



# Haoma Mining NL

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Level 4, North Tower, Rialto  
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**MELBOURNE, VIC 3000**

April 27, 2012

Dear Sir,

## **ACTIVITIES REPORT FOR THE QUARTER ENDED MARCH 31, 2012 – HIGHLIGHTS**

- **Group Consolidated Result** – Haoma Mining's unaudited consolidated financial result for the three months ended March 31, 2012 was a before tax loss of \$2.18 million after interest of \$1.06 million, depreciation and amortisation of \$0.10 million and group exploration, development and test work expenditure of \$1.21 million.
- **Sale of Iron Ore Rights at Mt Webber to Atlas Iron Ltd and Amendment to Daltons Joint Venture (E45/2186, E45/2187, E45/2921, E45/2922)** - The sale of Haoma's iron ore rights at Mt Webber to Atlas Iron Ltd was completed on April 24, 2012. Details of the sale were previously announced to the market on March 26, 2012.

A Tenement Sale & Purchase Agreement was executed on April 20, 2012. The principal terms of that Agreement are:

- Haoma has sold its 25 per cent interest in the underlying tenements and iron ore rights for consideration of \$33 million. No future royalties are payable by Atlas.
  - The consideration is made up of \$10 million in cash and 8,406,433 Atlas shares based on 95% of the daily VWAP on March 23, 2012 being \$2.88 per Atlas share.
  - Atlas will make additional annual payments to Haoma on a pro-rata basis for any additional Reserves estimated on the Daltons Joint Venture tenements above 24MT, equivalent to \$5.50 per tonne for Haoma's 25 per cent share.
  - Haoma has been granted rights to all non-iron ore minerals on all of the Atlas and Haoma Daltons JV exploration tenements including M45/1197 and the underlying exploration tenement currently recorded as E45/2186.
- **Bamboo Creek Test Work** – During the Quarter test work continued at the Bamboo Creek site utilising the Elazac Process. The latest Elazac tests focused on the final stages of optimising gold extraction when processing samples of **Bamboo Creek Tailings** and **Mt Webber drill core**. **In the latest Quarter gold was recovered gravimetrically from a 1kg sample of Mt Webber drill core (RC drill hole RCDW 029) which equated to a gold grade of 23g/t (total grade 27g/t). In March 2012 test work developed a commercial process to extract gold from Mt Webber ore which contains gold.**

The Directors are pleased to advise Haoma shareholders that plans are well advanced to upgrade the Bamboo Creek plant to a full scale commercial production plant. Procurement of additional processing plant equipment has commenced. This plant equipment will be installed at Bamboo Creek once all the necessary permits have been obtained from the Government of Western Australia Department of Mines and Petroleum.

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### **1. GROUP CONSOLIDATED RESULT TO MARCH 31, 2012**

| <b>Haoma Mining NL<br/>Consolidated Profit &amp; Loss</b>   | 2010/11<br>3rd Qtr<br>(\$m) | 2010/11<br>Full Year<br>(\$m) | 2011/12<br>1st Qtr<br>(\$m) | 2011/12<br>2nd Qtr<br>(\$m) | 2011/12<br>3rd Qtr<br>(\$m) | 2011/12<br>9 Months<br>(\$m) |
|---|-----------------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|
| Operating Revenue:  |                             |                               |                             |                             |                             |                              |
| Recovery of Exploration Costs   | -                           | 0.50                          | -                           | -                           |                             | -                            |
| Royalties   |                             | 0.07                          | <b>0.02</b>                 | <b>0.02</b>                 | <b>0.03</b>                 | <b>0.07</b>                  |
| Retail Sales & Misc.  | 0.03                        | 0.16                          | <b>0.05</b>                 | <b>0.04</b>                 | <b>0.02</b>                 | <b>0.11</b>                  |
| Finance Revenue   | 0.03                        | 0.18                          | <b>0.03</b>                 | <b>0.03</b>                 | <b>0.03</b>                 | <b>0.09</b>                  |
| Licence Fee   | -                           | 0.14                          | <b>0.01</b>                 | -                           | -                           | <b>0.01</b>                  |
| Profit on Sale of Assets  |                             |                               |                             | <b>0.18</b>                 | -                           | <b>0.18</b>                  |
| <b>Operating Revenue</b>  | <b>0.06</b>                 | <b>1.05</b>                   | <b>0.11</b>                 | <b>0.27</b>                 | <b>0.08</b>                 | <b>0.46</b>                  |
| <b>Operating profit before interest,<br/>depreciation, amortisation, exploration &amp;<br/>development costs:</b> | (0.07)                      | 0.08                          | <b>0.02</b>                 | <b>0.18</b>                 | <b>0.10</b>                 | <b>0.30</b>                  |
| Interest  | (0.96)                      | (3.75)                        | <b>(1.07)</b>               | <b>(1.10)</b>               | <b>(1.06)</b>               | <b>(3.23)</b>                |
| Depreciation & amortization   | (0.14)                      | (0.48)                        | <b>(0.03)</b>               | <b>(0.04)</b>               | <b>(0.01)</b>               | <b>(0.08)</b>                |
| Exploration, development & test work  | (0.74)                      | (3.06)                        | <b>(0.95)</b>               | <b>(1.01)</b>               | <b>(1.21)</b>               | <b>(3.17)</b>                |
| <b>Operating (loss) before tax</b>  | <b>(1.88)</b>               | <b>(7.21)</b>                 | <b>(2.03)</b>               | <b>(1.97)</b>               | <b>(2.18)</b>               | <b>(6.18)</b>                |

#### **1.1 Haoma's Group Consolidated Result**

Haoma Mining's unaudited consolidated financial result for the three months ended March 31, 2012 was a before tax loss of \$2.18 million after interest of \$1.06 million, depreciation and amortisation of \$0.01 million and group exploration, development and test work expenditure of \$1.21 million.

#### **1.2 Funding of Operations**

Proceeds from the sale of Haoma's iron ore rights at Mt Webber to Atlas Iron Ltd (See 2.1 below) will provide funds for future operations with Directors giving consideration to how the funds can be put to best use. Initially some of the proceeds will be used to purchase additional equipment needed to upgrade the Bamboo Creek Plant.

Prior to the Mt Webber sale, funding for the Haoma's operations has to date been provided by The Roy Morgan Research Centre Pty Ltd and Leaveland Pty Ltd, both of which are Director related entities and controlled by Haoma's Chairman, Mr Gary Morgan. The loan amounts from each company have previously been disclosed in Haoma's financial reports as being from Leaveland, however all funding since February 12, 2007 has been advanced directly by The Roy Morgan Research Centre Pty Ltd. The loans are now separately recognised. Both Roy Morgan Research Centre Pty Ltd and Leaveland Pty Ltd have provided an assurance to the Board that Haoma's funding requirements will continue to be supported as needed or until further notice.

At March 31, 2012 the principal debt to The Roy Morgan Research Centre Pty Ltd and Leaveland Pty Ltd was \$37.743 million. Haoma has approved payment of interest on this debt at the 30 day commercial bill rate plus a facility margin of 4%. Interest will accrue until such time as the company is in a position to commence interest payments. Interest accrued for the 3 months to March 31, 2012 was \$1.057 million. Total interest accrued and unpaid to March 31, 2012 is \$15.009 million.

#### **1.3 Forward Gold Sale Contracts: No future gold production is sold forward.**

## **2.0 RECENT HAOMA MINING ACTIVITIES AND WAY FORWARD**

### **2.1 Mt Webber Iron Ore:**

On April 20, 2012 Haoma Mining's sale of its iron ore rights at Mt Webber to Atlas Iron Ltd was executed. Details of the sale were previously announced to the market on March 26, 2012.

The principal terms of that Agreement are:

- Haoma has sold its 25 per cent interest in the underlying tenements and iron ore rights for consideration of \$33 million. No future royalties are payable by Atlas.
- The consideration is made up of \$10 million in cash and 8,406,433 Atlas shares based on 95% of the daily VWAP on March 23, 2012 being \$2.736 per Atlas share.
- Atlas will make additional annual payments to Haoma on a pro-rata basis for any additional Reserves estimated on the Daltons Joint Venture tenements above 24MT, equivalent to \$5.50/t for Haoma's 25 per cent share.
- Haoma has been granted rights to all non-iron ore minerals on all of the Atlas and Haoma Daltons JV exploration tenements including M45/1197 and the underlying exploration tenement originally recorded as E45/2186.

### **2.2 Elazac Test Work at Bamboo Creek**

During the Quarter test work continued at the Bamboo Creek site utilising the Elazac Process.

The latest Elazac tests focused on the final stages of optimising gold extraction when processing samples of **Bamboo Creek Tailings** and **Mt Webber drill core**.

#### **2.2.1 Tests On Bamboo Creek Ore**

**At the November 30, 2011 Haoma Annual General Meeting shareholders were advised that using the Elazac Process gold had successfully been extracted from Bamboo Creek Tailings. In Haoma's 2011 Annual Report Haoma shareholders were advised that using the Elazac Process fine gold was recovered from a 10.42 kg parcel of Bamboo Creek Tailings which equated to a gold grade of 41.37g/t.**

### **C Bamboo Creek Gold**



## 2.2.2 Tests On Mt Webber Ore

In the latest Quarter gold was recovered gravimetrically from a 1kg sample of Mt Webber drill core (RC drill hole RCDW 029) which equated to a gold grade of 23g/t (total grade 27g/t) - see reported as Item 4 in Table 1 below.

In March 2012 test work developed a commercial process to extract gold from Mt Webber ore which contains gold.

**Table 1:**

| Area Sampled   | Sample Description   | Gold Assay by Traditional Method | 'Calculated' Gold Head Grade using Refined Elazac Assay Method <sup>[1]</sup> |                                     |
|--|--|----------------------------------|---|-------------------------------------|
|  |  |                                  |   | g/t                                 |
| <b>1. Daltons/Soansville: Reported December 2008</b>   | 17 drill chip samples, over 21.8 metres from 3 drill holes | 0.059g/t                         | Leached Trial Grade   | 0.176                               |
|  |  |                                  | Tail Grade  | 76.09                               |
|  |  |                                  | 'Calculated' Gold   |                                     |
|  |  |                                  | Head Grade  | > 76.0                              |
| <b>2. Daltons/Mt Webber May-July 2011</b><br>(Samples from diamond drill hole RDDW002 location East 738955.19, North 7617235.26, Dip/Azim -90/0 & RDDW003 location East 739163.67, North 7617445.42, Dip/Azim -90/0) | Sample sizes, 20-90 kg                                     | 0.08 g/t                         | Bamboo Creek Lab  | 4.5<br>5.0<br>17.0<br>75+           |
|  |  |                                  | Independent Lab   | 4.5<br>7.5<br>31+                   |
|  |  |                                  | ALS   | 80+                                 |
| <b>3. Daltons/Mt Webber Sept./Oct. 2011</b><br>(Sample from approximately 20 meters of RC drill hole RCDW029; location East 739160, North 7617447, Dip/Azim -60/90)  | Sample size:<br>3a: 1.835 kg<br>3b: 10kg                   | 0.08 g/t                         | Independent Lab<br>Independent Lab  | 62.3<br>71.3                        |
| <b>4. Daltons/Mt Webber Sept./Oct. 2011</b><br>(Sample from approximately 20 meters of RC drill hole RCDW029; location East 739160, North 7617447, Dip/Azim -60/90)  | Sample Size:<br>1 kg                                       | 0.08 g/t                         | Independent Lab<br>Recovered gravimetric Gold<br>Gold in Residual<br>Total    | <br><br>23<br><u>4</u><br><u>27</u> |

**Note:** Table 1 above includes the previously reported (July 31, 2011) high-grade gold results obtained from Daltons/Mt Webber samples. On September 2, 2011 shareholder were advised that repeat gold assays obtained similar high gold grades as indicated by '+'.

The Directors are pleased to advise Haoma shareholders that plans are well advanced to upgrade the Bamboo Creek Plant to enable commercial production.

<sup>[1]</sup> The information & data in this report as it relates to Metallurgical Results is based on information compiled by Mr Peter Cole who is an expert in regard to this type of metallurgical test work. The results relate to testing the effectiveness of a new method of assaying for gold and other mineral content (the Refined Elazac Assay Method) and a new method for extraction of gold and other minerals from ore (the Refined Elazac Extraction Method). These methods are together referred to as the Elazac Process. The information reported relates solely to the ongoing test work in relation to bringing the Elazac Process to commercial realisation. Mr Cole has worked in the mining industry for over 30 years and has been associated with the development of the Elazac Process over a long period (approximately 15 years). Mr Cole is one of only a few persons with sufficient relevant knowledge and experience to report results in relation to test work on the Refined Elazac Assay Method and Refined Elazac Extraction Method. Mr. Cole has consented to the inclusion in this release of the information and data in the form and context in which it appears.

Procurement of additional processing plant equipment has commenced. This plant equipment will be installed at Bamboo Creek once all the necessary permits have been obtained from the Government of Western Australia Department of Mines and Petroleum.

It is anticipated that the new Bamboo Creek Plant configuration will process Bamboo Creek Tailings at a production rate of up to 50 tonnes per hour. This will result in an initial daily throughput of at least 400t of Bamboo Creek Tailings. It is anticipated that at least 20 tonnes per day of Bamboo Creek Concentrate will be produced using a rough gravity cut rate of 5%. The Bamboo Creek Concentrate gold grade is expected to be about 100 g/t.

### **2.3 Haoma's Gold Future**

In [May 11, 2010 Haoma Mining Chairman's Address](#) Gary Morgan stated the following:

*“So far my family has invested at least \$50 million in the Marble Bar area on mineral exploration and metallurgical research with no Government help and no return!”*

*Paul Howes of the Australian Workers' Union said in the Sunday Telegraph: “And some of the money (Mining ‘Super Profits’ Tax) must go towards supporting entrepreneurs who want to process raw materials before being shipped overseas.” Paul Howes is right, Australian miners must add value to their exports.*

*Haoma's Directors do not want any Government money now or in the future. All we want is to be taxed at the same rate as other Australian companies. And we want the BHP Billiton and Rio's ‘stranglehold’ on the Pilbara rail and port infrastructure to be available to all Pilbara mineral miners – making these facilities available on a commercial basis will achieve more for Australian profits and tax revenue than the proposed new Mining ‘Super Profits’ Tax.”*

A lot has happened since May 2010, however the Haoma Board and advisors are still of the opinion Australia needs to **add value to materials mined in Australia** – unfortunately for Australia processing minerals is now ‘further away’ from the situation in May 2010 with both One Steel and BlueScope significantly cutting back on their iron ore smelting activities.

The significant amount spent by Haoma on “mineral exploration and metallurgical research” has resulted in Haoma now knowing how to liberate the different minerals from Haoma's once not minable Pilbara ore bodies.

Haoma has now developed a sustainable commercial process to extract gold from Bamboo Creek Tailings, Mt Webber ore and other Bamboo Creek ores.

In addition to upgrading the Bamboo Creek Plant to full scale commercial production Haoma now intends to submit plans to the Government of Western Australia Department of Mines and Petroleum for recommencement of the processing operations at both the Comet Gold Mine near Marble Bar and Normay Gold Mine in the North Pole Region.

Haoma's Directors and consultants have recently visited USA and South Africa and studied new processing technologies relevant to Haoma and processing minerals in Australia.

The Haoma Board believes iron ore's future depends on how these new technologies can be used to produce ‘better’ iron products which combine iron with different metals such as nickel, molybdenum, manganese, chrome , ‘rare earths’, etc.

The Directors also believe iron ore smelting throughout the world will:

- a) switch from traditional Blast Furnace smelting to Electric Furnaces (which are faster, allow better heat control and are ‘easier’ for ‘collecting’ different metals), and
- b) use a lot less coal and more alternative fuels.

This will result in the following three main changes occurring in the Australian iron ore industry.

1. More iron ore will be processed closer to iron ore mines,
2. Electric furnaces will become more common so the cost of producing electricity will be more important, and
3. Where to date it has been important for iron ore miners to ship iron ore which contains over 60% iron the need for such 'high grade' iron will not be as important particularly when the iron ore contains other metals which will also produce revenue.

Experts met in the US and South Africa held exactly the same opinions.

**At present little iron ore is processed in Australia and exported – the Haoma Board believes this will change significantly, particularly as new technology allows major metal by-product to be produced with the production of steel.**

Haoma has available in the Pilbara numerous polymetallic ore deposits which contain significant quantities of iron and other metals including precious metals (gold). The Elazac Process enables Haoma to use new technology at Haoma's Pilbara mines where **major metal by-products and precious metals (gold) will be produced.**

**Initially Haoma will process approximately one million tonnes of Bamboo Creek Tailings and then the million tonnes of mined ore ready to be processed through the Bamboo Creek Plant. In addition there are many millions of tonnes of lower grade gold bearing ore in the Bamboo Creek Valley. (See Figures 1 and 2 below)**



**Figure 1: Bamboo Creek Processing Plant**



**Figure 2: Bamboo Creek Tailings Dam**

During the March Quarter operations at the Bamboo Creek Processing Plant were significantly disrupted by Cyclone Lua. Accommodation and plant buildings were extensively damaged. Repair work has commenced and will be completed during the next 6 months.

The following images show some of the damage caused by Cyclone Lua.



**Figure 3: Unroofed staff accommodation**



**Figure 4:** Bamboo Creek access road washed out



**Figure 5:** Tree and branch damage to accommodation





**Figure 6:** Dislodged roofing sheets



**Figure 7:** Internal damage to accommodation

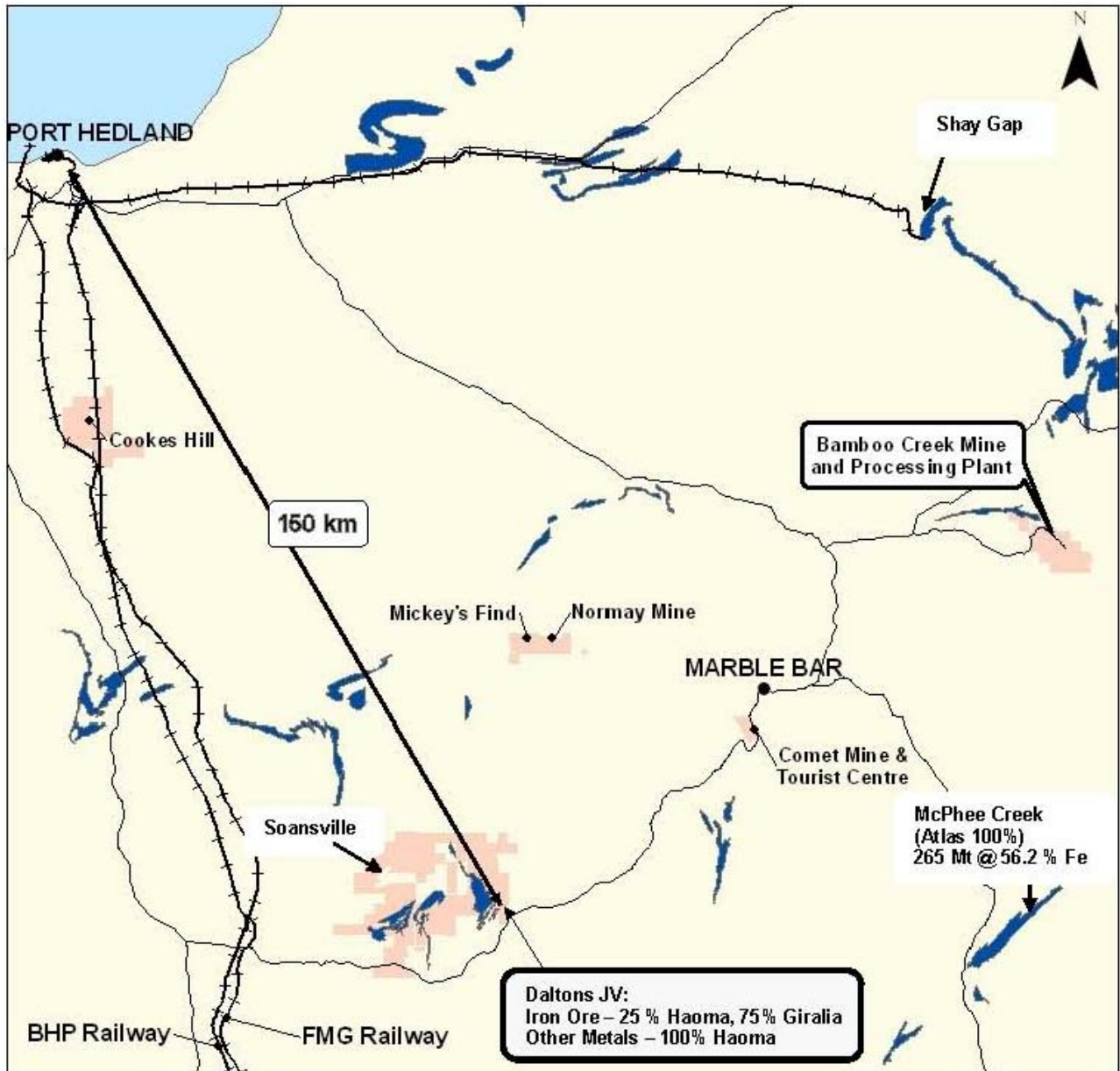


**Figure 8: Unroofed accommodation**



**Figure 9: Roofing sheets blown off workshops**

### 3. EXPLORATION AND EVALUATION ACTIVITIES IN WESTERN AUSTRALIA



**Figure 10:** Location of Haoma Mining Projects including the location of Haoma's Bamboo Creek Processing Plant, North Pole Area (including Mickey's Find and Normay Mine), Cookes Hill, Daltons JV and the Comet Gold Mine and Tourist Centre.

#### 3.1 Daltons Joint Venture with Giralia Resources Pty Ltd (subsidiary of Atlas Iron Limited Group) - Haoma Mining 25%, Giralia 75%

(E45/2186, E45/2187, E45/2921, E45/2922) (Incl. 100% Haoma M45/780, M45/847, P45/2292 – 2298)

The Daltons Joint Venture covers four tenements located approximately 150 kilometres south of Port Hedland and only 20 to 30 kilometres east of the BHP Billiton and FMG rail lines in the Pilbara Region of Western Australia.

In April, the Joint Venture Heads of Agreement between Haoma (25%) and Atlas Mining's wholly owned subsidiary Giralia Resources Pty Ltd (75%) was amended by a Deed of Variation to reflect the excision of the Mt Webber iron ore deposit from the scope of the Joint Venture (see item 1.2 above).

**In addition, the Joint Venture Agreement was amended to grant Haoma rights to 100% of all Non-Ferrous Mineral Deposits within the JV tenements. (Previously covered only 100% of all gold/silver and tin/tantalum mineralisation).**

**3.2 Cookes Hill (E45/2983 (previously E45/1562), M45/1005, M45/1031 - 1036) - Including BGC Tribute Agreement to Mine Dolerite from Haoma's Cookes Hill Quarry**

The Haoma Quarry at Cookes Hill is operated by BGC Contracting Pty Ltd. BGC Contracting mine and crush dolerite aggregate which is then supplied to customers for infrastructure construction including new railway lines in the Pilbara.

Haoma receives a royalty of \$0.80c per tonne for railway ballast and \$0.42c per tonne for by-product. During the Quarter 62,851 tonnes of by-product rock was mined from the Cookes Hill Quarry and Haoma earned royalties of \$26,415.

**4. EXPLORATION ACTIVITIES IN THE RAVENSWOOD DISTRICT - QUEENSLAND**

**EPM 8771, EPM 14038, EPM 14297, ML 1325, ML 1326, MI 1330, MI 1415, ML 1483, ML 1529**

Haoma has many tenements in Queensland which contain commercial gold, silver and copper bearing ore.

Negotiations have begun with Resolute Mining Ltd so Haoma can toll treat gold bearing ore from numerous tenements held by Haoma in the Ravenswood District.

During the Quarter, activities primarily focused on completion and interpretation of sampling and reconnaissance surveys instigated in the previous Quarter. Bulk samples have been sent to Bamboo Creek for testing.

**5. COMET GOLD MINE & TOURIST CENTRE**

Work is continuing on upgrades to the Comet Gold Mine and Tourist Centre with the aim of restoring underground mine access and tours through the former Comet Mine Processing Plant.

Upgrading of on site visitor accommodation is ongoing.



**Figure 11:** Comet Gold Tourist Centre and Comet Mine Plant (looking south) showing ore bearing ranges on right. Road goes to Mt Webber (approximately 80km)



**Figure 12:** Close-up of Comet Gold Mine Plant with ore bearing range on right

Yours sincerely,

A handwritten signature in black ink, appearing to read "Gary Morgan". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

**Gary C Morgan,  
CHAIRMAN**