

1 May 2019

Havilah Secures Funding of up to \$100M from GFG Alliance

HIGHLIGHTS

- A transformational capital injection of up to \$100 million from OneSteel Manufacturing Pty Ltd (trading as "SIMEC Mining") (SIMEC), a member of the GFG Alliance (GFG), which will fully fund Havilah's work programs for its iron ore assets and its copper prospects in the Mutooroo Copper-Cobalt District, including the Mutooroo deposit, and provide a clear pathway to potential commercialisation.
- Establishes a strategic partnership with GFG, a successful international group which owns the Whyalla Steelworks and iron ore export facilities, and which can provide access to global capital markets and extensive technical and commercial support.
- Funding to be provided via a series of equity placements in Havilah at a premium up to 35%, over an expected period of three years, potentially providing GFG a 51% stake in Havilah if all equity placements are made. Subsequent to the equity placements, GFG will have the potential to acquire direct equity interests in the iron ore assets.
- Havilah shareholders retain exposure to potential project value appreciation as fully funded work programs are applied to move projects rapidly towards Definitive Feasibility Studies (DFS).
- Havilah retains operational control of all assets including Kalkaroo and regional exploration and maintains a majority of independent directors.
- Discounted pro-rata rights issue to be offered to shareholders, after shareholder approval, but prior to any placement to GFG.

Background

Havilah Resources Limited (**Havilah**) is pleased to announce that it has entered into a Share Subscription Agreement (**SSA**) with SIMEC which is part of GFG. The Directors of Havilah believe this is a strategic transformational opportunity for Havilah.

The transaction contemplates GFG providing an investment of up to \$100 million with respect to the Maldorky, Grants and Grants Basin iron ore assets and a copper project (consisting of the Mutooroo deposit and nearby copper prospects) in the Mutooroo Copper-Cobalt District (collectively the **Projects** refer **Appendix 1**) in the Curnamona Craton of South Australia.

The investment consists of a committed staged equity investment in Havilah of \$50 million, plus a further \$50 million in conditional or discretionary funding. Funds will be applied via agreed work programs to advance the Projects to completed DFS over an anticipated and relatively short three-year period, as well as potentially providing funding for exploration, corporate and administration costs.

The transaction establishes a strategic alliance with GFG, which has a major investment in South Australia via operation of the Whyalla Steelworks and Whyalla port and export facility. GFG has the capacity to support and facilitate the future growth of Havilah through access to global capital markets, capital investment, technical assistance and commercial offtake agreements. The transaction will position Havilah as a fully funded minerals explorer and developer. It provides the opportunity to rapidly advance two of Havilah's major projects to production at a scale and within a timeframe to meet GFG's ambitious growth plans in South Australia.

Why Havilah's Directors consider this to be a compelling opportunity:

- It provides access to capital that will allow Havilah to confidently advance two of its key projects to DFS milestones within the next three years.
- Project value creation remains within Havilah for the benefit of shareholders.
- A strategic alliance with GFG which has already made a significant investment commitment in South Australia.
- Havilah maintains control of its destiny and its projects as an independently directed and managed ASX listed entity.

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- Opens the door to international capital markets and commercial support that would otherwise not be available.
 - Access to an end user steelworks and export facility at Whyalla facilitating potential development of iron ore projects.
 - Methodical exploration of the highly prospective Mutooroo Copper-Cobalt District, for the first time in Havilah's history, with excellent discovery prospects.
 - Opportunity for shareholders to participate on attractive terms via a pro-rata rights issue.
 - Havilah will continue to seek the best investment options for Kalkaroo and will maintain an active regional exploration program on its high conviction targets.
 - Flexible investment terms that are governed by Havilah's achievement of a series of technical milestones and agreed targeted project economics.

Key terms of the Share Subscription Agreement

- **Conditions Precedent** – The SSA is conditional on Havilah’s shareholders approving the subscriptions in the agreement under section 611 item 7 of the *Corporations Act 2001* (Cth) (**Corporations Act**) and ASX Listing Rule 7.1, and Havilah obtaining a waiver of ASX Listing Rule 7.3.2 to permit the issue of shares to GFG over a period of more than three months.
- **Funding** – The terms of the funding to be provided by GFG are summarised below.

Funding Component	Amount Million	Method of funding	Use of Funds
Committed initial placement	\$6	Funded by way of subscription for fully paid ordinary shares, which will be priced at the 45 day VWAP* to 30 April 2019 (Reference Share Price).	To fund corporate, administrative costs and agreed work programs on the Projects.
Committed subsequent placements subject to the achievement of Project milestones	\$44	Funded by way of milestone based subscriptions for fully paid ordinary shares, which will be priced at: <ul style="list-style-type: none"> ➤ a 22% premium to the Reference Share Price where SIMEC holds no more than 30% of all Havilah shares at the relevant subscription date; and ➤ a 35% premium to the Reference Share Price where SIMEC holds between 30% and 51% of all Havilah shares at the relevant subscription date. 	To fund agreed work programs on the Projects staged over a three-year period.
Conditional additional Project funding	\$17	To be funded by SIMEC purchasing direct equity interests in the iron ore assets priced at \$1.2 million for a 1% and/or by way of subscription for additional fully paid ordinary shares in Havilah at the price outlined above in relation to the milestone subscriptions.	Conditional funding if required to complete agreed work programs on the Projects.
Conditional discretionary corporate funding	\$8	To be funded, at the discretion of SIMEC, in one or more of the following ways: <ul style="list-style-type: none"> ➤ subscription for fully paid ordinary shares at the lesser of the price outlined above in relation to the milestone subscriptions and fair market value of Havilah’s shares; ➤ by SIMEC purchasing direct equity interests in the iron ore assets subject to the satisfaction of certain conditions; and/or ➤ by Havilah undertaking a capital raising underwritten by SIMEC. 	General corporate costs, tenement administration, Kalkaroo Station and discretionary exploration.
Conditional development funding for the Mutooroo project	\$25	To be negotiated in light of the economics of the project and availability and suitability of alternative financing.	Funding for a portion of the development costs of the Mutooroo project post-delivery of a positive DFS.
Total	\$100		

* Volume Weighted Average Price at 30 April 2019 was \$0.154.

If all committed funding is provided it is expected that GFG will hold approximately 51% of the share capital of Havilah.

- **Rights Issue** – Havilah is planning to undertake a pro-rata rights issue at a discount to the closing share price on 30 April 2019, which is also a discount to GFG’s subscription price, to raise up to \$5 million following approval by shareholders of the proposed transaction . This is in order to allow shareholders an opportunity to acquire shares in Havilah at an attractive price.
- **Director appointments** – In recognition of GFG’s significant investment and consistent with the strategic alliance, GFG has the right to nominate directors to complement the Havilah Board, as follows:
 - upon completion of the initial placement, one director;
 - upon reaching a 30% interest in Havilah, one additional director, who must be an independent director; and
 - upon reaching a 45% interest in Havilah, two further directors, one of whom must be an independent director.

Where GFG ceases to hold at least 30% of issued shares in Havilah, it must procure the resignation of one nominated director who is not an independent director. Where GFG ceases to hold at least 15% of issued shares in Havilah, it must procure the resignation of the remaining nominated director who is not an independent director.

Havilah’s board must be comprised of a majority of independent directors at all times and an independent Chair. Having regard to this, it is Havilah’s intention to appoint an additional independent director prior to the extraordinary general meeting referred to below.

- **Security** – The share subscriptions are structured so that subscriptions monies are provided by GFG to Havilah in advance of the relevant shares being issued, so as to allow Havilah to proceed with the relevant work program. In order to protect GFG’s interest before the relevant shares are issued, GFG will obtain security over the shares in the Havilah subsidiaries that hold tenements for the Projects and in the tenements for each Project. Granting of the security is subject to relevant regulatory consents. This security will only be capable of being exercised should Havilah become insolvent.
- **Guarantee** – Liberty Onesteel (MDR) UK Ltd (UK company number 10932936) has agreed to guarantee SIMEC’s obligations under the SSA.
- **Participation rights** – For such time as GFG holds shares, work is continuing in accordance with the Project Development Plan and GFG has committed funding obligations, it will be provided with an opportunity to participate in all of Havilah’s proposed capital raisings. Where GFG elects not to participate in a capital raising, Havilah may still undertake the capital raising provided that the capital raised would not exceed 10% of Havilah’s fully diluted capital.
- **Additional option shares** – Each time Havilah options (listed or unlisted) in existence at the date of the SSA (or specific employee options granted after that date) are converted into shares and work is continuing in accordance with the Project Development Plan, GFG will have the right to acquire the same number of shares that were issued upon the relevant conversion. The price payable by GFG for these shares will be the same as the relevant option exercise price, except in relation to options exercised by either of Dr Christopher Giles or Mr Mark Stewart, for which the price payable by GFG will be the determined in the same manner as the price for the “Committed subsequent placements subject to the achievement of Project milestones” set out in the table above.
- **Offtake rights** - GFG will have a first right of refusal in relation to any iron ore offtake and any copper concentrate or any other mineral offtake from the Projects.

Notice of Meeting

Havilah will in due course call an extraordinary general meeting for the purpose of requesting shareholders to approve the subscriptions contemplated by the SSA in accordance with the Corporations Act and the ASX Listing Rules. The notice of meeting will contain an independent expert's report in relation to the subscriptions contemplated by the SSA and other material information in relation to the SSA, including the recommendation of each director on how non-associated members should vote on the relevant resolution and the reasons for those recommendations.

Havilah notes that unless there is a material change in Havilah's circumstances, which may include receipt of a superior proposal or any other material information that comes to light, each of the directors intends to recommend that shareholders vote in favour of approving the subscriptions contemplated by the SSA.

Havilah Chairman Comments

Commenting on the proposed transaction, Independent Non-Executive Chairman, Mr Mark Stewart said:

"The proposed transformational transaction announced today is the culmination of extensive discussions and technical co-operation between Havilah, SIMEC and GFG since the middle of 2018.

"This co-operative and patient approach to explore alternatives, test ideas and understand value propositions has paid off with a clear win-win outcome for both parties.

"It demonstrates a shared view of the inherent value of Havilah and its potential, combined with GFG's confidence in the long-term growth prospects inherent in Havilah's extensive tenement package in the Curnamona Craton.

"The Havilah Board believes the strategic alliance with GFG will strengthen Havilah's ability to generate value from its multi-commodity portfolio through discoveries, project development and further transactions," he said.

GFG Chairman Comments

Commenting on the establishment of the alliance between Havilah and GFG, Chairman of Liberty House and CEO of GFG Alliance, Mr Sanjeev Gupta said:

"We have been extremely impressed with Havilah since we began working with them last year, and this is a great opportunity for us to build upon that partnership to help realise our vision for our Next-Gen steel plant, for our ambitious Whyalla Transformation project and for realising South Australia's tremendous copper potential," he said.

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

Contact: Mr Walter Richards, CEO, on (08) 8155-4500 or email: info@havilah-resources.com.au

About GFG

The GFG Alliance is a London-headquartered international group of businesses, founded and owned by the British Gupta Family, with annual revenue of over US\$15 billion and around 15,000 staff. It combines energy generation, metal manufacturing, engineering, natural resources and financial services, working together to deliver a common business strategy. The Alliance comprises Liberty - an integrated industrial and metals business - SIMEC - a resources and infrastructure group - Wyelands - a banking and financial services arm - JAHAMA - a division that manages and develops the Alliance's global property holdings - and the GFG Foundation that focuses on retention and creation of engineering and industrial skills. The acquisition of the ArcelorMittal European assets will increase the group's workforce to ~30,000 people and turnover to over US\$20 billion.

Advisors

Investec Australia is Havilah's financial advisor in connection with the proposed transaction.

APPENDIX 1

Project Execution Strategy

Each of the two Projects will be evaluated as stand-alone developments however, given the proximity of the Projects to each other (refer **Figure 1**), potential synergies between the two will be explored. Efficiencies could exist particularly in the areas of infrastructure and utilities.

Iron Ore Asset Project Strategy

The funding secured through the SSA supports an extensive three-year work program that builds on the outcomes of GFG's recent project due diligence. The program is designed to deliver a full prefeasibility study (**PFS**) on Havilah's iron ore projects, followed by a DFS.

The scale of Havilah's iron ore assets is significant, backed by the discovery of the Grants Basin with an Exploration Target* of 3.47 to 3.79 billion tonnes at 23.9 to 27.6% Fe ([see ASX announcement dated 5 April 2019](#)).

*The potential quantity and grade of the Exploration Target is conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

Outcomes from GFG's recent and ongoing metallurgical testwork on Maldorky iron ore samples (part of an internal scoping study of their project due diligence) has delivered promising results to date, demonstrating that a targeted product grade of 65% Fe and 40% product yield for an overall 85% Fe recovery can be achieved using conventional processing methods ([see ASX announcement dated 24 April 2019](#)).

The funded program builds on previous work and aims to define a technical and economic path forward to develop a viable iron ore mining and processing operation. The program includes the following key steps:

- Planned exploration program of approximately 50,000 metres of RC and diamond drilling to establish JORC iron ore mineral resource estimates to support the required mine life and design production rates;
- Open pit optimisation, detailed mine design and mining schedule;
- Development of a process flowsheet and definition of supporting infrastructure and utility requirements;
- Financial model and economic analysis;
- Market analysis and concentrate sales;
- Delivery of all project regulatory approvals; and
- Investigating funding and financing alternatives.

Mutooroo Copper-Cobalt District Project Strategy

The SSA funded work program that encompasses Havilah's copper assets in the Mutooroo Copper-Cobalt District (**District**) details an initially copper-focused strategy to deliver a lower risk, higher throughput project.

Havilah holds approximately 720 km² of exploration tenements in the highly prospective District, which includes the existing Mutooroo deposit and several high priority targets in the local area.

A detailed high resolution airborne electromagnetic (**AEM**) survey in the District planned to commence this week ([see ASX announcement dated 18 March 2019](#)), will cover strong surface geochemical anomalies previously identified by Havilah at Sidewinder, Mutooroo South and Copperhead ([see ASX announcement dated 28 August 2018](#)), as well as existing massive sulphide targets at Scorpion and extensions along the Scorpion Trend magnetic anomalies ([see ASX announcement dated 26 April 2018](#)), the King Brown Prospect and other areas under shallow cover not previously explored.

The funded work program for the District stages the project's development commencing with a copper only Scoping Study, then moving to a full PFS (pending favourable outcomes of the Scoping Study) followed by a DFS.

Key steps in the District project strategy include:

- Planned exploration program of approximately 15,000 metres of RC and diamond drilling to identify further copper sulphide deposits within trucking distance of the Mutooroo deposit;
- Further drilling (up to 30,000 metres) to establish JORC copper resource estimate to support the required mine life and target production rates;
- Investigation of the underground mining potential of the Mutooroo deposit below 150 metres depth (additional 15,000 metres drilling if justified);
- Open pit optimisation, detailed mine design and mining schedule;
- Development of a process flowsheet and definition of supporting infrastructure and utility requirements;
- Financial model and economic analysis;
- Market analysis and concentrate sales;
- Delivery of all project regulatory approvals; and
- Investigating funding and financing alternatives.

Cautionary Statement

This announcement contains certain statements which may constitute "forward-looking statements". Such statements are only predictions and are subject to inherent risks and uncertainties which could cause actual values, performance or achievements to differ materially from those expressed, implied or projected in any forward looking statements. Investors are cautioned that forward-looking statements are not guarantees of future performance and investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein.

Competent Persons Statement

The Company is not aware of any new information or data that materially affects the information included in the relevant market announcements cited here and, in the case of estimates of mineral resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

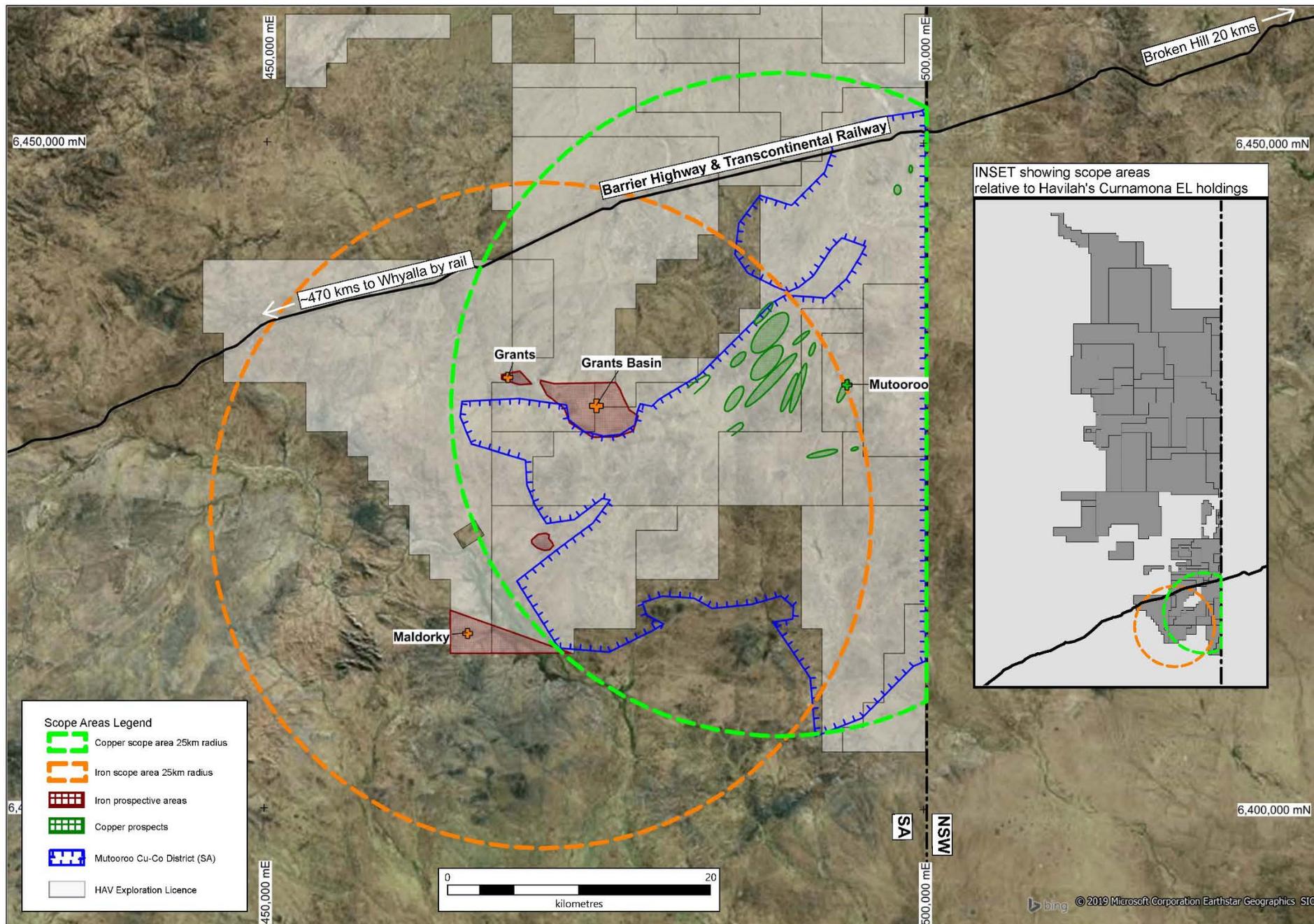


Figure 1 – Iron and copper project scope areas showing Havilah Exploration Licences and prospects.