# Havilah Resources

(ASX : HAV)

31 May 2013

***Havilah Resources NL** aims to become a significant new producer of iron ore, copper, gold, cobalt, molybdenum and tin from its 100% owned JORC mineral resources in northeastern South Australia.*

*120.3 million ordinary shares*

*31.6 million listed options*

*10.4 million unlisted options*


## QUARTERLY ACTIVITIES REPORT – PERIOD ENDING APRIL 2013
## HIGHLIGHTS FOR QUARTER

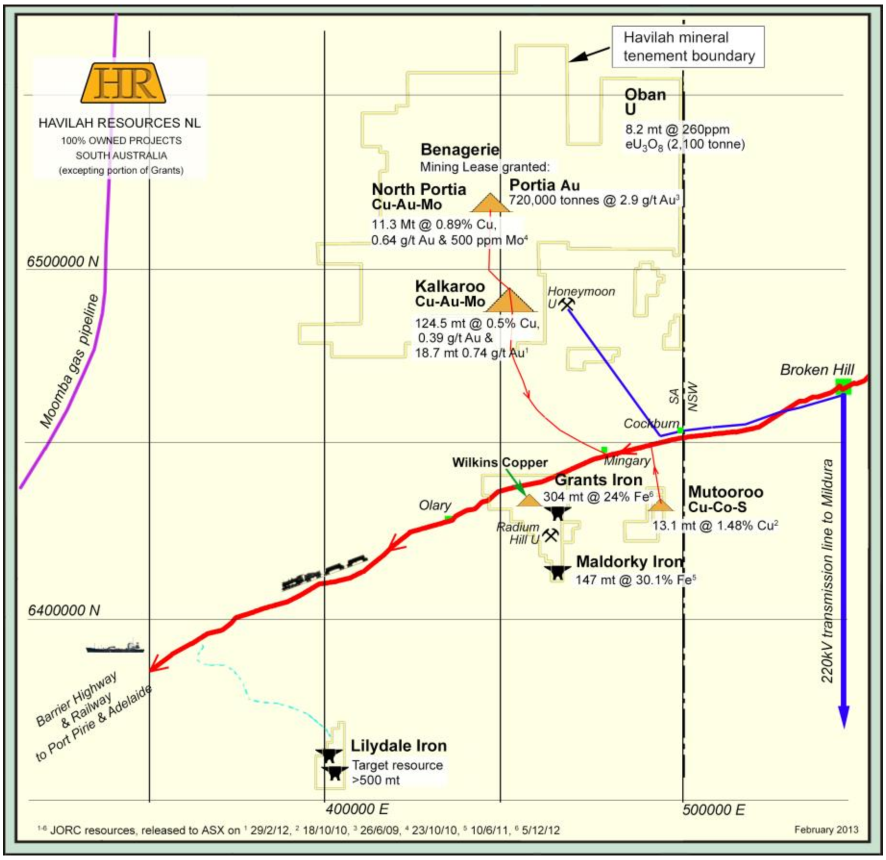
- **Portia mining approval** – acquisition of additional technical field data required by DMITRE and EPA for mining approval almost complete. Negotiations advanced with financiers and mining contractors

- **Kalkaroo copper-gold project** – new metallurgical test work confirms high gold recoveries in saprolite zone and significantly improved gold recoveries in sulphides.

- **Maldorky iron ore project** – progressing mining lease proposal, metallurgical test work and agreements with native title parties.

- **Clearance survey agreements** – signed with the Adnyamathanha people and Wilykali people over Havilah tenements, paving the way for resumption of drilling.

- **MMG exploration agreement –** Major drilling program commences on a variety of untested high quality copper targets.



**Havilah's chief focus during 2013 is to progress its various development projects through the mining permitting and approval stages, in accordance with the schedule of activities in the table below.**

| Activity / Project | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|---|---|---|---|---|
| **Portia** | PEPR preparation<br>Field data collection | PEPR submission<br>Financing<br>Contractor | Site works, camp and mining start<br>Dewatering | Overburden mining<br>Dewatering |
| **Maldorky** | MLP preparation<br>Native title<br>Metallurgy | MLP preparation<br>Native title<br>Metallurgy | MLP submission<br>Native title<br>PEPR preparation<br>Metallurgy pilot | MLP approval<br>PEPR submission<br>Metallurgy pilot<br>Dewatering study |
| **Kalkaroo** | Metallurgy<br>Revised mining plan options | MLP preparation<br>Native title<br>Metallurgy<br>BT gold drilling | MLP preparation<br>Native title<br>Shallow resource definition drilling | MLP submission<br>Native title<br>PEPR preparation<br>Process design |
| **Mutooroo** | MLP<br>Metallurgy | MLP<br>Metallurgy | MLP<br>Processing options | MLP<br>Processing options |
| **Grants** | Planning<br>Infrastructure | Planning<br>Infrastructure | Infrastructure<br>Metallurgy | Metallurgy<br>Infrastructure |
| **Exploration** | MMG geophysics and drilling<br>Portia ML drilling | MMG drilling<br>Portia ML drilling<br>Kalkaroo drilling | MMG drilling<br>Grants extensions drilling | MMG drilling and evaluation |

***MLP** – mining lease proposal, required to be approved before grant of a mining lease.*
***PEPR** – program for environmental protection and rehabilitation, dealing with mine closure and rehabilitation, required to be approved before mine operating approvals are granted.*
***Native title agreement** – must be negotiated and registered before a mining lease will be granted*

It should be noted that schedules indicated in the table are best estimates, given that quite often the timing is outside of Havilah's control, including government approvals (for MLP and PEPR) and negotiation of native title agreements. Also, the viability and hence commencement of a project is dependent on many economic factors including metal prices, contractor rates and financing terms, which may vary in ways not predicted.

Details of the activities undertaken for the various projects during the current quarter are summarised below.

## PORTIA GOLD PROJECT

In the previous quarterly report it was stated that mine operating approvals were expected to be granted in the second quarter of 2013. This is now considered unlikely, mainly because of the level of detail and the complexity of the expanded range of tasks and reporting now required by the government regulatory authorities in relation to tailings dam design, mine dewatering and disposal of excess water, and an underestimation of the time necessary to complete these tasks. This has involved an extensive program of field work and laboratory test work to generate the base data on which sophisticated computer modelling and simulation can be run.

This is a potentially very costly exercise because Havilah is required to use independent consulting firms to design the work programs, interpret the results and compile the reports in a form acceptable to the regulators, an exercise which is also taking longer than estimated. Havilah was able to save considerable costs in being able to carry out the field work itself, which involved drilling and casing of water wells, monitoring bores and sterilisation holes plus pump testing and taking regular measurements. Havilah's field crew (5 people) and two geologists, supervised by Portia project manager, mining engineer Mr Jared Murray, were dedicated full time to this work for the entire quarter and successfully completed the large work program with expediency and efficiency.

At the same time, Havilah's mining engineering team have made several modifications to the Portia project parameters that will result in greater efficiencies and reduced capital cost, including :

1. Open pit dewatering – confirmed the dewatering design and strategy, which is critical to maintaining pit wall stability in the soft clay overburden. Modelling showed that dewatering will need to begin at about the same time as commencement of mining in order to achieve the necessary draw-down that will ensure a continuously dry open pit floor.
2. Re-optimisation of the civil works, by reducing water dam sizes and storage capacities due to the availability of dewatering water.
3. Re-optimisation of the tailings dam design, with considerable capital cost savings.
4. Re-optimisation the waste dump, which has reduced the waste haul by around 700m a trip which should lower the mining cost

In the meantime Havilah has continued to advance its discussions with short-listed mining contractors and financiers with the aim of bringing these negotiations to a successful conclusion prior to the grant of final mining approvals. Havilah is also at an advanced stage of negotiation on acquisition of a second hand camp for Portia.

Key tasks to be undertaken during the next quarter are

1. Completion of consultant's report for the dewatering re-injection work.
2. Re-submission of the revised PEPR document and stakeholder consultation.
3. Commencement of pit dewatering water bores by the field crew and completion of sterilisation drilling.
4. Complete draft scope of works for the mining contractors

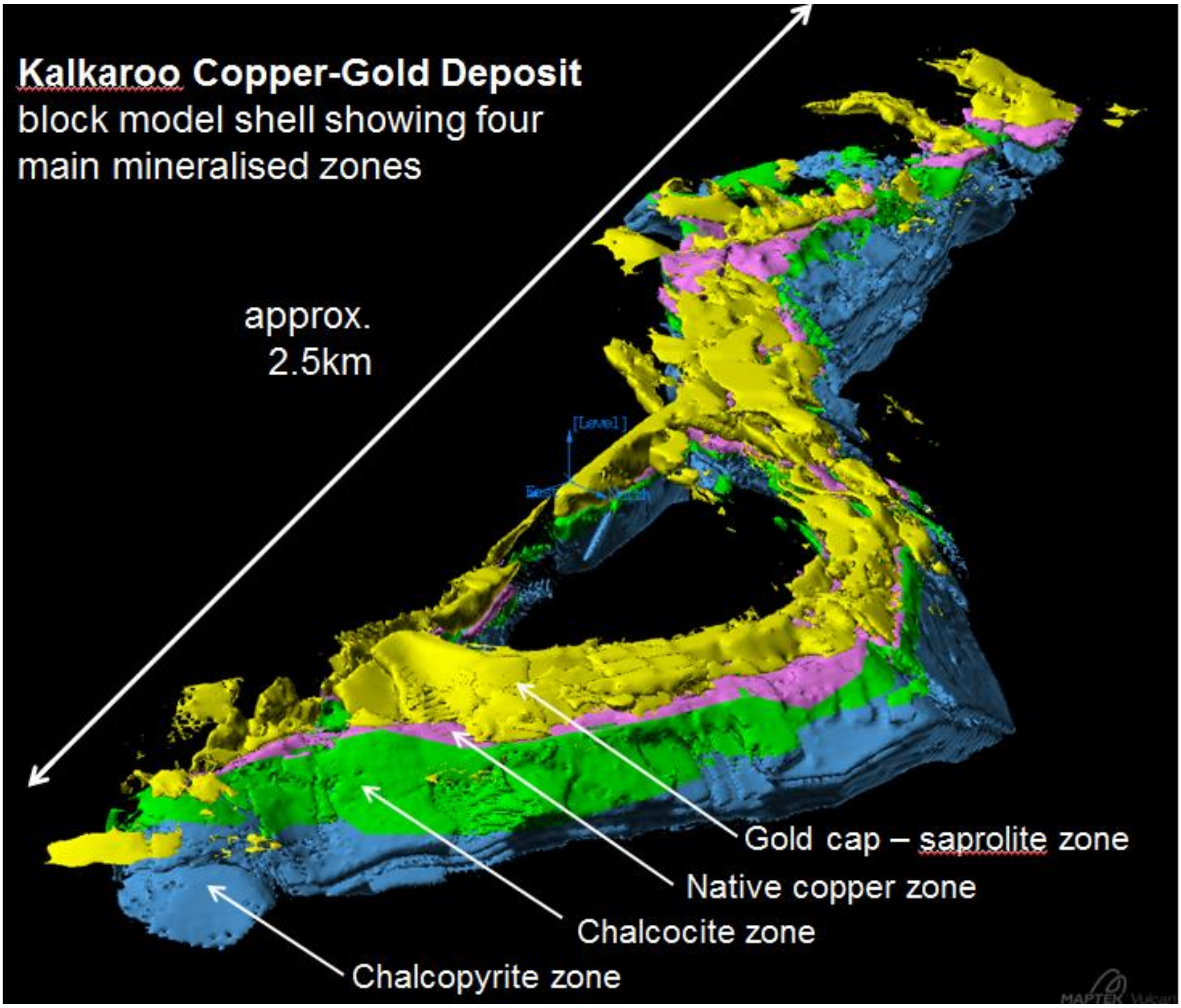
Subject to the consultant's modelling results showing that disposal of excess water from dewatering of the Portia open pit into the nearby palaeochannel is viable, it is anticipated that the PEPR, complete with all consultant's reports, will be re-submitted in July. After that, the timing of receipt of mine operating approvals is dependent on the consultation period required by the regulators and whether they raise any further substantive issues that require further data gathering and involvement of consultants. If no further issues are raised, Havilah could reasonably expect to have its mining approvals granted late in the third quarter of 2013.

## KALKAROO COPPER-GOLD PROJECT

The Kalkaroo project, with published JORC resources of over 623,000 tonnes of copper and 2 million ounces of gold (see table at end of this report) remains one of Australia's largest undeveloped copper and gold deposits. During the quarter Havilah reported that its ongoing metallurgical test work on the Kalkaroo sulphide material had improved gold recoveries by up to 25%, resulting in a potentially 330,000 ounce increase in recoverable gold. This was achieved by flotation of a pyrite concentrate from the tailings stream followed by conventional cyanide leaching of the pyrite.

This important testwork has increased total gold recovery from the chalcopyrite sulphide material up to 87% with the chalcocite material showing a gold recovery of up to 78%. Additional grinding of the pyrite flotation concentrate only marginally improved gold recoveries in both cases. The original Kalkaroo metallurgical test work, which did not treat the waste pyrite, achieved gold recoveries in the range 60-65% for the sulphides. Recovery of this additional gold would require a simple extra ore processing step for a small increase in operating cost.

In other metallurgical test work, Havilah confirmed consistently high gold recoveries (>97%) and low cyanide consumption in six representative samples of deeply weathered (saprolite) material at the top of the deposit, termed the "gold cap". This saprolite zone contains 446,000 ounces of gold, which is fine-grained and free milling, and provides important early cashflow for the project. The gold cap would be mined prior to the main sulphide zone and could deliver strong early cashflow to the Kalkaroo project.




Havilah continues to actively work on the Kalkaroo project on several fronts :

1. Rigorous evaluation of various start-up alternatives for Kalkaroo ranging from a low capital starter pit concentrating on the highest grade, shallow free gold and native copper mineralisation at West Kalkaroo to a full scale 9Mtpa throughput mining operation.
2. Preparation of a mining lease proposal with the aim of completing the mine permitting work by early 2014. This work is being undertaken by a dedicated geologist, with experience in this area, who has been employed specifically for this purpose.
3. Planning for a shallow drilling program at West Kalkaroo to systematically test the extent of gold mineralisation at the Base of Tertiary cover sequence, by analogy with the Portia gold deposit. Previous drilling results from this horizon have included 3m of 88g/t from 54-57m (KKRC129). This work has been delayed for almost 12 months owing to DMITRE's refusal to grant a drilling work approval until such times that a native title agreement between Havilah and the Adnyamathanha people has been negotiated and registered. Havilah is pleased to report that two Work Area Clearance Agreements have recently been executed with the Adnyamathanha people and following registration with DMITRE, should pave the way for approval of the proposed drilling program.

4. Initiation of the negotiation process for a native title mining agreement with the Adnyamathanha people, noting that it is necessary to have a registered native title mining agreement in place before a mining lease will be granted.

## MALDORKY IRON ORE PROJECT

Priority during the quarter has been to obtain key metallurgical data on bulk iron ore samples, necessary to assist in the design of a processing plant capable of upgrading the iron ore from mining grades of approximately 30% to consistent saleable product grades of > 60%. Once an optimum processing route has been established Havilah will complete construction of a special purpose pilot plant in order to test the conceptual processing flow sheet design and also to generate sufficient high grade iron ore product suitable for future sintering tests. Havilah has retained many tonnes of representative drilling chips that it can use for the metallurgical test work.

Early last year the Maldorky iron ore project and surrounding EL 5179 was covered by a Native Title Claim registered on behalf of the Wilyakali people. Since that time DMITRE have refused Havilah permission to drill in the area in the absence of an aboriginal heritage protection agreement. Havilah is pleased to report, that in a spirit of mutual co-operation and respect, it has recently signed an Aboriginal Sites Survey Agreement for Exploration with the Wilyakali people that covers all Havilah tenements within their claim area, including Maldorky. The agreement provides for a team nominated by the Wilykali people to survey all areas of proposed Havilah ground activities to ensure that no sites of cultural or spiritual significance are inadvertently disturbed. Subject to the outcome of a forthcoming site survey, and subsequent granting of work approvals by DMITRE, Havilah will once again be able to resume its field activities at Maldorky and surrounding areas.

## EXPLORATION

Havilah completed two RC percussion drillholes on a large iron ore copper-gold (IOCG) target, located in the centre of the Benagerie Dome. This target is marked by coincident gravity and magnetic anomalies and is known to have high iron rocks at depth based on earlier Pasminco aircore drilling. The possibility for IOCG deposits in the Curnamona Province has long been suggested based on the fact that the Gawler Craton (host to Olympic Dam, Prominent Hill and Carrapateena copper-gold deposits) and the Curnamona Craton have similar age host rocks and were almost certainly joined together at the time. The Curnamona Craton was also very likely joined to the Mt. Isa – Cloncurry Block (host to Mt Isa, Ernest Henry and Osborne copper deposits).

High iron rocks were intersected in both holes and assay results returned scattered anomalous copper, gold and molybdenum. This is a large target and further drilling is required to adequately test it. The current drilling program is incomplete because the drilling crew were diverted to higher priority tasks connected with the Portia PEPR, including boring and casing water wells and monitor wells, pump testing and sterilization drilling under the proposed waste dump and tailings dam areas.

MMG Exploration Pty Ltd ("MMG") commenced its 2013 drilling program on copper targets that it has selected mainly from its extensive geophysical work and detailed structural analysis of the region. At the time of writing, MMG had completed a 105 hole air-core drilling program of 6,515m. Subject to the results of an aboriginal heritage survey in progress, MMG plan to commence a 21 hole diamond drilling program on deeper copper targets in early June.

## FINANCE

As at 30 April 2013 the Company had available funds of approximately $6.9m. Expenditure during the quarter was almost entirely focused on additional work related to mining approvals for Portia and some metallurgical test work on Maldorky iron ore and Kalkaroo gold.

*JORC classification of Kalkaroo copper-gold resource*

| Classification | Tonnes | Cu grade % | Au g/t | Cut-off | SG |
|---|---|---|---|---|---|
| **GOLD CAP** Measured | 18,690,000 | | 0.74 | 0.2g/t | 1.86 |
| **KALKAROO CuAu** Measured | 85,890,000 | 0.52 | 0.41 | 0.3% Cu equiv. | 2.50 |
| **KALKAROO CuAu** Indicated | 38,620,000 | 0.45 | 0.33 | 0.3% Cu equiv. | 2.65 |
| **KALKAROO CuAu** Total Meas & Ind | **124,510,000** | **0.50** | **0.39** | 0.3% Cu equiv. | 2.55 |

For further information visit the Company website www.havilah-resources.com.au or contact :

Dr Bob Johnson, Chairman, on (08) 83389292 or email : info@havilah-resources.com.au

**Competent Persons Statement**
The information in this report has been prepared by geologists Dr Bob Johnson, who is a member of the Australasian Institute of Mining and Metallurgy, and Dr Chris Giles who is a member of The Australian Institute of Geoscientists. Drs Johnson and Giles are employed by the Company on consulting contracts. They have sufficient experience which is relevant to the style of mineralization and type of deposit under consideration to qualify as Competent Persons as defined in the JORC Code 2004. Drs Johnson and Giles consent to the release of the information compiled in this report in the form and context in which it appears.

*Field activities in progress at Portia*

*Rule 5.3*

# Appendix 5B

## Mining exploration entity quarterly report (Unaudited)

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Havilah Resources NL

ABN

39 077 435 520

Quarter ended ("current quarter")

30 April 2013

## Consolidated statement of cash flows

| Cash flows related to operating activities | | Current quarter $A'000 | Year to date (9....months) $A'000 |
|---|---|---|---|
| 1.1 | Receipts from product sales and related debtors | | |
| 1.2 | Payments for (a) exploration & evaluation | -939 | -2,814 |
| | (b) development | | |
| | (c) production | | |
| | (d) administration | -228 | -943 |
| 1.3 | Dividends received | | |
| 1.4 | Interest and other items of a similar nature received | 56 | 154 |
| 1.5 | Interest and other costs of finance paid | | |
| 1.6 | Income taxes paid | | |
| 1.7 | Other (provide details if material) | | |
| | **Net Operating Cash Flows** | -1,111 | -3,603 |
| | **Cash flows related to investing activities** | | |
| 1.8 | Payment for purchases of: (a) prospects | | |
| | (b) equity investments | | |
| | (c) other fixed assets | - | -20 |
| 1.9 | Proceeds from sale of: (a) prospects | | |
| | (b) equity investments | | |
| | (c) other fixed assets | - | 56 |
| 1.10 | Loans to other entities | | |
| 1.11 | Loans repaid by other entities | | |
| 1.12 | Other (provide details if material) | | |
| | **Net investing cash flows** | - | 36 |
| 1.13 | Total operating and investing cash flows (carried forward) | -1,111 | -3,567 |

| | | | |
|---|---|---|---|
| 1.13 | Total operating and investing cash flows (brought forward) | -1,111 | -3,567 |
| | **Cash flows related to financing activities** | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | 7,415 |
| 1.15 | Proceeds from sale of forfeited shares | | |
| 1.16 | Proceeds from borrowings | | |
| 1.17 | Repayment of borrowings | -12 | -43 |
| 1.18 | Dividends paid | | |
| 1.19 | Other (Share Issue Costs) | -88 | -155 |
| | **Net financing cash flows** | -100 | 7,217 |
| | **Net increase (decrease) in cash held** | - 1,211 | 3,650 |
| 1.20 | Cash at beginning of quarter/year to date | 8,143 | 3,282 |
| 1.21 | Exchange rate adjustments to item 1.20 | | |
| 1.22 | **Cash at end of quarter** | 6,932 | 6,932 |

## Payments to directors of the entity and associates of the directors
## Payments to related entities of the entity and associates of the related entities

| | | Current quarter $A'000 |
|---|---|---|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 187 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | |

1.25 Explanation necessary for an understanding of the transactions

## Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

## Financing facilities available

*Add notes as necessary for an understanding of the position.*

| | | Amount available $A'000 | Amount used $A'000 |
|---|---|---|---|
| 3.1 | Loan facilities | | |
| 3.2 | Credit standby arrangements | | |

## Estimated cash outflows for next quarter

| | | $A'000 |
|---|---|---|
| 4.1 | Exploration and evaluation | 650 |
| 4.2 | Development | |
| 4.3 | Production | |
| 4.4 | Administration | 180 |
| | **Total** | 830 |

## Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | | Current quarter $A'000 | Previous quarter $A'000 |
|---|---|---|---|
| 5.1 | Cash on hand and at bank | 180 | 167 |
| 5.2 | Deposits at call | 6,752 | 7,976 |
| 5.3 | Bank overdraft | | |
| 5.4 | Other (provide details) | | |
| | **Total: cash at end of quarter** (item 1.22) | 6,932 | 8,143 |

## Changes in interests in mining tenements

| | | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|---|---|---|---|---|---|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | | | | |
| 6.2 | Interests in mining tenements acquired or increased | | | | |

## Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

| | | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|---|---|---|---|---|---|
| 7.1 | **Preference +securities** *(description)* | | | | |
| 7.2 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 | **+Ordinary securities** | 120,333,301 | 120,333,301 | | |
| 7.4 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | | | | |
| 7.5 | **+Convertible debt securities** *(description)* | | | | |
| 7.6 | Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 | **Options** *(description and conversion factor)* | | | *Exercise price* | *Expiry date* |
| | | 19,196,037 | Listed | 50 cents | 30/10/2013 |
| | | 1,797,116 | Listed | 75 cents | 23/3/14 |
| | | 10,842,397 | Listed | 100 cents | 30/8/13 |
| | | 1,000,000 | Directors | 96 cents | 28/11/16 |
| | | 2,000,000 | Directors | 68 cents | 28/11/16 |
| | | 6,000,000 | Directors | 96 cents | 20/11/14 |
| | | 100,000 | Employee | 46 cents | 23/03/14 |
| | | 1,100,000 | Employee | 96 cents | 20/11/14 |
| | | 560,000 | Employee | 76 cents | 27/5/14 |
| | | 200,000 | Employee | 76 cents | 27/5/15 |
| | | 400,000 | Employee | 98 cents | 23/2/16 |
| | | 602,000 | Employee | 109 cents | 25/6/16 |
| 7.8 | Issued during quarter | | | | |
| 7.9 | Exercised during quarter | | | | |

| | | | | | |
|---|---|---|---|---|---|
| 7.10 | Expired during quarter | 100,000<br>500,000<br>1,000,000 | Employee<br>Unlisted<br>Unlisted | 150 cents<br>225 cents<br>180 cents | 4/4/13<br>6/3/13<br>6/3/13 |
| 7.11 | **Debentures** *(totals only)* | | | | |
| 7.12 | **Unsecured notes** *(totals only)* | | | | |

## Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: ............................................................ Date: 30 May 2013
(Director/Company secretary)

Print name: ...Bob Johnson...................................................

## Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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