employee and contractor benefits expense:		
Post employment benefits:		
Accumulated benefit superannuation plans	154	137
Share-based payments:		
Equity settled share-based payments expense ¹	(17)	129
Other employee and contractor benefits	2,441	1,669
	2,579	1,935
Less amounts capitalised	(1,776)	(1,416)
Less charged to COGS	(251)	-
Total employee benefit expense ²	534	519

¹ Equity-settled share-based payments expense relates to amortisation of share options granted during the current 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 and mine development expenditure.

4 Income Tax

	Year ended 31 July 2016 \$'000	Year ended 31 July 2015 \$'000
(a) Income tax recognised in profit or loss		
The prima facie tax (benefit)/expense on loss before income tax reconciles to the tax expense in the financial statements as follows:		
Loss before income tax	(1,360)	(4,692)
Income tax calculated at 30%	(408)	(1,408)
Share-based payments expense	120	72
Non-assessable research and development tax incentive	-	(116)
Other	(2)	10
Current financial year revenue tax losses not recognised	745	1,459
Prior financial year revenue losses derecognised	-	84
Prior financial year revenue losses set up	(3,025)	-
Tax (benefit)/expense	(2,570)	101

	31 July 2016 \$'000	31 July 2015 \$'000
(b) Recognised deferred tax assets and (liabilities)		
Deferred tax assets and (liabilities) are attributable to the following:		
Inventory	(208)	-
Exploration and evaluation expenditure	(10,787)	(10,241)
Mine development expenditure	(1,603)	(1,731)
Plant and equipment	(85)	(115)
Other financial assets	199	214
Derivative financial liability	415	-
Trade and other payables	250	19
Employee benefit provisions	158	141
Deferred income	128	128
Costs associated with issue of ordinary shares	80	157
	(11,453)	(11,428)
Tax losses recognised	14,453	11,428
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	2,270	4,550
Capital tax losses	11	11
	2,281	4,561

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.

4 Income Tax (cont)

(d) Tax consolidation (cont)

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.

5 Net Current Asset Deficiency

As at 31 July 2016 the Consolidated Statement of Financial Position reflects a net current asset deficiency of \$5.842 million. Based on the production at the Portia Gold Mine subsequent to year end and the estimated cash flows from continuing mining operations, the Directors consider that the Group will be able to pay its debts as and when they become due and payable.

6 Cash and Cash Equivalents

	31 July 2016 \$'000	31 July 2015 \$'000
Cash at bank	184	101
Cash on deposit	525	2,035
	<u>709</u>	<u>2,136</u>

7 Inventories

	31 July 2016 \$'000	31 July 2015 \$'000
Gold in circuit and gold bullion at cost	814	-
Ore stockpiles at cost	514	-
	<u>1,328</u>	<u>-</u>

8 Trade and Other Receivables

	31 July 2016 \$'000	31 July 2015 \$'000
GST recoverable	605	28
Other receivable	152	-
	<u>757</u>	<u>28</u>

9 Other Current Assets

	31 July 2016 \$'000	31 July 2015 \$'000
Prepayments	-	83

10 Exploration and Evaluation Expenditure

	31 July 2016 \$'000	31 July 2015 \$'000
Cost brought forward	28,295	34,308
Costs transferred to mine development expenditure	-	(4,423)
Expenditure incurred during the financial year	2,238	1,729
Exploration and evaluation expenditure written off	(469)	(3,319)
Cost carried forward	30,064	28,295

Current financial year expenditure written off relates to on-going expenditure to maintain iron ore, uranium and geothermal exploration tenements. During the prior financial year, as a result of the difficult iron ore market conditions, the Directors resolved to write off all the capitalised iron ore exploration and evaluation expenditure.

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 2016 \$'000	31 July 2015 \$'000
Cost brought forward	5,769	-
Costs transferred from exploration and evaluation expenditure	-	4,423
Expenditure incurred during the financial year	1,211	1,346
Amortisation ¹	(1,258)	-
Cost carried forward	5,722	5,769

¹ Amortisation expense has been allocated as follows:

Charged to inventory	(784)	-
Charged to cost of goods sold	(474)	-
Total	(1,258)	-

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 2014	-	3,826	55	3,881
Additions	2,241	413	-	2,654
Transfers	-	-	-	-
Disposals	-	(75)	-	(75)
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
Accumulated depreciation/amortisation	-			
Balance at 31 July 2014	-	2,671	22	2,693
Depreciation/amortisation expense ¹	-	205	11	216
Capitalised depreciation	-	26	-	26
Transfers	-	14	(14)	-
Disposals	-	-	-	-
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
Net Book Value				
At 31 July 2015	2,241	1,248	36	3,525
At 31 July 2016	2,241	5,558	28	7,827

¹ Depreciation expense has been allocated as follows:

Charged to inventory	96	-
Charged to cost of goods sold	146	-
Charged to Profit/loss	163	216
Total	405	216

13 Other Non-Current Receivables

	31 July 2016 \$'000	31 July 2015 \$'000
Rehabilitation liability assumed by unrelated entity ¹	1,829	1,650

¹ Responsibility for the rehabilitation of the Portia Gold Mine has been assumed by CMC (see Note 20).

14 Other Financial Assets

	31 July 2016 \$'000	31 July 2015 \$'000
<i>At amortised cost:</i>		
Bank term deposits (Note 27(d))	180	490
Security deposits	5	5
<i>At fair value:</i>		
Available-for-sale financial assets:		
Shares in a listed entity	98	49
	283	544

15 Trade and Other Payables

	31 July 2016 \$'000	31 July 2015 \$'000
Trade payables ¹	2,002	308
Accruals	830	98
Amounts payable to related entities of Directors ¹	68	25
	<u>2,900</u>	<u>431</u>

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

16 Borrowings

	31 July 2016 \$'000	31 July 2015 \$'000
Secured:		
Investec Loan Facility	3,500	-
Loan establishment costs	(185)	-
Finance lease liability at amortised cost (Note 33)	14	14
Unsecured:		
Insurance premium funding	-	90
	<u>3,329</u>	<u>104</u>

On 24 September 2015 the Company entered into a \$6.000 million Loan Facility and Risk Management Facility with Investec to provide funding for the Portia Gold Mine. The Investec loan bears interest at a variable market rate and is secured by a mortgage over the Porita Mining Lease and by Havilah Resources Limited's shareholding in Benagerie Gold Pty Ltd. It is to be repaid in full by 23 March 2017. The current effective interest rate on the loan is 5.845% (2015: nil).

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% (2015: 5.37%).

Insurance premium funding was a fixed interest rate debt with repayment period not exceeding one year. Effective interest rate was 4.95%.

17 Current Provisions

	31 July 2016 \$'000	31 July 2015 \$'000
Employee benefits	516	471
Site restoration	-	-
	<u>516</u>	<u>471</u>
Movement in site restoration provision		
Opening balance	-	59
Additional provision recognised	-	-
Restoration work carried out	-	(14)
Provision de-recognised	-	(45)
Closing balance	<u>-</u>	<u>-</u>

18 Derivative Financial Liability

	31 July 2016 \$'000	31 July 2015 \$'000
Unrealised loss on gold hedge	<u>1,384</u>	<u>-</u>

19 Non-Current Liabilities - Borrowings

	31 July 2016 \$'000	31 July 2015 \$'000
Secured:		
Finance lease liability at amortised cost (Note 33)	6	19

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% (2015: 5.37%).

20 Non-Current Provisions

	31 July 2016 \$'000	31 July 2015 \$'000
Employee benefits	11	-
Rehabilitation provision	1,829	1,650
	1,840	1,650

Rehabilitation Provision

The rehabilitation provision represents the expected costs of rehabilitating the Group's exploration and mining operations. The provision includes \$1.829 million (2015: \$1.650 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 the Group and Consolidated Mining & Civil Pty Ltd (CMC), 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 \$1.829 million (2015: \$1.650 million) (see Note 13).

21 Non-Current Liabilities - Other

	31 July 2016 \$'000	31 July 2015 \$'000
Deferred income ¹	1,264	1,264

¹ Government grants received for exploration and research and development activities.

22 Contributed Equity

	Year ended 31 July 2016		Year ended 31 July 2015	
	'000	\$'000	'000	\$'000
Balance at beginning of the financial year	164,389	59,142	120,334	52,329
Issue of ordinary shares pursuant to rights issue prospectus dated 23 July 2014 at \$0.14 per share	-	-	30,084	4,212
Issue of ordinary shares pursuant to rights issue over-subscription at \$0.14 per share	-	-	5,957	834
Issue of ordinary shares pursuant to placement at \$0.25 per share	3,752	938	8,000	2,000
Issue of ordinary shares on exercise of listed share options	456	137	13	4
Costs associated with issue of ordinary shares	-	(49)	-	(338)
Related income tax	-	15	-	101
Balance at the end of the financial year	168,597	60,183	164,388	59,142

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.

22 Contributed Equity (cont)

Listed share options

As a result of the rights issue during the previous financial year, 36,041,345 listed share options with an exercise price of \$0.30 which expire on 30 June 2017 were issued for no consideration. During the financial year 455,967 of these listed share options (2015: 13,178 options) were exercised, resulting in a total of 35,572,200 (2015: 36,028,167) being on issue at 31 July 2016.

Unlisted share options

Share options have been issued to Directors, Other Key Management Personnel, employees, and contractors (refer Note 32 to the consolidated financial statements for details).

23 Reserves

	31 July 2016 \$'000	31 July 2015 \$'000
Share-based payments reserve	1,035	635
Buy-out reserve	(2,600)	(2,600)
Hedging reserve	(969)	-
	<u>(2,534)</u>	<u>(1,965)</u>

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.

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.

The hedging reserve is used to recognise unrealised (losses) or gains on the gold hedge, which was entered into as a condition of the Investec Loan and Risk Management Facility.

24 Directors and Other Key Management Personnel Compensation

The key management personnel of the Group during the 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 2016 \$	Year ended 31 July 2015 \$
Short-term employee benefits ¹	650,562	509,944
Post employment benefits	40,657	23,462
Share-based payments expense ²	416,802	60,546
	<u>1,108,021</u>	<u>593,952</u>

¹ Where short term employee benefits relate to exploration activities, they are capitalised as part of exploration and evaluation expenditure (Note 10).

² Share-based expense relates to share options granted during the year to Directors and Key Management Personnel and amortisation of share options granted in prior periods. Share options do not represent cash payments and share options granted may or may not be exercised by the holder.

Detailed remuneration disclosures for the Key Management Personnel are provided in the audited Remuneration Report on pages 28 to 31.

25 Remuneration of External Auditor

	Year ended 31 July 2016 \$	Year ended 31 July 2015 \$
Audit and review of the financial reports	102,100	85,513

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

26 Related Party Disclosures

a) Subsidiaries

Details of the percentage of ordinary shares in subsidiaries are disclosed in Note 34 to the consolidated financial statements.

The ultimate Parent Company within the Group is Havilah Resources Limited.

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 \$6,570 (2015: \$nil) for social media services, under normal terms and conditions, to a related party of Dr Chris Giles and \$4,386 (2015: \$nil) for accounting services, under normal terms and conditions, to a company controlled by a related party of Mr Walter Richards.

During the prior financial year a related entity of Dr Chris Giles provided administration services to the Group on normal commercial terms and conditions totalling \$4,800.

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 Havilah Resources Limited renewed the Amalgamated Expenditure Arrangement (AEA) with the Department of State Development of South Australia (the regulator of exploration tenements in South Australia) covering all its mineral exploration tenements (excluding ELs 5463 and 5579; 2015: excluded 5 exploration licences). The Amalgamated Expenditure Arrangement 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 2016 the Group had spent \$1.002 million on these tenements) and a statutory relinquishment of a portion of the included tenements at the end of the two years. At the expiry of this Arrangement (31 December 2017) it is planned that the Group will apply for a new 2 year Arrangement.

The minimum expenditure commitment related to mineral exploration tenements not covered by the Amalgamated Expenditure Arrangement (as discussed above) is approximately:

	31 July 2016 \$'000	31 July 2015 \$'000
No later than one year	269	849
Later than one year but not later than two years	96	2,135
Later than two years but not later than five years	-	998

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 some 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.

27 Commitments for Expenditure and Contingent Liabilities (cont)

d) Guarantee and Indemnity Commitments

The Group has provided an unconditional irrevocable bank guarantee for the rehabilitation of the Portia Gold Mine for \$1.954 million to the Minister for Mineral Resource Development. CMC has provided an unconditional irrevocable bank guarantee to the Group's bankers in support of the Group's guarantee.

The Group has also provided restricted cash deposits of \$0.180 million as security for the following unconditional irrevocable bank guarantees:

- a rehabilitation bond issued by Geothermal Resources Pty Limited for \$0.100 million to the Minister for Mineral Resource Development;
- a bank guarantee facility of \$0.050 million provided to Havilah Resources Limited by its banker for the provision of various rehabilitation bonds to the Minister for Mineral Resource Development. The facility is currently drawn to \$0.030 million;
- security of \$0.010 million for a purchase card facility provided to the Group by its banker;
- 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.

28 Earnings per Share

	Year ended 31 July 2016 Cents per Share	Year ended 31 July 2015 Cents per Share
Basic earnings per ordinary share – from continuing operations	0.7	(3.1)
Diluted earnings per ordinary share – from continuing operations	0.6	(3.1)

Basic and Diluted Earnings per share

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

	Year ended 31 July 2016 \$'000	Year ended 31 July 2015 \$'000
Net profit/ (loss) for the financial year – from continuing operations	1,210	(4,793)

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

	2016 Number '000	2015 Number '000
Weighted average number of ordinary shares	166,882	153,640

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:

	2016 Number '000	2015 Number '000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	166,882	-
Shares deemed to be issued for no consideration in respect of:		
Listed options	35,955	-
Unlisted options	7,374	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	210,251	-

In the prior year the number of ordinary shares used in the calculation of diluted earnings per share is the same as the number used in the calculation of basic earnings per share, as share options are not considered dilutive due to the net loss for the financial year.

28 Earnings per Share (cont)

In the prior year the following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for purposes of diluted earnings per share:

	2016 Number '000	2015 Number '000
Listed options	-	36,028
Unlisted options	-	5,352
	-	41,380

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 2016 \$'000	31 July 2015 \$'000
Categories of financial instruments:			
Financial assets			
Cash and cash equivalents	6	709	2,136
Trade and other receivables	8	757	28
Bank term deposits	14	180	490
Available-for-sale financial assets	14	98	49
Security deposits	14	5	5
Financial liabilities			
Trade and other payables	15	2,900	430
Borrowings	16, 19	3,335	123

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 \$0.008 million (2015: \$0.010 million). This is attributable to interest rates on bank deposits offset by interest rates on the Investec Loan Facility.

The Group's sensitivity to interest rates has increased with obtaining the Investec Loan Facility.

Other price risks

The Group is exposed to gold price risks. A requirement of the Investec Loan Facility is hedging of 10,000 ounces of gold production from the Portia Gold Mine. This resulted in 10,000 ounces hedged at a price of A\$1,618. The gold hedge is held for strategic rather than trading purposes. The Group does not actively trade in gold hedging. At financial year end 1,698 (2015: nil) ounces of gold had been delivered against the hedging facility leaving 8,302 (2015: nil) ounces yet to be delivered.

30 Financial Instruments (cont)

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 would decrease/increase by \$0.004 million (2015: \$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.

	Weighted average effective interest rate %	Less than one year \$'000	One to two years \$'000	Two to five years \$'000
2016				
Non-interest bearing	-	2,625	-	-
Fixed interest rate instruments	5.83	3,718	6	-
2015				
Non-interest bearing	-	430	-	-
Fixed interest rate instruments	5.07	110	15	5

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).

30 Financial Instruments (cont)

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

31 July 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Assets			
<i>Other financial assets</i>			
Shares available for sale	98	-	98
Liabilities			
<i>Derivative financial instruments</i>			
Derivatives used for hedging	-	1,384	1,384
Total Net Liability	98	1,384	1,286

31 July 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Assets			
<i>Other financial assets</i>			
Shares available for sale	49	-	49
Liabilities			
<i>Derivative financial instruments</i>			
Derivatives used for hedging	-	-	-
Total Net Liability	49	-	49

The Group did not measure any financial assets or financial liabilities on a non-recurring basis as at 31 July 2016.

(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 3 for the financial year ended 31 July 2016.

31 Note to the Consolidated Statement of Cash Flows

	Year ended 31 July 2016 \$'000	Year ended 31 July 2015 \$'000
a) Reconciliation of loss to net cash flows used in operating activities		
Profit/(Loss) for the financial year	1,210	(4,793)
Exploration and expenditure written off	469	3,319
COGS - Depreciation and amortisation expense	620	-
Depreciation and amortisation expense	163	216
Amortisation of debt establishment costs	145	-
Share-based payments expense	400	238
(Reversal)/impairment of other financial assets	(49)	59
Interest income – bank deposits	(19)	(81)
Deferred income (Government grant) written off	-	(388)
Loss/(gain) on sale of property, plant and equipment	-	75
(Increase)/decrease in assets:		
Trade and other receivables	(729)	(4)
Inventory	(24)	-
Other assets	83	256
Deferred tax assets	(2,570)	102
Increase/(decrease) in liabilities:		
Trade and other payables	1,358	(242)
Deferred income	507	-
Provisions	56	(116)
Net cash provided by/(used in) operating activities	1,620	(1,359)
b) Reconciliation of cash and cash equivalents		
Cash at bank	184	101
Cash on deposit	525	2,035
	709	2,136
c) Non-cash transactions		

There are no non-cash transactions undertaken during the current financial year. During the prior financial year the Group obtained insurance premium funding of \$0.135 million and vendor finance of \$1.050 million in relation to the acquisition of the Kalkaroo Station. The vendor financing was repaid in the prior financial year. These non-cash investing activities are not reflected in the Consolidated Statement of Cash Flows.

32 Share Option Plans for Directors and Employees

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

Employee Share Option Plan

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; and
- 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.

On 15 December 2015, 3,600,000 share options were issued to Directors with an exercise price of \$0.36 as approved in the 2015 Annual General Meeting (refer Remuneration Report for full details).

32 Share Option Plans for Directors and Employees (cont)

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 \$	Fair value of each share option at issue date \$
Employee share option plan					
Issued 23 November 2010	1,100,000	23 November 2010	20 November 2014	0.96	0.26
Issued 27 May 2011	200,000	27 May 2011	27 May 2015	0.76	0.21
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 23 November 2010	6,000,000	23 November 2010	20 November 2014	0.96	0.23
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 current and comparative reporting period:

	15 December 2015	26 June 2015	15 September 2014
Issue date share price	\$0.24	\$0.25	\$0.12
Exercise price	\$0.36	\$0.38	\$0.22
Expected volatility	89.3%	94.2%	91.1%
Share option life	3 years	4 years	3 years
Dividend yield	-	-	-
Risk free interest rate	2.00%	2.25%	2.50%

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 2016		Year ended 31 July 2015	
	Number of share options	Weighted average exercise price \$	Number of share options	Weighted average exercise price \$
Balance at beginning of the financial year	4,352,000	0.43	11,452,000	0.77
Issued during the financial year	3,600,000	0.36	200,000	0.30
Expired during the financial year	(802,000)	1.06	(7,300,000)	0.96
Balance at end of financial year	7,150,000	0.33	4,352,000	0.43
Exercisable at end of financial year	6,604,162	0.33	2,485,331	0.48

Issue date	Number	Exercise price	Expiry date
1 April 2014	1,200,000	\$0.36	1 April 2018
25 June 2014	2,150,000	\$0.25	25 June 2018
15 September 2014	100,000	\$0.22	18 August 2017
26 June 2015	100,000	\$0.38	1 May 2019
15 December 2015	3,600,000	\$0.36	15 December 2018
	7,150,000		

The share options outstanding at the end of the financial year had an average exercise price of \$0.33 (2015: \$0.43) and a weighted average remaining contractual life of 767 days (2015: 897 days).

33 Finance Leases

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

	Minimum future lease payments		Present value of minimum future lease payments	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Not later than one year	15	15	14	14
Later than one year and not later than 5 years	6	20	5	19
Minimum lease payments	21	35	19	33
Less future finance charges	(1)	(2)	-	-
Present value of minimum lease payments	20	33	19	33

Included in the consolidated financial statements as:

Current interest bearing liabilities (Note 16)	14	14
Non-current interest bearing liabilities (Note 19)	6	19
Total	20	33

34 Composition of the Group

Name of entity	Country of incorporation	Principal activity	Ownership and voting interest	
			2016	2015
Parent company				
Havilah Resources Limited	Australia	Holding company and owner of various exploration licences		
Subsidiaries				
Benagerie Gold Pty Limited	Australia	Owner of the Portia gold project and the 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 various geothermal exploration licences	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	PEL186 gazetted for surrender 5 May 2016	100%	100%
Oban Energy Pty Limited	Australia	Oban Uranium Field Leach Trial decommissioned. Renewal for RL123 withdrawn	100%	100%

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

35 Joint Operation and Joint 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 Consolidated Mining & Civil Pty Ltd (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

35 Joint Operation and Joint Arrangements (cont)

Group, oversees the operation and receives and considers operational reports, with day to day mining activities the responsibility of CMC. A bank guarantee has been provided by CMC in support of the Group meeting its rehabilitation bond requirement set by the Minister for Mineral Resource Development and 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 arrangements

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

	Year ended 31 July 2016	Year ended 31 July 2015
Exco Joint Venture ¹	Earning up to 75%	Earning up to 75%
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 (formerly 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 will 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 will 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 State Development. As of 31 July 2016 this approval has not yet been obtained.

As at 31 July 2016 the Group has spent \$0.900 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 EL4806 (formerly 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 2016 the Group has spent \$0.700 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 EL5107 (formerly EL2979 & EL3854).

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 was required to spend a minimum of \$0.100 million on exploration prior to withdrawal, and this has been met.

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 2016 RML has spent \$3.100 million under the Agreement and the Group has been diluted to 13.3%.

36 Parent Company Financial Information

	31 July 2016 \$'000	31 July 2015 \$'000
Statement of financial position		
Assets		
Current assets	1,313	2,247
Non-current assets	45,942	51,111
Total assets	47,255	53,358
Liabilities		
Current liabilities	8,122	918
Non-current liabilities	199	14,349
Total liabilities	8,321	15,267
Net assets	38,934	38,091
Equity		
Contributed equity	60,183	59,142
Reserves	67	636
Accumulated losses	(21,316)	(21,686)
Total equity	38,934	38,092
Comprehensive Income		
Profit /(Loss) for the financial year	370	(4,793)
Other comprehensive income	(968)	-
Total comprehensive loss	(598)	(4,793)

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 some 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 28 October 2016. The Board of Directors has the power to amend and reissue the consolidated financial statements and notes.

On 2 August 2016 Havilah announced the potential for longer term cash flow from the Portia Gold Mine beyond its current life of six months. This is as a result of high grade bedrock gold drilling intersections from southern extensions, including 6 metres of 53.6 g/t and Base of Tertiary gold mineralisation averaging 12.2 g/t over 2 metres thickness in southern extensions.

On 26 August 2016 Havilah made a further announcement regarding high grade bedrock drilling results at the Portia Gold Mine with intersections from southern extensions, including 30.5 metres of 39.3 g/t. It also announced a new drilling program to target down dip eastern extensions of bedrock gold mineralisation.

On 26 August 2016 Havilah also announced that it would apply for approval of a 120 metre cut back to access southern extensions at the Portia Gold Mine to add a further six months mine life.

On 29 August 2016 Havilah announced that an institutional investor exercised listed options it acquired resulting in a payment of \$0.700 million to the Company.

On 31 August 2016 Havilah announced that it made further debt repayments of \$1.500 million to reduce the outstanding debt to \$2.000 million under the Investec Loan Facility.

On 5 October 2016 Havilah announced that the first 10,000 ounces of gold has been produced from the Portia Gold Mine.

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

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 grandfathered.

(ii) AASB 16 'Leases'

AASB 16 'Leases' 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'

AASB 15 'Revenue from Contracts with Customers' is 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 are 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 are 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 2016 and of its performance for the financial year ended on that date; and
- ii) Complying with Australian Accounting Standards (including the Australian 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 2016.

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:



Mr Ken Williams
Chairman

28 October 2016
Adelaide

Auditor's Independence Declaration and Report



Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

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

The Board of Directors
Havilah Resources Limited
31 Flemington Street
GLENSIDE SA 5065

28 October 2016

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 financial year ended 31 July 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

Deloitte Touche Tohmatsu

A handwritten signature in black ink, appearing to be "Darren Hall".

Darren Hall
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited.

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

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

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

Report on the Financial Report

We have audited the accompanying financial report of Havilah Resources Limited which comprises the statement of financial position as at 31 July 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 35 to 65.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

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

Opinion

In our opinion:

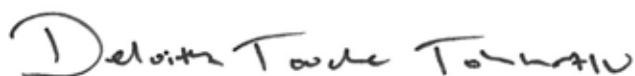
- (a) the financial report of Havilah Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 July 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

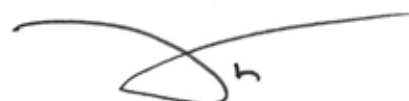
We have audited the Remuneration Report included in pages 28 to 31 of the directors' report for the year ended 31 July 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Havilah Resources Limited for the year ended 31 July 2016, complies with section 300A of the *Corporations Act 2001*.



Deloitte Touche Tohmatsu



Darren Hall
Partner
Chartered Accountants
Adelaide, 28 October 2016

Additional Securities Exchange Information

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 25 October 2016.

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	26,743,363
First Names (Jersey) Limited	16,955,425
Mrs Selvie Tjowasi	14,428,571
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.

Listed and Unlisted Options: No voting rights.

Ordinary shares (HAV)		
Twenty largest shareholders	Number held	Percentage of issued shares
TRINDAL PTY LTD	26,743,363	15.6
MRS SELVIE TJOWASI	14,428,571	8.4
FIRST NAMES (JERSEY) LIMITED	12,090,530	7.1
GLENCOPPER SA PTY LTD	10,153,756	5.9
MR PAUL CLARK	5,360,000	3.1
STATSMIN NOMINEES PTY LTD	4,556,346	2.7
WOOLSTHORPE INVESTMENTS LIMITED	4,320,342	2.5
ROCKLAND PTY LTD	3,951,800	2.3
NATIONAL NOMINEES LIMITED	3,892,512	2.3
MR BRIAN KENNETH MURPHY	2,566,609	1.5
DIANNE PEARL INVESTMENTS PTY LTD	2,049,181	1.2
BNP PARABAS NOMS PTY LTD	1,759,827	1.0
MISS KRISTYNA HELENA KASPEROWICZ	1,756,000	1.0
DR KEITH ROBERT JOHNSON	1,650,000	1.0
J P MORGAN NOMINEES AUSTRALIA LIMITED	1,575,139	0.9
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,510,598	0.9
MR WENER LUSHINGTON & MRS SYLVIA LUSHINGTON	950,000	0.6
CITICORP NOMINEES PTY LTD	843,359	0.5
TUSCULUM PTY LTD	805,000	0.5
MR PETER JOHN BAXTER	750,000	0.4
Total	101,712,933	59.5

Additional Securities Exchange Information (cont)

Distribution of Equity Security Holders

Holding	Ordinary shares	Listed options
1 - 1,000	189	171
1,001 - 5,000	881	174
5,001 - 10,000	454	62
10,001 - 100,000	853	125
100,001 - 1,000,000	158	28
1,000,001 and over	20	2
Total	2,555	562

There were 203 shareholders holding less than a marketable parcel of ordinary shares to the value of \$500.

Listed options (HAVO)		
Twenty largest optionholders	Number held	Percentage of listed options
TRINDAL PTY LTD	17,036,674	51.2
FIRST NAMES (JERSEY) LIMITED	2,418,107	7.3
MR PAUL CLARK	1,000,000	3.0
STATSMIN NOMINEES PTY LTD	923,371	2.8
WOOLSTHORPE INVESTMENTS LIMITED	864,069	2.6
MR WALTER RICHARDS & MRS ANNELI RICHARDS	522,797	1.6
MR WILLIAM JOHN GOODES & MRS LESLEY ANNE GOODES	420,000	1.3
MR PETER ANDREW JOHNSON & MRS MELISSA KATE JOHNSON	400,000	1.2
CITICORP NOMINEES PTY LIMITED	361,845	1.1
DR KEITH ROBERT JOHNSON	357,355	1.1
MR ANTHONY JOHN VETTER & MRS JEANNETTE VETTER	300,000	0.9
MISS KRYSTYNA HELENA KASPEROWICZ	300,000	0.9
MR MATTHEW JOHN GARNETT & MRS ANNETT MARIE O'BRIEN	300,000	0.9
MR PETER JOHN BAXTER	275,723	0.8
MR JAMES KELLY & MRS MELISSA KELLY	250,000	0.8
MR GERARD ANGELILLO	244,808	0.7
TUSCULUM PTY LTD	209,695	0.6
MR DIMITAR STRAHILOU	200,000	0.6
MR JIMI MARKOPOULOS & MRS MARY MARKOPOULOS	200,000	0.6
MR ANDREW WINTON PICOT	150,000	0.5
Total	26,734,444	80.4

Unissued equity securities

Unlisted options – Director share options	3,600,000
Unlisted options – Employee share option plan	3,550,000
Unlisted options – Service providers/contractors	1,000,000

Securities exchange

The Company is listed on the ASX.

Community Support



The beautiful old Mannahill Railway Station that preserves the last memories of what a bustling town this was in the early days when steam trains were the transport of choice. Havilah was proud to be associated with the restoration of the Mannahill Railway Station and war memorial, that was organised by Sergeant Jeff Allen while he was posted at Mannahill.



Havilah Resources Limited



ANNUAL REPORT 2016