

StockAnalysis

Written under AFSL: 259730

By Peter Strachan

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Enclosed please find an article related to your company, Havilah Resources, from a past edition. I hope that you enjoy reading this as much as I enjoyed writing it.

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StockAnalysis

SPECIAL ISSUE

By Peter Strachan

This Week

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Havilah Resources NL – The New Compass? (HAV)

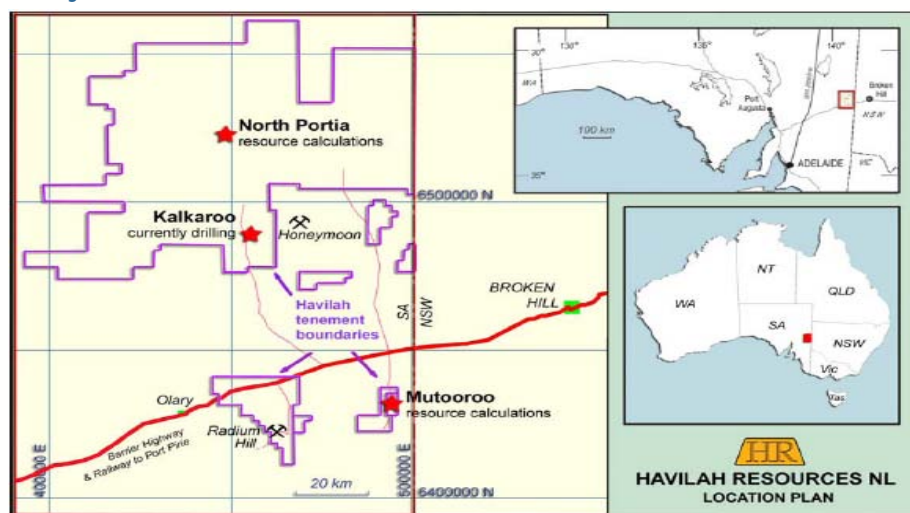
HAV Captial Structure		Substantial Shareholders		Investments	
Shares	72.6 m.	Lion Selection Group	19.0%	Curnamona	\$ 17.9 m.
Options	4.0 m.	Directors	15.5%	GHT	\$ 4.9 m.
	\$			Monax	\$ 7.6 m.
Price	0.94				<u>\$ 30.4 m.</u>
	\$				
Market Cap	68.2 m.				
Cash (est)	\$ 5 m.				

Havilah is possibly one of the cheapest base metal explorers and project developers listed on the Australian stock exchange.

Havilah has many similarities with StockAnalysis favourite, **Compass Resources**, which I recommended to subscribers at 36 cents in February 2005. (now trading close to \$4.50!).

- The company is run by experienced and conservative technical people.
- They are frugal.
- Its still an NL company!
- Havilah is developing copper, cobalt projects, but unlike Compass, its projects contain molybdenum and gold.
- Like Compass, Havilah has concluded an MOU with a Chinese metallurgical Group which intends to fund a feasibility study on the 11 mt Mutooroo copper/cobalt project then fund 100% of development costs to earn 50% equity in ongoing production of 10,000 tpa of copper and 1,000 tpa of cobalt plus gold.
- Havilah has an interest in Uranium exploration via a 50.6% holding in Curnamona Energy.
- The company holds a basket of gold and base metal exploration projects in the highly prospective, Proterozoic, Curnamona Craton region.

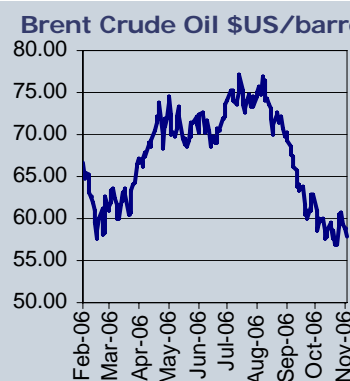
Project Locations



Source: Havilah Resources NL

(Continued on page 2)

Indices & Prices	
All Ordinaries	5,396.90
Energy Index	11,496.50
Brent US\$/bbl	57.89
AUS\$/US\$	0.7699
As at Close November 3rd	



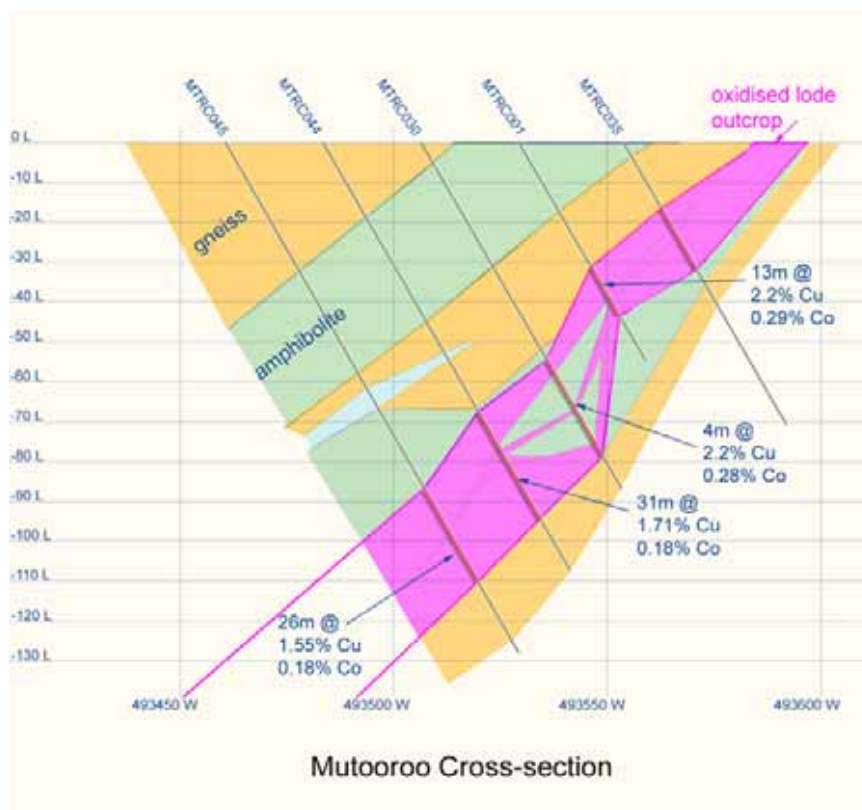
While Havilah has a market capitalisation of around \$60 million, it also holds investments in uranium explorer, **Curnamona Energy**, iron oxide, copper/gold (Olympic Dam style mineralisation) explorer **Monax** and hot rocks developer Geothermal Resources Ltd, with a combined value of over \$28 million. So in effect, investors are getting Havilah's projects for about \$36 million.

What do you get for your \$36 million?

Mutooroo Copper Project

Heilongjiang Resources Ltd (HRL) has provided \$3.2 million for initial funding and will move along with additional drilling and a feasibility study aimed at developing this 11.5 mt resource grading 1.1% Cu plus 0.1% Co. The mineralisation is effectively ironstone hosted, so that the final product can contain high grade iron, along with the base and precious metals. Mining of an open pit to a final depth of 250 metres is proposed. The mineralisation can be upgraded using a low cost gravity circuit to produce a bulk concentrate containing iron, copper, cobalt, gold and sulphur or a more expensive, but simple, flotation circuit to produce separate copper and iron concentrates. The concentrate will be shipped out and sold to HRL, via Port Pirie, 300 km southwest. Ore grades improve with depth. The cross section below shows copper grades of up to 2% and cobalt around 0.2% at depth.

HRL's involvement ensures funding and solves the marketing issues for the end product.



Source: Havilah Resources NL

Early study by the company indicates a project with an NPV of around \$100 million. StockAnalysis estimates that HRL will need to invest at least \$35 million to bring the project into production. Havilah's interest in the project is likely to be worth somewhere between \$35 and 50 million.

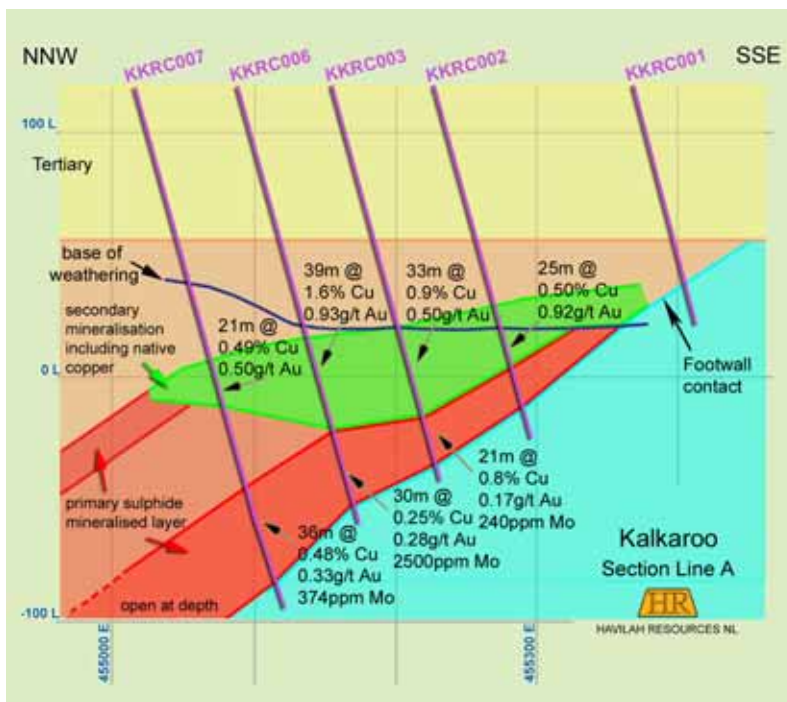
Kalkaroo Copper/Gold Project

The Kalkaroo deposit is estimated to contain 70 mt of extractable ore grading 0.47% Cu, 0.46 g/t Au plus 124 ppm Mo. The prize here is large with 329 Kt of copper, over 1 million ounces of gold and 8,600 tonnes of molybdenum.

The shallow portion of this mineralisation (shown in green below) is an oxide containing largely native copper, amenable to low cost gravity concentration, but little value for gold or moly can be expected. Deeper mineralisation requires concentration via a flotation circuit, but will capture a higher portion of the value for copper gold and molybdenum.

(Continued on page 3)

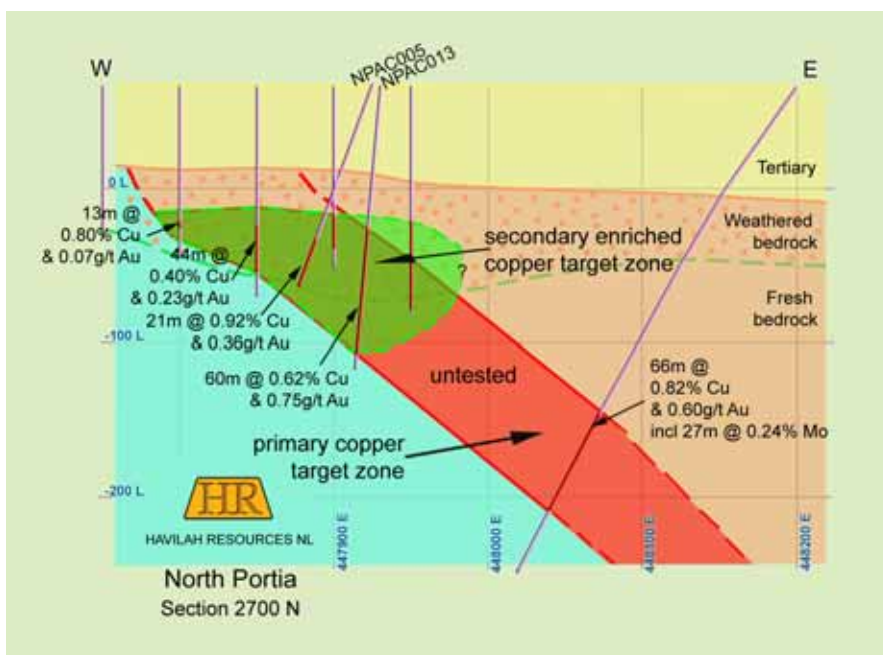
Early modelling indicates an NPV of \$480 million for a project with an initial capital cost of \$125 million.



Source: Havilah Resources NL

North Portia & Portia Gold

Recent work at the Portia gold project indicates a high grade, nuggetty gold project. The mineralisation is under significant cover, but would not be suitable for underground mining. Havilah is endeavouring to outline sufficient resources to support the cost of a large pre-strip to gain access to this high grade (half ounce?) material.



Source: Havilah Resources NL

Meanwhile at North Portia, the company plans a drilling programme to bring a targeted 20 mt or mineralisation grading around 0.7% Cu plus 0.6 g/t Au plus Mo, up to JORC standard.

(Continued on page 4)

November 6th 2006

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Summary

With the help of its new Chinese partner, Havilah appears to be well on the way to becoming a copper, cobalt, iron, sulphur and gold producer at Mutooroo. The company will need additional funding and resources to move ahead on three fronts to develop projects in its South Australian base camp and could begin to see operating cash flow by late 2008 from first shipments of concentrate out of Mutooroo.

With an effective enterprise value of just \$32 million after allowing for its investments, Havilah looks to be undervalued. The funding deal with HRL "locks in" a value for this project of at least \$35 million, and possibly more, while the giant Kalkaroo copper/gold project holds significant, long term value.

Havilah is well supported by its major shareholder, **Lion Selection** so ongoing equity support should not be an issue.

Recommendation

Havilah is recommended as a buy.

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(HAV)

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