

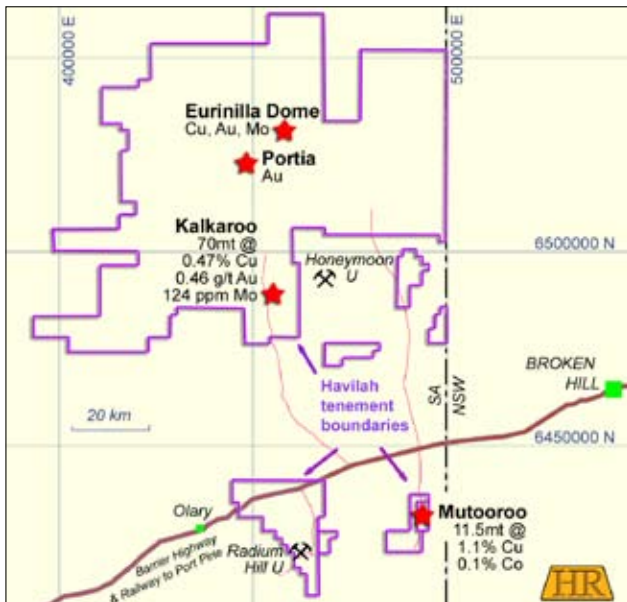
## REVIEW OF OPERATIONS

### MUTOOROO COPPER-COBALT PROJECT (Havilah 100%)

During the quarter Havilah Resources NL (Havilah – ASX:HAV) signed a Memorandum of Understanding (MOU) to form a joint venture with Chinese resources group, Heilongjiang Resources Limited (HJR), to carry out a feasibility study on the Mutooroo copper-cobalt deposit near Broken Hill and then develop the mine. The feasibility study, which will cover additional drilling, metallurgy and mining studies, will be funded by HJR for an initial investment of \$3m and thereafter HJR will fund 100% of the mine development until production, for a maximum share in the mine output of 50%. Initial funds have been advanced and the feasibility drilling work has already commenced.

The Mutooroo copper-cobalt deposit is 60 km west of Broken Hill in South Australia and 17 km south of the Barrier Highway and the intercontinental railway, which links directly to Port Pirie approximately 300 km to the west. It is an outcropping lode sulphide deposit which has been drilled by Havilah and a prior explorer (Broken Hill South) to a depth of over 300m below the surface. Scoping studies based on Havilah's drilling to date indicate that the deposit contains at least 11 million tonnes of ore with grades of 1.1% copper and 0.1% cobalt, along with minor amounts of gold. Deeper ore sections, where the ore is well-developed, indicate grades of around 2% copper and 0.2% cobalt.

The drilling in the feasibility study will be aimed at determining a JORC measured resource and a minimum production schedule of around 10,000 tonnes of contained copper and 1,000 tonnes of contained cobalt per annum. It is envisaged that a bulk concentrate will be produced at the mine and shipped overseas for extraction of the valuable components. HJR will be responsible for sales and marketing of the mine products.



### PORTIA GOLD PROJECT (Havilah 100%)

Pattern drilling of the proposed trial pit floor area on a 20x20m grid was completed during the quarter and drill samples of the weathered clayey bedrock material have been processed in Havilah's washing and gravity separation plant. Havilah's objective was to gain confidence that there is sufficient bedrock gold to more than return expected mining costs for a trial open pit. Visual logging and panning of drill samples in the field indicated relatively abundant free gold and corresponding high gold grades have now been confirmed by the washing results as follows:

#### PORTIA BEDROCK GOLD RESULTS DERIVED FROM WASHING SAMPLES

Hole No	from	to	Au g/t	continued...			
PTAC189 BOT	74	75	24.8	PTAC196	88	89	0.80
PTAC189	101	102	28.5	PTAC196	92	93	22.7
PTAC189	102	103	39.6	PTAC196	93	94	0.65
PTAC189	103	104	28.2	average 9m 12.5g/t Au (bedrock)			
average 3m 32.2g/t Au (bedrock)				PTAC197 BOT	74	75	71.3
PTAC191 BOT	75	76	45.5	PTAC197	75	76	5.63
PTAC191	95	96	4.1	PTAC197	76	77	0.77
PTAC191	96	97	215.2	PTAC197	77	78	0.72
PTAC191	97	98	17.3	PTAC197	78	79	5.94
PTAC191	98	99	90.3	PTAC197	79	80	249.3
PTAC191	99	100	14.6	ave 6m 55.6g/t Au (bedrock/BOT)			
PTAC191	100	101	2.50	PTAC201 BOT	75	76	4.59
average 6m 57.4g/t Au (bedrock)				PTAC201 BOT	76	77	157.5
PTAC194 BOT	73	74	14.1	average 2m 81g/t Au (BOT)			
PTAC194	80	81	47.3	PTAC205 BOT	76	77	20.2
PTAC194	81	82	3.75	PTAC205 BOT	77	78	18.7
average 2m 25.5g/t Au (bedrock)				PTAC205	83	84	5.54
PTAC193	84	85	1.76	PTAC205	84	85	1.29
PTAC193	85	86	36.4	PTAC205	85	86	4.23
PTAC193	92	93	246.8	PTAC205	86	87	4.83
PTAC193	93	94	7.13	PTAC205	87	88	58.2
PTAC193	94	95	7.13	PTAC205	88	89	4.75
average 5m 59.8g/t Au (bedrock)				PTAC205	89	90	0.19
PTAC196	82	83	28.4	PTAC205	90	91	1.37
PTAC196	83	84	0.32	PTAC205	91	92	0.65
PTAC196	84	85	0.17	PTAC205	92	93	3.00
PTAC196	85	86	0.82	PTAC205	93	94	1.15
PTAC196	86	87	5.40	PTAC205	97	98	27.8
PTAC196	87	88	53.5	average 12m 9.4g/t Au (bedrock)			

Note: BOT refers to base of Tertiary gold mineralisation. All other samples are from bedrock. Average gold grades quoted are uncut.

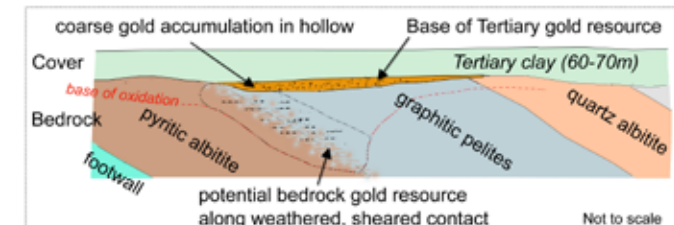
Havilah is confident that the extremely high bedrock gold grades reported above are accurate because they were determined by the painstaking process of washing the entire comparatively large percussion drill samples in order to overcome the coarse gold sampling problem previously identified. From the results received so far it is apparent that the high grade gold zones are patchily developed and characterised by abundant coarse-grained gold, which is believed to reflect the original gold depositional processes. Average gold grades for the few complete intervals available so far are encouraging for a comparatively high grade bedrock gold resource and therefore a viable open pit operation, with relevant bedrock gold intersections summarised from the above table:

PTAC 189	3 metres of 32.2 g/t Au
PTAC 191	6 metres of 57.4 g/t Au
PTAC 196	9 metres of 12.5 g/t Au
PTAC 205	12 metres of 9.4 g/t Au

These results are complemented by the 1-2 metre thick base of Tertiary (BOT) gold mineralisation, which adds appreciable high grade ounces to the total gold inventory at Portia as follows:

PTAC 201	2 metres of 81 g/t Au
PTAC 205	2 metres of 19.5 g/t Au

These new results confirm Havilah's interpretation that the bulk of the bedrock gold mineralisation formed along the fractured contact between footwall pyritic albite and carbonaceous pelite (see diagram). The generally high grade base of Tertiary gold mineralisation is almost certainly residual in origin, having been derived from this bedrock source by progressive erosion and accumulation in a shallow depression. This is supported by new electron microprobe results which show that the detailed chemical characteristics of both the base of Tertiary gold and bedrock gold is identical. All of the gold is shown to be largely primary, as it contains variable amounts of silver (up to 9%) and numerous inclusions of other sulphide and telluride minerals, which would not be expected in secondary re-grown gold. The important implication is that the Portia gold mineralisation could potentially extend to significant depths along the prospective contact below the weathered zone to which current drilling is confined.



Interpreted model for gold mineralisation at Portia, showing gold deposited along the contact with highly carbonaceous sediments in the bedrock and the detrital base of Tertiary gold mineralisation lying above

While Havilah's preliminary resource modelling indicates that there is potentially several million tonnes of oxidised free-digging gold ore at Portia, it will be difficult to achieve a reliable JORC resource estimate within a reasonable time frame owing to the necessity to wash all drill samples in order to overcome the coarse gold sampling problem. Also the patchy development of the high grade gold zones, in which the bulk of the gold occurs, would require close-spaced drilling to adequately resolve the gold distribution within the potential resource envelope. Havilah has therefore initiated studies on the feasibility of excavating a trial pit on the richest part of the deposit to obtain a bulk sample for processing. The primary objective would be to estimate the grade and distribution of gold within the deposit so that the economics of a full scale gold mining operation can be determined. Since the bulk of the gold is coarse-grained and free, and hosted within soft clayey weathered bedrock, it would be expected to be liberated by high pressure washing in a trommell and subsequent gravity separation in a scaled-up version of Havilah's current washing plant. Further work is being done on the design and costing of such a gold processing plant.

To this end, Havilah, via its wholly owned subsidiary, Benagerie Gold Pty Ltd, has lodged a mineral claim over the Portia-North Portia

resources in preparation for a mining lease application. The process of negotiation towards reaching a native title agreement to allow grant of a mining lease has commenced.

The objective towards which Havilah is currently working is a substantial gold mining operation at Portia over a number of years. The longer term upside for Havilah is applying the knowledge gained at Portia in the search for additional bedrock gold mineralisation in similar geological settings elsewhere on the Benagerie Dome where there is known high grade bedrock gold mineralisation from earlier drilling (eg at the Shylock and Lorenzo prospects), which until now has never been followed up.

#### **KALKAROO COPPER GOLD PROJECT (Havilah 100%)**

Drilling at Kalkaroo during the quarter has targeted the West Kalkaroo prospect area where there are shallower cover rocks and the prospect of more oxide copper ore. Most of the 20 or so holes drilled on the five section lines have intersected potentially economic grades of copper-gold mineralisation with previously reported results as follows:

Hole No	from	to	metres	Cu %	Au g/t
KKRC124	90	126	36	0.85	0.74
KKRC125	63	81	18		3.25
and	114	153	39	1.18	0.86
KKRC126	99	141	42	0.15	0.71
and	123	168	45	0.30	0.46
KKRC127	78	159	81	0.48	1.6
KKRC128	105	185	80	0.78	0.58
KKRC130	123	150	27	1.18	2.03
KKRC131	138	171	33	0.43	1.6

These assays rank amongst the best combined copper and gold results received by Havilah in its drilling at Kalkaroo to date. The mineralised strike length at West Kalkaroo now extends for over 500 metres. Visible copper and gold mineralisation was observed in recent drillholes on a sixth section line 100 metres further west, and assay results are currently awaited for these holes.

It is expected that the ore-grade copper mineralisation at West Kalkaroo will add significantly to the total Kalkaroo ore inventory that currently stands at 70 million tonnes of 0.46% Cu, 0.47 g/t Au, 124 ppm Mo (optimised open pit resources to 230 metres depth). It is proposed to calculate an updated resource once all results from the current round of drilling are available.

#### **CURNAMONA ENERGY LIMITED (Havilah 50.6% ownership)**

Havilah maintains a 50.6 % interest in Curnamona Energy, which has recently reported economic uranium grades in palaeochannel sands from the Oban prospect. At the end of the quarter a total area of approximately 170,000 m<sup>2</sup> of uranium mineralised palaeochannel sands above the 0.1 metre % eU<sub>3</sub>O<sub>8</sub> cutoff boundary had been confirmed within the target area by some 52 drillholes. As an indication of the potential value at current spot uranium prices, 0.1 metre % U<sub>3</sub>O<sub>8</sub> has an in-ground value of approximately A\$300 per square metre (assuming a density of 1.8 tonnes per cubic metre).

#### **HAVILAH VALUATION AND SHARE PRICE**

It is pleasing that Havilah's share price has risen recently in recognition of Havilah's latent value. Directors or their associates have been consistent buyers of shares, when permitted under Havilah's corporate governance rules, thus indicating their steadfast belief in the Company's prospects.

With securing of finance that effectively underwrites the development of the Mutooroo project, the first plank in Havilah's future growth strategy is in place. Securing of finance to develop the trial open pit at Portia and completion of the feasibility study for Kalkaroo are now the immediate priorities. Recent drilling is confirming Kalkaroo as a major copper-gold resource, the largest such undeveloped resource in Australia. As such it is a valuable asset for Havilah, and directors are seeking to raise funding that minimises Havilah's dilution in the project. In the meantime, Havilah plans to progress the comparatively simple Portia gold project. At the gold grades being indicated by the washing, this project has the potential to generate sufficient cash internally to allow Havilah to develop the Kalkaroo project on its own and so maintain 100% ownership of this \$6 billion metal inventory.

It is noted that as at the end of the quarter Havilah's investments in other listed companies amounted to approximately \$30 million, which is an impressive investment portfolio for a junior explorer. This investment value has been created entirely from Havilah's original mineral assets, demonstrating the potential value that is available to be unlocked from Havilah's advanced mineral projects in due course.

Respected mining analyst, Peter Strachan, has produced a report on Havilah which soundly portrays the Company's assets and future prospects. He believes Havilah's asset base supports a valuation of \$3 per share and is recommending the stock to his clients, which is perhaps the greatest endorsement of the Company's prospects. Peter's report is available on Havilah's website.

#### **FINANCE**

As at 31 October 2006 the company had available funds of \$1.9 million, of which the majority is held in a term deposit. Total exploration expenditure by the company during the quarter was \$400,000 of which drilling and related expenses including assaying and field costs, accounted for more than 80%.

It is expected that total exploration expenditure in the next quarter will be comparable to that in the current quarter owing to the continuous programme of drilling being conducted. This may be offset to some extent by reimbursement of expended drilling costs at the Kalkaroo and Eurinilla under various PACE grants.

Dr K R Johnson, CHAIRMAN

Further technical details relating to Havilah activities will be found on the Company's website:

[www.havilah-resources.com.au](http://www.havilah-resources.com.au)

# HAVILAH RESOURCES NL

ABN 39 077 435 520



Quarterly Report  
October 2006

#### **HIGHLIGHTS**

##### **PROGRESSING MUTOOROO, PORTIA AND KALKAROO ADVANCED PROJECTS**

- An MOU signed for a joint venture at Mutooroo that will see the project fully funded through feasibility and development, with Havilah retaining a 50% interest
- Confirmation of substantial bedrock gold mineralisation at Portia after washing drill samples from the floor of the proposed trial open pit
- Continued good drilling results from West Kalkaroo expected to substantially increase the overall Kalkaroo copper-gold resource
- Potentially economic grades of uranium discovered in palaeochannel sands at the Oban prospect by Curnamona Energy (Havilah 50.6%)

*The information in this report has been prepared by Dr Bob Johnson who is a member of the Australasian Institute of Mining and Metallurgy and Dr Chris Giles who is a member of The Australian Institute of Geoscientists.*

*Drs Johnson and Giles are employed by the Company on consulting contracts. They have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as Competent Persons as defined in the JORC Code 2004. Drs Johnson and Giles consent to the release of the information compiled in this report in the form and context in which it appears.*

*Please direct enquiries to Dr Bob Johnson Chairman, on (08) 8338 9292*

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