Haoma Mining NL

A.B.N 12 008 676 177

Registered Office & Head Office:
Level 1, 401 Collins Street, Melbourne, Vic., 3000, GPO Box 2282U, Melbourne, Vic., 3001.
Telephone (03) 9629 6888, Facsimile (03) 9629 1250
Email: haoma@roymorgan.com Website: www.haoma.com.au

Company Announcements Office
Australian Stock Exchange
Level 4, North Tower, Rialto
525 Collins Street
MELBOURNE, VIC 3000

April 30, 2016

ACTIVITIES REPORT FOR THE QUARTER ENDED MARCH 31, 2016 – HIGHLIGHTS

- **Group Consolidated Financial Result:**

  Haoma Mining's unaudited consolidated financial result for the three months ended March 31, 2016 was a before tax loss of $0.24 million after interest of $0.49 million, depreciation and amortisation of $0.04 million, and development and test work expenditure of $0.70 million.

  During the Quarter Haoma produced and sold 977.6 grams (31.43ozs) of gold and 184.1 grams (5.92ozs) of silver from cyanide leaching trial bulk samples of Bamboo Creek Tailings Concentrate for a total sale value of $52,372.

- **Commencement of Pilot Plant Production at Bamboo Creek:**

  The Bamboo Creek Pilot Plant is now capable of producing a tonne of **'Gold Concentrate'** from processing about 250 tonnes of Bamboo Creek Tailings per 10 hour day. The Pilot Plant leaching circuit and gold recovery circuit are now fully operational. Total plant operating costs are expected to be about $25,000 a day.

  At the end of April, 13.78 tonnes of 'Gold Concentrate' had been produced. Details of grade to be released to the ASX when finally calculated.

  During April 2016 tests in the Bamboo Creek Gold Smelting Room used the Elazac Process to process a 361g sample of 'Gold Concentrate' – approximately 0.4% of the Bamboo Creek Tailings plant feed.

  In total 2.714g of gold bullion (90% gold) was recovered which represents a 'back calculated' Bamboo Creek Tailings 'Head grade' of 27g/t gold. The test is being repeated.

<u>Figure 2</u>: 2.714g gold button recovered from 361g sample of 'Gold Concentrate

The Bamboo Creek Plant has now been modified to install a continuous gold stripping circuit. A feasibility analysis is now being undertaken on how best to further modify the Plant for integration of the Elazac Extraction Process and shareholders will soon be advised of how that will be implemented.

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1. GROUP CONSOLIDATED RESULT TO MARCH 31, 2016

Haoma Mining NL Consolidated Profit & Loss	2014/15 3rd Qtr ($m)	2014/15 Full Year ($m)	**2015/16 1st Qtr ($m)**	**2015/16 2nd Qtr ($m)**	**2015/16 3rd Qtr ($m)**	**2015/16 YTD ($m)**
Operating Revenue:						
Gold & Silver Sales					**0.05**	**0.05**
Gold Bullion					**-**	**-**
Gold Concentrate in Circuit					**1.22**	**1.22**
Royalties	0.17	0.70	**-**	**0.03**	**-**	**0.03**
Retail Sales & Misc	0.02	0.17	**0.04**	**0.03**	**0.02**	**0.09**
Operating Revenue	0.19	0.87	**0.04**	**0.06**	**1.29**	**1.39**
Operating profit (loss) before interest, depreciation, amortisation, exploration & development costs:	(0.09)	(1.11)	**(0.42)**	**(0.20)**	**0.99**	**0.37**
Interest (*see Item 1.2 below)	(0.92)	(3.70)	**(0.47)**	**(0.48)**	**(0.49)**	**(1.44)**
Depreciation & amortization	(0.05)	(0.21)	**(0.03)**	**(0.04)**	**(0.04)**	**(0.11)**
Exploration, development & test work	(0.79)	(2.37)	**(0.62)**	**(0.64)**	**(0.70)**	**(1.96)**
Operating (loss) before tax	(1.85)	(7.39)	**(1.54)**	**(1.36)**	**(0.24)**	**(3.14)**

1.1 Haoma's Group Consolidated Result

Haoma Mining's unaudited consolidated financial result for the three months ended March 31, 2016 was a before tax loss of $0.24 million after interest of $0.49 million, depreciation and amortisation of $0.04 million, and development and test work expenditure of $0.70 million.

During the Quarter Haoma produced 977.6 grams (31.43ozs) gold bullion and 184.1 grams (5.92ozs) silver bullion from cyanide leaching of bulk samples of Bamboo Creek Tailings Concentrate for a total sale value of $52,372. This was achieved with the Bamboo Creek Pilot Plant which was configured for batch processing of bulk samples.

The Bamboo Creek Plant has now been modified to install a continuous gold stripping circuit. A feasibility analysis is now being undertaken on how best to further modify the Plant for integration of the Elazac Extraction Process and shareholders will soon be advised of how that will be implemented.

1.2 Funding of Operations

At present, funding for Haoma's operations is being provided by The Roy Morgan Research Centre Pty Ltd, a company owned and controlled by Haoma's Chairman, Gary Morgan.

During the Quarter, Haoma renegotiated the terms of its funding agreement with The Roy Morgan Research Centre Pty Ltd. The risk margin applied to the cost of funds provided by The Roy Morgan Research Centre has been reduced by three percentage points to 1% effective from July 1, 2015. Interest on the debt to Roy Morgan Research Centre is now calculated and accrues at the 30 day commercial bill rate plus a facility margin of 1% (previously 4%). The results reported for the September 2015 and December 2015 Quarters in the consolidated Profit & Loss Table above reflect the retrospective adjustment to interest costs from July 1, 2015.

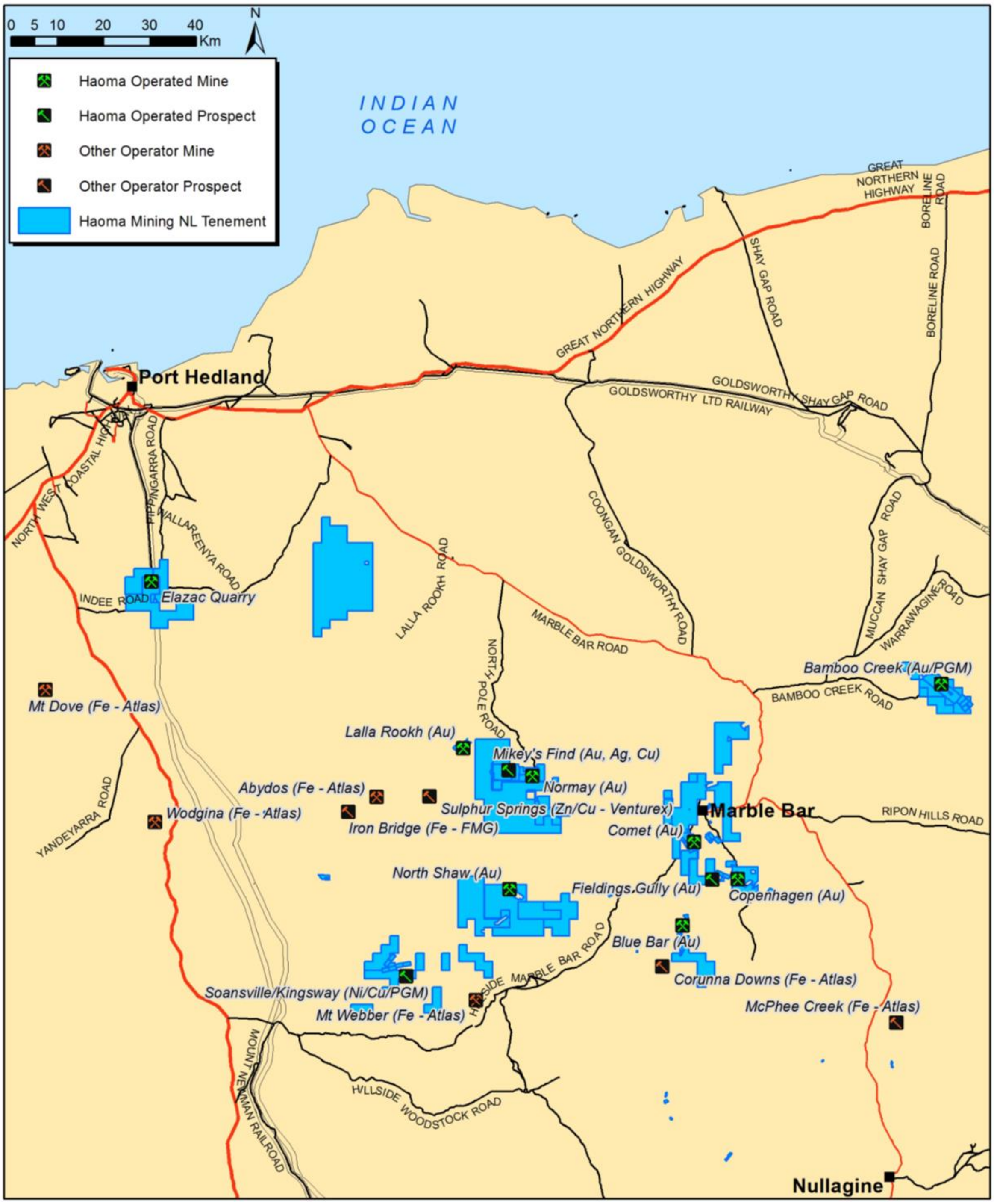
Furthermore it was agreed with The Roy Morgan Research Centre Pty Ltd that no net debt repayment will be required until Haoma's annualised EDITDA exceeds $15 million per annum and that debt repayments will not exceed 50% of Haoma's EBITDA in any year.

At March 31, 2016 the principal debt to The Roy Morgan Research Centre Pty Ltd was $36.14 million. Interest accrued for the 3 months to March 31, 2016 was $486,964. Total interest accrued and unpaid to March 31, 2016 is $27.75 million.

1.3 <u>Capital Reconstruction</u>

The Board is presently considering how a capital restructuring may be undertaken. In accordance with this review, the Board is evaluating whether a share issue could be implemented to allow the Company's major financier, The Roy Morgan Research Centre Pty Ltd to exchange debt for equity. A future announcement in relation to how a capital restructuring is to be undertaken will be released as soon as details are finalised.

2.0 <u>OPERATIONS AT BAMBOO CREEK, WESTERN AUSTRALIA</u>



<u>Figure 1:</u> Location map of Haoma Mining and other Pilbara mining locations.

2.1 Commencement of Pilot Plant Production at Bamboo Creek[1]

Haoma shareholders were advised on February 29, 2016 (Haoma's Half Year Financial Report Ended December 31, 2015) that since the end of January 2016 the Bamboo Creek Pilot Plant had re-commencement Trial processing of Bamboo Creek Tailings.

In late January and early February a Trial Parcel of 343.4 dry tonnes was treated and 1,057.58 grams of fine gold recovered (3.08g/t) with a further 281 grams (0.82g/t) of gold held in solution in the carbon leach circuit. From gold produced the 'back calculated' Bamboo Creek Tailings 'Head grade' was about 4g/t gold.

By the end of February 977g gold and 184g silver were sold with a total value of precious metals of $52,372.

As of April 30, 2016 approximately 1.5kg of gold bullion (Value $75,000) is held at Bamboo Creek.

The Bamboo Creek Pilot Plant is now capable of producing a tonne of **'Gold Concentrate'** from processing about 250 tonnes of Bamboo Creek Tailings per 10 hour day. The Pilot Plant leaching circuit and gold recovery circuit are now fully operational. Total plant operating costs are expected to be about $25,000 a day.

At the end of April, 13.78 tonnes of 'Gold Concentrate' had been produced. Details of grade to be released to the ASX when finally calculated.

During April 2016 tests in the Bamboo Creek Gold Smelting Room used the Elazac Process to process a 361g sample of 'Gold Concentrate' – approximately 0.4% of the Bamboo Creek Tailings plant feed.

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Figure 2: 2.714g gold button recovered from 361g sample of 'Gold Concentrate

Note 1: The information & data in Section 2 of 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 the ore (the Refined Elazac *Extraction* Method). These methods are together referred to as the Elazac Process. The information reported relates solely to 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 people 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 report of the information and data in the form and context in which it appears.

2.2 Bamboo Creek Tailings available to be processed

As shareholders have been previously advised there are approximately 1 million tonnes of Bamboo Creek Tailings available to be processed.

After costs, the expected 'Gross profit' of the gold produced from processing the 1 million tonnes of Bamboo Creek Tailings is expected to be significant. The Haoma Directors anticipate the gold contained in the Bamboo Creek Tailings will be extracted within 3 years. Some additional revenue is expected to be generated from Platinum Group Metals (PGM).

Figure 3: Bamboo Creek Tailings Storage with Bamboo Creek Pilot Plant in background

2.3 Haoma's Mt Webber Sale Agreement with Atlas Iron covering M45/1197 and EL 45/2186

On April 27, 2016 Atlas Iron shareholders agreed to convert $US132m of debt to new Atlas shares and options representing a combined stake in Atlas of 70%. On April 29, 2016 The Federal Court approved the Creditor's Scheme.

This is good news for Haoma as it is now anticipated that Atlas Iron will continue mining iron ore from the Mt Webber region which covers **M45/1197 and EL 45/2186.**

In 2012 Haoma Mining and Atlas Iron concluded a Sale Agreement regarding the Joint Venture Mt Webber tenements (Haoma 25%), now M45/1197 and EL 45/2186.

Under the Atlas Sale Agreement Hoama will receive from Atlas a royalty of about $1.50/t (today's value) once Atlas releases to the ASX a JORC compliant Mt Webber M45/1197 iron ore reserve in excess of 24 million tonnes, inclusive of any iron ore tonnes already mined before the announcement.

At present the annualised quantity of iron ore mined and exported by Atlas from the Mt Webber area adjoining the M45/1197 tenement is about 5.6 million tonnes. Iron ore mined is trucked to Port Hedland.

Haoma believes Atlas will soon need to begin mining iron ore from Mt Webber **M45/1197**.

At present iron ore mined by Atlas from the area adjoining Mt Webber M45/1197 is upgraded using a dry screening process. There is little doubt that Atlas could upgrade (% of iron in ore) this iron ore to a higher iron ore grade with the installation of a 'wet' beneficiation process – similar to the process now installed by FMG at their mines.

Haoma's consultants believe installation of a 'wet' beneficiation plant would cost Atlas about $20 million to cover the capital cost resulting in a significant increase in iron ore reserves from the Mt Webber tenements. Obviously this would be to Haoma's benefit.

The most recent Atlas Iron Reserve and Resource was announcement on August 13, 2014.

That statement included a total Mt Webber Reserve statement of 54.8 million tonnes **covering ML45/1209 (100% owned by Atlas) and ML45/1197 (Total Proved 33.7 million, Probable 21.1 million)** of which 40% (21.9 million tonnes) was identified as being in respect to M45/1197 and subject to the Sale Agreement with Haoma.

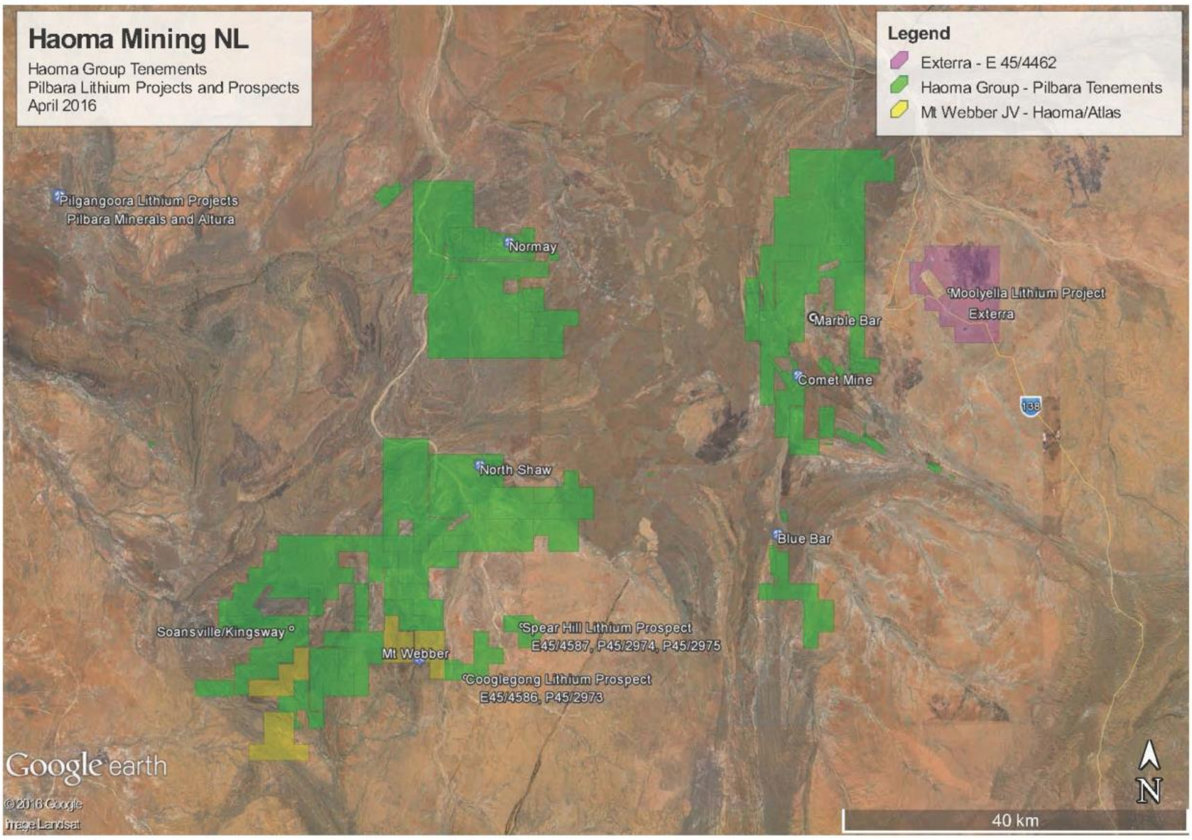
The Mt Webber adjoining lease M45/1209 which contains 60% of the combined Mt Webber Reserve Statement is owned 100 % by Atlas and was previously subject to a JV Agreement between Atlas Iron and Altura Exploration.

Appendix 1 attached is a summary of the Atlas Royalty payment requirements and calculations in respect to M45/1197.

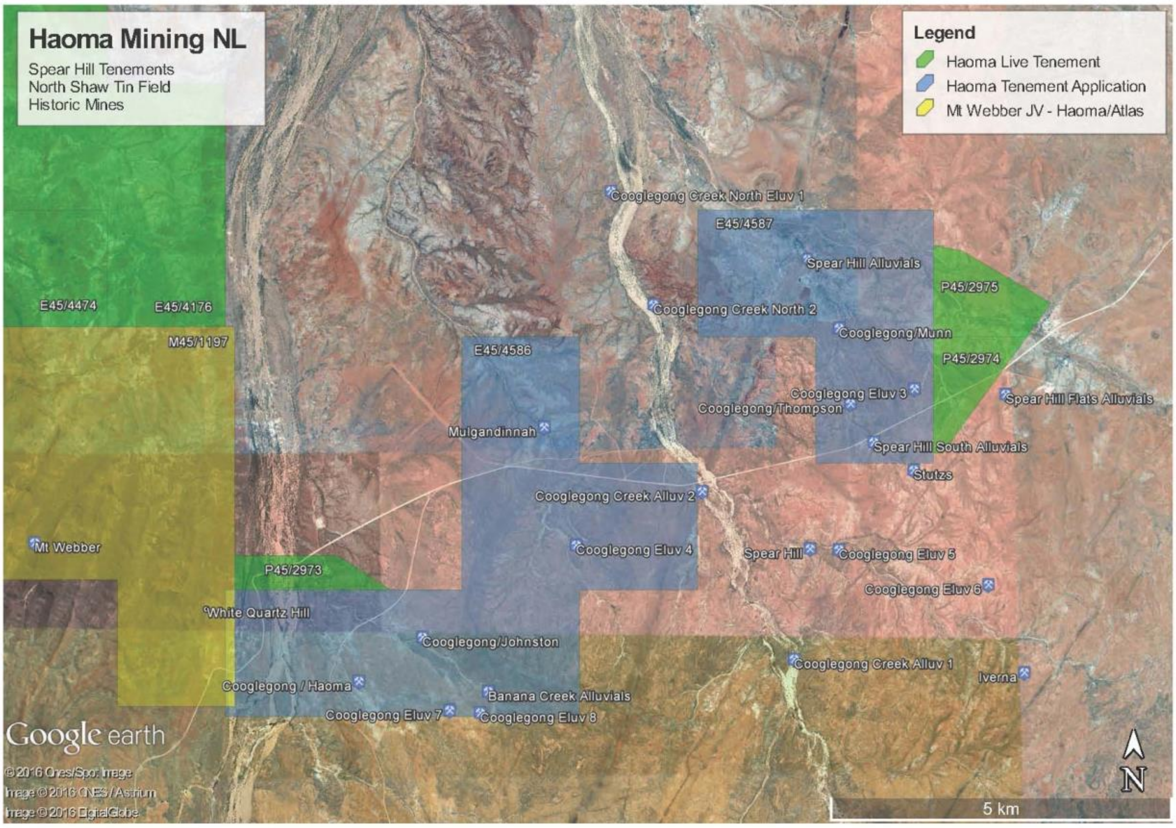
2.4 Lithium and Nickel Prospects Near to Mt Webber

Haoma holds prospective nickel (Soansville/Kingsway) and lithium (Googlegong) tenements, near to the Mt Webber EL45/2186 exploration field. See attached Figures 4 and 5.

Haoma is presently negotiating with a number of interested parties as to how these prospects may be further developed through a joint venture.



<u>Figure 4:</u> Haoma Group tenements – Lithium prospects



<u>Figure 5:</u> Haoma Group – Spear Hill and Googlegong Prospects

Yours faithfully,

Gary C Morgan,
CHAIRMAN

APPENDIX 1: Haoma's Mt Webber (M45/1197) Royalty Payment Entitlement

The April 2012 Tenement Sale Agreement under which Haoma sold its Mt Webber iron ore rights to Atlas Iron Limited includes a 'Reserve Uplift Payment' entitlement.

The payment entitlement is triggered whenever reserve development work on the tenements which were subject to the Sale Agreement (E45/2186 and M45/1197) result in Atlas Iron releasing an announcement to the ASX of a JORC compliant iron ore reserve in excess of 24 million tonnes inclusive of any iron ore tonnes previously mined.

The uplift payment per 'Excess Reserve' is $1.38 per tonne. That amount is indexed by CPI from March 23, 2012. (Today about $1.50 per tonne.)

Under the Tenement Sale Agreement, Haoma was granted the right to access and explore for other minerals within Mining Lease M45/1197.

If Haoma subsequently identifies a JORC Compliant Resource of a mineral other than iron within the Designated Area and Haoma proposes a development of the resource then the parties to the Agreement must confer to discuss whether development of the resource can be achieved without any adverse impact on the iron ore activities.

If the parties are not able to reach agreement as to how potential conflict of activities may be resolved then the conflict will be resolved in favour of the activity with the higher Assessed Economic Value.