

## REVIEW OF OPERATIONS

### KALKAROO MINING SCOPING STUDY : copper-gold-molybdenum (Havilah 100% ownership)

Mining scoping studies reported previously for the 70 million tonne Kalkaroo deposit show that it **contains approximately 320,000 t of copper, 1 million ozs of gold and 8.56 million kg of molybdenum in an optimised open pit designed to 230 m depth.** This is sufficient to maintain an open pit mining operation for almost 11 years at an annual throughput rate of 6.5 million tonnes of ore to produce approximately **31,000 t copper, 95,000 ozs gold and 826,000 kg molybdenum per annum.** An important feature of the Kalkaroo deposit is that more than one half of this resource is oxide or transitional ore, containing approximately 180,000 t of copper and 0.66 million ozs of gold. Much of the copper in the oxide zone is present as native copper metal, which would be a direct shipping product, requiring minimal processing and treatment on site if simple crushing and gravity separation methods can be employed. Moreover, much of the oxidised ore is weathered and soft and would be free digging. Revision of the mining scoping study to take into account the contribution of oxidised material shows that the initial capital costs for start up at Kalkaroo and operating costs in the first three years would be reduced substantially by delaying treatment of sulphide ore until the third year. This further enhances the already substantial potential earning capacity of Kalkaroo in its initial years over a range of metal prices (see earnings table below, where **EAT pa** = earnings per annum after payment of all operating costs, taxes and royalties).

NPV	EAT pa	Cu	Au	MoO <sub>3</sub>	A\$/US\$	Comments
10% A\$	A\$	US\$/t	US\$/oz	US\$/t		
873	172M	8000	650	44,000	0.75	approx current spot
363	88M	5000	500	30,000	0.75	lower Cu, Au, Mo
185	54M	4000	400	20,000	0.75	lower Cu, Au, Mo
113	39M	3260	400	10,000	0.7	broker consensus long term

The above estimates are presented as a guide only for the benefit of shareholders as to the likely profitability of a mining operation on the Kalkaroo deposit for a range of metal prices, and are not to be taken as either final or definitive figures. The basis for these figures is the published in pit optimised resource for the Kalkaroo deposit of **70 Mt of 0.47% Cu, 0.46 g/t Au and 124 ppm Mo** to which have been applied rigorous mining operating costs, start up capital cost estimates and all applicable royalties and taxes. It is emphasised that detailed feasibility studies have yet to be completed for Kalkaroo, which would include comprehensive metallurgical testing to allow processing flow sheet design and thereby permit accurate estimation of plant construction costs. Owing to uncertainties in the recovery of molybdenum, its contribution to revenue in the oxidised ore is assumed to be zero in the above calculations.

Also, shareholders should be aware that the above is very much “work in progress” and the figures as presented will be subject to change as new information becomes available.

Havilah's clear objective still remains to fund the feasibility study and development of the Kalkaroo deposit as rapidly as possible. To this end, Havilah is continuing discussions with potential joint venture partners. With the escalation in metal prices and demand for copper metal from trading companies and end users in Asia, other financing alternatives are also being investigated.

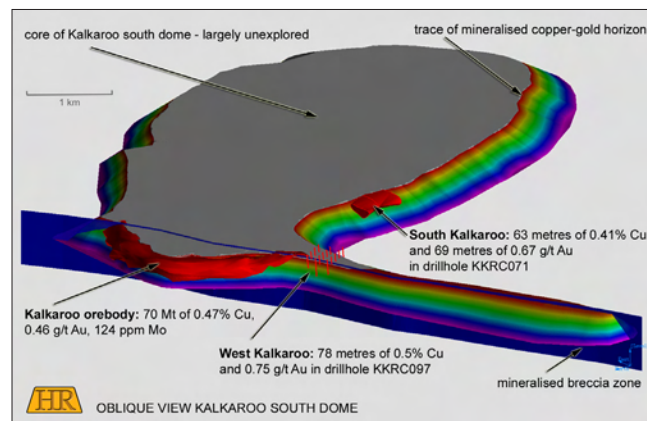
### WEST KALKAROO PROSPECT : copper-gold-molybdenum (Havilah 100% ownership)

In the search for additional oxide copper resources, 3D modelling of existing drilling data identified an attractive exploration target at **West Kalkaroo**. Depth of cover here ranges from 10-40 metres and there is potential for an extensive blanket of oxide copper-gold mineralisation at shallower depth, which could considerably reduce the overburden removal cost. Visual indications from initial drillholes at West Kalkaroo are encouraging, with frequent native copper logged in drill chips. At the time of writing, assay results are only available for the first drillhole, which intersected a strongly mineralised, ore-grade interval as follows:

**KKRC097: 78m of 0.5% Cu and 0.75 g/t Au from 75–153m**

Assay results for a further six holes at West Kalkaroo are currently outstanding and will be reported in coming weeks. Drilling has been temporarily suspended in this area in order not to disturb the annual lambing drop. When drilling recommences in the second week of June it will specifically target areas of possible shallower oxide Cu-Au mineralisation, including further holes at the West Kalkaroo, South Kalkaroo and Deep Well prospects.

**South Kalkaroo was a new discovery** made by Havilah last year 2 km south of the Kalkaroo deposit; drilling returned several native copper intersections and an ore grade intercept of **63m of 0.41% Cu and 69 metres of 0.67 g/t Au in drillhole KKRC071.** Deep Well is another highly prospective structural dome that



lies immediately south of the Kalkaroo south dome, where widespread copper-gold mineralisation was intersected in earlier shallow drilling.

### EURINILLA DOME : copper-gold-molybdenum (EL 3482 Havilah 100% and EL 3256 Havilah 70%)

The Eurinilla Dome is geologically similar to the Kalkaroo Dome with several ore grade copper and gold intersections in previous drillholes, including a gold intersection of 4 metres of 17.5 g/t. Of particular note are some extensive areas of low grade supergene copper mineralisation outlined by previous BHP drilling. With the assistance of a \$50,000 State Government PACE grant Havilah completed 7 deep RC drillholes in the area during the quarter to follow up previous copper and gold intersections within the target Curnamona copper horizon. Notably, copper sulphides were logged in some holes within the interpreted prospective sequence, with the best result from a hole on EL 3482:

**EURC002: 18 metres of 0.54% Cu from 138-156 metres depth**

This confirms the earlier indications of copper mineralisation in the Eurinilla Dome, and will be followed up in the future.

### PORTIA : gold (Havilah 100% ownership)

A 16 hole shallow air-core drilling programme was completed during the quarter with the main aim of testing the potential bedrock gold source for the high grade base of Tertiary gold mineralisation. Drillholes were oriented from north to south with the specific objective of intersecting an east-west gold bearing quartz vein system if present. The expected bedrock sequence was intersected beneath the ubiquitous base of Tertiary gold layer, and quartz veining and visible gold was panned in some intervals. The base of Tertiary layer as usual returned thin intervals of high grade gold as reported:

- PTAC 168: 1 metre of 42 g/t Au from 78-79 metres**
- PTAC 176: 1 metre of 30 g/t Au from 80-81 metres**
- PTAC 177: 2 metres of 6.5 g/t Au from 78-80 metres**
- PTAC 178: 2 metres of 6.8 g/t Au from 78-80 metres**
- PTAC 179: 1 metre of 28 g/t Au from 77-78 metres**
- PTAC 180: 2 metres of 17 g/t Au from 80-82 metres**
- PTAC 181: 1 metre of 9.5 g/t Au from 81-82 metres**
- PTAC 183: 3 metres of 12 g/t Au from 79-82 metres**
- PTAC 184: 2 metres of 16 g/t Au from 79-81 metres**

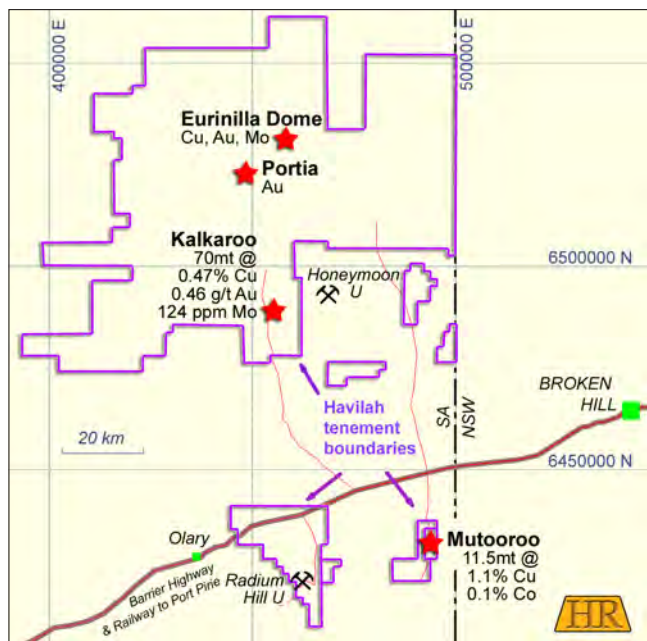
These results are from conventional gold assays on small sample splits. Gold was panned in all samples, and based on past experience, it is likely that the grades are under-called owing to the coarse gold nugget effect. Samples from this interval will be washed in Havilah's gravity treatment plant in due course to obtain more accurate estimates of gold grades in these intervals. Scattered low grade gold values were returned from the underlying bedrock rather than the bonanza values that might have been expected in a primary gold source for the high grade base of Tertiary resource. Cyanide leach bottle roll gold analyses on

the total drill sample are currently being conducted by Havilah in its in-house designed facility to determine accurate levels of gold in selected bedrock samples, in order to overcome any sampling uncertainties. Results for the bottle roll assays thus far indicate a significant upgrading of the bedrock gold levels above the earlier standard laboratory assays in some cases, but this has yet to be confirmed with a statistically meaningful number of samples.

The current drilling programme has not yet given the definitive geological answer on the Portia bedrock gold mineralisation, partly because of the usual difficulties in maintaining sample quality in wet drilling conditions and the sampling uncertainties this creates. On balance, however, based on new preliminary cyanide leach results and geological deductions from available evidence, it is looking increasingly likely that significant gold does occur in the underlying bedrock, but possibly in a non-quartz vein hosted disseminated form. A bedrock gold resource in this setting is ultimately likely to be large considering the many kilometres strike of prospective host rocks.

#### RADIUM HILL : uranium (Havilah 100% ownership)

The historic Radium Hill uranium lodes are recorded as lying within north-easterly trending shears, the interpreted extensions of which lie on Havilah's Cutana and Bonython Hill exploration licences. This was recently confirmed by field reconnaissance, which located numerous thin north-east trending uranium bearing lodes on Havilah's tenements immediately along strike from Radium Hill. These lodes contain massive and disseminated davidite, a refractory uranium mineral



that was the chief source of uranium from the Radium Hill mine. Since cover is shallow in this area, it is planned to initially follow up with trenching in order to determine the frequency of lodes, and whether they present a potential bulk mining target.

#### HAVILAH VALUATION AND SHARE PRICE

On any measure, Havilah is substantially undervalued compared with its peers. The potential cash generating capacities of the Kalkaroo and Mutooroo projects at current metal prices, rank these amongst the best undeveloped copper projects in Australia. With a market capitalisation/ gold equivalent resource ounce of approximately US\$9 per ounce, Havilah is probably the cheapest ASX listed junior stock with significant mineral resources and with minimal sovereign risk.

This means that your investment in Havilah is not being recognised for its true worth, which is unsatisfactory. Further encouraging exploration results alone may not be a catalyst to increase the share price because the new discovery at South Kalkaroo reported late last year, and the drillhole result reported for West Kalkaroo here, could hardly be more encouraging from an exploration perspective. It is likely that full value will not be accorded until Havilah attracts funding that significantly advances the development of its advanced projects. For this reason, directors have devoted, and will continue to devote, a considerable amount of time to secure funding arrangements for the Kalkaroo and Mutooroo projects. The standard approach of raising substantial funds via a placement to institutional investors while the share price is substantially undervalued is not a route favoured by directors because it is likely to erode existing shareholder value. Innovative means of raising the necessary finance in the current buoyant resources market will continue to be vigorously pursued.

#### FINANCE

As at 30 April 2006 the company had available funds of \$2.78 million, of which the majority is held in a term deposit.

Total net exploration expenditure by the company during the quarter was \$250,000 of which drilling and related expenses including assaying and field costs, accounted for more than 60%. \$137,500 of direct drilling costs incurred at Kalkaroo during the last quarter, was reimbursed under the terms of a PACE grant during the current quarter, resulting in a net cash outflow for the quarter of only \$85,000, after adding in term deposit interest of \$53,000.

It is expected that total exploration expenditure in the next quarter will be appreciably more than 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.

# HAVILAH RESOURCES NL

ABN 39 077 435 520



## Quarterly Report April 2006

### HIGHLIGHTS

#### EXPANDING RESOURCES AND IMPROVED ECONOMICS AT KALKAROO

- Oxide copper ore, including widespread native copper metal, discovered at **West Kalkaroo**, supported by first drillhole result of **78 m of 0.5% Cu and 0.75 g/t Au from 75 m depth**.
- **More than half the Kalkaroo orebody is oxidised** and there is an extremely positive impact on the economics of Kalkaroo by mining and treating oxide ore in the upper part of the deposit ahead of the deeper sulphide ore through lower start up capital and higher revenue in the early years of operation.
- Funding options for completion of feasibility and development of Kalkaroo and Mutooroo deposits continue to be vigorously pursued.
- High grade gold intercepts at Portia, with evidence of significant bedrock gold mineralisation from preliminary bottle roll assays.
- Copper-gold mineralisation confirmed in Eurinilla dome.
- **Geothermal Energy Limited 1:5 entitlement offer raises \$3 million**, with Havilah retaining a 63.6% interest.

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)

The information in this report has been prepared by Dr Chris Giles, who is a member of The Australian Institute of Geoscientists, and an adherent to the Institute's codes and recommended practices. He has a minimum of five years experience in the types of activities being reported.

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Dr K R Johnson, CHAIRMAN