

4 June 2018

## North Portia Divestment for \$14.7 Million and 2% NSR Royalty

### HIGHLIGHTS

- **First transaction in the implementation of *Havilah's Copper Strategy – Enhanced by Cobalt*.**
- **\$13.5 million in staged cash payments over an expected 18 month period commencing at the end of June 2018.**
- **Immediate replacement of Havilah's share of the Portia rehabilitation obligation funding of \$1.2 million, with no further exposure to rehabilitation liabilities.**
- **2% Net Smelter Return (NSR) royalty over the proceeds of all metal and concentrate sales derived from the mining lease.**
- **3.25% NSR royalty over all copper sales in excess of the current JORC resource of 101,400 copper metal tonnes.**
- **Minimum guaranteed royalty payments of \$300,000 per quarter from 1 December 2020.**
- **Current Portia 15% gold revenue stream remains until 30 November 2018.**
- **Will allow greater focus on higher value, lower risk Mutooroo copper-cobalt-gold project.**
- **Minimal impact on Havilah's substantial JORC copper-cobalt-gold resource inventory.**

**Havilah Resources Limited (Havilah)** is pleased to announce that it has entered into an agreement to sell the Benagerie Mining Lease (ML), on which the Portia and North Portia projects are located, to Consolidated Mining and Civil Pty Ltd (CMC) through the sale of its wholly owned subsidiary, Benagerie Gold Pty Ltd.

This transaction realises substantial cash flow and allows Havilah to focus more attention on the advancement and ultimate development of the Mutooroo and Kalkaroo copper-cobalt-gold projects.

The transaction with CMC is the next logical step in the association with CMC, which started with the 50% revenue sharing arrangement that resulted in the Portia Gold Mine being developed, and leverages the Portia infrastructure, processing plant, and relationship with CMC.

The key points of the structure of the transaction to divest North Portia are as follows:

- First payment of \$1.0 million by the end of June 2018, when the transaction is expected to close.
- Second payment of \$3.5 million upon Havilah's completion of the required permitting allowing the mining of overburden at North Portia and the subsequent processing of the oxide gold component of the resource (expected in the last quarter of 2018).
- Third payment of \$3.5 million with Havilah's completion of the permitting, which allows for the mining and processing of the supergene sulphide copper-cobalt-gold at North Portia (expected in the second half of 2019).
- Final payment of \$5.5 million, 12 months after the second payment (expected in the last quarter of 2019).
- Payments from CMC will be secured through a mortgage over the Benagerie ML and the Portia processing plant.
- 2% NSR royalty on all commodity sales from the ML.
- The NSR royalty will increase to 3.25% on copper metal sales, once more than 101,400 tonnes of copper metal have been produced and sold from the ML (this being the current total JORC copper resource for North Portia).
- Havilah will continue to receive its current 15% gold revenue stream from the Portia gold mine until 30 November 2018, when the oxidized ore in the Portia pit is expected to be mined out based on the current mine plan. At that time this interest will convert into a 2% NSR royalty on any further gold sales from Portia.
- Havilah will receive guaranteed payments of \$300,000 per quarter if the quarterly royalty payment is not at least \$300,000 per quarter by 30 November 2020.
- Havilah maintains the first right to any pyrite (contains cobalt) produced as a by-product from the production of copper and gold.
- CMC funds 100% of the Portia rehabilitation bond which releases Havilah's \$1.2 million in bank guarantee obligations with immediate effect upon signature of the agreement. This means Havilah has no further exposure to rehabilitation liabilities on the ML.
- Havilah retains the exploration rights to the Bassanio IOCG target on the ML.
- To ensure mining and processing at North Portia can commence as soon as possible, Havilah retains the responsibility to deliver the required permitting for the project.
- Havilah will retain responsibility for the Investec Group (**Investec**) Portia success fee (This fee will only apply if production from Portia exceeds 50,500 ounces of gold in total and is capped at a total production of 80,000 ounces).
- The transaction requires the consent of Investec, as the current holder of security over the Benagerie ML in respect of the bank guarantee facility provided for the rehabilitation bank guarantee, which is now being replaced by CMC.

**Commenting on the divestment of North Portia, CEO, Mr Walter Richards said:** "This is a significant first transaction in the execution of [Havilah's Copper Strategy – Enhanced by Cobalt](#).

"This transaction realises value from our multi-commodity portfolio and will allow us to increase our focus on Mutooroo and Kalkaroo, the two core projects in our strategy, where the opportunity to add value and generate higher returns is greater.

"Bringing the Portia Gold Mine into production and building a mutually beneficial relationship with CMC has assisted us in achieving this transaction to execute our copper-cobalt strategy.

"CMC's proven capability, diligence and tenacity, as demonstrated at Portia, provides Havilah with confidence that the North Portia project is in the right hands to generate value and future cash flow for Havilah he said.

**Commenting on the purchase of the Portia and North Portia Mining Lease from Havilah, CMC's Managing Director, Mr Steve Radford OAM said:** "We are excited about acquiring the Benagerie mining lease and launching CMC as a copper-gold miner in our own right.

"From what I remember about exploration in the 1990's and the Benagerie precinct, plus our learnings of Portia and North Portia since January 2015, I feel that with the right operating model there is "Significant Potential at North Portia".

"Broken Hill now adds another miner to its community where Consolidated Mining & Civil (CMC) will stand tall alongside of Perilya Mining, CBH-Rasp Mine, Crystal Mining and the Pinnacles Mine offering support and assisting to shore up the future of Broken Hill.

"CMC and the Radford family are very passionate about Broken Hill, their employees and the surrounding communities, as their grass roots were established in Broken Hill in 1911, and I am the fourth generation in the family business.

"This agreement offers the opportunity for CMC to continue to transform, taking our company and the Portia project to the next level.

"Most importantly, it allows continuity of current operations by allowing us to make strategic long term decisions and investments with certainty.

"We have the knowledge, the skill and the confidence that we can mine and process the North Portia ore, as we have done very successfully at Portia in conjunction with Havilah.

"We are acutely aware that the last three years at Portia has been an invaluable learning experience.

"We are thankful for, and believe the joint venture process to date, has been fundamental to the success of the Portia Project, and to the success of both CMC and Havilah respectively.

"The copper-gold deposit at North Portia offers a seven to ten year mine life, which may extend beyond that time.

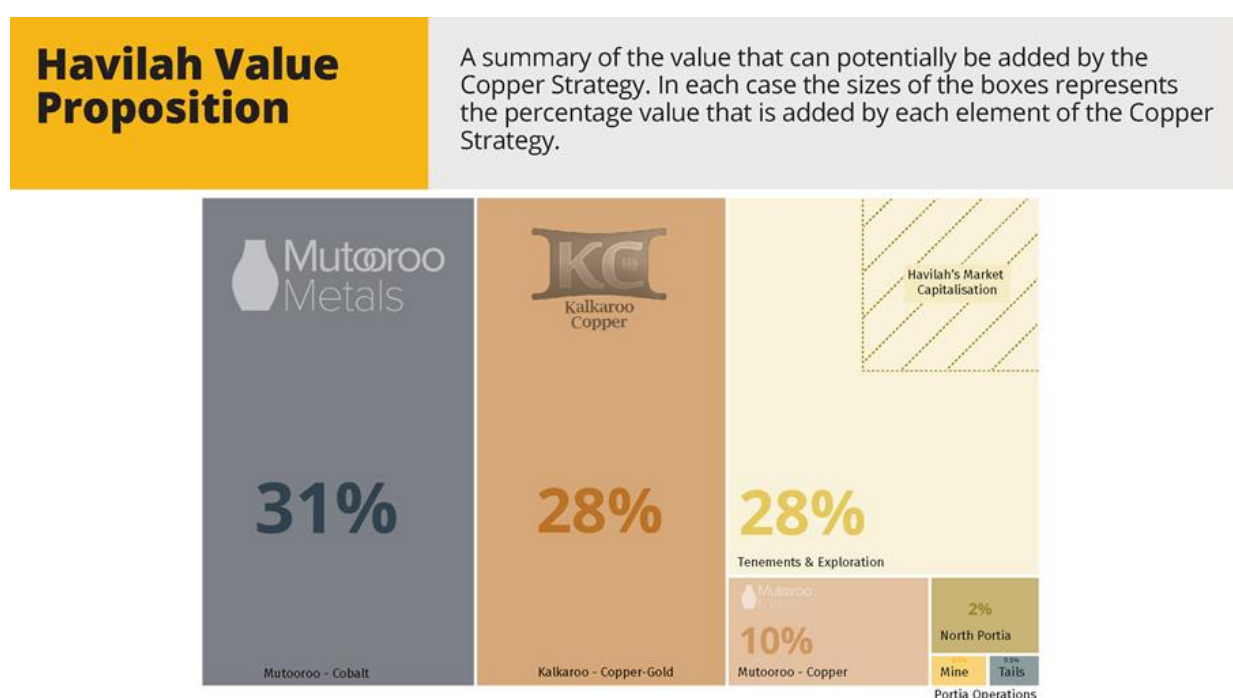
"The Havilah and CMC teams have all worked long and hard, with some days harder than others, which have got us where we are today, it's been a great journey with Havilah which we all have enjoyed.

"The known, unknowns and surprises that Portia offers, is our charter to move forward and mine within the Benagerie Mining Lease so all of the stakeholders can enjoy and prosper", he said.

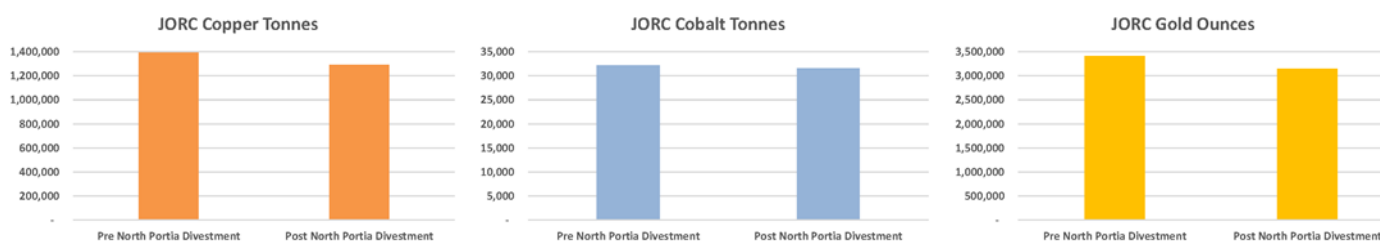
## North Portia Divestment in context of *Havilah's Copper Strategy – Enhanced by Cobalt*

Divesting North Portia will result in Havilah's focus intensifying on the Mutooroo copper-cobalt-gold project, which has the following attributes in comparison to North Portia:

- Copper grade of 1.5% compared to 0.8% for North Portia.
- Cobalt JORC resources of 8,400 tonnes (Measured: 4.7 million tonnes at 0.13%; Indicated: 1.7 million tonnes at 0.14%) compared to 600 tonnes (Measured: 3.2 million tonnes at 0.015%; Indicated: 0.5 million tonnes at 0.016%; Inferred: 0.1 million tonnes at 0.021%) at North Portia.
- Outcrops at surface compared to more than 50 m of overburden cover at North Portia.
- Significant upside potential with the current JORC resource covering less than half of the lode outcrop and a number of walk-up drill targets in the Mutooroo Cobalt District within trucking distance of the Mutooroo project.
- Appreciably higher potential to add value to Havilah by developing the Mutooroo project, as depicted below ([refer to slide 8 of the presentation "Havilah's Copper Strategy – Positioned for Growth" per ASX announcement 25 October 2017](#)).



The divestment of North Portia results in minimal reduction of Havilah's substantial JORC copper-cobalt-gold resources inventory, as illustrated below. This reduction should be viewed in light of the Company's large, 100% owned, tenement holding in one of the most prospective geological terrains in Australia, where there is high potential to replenish resources via new discoveries



For further information visit [www.havilah-resources.com.au](http://www.havilah-resources.com.au)

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