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Havilah Resources
A New Mining Force in South Australia

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North Portia Revised Divestment Terms

HIGHLIGHTS

- **Revised divestment terms provide mutual commercial benefits, with accelerated payments to Havilah and greater flexibility for CMC.**
- **$2.0 million payment received by Havilah on 5 April 2019 and a further $4.0 million due in July 2019.**
- **Removal of uncertainty and a reduction in costs as payments are no longer linked to permitting obligations.**
- **Total divestment price of $12.0 million plus 1.5% NSR royalty remains a favourable outcome for Havilah based on comparative transactions.**
- **Exploration agreement on surrounding EL5873 will afford CMC the opportunity to potentially add to North Portia resources, generate additional royalties, and new project interests for Havilah through CMC funded exploration.**
- **Discoveries within trucking distance of the Benagerie ML could support a potentially expanded centralised processing facility at the Portia Mine site.**

Havilah Resources Limited (**Havilah**) is pleased to announce that it has agreed revised terms with Consolidated Mining & Civil (**CMC**) and Benagerie Gold and Copper (**BGC**) for the divestment of the Benagerie Mining Lease (**ML**) on which the Portia and North Portia projects are located.

The revised terms provide for accelerated upfront payments to Havilah, while eliminating Havilah's permitting obligations with respect to the ML. In return for the accelerated payments to Havilah, and in recognition that the ML is now being divested as a not fully permitted project and hence of less value, the sale price of the ML has been reduced by ~$2.1 million, net of permitting costs which Havilah will no longer be required to incur. At a valuation of $12.0 million, the divestment still represents fair value when compared to other transactions for similar projects with the same level of permitting.

It is important to note that the metallurgical results for North Portia and updated economic modelling indicate that it would be challenging for Havilah to raise the project development capital required for the development of North Portia. Accordingly, in recognition of the challenges presented by this project, Havilah has agreed to accept a reduced royalty from CMC for metal sales from the ML.

The revised terms provide Havilah with earlier cash inflows and certainty, while allowing CMC greater flexibility to advance the North Portia project at a pace that better suits its requirements.

The parties have also agreed to enter into an exploration agreement with respect to exploration licence EL5873, that surrounds the ML. The exploration agreement is specifically geared towards CMC identifying mineralisation that could supplement the feed to the North Portia plant, thereby allowing CMC the opportunity to potentially increase the scale of the North Portia operation. Under this arrangement Havilah is guaranteed participation rights and so maintains its material interest in any new potential discoveries made by CMC. Any additional discoveries also have the potential to increase Havilah's royalty income from the North Portia operation, whilst also assisting Havilah to meet its exploration expenditure commitments on EL5873.

CMC's right to explore EL5873 does not impact on Havilah's ability to explore this tenement, although CMC will have a three-year exclusivity period over the Lorenzo, Shylock and Birksgate prospects in respect of which Havilah has no current exploration plans. Havilah will have a three-year exclusivity period with respect to the Croziers copper target while the exploration rights of Havilah with respect to the Bassanio IOCG (Iron oxide copper gold) target remain unchanged from the original divestment agreement.

EL5873 is a large, under-explored and highly prospective area and it is Havilah's view that the combined exploration efforts of the two companies potentially increases the chance of discovery success to the mutual benefit of both parties.

The key commercial points of the revised transaction terms with respect to the divestment of North Portia are as follows:

- First payment of $1.0 million was made in July 2018 when the transaction closed. *Original agreement: No change.*
- Second payment of $2.0 million was made on 5 April 2019 following the execution of the Heads of Agreement (**HOA**) for the revised terms. *Original agreement: 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.*
- Third payment of $4.0 million is payable within 30 days of the execution of the HOA, which is to be kept in escrow while documentation is completed (expected to be completed in July 2019). *Original agreement: 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.*
- Final payment of $3.8 million payable once the first $3.5 million of production revenue from the North Portia project is achieved. *Original agreement: Final payment of $5.5 million, 12 months after the second payment.*
- CMC continues to fund 100% of the Portia rehabilitation bond which released Havilah's $1.2 million in bank guarantee obligations. *Original agreement: No change.*
- Total divestment price of $12.0 million. *Original agreement: $14.7 million.*
- Havilah has no further permitting obligations with respect to the ML saving Havilah a current estimated ~$0.6M. *Original agreement: Havilah retained the responsibility to deliver the required permitting for the project.*

- 1.5% NSR royalty on all commodity sales from the ML. *Original agreement: 2% NSR royalty.*
- New agreement eliminates the increased NSR royalty (3.25%) on copper metal sales, after 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).
- New agreement eliminates guaranteed payments of $0.3 million per quarter if the quarterly royalty payment is not at least $0.3 million per quarter by 30 November 2020.
- Payments from CMC will be secured through a mortgage over the Benagerie ML and the Portia processing plant. *Original agreement: No change.*
- Havilah maintains the first right to any pyrite (contains cobalt) produced as a by-product from the production of copper and gold. *Original agreement: No change.*
- Havilah retains the exploration rights to the Bassanio IOCG target on the ML. *Original agreement: No change.*

Commenting on the exploration opportunity surrounding North Portia, Steve Radford OAM, the Managing Director of CMC and BGC said: "The whole BGC and CMC team are pleased to continue and strengthen their working relationship with Havilah as we move forward into the future.
"The opportunity for Portia to be the hub for processing and operational support for potential new mineral targets within the EL is very exciting.
"We are always looking at ways to add value and improve the economics of our business and by building on this alliance with Havilah for the long-term benefit of both the companies, their employees, Broken Hill and regional communities is what we do.
"Our group of companies are general contractors, miners and now also mineral explorers," he said.

Commenting on the revised divestment terms for North Portia, CEO, Mr Walter Richards said: "We view the revised North Portia divestment terms as a win-win outcome for both parties.
"Under the revised arrangement, neither party is tied to the other with respect to cash flow planning or investment and operating decisions.
"Havilah still receives a fair sale price and is now relieved of the permitting obligations, which will allow it to focus on the other projects in its *Copper Strategy – Enhanced by Cobalt*.
"The exploration agreement on EL5873 is likely to accelerate exploration and enhance the prospects of discovery success in which Havilah can participate, while still retaining its key exploration rights.
"For Havilah, the certainty over immediate and accelerated cash flow was an important consideration in agreeing to revise the divestment terms," he said.

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