

HAOMA MINING NL

ABN 12 008 676 177

FINANCIAL REPORT

**FOR THE HALF YEAR ENDED
DECEMBER 31, 2004**

DIRECTORS' REPORT

The Directors of Haoma Mining NL include herewith the financial report of the Company and its controlled entities for the half year ended December 31, 2004.

DIRECTORS

The name of each person who has been a Director of the Company at any time during or since the end of the half-year and the period for which they have been a director is:

Gary Cordell Morgan (Chairman)	Director since May 10, 1991
John Lachlan Charles McInnes	Director since May 10, 1991
Michele Levine	Director since August 8, 1994

PRINCIPAL ACTIVITIES

The principal activities of the Economic Entity during the half-year continued to be that of gold mining including the exploration and evaluation of the economic entity's areas of interest in relation to discovery of gold and other precious metals. There was no change in the nature of those activities during the half year.

REVIEW OF OPERATIONS AND RESULTS

During the half-year, the principal areas of interest in relation to the operations of Haoma have continued to be in the Pilbara area of Western Australia and the Charters Towers/Ravenswood district of Queensland.

There was only a limited measure of gold production (1,010 ozs) during the half-year. The Normay Processing Plant remained on care and maintenance while test work continued using the Bamboo Creek Processing Plant.

The following was reported with Haoma's December 31, 2004 Quarterly Report

http://www.haoma.com.au/2005/Haoma%20Qtrly%20Q2_Dec%2004%204.pdf:

- **Patent Application** – On January 17, 2005, Haoma reported to the ASX that a patent application had been filed by Elazac Mining Pty Ltd in respect of a process (New Elazac Process) for the recovery of gold from certain types of gold ores. Initial laboratory scale results using the process on ores and concentrates produced at the Bamboo Creek Processing Plant have been highly encouraging. The full text of the announcement is included below.
- **Significant Results** – Since the patent application, test work has continued on Bamboo Creek and Mickey's Find ore samples under the direction of Professor Peter Scales and Mr Will Goodall of the University of Melbourne. The results show that significantly more gold was measured by the New Elazac Process than the Aqua Regia Method.

Ore Source	Head Gold Grade by Aqua Regia	New Elazac Process Gold Grade		
		Solution	Solid Tail	Total
	g/t	g/t	g/t	g/t
Bamboo Creek Tailings*	0.99	1.39	11.06	12.45
Mickey's Find Tailings*	2.24	3.91	3.64	7.55
Bulletin Ore Concentrate	5.93	16.1	1.6	17.1

* Average of three samples using a different balance of chemicals

- **Financial Implication** - The financial significance of the above results is dependent on the size and grade of Haoma's numerous ore bodies in the Pilbara. For instance, while it is clear that Mickey's Find is large, the "true grade" is not able to be determined until an appropriate "assay method" is developed.

Development of an appropriate “assay method” is proceeding at Bamboo Creek and the University of Melbourne.

The consolidated operating result of the Economic Entity for the half-year to December 31, 2004, after provision for income tax, depreciation, amortisation and interest was a loss of \$5,137,179 (2003 loss of \$2,531,034).

AUDITOR’S INDEPENDENCE DELCARATION

The Lead Auditor’s Independence Declaration under Section 307C of the Corporations Act 2001 is set out on page 4 and forms part of the Director’s Report for the half year ended December 31, 2004.

Signed in accordance with a resolution of the Directors.

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

Gary. C. MORGAN
Director

Melbourne,
February 28, 2005



Chartered Accountants
& Business Advisers

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The Directors
Haoma Mining NL
C/- The Roy Morgan Research Centre
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MELBOURNE VIC 3000

Dear Sirs

INDEPENDENCE DECLARATION

As lead engagement partner for the review of Haoma Mining NL the half year ended 31 December 2004, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

PKF
Chartered Accountants

M J Phillips
Partner

28 February 2005
Melbourne

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF HAOMA MINING NL

Scope

We have reviewed the financial report of Haoma Mining NL for the half-year ended 31 December 2004 comprising the statement of financial performance, statement of financial position, statement of cash flows, notes to the financial statements and director's declaration. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half year or from time to time during the half year. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the Company's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Haoma Mining NL is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF HAOMA MINING NL
(CONT'D)**

Inherent Uncertainty Regarding Continuation as a Going Concern and Carrying Value of Assets

Without further qualification to the statement above, attention is drawn to the following matters:

As a result of the matters described in the Notes to the Financial Statements, there is uncertainty whether the entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Intangibles of \$2,182,069 is comprised of goodwill arising on consolidation of Kitchener Mining NL. The realisation of the carrying value of this goodwill is dependent upon the economic entity being able to commercially establish the Elazac process to utilise the assets currently owned by Kitchener to generate future cash flows.



PKF

Chartered Accountants



M J Phillips
Partner

28 February 2005
Melbourne

FOR THE HALF YEAR ENDED DECEMBER 31, 2004

	Economic Entity	
	Dec 31, 2004	Dec 31, 2003
	\$	\$
Revenues from ordinary activities	696,632	250,126
Cost of sales	(3,563,952)	(780,378)
Test work and plant configuration expenditure	(544,585)	-
Exploration & tenement costs written off	(189,561)	(1,654,616)
Borrowing costs	(130,137)	-
Depreciation and amortisation costs	(908,555)	(730,152)
Other expenses from ordinary activities	(497,021)	(458,414)
Profit (loss) from ordinary activities before income tax expense	(5,137,179)	(3,373,434)
Income tax (expense) benefit relating to ordinary activities	-	842,400
Net profit (loss) attributable to members of the parent entity	(5,137,179)	(2,531,034)
Basic earnings (loss) per share (cents per share)	(\$0.0266)	(\$0.0131)
Diluted earnings (loss) per share (cents per share)	(\$0.0266)	(\$0.0131)

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

AS AT DECEMBER 31, 2004

	Economic Entity	
	Dec 31, 2004	June 30, 2004
	\$	\$
Current Assets		
Cash Assets	88,077	106,093
Receivables	56,835	41,105
Inventories	1,170,874	539,032
Total Current Assets	1,315,786	686,230
Non-Current Assets		
Property, plant and equipment	3,253,762	3,225,401
Exploration and evaluation	20,986,096	20,637,233
Intangibles	2,182,069	2,747,308
Total Non-Current Assets	26,421,927	26,609,942
Total Assets	27,737,713	27,296,172
Current Liabilities		
Payables	1,407,768	1,215,618
Interest Bearing Liabilities	358,543	1,126,665
Provisions	121,615	103,133
Tax liability	749,866	749,866
Total Current Liabilities	2,637,792	3,195,282
Non-Current Liabilities		
Payables	1,155,000	1,155,000
Interest Bearing Liabilities	7,227,113	1,090,902
Total Non-Current Liabilities	8,382,113	2,245,902
Total Liabilities	11,019,905	5,441,184
Net Assets	16,717,808	21,854,988
Shareholders' Equity		
Contributed Equity	59,662,124	59,662,124
Reserves	11,299,489	11,299,489
Accumulated losses	(54,243,805)	(49,106,625)
Total Shareholders' Equity	16,717,808	21,854,988

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

FOR THE HALF YEAR ENDED DECEMBER 31, 2004

	Economic Entity	
	Dec 31, 2003	Dec 31, 2003
	\$	\$
Cash Flows From Operating Activities		
Cash receipts in the course of operations	543,728	--
Interest received	2,720	111,750
Other income	121,103	135,429
Cash payments to suppliers and employees	(4,960,160)	(882,596)
Interest paid	(53,264)	--
Net cash provided by (used in) operating activities	(4,345,873)	(635,417)
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(371,675)	(1,628,613)
Exploration and development Expenditure	(538,424)	(2,004,373)
Net cash provided by (used in) investing activities	(910,099)	(3,632,986)
Cash Flows From Financing Activities		
Loans from related parties	5,364,754	--
Repayment of related party loan	--	--
Finance Lease Repayment	(126,798)	--
Net cash provided by (used in) financing activities	5,237,956	--
Net (increase)/decrease in cash held	(18,016)	(4,268,403)
Cash at the beginning of the financial year	106,093	6,901,857
Cash at the end of the financial year	88,077	2,633,454

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**1. Basis of accounts preparation**

This half year financial report has been prepared in accordance with Accounting Standard AASB 1029 Interim Financial Reporting and is to be read in conjunction with the financial report for the year ended June 30, 2004 and announcements made to the market during the period. It is a general purpose financial report which has been prepared in accordance with AASB Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views. (It does not include all notes of a type normally included in an annual financial report).

The principal accounting policies adopted by Haoma Mining NL and its Controlled Entities are stated to assist in a general understanding of the financial statements. The half-year financial report has been prepared in accordance with historical cost convention. Accounting policies have been consistently applied on the same basis as those adopted in the financial report for the year ended June 30, 2004

Attention is also drawn to the following matters**Goodwill**

Goodwill of \$2,182,067 shown in the financial statements, represents the written down value at December 31, 2004 arising on the consolidation of Kitchener Mining NL. Goodwill is being amortised over its estimated useful life on a straight-line basis.

The Directors believe the value of Kitchener Mining NL, together with the tenements and mining interests owned by Haoma Mining will realise, over a period of time, gold and other minerals which can be profitably extracted using the Bamboo Creek mill.

Kitchener Mining NL owns the Bamboo Creek mill which has been re-engineered to process Marble Bar ores, the Bamboo Creek tailings and the Bamboo Creek ore dumps using the Elazac Process. The Directors recognise that there is no certainty until the Elazac Process can commercially recover minerals. The Directors consider that results to date indicate that the Elazac Process will be successful in realising revenue from the assets of Kitchener and justify the carrying value of goodwill.

Going Concern

The Economic Entity recorded a Consolidated Loss of \$5,137,179 for the half-year. The financial statements have been prepared on the basis of the going concern principle. That principle contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

To support the ongoing operations of the Economic Entity, Mr. Gary Morgan, Director and Chairman, has given an undertaking that he will personally ensure that funds will be available to the Economic Entity to ensure that there is no shortfall of funding required for operations for a period of at least 12 months from the date of this report. At December 31, 2004 Mr. Morgan had advanced funds of \$6,263,009.

2. Segment Reporting

The economic entity operates solely in the minerals industry segment. Operations comprised of exploration, evaluation and development of gold and diamond mining areas.

The economic entity operates solely in Australia.

3. Contingent Liabilities

There has been no change since the last Annual Report to June 30, 2004.

4. Loan from Related Party

Included in Non-current liabilities is a loan from Gary and Genevieve Morgan of \$6,263,009. During the six months to December 31 2004, \$5,364,754 was drawn down to fund the operations of Haoma Mining NL and its controlled entities, incurring an interest expense of \$130,134.

5. Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of this financial year.

Haoma Mining's management are assessing the significance of these changes and preparing for their implementation. An IFRS committee has been established to oversee and manage the economic entity's transition to IFRS. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

The Directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of IFRS are:

• Impairment of Assets

Haoma Mining currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

• Goodwill on Consolidation

Under the proposed changes to the IAS 22: Business Combinations, goodwill is to be capitalised to the statement of financial position and subject to an annual impairment test. Amortisation of goodwill is to be prohibited. Current accounting policy of the entity is to amortise goodwill on a straight line basis over the period of 20 years.

• Income Tax

Currently, Haoma Mining adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and profit.

• Derivative Financial Instruments

Haoma Mining does not currently recognise derivative financial instruments in the financial statements. AASB 139: Financial Instruments: Recognition and Measurement requires that derivative financial instruments and hedging activities recorded in the financial statements. It is considered that the application of this standard will not have any material impact on the financial statements of Haoma Mining NL.

• Extractive Industries

There is not yet an approved IFRS equivalent to AASB1022 Accounting for Extractive Industries. Under the Australian equivalent to Exposure Draft 6 "Exploration for an Evaluation of Mineral Resources", entities that engage in the exploration for and evaluation of mineral resources can elect to continue to recognise and measure their exploration and evaluation assets according the accounting policies they applied in their most recent annual financial report. If a standard is introduced which changes the current standard, this may have an as yet unknown effect on the Company's financial position.

• Share Based Payments

During the period, the entity allocated options to its employees and consultants, as part of their remuneration package. AASB 2 "Share Based Payments" requires that these payments shall be measured at the more readily determinable fair value of the good/service or the fair values of the equity instrument. This amount will be expensed in the statement of financial performance. Where the grant date and the vesting date are different the total expenditure calculated will be allocated between the two dates taking into account the terms and conditions attached to the instruments and the counterparties as well as management's assumptions about probabilities of payments and compliance with and attainment of the set out terms and conditions.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

ACN 008 676 177

DIRECTORS' DECLARATION

The Directors of Haoma Mining NL declare that:

- (a) the accompanying financial statements and notes attached thereto comply with Accounting Standards;
- (b) the financial statements and the notes attached thereto give a true and fair view of the consolidated entity's financial position as at December 31, 2004 and of its performance for the half year ended on that date and;
- (c) in the Directors' opinion, at the date of this declaration there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable for the reasons set out in note 1.

This declaration is made in accordance with a resolution of the Board of Directors.



Gary C. Morgan:
Director

Melbourne

February 28, 2005