

REVIEW OF OPERATIONS

PORTIA GOLD PROJECT (Havilah 100% ownership)

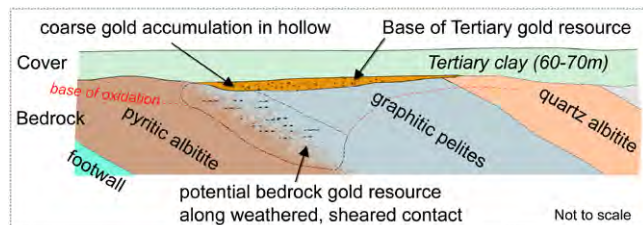
During the quarter Havilah continued with its in-house assaying of bedrock samples from earlier rounds of drilling at Portia by bottle roll and washing methods. As reported previously, this has led to an important breakthrough in understanding of the distribution of gold in the bedrock, which may be the key to development of the Portia gold deposit. Washing of entire drill samples continues to show evidence of significant amounts of often coarse-grained gold in the bedrock. Generally, where significant gold assays (>1g/t) have been determined in bedrock samples by other assay methods, these are confirmed by results for the washed samples. In some cases the previous gold assays may be significantly upgraded indicating a coarse gold sampling problem (see results for drillholes PTAC177 and PTAC181 in table below).

COMPARATIVE GOLD ASSAY RESULTS FOR DIFFERENT ASSAY METHODS

Hole ID	from	to	metre	Au g/t conventional	Au g/t bottle roll	Au g/t washed
PTAC160	80	81	1	0.95	6.8	8.3
PTAC162	102	105	3	3.22	6.74	14.5
PTAC177	84	85	1	0.54	18.61	43.5
PTAC180	81	82	1	2.36	N/a	10.0
PTAC181	82	83	1	0.48	N/a	16.25

It is now apparent that many isolated and sometimes unreported higher grade bedrock gold intersections reported from both earlier Pasmenco/Werrie Gold and Havilah drilling at Portia are almost certainly reflecting significant intersections of as yet poorly defined bedrock gold mineralisation.

Interpretation of Havilah's recent drilling indicates that the bulk of the bedrock gold mineralisation may have originally formed along the sheared contact between footwall pyritic albite and carbonaceous pelite (see diagram). This gold is associated with high levels of other pathfinder elements, such as arsenic, thus confirming its primary nature. Subsequent deep weathering and supergene enrichment along this contact is believed to have produced the observed coarse-grained gold and its intricate intergrowths with other oxidised minerals formed at the same time. The similarly coarse-grained base of Tertiary gold mineralisation is now thought to have been derived from this bedrock source by progressive erosion and accumulation in a shallow depression.



During the next quarter Havilah intends to undertake drilling targeted specifically at the interpreted mineralised contact zone and to continue washing selected samples from its earlier drillholes in

order to gain greater certainty as to the true distribution and grade of the bedrock gold mineralisation. Due to the technical difficulties in achieving a JORC resource estimate for the coarse-grained Portia bedrock gold mineralisation, Havilah has initiated studies on the feasibility of excavating a trial pit on the richest part of the deposit in order to obtain a bulk sample for processing. The primary objective would be to estimate the grade of 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 trommel 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.

Accordingly, during the next quarter Havilah plans to progress the critical steps required for mining permitting, including preparation of a mining lease application, negotiation of a native title agreement, conducting groundwater studies and carrying out detailed costing estimates for the trial pit and pilot processing plant.

The potential prize if this work is successful is a substantial gold mining operation over a number of years, since preliminary estimates indicate that the potential volume of mineralised bedrock material at Portia is of the order of 8 million tonnes (of as yet uncertain grade) lying immediately beneath the base of Tertiary mineralisation. 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 gold mineralisation from earlier drilling (eg at the Shylock and Lorenzo prospects).

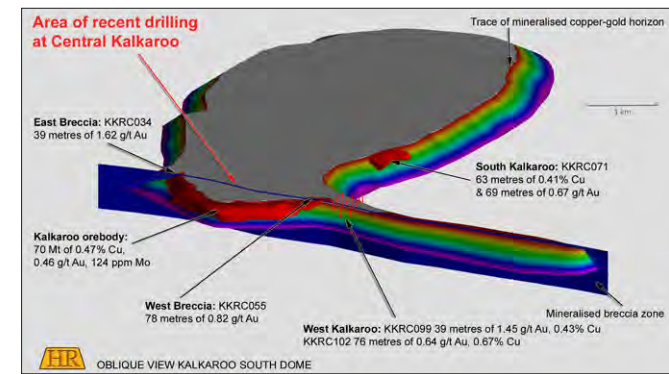
KALKAROO COPPER GOLD PROJECT (Havilah 100%)

Drilling at Kalkaroo during the quarter has targeted gold mineralisation in the earlier identified quartz breccia vein zone, that cuts through the Kalkaroo dome (see diagram). New drilling results from the central portion of the Kalkaroo dome (Central Kalkaroo) have returned encouraging gold grades and wide zones of associated low grade copper as follows:

NEW CENTRAL KALKAROO DRILL RESULTS

Hole ID	from	to	m	Cu%	Au g/t	Comments
KKRC113	98	104	6		1.5	Breccia vein zone at EOH only
KKRC118	87	114	27		0.52	Within breccia vein zone
KKRC119	77	96	19		1.2	North of breccia vein zone
and	56	117	61	0.15		as above

Each of these drillholes are on separate section lines 100 metres apart and cover some 200 metres of strike in total. This exploratory drilling indicates the presence of appreciable copper-gold mineralisation in the quartz breccia vein zone in a new area that has not been previously tested. Assay results for two further holes covering an additional 200 metres of strike are currently awaited.



The above Central Kalkaroo results follow on from results reported earlier in the quarter from West Kalkaroo, some 1.3 km to the west where five holes within or near the same quartz breccia vein zone on two section lines 100 metres apart intersected potentially economic grades of copper and gold mineralisation as follows:

PREVIOUSLY REPORTED WEST KALKAROO DRILL RESULTS

Hole ID	from	to	m	Cu%	Au g/t	Comments
KKRC099	63	102	39	0.43	1.45	Within breccia vein zone
KKRC101	87	147	60	0.20	1.0	Within breccia vein zone
and	39	141	102	0.23		as above
KKRC102	123	199	76	0.67	0.63	Part breccia, part Kalkaroo style
KKRC103	81	96	15	0.52	0.39	Kalkaroo stratabound style
KKRC097	75	153	78	0.5	0.75	Previously reported

The breccia vein zone was also intersected in previous Havilah drilling at the eastern and western ends of the main Kalkaroo copper deposit in 2005, again with potentially ore-grade copper and gold intersections. A few previous exploration drillholes by MIM and Newcrest also intersected the quartz breccia-vein zone and returned noteworthy gold and copper grades eg Newcrest drillhole NKA165 : 16 metres of 0.5 g/t Au from 105-121 metres (at bottom of hole), which lies approximately 350 metres east of Havilah drillhole KKRC119 at Central Kalkaroo reported above.

Based on the drilling results thus far, it is believed that the Kalkaroo quartz breccia vein style mineralisation holds considerable promise of growing into a large low grade gold-copper resource that could possibly be developed in conjunction with the nearby Kalkaroo copper deposit. The host fault zone is known to extend for over 6 kilometres in length and mineralisation extends to at least 400 metres depth based on earlier MIM Exploration diamond drilling.

Havilah plans to continue exploration drilling at both the central and west Kalkaroo prospects and adjacent areas during the next quarter with the objective of expanding the copper and gold metal inventory at Kalkaroo.

CURNAMONA ENERGY LIMITED (Havilah 50.6% ownership)

Havilah maintains a 50.6% interest in Curnamona Energy, which has continued with its 2006 drilling programme in the Yarramba Palaeochannel. Geologically significant indications of uranium mineralisation have been returned by the drilling thus far and numerous prospective targets will be tested in a programme of drill testing that is planned to continue until the end of the year.

Substantial drilling delays were experienced during the quarter due to heavy rains and inundation of access routes to drilling sites, resulting in a lower than expected number of holes being drilled.

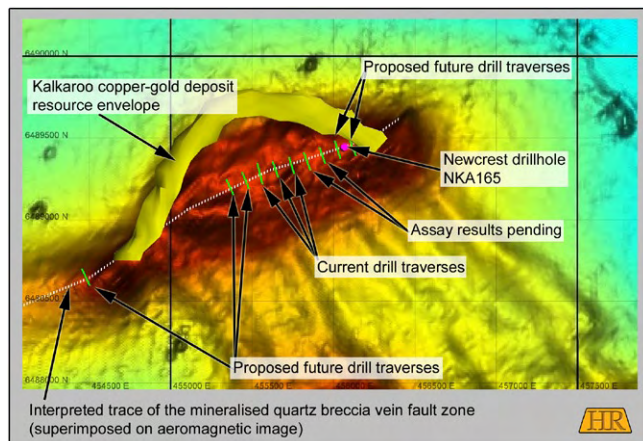
GEOTHERMAL RESOURCES LIMITED (Havilah 63.6%)

Geothermal Resources was successful in being awarded a \$2.5 million Federal Government REDI grant, for assistance with research and development and commercialisation of hot rock geothermal energy from the Frome project area. The grant funds will encompass both shallow drilling to determine regional geothermal gradients and a deeper drilling programme designed to intersect possible heat sources.

During the quarter an Activity Notification was lodged with PIRSA as required under the Petroleum Act (2000). Preparation of the requisite documentation was a major, but important undertaking because it is a requirement under the Petroleum Act that the Activity Notification be approved before any drilling can commence in the project area. Geothermal Resources intends to commence its planned shallow geothermal gradient drill testing programme on its Frome project area late in the next quarter, subject to contractor availability.

HAVILAH VALUATION AND SHARE PRICE

Havilah continues to be substantially undervalued given its high quality mineral assets. Recent tax loss selling and sales by some substantial shareholders at depressed prices have not helped. Throughout this period directors or their associates have been buyers of shares, when permitted under Havilah's corporate governance rules, thus indicating their steadfast belief in the Company's prospects.



While securing development partners has been unexpectedly slow, ultimately it may prove to have been fortuitous in view of Havilah's recent gold drilling results at Kalkaroo, which will add more value to this project, and which continues to remain 100% owned by Havilah. Directors believe that ongoing strong metals demand dictates that in time proper value will be realised in Havilah's multi-metal development projects. In the meantime, Havilah is progressing with the planning and preparatory stages of the Portia gold project as, if feasible, it will be a comparatively simple, low capital project that Havilah can manage. It may well provide the cashflow required for Havilah to develop its own substantial copper and gold projects at Kalkaroo if necessary and thereby transform the Company into a significant miner in its own right without substantially diluting existing shareholders.

FINANCE

As at 31 July 2006 the company had available funds of \$2.32 million, of which the majority is held in a term deposit. Total exploration expenditure by the company during the quarter was \$481,000 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 McBrides and Eurinilla prospects, 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

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

HAVILAH RESOURCES NL

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Quarterly Report
July 2006

HIGHLIGHTS

POSITIVE GOLD EXPLORATION RESULTS AT PORTIA AND KALKAROO

- **At Kalkaroo significant new gold-copper mineralisation discovered by drilling of a major quartz breccia vein zone over a strike length of 2 kilometres and up to 80m wide**
- **At Portia growing evidence for substantial coarse-grained gold mineralisation in the bedrock which has gone largely unrecognised to date owing to the difficulty of obtaining reliable assays**
- **Havilah to determine the economics of a trial open pit at Portia in order to obtain a bulk sample and with the view to proceeding to a full scale mining operation if results are positive**

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