



# Haoma Mining NL

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November 27, 2003

**CHAIRMAN'S ADDRESS TO ANNUAL GENERAL MEETING  
AT 10AM NOVEMBER 27, 2003  
BY GARY C. MORGAN**

The year to June 30, 2003 was a watershed year for Haoma Mining NL. It saw the conclusion of Haoma's gold mining operations at the Nolans Gold Mine in North Queensland and the escalation of major exploration programmes in the Pilbara region of Western Australia and the Charters Towers district in North Queensland.

In last year's Annual Report I was obliged to set out in great detail the extensive dispute between Haoma and its former Joint Venture partner at the Nolans Gold Mine, MIM Holdings subsidiary Carpentaria Gold Pty Ltd. The legal actions between Haoma and Carpentaria Gold Pty Ltd required the complete attention of the Board and many senior staff during the first half of the financial year. That substantial effort culminated in the Settlement Agreement that was reached between Haoma and Carpentaria/MIM Holdings Ltd whereby both parties agreed to terminate all legal actions between them, and Haoma sold its interest in the Nolans' Joint Venture and the Nolans Lease to Carpentaria for \$20 million.

A Special General Meeting of Haoma Mining NL held on March 14, 2003, approved the sale of the Nolans assets and settlement was completed on March 21, 2003.

After repayment of debts Haoma had a residual cash surplus from the sale transaction of approximately \$8 million. These funds are now being used to finance the company's exploration program in Western Australia and Queensland and to upgrade the Bamboo Creek and Normay plants in the WA Pilbara region.

It is our intention that by early in the New Year the Bamboo Creek plant will be capable of processing 400,000 tonnes per annum, and by the end of April 2004, the facilities at Normay will be capable of processing more than 1,000,000 tonnes per annum.

The following summarises Haoma's activities in the last 12 months covering the Pilbara in Western Australia, and the Ravenswood/Charters Towers area in Queensland.

## **Haoma's Activities in the Pilbara, Western Australia**

During the financial year, a significant drilling program (involving 43 holes) was completed at Mickey's Find. The current Resource estimate for the combined Mickey's Find and adjacent Breen's exploration areas is in excess of 14.4 million tonnes containing approximately 410,000 ounces of gold, 3 million ounces of silver and 13,000 tonnes of copper.

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This drilling program re-commenced in mid November this year. Although it is too early to estimate the tonnage and grade of additional mineralisation intersected by this drilling, the style of mineralisation, as shown by intersections of 0-30m at 0.49g/t Au, 3.5g/t Ag and 0.25% Cu, and 72-96m at 0.19g/t Au, 2.6g/t Ag and 0.10% Cu in Hole 72, is indicative of a large system. Indications to date suggest that both the Breens and Democrat areas could host substantial stockwork zones of gold-silver-copper mineralisation with similarities to a porphyry copper system. The gold assay results recorded above were measured by Aqua Regia but limited checks by fire assay at Bamboo Creek and ALS completed so far have returned similar results. Copper was also measured by Aqua Regia with the checks by ALS generally showing higher grades.

In addition, numerous tests using the Elazac process at Bamboo Creek and the University of Melbourne have resulted in a better understanding of why assays by the “fire assay” and “aqua regia” methods can both underestimate the amount of gold in Pilbara ore samples. Tests on optimizing the gold assaying techniques for Pilbara ores have been successful with better results obtained than previously achieved by traditional methods. The above information is now being used to help redesign the production circuits at Bamboo Creek and Normay.

### **Haoma’s Activities in Ravenswood/Charters Towers Area, Queensland**

Since Xstrata’s purchase of MIM Holdings Ltd we have been aware of their intention to dispose of Carpentaria Gold’s processing facilities and mine at Ravenswood by tender.

Haoma has made numerous approaches to purchase these Ravenswood assets, however, Xstrata’s overseas management has refused to allow Haoma the opportunity to participate in the tender process.

We don’t know why Xstrata won’t deal with us. We suspect there may be some lingering concerns about the past dispute between Haoma and MIM, especially given the heat of the debate in Court. Xstrata may also be apprehensive about disclosure, because information may become available to Haoma as part of the due diligence phase which would reflect poorly on the previous MIM/Carpentaria Gold Management.

We have assured Xstrata that our interest is not in revisiting the legal battle, but instead in buying and operating the Ravenswood Mine in which Haoma invested many millions of dollars.

We also assured Xstrata if there was a genuine concern, and it was preventing Xstrata dealing with Haoma, then Haoma would be willing to provide whatever appropriate letter of comfort or signed agreement they required. Despite this, Xstrata have still refused to deal with Haoma.

The Director’s of Haoma will now await the outcome of Xstrata’s Ravenswood sale before deciding what should be done.

During the year Haoma’s exploration activities in the Ravenswood district have been successful. A small high-grade resource was defined at Podoskys (50,903 tonnes at 4.95g/t Au and 6.97g/t Ag), while encouraging results were obtained from the nearby mining leases at both Wellington Springs and Waterloo. Haoma’s consultants in Queensland believe there is potential to increase the present reserves on these areas.

## **Other Business**

Attached are notes from Mr John McInnes, Chairman of Haoma's Audit Committee, regarding compliance with ASX recommendations for good corporate governance.

Finally, I want to address the three resolutions that are to be considered at today's meeting.

The first resolution deals with John McInnes being re-elected as a Director of the company. Mr McInnes has been a Director of the company since 1991. He has contributed greatly to the company over the years and has valuable knowledge of the business issues that are faced by Haoma. I strongly support a vote in favour of his re-election.

The second resolution deals with the issue of options to various people. As was stated in the notes accompanying the Notice of Meeting, the Board decided to issue 2.9 million options in recognition of significant contributions made by persons to the company over the previous 2 years and a further 2.0 million options to Mr Hugh Morgan for his consultancy services to the company. I note that of recent times there has been extensive discussion in the press and other forums about some of the more generous option schemes that have been implemented by companies. I wish to make the point that what is being proposed by this resolution is entirely fair and reasonable.

Firstly, the options are not being issued free. They carry an exercise price of 10c per share which is higher than Haoma's share price last August before the option issue was announced.

Secondly, the number of options to be issued is not large and will benefit the company by encouraging the retention of people with particular knowledge and skills that will benefit the company in the future.

I strongly encourage all here today to vote their support for this resolution.

The third resolution is essentially a matter of consolidating Haoma's areas of interest in the Pilbara region of Western Australia. The tenements that are the subject of this resolution have been registered to Elazac Mining NL since the conclusion of Haoma's Joint Venture with WMC Resources (Western Mining) since 1996. They have been part of Haoma's exploration program for several years and with the promising results now emerging from Mickeys Find it is time to consolidate the tenements under Haoma Mining NL. This is an essential element to Haoma progressing its applications for Mining Leases in these areas. Again, I strongly recommend your support for this resolution.



**Gary C. Morgan**  
CHAIRMAN

## ATTACHMENT

### **NOTES RE HAOMA MINING NL COMPLIANCE WITH ASX RECOMMENDATIONS FOR GOOD CORPORATE GOVERNANCE**

#### **1. Formalise and disclose the functions reserved to the board and those delegated to management –**

The responsibilities of the Board and Management are summarised in the Corporate Governance statement on page 32 of the Annual Report.

Because the company is relatively small there is considerable interaction between the Board and management and there is not the need to have a tiered management structure such as would require the formalities required in a larger company.

#### **2. Independence of the Board of Directors –**

The ASX recommends that the majority of the Directors should be independent, the Chairman should be an independent Director and the Chairman should not also be the Chief Executive.

In Haoma's case Gary Morgan is not independent because of the size of his family shareholding. John McInnes is not deemed to be independent because he is a Director of companies controlling Gary Morgan's family shareholding in Haoma and has been on the Board for more than 10 years. Michelle Levine is not independent as she is the Chief Executive of Roy Morgan Research. John Elliott as the only other member of the four member Board is the only Director who qualifies as being independent under the ASX guidelines. Gary Morgan as Chairman is not deemed to be an independent Director and as Chairman is the Chief Executive of Haoma.

It is clear that Haoma does not comply with any of these recommendations regarding the independence of the Board. However this non compliance must be considered in the light of the fact that entities controlled by Gary Morgan hold shares in the company representing over 66% of the issued capital. Haoma is not a large company with a broad spread of shareholders, rather it is a company controlled and managed by Gary Morgan in which outside shareholders have the opportunity to invest because it has ASX listing. This situation is not new and the overwhelming majority of current shareholders acquired their shares in the full knowledge that this was the case.

Consistent with the view of other listed companies in a similar position such as Harvey Norman it is unlikely that the company will comply with the recommendations relating to Board independence. All Directors actively participate in meetings of Directors and it is not considered that the company or its shareholders are compromised or disadvantaged by the current Board structure.

The ASX also recommend that the company have a Nominations Committee and in Haoma's case the entire Board fulfils this role.

**3. Establish a code of conduct for Directors and Senior Management and disclose a policy concerning dealing in the company's securities by Directors and Staff -**

The size of the company allows there to be adherence to generally acceptable levels of integrity and ethical behaviour without the need for a formal code of conduct.

Directors and officers of the company may not deal in the company's securities when they are in possession of information not publicly known that may influence the price of the company's shares.

**4. Require there to be an Audit Committee established comprising at least three members, all of whom are Non – Executive Directors with a majority of independent Directors and an independent Chairman who is not Chairman of the Board. There is also a requirement for the Audit Committee to have a formal charter and for the Chief Executive Officer and the Chief Financial Officer to formally sign off on the accounts.**

The company has an Audit Committee consisting of John McInnes (Chairman) and John Elliott. The two members of the Audit Committee are the only two Directors with the required level of financial skills and experience to form the committee. For this reason it is not possible to have either three members or a majority of independent Directors.

The Charter of the Audit Committee is outlined on page 32 of the Annual Report.

The formal sign off of the accounts by the CEO and CFO will be done in future.

**5. Have written policies and procedures designed for compliance with ASX disclosure requirements –**

As indicated on page 32 of the Annual Report the Directors are very conscious of the disclosure obligations and the need to comply with them. While there is no formal document covering these disclosure and compliance with ASX listing rules it could be argued that the size of the company probably does not really warrant formal written policies and procedures other than the listing requirements themselves.

**6. Have a communications strategy to promote effective communication with shareholders and encourage participation at general meetings and request the auditors to attend the AGM and be available to answer questions.–**

Again, as indicated on page 32 of the Annual Report the Directors are very conscious of the requirement to keep shareholders fully informed. While the company does not have a documented procedure there is regular communication with shareholders including the mailing to them of copies of the Quarterly Reports and information on matters of significance affecting the company. At each Annual Meeting shareholders are given a detailed briefing regarding the activities of the company and shareholders are encouraged to both attend and participate in general meetings. Again it could be argued that the size of the company probably does not really warrant a formal written policy in this area. The auditors attend the AGM each year.

**7. Establish policies on Risk Management –**

The Board is very conscious of risks to which the company is exposed from time to time and as stated on page 32 of the Annual Report the Board has procedures for the identification and management of business risk so as to minimize the impact of accidental loss or damage etc on the company.

**8. Disclose the process for performance evaluation of the Board, Directors and senior executives –**

It is considered that the size of the company and the structure of the Board do not warrant does warrant this process to be formalised in so far as the Board is concerned. As stated on page 32 of the Annual Report the Board has procedures for the assessment of the performance of the management team.

**9. Establish and disclose remuneration policies etc –**

The accounts contain full details of directors' remuneration and the remuneration of senior staff to the extent required by law. The company is small and because of its size and structure it is not considered necessary to have a Remuneration Committee of the Board.

**10. Establish and disclose a code of conduct to guide compliance with legal and other obligations –**

The Board and senior executives are very much aware of the need to comply with the law. Again the company is small and because of its size and structure it is not considered necessary to have a formal written code of conduct.

Good corporate governance is dependent on the culture of the company generally and the Board and Senior Management in particular. Mere compliance with the ASX recommendations in itself will not result in good corporate governance if the culture of the company is not totally committed to good governance.

Haoma is committed to ensuring that the company complies with not only the letter of the many regulations and laws governing the company's operations but also complies with the spirit and intent of those regulations and laws. It is also committed to ensuring that the shareholders and the market are kept fully informed regarding the company's operations and strategic direction.

John McInnes  
Chairman, Audit Committee  
November 27, 2003