



HAVILAH RESOURCES NL

63 Conyngham Street
Glenside 5065 South Australia
phone 61 8 8338 9292
fax 61 8 8338 9293
email info@havilah-resources.com.au
ABN 39 077 435 520

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MUTOOROO JV PARTNER CONVERTS INVESTMENT INTO HAVILAH SHAREHOLDING

Havilah Resources NL (Havilah – ASX:HAV) and its Chinese joint venture partner, Heilongjiang Resources Limited (HJR), have agreed to convert HJR's earn-in interest in the Mutooroo copper-cobalt project into a direct equity investment in Havilah.

HJR advanced \$3 million to fund the Mutooroo feasibility study, approximately \$2 million of which has been spent to date on infill drilling and metallurgical test work. The feasibility study is progressing well, with the various processing alternatives for the sulphide ore now being investigated and costed in detail to determine which option offers the best return on investment.

Havilah's investigations, supported by metallurgical test work, have indicated that the original concept of a low capital operation, involving shipping sulphide ore direct to China for smelting is unlikely to be the best option for the development of this deposit.

However, the metallurgical test work has shown that it will be possible to produce a high grade copper concentrate and to roast and leach the sulphide ore to recover the cobalt. Such an operation would require a substantially expanded scope beyond that originally contemplated by the HJR joint venture.

The joint venture will now be dissolved, and HJR will be issued with 2 million Havilah shares and 1.5 million unlisted 5 year options, 1 million of which are exercisable at \$1.80 per share and 0.5 million exercisable at \$2.25 per share. The shares are covered by a 12 month escrow agreement and Havilah will be free to pursue other options for the continuing development of the Mutooroo project.

Dr Bob Johnson said that HJR had been an excellent partner, and had met all of their financial obligations regarding the feasibility study, and he was pleased that the association would continue via the shareholding in Havilah. He said that ironically, the metallurgical test work funded by HJR had indicated that in order to optimize the return from the deposit, the scope of the project should be much larger than originally anticipated, with recovery of saleable components by on site processing.

“Heilongjiang Resources and Havilah have agreed that with the changed scope and higher financial commitment required for Mutooroo, HJR would be better to convert their investment in the Mutooroo project into Havilah shares to be able to participate in the potential upside from the broader range of projects in the Havilah portfolio.

Given the upward trend in copper and cobalt prices, the favourable location of the project, low sovereign risk, and Havilah's cash position, I am confident that Havilah will be able to continue advancing this exciting project” he said.

The Mutooroo copper-cobalt deposit is located some 60 kms west of Broken Hill and 16 km south of the Barrier Highway and the intercontinental railway, which links directly to Port Pirie approximately 300 km to the west. Resource delineation drilling is continuing in order to finalise definition of the orebody for resource modeling and open pit design purposes.

Dr K R Johnson
CHAIRMAN

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

Enquiries should be directed to Dr Bob Johnson, Chairman, on (08) 83389292