



HAVILAH RESOURCES NL

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Dear Fellow Shareholders,

The past quarter has been very positive since our exploration has confirmed significant potential for two new gold deposits at Portia and Kalkaroo. There is considerable work to be done to confirm the size and gold grade of both deposits.

We have always believed that a bedrock gold source must exist beneath or very close to the rich base of Tertiary gold deposit at Portia. With the realisation that the bedrock gold mineralisation is extremely coarse grained and supergene enriched in nature, we have been able to apply the appropriate assay method to determine the potential. Our latest assay results derived from washing bedrock samples clearly document how conventional assaying simply missed the coarse gold, or gave results so erratic as not to be trusted. The major challenge is to accurately estimate the gold grade in the 8 million or so tonnes of potentially mineralised weathered bedrock adjacent to the prospective contact zone. Further drilling and sample washing will help, but there will always remain uncertainties as to the precise gold grade because of the sampling difficulty. Havilah is therefore currently investigating the feasibility of digging a trial pit to obtain a bulk sample to accurately estimate the gold grades. We aim to design the trial pit so that it returns all invested funds in the event mining does not proceed.

Portia will be a relatively straightforward, low capital operation because it will produce a readily saleable gold product and because processing will be via a comparatively low cost, simple gravity circuit. Portia is the best chance for Havilah to generate an early cashflow, and accordingly we intend to concentrate on advancing the project towards a gold mining operation.

At Kalkaroo we have now obtained significant gold intersections in exploration drilling at central Kalkaroo and west Kalkaroo over a distance of at least 2 km. The gold here is hosted by a quartz breccia vein system up to 80 m wide in places and is believed to be occupying a major regional fault zone. The host rock is potentially huge, and we are aware of at least a further 3 km of largely untested strike. While not all of the fault zone is likely to be mineralised, it still holds great potential for definition of a large low grade gold resource that may be amenable to an open pit mining operation in conjunction with the nearby Kalkaroo copper deposit.

If Portia can be brought into production quickly it could provide the required cashflow to develop the oxide phase of the Kalkaroo deposit, and Havilah would then be well on the way to becoming a sizeable copper and gold producer. This reduces the urgency to find a joint venture funding partner for Kalkaroo (Cu-Au-Mo) and Mutooroo, although we are still actively engaged in discussions with several potential partners and will proceed with a deal if terms are suitably favourable for Havilah.

While we are disappointed for all of our shareholders who have seen the price of Havilah's shares lag in recent times, the future for Havilah with its inventory of metal projects looks brighter than ever. We remain 100% committed to realising the value of Havilah's projects for its shareholders.

Yours sincerely

Bob Johnson
Chairman