



HAVILAH RESOURCES NL

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Dear Fellow Shareholders,

Your support for the recent entitlements issue, in which Havilah raised \$9.5 million, was extremely gratifying. It was because of the directors' well founded confidence in your support that we decided not to underwrite the issue, thereby saving Havilah 6% in underwriting fees or about \$550,000. We are very pleased that these funds can be applied to their best purpose for all of us in advancing Havilah's exploration and development projects. We apologise to those shareholders who did not receive their full shortfall request. This came about because virtually all large shareholders took up their full entitlement meaning that there were few shortfall shares available. Directors were prepared to take up the shortfall if necessary, but in the end took up none because of the large demand.

Our RC drilling rig has been fully employed during the quarter, on a steady programme of resource drilling at the Mutooroo copper-cobalt project near Broken Hill. Drilling results continue to be confirmatory of an attractive open pit sulphide copper-cobalt resource. We have confirmed a "fat ore zone" that will provide a good starting point for the future open pit. Our Chinese partner has also been doing a lot of behind the scenes work in investigating various smelting and shipping alternatives for the sulphide ore. We have just initiated a programme of metallurgical testing of the sulphide ore that will be followed up with more test work once we have suitable drill core samples from the orebody.

At Portia we have just completed a large diameter diamond core drilling programme. This has provided samples of the overburden material for engineering test work that will be vital in establishing the wall stability of the proposed trial open pit. We are also doing confirmatory assaying on the drillcore to obtain an independent check on our previous assay work based on samples from our reverse circulation and aircore drilling.

At Kalkaroo our newly appointed project manager, Peter Leah, has prepared a comprehensive \$13m budget and programme for the feasibility study. It includes considerably more drilling and metallurgical work, which we plan to complete by the end of 2008. We are advanced in our discussions with a partner to help us develop the Kalkaroo project on terms that will minimise the development and financial risk for Havilah, while allowing us to maintain a significant project equity. Kalkaroo has a very large known copper, molybdenum and gold metal inventory approaching \$6 billion, so it is definitely in Havilah's best interests to retain the maximum equity interest possible in the project.

All of our field endeavours have been delayed by very heavy rains during the last month, that filled dams and creeks which have been empty for many years. Between Havilah and its two subsidiary Companies we operate three drilling rigs and three separate field camps, so you can imagine the logistical challenges presented when flooded creeks and billabongs cut off all access and leave our operations stranded. The short term inconvenience is outweighed by the immeasurable benefit to the parched country in which we work. This has caused a temporary drought in announcement of results for Havilah plus Curnamona Energy and Geothermal Resources that will be addressed as field operations and drilling programmes return to normal over the next few weeks.

Previously, I have mentioned our concern about Havilah being undervalued by the market, which to some extent has been rectified by the recent increase in share price. However, a major imbalance still remains because more than half of Havilah's improved market capitalisation is comprised of

shares in investee companies. This means that Havilah's main mineral assets, such as Kalkaroo, Portia and Mutooroo, are still being undervalued, which is positive in the sense that Havilah still has considerable upside. The value in Havilah's mineral assets will be unlocked as we work on the Mutooroo and Kalkaroo feasibility studies and develop the Portia trial open pit, but with the best will in the world this takes time, and inevitable delays will occur as the recent rains and flooding demonstrate.

Partly for this reason, Havilah directors have therefore decided to progressively liquidate some of Havilah's investment assets and return the proceeds, above the Company's immediate capital requirements, to shareholders. Rest assured that we will do this in a way that is most beneficial to shareholders and to our investee companies. Therefore, subject to market conditions, you can look forward to receiving some direct benefits by way of dividends and/or *in specie* distribution of investee company shares over the next couple of years as investee company shares are progressively released from escrow. This is consistent with our oft-stated aim of maximising the returns to shareholders. After that, we trust that our proposed mining operations at Portia and Mutooroo will generate sufficient profits to pay sustainable dividends to shareholders.

The future looks brighter than ever for Havilah in this current positive era for mineral commodities. While we would all like to see more rapid progress, there are practical limits given that the timing on many permitting procedures is beyond our direct control (eg PIRSA mining approvals, Native Title negotiations) and to a lesser extent the limited manpower and equipment resources available to us, which we are working to overcome. However, each day work continues on many fronts by a very competent team of people, and you can remain confident that successful outcomes will be achieved as quickly and efficiently as possible.

Yours sincerely

Bob Johnson
Chairman