Mr Gary Morgan
Chairman
Haoma Mining NL

Dear Gary

I have been following with interest, the difficulties Haoma has experienced in finding a way through the exploration reporting requirements incorporated into the ASX requirements through the JORC code. It seems that there are two issues. The first is the short term listing issue. The second is the perceived shortcomings in the Code that Haoma's current travails have revealed. As I understand it these are shortcomings that relate to exploration reporting of a newly observed geological phenomenon and derive from new exploration technologies. The empirical evidence is the collection of small gold nuggets photographed in Haoma's Annual Report.

I have an interest in the JORC Code through a long personal history with minerals exploration in Australia and the global mining industry. I was the AMIC (now the Minerals Council of Australia) representative on the committee charged with one of the early rewrites of the code. During that rewrite I was troubled that in trying to maintain a one size fits all code, difficulties were created for geological outliers, particularly gold, diamonds and the like. I also had trouble with the restrictive definition limiting competence to members of the Institute and its international counterparts. I seemed to me to be a restraint of trade but so thoroughly ingrained that there was no appetite for change.

I think the Code is deficient in demanding full reporting of exploration results that speak for themselves and do not extrapolate from those results to infer a resource.

If the *Welcome Stranger* had been discovered by a company listed today on the ASX, its discovery could not have been simply and quickly reported by directors as a set of empirical facts relating the discovery, the weight and the element concerned. Instead, a member of the Institute would have had to be involved to opine on second hand facts. Shareholders would have just had to wait. So much for transparency, materiality and competence.

The Code is a living document that has evolved significantly over the years. Each revision has attempted to create greater clarity in the reporting process and in turn the ASX has used the Code at the forefront of its efforts to protect shareholders from the many shonks that abound.

In the main, the Code does a good job. It enables investors a measure of comfort as whatever is in the potential resource moves though the levels of certainty. It is particularly good for bulk disseminated minerals like copper and iron ore where drilling, sampling and metallurgical data need serious interpretation. For such minerals, ore reserves are typically proved for the life of mine at least and are taken into the block models used in mine design. At Ok Tedi, for example the distributed nature of the noble metals in the

predominately copper ore made quantification of the likely credits relatively precise. We could count on producing a couple of tonnes of gold each year.

By contrast, gold, diamonds and the like are that are not disseminated are more problematic. It is unusual for a gold mining operation to have proven reserves beyond a year or so.

On the issue of competence, giving a monopoly over minerals reporting to a single professional organisation seems to be an anachronism. Hopefully, a less restrictive model might be a subject for the next Code revision.

New categories might include-

- members of the Australian academic community who have the relevant experience; and
- other experts qualified under processes akin to those taken by the Courts and ASIC.

The Courts regularly rely on experts with specialised knowledge based on their training, study or experience.to form opinions about specialised or technical matters relevant to the cases being heard. The Courts require that an expert's opinion be sound, complete, fair, unbiased and within the area of their expertise. The expert witness has a duty to the Court to provide fair evidence, rather than to act as an advocate for the party who asked them to appear. Another model is that adopted by ASIC for registration of company auditors. Both models assume that opinions will be standards and ethics based.

Tying competence to professionals subject to an enforceable code of ethics seems to be an artefact of history of questionable relevance in the modern era. The Courts and ASIC do not require it of their experts and it is hard to see why the minerals industry should. In these litigious times investors would probably rate the opinion of an expert with profession indemnity insurance ahead of an expert bound by an ethical code.

It seems that the shortcomings in the Code and not the ASX's actions that the source of Haoma's current problems. The ASX is applying its listing rules (incorporating the industry inspired JORC Code) as it interprets them and there the matter ends unless a close examination of the surrounding rules reveals some wriggle room that would permit directors to short circuit JORC in the case of 'exploration results that speak for themselves'.

As battle lines already seem to have been drawn, it is hard to see the ASX changing its stance unless a competent person under the current definition gives the opinion required. The obvious way is for one of Haoma's existing experts to become a member of the Institute or to arrange for a report from a member.

The longer game, if Haoma has the appetite for it, would involve a push for a further review of the Code with particular focus on gold mining and competence. Would there be support for this within the broader gold mining community? A submission for change would need to be prepared and submitted to the members of the JORC Committee. The

approach most likely to succeed would involve the recruitment of some of the significant gold exploration and mining organisations and sponsors within the Minerals Council.

Launching a review call would add legitimacy to Haoma's bona fides in the current disputation with the ASX.

Regards

Murray Hohnen
27 February 2018

Murray Hohnen, CV:

After graduation, Murray Hohnen worked in Adelaide with Finlayson & Co, a commercial legal firm.

Murray Hohnen then joined Utah Development Company in Brisbane as a lawyer and worked through takeovers by GE then BHP.

He served as 'in-house' counsel, secretary of the CQCA and TDM Bowen Basin coal ventures. In addition Murray Hohnen acted as an Alternate Director of UDC's iron ore interests at Mt Goldsworthy and convenor of UCD's exploration development group.

For three years Murray Hohnen was seconded as Assistant Director to the **Australian Mining Industry Council** in Canberra.

Murray Hohnen was then assigned to international coal marketing operations in Brisbane.

When BHP established its Copper Division, Murray Hohnen was appointed as Vice President of Group Relations with responsibility for Australasia and Asia. In this role Murray Hohnen served as Director then Chairman of OK Tedi Mining Limited, a moderate sized producer of copper and gold. The OK Tedi Management Group was constantly reviewing new grass roots exploration opportunities.