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**MELBOURNE, VIC 3000**

July 31, 2016

## ACTIVITIES REPORT FOR THE QUARTER ENDED JUNE 30, 2016 – HIGHLIGHTS

- **Group Consolidated Financial Result:**

During the Quarter Haoma produced and sold 1,566 grams (50.3ozs) of gold and 620 grams (19.9ozs) of silver from cyanide leaching trials on bulk samples of Bamboo Creek Tailings Concentrate for a total sale value of \$82,447.

Haoma Mining's unaudited consolidated financial result for the three months ended June 30, 2016 was a before tax loss of \$1.26 million after interest of \$0.48 million, depreciation and amortisation of \$0.05 million, and development and test work expenditure of \$0.80 million.

- **'Test work' at Bamboo Creek:**

**The Bamboo Creek Pilot Plant has been further modified with a view to increasing processing efficiencies and lowering production costs.** 'Test work' on gold extraction concentrated on samples from:

- 1) Bamboo Creek Tailings, and
- 2) Mt Webber iron ore, sourced from Atlas Iron with whom Haoma has a **Royalty Payment Entitlement regarding Mt Webber (M45/1197)** (See Appendix 1)

Bamboo Creek 'Test work' is now being conducted in conjunction with The University of Melbourne and involves mainly **hydrometallurgy methods** (cyanide and acids rather than smelting). **These methods result in a significant reduction in plant costs as smelting is only used at the final stages of gold recovery.**

The following initial **Hydrometallurgy 'Test work'** results have been achieved.

- 1) **Bamboo Creek Tailings:** Gold was recovered gravimetrically from a 500g sample of **Bamboo Creek Concentrate (1% of Bamboo Creek Tailings)** equating to 1,807g/t gold in the **'concentrate sample'** processed, or a 'back calculated' Bamboo Creek Tailings 'Head grade' of 18.1 g/t gold.
- 2) **Low Grade Mt Webber Iron Ore (<55% Fe):** Recoverable gold was read in cyanide after processing a 'large sample' of Mt Webber low grade iron ore. Specifically, 'wet' beneficiation of a 945.46g sample of **low grade (<55% Fe) Mt Webber iron ore** produced an **'upgraded ore fraction'** (78.5%) and a **'slimes fraction'** (21.5%). A 'gravity concentrate' from the **'slimes fraction'** produced cyanide recoverable gold with a **'back calculated' gold grade of 8.96 g/t in the 'slimes fraction'**.

The **iron grade of the 'upgraded ore fraction'** (78.5%), extracted from low grade Mt Webber iron ore (<55% Fe), was about **58% Fe. These results have the potential to 'upgrade the value' of Mt Webber and surrounding tenements.** It is anticipated that during the current Quarter further 'Test work' will be undertaken on processing 'ore parcels' of low grade Mt Webber iron ore through the Bamboo Creek Plant.

## CONTENTS

1. Group Consolidated Result to June 30, 2016
2. Operations at Bamboo Creek Western Australia

### **1. GROUP CONSOLIDATED RESULT TO JUNE 30, 2016**

<b>Haoma Mining NL Consolidated Profit &amp; Loss</b>	<b>2014/15 4th Qtr (\$m)</b>	<b>2014/15 Full Year (\$m)</b>	<b>2015/16 1st Qtr (\$m)</b>	<b>2015/16 2nd Qtr (\$m)</b>	<b>2015/16 3rd Qtr (\$m)</b>	<b>2015/16 4th Qtr (\$m)</b>	<b>2015/16 Full Year (\$m)</b>
Operating Revenue:							
Gold & Silver Sales					0.05	<b>0.08</b>	<b>0.13</b>
Gold Concentrate in Circuit					1.22	<b>(0.07)</b>	<b>1.15</b>
Royalties	0.02	0.70	-	0.03	-	<b>0.01</b>	<b>0.04</b>
Retail Sales & Misc	0.03	0.17	0.04	0.03	0.02	<b>0.02</b>	<b>0.11</b>
Profit on Sale of Investments						<b>0.14</b>	<b>0.14</b>
<b>Operating Revenue</b>	<b>0.05</b>	<b>0.87</b>	<b>0.04</b>	<b>0.06</b>	<b>1.29</b>	<b>0.18</b>	<b>1.57</b>
<b>Operating profit (loss) before interest, depreciation, amortisation, exploration &amp; development costs:</b>							
Interest (*see Item 1.2 below)	(0.83)	(1.11)	(0.42)	(0.20)	0.99	<b>0.06</b>	<b>0.44</b>
Depreciation & amortization	(0.91)	(3.70)	(0.47)	(0.48)	(0.49)	<b>(0.48)</b>	<b>(1.92)</b>
Depreciation & amortization	(0.05)	(0.21)	(0.03)	(0.04)	(0.04)	<b>(0.05)</b>	<b>(0.16)</b>
Exploration, development & test work	(0.48)	(2.37)	(0.62)	(0.64)	(0.70)	<b>(0.80)</b>	<b>(2.76)</b>
<b>Operating (loss) before tax</b>	<b>(2.27)</b>	<b>(7.39)</b>	<b>(1.54)</b>	<b>(1.36)</b>	<b>(0.24)</b>	<b>(1.26)</b>	<b>(4.40)</b>

#### **1.1 Haoma's Group Consolidated Result**

Haoma Mining's unaudited consolidated financial result for the three months ended June 30, 2016 was a before tax loss of \$1.26 million after interest of \$0.48 million, depreciation and amortisation of \$0.05 million, and development and test work expenditure of \$0.80 million.

During the Quarter Haoma produced and sold 1,566 grams (50.3ozs) of gold and 620 grams (19.9ozs) of silver from cyanide leaching trials on bulk samples of Bamboo Creek Tailings Concentrate for a total sale value of \$82,447. This was achieved with the Bamboo Creek Pilot Plant which was configured for batch processing of bulk samples.

In the March 31, 2016 Quarter Activities Report, Haoma advised shareholders that by the end of April 2016, 13.78 tonnes of 'Gold Concentrate' had been produced and that details of the gold grade will be released to the ASX when finally calculated. Haoma is continuing work to determine the correct final grade of this Gold Concentrate. No adjustment has been made to the value of gold held in circuit from that included in in the March Quarter results other than to reflect the value of gold produced and sold during the Quarter.

#### **1.2 Funding of Operations**

At present, funding for Haoma's operations is being provided by The Roy Morgan Research Centre Pty Ltd, a company owned and controlled by Haoma's Chairman, Gary Morgan. Interest on debt to Roy Morgan Research Centre accrues at the 30 day commercial bill rate plus a facility margin of 1%.

At June 30, 2016 the principal debt to The Roy Morgan Research Centre Pty Ltd was \$36.82 million. Interest accrued for the 3 months to June 30, 2016 was \$469,597. Total interest accrued and unpaid to June 30, 2016 is \$28.22 million.

The Roy Morgan Research Centre Pty Ltd has advised that that no net debt repayment will be required until Haoma's annualised EDITDA exceeds \$15 million per annum and that debt repayments will not exceed 50% of Haoma's EBITDA in any year.

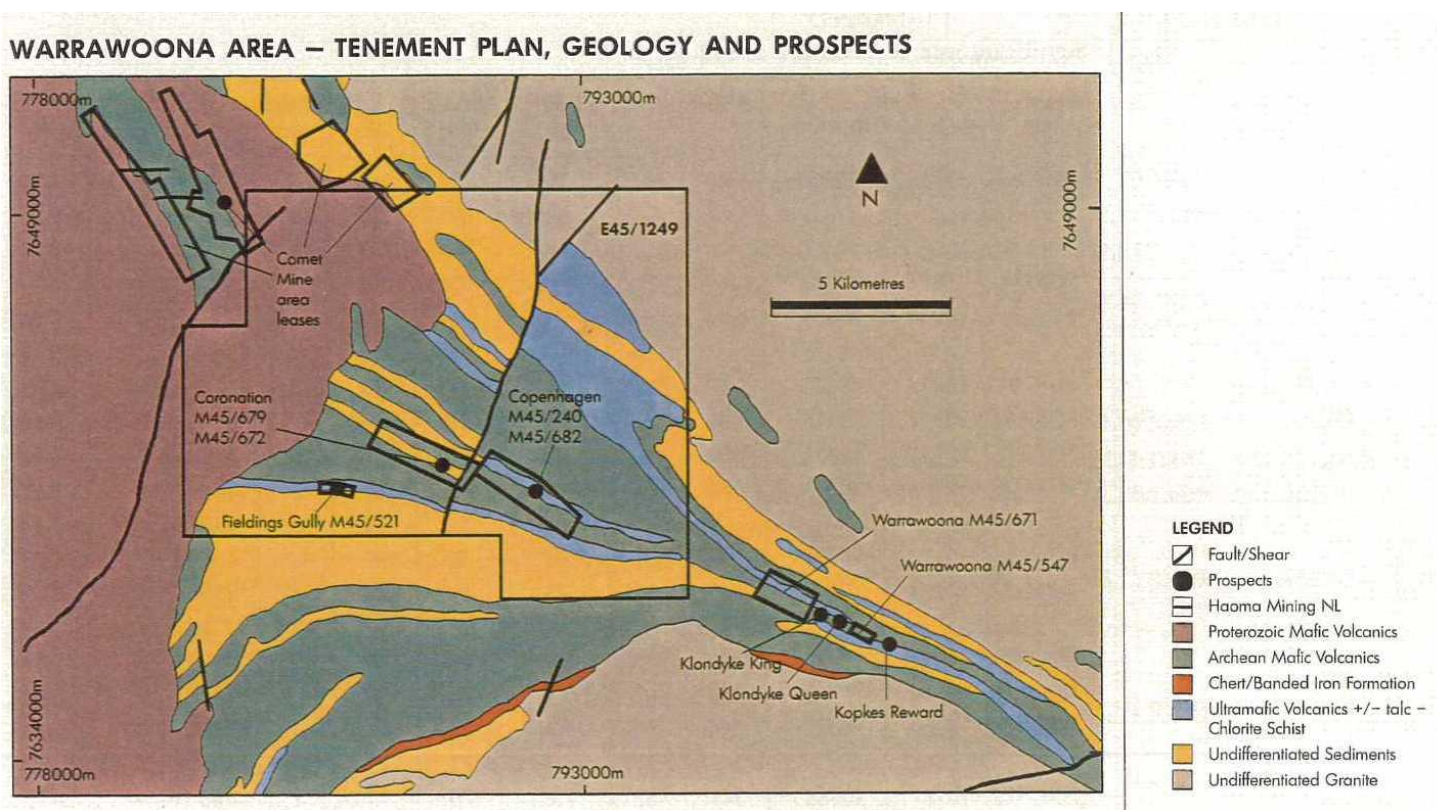
### 1.3 Sale of Shares in Exterra Resources Limited

During the Quarter, Haoma disposed of its shareholding of 10 million shares in Exterra Resources Limited. All shares were sold on market. Total proceeds received were \$460,605 for an average sale price of \$0.046 per share.

### 1.4 Discussions in Relation to Sale of 5 Marble Bar Region Tenements' Mining Rights

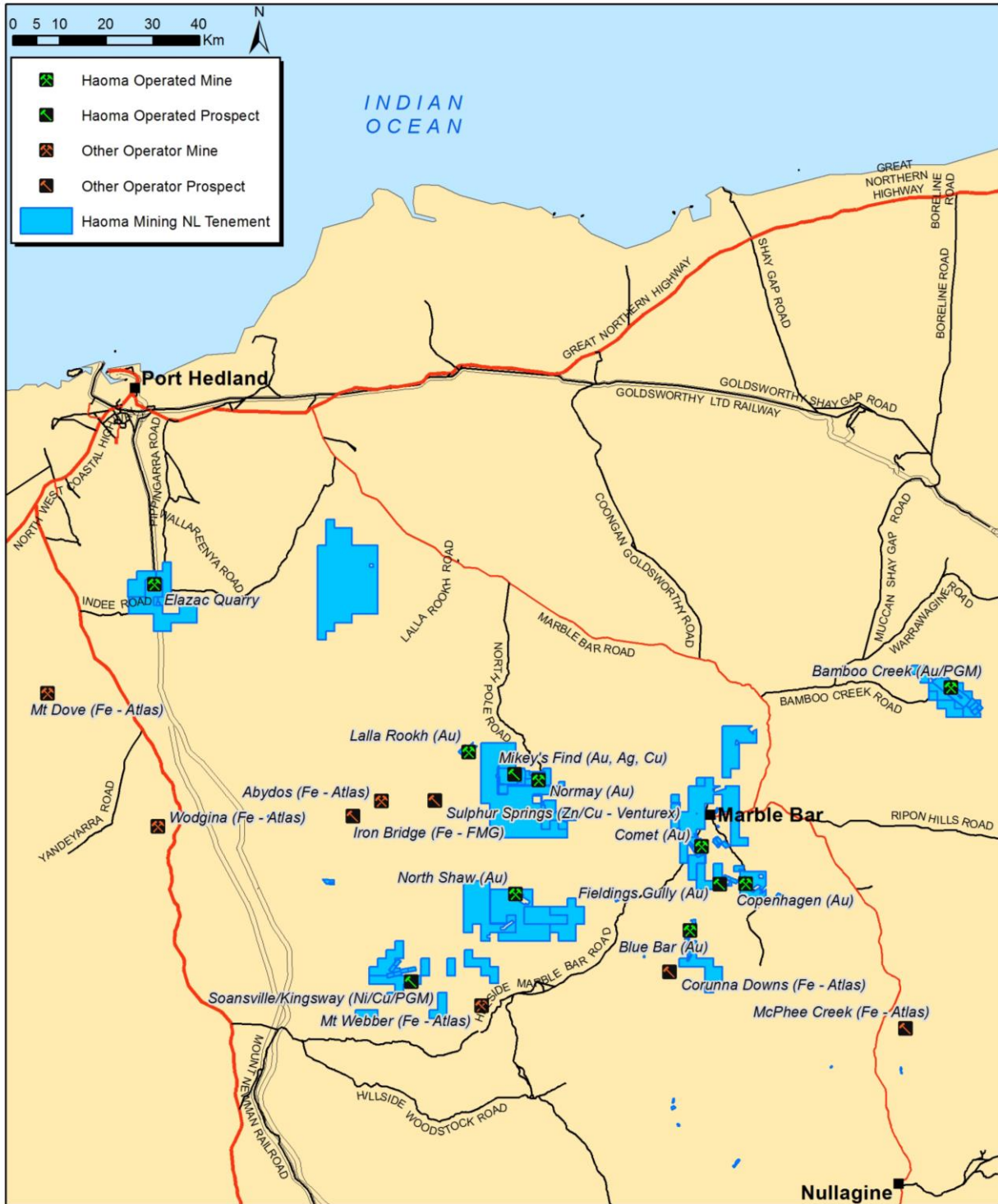
- **Fieldings Gully (M45/521)**
- **Coronation (M45/672)**
- **Copenhagen (M45/682, M45/240)**
- **Warrawoona (M45/671)**
- **Warrawoona (M45/547)**

Haoma is in discussions for the sale of gold and silver mining rights in respect to its 5 Marble Bar Region tenements from Fielding's Gully to Warrawoona. Further details will be released as and when an agreement is completed.



**Figure 1: Haoma Mining's Fielding's Gully to Warrawoona Area Tenement Plan.**

## 2.0 OPERATIONS AT BAMBOO CREEK, WESTERN AUSTRALIA



**Figure 2:** Location map of Haoma Mining and other Pilbara mining locations.

## 2.1 'Test Work' at Bamboo Creek<sup>1</sup>

During the Quarter Haoma produced and sold 1,566 grams (50.3ozs) of gold and 620 grams (19.9ozs) of silver from cyanide leaching trials on bulk samples of Bamboo Creek Tailings Concentrate for a total sale value of \$82,447.

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'Test work' on gold extraction concentrated on samples from:

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**Recoverable gold was read in cyanide** after processing a 'large sample' of Mt Webber low grade iron ore. Specifically, 'wet' beneficiation of a 945.46g sample of **low grade (<55% Fe) Mt Webber iron ore** produced an '**upgraded ore fraction**' (78.5%) and a '**slimes fraction**' (21.5%). A 'gravity concentrate' from the '**slimes fraction**' produced **cyanide recoverable gold with a 'back calculated' gold grade of 8.96 g/t in the 'slimes fraction'**.

The **iron grade of the 'upgraded ore fraction'** (78.5%), extracted from low grade Mt Webber iron ore (<55% Fe), was about **58% Fe**.

A repeat 'wet' beneficiation test of a 7.8 kg sample of **low grade (<55% Fe) Mt Webber iron ore** produced an '**upgraded ore fraction**' (77.9%) and a '**slimes fraction**' (22.1%). A 'gravity concentrate' from the '**slimes fraction**' produced a DIBK readable gold grade of 9.4g/t 'back calculated' to the 'slimes fraction'.

**The above results have the potential to 'upgrade the value' of Mt Webber and surrounding tenements.** It is anticipated that during the current Quarter further 'Test work' will be undertaken on processing 'ore parcels' of low grade Mt Webber iron ore through the Bamboo Creek Plant.

If the results of processing 'ore parcels' are the same as the 'large sample' tests have indicated, it will be possible to upgrade the % Fe using 'wet' beneficiation thus increasing the value of the iron ore to be exported and increasing iron ore reserves in the Mt Webber Region; and producing significant gold from 'slimes fraction'.

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**Note 1:** The information & data in Section 2 of 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 the ore (the Refined Elazac Extraction Method). These methods are together referred to as the Elazac Process. The information reported relates solely to 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 people 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 report of the information and data in the form and context in which it appears.

## 2.2 **Bamboo Creek Tailings available to be processed**

As shareholders have been previously advised there are approximately 1 million tonnes of Bamboo Creek Tailings available to be processed.

**After costs, the expected ‘Gross profit’ of the gold produced from processing the 1 million tonnes of Bamboo Creek Tailings is expected to be significant. The Haoma Directors anticipate the gold contained in the Bamboo Creek Tailings will be extracted within 3 years. Some additional revenue is expected to be generated from Platinum Group Metals (PGM).**



**Figure 3: Bamboo Creek Tailings Storage with Bamboo Creek Pilot Plant in background**

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Gary Morgan', written in a cursive style.

**Gary C Morgan,  
CHAIRMAN**

## **APPENDIX 1: Haoma's Mt Webber (M45/1197) Royalty Payment Entitlement**

The April 2012 Tenement Sale Agreement under which Haoma sold its Mt Webber iron ore rights to Atlas Iron Limited includes a 'Reserve Uplift Payment' entitlement.

The payment entitlement is triggered whenever reserve development work on the tenements which were subject to the Sale Agreement (E45/2186 and M45/1197) result in Atlas Iron releasing an announcement to the ASX of a JORC compliant iron ore reserve in excess of 24 million tonnes inclusive of any iron ore tonnes previously mined.

The uplift payment per 'Excess Reserve' is \$1.38 per tonne. That amount is indexed by CPI from March 23, 2012. (Today about \$1.50 per tonne.)

Under the Tenement Sale Agreement, Haoma was granted the right to access and explore for other minerals within Mining Lease M45/1197.

If Haoma subsequently identifies a JORC Compliant Resource of a mineral other than iron within the Designated Area and Haoma proposes a development of the resource then the parties to the Agreement must confer to discuss whether development of the resource can be achieved without any adverse impact on the iron ore activities.

If the parties are not able to reach agreement as to how potential conflict of activities may be resolved then the conflict will be resolved in favour of the activity with the higher Assessed Economic Value.