

HAOMA MINING NL
ANNUAL FINANCIAL STATEMENTS & REPORTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2012

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

In accordance with a resolution of the Board of Directors, the Directors' present their report on the company and its controlled entities for the financial year ended June 30, 2012.

DIRECTORS

The persons who have been a Director of the Company at any time during or since the end of the year are:

Gary Cordell Morgan (Chairman)
Michele Levine
John Lachlan Charles McInnes

All directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

COMPANY SECRETARIES

The following persons held the position of company secretary at the end of the financial year:

James A. Wallace CA
Howard F Toomey CA

PRINCIPAL ACTIVITIES

The principal activities of the Economic Entity during the financial year were gold mining, mineral exploration and mining development. There was no significant change in the nature of the principal activities during the year.

OPERATING RESULTS

The consolidated profit of the Economic Entity for the year to June 30, 2012 was \$22,764,462 (2011: loss \$7,250,951). Profit for the year includes a Profit on Sale of Assets of \$32,236,881 from the sale of Haoma's iron ore rights at Mt Webber to Atlas Iron Ltd in March 2012. Refer to the Review of Operations and Results below and Note 10 to the Financial Statements.

DIVIDENDS

No dividends have been paid or declared during or since the end of the financial year.

REVIEW OF OPERATIONS AND RESULTS

During the year ended June 30, 2012, Haoma's primary area of activity continued to be mineral exploration and research and development activities at its areas of interest in the Pilbara district of Western Australia and the Ravenswood - Charters Towers district in North Queensland.

Daltons Joint Venture

Haoma has a 25% interest in the Daltons Joint Venture with Atlas Iron Limited's wholly owned subsidiary, Giralia Resources Pty Ltd 75%.

On March 23, 2012 Haoma sold its 25 percent interest in the underlying tenements and iron ore rights at Mt Webber to Atlas Iron Ltd for \$33 million. The consideration comprised \$10 million cash and shares in Atlas Iron Ltd valued at \$23 million. Since the Mt Webber sale, the value of the consideration represented by Atlas Iron shares has fallen significantly from the initial share price of \$2.736 to recent trading in Atlas shares in the vicinity of \$1.40 per share. This represents an unrealised loss of approximately \$11 million. Notwithstanding this fall in value, the Directors of Haoma have decided to retain the investment in Atlas Iron shares as they anticipate a strong future working relationship with Atlas. Atlas will make additional annual payments to Haoma on a pro-rata basis for any additional iron ore reserves on the Daltons JV tenements in excess of 24 million tonnes, equivalent to \$5.50 per tonne for Haoma's 25% share. In addition, Haoma now owns the rights to all non-iron ore minerals on all of the Atlas and Haoma Daltons JV exploration and mining tenements including M45/1197 and the underlying exploration tenement E45/2186.

The Daltons Joint Venture covers four tenements located approximately 150 kilometres south of Port Hedland and only 20 to 30 kilometres east of the BHP Billiton and FMG rail lines in the Pilbara region of Western Australia.

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DIRECTORS' REPORT

Research and Investigation Work At Bamboo Creek

Pilot Plant Trials at Bamboo Creek recover significant commercial quantities of gold from bulk samples of Bamboo Creek Tailings and Mt Webber Drill Hole samples

On September 4, 2012 Haoma shareholders were advised that **recent Pilot Plant Trials at Bamboo Creek** produced Metal Concentrates from both Bamboo Creek Tailings and Mt Webber Drill Hole samples which contained significant commercial quantities of gold.

The gold and PGM (Platinum Group Metal) grades were measured by the Elazac Assay Method. Check XRF assays conducted by an independent South African laboratory verified some of the results.

Samples of the Metal Concentrate from the **Bamboo Creek Tailings** are this week being sent to a commercial European refinery where physical gold and Platinum Group Metals (PGM) will be extracted.

The following are the calculated Bamboo Creek Tailings gold grades measured in the Pilot Plant Trials:

1) **Trial 491 (Sample 3kg Bamboo Creek Tailings), gold grade 142.03 g/t**

2) **Trial 514 (Sample 70kg Bamboo Creek Tailings), gold grade 98.38 g/t**

3) **Trial 520 (Sample 70kg Bamboo Creek Tailings), gold grade 74.37 g/t**

'Average' Bamboo Creek Tailings gold grade, 104.93 g/t

Previous XRF analysis of two Bamboo Creek Tailings sample by an independent South African laboratory measured gold grades of **40 g/t** and **49 g/t** giving an average gold grade of **44.5 g/t** – a significantly higher gold grade than the South African laboratory's fire assay gold reading of **0.51g/t**.

The following is the calculated **Mt Webber Drill Hole** gold grade measured in a Pilot Plant Trial:

4) **Trial 448 (Sample 1kg Mt Webber Drill Hole), gold grade 44.11 g/t**

(Sample from approximately 20 meters of RC drill hole RCDW029; location East 739160, North 7617447, Dip/Azim - 60/90)

Previous XRF analysis of a Mt Webber sample by an independent South African laboratory measured gold grades of **65 g/t** and **39 g/t** giving an average gold grade of **52.0 g/t** – a significantly higher gold grade than the South African laboratory's fire assay gold reading of **<0.01 g/t**.

Haoma Shareholders were first advised on June 18, 2012 that both **Bamboo Creek Tailings and Mt Webber Drill Hole samples contained significant PGM grades** – including platinum, palladium and iridium. (See below Note 1* on **ICP assay procedure** and Note 2* for PGM assays).

The latest PGM grades confirm previous PGM grades measured by XRF when samples of both Bamboo Creek Tailings and Mt Webber Drill Hole were assayed by an independent South African laboratory. The following were the XRF results.

5) **Trial 450 Concentrate (4.4% of Trial 450 1 kg sample) from Bamboo Creek Tailings Concentrate (17% of Bamboo Creek Tailings sample), iridium grade 1,380 g/t – Bamboo Creek Tailings calculated iridium grade, 10.32 g/t.**

6) **Trial 449 Concentrate (49.7% of Trial 449 1 kg sample) from Mt Webber Drill Hole sample, platinum grade 38 g/t – Mt Webber calculated platinum grade, 18.89 g/t.**

The latest gold and PGM grades measured in Concentrates of Bamboo Creek Tailings by the Elazac Assay Process and XRF are being checked by a European commercial refinery. Shareholders will be advised of the checked gold and PGM grades in the Bamboo Creek Tailings Concentrate samples when the quantities of gold and PGM are received.

* **Note 1:** An independent laboratory measured the PGM grades after acid digestion of samples produced by the Elazac Process. The metals in solutions were then measured by ICP. The latest gold and PGM results show the recently designed Bamboo Creek Pilot Plant can now operate so commercial quantities of gold and PGM can be economically recovered.

* **Note 2:** Significant Platinum Group Metals (PGM) grades measured in Bamboo Creek Tailings after acid digestion of the samples. The metals in solutions were then analysed by ICP

HAOMA MINING NL AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT

Additional plant and equipment was recently purchased and will be installed at Bamboo Creek once all the necessary permits have been obtained from the Western Australian Department of Mines and Petroleum. The Directors expect commercial production to begin in about 2 months.

When the additional plant and equipment is installed it is anticipated that the Bamboo Creek Plant will then process Bamboo Creek Tailings at a production rate of up to 50 tonnes per hour.

This will result in an initial daily throughput of at least 400 tonnes of Bamboo Creek Tailings. It is anticipated that at least 20 tonnes per day of Bamboo Creek Tailings Concentrate will be produced using a rough gravity cut rate of 5%.

Gold recovered from Bamboo Creek Tailings Concentrate is expected to result in a calculated Bamboo Creek Tailings gold grade of about **100 g/t** and additional commercial grades of PGM.

As previously reported there are about 1 million tonnes of Bamboo Creek Tailings ready for processing. The value of commercially recoverable gold using the Elazac Process with the Bamboo Creek Pilot Plant design is expected to be significant at current gold prices.

Table 1: Bamboo Creek Tailings

Area Sampled	Sample Description	Gold Assays by Traditional Method	'Calculated' Gold Head Grade using Refined Elazac Assay Method ^[1]		Platinum Group Metals	
				Au g/t	Pt g/t	Pd g/t
Bamboo Creek Tailings	Trial 1: Sample size 50 kg	0.3 g/t	Note: * = Partial Assay	7.35*	0.00	11.24
Bamboo Creek Tailings	Trial 2: Sample size 50 kg	0.3 g/t	Note: * = Partial Assay	0.59*	0.00*	2.15*

^[1] The information & data in 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 ore (the Refined Elazac Extraction Method). These methods are together referred to as the Elazac Process. The information reported relates solely to the 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 persons 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 release of the information and data in the form and context in which it appears.

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DIRECTORS' REPORT

FINANCIAL POSITION

The consolidated Statement of Financial Position shows a deficiency of net assets at June 30, 2012 of \$26,724,989 (2011: deficiency \$43,600,444).

Funding for Haoma's operations is being provided by The Roy Morgan Research Centre Pty Ltd. Following the sale of Haoma's iron ore rights at Mt Webber, Haoma repaid \$9.55 million of loan principal to The Roy Morgan Research Centre Pty Ltd. The balance of the \$10 million cash component of the sale proceeds was used to purchase additional equipment needed to upgrade the Bamboo Creek Plant. The Roy Morgan Research Centre Pty Ltd has provided an assurance to the Board that it will continue to ensure funds are available to the company to fund operations for a period of at least 12 months from the date of this report. At June 30, 2012 the debt to The Roy Morgan Research Centre Pty Ltd was \$29.678 million. Haoma has approved payment of interest on the debt at the 30 day commercial bill rate plus a facility margin of 4%. Interest will accrue until Haoma has attained a financial position represented by a positive net asset ratio and the Board determines that the company is in a financial position to commence interest payments. Total interest accrued and unpaid to June 30, 2012 is \$15.933 million

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Apart from matters already disclosed, there were no significant changes in the state of affairs of Haoma during the year to June 30, 2012.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the Economic Entity, the results of those operations, or the state of affairs of the Economic Entity in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Haoma is planning to resume gold production at The Bamboo Creek Processing Plant during 2012-13. Haoma is well advanced with the design and planning for changing the Bamboo Creek Plant so when ore is processed significant quantities of gold and PGM can be recovered. Additional plant and equipment has been purchased and transported to Bamboo Creek. This plant and equipment will be installed at Bamboo Creek once all the necessary permits have been obtained from the Western Australian Department of Mines and Petroleum. **The Directors expect 'pilot scale' processing to begin in the December 2012 Quarter.**

It is anticipated that at least 20 tonnes per day of Bamboo Creek Concentrate will be produced using a rough gravity cut rate of 5%. **The Bamboo Creek Concentrate gold grade recovered is expected to be above 100 g/t plus commercial grades of PGM.**

Haoma will continue to further develop its areas of known and prospective gold and other mineralisation over a number of tenements in the Pilbara region of Western Australia including prospects within the Daltons Joint Venture tenements. Iron ore zones on Haoma's Bamboo Creek tenements will be further investigated. Haoma will continue to pursue its gold exploration activities in the Ravenswood District in Queensland.

Haoma is listed on the Australian Stock Exchange and is subject to the continuous disclosure requirements of the ASX Listing Rules which require immediate disclosure to the market of information that is likely to have a material effect on the price or value of Haoma's securities. Information on likely developments in the operations of the Group is released as and when available. Further information in relation to Haoma's operations and copies of information releases is also available from Haoma's website at www.haoma.com.au

ENVIRONMENTAL ISSUES

The gold mining, exploration and mining development activities of Haoma Mining NL are subject to significant environmental regulation. Environmental legislation under which the company conducts its activities is principally Australian State Government legislation and includes in Western Australia; the *Mining Act 1978* (WA), the *Environmental Protection Act 1986* (WA) and the *Aboriginal Heritage Act 1980* (WA) and in Queensland; the *Mineral Resources Act 1989* (Qld) and the *Environmental Protection Act 1994* (Qld).

The company has complied with environmental protection and rehabilitation requirements and has management and reporting systems for all of the areas in which it has interests. Regular reviews are conducted with regard to environmental compliance matters. The environmental impact of the operation of the company's processing plants at Normay and at Bamboo Creek, Western Australia is subject to continuous assessment. There were no significant matters in regard to environmental control or management that arose during the year. The company will continue to monitor its performance in relation to the environment. That process will include the ongoing assessment of the environmental impact of each of the company's operations and the development of additional reporting and communications systems to ensure compliance and identify items for specific action.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

INFORMATION ABOUT DIRECTORS AND OFFICERS

Gary Cordell MORGAN, B.Comm

Appointment Date:

Experience:

Interest in Shares and Options:

Directorships held in other listed entities:

Special Responsibilities:

Chairman

May 10, 1991

Executive Chairman of Roy Morgan Research Ltd. Is a member of a number of research and marketing organizations.

Indirect and beneficial interest in 128,182,961 Haoma Mining shares via directorship and interest in Leaveland Pty Ltd.

Holds no interest in any options to acquire shares.

Nil

Nil

John Lachlan Charles McINNES, OAM, B.Comm,

FCA

Appointment Date:

Experience:

Directorships held in other listed entities:

Interest in Shares and Options:

Special Responsibilities:

Non-Executive Director

May 10, 1991

Chartered Accountant.

Mr. McInnes is Chairman of Bass Strait Oil Ltd and is also a director of a number of unlisted company's, including companies associated with the Chairman, Mr. Gary Morgan.

Indirect interest in 128,182,961 Haoma Mining shares via directorship in Leaveland Pty Ltd. Indirect and beneficial interest in 1,500,000 Haoma Mining shares via Directorship and interest in Etonwood Management Pty Ltd. Direct interest in 4,500 shares.

Total interests: 129,687,461 shares.

Holds no interest in any options to acquire shares.

Chairman of Audit Committee.

Michele LEVINE, B.Sc (Hons), Env. St

Appointment Date:

Experience:

Directorships held in other listed entities:

Interest in Shares and Options:

Special Responsibilities:

Non-Executive Director

August 8, 1994

Director and CEO of Roy Morgan Research Ltd.

Nil

Indirect and beneficial interest in 1,319,000 Haoma Mining shares via interest in the Levine Family Super Fund and Levine Family Trust. Direct interest in 12,000 shares.

Total interests: 1,331,000 shares

Holds share options to acquire 2 million shares at 10c per share.

Nil

Howard TOOMEY B.Bus. (Acc.) CA

Appointment Date:

Experience:

Directorships held in other listed entities

Interest in Shares and Options

Special Responsibilities

Company Secretary

October 22, 2007

Chartered Accountant and CFO of Roy Morgan Research.

Nil

Nil

Audit Committee

James WALLACE B.Ec. CA

Appointment Date:

Experience:

Directorships held in other listed entities

Interest in Shares and Options

Special Responsibilities

Company Secretary

November 21, 1997

Chartered Accountant and Commercial Manager.

Nil

Holds share options to acquire 100,000 shares at 10c per share

Audit Committee

No Director, during or since the end of the financial year, has received or become entitled to receive a benefit by reason of a contract made by the Company or a related body corporate with the Director or with a firm of which he is a member, or with an entity in which he has a substantial financial interest other than as shown in Note 22 (Related Party Information) to the financial statements.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

REMUNERATION REPORT – (AUDITED) *Continued*

2011		Short-term benefits		Post Employ't Benefits	Share Based		
Name	Period of responsibility	Salary & Director Fees	Non-Cash Benefits	Super	Options	Total	Performance Related
		\$	\$	\$	\$	\$	%
Executive Director Gary Morgan	Full year	40,000	-	-	-	40,000	-
Non-Executive Directors							
Michele Levine	Full year	40,000	-	3,600	-	43,600	-
John McInnes	Full year	40,000	-	3,600	-	43,600	-
General Manager Peter Cole	Full Year	145,900	-	-	49,500	195,400	-
Total		265,900	-	7,200	49,500	322,600	-

Service agreements

Remuneration and other terms of employment for the Directors and other Key Management Personnel may be formalised in service agreements.

The supply for the services of Peter Cole as General Manager is based upon an agreed daily consulting rate. The supply agreement may be cancelled by either party with 2 months notice.

Share based compensation

The remuneration of other consultants, senior management and employees is not dependent on completion of pre-determined performance criteria.

On May 6, 2011, the Board of Directors approved the issue of 5,150,000 options to acquire shares in Haoma Mining to employees and consultants. The options were issued in recognition of past efforts. The non-renounceable options may be converted to an equivalent number of Haoma Mining NL shares subject to continuous performance and Directors' approval. The unquoted options may be converted to shares at any time within a two year period from issue date at an exercise price of 10 cents per share.

At the 2011 Haoma Annual General Meeting held on November 30, 2011, shareholders approved an issue of 2,000,000 options to acquire shares in Haoma Mining to Director Michele Levine. The options were issued December 30, 2011 on the same terms and conditions as those issued to employees and consultants on May 6, 2011. The options were granted at 10 cents per share. No other share options were issued during the year.

Details on the valuation of the options, including models and assumptions used are included in Note 19 to the financial statements. There have been no alterations to the terms and conditions of options granted in recognition for past services since the grant date.

For further details on the valuation of options, including models and assumptions, please refer to Note 19 to the Financial Statements.

This is the end of the remuneration report which has been audited.

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DIRECTORS' REPORT

DIRECTORS' MEETINGS

During the financial year there were three full meetings of the Board of Directors and two meetings of the Audit Committee. The number of meetings attended by each of the Directors is:

	Full meetings of Directors	Meetings of Audit Committee
Number of meetings held:	3	2
Number of meetings attended by:		
Mr. G C Morgan	3	-
Ms. M Levine	3	-
Mr. J McInnes	3	2

The Board of Directors' comprises 3 persons each of whom are in regular contact with each other and meet informally approximately once per week. In addition the Board is in daily contact by telephone and email communication. These regular and efficient forms of contact enable all of the Directors to keep abreast of company business and to ensure informed and timely decisions are reached. Where urgent matters arise that require formal adoption of resolutions by the Board, circulated resolutions are executed to effect decisions.

SHARES UNDER OPTION

Unissued shares under option as at the date of this report are as follows:

Issuee	Issuing entity	Number of Ordinary Shares under Option
Director	Haoma Mining NL	2,000,000
Consultants	Haoma Mining NL	4,500,000
Employees	Haoma Mining NL	650,000
Total Shares under Option		7,150,000

INDEMNIFICATION OF OFFICERS AND AUDITORS

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

PROCEEDINGS ON BEHALF OF ENTITY

No person has applied for leave of Court to bring proceedings on behalf of the company or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included at page 10.

NON-AUDIT SERVICES

There were no non-audit services provided by the auditor or by another person or firm on the auditor's behalf during the financial year.

This report is signed in accordance with a resolution of the Directors.



Gary C. Morgan
Chairman

Melbourne,
September 27, 2012

DECLARATION OF INDEPENDENCE BY RICHARD DEAN TO THE DIRECTORS OF HAOMA MINING N.L.

As lead auditor of Haoma Mining N.L. for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect Haoma Mining N.L. and the entities it controlled during the period.



Richard Dean
Partner

BDO East Coast Partnership

Melbourne, 27 September 2012.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Haoma Mining NL (“Haoma”) is responsible for the Corporate Governance Practices of the Economic Entity. The Board guides and monitors the business and affairs of Haoma Mining NL on behalf of the shareholders by whom they are elected and to whom they are accountable.

Good Corporate Governance is dependent on the culture of the Company generally, and Board and Senior Management in particular. Mere compliance with the ASX corporate governance recommendations in itself however, will not necessarily result in good corporate governance.

The Board of Haoma is committed to ensuring that a standard of good governance is maintained. It does this by 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.

Unless otherwise disclosed in this statement, the Company has adopted the most recent Australian Securities Exchange (‘ASX’) Corporate Governance Council Corporate Governance Principles and Best Practice Recommendations.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The responsibility for the operation and administration of the Economic Entity is delegated by the Board to the Chairman, Mr. Gary Morgan and Management. The Board ensures that personnel are appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the management team.

Although Haoma does not comply with the ASX Corporate Governance Council’s Recommendation regarding performance evaluation of the Board and Executives, it is considered that the size of the company and the structure of the Board do not necessitate full compliance with this recommendation.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the Annual Report and their term of office are detailed in the Director’s Report.

The Directors in office at the date of this statement are:

Name	Position
Gary C Morgan	Chairman, Director
Michele Levine	Non-Executive Director
John L C McInnes	Non-Executive Director

To ensure the Board is well equipped to discharge it’s responsibilities it has established guidelines for the nomination and selection of Directors and for the operation of the Board.

Directors are appointed for a three year term after which time they seek re-election by shareholders.

ASX Corporate Governance Principle 2 recommends that the majority of the Directors should be Independent; the Chairman should be an Independent Director and should not also be the Chief Executive Officer.

As noted above, Mr. Gary Morgan is the Chairman of Haoma. Mr. Morgan is not considered to be an Independent Director due to his family’s majority shareholding in Haoma. Mr. John McInnes is not deemed to be an Independent Director because he is a Director of companies that control Mr. Morgan’s family shareholding in Haoma and he has been on the Board for more than 10 years. Michele Levine is not an Independent Director as she is the Chief Executive Officer of Roy Morgan Research Ltd which is a private company controlled by Mr. Morgan.

Accordingly, Haoma does not comply with ASX Corporate Governance Council’s Revised Recommendations 2.1, 2.2 and 2.3 regarding independence. The relevance of this non-compliance must be considered in light of the fact that entities controlled by Mr. Gary Morgan hold shares in the company representing over 69% of the issued capital. Haoma is not a large company with a broad spread of shareholders. It is a company controlled and managed by Mr. Morgan in which outside shareholders have the opportunity to invest because it has ASX listing. The extent of Mr. Morgan’s personal and financial commitment to Haoma is not new and is well known to the market. The overwhelming majority of current shareholders acquired their shares in the full knowledge of that relationship.

The company does not 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.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT

All Directors have the right to seek Independent professional advice in the furtherance of their duties as Directors at the company's expense. Written approval must be obtained from the Chairman prior to incurring any material expense in this regard.

ASX Corporate Governance Principles 2.4, 2.5 and 2.6 recommend that the company establish a nomination committee, disclose the process for evaluating the performance of the Board, its committees and individual directors and advise whether such performance evaluations have taken place during the reporting period in accordance with the processes disclosed. In the case of Haoma and for the reasons outlined above, the members of the Board fulfill and carry out those roles.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

The Board and senior executives are aware of the need to comply with all laws relevant to operations of the Company. Due to the size and structure of Haoma it is not considered necessary to have a formal written code of conduct.

Haoma does not have a formal written policy in relation to gender diversity. The current size of the company and the structure of the Board do not warrant the establishment of specific measurable objectives in relation to gender diversity. The need for a formal policy will be reviewed in line with future growth in the company's size and personnel requirements.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Haoma has for many years maintained a formal Audit sub-committee of the Board. The Audit Committee operates under a charter approved by the Board. It is the Audit Committee's responsibility to ensure that an effective internal framework exists within the entity. This includes internal controls, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Audit Committee provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial statements.

The Audit Committee is also responsible for nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year statutory review.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURES

Haoma provides timely and balanced disclosures of all material matters concerning the Company as required by the ASX listing rules. This means that all investors have equal and timely access to material information concerning the company – including its financial situation, performance, ownership and governance. The Company's announcements are factual and presented in a clear and balanced way to present positive and negative information.

The Directors are aware of the disclosure obligations as per the Corporations Act 2001 (Clth.) and ASX Listing rules and the need to comply with them. There is no formal document covering disclosure and compliance with ASX listing rules.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Company recognises and respects the rights of shareholders and facilitates the effective exercise of those rights. The Company empowers its shareholders by communicating effectively with them; providing ready access to balanced and understandable information about the Company and corporate proposals and making it easy for shareholders to participate in General Meetings.

While the Company does not have a documented procedure there is regular communication with shareholders including the electronic mailing of ASX Quarterly Activity Reports and information on matters of significance which affect the Company.

Through the timely publication of documents on its website at www.haoma.com.au Haoma ensures that all ASX releases, financial reports and other information are readily accessible at minimum cost.

At each Annual General Meeting shareholders are given a detailed briefing regarding the activities of the Company and are encouraged to both attend and participate in General Meetings. It is considered the size of the company does not warrant a formal written policy in this area.

The auditors attend the Annual General Meeting each year.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Board acts on behalf of the shareholders and is accountable to the shareholders. The Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. In discharging these duties the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical obligations.

Furthermore, the Board is responsible for ensuring that management objectives and activities are aligned with the expectations and risk management priorities identified by the Board. The Board has a number of internal control mechanisms in place to monitor management of business risks and to minimise the impact of accidental loss or damage to the company.

A formal sign off of the accounts by the Chief Executive Officer and Chief Financial Officer is required.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Directors' Report, financial statements and accompanying notes contain all 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.

There are no schemes for retirement benefits other than statutory superannuation for non-executive Directors.

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HAOMA MINING NL AND ITS CONTROLLED ENTITIES

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2012

		CONSOLIDATED	
	Note	2012 \$	2011 \$
Continuing Operations			
Retail sales		161,084	160,353
Royalty income		111,516	69,742
Finance revenue		120,822	176,262
Revenue		393,422	406,357
Other income	3(a)	32,478,070	640,000
Cost of sales		(394,295)	(357,214)
Test work and plant configuration expenditure		(2,689,455)	(2,304,506)
Exploration and tenement costs expensed		(622,924)	(766,708)
Administration and compliance expense	3(b)	(1,288,965)	(583,847)
Finance costs	3(c)	(4,169,300)	(3,758,355)
Depreciation and amortisation costs	3(d)	(106,362)	(353,050)
Impairment of Convertible Note	10	(600,000)	-
Provision for rehabilitation		(105,729)	(3,678)
Share option expense	19	(130,000)	(169,950)
Profit (Loss) before income tax		22,764,462	(7,250,951)
Income tax expense	4	-	-
Profit (Loss) for the year		22,764,462	(7,250,951)
Profit (Loss) for the year		22,764,462	(7,250,951)
Other comprehensive income (loss)			
Loss on revaluation of financial assets		(6,019,006)	-
Total comprehensive income for the year attributable to members of Haoma Mining NL, net of tax		16,745,456	(7,250,951)
Earnings per share (cents per share)			
- Basic earnings per share for the year attributable to ordinary equity holders of the parent	5	12.44	(3.96)
- Diluted earnings per share for the year attributable to ordinary equity holders of the parent	5	12.04	(3.95)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2012

		CONSOLIDATED	
	Note	2012	2011
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	7	24,937	167,215
Trade and other receivables	8	45,349	55,314
Inventories	9	232,076	230,826
Total Current Assets		302,362	453,355
Non-current Assets			
Other financial assets	10	17,380,994	1,000,000
Property, plant and equipment	12	1,181,736	602,703
Exploration and evaluation	13	5,815,000	6,593,119
Total Non-Current Assets		24,377,730	8,195,822
TOTAL ASSETS		24,680,092	8,649,177
 LIABILITIES			
Current Liabilities			
Trade and other payables	14	1,784,004	1,616,866
Interest bearing loans and borrowings	15	48,050,103	49,166,871
Provisions	16	96,228	96,867
Total Current Liabilities		49,930,335	50,880,604
Non-Current Liabilities			
Provisions	16	1,474,746	1,369,017
Total Non-Current Liabilities		1,474,746	1,369,017
TOTAL LIABILITIES		51,405,081	52,249,621
NET ASSETS (LIABILITIES)		(26,724,989)	(43,600,444)
 EQUITY			
Contributed equity	17	59,593,411	59,593,411
Reserves	17	463,859	6,352,865
Accumulated losses		(86,782,259)	(109,546,720)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		(26,724,989)	(43,600,444)

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

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2012

CONSOLIDATED	Share Capital	Share Options	Capital Profits	Financial Assets Fair Value	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at July 1, 2010	59,593,411	-	6,182,915	-	(102,295,769)	(36,519,443)
Loss after income tax expense for the year ...	-	-	-	-	(7,250,951)	(7,250,951)
Total comprehensive income for the year	-	-	-	-	(7,250,951)	(7,250,951)
Transactions with owners in their capacity as owners:						
Share Based Payments	-	169,950	-	-	-	169,950
Balance at June 30, 2011.....	59,593,411	169,950	6,182,915	-	(109,546,720)	(43,600,444)
Balance at July 1, 2011	59,593,411	169,950	6,182,915	-	(109,546,720)	(43,600,444)
Profit after income tax for the year	-	-	-	-	22,764,462	22,764,462
Loss on revaluation of financial assets	-	-	-	(6,019,006)	-	(6,019,006)
<i>Total comprehensive income for the year</i>	-	-	-	(6,019,006)	22,764,462	16,745,456
Transactions with owners in their capacity as owners:						
Share Based Payments	-	130,000	-	-	-	130,000
Balance at June 30, 2012.....	59,593,411	299,950	6,182,915	(6,019,006)	(86,782,258)	(26,724,988)

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

	Note	CONSOLIDATED	
		2012	2011
		\$	\$
Cash flows from operating activities			
Receipts from customers		320,487	995,841
Interest received		120,822	176,262
Payments to suppliers and employees		(2,150,555)	(1,299,231)
Interest paid		(25,498)	(16,908)
Net cash used in operating activities.....	7(b)	(1,734,744)	(144,036)
Cash flows from investing activities			
Purchase of property, plant and equipment		(685,395)	(325,243)
Proceeds from sale of property, plant and equipment		22,727	-
Exploration and development expenditure		(2,585,485)	(2,753,663)
Proceeds from sale of Mining Leases.....		10,200,000	-
Advances to related entity		(150)	-
Net cash provided by / (used in) investing activities		6,951,697	(3,078,906)
Cash flows from financing activities			
Payment of insurance premium funding		(83,895)	(54,969)
Net movement in Loan funding from related parties		(5,275,336)	3,436,127
Net cash (used in) / provided by financing activities		(5,359,231)	3,381,158
Net (decrease) increase in cash held		(142,278)	158,216
Cash at the beginning of the financial year		167,215	8,999
Cash at the end of the financial year	7(a)	24,937	167,215

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

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1 CORPORATE INFORMATION

The financial report of Haoma Mining NL for the year ended June 30, 2012 was authorised for issue in accordance with a resolution of the Directors on Thursday, September 27th, 2012.

Haoma Mining is a listed public company, incorporated and domiciled in Australia. The principal activities of the Consolidated Group during the financial year were gold mining, mineral exploration and mining development. There was no significant change in the nature of the principal activities during the year.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report of a for profit entity which has been prepared in accordance with the requirements of the *Corporations Act* 2001 and Australian Accounting Standards and Interpretations.

The financial report has been prepared on a historical cost basis, except for available-for-sale assets, which have been measured at fair value and provisions which have been carried at fair value. The financial report is presented in Australian dollars.

(b) Going Concern

The Consolidated Group produced comprehensive net income of \$16,745,456 for the year predominantly via the sale of tenement assets, had net current liabilities of \$49,627,973, and negative shareholders equity of \$26,724,989. These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

To support the ongoing operations of the Group, The Roy Morgan Research Centre Pty Ltd (a company owned and controlled by Haoma's Chairman and majority shareholder, Mr. Gary Morgan) has provided an undertaking that it will make funds available to the consolidated 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 June 30, 2012 the total debt owing in respect of funds provided to Haoma by The Roy Morgan Research Centre Pty Ltd was \$29,678,449 (2011: \$34,953,785). The Roy Morgan Research Centre Pty Ltd has also confirmed that payment of monies owed by Haoma will not be required until such time as Haoma's Board of Directors determine that the company is able to commence repayments without adverse financial consequences to the consolidated entity. The Board of Directors is therefore satisfied that going concern is the appropriate basis for preparation of the accounts.

For the reasons detailed above, the financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activities and the realisation of assets and the extinguishment of liabilities in the normal course of business at the amounts stated in the financial statements.

If the consolidated entity is unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial report. The report does not include any adjustments relating to the recoverability and classification of recorded asset carrying amounts or the amounts and classification of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they become due and payable.

(c) Statement of Compliance

The financial report of Haoma complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

In the current year, the consolidated group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. Details of the impact of those changes are set out in the individual accounting policy notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

2 STATEMENT OF ACCOUNTING POLICIES (continued)

New Accounting Standards and Interpretations early adopted

The following new accounting standards have been adopted:

- **AASB 9 Financial Instruments** – The Consolidated Group has early adopted AASB 9 Financial Instruments with a date of initial application of 1 July 2011. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any ‘recycling’ of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity’s own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch.

The adoption of AASB 9 did not impact the comparative financial year as the company had no available for sale financial assets.

- **AASB 2009-5 Further Amendments to Australian Accounting Standards** arising from the Annual Improvements Project makes a number of minor amendments to AASB 8 *Operating Segments*, AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 118 *Revenue* and AASB 139 *Financial Instruments: Recognition and Measurement*.

The adoption of the above did not have a material impact on the consolidated entity and is unlikely to have a material impact on future periods.

New Accounting Standards and Interpretations not yet mandatory

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Group for the annual reporting period ended 30 June 2012. Haoma’s assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity are set out below.

- **AASB 10 Consolidated Financial Statements** introduces a new definition of control in regards to consolidation. The Group has not yet determined the potential effect of the standard, which becomes mandatory for the Group’s 30 June 2014 financial statements.
- **AASB 11 Joint Arrangements** addresses joint operations and joint ventures. The Group has not yet determined the potential effect of the standard, which becomes mandatory for the Group’s 30 June 2014 financial statements.
- **AASB 12 Disclosure of Interests in Other Entities** addresses the disclosure requirements for all forms of interests in other entities. The Group has not yet determined the potential effect of the standard, which becomes mandatory for the Group’s 30 June 2014 financial statements.
- **AASB 13 Fair Value Measurement** consolidates the measurement and disclosure requirements in respect of fair values into one standard. The Group has not yet determined the potential effect of the standard, which becomes mandatory for the Group’s 30 June 2014 financial statements.

(d) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2012 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. They are de-consolidated from the date that control ceases. Controlled entities are detailed in Note 11.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

2 STATEMENT OF ACCOUNTING POLICIES (continued)

In preparing the financial statements, the financial impact of all inter-company balances and transactions between entities in the Consolidated group during the year have been eliminated. Accounting policies of subsidiaries are consistent with the parent.

(e) Significant judgements, estimates and assumptions used in applying accounting policies

(i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Exploration and Mining Lease Commitments

The Group holds various exploration and mining lease permits over areas of interest in Western Australia and Queensland. Annual minimum expenditure requirements are required in order to retain the exclusive right to explore and mine on these leases. In a number of cases, leases are located adjacent to or in close proximity to each other and activities often overlap a number of leases. With the approval of the relevant State Government Departments, certain expenditures which are known to be applicable to a broad area covering a number of leases are aggregated and applied to the affected leases using allocation estimates. The decision as to which leases should be aggregated for this purpose requires an exercise of judgement.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black Scholes model and assumptions detailed in Note 19. The Group measures the cost of cash-settled share-based payments at fair value at the grant date taking into account the terms and conditions upon which the instruments were granted (see Note 19).

Exploration Assets and impairment

Accounting estimates are required for the impairment of exploration assets. See note 2(r).

Provision for Rehabilitation costs.

Accounting estimates has been used to calculate the carrying value of Provision for Rehabilitation of exploration assets. See note 2(v)

(f) Segment Reporting

Operating Segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for the allocation of resources and assessing performance of the operating segments.

(g) Revenue Recognition

When in production, the Group's primary source of revenue is from the sale of precious metals, specifically gold and silver. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue from the sale of precious metal is therefore recognised upon supply of refined metal to the customer or on delivery against forward sale contracts. Other sources of revenue are recognised on the following basis:

Interest is recognised as it accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate.

The Group operates retail outlets at the Comet Mine Tourist Centre at Marble Bar, Western Australia and at its Top Camp facility at Ravenswood, Queensland. Revenue from the sale of goods is recognised when the sale is completed and ownership has passed to the purchaser.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

2 STATEMENT OF ACCOUNTING POLICIES (continued)

Revenue from the provision of consulting services is recognised upon the delivery of the service to the customer.

Haoma has negotiated royalty contracts with companies for materials mined from Haoma's tenements. Royalty revenue is recognised and/or accrued upon confirmation that the material subject to royalty has been extracted from Haoma's tenements.

All revenue is stated net of goods and services tax (GST).

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(i) Impairment of assets

At each reporting date the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at the revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(j) Income Tax

Haoma Mining NL and its wholly-owned Australian subsidiaries formed an income tax consolidated group on July 1, 2003. Haoma Mining NL is responsible for recognising the current and deferred tax assets and liabilities for the consolidated tax group. The consolidated tax group has entered a tax sharing agreement whereby each group company contributes to income tax payable in proportion to the net profit before tax of the consolidated tax group.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

2 STATEMENT OF ACCOUNTING POLICIES (continued)

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to calculate taxation assets and liabilities are those that applied at year end balance date.

At balance date, deferred income tax is provided on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when:

- the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, does not affect either accounting profit or taxable income; or
- the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward unused tax assets and unused tax losses, to the extent that it is probable that future taxable profits will be available to utilise the benefit of those deductible temporary differences, carry forward tax credits and tax losses, except when:

- the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, does not affect either accounting profit or taxable income; or
- the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that taxable income will be generated in the foreseeable future against which the temporary difference will reverse.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to utilise the deferred tax asset. Unrecognised deferred income tax assets are reassessed each balance date and are recognised to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, using tax rates that have been enacted or substantively enacted at balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit and loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and taxation authority.

(k) Borrowing Costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are recognised as an expense in the period in which they are incurred.

(l) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes:

- cash at bank, cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- investments in money market instruments with less than 14 days to maturity.

(m) Inventories

Inventories are measured and valued as follows:

- Purchased consumables and materials are counted & valued at the lower of cost and net realisable value,
- Inventories of Run of Mine ore stockpiles, work in process, heap leach material and gold bullion are physically measured or estimated and are valued at the lower of cost and net realisable value,

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

2 STATEMENT OF ACCOUNTING POLICIES (continued)

Net realisable value is the estimated selling price in the ordinary course of business, less estimated further costs of production and the estimated costs of selling.

(n) Trade and other receivables

Trade receivables, are recognised and carried at original invoice amount less an allowance for any component of the debt for which collection is considered doubtful. An allowance for a doubtful debt is made when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified.

(o) Investments and other financial assets

Classification and measurement prior to 1 July 2011

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (i) the amount at which the financial asset or financial liability is measured at initial recognition;
- (ii) less principal repayments
- (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- (iv) less any reduction for impairment

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost less any reduction for impairment. They are included in current assets, except for those with maturities greater than twelve (12) months after the reporting date which are classified as non-current assets.

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Recognition prior to 1 July 2011

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted)

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately

Classification and measurement from 1 July 2011

As from 1 July 2011 the Consolidated Group classifies its financial assets in the following measurement categories; those to be measured subsequently at fair value, and those to be measured at amortised cost. The classification depends on the entities business model for managing the financial assets and contractual terms of the cash flows.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

2 STATEMENT OF ACCOUNTING POLICIES (continued)

(i) *Debt investments – at amortised cost*

- the asset is held within a business model with the objective to collect the contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The nature of any derivatives embedded in the debt investments are considered in determining whether the cash flows of the investments are solely payment of principal and interest on the principal outstanding are not accounted for separately.

(ii) *Debt investments – at fair value through profit or loss*

If either of the two criteria above are not met, the debt investment is classified as at fair value through profit and loss.

The Consolidated Group has not designated any debt investments as measured at fair value through profit or loss so as to eliminate or significantly reduce an accounting mismatch.

The group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

(iii) *Equity Investments*

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss. For all other equity investments, the group can make an irrevocable election at initial recognition of each investment to recognise changes in fair value through other comprehensive income rather than profit or loss.

At initial recognition, the Consolidated Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognised in profit or loss and presented net in the income statement within other income or other expenses in the period in which it arises.

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognized or impaired and through the amortisation process using the effective interest rate method.

The group subsequently measures all equity investments at fair value. Where the Consolidated Group has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other revenue when the terms and condition has been satisfied.

(p) **Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any impairment in value.

Plant and equipment

Plant and equipment is shown at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the cost of replacement parts that are eligible for capitalisation. The subsequent carrying amount of plant and equipment is reviewed annually at financial year end by Directors to ensure it is not in excess of the recoverable amount of these assets. Recoverable amount is the greater of fair value less costs to sell and value in use determined by discounted net cash flows.

The cost of fixed assets constructed within the Economic Entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

2 STATEMENT OF ACCOUNTING POLICIES (continued)

Depreciation

All fixed assets including building and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives to the economic entity commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to depreciation. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The default depreciation rates used where specific useful life estimates are not available for each class of depreciable assets are;

Class of Fixed Asset	Depreciation Rate
Plant and equipment	7-20%
Leased plant and equipment	10-20%

(q) Leased Assets

Leases of fixed assets where substantially all the risks and benefits incidental to ownership of the asset, but not legal ownership, are transferred to entities in the Economic Group are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments which includes any financial commitment in regard to payment of a residual value for the leased item. Lease payments are allocated between the reduction of the lease liability and lease finance charges in accordance with the underlying calculated interest rate over the term of the lease. Lease finance charges are recognised as an expense in profit or loss.

When it is likely that the Economic Group will obtain ownership of the asset over the term of the lease, leased assets are depreciated on a straight line basis over their estimated useful life. Where there is no reasonable certainty that the Group will obtain ownership, leased assets are depreciated over the term of the lease.

Lease payments for operating leases, where substantially all risks and benefits remain with the lessor, are charged as an expense in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability.

(r) Exploration and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of exploration interest. These costs are carried forward to the extent that they are expected to be recouped through the successful development or sale of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

The Directors consider that the appropriate carrying amounts do not differ materially from the fair value of these assets. The Directors have determined in which instances it is appropriate to capitalise or expense costs spent on these areas in the year to June 30, 2012.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according the rate of depletion of the economically recoverable reserves.

(s) Interest in Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The Group has interests in joint ventures that can generally be classified as joint ventures involving jointly controlled assets and which are specifically related to undertaking exploration and development work on various mineral exploration leases.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

2 STATEMENT OF ACCOUNTING POLICIES (continued)

A joint venture identified as involving the use of jointly controlled assets is typified by joint ownership of assets contributed or acquired for the purpose of the joint venture and dedicated to the purposes of the joint venture. The assets are used to obtain benefits for the joint venture. Each joint venture participant may take a share of the output from the assets and each bears an agreed share of the expenses incurred. Each participant has control over its share of future economic benefits through its share of the jointly controlled assets.

Expenses incurred in common by the joint venture are borne by each joint venturer according to agreed percentages as established in the respective joint venture agreements. Some agreements contain farm-in clauses whereby one or more of the joint venture parties acquires or may increase an ownership interest in a controlled asset by agreeing to fund an initial amount of expenditure.

The Group recognises its interests in jointly controlled asset joint ventures by recording the fair value of its share of the joint venture assets that it controls and the liabilities that it incurs. The Group also recognises its share of the expenses that are incurred on joint venture activities and its share of the income that is earned from the sale of goods or services by the jointly controlled operation.

(t) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(u) Employee Leave Benefits and Entitlements

Provision is made for the expected future liability for employee benefits and entitlements arising from services rendered by employees to balance date. A current liability is recognised in respect of benefits and entitlements expected to be paid within one year and a non current liability is recognised for benefits and entitlements expected to be paid later than one year.

Employee benefits together with entitlements arising in respect of wages and salaries, long service leave, annual leave and sick leave that are expected to be settled within one year are measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Long service leave and other entitlements expected to be payable later than one year are measured at the present value of the estimated future cash flows to be made for those benefits. In determining the extent of liability, consideration is given to expected future salary and wage levels, related on costs, experience of employee retention and expired periods of service.

Liabilities for employer superannuation contributions are expensed when incurred.

(v) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision for Restoration Costs

Restoration costs are costs that are expected to be incurred as a consequence of the Economic Group undertaking its exploration and mining activities. Ground disturbance and other works that impact upon topography, environment and habitat may occur to varying degrees during exploration, evaluation, development, construction or production phases of the Group's activities. As a consequence, there is a need for restoration work to be carried out either progressively or upon the abandonment of activity in an area of interest. The provision is measured as the present value of the future expenditure. On an ongoing basis, the rehabilitation liability will be re-measured in line with the changes in the time value of money (recognised as an expense in the statement of comprehensive income and an increase in the provision).

In determining the restoration obligations, the entity assumes no significant changes will occur in relevant Federal and State legislation in relation to restoration of disturbed areas.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

2 STATEMENT OF ACCOUNTING POLICIES (continued)

(w) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised. Interest on loans and borrowings is recognised as an expense as it accrues.

(x) Share-based payment transactions

Equity settled transactions:

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black Scholes model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Haoma Mining NL if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the equity instruments (the vesting date). The cumulative expense is recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The profit and loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

(y) Earnings per share

Basic earnings per share is calculated as net profit/(loss)attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(z) Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the consolidated entity applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items, a Statement of Financial Position as at the beginning of the earliest comparative period will be disclosed.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	CONSOLIDATED	
	2012	2011
	\$	\$
3 REVENUES & EXPENSES		
Continuing Operations		
(a) Other Income		
Net gain on disposal of exploration and evaluation assets	32,421,881	640,000
Net gain on disposal of property, plant and equipment	22,727	-
	<u>32,444,608</u>	<u>640,000</u>
(b) Administration and compliance expense		
Corporate service costs	398,247	174,385
Legal and compliance costs	309,102	202,355
Management fees	228,195	207,107
Compensation for damages claim	353,420	-
	<u>1,288,964</u>	<u>583,847</u>
(c) Finance Costs		
Director related entity loan	4,143,801	3,766,887
Bank loans and overdrafts	8,134	70
Bank charges	17,364	16,838
Refund of interest	-	(25,440)
	<u>4,169,299</u>	<u>3,758,355</u>
(d) Depreciation of non-current assets		
Property, plant and equipment.....	106,362	353,050
	<u>106,362</u>	<u>353,050</u>
(e) Employee benefits expense		
Wages and salaries	1,554,723	1,322,548
Superannuation	123,506	107,654
Annual leave	-	20,881
	<u>1,678,229</u>	<u>1,451,083</u>

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	CONSOLIDATED	
	2012	2011
	\$	\$
4 INCOME TAX		
The amount provided in respect of income tax differs from the prima facie benefit on operating loss. The difference is reconciled as follows:		
Operating profit / (loss) before income tax	<u>22,764,462</u>	<u>(7,250,951)</u>
Prima facie income tax expense (benefit) calculated at 30%		
Economic entity	<u>6,829,338</u>	<u>(2,175,285)</u>
Tax effect of temporary differences:		
Deferred tax assets not recognised	-	2,175,285
Tax benefit of prior year tax losses not previously brought to account	<u>(6,829,338)</u>	<u>-</u>
Income tax expense	<u>-</u>	<u>-</u>
Net deferred tax assets which have not been brought to account comprise:		
Income tax losses	<u>4,964,759</u>	<u>13,537,603</u>
Deferred income tax	<u>(1,744,500)</u>	<u>(1,977,936)</u>
	<u>3,220,259</u>	<u>11,559,667</u>

Deferred tax liabilities (\$5,815,000 at 30%) that have arisen in the course of normal operations have been offset against unutilised deferred tax assets and as such have not been shown separately.

This benefit for tax losses will only be obtained if:

- the consolidated entity derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- the consolidated entity continues to comply with the conditions for deductibility imposed by Law; and
- no changes in tax legislation adversely affect the ability of the consolidated entity to realise these benefits.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	CONSOLIDATED	
	2012	2011
	\$	\$
5 EARNINGS PER SHARE		
Net loss attributable to ordinary equity holders or the parent from continuing operations	22,764,462	(7,250,951)
Weighted average number of ordinary shares for basic earnings per share	182,993,665	182,993,665
Effect of dilution:		
Weighted number of share options.....	6,150,000	776,027
Weighted average number of ordinary shares adjusted for the effect of dilution.....	189,143,665	183,769,692
There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements		
Basic earnings per share (cents per share)	12.44	(3.96)
Diluted earnings per share (cents per share)	12.04	(3.95)

6 DIVIDENDS PAID AND PROPOSED

There were no dividends provided for or paid during the financial year.

Franking credit balance

The amount of franking credits available for the financial year are:

Franking account balance at July 1.....	685,523	685,523
Other movements	-	-
Franking account balance at June 30	685,523	685,523

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	\$	\$

7 CASH AND CASH EQUIVALENTS

(Current)

(a) Reconciliation to Statement of Cash Flows

Cash at the end of the financial year as shown in the Statement of cash flows reconciled to items in the Statement of Financial Position as follows

Cash and cash equivalents	<u>24,937</u>	<u>167,215</u>
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Cash at bank earns interest at floating rates based on daily bank deposit rates.

(b) Reconciliation of net profit / (loss) after tax to cash flows from operations

Profit / (Loss) after income tax	22,764,462	(7,250,951)
Depreciation and amortisation expense	106,362	353,050
Options expense	130,000	169,950
Impairment of Convertible Loan Note	600,000	-
Net profit on disposal of exploration assets	(32,421,882)	-
Net profit on disposal of property, plant and equipment	(22,727)	-
Accrued interest - director related entity	4,143,801	3,766,887
Impairment of capitalised exploration and evaluation assets	2,585,486	2,528,430
Interest... ..	7,810	3,857
<i>Changes in assets and liabilities:</i>		
Decrease in trade debtors & other receivables	6,617	96,449
Decrease in prepayments	94,200	46,685
Increase (decrease) in inventories	(1,250)	89,069
Decrease (increase) in trade creditors and other creditors	167,287	60,427
Increase (decrease) in provisions	105,090	(7,889)
Net cash used in operating activities	<u>(1,734,744)</u>	<u>(144,036)</u>

8 TRADE AND OTHER RECEIVABLES

(Current)

Trade and other receivables	-	6,617
Prepayments	<u>45,349</u>	<u>48,697</u>
	<u>45,349</u>	<u>55,314</u>

Trade and other receivables are non-interest bearing. Due to the short term nature of trade receivables amounts, the carrying value is assumed to approximate fair value. The average credit period on trade receivables is generally 30 day terms and no interest is charged on balances past due. The Group has a history of 100% collection of trade receivable amounts and therefore no provision for impairment loss is required.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	CONSOLIDATED	
	2012	2011
	\$	\$
9 INVENTORIES		
(Current)		
Stores of consumables and spare parts	<u>232,076</u>	<u>230,826</u>
10 OTHER FINANCIAL ASSETS		
Current at Amortised Cost		
Convertible Loan Note - Exterra Resources Ltd	400,000	1,000,000
Current - Equity Investments at Fair Value through other comprehensive income		
Shares in Atlas Iron Ltd ⁽¹⁾	<u>16,980,994</u>	<u>-</u>
	<u>17,380,994</u>	<u>1,000,000</u>
Movement of Convertible Note		
Balance as at July 1	1,000,000	1,000,000
Impairment Loss	(600,000)	-
Balance as at June 30	<u>400,000</u>	<u>1,000,000</u>

Final date for conversion is 26th May 2013.

(1) On March 23, 2012 Haoma sold its 25 percent interest in the underlying tenements and iron ore rights at Mt Webber to Giralia Resources Pty Ltd, a wholly owned subsidiary of Atlas Iron Ltd, for \$33 million. The consideration comprised \$10 million cash and 8,406,433 shares in Atlas Iron Ltd valued at \$23 million.

Since the Mt Webber sale, the value of the consideration represented by Atlas Iron shares has fallen significantly from the initial share price of \$2.736 to \$2.02 at June 30, 2012 and to recent trading in Atlas shares in the vicinity of \$1.40 per share. This represents an unrealised loss of approximately \$11 million. Notwithstanding this fall in value, the Directors of Haoma have decided to retain the investment in Atlas Iron shares as they anticipate a strong future working relationship with Atlas.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

11 CONTROLLED ENTITIES

Investments in Controlled Entities	Country of Incorporation	Percentage owned 2012 %	Percentage owned 2011 %
Parent Entity			
Haoma Mining NL	Australia	-	-
North West Mining NL	Australia	100	100
Exploration Geophysics Pty Ltd	Australia	100	100
Kitchener Mining NL	Australia	100	100
Shares held by Kitchener Mining NL			
- Bamboo Creek Management Pty Ltd	Australia	100	100

CONSOLIDATED

	2012	2011
	\$	\$

12 PROPERTY, PLANT & EQUIPMENT

(Non-current)

Property, Plant and Equipment at cost or fair value	9,942,036	9,372,732
Accumulated depreciation	(8,760,300)	(8,770,029)
Net carrying amount	1,181,736	602,703

Movements in carrying amounts

Movements in the carrying amounts of property, plant and equipment between the beginning and the end of the financial year.

Opening balance at July 1	602,703	630,510
Additions	685,395	325,243
Depreciation/Amortisation	(106,362)	(353,050)
Net Carrying Amount	1,181,736	602,703

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

13 EXPLORATION & EVALUATION

(Non-current)

Exploration and Evaluation expenditure

Net carrying amount	5,815,000	6,593,119
Movements in the carrying amount of exploration and evaluation expenditure between the beginning and the end of the financial year.		
Opening balances July 1	6,593,119	6,367,887
Additions	3,369,148	3,237,700
Disposals (1)	(225,000)	-
Exploration and evaluation costs written off (2).....	(3,922,267)	(3,012,468)
	5,815,000	6,593,119

(1) Haoma sold the Karratha Tenement Group in December 2011.

(2) Includes exploration costs previously capitalised in relation to the Haoma Daltons JV exploration activities at Mt. Webber. Haoma sold its interest in the Mt. Webber iron ore rights to Atlas Iron on March 23, 2012.

CONSOLIDATED

2012	2011
\$	\$

14 TRADE AND OTHER PAYABLES

(Current)

Trade creditors and accruals	852,615	508,510
Other creditors	167,518	178,675
	1,020,133	687,185
Related party payables:		
Director's fees	693,700	828,000
The Roy Morgan Research Centre Pty Ltd.....	56,121	87,481
Elazac Mining Pty Ltd	14,050	14,200
	763,871	929,681
	1,784,004	1,616,866

Due to the short term nature of trade creditors, their carrying value is assumed to approximate their fair value. The Group's payment policy and system ensures that all creditors are paid within payment terms, and consequently no discounts or penalty payments arise.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	CONSOLIDATED	
	2012	2011
	\$	\$
15 INTEREST BEARING LOANS AND BORROWINGS		
(Current)		
Amount due to Director related entity	(a) 29,678,449	34,953,785
Accrued interest - Director related entity	(a) 15,933,015	11,789,214
Accrued interest - Director loan	(a) 2,382,597	2,382,597
Amounts due under Insurance Premium Funding	(b) 56,042	41,275
	<u>48,050,103</u>	<u>49,166,871</u>

(a) Funding for the company's ongoing operations is being provided by The Roy Morgan Research Centre Pty Ltd., a company owned and controlled by Haoma's Chairman and majority shareholder, Gary Morgan. Following the sale of Haoma's iron ore rights at Mt Webber, Haoma repaid \$9.55 million of loan principal to The Roy Morgan Research Centre Pty Ltd and purchased additional equipment needed to upgrade the Bamboo Creek Plant. The Roy Morgan Research Centre Pty Ltd has provided an assurance to the Board that it will continue to ensure funds are available to the company to fund operations for a period of at least 12 months from the date of this report.

(b) The company uses a Premium Funding facility to discharge its liability for insurance premiums. The term of the finance is set at 12 months to coincide with the period of insurance. Payments are made monthly in advance.

16 PROVISIONS

(Current)

Provision for employee benefits	<u>96,228</u>	<u>96,867</u>
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(Non-current)

Provision for rehabilitation

Opening balances July 1	1,369,017	1,365,339
Amounts charged to the profit and loss	105,729	3,678
Closing balances June 30	<u>1,474,746</u>	<u>1,369,017</u>

Provision for rehabilitation recognises future costs expected to be incurred in the restoration of soil, environment and habitat as a result of undertaking exploration and mining activities. The provision is determined as the present value of the future expenditure and assumes that associated outflows will be evenly incurred over a period of 5 years. See also Note 2(v).

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

		CONSOLIDATED	
		2012	2011
		\$	\$

17 CONTRIBUTED EQUITY & RESERVES

(a) Share Capital

Issued Shares - Ordinary shares fully paid	<u>59,593,411</u>	<u>59,593,411</u>
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(b) Movements in Ordinary Share Capital

		Number of Shares	\$
Contributed Equity			
July 1, 2010	Opening balance	182,993,665	59,593,411
June 30, 2011	Balance	<u>182,993,665</u>	<u>59,593,411</u>
July 1, 2011	Opening balance	182,993,665	59,593,411
June 30, 2012	Balance	<u>182,993,665</u>	<u>59,593,411</u>

(c) Ordinary Shares

Fully paid ordinary shares entitle the holder to participate in dividends and to one vote per share at meetings of the Company. Ordinary shares participate in the proceeds on winding up of the Company in proportion to the number of shares held.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(d) Reserves

Capital profits	6,178,490	6,178,490
Forfeited shares	4,425	4,425
Share option reserve	299,950	169,950
Investments revaluation reserve	(6,019,006)	-
	<u>463,859</u>	<u>6,352,865</u>

Capital profits reserve

Opening balance	6,178,490	6,178,490
	<u>6,178,490</u>	<u>6,178,490</u>

The capital profits reserve on the sale of investment records non-taxable profits.

Forfeited shares

Opening balance	4,425	4,425
	<u>4,425</u>	<u>4,425</u>

The Forfeited share reserve records the cash received on forfeit of shares.

Share option reserve

Opening balance	169,950	-
Share options issued.....	130,000	169,950
	<u>299,950</u>	<u>169,950</u>

The share option reserve records the fair value of unexercised options at issue date.

Financial Assets Fair Value Reserve

Opening balance	-	-
Movement during the year.....	(6,019,006)	-
	<u>(6,019,006)</u>	<u>-</u>

The Financial Assets Fair Value Reserve reflects changes in the fair value of equity investments held for sale.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	CONSOLIDATED	
	2012	2011
	\$	\$

18 COMMITMENTS & CONTINGENCIES

(i) Exploration & expenditure commitments

In order to maintain current rights of tenure to exploration and mining tenements, the Consolidated Entity will be required to meet tenement lease rentals and minimum expenditure requirements of the Western Australia and Queensland Departments of Minerals and Energy as follows:

Within one year	2,801,306	2,364,014
After one year but not more than five years	6,241,681	4,685,969
Longer than five years	12,465,646	6,344,483
	<u>21,508,633</u>	<u>13,394,465</u>

The Department of Mines & Petroleum (Western Australia) has agreed that, under the current circumstances, expenditure on testing Pilbara bulk ore samples using the Elazac Process at Kitchener Mining NL's Bamboo Creek mine site is eligible expenditure for the purpose of determining compliance with minimum expenditure requirements.

(ii) Financial support for controlled Entity

The Parent Entity has provided a "letter of support" in respect of the financial support to its controlled entity, Kitchener Mining NL. Total Kitchener Mining NL liabilities at June 30, 2012 were \$ 5,575,698 (2011: \$5,435,636)

Contingent Liabilities

Native Title

The decision of the High Court in *Mabo & Ors -v- the State of Queensland* ("Mabo Case") recognised a form of native title which, in cases in which it has not been extinguished, reflects the entitlement of the indigenous inhabitants, in accordance with their laws or customs, to their traditional lands.

Lawyers commenting on the Mabo Case have indicated that the principles enunciated by the High Court could potentially invalidate, in certain circumstances, mining tenements granted after the enactment of the Racial Discrimination Act 1975 where the grant of that mining tenement infringed or otherwise affected native title to the area. Lawyers commenting on the Mabo Case have also suggested that compensation may be payable to native title holders.

Claims have been lodged with the Native Titles Tribunal over a number of tenements applied for by the Parent Entity. These tenements will not be granted by the Department of Minerals & Energy, W.A. until the claims have been resolved. Until further information arises in relation to these claims, the Economic Entity is unable to assess the likely effects, if any, of the claims.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

18 COMMITMENTS & CONTINGENCIES (continued)

Management Fee

Following a settlement with a former director, Kitchener Mining NL agreed to pay the director \$68,658. Payment will only be made when other directors' fees and management fees owing by Kitchener Mining NL for the period 1989 to 1993 are paid. The Directors' fees and management fees are only payable when Kitchener Mining NL has an operating profit in excess of \$500,000 in a financial year. A related party contingent liability exists to both The Roy Morgan Research Centre for a total \$1,000,000 and to the Directors' of Kitchener Mining for a total \$155,000 in respect to the financial years from 1 July 1989 to 30 June 1993.

Bank Guarantee

The entity has in place bank guarantee facilities of \$385,000 (2011: \$385,000) relating to rehabilitation requirements on its tenements. Of these \$294,289 (2011: \$299,856) were used at year end.

19 SHARE BASED PAYMENTS

Employee & Consultants Share Options

On May 6, 2011, the Board of Directors approved the issue of 5,150,000 options to acquire shares in Haoma Mining to employees and consultants. The options were issued in recognition of past efforts. The non-renounceable options could be converted to an equivalent number of Haoma Mining NL shares subject to continuous performance and Directors' approval.

The unquoted options may be converted to shares at any time within a two year period from issue date at an exercise price of \$0.10 cents per share. Any shares acquired by the conversion of options may not be disposed of until after the completion of the next General Meeting of Haoma Mining, expected to be the Annual General Meeting held in November 2012.

In addition, 2,000,000 options to acquire shares in Haoma Mining to Director Michele Levine were approved by members of the company at the Annual General Meeting held November 2011. The options issued are on the same terms and conditions as above.

Expenses arising from share based payments transactions

The amounts disclosed for the share options were the assessed fair values at the grant date of the options. Fair values at grant date were independently determined using a Black-Scholes option pricing model that took into account the exercise price, the term of the option, the vesting and performance criteria, the share price at grant date and the expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The options vested at grant date. Additional details relating to share options are set out in the Remuneration Report.

The model inputs for options granted during the years ended 30 June 2012 and 30 June 2011 included:

	<u>2012</u>	<u>2011</u>
(a) Number of Options	2,000,000	5,150,000
(b) Options are granted to nominated employees and consultants at a strike value of	\$0.10	\$0.10
(c) Exercise price	\$0.10	\$0.10
(d) Grant date	Dec 30, 2011	May 6, 2011
(e) Expiry date	Dec 31, 2013	May 5, 2013
(f) Share price at grant date	\$0.12	\$0.096
(g) Expected price volatility of the Company's shares	90%	90%
(h) Risk free interest rate	3.16%	5.27%
(i) Vested Date	Not yet vested	Not yet vested

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

19 SHARE BASED PAYMENTS (Continued)

All share options granted to key management personnel are ordinary shares in Haoma Mining NL, which confer a right of one ordinary share for every option held.

	2012 CONSOLIDATED		2011 CONSOLIDATED	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year ...	5,150,000	0.10	-	-
Share options	-	-	-	-
Granted	2,000,000	0.10	5,150,000	0.10
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	7,150,000	0.10	5,150,000	0.10
Excercisable at year-end	7,150,000	0.10	5,150,000	0.10

2012
\$

2011
\$

20 AUDITORS REMUNERATION

Remuneration of the auditor of the Economic Entity:

- auditing and reviewing the financial accounts	<u>54,000</u>	<u>52,000</u>
	<u>54,000</u>	<u>52,000</u>

21 SEGMENT INFORMATION

The group has adopted AASB 8 Operating Segments whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the board of directors

At regular intervals the board is provided management information at a group level for the group's cash position, the carrying values of mining tenements and a group cash forecast for the next twelve months of operation.

On this basis, no segment information is included in these financial statements.

All operating revenues have been derived in Australia. All exploration and evaluation assets are held in Australia.

22 RELATED PARTY INFORMATION

Directors

The persons holding the position of Director of Haoma Mining NL during the financial year were:

Gary Cordell Morgan,
Michele Levine, and
John Lachlan Charles McInnes.

Each of these persons has continuously held the position of Director since July 1, 2010.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

22

RELATED PARTY INFORMATION (Continued)

Directors and Director-Related Entities

	Roy Morgan Research Ltd	The Roy Morgan Research Centre Pty Ltd	Elazac Mining Pty Ltd	Leaveland Pty Ltd	Elazac Pty Ltd
Mr. Gary Morgan	Director	Director	Director	Director	Director
Ms. Michele Levine	Director	-	-	-	-
Mr. John Mc Innes	Director	Director	Director	Director	Director

Other transactions with Directors and Director-Related Entities

During the year Roy Morgan Research Ltd provided administrative support and services to Haoma Mining NL. That support is continuing. Roy Morgan Research charged management fees of \$228,195 for those services (2011: \$207,107)

Funding for the company's ongoing operations is being provided by The Roy Morgan Research Centre Pty Ltd, a company owned and controlled by Haoma's Chairman and majority shareholder, Gary Morgan. Following the sale of Haoma's iron ore rights at Mt Webber, Haoma repaid \$9.55 million of loan principal to The Roy Morgan Research Centre Pty Ltd and purchased additional equipment needed to upgrade the Bamboo Creek Plant.

To June 30, 2012 the total funding provided by The Roy Morgan Research Centre Pty Ltd was \$29,678,449 (2011: \$34,953,785). The Board of Haoma has approved payment of interest on funds advanced by Mr. Morgan or entities associated with him at the 30 day commercial bill rate plus a 4% margin. Interest accrues but will not be paid until such time as Haoma has attained a financial position represented by a positive net asset ratio and the Board determines that the company is in a financial position to commence interest payments. During the year to June 30, 2012, interest accrued on the funds advanced by The Roy Morgan Research Centre Pty Ltd was \$4,143,801 (2011: \$3,766,887).

Other transactions with Senior Management

During the year, Haoma purchased items of plant and equipment from Peter Cole and Associates Pty Ltd. The combined purchase price of \$200,000 was based upon an arms length comparison of market value for each item. Peter Cole and Associates Pty Ltd also provided consulting services to Haoma through the provision of Mr. Peter Cole as General Manager for Western Australia.

Related Party Transactions – Economic Entity

On April 6, 1993 an agreement was reached between Kitchener Mining NL, Leaveland Pty Ltd and Elazac Mining Pty Ltd. The agreement acknowledges that all information obtained from test work undertaken by Kitchener Mining NL to resolve the metallurgical problems faced by the company is the property of Leaveland Pty Ltd, or its nominee Elazac Pty Ltd. On December 20, 1993 Elazac Pty Ltd sold the intellectual property to Elazac Mining Pty Ltd.

The reason information and intellectual property was owned by Leaveland Pty Ltd and Elazac Pty Ltd was that both companies paid consultant fees and other costs associated with the investigation and test work on Bamboo Creek and Normay ore at Bamboo Creek and other locations.

Kitchener Mining NL holds a licence to develop the process and both Kitchener Mining NL and Haoma Mining NL have the right to use the intellectual property for no fee.

The Roy Morgan Research Centre Pty Ltd is entitled to management fees from Kitchener Mining NL of \$1,000,000 for the financial years from 1 July, 1989, to 30 June, 1993. The management fees were treated as an accrued liability for the year ended June 30, 2004. However, due to the uncertainty of future profits, the liability has been reversed. For the year ended June 30, 2012 this has been treated as a contingent liability. The amount is payable when Kitchener Mining NL resumes mining operations and has an operating profit in excess of \$500,000 pa. This debt is non-interest bearing.

Holding Company Transactions with Subsidiaries

During the year Haoma Mining NL advanced funds to Kitchener Mining NL of \$150,638 (2011: \$60,482). No interest has been charged for the financial year ended June 30, 2012 (2011: interest charged \$nil). The balance receivable at June 30, 2012 was \$4,247,984 (2011: \$4,097,346). A provision for impairment loss has been fully provided against this amount.

Receivables from controlled entities have no fixed repayment term. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. During the year an impairment loss was recognised for the controlled entity receivable of \$150,638 (2011: \$60,482).

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

CONSOLIDATED

2012
\$

2011
\$

22 RELATED PARTY INFORMATION

Key Management Personnel Compensation

The aggregate compensation of the key management personnel is set out below:

Short term employee benefits	274,200	265,900
Post employment benefits	7,200	7,200
Share based payments	130,000	49,500
	411,400	322,600

Options and Rights

The number of options issued over ordinary shares in the Consolidated Entity held during the financial year by each Officer of the Consolidated Entity and Haoma Mining, are set out below:

2012	Balance at start of the year	Received as compensation	Options exercised	Options lapsed *	Options issued *	Balance at end of the year
Peter Cole	1,500,000	-	-	-	-	1,500,000
	1,500,000	-	-	-	-	1,500,000
2011						
Peter Cole	-	49,500	-	-	1,500,000	1,500,000
	-	49,500	-	-	1,500,000	1,500,000

* Options granted on May 6, 2011.

The number of shares in the Consolidated Entity held during the financial year by each Officer of the Consolidated Entity and Haoma Mining, including their personally related parties, are set out below: There were no shares granted during the period as compensation.

2012	Balance at start of the year	Received as compensation	Options exercised	Net change other	Balance at end of the year
Gary Morgan	128,182,961	-	-	-	128,182,961
Michelle Levine	1,331,000	-	-	-	1,331,000
John McInnes	127,884,204	-	-	-	127,884,204
2011					
Gary Morgan	128,182,961	-	-	-	128,182,961
Michelle Levine	6,250,452	-	-	(4,919,452)	1,331,000
John McInnes	127,884,204	-	-	-	127,884,204

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

23 FINANCIAL RISK MANAGEMENT AND POLICIES

Haoma's principal financial instruments comprise cash, receivables, payables and finance leases. The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk.

Although the Consolidated Group do not have documented policies and procedures, the Directors' manage the different types of risks to which it is exposed by considering the risk and monitoring the levels of exposure to interest rates and by being aware of market forecasts for interest rate and commodity prices.

Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk and liquidity risk, these are monitored through general budgets and forecasts.

The Consolidated Group and Haoma hold the following financial instruments:

	CONSOLIDATED	
	2012	2011
	\$	\$
Financial Assets		
Cash and cash equivalents	24,937	167,215
Trade and other receivables	45,349	55,314
Other financial assets	17,380,994	1,000,000
Total Financial Assets	17,451,280	1,222,529
Financial Liabilities		
Trade and other payables	1,784,004	1,616,866
Borrowings	48,050,103	49,166,871
Total financial liabilities	49,834,107	50,783,737

Risk Exposure and Responses

Interest Rate Risk

Assets

Haoma's exposure to the risk of changes in market interest rates relates primarily to cash with a floating interest rate.

The Group's cash at bank and on hand had a weighted average floating interest rate at year end of 0.01% (2011: 0.01%)

Liabilities

Haoma's exposure to market interest rates relates primarily to the Groups on-going funding provided by Haoma's principal shareholder Leaveland Pty Ltd. The weighted average floating interest rate at year end was 8.91% (2011: 7.95%)

The insurance Premium funding arrangement, due to be amortised within the next 12 months has a weighted average interest rate 16.2% (2011: 13.23%). The level of debt is disclosed at note 15.

The Consolidated Group presently does not engage in any hedging or derivative transactions to manage interest rate risk.

Interest Rate Risk

The following sensitivity analysis is based on the interest rate risk exposure in existence at June 30, 2012.

At June 30, 2012, if interest rates had moved as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

23 FINANCIAL RISK MANAGEMENT AND POLICIES (continued)

	CONSOLIDATED			
	Post tax profit		Equity	
	higher / (lower)		higher / (lower)	
	2012	2011	2012	2011
	\$	\$	\$	\$
Financial Assets				
<i>Receivable - Convertible Note</i>				
+ 0.75% (75 basis points)	3,000	7,500	(3,000)	(7,500)
- 0.75% (75 basis points)	(3,000)	(7,500)	3,000	7,500
Financial Liabilities				
<i>Borrowings</i>				
Consolidated				
+ 0.75% (75 basis points)	360,376	368,752	(360,376)	(368,752)
- 0.75% (75 basis points)	(360,376)	(368,752)	360,376	368,752

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances.

The convertible loan note accrues interest based on bank bill interest rates plus a margin. The sensitivity in financial assets is higher/lower taking into account interest rate volatility.

The sensitivity in financial liabilities is relatively unchanged.

Share Price

Haoma holds investments in entities listed on the Australian Securities Exchange. Investments in listed entities are carried at fair value at June 30, 2012. The share price is volatile and influenced by factors beyond the control of the Consolidated Group.

The risk and exposure to the consolidated group represented by the following sensitivity analysis assumes share price fluctuations of 30%

	CONSOLIDATED	
	Equity	
	higher / (lower)	
	2012	2011
	\$	\$
Other Financial Assets		
<i>Receivable - Listed Securities</i>		
+ 30%	(5,094,298)	-
- 30%	5,094,298	-

Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. Haoma's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure excluding the value of any collateral or other security is equal to the carrying amount of these instruments net of any allowance for doubtful debts as disclosed in the balance sheet and notes to the financial report. There are no concentrations of credit risk within the Group.

Haoma trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

23 FINANCIAL RISK MANAGEMENT AND POLICIES (continued)

Consolidated Group's policy to securitise its trade and other receivables.

It is the Consolidated Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Haoma does not have any significant customers and accordingly does not have any significant exposure to bad or doubtful debts.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Haoma's approach to managing liquidity is to ensure as far as possible that the Consolidated Group will always have sufficient liquidity to meet its liabilities when due. This objective is maintained through a balance between continuity of funding and flexibility through the use of bank overdrafts, bank and other loans, finance leases and committed available credit lines. Additionally, Haoma manages liquidity risk by monitoring cash flow and maturity profiles of financial assets and liabilities.

The contractual maturities of financial liabilities, including estimated interest payments are provided below. There are no netting arrangements in respect of financial liabilities.

CONSOLIDATED	< 6 months	6-12 months	1-5 years	> 5 years	Total
	\$	\$	\$	\$	\$
Year Ended June 30, 2012					
Financial Assets					
Cash and cash equivalents	24,937	-	-	-	24,937
Receivables and other receivables	45,349	-	-	-	45,349
Other financial assets	-	-	17,380,994	-	17,380,994
	70,286	-	17,380,994	-	17,451,280
Financial Liabilities					
Trade and other payables	1,622,363	43,280	118,361	-	1,784,004
Interest bearing liabilities	-	56,042	47,994,061	-	48,050,103
	1,622,363	99,322	48,112,422	-	49,834,107
Year Ended June 30, 2011					
Financial Assets					
Cash and cash equivalents	167,215	-	-	-	167,215
Receivables and other receivables	55,314	-	-	-	55,314
Other financial assets	-	-	1,000,000	-	1,000,000
	222,529	-	1,000,000	-	1,222,529
Financial Liabilities					
Trade and other payables	1,443,989	54,366	118,511	-	1,616,866
Interest bearing liabilities	-	41,275	49,125,596	-	49,166,871
	1,443,989	95,641	49,244,107	-	50,783,737

Commodity Price risk

Haoma is exposed to commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Consolidated Group's control. As the Group is currently engaged in exploration and development activities, no significant sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

23 FINANCIAL RISK MANAGEMENT AND POLICIES (continued)

Capital risk management

Haoma's objectives when managing capital is to safeguard Haoma's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Management of the Group and Haoma's capital is overseen by the Board.

Haoma is not exposed to any externally imposed capital requirements.

Fair value of financial instruments

The following tables detail the consolidated entities fair values of financial instruments categorised by the following levels:

Level 1: Quoted prices (unadjusted in active markets for identical assets or liabilities)

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Consolidated - 2012	Level 1	Level 2	Level 3	Total
Assets				
Ordinary Shares	17,380,994	-	-	17,380,994
Total Assets	17,380,994	-	-	17,380,994

CONSOLIDATED

2012	2011
\$	\$

Financing Facilities Available

At reporting date, the following financing facilities has been negotiated and were available:

Total facilities

- Business Visa Card	15,000	15,000
- Business lending - bank guarantees	385,000	385,000
	<u>400,000</u>	<u>400,000</u>

Facilities used at reporting date

- Business Visa Card	3,852	3,852
- Business lending - bank guarantees	315,289	315,289
	<u>319,141</u>	<u>319,141</u>

Facilities unused at reporting date

- Business Visa Card	11,148	11,148
- Business lending - bank guarantees	69,711	69,711
	<u>80,859</u>	<u>80,859</u>

Total facilities

	<u>400,000</u>	<u>400,000</u>
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HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

24 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary Financial Information

Haoma Mining NL is the Parent Entity of the Consolidated Group. The individual financial statements for the parent entity show the following aggregate amounts:

	HAOMA 2012 \$	2011 \$
Balance Sheet		
Current Assets	302,229	452,877
Non-current assets	23,377,730	7,195,822
Total assets	<u>23,679,959</u>	<u>7,648,699</u>
Current liabilities	49,585,784	50,454,992
Non-current liabilities	491,582	456,339
Total liabilities	<u>50,077,366</u>	<u>50,911,331</u>
Net Assets (Liabilities)	<u>(26,397,407)</u>	<u>(43,262,632)</u>
Equity		
Contributed equity	59,593,411	59,593,411
Reserves	(651,024)	5,237,982
Accumulated Losses	(85,339,794)	(108,094,025)
Total Shareholders' Equity (Deficiency)	<u>(26,397,407)</u>	<u>(43,262,632)</u>
Profit (Loss) for the year	22,904,868	(7,188,009)
Total comprehensive income (loss)	<u>16,885,862</u>	<u>(7,188,009)</u>

(b) Guarantees entered into by the parent entity.

Haoma Mining NL has provided guarantees, indemnities and financial support as follows:

- Indemnity to the value of \$400,000 (2011: \$400,000) to the National Australia Bank ("NAB") to support bank guarantees and other liabilities.
- A 'letter of support' has been provided by Haoma Mining NL to its Controlled Entity, Kitchener Mining NL to the amount necessary to ensure it can meet its obligations when they fall due.

(c) Contingent liabilities of the parent entity.

Contractual commitments for exploration and expenditure costs exist for Haoma Mining NL. Minimum expenditure commitments of \$ 21,508,633 (2011: 13,394,465) are necessary to maintain current rights of tenure to mining tenements. - refer to Note 18.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

25 INTEREST IN JOINT VENTURES

Joint Venture	Interest		Description of Tenements
	2012	2011	
	%	%	
Daltons Joint Venture	25%	25%	E45/2186, E45/2187, E45/2921, E45/2922

Assets and liabilities of the joint venture operations are included in the financial statements as follows:

	Note	CONSOLIDATED	
		2012	2011
		\$	\$
Current Assets		-	-
Non-current Assets			
Exploration and evaluation assets	13	-	549,127
Current Liabilities			
Trade and other payables	14	-	233,860

Giralia Resources Pty Ltd (wholly owned subsidiary of Atlas Iron Ltd) has a 75% interest in the joint venture and is the Joint Venture Operator.

On March 23, 2012 Haoma sold its 25 percent interest in the underlying tenements and iron ore rights at Mt Webber to Atlas Iron Ltd for \$33 million. The consideration comprised \$10 million cash and shares in Atlas Iron Ltd valued at \$23 million. Since the Mt Webber sale, the value of the consideration represented by Atlas Iron shares has fallen significantly from the initial share price of \$2.736 to \$2.02 at June 30, 2012 and to recent trading in Atlas shares in the vicinity of \$1.40 per share. Notwithstanding this fall in value, the Directors of Haoma have decided to retain the investment in Atlas Iron shares as they anticipate a strong future working relationship with Atlas. Atlas will make additional annual payments to Haoma on a pro-rata basis for any additional iron ore reserves on the Daltons JV tenements in excess of 24 million tonnes, equivalent to \$5.50 per tonne for Haoma's 25% share. In addition, Haoma now has the rights to all non-iron ore minerals on all of the Atlas and Haoma Daltons JV exploration and mining tenements including M45/1197 and the underlying exploration tenement E45/2186.

Concurrent with the sale of Haoma's iron ore rights at Mt Webber to Atlas Iron Ltd the Daltons Joint venture agreement was amended. The principal terms of the Amended JV Agreement included Haoma being granted rights to all non-iron ore minerals (including Platinum Group Metals – PGM) on all of the Atlas and Haoma Daltons JV exploration tenements including M45/1197 and the underlying exploration tenement currently recorded as E45/2186, and all other Daltons Joint Venture tenements (E45/2187, E45/2921, E45/2922).

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

Directors' Declaration

The Directors' of Haoma Mining NL declare that:

1. In the directors' opinion the financial statements and notes on pages 15 to 48 and the remuneration disclosures set out on pages 7 to 8, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Consolidated Group's financial position as at June 30, 2012 and of its performance for the financial year ended on that date; and
 - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.
2. The financial statements also comply with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in Note 1(c).
3. In the Directors' opinion there are reasonable grounds to believe that the Parent Entity will be able to pay its debts as and when they become due and payable;
4. The Directors' have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by Section 295A of the Corporations Act 2001.

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



Gary Morgan
Chairman

Melbourne
September 27th, 2012

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HAOMA MINING N.L.**

Report on the Financial Report

We have audited the accompanying financial report of Haoma Mining N.L., which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the summary of changes in equity and the statement of cash flows for the year then ended, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Haoma Mining N.L., would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Haoma Mining N.L. is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(c).



**INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF HAOMA MINING N.L.**

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(b) "Going Concern" in the financial report, which indicates that the consolidated entity incurred a net profit of \$16,745,456 for the year, and as of that date has net current liabilities of \$49,627,973 and shareholders equity deficiency of \$26,724,989. These conditions, along with other matters as set out in Note 2(b) give rise to a material uncertainty which may cast significant doubt about the ability of the consolidated entity to continue as a going concern, and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 4 to 6 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Haoma Mining N.L. for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

Richard Dean
Partner

Melbourne, 27 September 2012

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

STOCK EXCHANGE - ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report.

A. 21 Largest Shareholders as at September 27, 2012

Shareholders	Shareholding	
	No. of shares	% held
Leaveland Pty Ltd	128,182,961	70.05
Robert John Annells	2,250,000	1.23
Etonwood Management Pty Ltd	1,500,000	0.82
PYC Investments Pty Ltd	1,410,000	0.77
Michele and Alexandra Levine	1,150,000	0.63
Sandra Stuart Curwen	1,058,650	0.58
Edwin Leigh Davies	1,000,000	0.55
Jack Van Beelen	1,000,000	0.55
Liliana Teofilova	900,000	0.49
Konrad Schroeder	900,000	0.49
Selstock Pty Ltd	700,000	0.38
Cornelia Van Beelen	650,000	0.36
ABN Amro Clearing Sydney Nominees Pty Ltd	600,003	0.33
Harry Cooper	600,000	0.33
Sandra & Charles Curwen	587,350	0.32
Taraleigh Pty Ltd	584,000	0.32
Geoffrey Mark Cottle	547,500	0.30
HSBC Custody Nominees (Australia) Limited	542,194	0.30
JP Morgan Nominees (Australia Ltd)	512,599	0.28
Richie Dylan Davies	500,000	0.27
Gregory Young Pty Ltd	500,000	0.27
	145,675,257	79.61
Total Shares on Issue	182,993,655	

B. Substantial Shareholders

Name	Number of Shares	Class of Share
Leaveland Pty Ltd	128,182,961	Ordinary

C. Distribution of Equity Securities

(i). Ordinary shares issued by Haoma Mining NL

Range of Shares held	# of Shareholders
1 - 1,000	663
1,001 - 5,000	891
5,001 - 10,000	328
10,001 - 100,000	496
100,001 - and over	95
Total	2,473

(ii) There were 1,564 holders of less than a marketable parcel of 5,264 ordinary shares.

(iii) The twenty largest shareholders hold between them 79.35% of the issued capital.

D. Class of Shares and Voting Rights

Issued shares are of one class and carry equal voting rights.

E. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

STOCK EXCHANGE - ADDITIONAL INFORMATION

F. Mining Tenement Summary

(a). Tenements held by Haoma Mining NL (100%)

(i) Pilbara, Western Australia

Bamboo Creek	E45/2982	E45/3217	L45/174	M45/1156	M45/874	M45/885	P45/2342	E45/2982	E45/3217
Blue Bar	G45/51	M45/591	M45/796	M45/906	P45/2311				
Comet North	M45/928								
Copenhagen	M45/985	P45/2391							
Coronation	M45/682								
Lalla Rookh	M45/442								
Marble Bar	M45/981	M45/982	M45/515	M45/607	E45/1273	E45/1869	E45/3940		
North Pole	L45/86	M45/302	M45/328	M45/329	E45/2532	E45/3930			
North Shaw	M45/682	M/45/1009	E45/2784	L45/60	E45/2955	E45/3218	E45/3219	E45/3941	
Spear Hill	M45/980								

(ii) Linden, Western Australia

Golden Ridge	M26/534	(Avoca Resources Ltd is the beneficial owner of this tenement. Haoma has retained legal title and is entitled to royalties from gold produced.)
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(b) Tenements beneficially held by Haoma Mining NL (100%)

Pilbara, Western Australia

Apex	M45/705	P45/2133									
20oz Gully	M45/840	M45/869	P45/2227	P45/2301	P45/2329	P45/2330	P45/2336	M45/411			
Bamboo Creek	M45/723	M45/781									
Big Stubby	M45/57	M45/284	M45/453	M45/554							
Blue Bar	M45/702	M45/724	P45/2125	P45/2127	P45/2226						
Comet	G45/21	M45/14	M45/16	M45/385	M45/438	M45/459	M45/478	L45/4	L45/12	L45/37	M46/177
Cookes Hill	M45/1034	M45/1035	M45/1036	E45/2983	M45/1186						
Coongan	M46/160										
Copper Hills / Stirling	G45/36	M45/238	M45/346	M45/357							
Copenhagen	M45/240										
Coronation	M45/672	P45/2333	M45/679	E45/1249							
Corunna	E45/3942	E45/2754									
Eginbah	E45/3655										
Fieldings Gully	M45/521	M45/1028	M45/1029								
Fortuna	E45/2755	M45/547	E45/1249								
Lalla Rookh	M45/648	M45/649									
Lionel	M46/43	M46/44									
Marble Bar	M45/618	M45/678	M45/706	M45/774	M45/851	M45/927	P45/2231	P45/2275	P45/2356	E45/3686	
McKinnon	M45/490	M45/606	M45/873								
Mercury Hill	M45/588	P45/2250	M45/748								
Mustang	M45/680	M45/731	M45/747	P45/2134	P45/2251	P45/2269	P45/2288	P45/2331			
North Pole	M45/395	M45/514	M45/650	M45/651	M45/665	M45/733	M45/734				
Panorama	E45/3660										
Salgash	M45/848	M45/849	M45/850								
Sharks Gully	M45/758	M45/692									
Soansville	M45/780	M45/847	P45/2292	P45/2293	P45/2294	P45/2296	P45/2297	P45/2298			
Starrs Find	M45/857										
Tank Hill	M45/773										
Tassie Queen	M45/76	M45/235	M45/296	M45/297	M45/655	M45/795					
Warrawoona	M45/547	M45/671	M45/824	P45/2316							
Wyman Well	M45/823	P45/2317									

HAOMA MINING NL AND ITS CONTROLLED ENTITIES

STOCK EXCHANGE - ADDITIONAL INFORMATION

(c) Tenements beneficially held by Kitchener Mining NL (100%)

i) Bamboo Creek, Western Australia

M45/742 M45/480 M45/481 L45/72 P45/2242 P45/2243 P45/2244

(ii) Ravenswood, Queensland

Budgerie	ML1325		Barrabas	EPM8771
Burdekin Gold	EPM14297		Robe Range	EPM14038
Old Man & Copper Knob	ML1326	ML1330	Waterloo	ML1529
Elphinstone	ML10275		Podoskys	ML10315
Ravenswood Mining Claims	MC2205	MC2206	Wellington Springs	ML1415 ML1483
Robe Range East	EPM17832			

(d) Giralia Resources NL (75%) & Haoma Mining NL (25%) Joint Venture Tenements

North Shaw Western Australia E45/2186 E45/2187 E45/2921 E45/2922 M45/1197