



HAVILAH RESOURCES NL

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Dear Fellow Shareholders,

In my last note to you I mentioned that we were advanced in our discussions with a partner to help us develop the Kalkaroo project. Shortly afterwards we announced that Havilah had signed a heads of agreement with Glencore International, who agreed to provide \$14 million for completion of a feasibility study, with the right to provide all mine development funding in exchange for a 14% project equity and metals offtake right. We have now minimised its development and financial risk, while maintaining a significant project equity. Glencore is a very large and successful private mining, processing and commodities trading company and this investment is a strong endorsement of the Kalkaroo project. With Glencore's support and expertise behind us, Kalkaroo will develop into South Australia's next major copper mining project.

Large diameter diamond drilling at Kalkaroo has commenced for geological and metallurgical purposes and already has intersected significant native copper mineralisation as the picture in the accompanying quarterly report shows. This drillcore will be used to provide samples for metallurgical testing of the ore types at Kalkaroo, from which the processing flow sheet will be developed.

The feasibility drilling at Mutooroo continues to progress very well. Most holes contain good mineralisation and we appear to have discovered another "fat zone" to the north, with significant widths of sulphide mineralisation as reported. Recently we have completed three diamond drillholes to obtain fresh ore material for metallurgical testwork. The massive sulphide mineralisation in these holes is visually impressive as the photograph shows.

During the quarter we reported the first ever gold assay results from our own diamond drilling at Portia. This hole was directed through the middle of the proposed trial open pit floor. The resulting 56 metres of 4 grams per tonne gold establishes beyond reasonable doubt that there is significant gold mineralisation in the bedrock at Portia immediately beneath the rich base of Tertiary gold layer, and raises the possibility of a major bedrock gold resource. A second diamond drillhole reported here has confirmed the earlier result.

The recent rout in global share prices did not leave Havilah and its subsidiary companies unscathed. Our share price dropped, but on very low volumes. The rapid rise after the panic subsided indicates a strong base level of support. When asked to explain such gyrations in share price, I am forced to admit that as far as Havilah is concerned nothing has changed – the gold and copper is still in the ground as it has been for the past billion or so years! Havilah is well positioned to weather such market storms because its expenditures on the Kalkaroo and Mutooroo feasibility studies are covered by partners, and because it has \$10 million in cash to cover its foreseeable commitments.

We continue to work on transferring some of Havilah's investment assets to shareholders and once definitive tax and legal advice has been received, we will advise shareholders. This will be an 'early dividend' for Havilah shareholders ahead of distributable mining profits, and will be a benefit worth waiting for. We will give Havilah option holders ample time to exercise their options ahead of an *in specie* share distribution.

It is business as usual for us, and the future looks brighter than ever.

Yours sincerely

Bob Johnson
Chairman