



HAVILAH RESOURCES NL

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2nd September 2008

Dear Fellow Shareholder

In these times of share market turmoil I am often rung by shareholders who ask me what directors are doing about Havilah's declining share price. This is a valid question of serious concern to all Havilah shareholders, including myself and other directors.

The first point to make is that as far as Havilah is concerned it is business as usual. There are no negatives relating to our projects that can be blamed for the share price declines. In fact, quite the opposite is true, as I will explain below. Also your Directors have not been involved in any margin lending or other financial engineering tricks that have caused large scale forced selling of our stock. Overall, sales volumes of Havilah stock have been small.

The root cause I believe is that Havilah, like most small resource stocks, is the victim of investor reluctance to buy at a time when there are some keen sellers in the market. It is understandable in these difficult times that there will be individuals who need to raise cash, who lose confidence in the market or who simply cannot bear to see their wealth disappearing before their eyes and decide to cash out. The solution clearly is to encourage more buying of our stock. Over the past two months I have talked to many potential investors who like the Havilah story and say they would like to buy sharesif they had confidence in the market. Until investors gain confidence and begin to differentiate among the junior resource companies with good future prospects, the whole sector will continue to suffer.

In the meantime, from a technical perspective, things have never been better with Havilah. We have \$16.5 million in the bank, the feasibility study results are positive, we have an extremely competent and hard working technical team and we have excellent projects close to home. One of the most positive things going for us at the moment are the record prices for sulphuric acid. Havilah's Mutooroo project is based on a unique massive sulphide deposit – this means that apart from having a lot of copper and cobalt it is an excellent source of sulphur and hence sulphuric acid. The best way to extract the copper and cobalt is to roast the ore, which generates sulphuric acid as a by-product.

Sulphuric acid is likely to remain in high demand in South Australia owing to its usage in ore processing at Olympic Dam, and in production of fertilizers and in-situ leach uranium mines. Therefore, all of the Mutooroo project's acid production would be consumed locally for the foreseeable future. An added bonus is that any cobaltiferous pyrite (high cobalt iron sulphide) by-product generated by processing Kalkaroo and Benagerie copper ore could also provide feed for the sulphuric acid plant and yield appreciable cobalt as well. As a consequence we are having discussions with potential local end users for sulphuric acid, with the view to trading off-take rights for project financing, using a similar model to Kalkaroo.

I believe these are times of both great opportunity and extreme danger for junior resource companies. The opportunity is the projected demand and comparatively high prices for commodities. The danger comes from onerous project financing terms coupled with rapidly escalating costs and becoming hopelessly trapped in a financial quagmire in spite of the best intentions and good technical execution. Our response to this is to de-risk development of our projects to the maximum extent possible. This means attracting strong non-bank mining partners who are capable of financing our projects and in taking a step-by-step approach to project development. By starting with modest production minimal capital is put at risk. One thing you can be certain of is that we will assess our projects risks very carefully and will not jeopardize Havilah's future with any risky strategies.

Fortunately, Havilah does have adequate funds owing to our frugal management approach and we do have very attractive fundable projects in one of the lowest sovereign risk jurisdictions in the world.

Undoubtedly, the best way to maximise value for shareholders is for Havilah to become a producer and this typically results in a significant stock market re-rating. Therefore our single minded objective at the present time is to get our advanced projects into production. We have the technical team to achieve this and it is a matter of systematically covering all the technical and economic aspects in the feasibility study and working through all of the government permitting requirements, including reaching satisfactory native title agreements.

In summary, in spite of the declines in Havilah's share price, you can be comforted by the fact that we are working hard to get our advanced projects into production in the shortest possible time. Moreover, we will not take silly risks and we do have the technical and financial resources to carry us forward, no matter what happens to the stock market in the short term.

We do appreciate your support and like you I look forward the rewards of the patient investment in Havilah in due course.

Yours faithfully,

Dr K R Johnson
CHAIRMAN