

21 January 2019

Response to EGM Requisitioning Shareholder Statements

Havilah Resources Limited (Havilah or the Company) has become aware of a document that was published and distributed to shareholders this week in relation to the [forthcoming EGM](#) (Shareholder Document). The Shareholder Document was prepared by Dr Bob Johnson and was not provided to the Company by him. It contains a number of factual inaccuracies and statements that the Company considers to be misleading. The Company is concerned that the content of such inaccuracies and misleading statements may damage the Company's reputation and undermine confidence in its financial situation, which could in turn have negative implications for the Company's share price, transactions it may wish to pursue and opportunities to raise funds. Accordingly, the Company wishes to correct and clarify aspects of the Shareholder Document.

A statement was made in the Shareholder Document that the Company is "*laden with debt*". This is both factually incorrect and misleading. As advised to the market by way of an [ASX announcement on 26 October 2018](#), the Company has entered into a stand-by facility with the Investec Group (Investec). As at the date of this announcement, the Company has drawn down \$2.5 million of this facility, but has utilised only \$0.7 million, leaving the Company with a cash reserve of \$1.8 million and a net debt position of \$0.7 million. In light of this, and given the value of the assets of the Company (the 2018 Annual Report of the Company disclosed net assets of \$45,083,000), there is no reasonable basis upon which to describe the Company as "*laden with debt*". Those statements are factually incorrect and misleading and, without correction, could undermine confidence in the Company's financial situation and have negative implications for the share price.

A statement was also made in the Shareholder Document that the Company is "*effectively under the control of its lenders*". This statement is again factually incorrect and ignores the practical operation of the Investec arrangements. The Company continues to be run by the Directors and management. The arrangements with Investec are being conducted in the ordinary course of business.

In relation to the statement that "*In the EGM proposed resolutions two new directors were nominated*", as noted in the EGM NOM, both of the persons nominated were ineligible to be elected as directors at the EGM in accordance with the Company's constitution. In any event, the Company notes that the nominated persons were assessed by the Company as not independent, including because of their association with Dr Johnson, the author of the Shareholder Document. If Mr Mark Stewart was to cease to be a director, or were the nominated persons to be appointed as a directors, the Company would cease to have a majority of independent directors, which is contrary to the recommendations in the ASX Corporate Governance Council's current Corporate Governance Principles and Recommendations, which recommend that the majority of the board of a listed entity should be independent directors.

The accusation that the Company "*is being poorly managed*" is an opinion which the Directors strongly reject and point to the long [list of achievements in 2018](#) as released to the market.

The "Action Plan" in the Shareholder Document is simplistic in its broad motherhood type statements and is effectively a proposal to **revert** to the way the Company was run when it was solely a junior explorer under the chairmanship of Dr Johnson, not the project developer that it is today.

The Company has spent many years and considerable financial resources exploring and developing the assets in its portfolio and its immediate priority should be (and is) to monetise those assets rather than continuing to “*add one new JORC mineral resource (project) per calendar year*” as is suggested in the Shareholder Document. The North Portia divestment is an example of the Company’s serious intent in this regard.

In respect of the statement that “*Steps need to be taken to raise capital to repay this debt and regain control of the Company’s destiny*”, the Company notes that capital raisings can often increase the shareholding of major shareholders at the expense of minority shareholders, particularly when conducted at a time when the Company’s share price is lower.

The concluding statement in the Shareholder Document that “*There will be more to follow*” in the context of a “*process of renewal for Havilah*” indicates to the Company that there will be more instability and agitation for Board changes. The Company incurs costs and diverts the attention of directors and executives in dealing with requisitions to call meetings of shareholders to consider resolutions for the appointment and/or removal of directors. Such requisitions also create a perception of company instability, which can have a negative impact on the market price of the Company’s shares.

At the recent AGM, Mr Mark Stewart was elected by the shareholders [by a substantial margin](#). The current resolution for the removal of Mr Stewart, having just been elected by the shareholders, ignores the result of the AGM and the votes of the shareholders at the AGM. For this reason, the Company considers that the calling and holding the EGM has unnecessarily caused the Company to spend time and resources that could and should be spent towards achieving the desired objectives of the Company. The Company asks the shareholders who questioned the EGM to work co-operatively with the present Board and management to achieve the mutually desired objectives of the Company for the benefit of all shareholders, rather than continuing to cause the Company to expend its resources on calling and holding further meetings.

For further information visit www.havilah-resources.com.au

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