



Haoma Mining NL

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CHAIRMAN'S ADDRESS TO ANNUAL GENERAL MEETING AT 10 AM DECEMBER 16, 2002 BY GARY C. MORGAN

“Governments lie. Bankers lie; even Auditors sometimes lie. Gold tells the truth” – Lord Rees-Mogg – The Case for Gold, June 2002, Pickering & Chatto, London.

Being Chairman and the largest shareholder of an Australian public company (Haoma Mining NL) holds many responsibilities. The responsibility is greater when the shares change hands at a fraction of the price they were three or four years ago.

It is for this reason that my family and I have personally guaranteed that funds will be made available to Haoma to ensure that there is no shortfall in funds to operate Haoma at least until June 30, 2003.

Hopefully the management skills of Haoma's employees under the direction of the Board will return value to those people who invested in Haoma at higher prices and enable them to receive a worthwhile return on their investment.

Today everyone sees reports in the media of corporation corruption both in Australia and overseas.

My family business, Roy Morgan Research, is the largest Australian marketing research and information business, founded by my father over 60 years ago.

Roy Morgan Research has an unsurpassed reputation in the Australian marketing research and information industry, not only for accurate data collection, analysis, and reporting, but for honesty and ethics.

Many Government Departments (Federal and State), Corporations, and Institutions (both in Australia and overseas) have used our services and are today valued clients.

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The reputation of Roy Morgan Research just didn't happen. It was earned by the presentation to clients of findings which were accurate, logical, and actionable. The reports and findings presented were prepared by a large number of people who are, or have been, employees of Roy Morgan Research over the 60 years.

Over the last 60 years we have interviewed over 5 million people – not once in all that time, with all those interviews, information, has there been abuse of the trust of the people we interviewed.

Every quarter Roy Morgan Research publishes readership figures for hundreds of newspapers and magazines. These figures are a critical determinant of the advertising revenue the publishers can achieve – so the figures must be accurate, logical and able to stand up to critical scrutiny.

It is this kind of analytical expertise and unique experience with numbers, data, analysis and data reconciliation which has enabled us to identify the gaps, inconsistencies and flaws in MIM/ Carpentaria Gold's information as reported to Haoma.

I was educated during a period (1950s and 1960s), when Australians believed Corporate Australia was managed by Executives and Directors who maintained unquestionable ethical standards – there were some media reports of corporate corruption, but these were few and far between. They seemed to me to represent the exception rather than the rule.

In those days, Directors and Executives of Australian businesses were often critical of businesses overseas, and in particular, those operating in Asia, South East Asia and Latin America because of their lack of business ethics.

All has changed – today media reports on Australian corporate corruption are rife. Today many Australians in business have no right to feel superior, or to be critical of the behaviour of others either in Australia or overseas.

Unfortunately, over the last two years, Haoma has been involved in a bitter dispute with MIM Holdings Ltd. The dispute involves many issues.

The Joint Venture formed in 1994 between MIM/Carpentaria Gold and Haoma should have been a “win-win” for both parties, with shareholders of both companies “singing the praises” of those involved in discovering a major new gold province in the Ravenswood/Charters Towers Region of Queensland – it's a new gold province because using beneficiation before milling (that is sorting the ore by size at the crushing stage or earlier) has enabled gold bearing sulphide ore

to become commercially viable with a cut-off grade of only 0.2gms per tonne. (See MIM Report to Shareholders 2002 Pages 20, 23 & 24).

MIM Senior Management maintain they own the knowledge and discovery – nothing could be further from the truth. Haoma's Annual Report to Shareholders for 2002 explains clearly that the knowledge gained was discovered by Joint Venture employees using Joint Venture facilities and Nolan's Joint Venture ore. No more needs to be said, as the facts speak for themselves, except that MIM employees/legal advisers are, and were at the time, in full knowledge of the facts.

Christopher Webb of The Age (Melbourne) asked me last week "Mr Morgan ... how many actions are there on foot with Haoma ... MIM? Is it one or two?", to which my reply was "Unfortunately a lot, too many."

Haoma's dispute now before the Supreme Court of Queensland covers many issues. This week they include;

- 1) Alleged misappropriation of gold,
- 2) Alleged "syphoning" gold from the Joint Venture tanks, to MIM/Carpentaria Gold's tanks without Haoma's knowledge.
- 3) Locking Haoma out of the Nolan's Lease with security guards,
- 4) Preventing Haoma employees from accessing their Nolan's offices, and
- 5) Refusing to process Haoma's ore, through the Joint Venture Processing Plant.

In Haoma's Annual Report to Shareholders, I reported that under the present gold allocation system, Haoma needed to repay MIM/Carpentaria Gold approximately 27 kgs before recovering any gold when Haoma next processes gold bearing ore. (As of December 1, 2002 the amount was 47 kgs). This is, of course, a nonsense.

At the time of writing Haoma's Annual Report, I believed this phenomenon was due to the cross-belt sampler **overestimating** MIM/Carpentaria Gold's gold grade, compared with the amount of gold poured.

There is significant correspondence between myself and MIM/Carpentaria Gold employees asking for an explanation. The reasons given have included :-

- confusion on Haoma's part;
- to correct for overallocation to Haoma in the past;

- changes in the fine ore stock pile; and
- inaccuracies in the measurement of stock.

Never was it mentioned that there were two new tanks holding over 140 kgs of gold!

In a letter of December 4, 2002, I pointed out to MIM Executives/ Contractors that the explanation given was a “sham”. A copy of that letter was sent to MIM Directors on December 5, 2002, as the Executives/ Contractors of MIM are indemnified by the MIM Board.

On Tuesday, December 10, 2002 Michele Levine (Haoma Director) and I for the first time received information from MIM/Carpentaria Gold that showed the hypothesis of errors in the cross-belt sampler resulting in an **overestimation** of the grade MIM/Carpentaria Gold’s ore was wrong. (I now believe that MIM/Carpentaria Gold’s sulphide ore is **underestimated** by the cross-belt sampler in the same way as Haoma’s sulphide ore has been consistently underestimated by the cross-belt sampler since June 2001).

The information we received on December 10, 2002 (electronic spreadsheets relating to the Joint Venture Processing Plant operation) shows that MIM/Carpentaria Gold kept two sets of records, one for Haoma and the other for themselves. The electronic spreadsheet shows clearly that at least from October (probably from June 2002), MIM/Carpentaria Gold, unknown to Haoma, have been “syphoning” gold in solution from the Joint Venture tanks to the recently installed MIM/Carpentaria Gold tanks. (These tanks were installed as part of a plant expansion from 3mtp to 4.5mtp, which Haoma did not participate in).

Haoma was not advised of this gold “syphoning” exercise. Nor was the information provided to Haoma in the Joint Venture plant mine-to-mill reports given to Haoma on a weekly basis.

Attached is a copy of the Affidavit www.haoma.com.au/haoma/announcements.html I filed in the Supreme Court of Queensland on December 11, 2002. It explains all!

While Justice Fryberg has read the Affidavit, it was marked for identification but not accepted as Carpentaria Gold requested time to reply. Since that time we have received confirmation from an MIM/Carpentaria Gold employee via their legal representatives that “syphoned” gold was stored in Carpentaria Gold’s tanks at least from October, 2002.

People do not need to be told what is right or wrong; they know.

I had hoped, today, to be able to announce an agreement with MIM and seek shareholder approval. However this is premature; we are still working towards a commercial settlement. However in the meantime the dispute continues.

We are in Court today. We have no access to our Nolan's lease, MIM/Carpentaria Gold are putting restrictions on Haoma which make processing of Haoma's available ore uneconomic. We believe that their aim is to eliminate Haoma so they have unfettered access to the Joint Venture Plant and the Ravenswood District.

There are three other areas involving Haoma that I wish to advise on.

Firstly, we were advised by De Beers on December 10, 2002, that they have completed their review of the results from the McPhee Creek area (near Nullurgine, WA). Regrettably, analysis of the mineral chemistry suggests, at best, that a rock similar to that discovered at Blue Bar or Corboy may reside in the area rather than the presence of a diamond bearing rock.

Consequently, Haoma has been given formal notification from De Beers that they will withdraw from the East Pilbara Diamond Exploration Joint Venture. Over the last five years, Haoma has been involved in a significant exploration program with De Beers. It is regrettable that we were not successful, however we have had a valuable working relationship with De Beers, that has involved Haoma gaining a significantly better understanding of the Pilbara – we now have an extensive Pilbara database with many new targets worthy of gold and tantalum exploration. The Joint Venture did discover the world's largest Kimberlite Dyke (Brockman Dyke). Unfortunately the diamond grade were not commercial.

Secondly, in the last twelve months we have been successful in discovering a significant ore body at Mickey's Find (Normay) in the Pilbara Region, halfway between Port Headland and Bamboo Creek. Details are presented in the Haoma Annual Report to Shareholders. As soon as Haoma has funds available we will be establishing a one million tonne per annum plant at Normay to process this ore. There are no metallurgical problems associated with extracting the gold.

Look at the intersections reported on Page 33 of Haoma's Annual Report to Shareholders. They show – 21 metres @ 2.71 g/t, 14 metres @ 3.38 g/t, 48 metres @ 1.23 g/t, 36 metres @ 2.27 g/t, 13 metres @ 3.3 g/t, 19 metres @ 3.72 g/t, 5 metres @ 27.70 g/t, etc.

Finally, thanks to the good work of Peter Cole, Joe Zaberila and our people at Bamboo Creek, the Kitchener Bamboo Creek Plant is now operating on a cash positive basis. Over the last three months, the plant has processed different ore types from many of our Pilbara tenements.

We now completely understand the “disappearing” gold phenomenon. As advised on many occasions the gold grade measured by traditional methods is underestimated in many Pilbara gold deposits. We also understand how to extract the gold using the Elazac Process. With the present Bamboo Creek crushing and processing capacity of up to half a million tonnes per annum we believe over the next twelve months that Haoma’s mining activities in the Pilbara will be cash positive, in the order of approximately \$2 million.

This is an important achievement and means that it is only a matter of time (money) before Haoma will be operating at least three Pilbara gold mines, all earning profits.

It is too early to say exactly how profitable Haoma’s Pilbara mines will be. Shareholders will be advised as soon as feasibility studies have been completed.

Thank you for your support during a difficult 12 months.

A handwritten signature in black ink, appearing to read "Gary Morgan", with a long horizontal flourish extending to the right.

Gary C. Morgan
CHAIRMAN