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5<sup>th</sup> June, 2006

Dear Fellow Shareholders,

Over the past few months we have been challenged by how best to maximise shareholder value for Havilah's two 100% owned copper deposits. We have vigorously progressed our strategy of seeking a major partner to assist with feasibility studies and development of these Kalkaroo and Mutooroo deposits. We have had much unsolicited enquiry from **Asian end users of metal who are particularly keen to secure off-take arrangements for copper, cobalt and molybdenum.**

A major company will always want a majority interest and control of the project, whereas the Asian end users are more interested in securing their future metal supply. The latter alternative is looking increasingly attractive and we are at the stage of discussing terms with certain potential investors. These negotiations take time as the different parties make due diligence investigations and discuss various proposals. **We remain confident that in this buoyant metals market we will be able to strike a favourable deal.**

We have carried out more financial modelling on the Kalkaroo deposit, specifically concentrating on the oxide ore, which makes up more than half of the orebody. The oxide ore is cheaper to treat and could yield considerable direct shippable native copper product. This means a lower initial capital outlay on the processing plant, **further enhancing the substantial potential returns from a mining operation at Kalkaroo.**

A major capital expenditure is removal of the 60 metres of barren Tertiary clay overburden on top of the Kalkaroo orebody. This expense could be reduced if ore could be found nearer to the surface; Havilah has commenced drilling at West Kalkaroo, several hundred metres west of the main orebody. Previous drilling in this area shows much thinner overburden, ranging from 10-35 metres depth, and widespread indications of copper. The first hole from this area has returned an ore grade intersection as reported. Other holes, for which assays are presently outstanding, give similar encouraging visual indications. **We believe that this area has the potential to yield considerable expansion to the Kalkaroo resource at shallower depths.**

West Kalkaroo is the second important discovery for Havilah following South Kalkaroo (roughly 2 km south of Kalkaroo), where an ore grade intersection and associated native copper was reported late last year. The market to date has given Havilah little credit for either of these discoveries and the implications that they have for expansion of the Kalkaroo resource. **These two discoveries are highly significant and it is Havilah's intention to continue exploration drilling in these areas for the next few months.**

Our urgent priority is to secure funding for commencement of detailed feasibility work for Kalkaroo and Mutooroo, the initial component of which will be metallurgical, geotechnical and infill resource drilling. We believe this strategy and the ongoing exploration drilling will be the best drivers for true appreciation of Havilah's value in the market place.

Yours sincerely

Bob Johnson  
Chairman