



Haoma Mining NL

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January 25, 2019

Mr Kevin Lewis
Chief Compliance Officer
ASX Compliance Pty Ltd
20 Bridge Street
SYDNEY NSW 2000

Copies to:
The Editor - The Financial Review

Haoma shareholders

Dear Sir,

Injurious, damaging and false statements

We refer to the statement attributed to you in the story titled "*ASX proposes sweeping regulatory changes to stop dodgy listings*" which was written by William McInnes and published by the Financial Review on January 6, 2019.

You are reported as saying:

"That [delisting from the ASX] of course is our ultimate sanction for wrongdoing, to remove you from the official list and to remove your access to the public market. There's been a number of companies that have incurred that particular penalty, starting with Haoma [Mining] at the beginning of the year for some pretty egregious breaches of the code amongst other things."

Your use of the terms "*wrongdoing*", "*egregious*" (to describe Haoma's breaches of the code) and "*amongst other things*" is incorrect, exaggerated and unnecessarily damaging to Haoma Mining NL. We think these particular terms to describe Haoma in an interview you knew was to be published to the general public, were made by you knowing they were not correct, and with malice.

In the ASX's Reasons for Removal From the ASX Official List dated February 5, 2018, the reasons given under your signature on behalf of the ASX are that Haoma "*committed numerous serious breaches of the Listing Rules ... without rectifying those breaches*". There is no reference to any wrongdoing by Haoma or its directors, to Haoma's conduct being "*outstandingly bad*" or "*grievous*" or "*shocking*" or "*appalling*", or there being any other reasons (or "*things*") identified by the ASX for removing Haoma from the official list.

In the circumstances, we require your immediate and unqualified retraction of these words, made in a public statement, and correction of the public record.

In the event you fail or refuse to publicly retract these damaging and untrue statements, and correct the public record, **within seven days from today's date**, Haoma proposes, without further notice to you, to commence legal action against you personally.

Yours sincerely

Gary C Morgan
CHAIRMAN

FINANCIAL REVIEW

ASX proposes sweeping regulatory changes to stop dodgy listings

By William McInnes
06 Jan 2019 — 11:00 PM

The Australian Securities Exchange is pursuing its hard line against Chinese firms, expelling a number from the exchange and proposing to impose new rules to punish dodgy listed companies and rule breakers.

China Dairy, Traditional Therapy Clinics, Winha Commerce, Wolf Petroleum, Ding Sheng Xin Finance and Premiere Eastern Energy were all delisted by the ASX in 2018 and there could be several more expelled under the proposed changes. ASX has also been increasing scrutiny of companies proposing to list on the local market.

The reasons companies are delisted include failing to lodge accounts, corporate governance problems, failure to respond to ASX queries, breaches of listing rules and long-term suspension of shares.



Chief compliance officer Kevin Lewis says the ASX is cracking down on rule-breaking companies. *Louise Kennerley*

Among the ASX's proposed changes is tightening the time companies can be suspended from trading, introducing a public censure of company executives and directors, mandating regular reporting and increasing disclosure requirements to shareholders.

One of the changes the exchange made in 2016 was to automatically delist companies following three years of consecutive suspension, a rule they are now looking to tighten further to as little as a year.

"We're proposing to tighten that three years to two years, with a rider that if the reason you've been suspended is because you have failed to file accounts [it] is actually going to be one year," Kevin Lewis, ASX chief compliance officer, said.

"The presumption that underlies the differentiation between two years and one year is that if you haven't filed accounts you've either got something to hide or you can't afford to pay your auditors. It's hard to find any other reason and in either case you really shouldn't be on the market."

It's a harsher tone for the ASX, which before 2016 allowed companies to be suspended indefinitely. Mazu Alliance Limited remained continually suspended for 12½ before the implementation of the new rule.

Another proposal on the table is a censure power, which the exchange believes will be a big deterrent for company executives and directors.

Longest currently suspended companies on ASX

Company	Sector	Suspended	Time suspended so far
EnviroMission	Utilities	May 2016	2 yrs, 7 mths, 24 days
Kairiki Energy	Energy	May 2016	2 yrs, 7 mths, 10 days
xTV Networks	Telecomms	Jun 2016	2 yrs, 6 mths, 21 days
Ensogo	Retail	Jun 2016	2 yrs, 6 mths, 16 days
Mesa Minerals	Materials	Jul 2016	2 yrs, 5 mths, 24 days
Indus Energy	Energy	Aug 2016	2 yrs, 5 mths, 1 day
India Resources	Materials	Aug 2016	2 yrs, 4 mths, 14 days
ATC Alloys	Materials	Sep 2016	2 yrs, 4 mths, 5 days
Oakajee Corp	Financial	Sep 2016	2 yrs, 3 mths, 28 days
Odin Energy	Energy	Sep 2016	2 yrs, 3 mths, 24 days
Zamanco Minerals	Materials	Sep 2016	2 yrs, 3 mths, 10 days
GoConnect	Telecomms	Oct 2016	2 yrs, 3 mths, 3 days
Cleveland Mining	Materials	Oct 2016	2 yrs, 3 mths, 3 days
Mission New Energy	Energy	Nov 2016	2 yrs, 1 mth, 12 days
Pacific Dairies	Cons staples	Nov 2016	2 yrs, 1 mth, 9 days
Dynasty Resources	Materials	Dec 2016	2 yrs, 0 mths, 29 days
Bora Bora Resources	Materials	Dec 2016	2 yrs, 0 mths, 14 days
Migme	Telecomms	Feb 2017	1 yr, 10 mths, 30 days
Raffles Capital	Financial	Feb 2017	1 yr, 10 mths, 26 days
Onterran	Industrials	Feb 2017	1 yr, 10 mths, 23 days

SOURCE: BLOOMBERG

"It's a power that most other markets have that we currently don't have," Mr Lewis said. "I think it's a very important piece of an exchange's armoury to be able to formally censure because someone who is looking to make a career out of being a director of a listed company doesn't want to have an exchange censure on their CV."

Mr Lewis believes the censure would be a more powerful tool in preventing poor behaviour than fining companies.

"The problem we're finding is you end up punishing the wrong people," he said. "You punish the shareholders rather than the people of the company who have actually done the wrongdoing."

The ASX is also looking at mandating more regular reporting and encouraging a strong line of communication between companies and shareholders.

"We're proposing, subject to consultation feedback, to beef up our rules around quarterly reporting," Mr Lewis said.

"We've got a framework that operates in the mining space where you do both a quarterly activity report and a quarterly cash flow report. In the start-up space we currently only required them to do a cash flow report. So what we want to do is replicate that mining structure so that people are also doing a quarterly activity report and updating the market more frequently, particularly if you're an early start-up or an early-stage tech."

The new regulations, which could be introduced by the middle of the year, are set to further empower the ASX.

"There's a range of things that we've been doing particularly over the last 12 months and are looking to do over the next 12 months," Mr Lewis said. "The rule changes are a part of it but just more generally we've been very proactive in calling some of our listed companies to account for some of their behaviour."

He estimates the ASX has delisted more companies over the past 12 months than in the preceding five years combined.

"That of course is our ultimate sanction for wrongdoing, to remove you from the official list and to remove your access to the public market. There's been a number of companies that have incurred that particular penalty, starting with Haoma [Mining] at the beginning of the year for some pretty egregious breaches of the code amongst other things."

Mr Lewis also cited the action taken against companies like Hardey Resources, Manalto and Victory Mines over their relationships with Adam, Darrin and Alvin Blumenthal and the entities they control, including Everblu, Anglo, ASN, Horatio and Suburban. Manalto has been allowed to resume trading but Hardey Resources and Victory Mines remain suspended.

The ASX also delisted Perth-based exploration minnow Capital Mining after inquiring about discrepancies in the company's expenditure in July 2017.

"We've just removed it from the official list, having now addressed some pretty poor behaviour by some of their former directors and some questionable conduct that happened in their administration," Mr Lewis said.

The exchange said increasing their scrutiny of companies much earlier in the listing process could mean fewer delistings would be needed in the future.

"There have to be at least at least 70 and possibly considerably more listing applicants that we've just rejected [since March 2016] on the basis that they're too early stage, that they're operating in jurisdictions that we don't particularly like or that they've got poor governance relationships," Mr Lewis said.

"For example, the founding shareholder is the CEO and the chairman, their spouse is on the board and their adviser is on the board. Those are the sorts of things we've kept off the market."

<https://www.afr.com/markets/asx-propose-sweeping-regulatory-changes-to-stop-dodgy-listings-20190103-h19nny>