

For personal use only



ABN 83 141 128 841

Annual Report
31 December 2012

<u>CONTENTS</u>	<u>PAGE NO</u>
Directors' Report	1
Corporate Governance Statement	10
Consolidated Statement of Comprehensive Income	13
Consolidated Statement of Financial Position	14
Consolidated Statement of Cash Flows	15
Consolidated Statement of Changes in Equity	16
Notes to the Consolidated Financial Statements	17
Directors' Declaration	33
Auditor's Independence Declaration	34
Independent Audit Report	35
ASX Additional Information	37

CORPORATE DIRECTORY

Directors

Mr. Matthew Wood (Chairman)
 Dr. Robert Wrixon (Managing Director)
 Mr. Timothy Flavel (Executive Director)
 Mr. Kerry Griffin (Technical Director)
 Mr. Erdene Tsengelbayar (Executive Director)
 Mr. Marshall Cooper (Non-Executive Director)
 Mr. Daniel Crennan (Non-Executive Director)
 Mr. Bat-Ochir Sukhbaatar (Non-Executive Director)

Company Secretaries

Mr. Timothy Flavel
 Mr. Aaron Bertolatti

Registered Office

Level 1
 33 Richardson Street
 WEST PERTH WA 6005
 Telephone: +61 8 9200 4415
 Facsimile: +61 8 9200 4469

Share Registry

Computershare Investor Services Pty Ltd
 Level 2, Reserve Bank Building
 45 St Georges Terrace
 PERTH WA 6000
 Telephone: +61 8 9323 2000
 Facsimile: +61 8 9323 2033

Auditors

BDO Audit (WA) Pty Ltd
 38 Station Street
 SUBIACO WA 6008

Stock Exchange

Australian Securities Exchange
 (Home Exchange: Perth, Western Australia)
 ASX Code: HAR

Website

www.haranga.com

For personal use only

Directors' Report

The Directors present their report for Haranga Resources Limited ("Haranga Resources" or "the Company") and its subsidiaries for the year ended 31 December 2012.

DIRECTORS

The names, qualifications and experience of the Company's Directors in office during the period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr. Matthew Wood **Chairman**

Mr. Wood has over 20 years experience in the resource sector with both major and junior resource companies and has extensive experience in the technical and economic evaluation of resource projects throughout the world. Mr. Wood's expertise is in project identification, negotiation, acquisition and corporate development. Mr. Wood has an honours degree in geology from the University of New South Wales in Australia and a graduate certificate in mineral economics from the Western Australian School of Mines.

Mr. Wood is currently a director of ASX listed Wolf Petroleum Limited, Caravel Energy Limited, Lindian Resources Limited, Voyager Resources Limited, Oakland Resources Limited and Avanco Resources Limited. Mr. Wood is a founding director in venture capital and corporate advisory firm Garrison Capital Pty Ltd.

Dr. Robert Wrixon **Managing Director**

Dr. Wrixon has 17 years commercial experience in engineering, consulting, mineral asset acquisition and exploration management. Dr. Wrixon holds a Ph.D in mineral engineering from the University of California, Berkeley and an honours degree in chemical engineering from Princeton University in the USA.

Dr. Wrixon was previously a project manager with Mars & Co, a global strategy consulting firm working at client sites in the USA and Asia and helped to establish the Tokyo office of Mars & Co in 2001. Dr. Wrixon also spent five years with Xstrata in marketing, corporate strategy and business development (M&A) for both Xstrata Coal in Sydney and Xstrata plc, based in London. He served as Xstrata's representative on the board of directors of the Cerrejon Coal joint venture in Colombia.

Dr. Wrixon is also currently a director of ASX listed Caravel Energy Limited. Prior to joining Haranga, Dr. Wrixon was Managing Director of the ASX listed uranium exploration company Uranio Limited (now Manhattan Corporation Limited).

Mr. Timothy Flavel **Executive Director**

Mr. Flavel is a Chartered Accountant and Company Secretary, with more than 20 years experience in the mining industry and accounting profession both in Australia and overseas. Mr. Flavel currently assists a number of resources companies operating throughout Australia and overseas with corporate advice, financial accounting, stock exchange compliance and regulatory activities.

Mr. Flavel is currently a Director of ASX listed Wolf Petroleum Limited, Caravel Energy Limited, Black Star Petroleum Limited and Voyager Resources Limited. Mr. Flavel is a founding director in venture capital and corporate advisory firm Garrison Capital Pty Ltd.

Mr. Erdene Tsengelbayar (appointed 1 January 2012) **Executive Director**

Mr. Erdene acts as Chief Operating Officer for the Company and has more than 16 years experience in mineral economics and consulting, mineral asset assessment, mineral project finance and M&A advisory for both the public and private sector in Mongolia. Mr. Erdene has extensive operational, management and project acquisition expertise and has previously acted in an advisory role for the Company and assisted in the acquisition of a number of the Company's current projects. He has an extensive network in the mining and resources sector having worked with both the Mineral Resource Authority of Mongolia and the former Ministry of Industry and Trade.

Mr. Erdene joined Haranga Resources from the Mongolian investment bank MICC where he was a Senior Vice President and latterly Managing Director, Metals and Mining. He holds a Master of Science degree in mineral economics from Michigan Tech University in the USA and a degree in mining engineering and economics from Sankt-Petersburg Mining Institute in Russia. He is a Mongolian national and is based in Ulaanbaatar.

Mr. Kerry Griffin (appointed 1 January 2012) **Technical Director**

Mr. Griffin has 18 years professional experience in exploration, resource development and mining geology in Australia, Southern Africa, South America and Mongolia including senior roles with such companies as Ivanhoe, Newcrest Mining and Consolidated Minerals.

Mr. Griffin has significant experience in Mongolia having spent four years with Ivanhoe Mines as the Senior Development Geologist for the world class Oyu Tolgoi development. In this role he not only managed major diamond drilling programs, but also looked after geological interpretation, 3D modelling and resource estimation, and the training of the incoming Mongolian geologists. Mr. Griffin is a Competent/Qualified Person for JORC/43-101 standard reporting and sign-off.

Directors' Report

Prior to joining Haranga Resources, Mr. Griffin was employed as the Country Manager for Aspire Mining Limited in Mongolia. Mr. Griffin is a resident of Mongolia and based in Ulaanbaatar.

Mr. Bat-Ochir Sukhbaatar Non-Executive Director

Mr. Bat-Ochir is a successful businessman and entrepreneur with more than 20 years experience in international commerce, public relations, trade policy, and infrastructure building in Mongolia. Mr. Bat-Ochir began his career with the Ulaanbaatar City Authority, ultimately employed as senior engineer-economist. In 1992 he co-founded one of the first private companies in Mongolia focusing on the trade and distribution of imported petroleum and petroleum products in Mongolia through the Global Line Company LLC network of petrol stations and wholesale dealers. In 2009, he and his partners established Geotrass LLC which is engaged in road, bridge and dam construction, fibre optic communications installation and mining logistics.

Mr. Bat-Ochir graduated from the Moscow State Automobile and Road Technical University in Russia and obtained an MBA from the City University of Seattle in the USA. Mr. Bat-Ochir is a native of Mongolia and fluent in Russian and English.

Mr Daniel Crennan (appointed 28 March 2012) Non-Executive Director

Mr. Crennan completed his Articles at Griffith Hack Patent and Trade Mark Attorneys, Lawyers. He also completed a research internship at the International Criminal Tribunal for former Yugoslavia in the Hague under Judge Richard May. Daniel co-authored the Law Council of Australia submission to the Joint Standing Committee on Treaties in relation to the establishment of the International Criminal Court. Whilst undertaking his law degree, Mr. Crennan studied Public International Law at Leiden University, the Netherlands. Mr. Crennan appears primarily in major commercial disputes or prosecutions conducted by regulators. Mr. Crennan is currently a director of ASX listed Paradigm Metals Limited and was previously a director of Hunnu Coal Limited.

Marshall Cooper (appointed 19 June 2012) Non-Executive Director

Mr. Cooper has over twenty-five years of experience operating in Asia and Australia. He has been a Director of Lippo Group since 1998 and has held various executive roles in their Mining, Media and Telecommunications divisions including Chief Financial Officer and Chief Executive Officer of various business groups from the TV and internet services division, Chief Executive of Globe Media, and Director of Asia Now Resources Corp listed on TSX Venture Exchange.

Mr. Cooper is currently the Director and Chief Operating Officer (COO) of Lippo Energy, which is involved in developing a global minerals and mining portfolio within the Lippo Group, currently focusing on copper, iron ore, coal and gold. His primary role involves guiding the development of the business unit and he is directly involved in project acquisitions, management of exploration programs, project development, corporate M&A and arranging project funding.

COMPANY SECRETARIES

In addition to Mr. Timothy Flavel, Mr Aaron Bertolatti also held the position of Company Secretary during the financial period.

Mr. Aaron Bertolatti Joint Company Secretary

Mr Bertolatti is a qualified Chartered Accountant and Company Secretary with over 9 years experience in the mining industry and accounting profession. Mr Bertolatti has both local and international experience. Mr Bertolatti provides assistance to a number of resource companies operating in Australia and Mongolia with financial accounting and stock exchange compliance. Mr Bertolatti has significant experience in the administration of ASX listed companies, corporate governance and corporate finance. Mr Bertolatti is currently company secretary of the ASX listed Voyager Resources Limited, Caravel Energy Limited, Wolf Petroleum Limited and Highfield Resources Limited.

INTERESTS IN THE SECURITIES OF THE COMPANY

As at the date of this report, the interests of the Directors in the securities of Haranga Resources Limited are:

Director	Ordinary Shares	Options – exercisable at \$0.20 each on or before 30 April 2015	Options – exercisable at \$0.20 each on or before 16 June 2015	Options – exercisable at \$0.50 each on or before 1 July 2016	Options – exercisable at \$1.00 each on or before 1 March 2015	Options – exercisable at \$1.00 each on or before 16 February 2016
Matthew Wood	8,296,553	1,000,000	-	-	-	500,000
Robert Wrixon	500,000	-	4,500,000	-	-	2,000,000
Timothy Flavel	4,471,251	1,000,000	-	-	-	500,000
Erdene Tsengelbayar	1,256,000	2,500,000	-	-	250,000	-
Kerry Griffin	250,000	-	-	1,000,000	-	-
Bat-Ochir Sukhbaatar	5,000,000	-	-	-	-	-
Daniel Crennan	57,000	-	-	-	-	-
Marshall Cooper	-	-	-	-	-	-

RESULTS OF OPERATIONS

The Group's net loss after taxation attributable to the members of Haranga Resources for the year to 31 December 2012 was \$3,049,676 (2011: net loss of \$4,600,377).

Directors' Report

DIVIDENDS

No dividend was paid or declared by the Company during the period and up to the date of this report.

CORPORATE STRUCTURE

Haranga Resources Limited is a company limited by shares, which is incorporated and domiciled in Australia.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities of companies within the Group during the financial year were mineral exploration and examination of new resource opportunities.

REVIEW OF OPERATIONS

Haranga Resources' four iron ore projects are located in Mongolia. The Group is targeting large, economic magnetite skarn deposits in order to develop and produce iron ore for domestic and export markets. The projects are:

Selenge (Ownership 80%): The Group's flagship project, consists of five contiguous licences covering almost 600km² within the premier iron ore province of Mongolia. The project area is close to the large Eruu Gol iron ore export mine and the large iron ore deposit at Tumurtei. The project area has access to the nearby trans-Mongolian rail line, lies only 40km from the rail terminal at Sharyn Gol, and is adjacent to the Eruu Gol rail spur.

Four primary iron ore targets have been identified and drill tested during the 2011 and 2012 field seasons resulting in a maiden resource at the Bayantsogt Prospect and a large Exploration Target* at the Dund Bulag, Undur Ukhaa and Huiten Gol Prospects. An expanded JORC Code compliant resource based on the 2012 drilling is expected during the second quarter of 2013.

Shavdal (Ownership 75%): Single exploration licence located 10km from the town of Baruun Urt in Sukhbaatar province, southeast of Mongolia. This province is home to two operating iron ore mines and the planned new east-west rail line will pass adjacent to the Shavdal project area. First pass drilling produced encouraging results in early 2011 and the 2012 drill results have confirmed significant iron mineralisation.

Tumurtei Khudag (Ownership 51%): Iron ore rights over two large exploration licences covering 577km² in the mid Gobi region, 180km from the main line rail terminal at Choyr.

Khundlun (Ownership 100%): Located in Hentii province in the northeast of Mongolia, the Khundlun licence is 200km from both the rail terminal at Choybalsan (to the east) and at Baganuur (to the west).

SELENGE PROJECT

The Group's flagship Selenge iron ore project is located in the heart of Mongolia's premier iron ore development region with excellent access to the main trans-Mongolian rail line and nearby rail spurs.

The four primary iron ore targets at Selenge lie within 9km of each other. All four are associated with large magnetite skarn hills and lie within the structural corridor that contains the major iron ore deposits in the region. The nearby Eruu Gol mine is on track to export five million tonnes of magnetite concentrate in 2012, shipping the product via a newly constructed rail spur to the main trans-Mongolian rail line. (The 300Mt Eruu Gol deposit was valued at approximately US\$2Bn based on a 2009 investment by the China Investment Corporation). The 2011 drill program at Selenge defined an initial JORC inferred resource of 32.8Mt at 24.4% Fe at Bayantsogt and discovered significant iron mineralisation at the Dund Bulag and Huiten Gol Prospects. A combined Exploration Target* of 250-400Mt has been estimated for Selenge. The 2012 drill program concluded in November 2012, with significant magnetite also discovered at Undur Ukhaa.

Dund Bulag Prospect

Diamond core holes have been completed at seventy locations at the Dund Bulag iron ore prospect. 61 of the 70 locations intersected significant apparent widths of magnetite mineralisation. Five holes were drilled at the end of the 2011 drill season and the laboratory assay results have now been received for the sixty-six holes (Holes 6 to 70 and the repeated hole 2A) completed during the 2012 drill program. The table of significant results for holes 1 to 5 was reported in the Company's ASX announcement dated 29 March 2012. From the 2012 drilling program, holes 6 to 15 were reported in the ASX announcement dated 16 October 2012; holes 16 to 35 were reported on 26 November 2012; holes 36 to 50 were reported on 14 January 2013; and finally holes 51 to 70 were reported on 8 Feb 2013. The raw mineralisation at Dund Bulag occurs in extremely wide lodes from surface and is typically between 15% and 30% Fe in grade.

The wide seams starting from the top of the Dund Bulag hill should ensure very low strip ratios. The main lodes of magnetite skarn at Dund Bulag are between 40 to 150m in apparent width. The Exploration Target* at Dund Bulag is 200-300Mt of iron ore. The maiden resource estimation at Dund Bulag is expected to be completed by the second quarter of 2013.

Although the Dund Bulag mineralisation is reporting lower average grades than the Bayantsogt Deposit and the Huiten Gol Prospect, the Dund Bulag magnetite has been found to upgrade effectively and produce a high quality magnetite concentrate grading over 65% Fe. This is due to the particular metallurgical properties of this coarse-grained, banded magnetite skarn mineralisation.

Directors' Report

Bayantsogt Prospect

Sixty-six diamond core holes have been completed at the Bayantsogt iron ore deposit. 59 of the 66 holes intersected significant widths of magnetite mineralisation. Thirty-five holes were drilled at Bayantsogt during the 2011 drill season and an initial JORC inferred resource of 32.8Mt at 24.4% Fe was defined based on this initial drill program. The laboratory assay results have been received for all holes (holes 36 to 66) from the 2012 drill program. Holes 36 to 41 were reported in the Group's ASX announcement dated 26 November 2012 and holes 42 to 66 were reported on 14 January 2013. These results confirm that the 2012 drilling has extended the strike length of the deposit by 250m to the southwest.

The deeper zone of high grade mineralisation first discovered during the 2011 drill program in the central-eastern part of the deposit was partly defined by the following key intersections:

- **103m at 44% Fe from 225m in hole BTDH-20 (incl 28m at 58% Fe from 258m)**
- **97m at 44% Fe from 223m in hole BTDH-32 (incl 29m at 54% from 265m)**
- **71m at 37% Fe from 266m in hole BTDH-15 (incl 10m at 50% Fe from 317m)**

This zone has been intersected during the 2012 program in holes 37 and 43, with hole 43 appearing to show the high grade zone extending towards the surface:

- **18m at 47% Fe from 281m in hole BTDH-37**
- **8m at 49% Fe from 92m in hole BTDH-43**

The Exploration Target* at Bayantsogt is 40-60Mt of iron ore (inclusive of the current resource). An updated resource estimation at Bayantsogt is expected to be completed by the second quarter of 2013.

Undur Ukhaa Prospect

Twelve diamond core holes were completed in 2012 at the previously undrilled Undur Ukhaa iron ore prospect, located 1km west of Dund Bulag. 11 of the 12 holes intersected significant apparent widths of magnetite mineralisation and the assay results from these holes have now been received. The grade and style of mineralisation appears similar to nearby Dund Bulag with the raw mineralisation at Undur Ukhaa occurring in wide (10-40m) seams from surface, typically between 15% and 30% Fe in grade.

The magnetic anomaly at Undur Ukhaa appears to have a strike length of approximately 800m. Undur Ukhaa represents the fourth major iron discovery within the large Selenge project area, following Bayantsogt, Dund Bulag and Huiten Gol.

An Exploration Target* of 10-35Mt of iron ore has been estimated for Undur Ukhaa based on size of the anomaly and the initial drill results. The maiden resource estimation at Undur Ukhaa is expected to be completed during the second quarter of 2013.

The similarity of the Undur Ukhaa mineralisation to the adjacent Dund Bulag is encouraging because the Dund Bulag magnetite was found to upgrade effectively and produce a high quality magnetite concentrate grading over 65% Fe during metallurgical testing in 2012. In addition, it leaves open the possibility that these two large magnetite anomalies are connected at depth which, if proven to be the case, would enormously increase the potential size of the combined exploration target.

Selenge Project Summary and Outlook

The 2012 drilling program consisted of over 35,000m of diamond drilling and was completed in November 2012. All assay results from this drill program have now been received from the laboratory and reported. Metallurgical test work on all mineralised core drilled during 2012 has commenced and this information will ultimately be used to construct an enhanced JORC compliant resource at Bayantsogt and initial JORC compliant resources at Dund Bulag and Undur Ukhaa, based on the mass yield and concentrate quality characteristics. It is expected that this resource work will be completed during the second quarter of 2013.

Based on the results to date, the cumulative Exploration Target* for the Selenge Project has been estimated at 250-400Mt of iron ore, based solely on the four Priority 1 targets already drilled within the project area. There are a number of other promising magnetic anomalies yet to be drill tested.

This successful drill campaign follows the recent **MOU covering 5Mtpa of rail capacity** and the **excellent metallurgical results** on the Selenge iron mineralisation from Bayantsogt, Dund Bulag and Huiten Gol.

Iron ore prices in China improved markedly in the final quarter of 2012 and **inland domestic magnetite concentrate continues to be priced at a significant premium to the seaborne import iron ore price**. The difference in price versus the seaborne import marker price is due to grade differential, lower impurities, higher value-in-use, high transport costs for seaborne ore attempting to access the inland regions and the lack of availability of this high quality product in inland China as domestic Chinese magnetite production suffers from declining grade and output.

The 2011 exploration program confirmed that a number of significant discoveries had been made by the Company within the Selenge project area and achieved a maiden JORC Code compliant resource. The laboratory assays from the 2012 drill program have been completed, and the metallurgical test program on the mineralised core is under way. It is expected that the Company will be able to report these results during the second quarter of 2013 as the Company moves towards a greatly expanded JORC Code compliant resource and feasibility study commencement.

Directors' Report

SHAVDAL PROJECT

In 2011, twenty holes were drilled to test a magnetic anomaly at Shavdal with ten of the twenty holes intersecting iron mineralisation. A peak result of **6m at 36% Fe from 34m** was obtained from hole SHRC-20. This intersection was contained within a wider intersection of 24m at 26% Fe from 32m in quartz magnetite rock. SHRC-009 also intersected this higher grade area 200m to the south, an area where outcrops have returned rock chip samples over 60% Fe.

A follow up sixteen hole program consisting of a further 3,500m of reverse circulation (RC) drilling was completed at Shavdal during March/April 2012 in order to further drill test the western extent of the main anomaly and other associated magnetic anomalies revealed during 3D magnetic interpretation.

Twelve of the sixteen holes drilled in the 2012 program were found to have intersected significant magnetite mineralisation, confirming the potential for iron ore on this licence area. The outstanding intersection was **20m at 30% Fe from 88m in hole SHRC-24**. Some of the deeper holes also intersected smaller widths of higher grade iron mineralisation including:

- **4m at 40% Fe from 192m in hole SHRC-28; and**
- **2m at 53% Fe from 188m in hole SHRC-35.**

This second pass drilling at Shavdal gives further encouragement to this project as it has confirmed the existence of the shallow magnetite mineralisation discovered in 2011 and revealed further underlying iron mineralisation of potentially economic grade at depth.

The next steps planned at Shavdal are to undertake 3D modelling on the remaining magnetic anomalies on this large licence so as to identify further targets for follow up drilling and to conduct infill drilling around the iron mineralisation identified from the previous broad spaced drilling.

OTHER PROJECTS

The original magnetic survey results from the Khundlun Project area were reprocessed during the period using 3D inversion modelling software in order to better identify the priority targets in the area of known iron mineralisation. No significant exploration was conducted at the Tumurtei Khudag Project during the year.

CORPORATE AND GENERATIVE

Placement to the Lippo Group

The Group issued 15 million new shares to Golden Rain Holdings Limited, a subsidiary of the Lippo Group in March 2012. This placement was made at a price of \$0.40 per share, raising an additional \$6 million. As a result, Golden Rain Holdings strengthened its position as the Group's largest shareholder. Golden Rain Holdings and the Lippo Group agreed to enter into a voluntary lock up period of 12 months for this entire shareholding.

Board Changes

Haranga Resources Limited announced the appointment of Mr. Erdene Tsengelbayar (appointed 1 January 2012), Mr. Kerry Griffin (appointed 1 January 2012), Mr. Daniel Crennan (appointed 28 March 2012) and Mr. Marshall Cooper (appointed 19 June 2012) to the Company's Board during the year. Mr. Kell Nielsen resigned on 1 January 2012.

Generative Activity

The Group continues to assess iron ore and manganese projects for potential future acquisitions that will upgrade the overall project portfolio.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group which occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On the 7 January 2013 the Company announced an agreement to raise \$6 million by issuing 30 million new shares to a group of Mongolian investors at a price of \$0.20 per share, representing a 31% premium to the Company's one month VWAP at the time. In addition, 15 million new options are to be issued to the same investors on a 'one for two' basis for nil consideration. There were no other known significant events from the end of the financial year up to the date of this report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Directors have excluded from this report any further information on the likely developments in the operations of the Group and the expected results of those operations in future financial years, as the Directors believe that it would be speculative and prejudicial to the interests of the Group.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The operations of the Group are presently subject to environmental regulation under the laws of the Commonwealth of Australia and Mongolia. The Group is at all times in full environmental compliance with the conditions of its licences.

Directors' Report

SHARE OPTIONS

As at the date of this report, there were 36,000,000 unissued ordinary shares under options (36,000,000 at the reporting date). The details of the options at the date of this report are as follows:

Number	Exercise Price \$	Expiry Date
24,000,000	\$0.20	30 April 2015
4,500,000	\$0.20	16 June 2015
2,500,000	\$1.00	1 March 2015
4,000,000	\$1.00	16 February 2016
1,000,000	\$0.50	1 July 2016
36,000,000		

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. No options expired or were exercised during or since the year ended 31 December 2012.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has made an agreement indemnifying all the Directors and officers of the Company against all losses or liabilities incurred by each Director or officer in their capacity as Directors or officers of the Company to the extent permitted by the Corporation Act 2001. The indemnification specifically excludes wilful acts of negligence. The Company paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for current officers of the Company, including officers of the Company's controlled entities. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

DIRECTORS' MEETINGS

During the financial period, in addition to regular Board discussions, the number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

Director	Number of Meetings Eligible to Attend	Number of Meetings Attended
Matthew Wood	7	7
Robert Wrixon	7	7
Timothy Flavel	7	7
Bat-Ochir Sukhbaatar	7	7
Erdene Tsengelbayar	7	7
Kerry Griffin	7	7
Daniel Crennan	5	5
Marshall Cooper	4	4

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or 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 period.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Haranga Resources Limited support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Haranga Resources is in compliance with those guidelines to the extent possible, which are of importance to the commercial operation of a junior listed resources company. During the financial period ended, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. The Company's Corporate Governance Statement and disclosures are contained elsewhere in the annual report.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of Haranga Resources with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included at page 34 of this report.

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the period by the auditor are outlined in Note 15 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Directors' Report

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and executives of Haranga Resources Limited in accordance with the requirements of the Corporation Act 2001 and its Regulations. For the purpose of this report, Key Management Personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group, and includes the executives in the Company receiving the highest remuneration.

Details of Key Management Personnel

Mr. Matthew Wood	Chairman
Dr. Robert Wrixon	Managing Director
Mr. Timothy Flavel	Executive Director, Company Secretary
Mr. Bat-Ochir Sukhbaatar	Non-Executive Director
Mr. Erdene Tsengelbayar	Executive Director (appointed 1 January 2012)
Mr. Kerry Griffin	Executive Director (appointed 1 January 2012)
Mr. Daniel Crennan	Non-Executive Director (appointed 28 March 2012)
Mr. Marshall Cooper	Non-Executive Director (appointed 19 June 2012)
Mr. Aaron Bertolatti	Company Secretary

Remuneration Policy

The Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The Company does not link the nature and amount of the emoluments of such officers to the Company's financial or operational performance. The expected outcome of this remuneration structure is to retain and motivate Directors.

As part of its Corporate Governance Policies and Procedures, the board has adopted a formal Remuneration Committee Charter. Due to the current size of the Company and number of directors, the board has elected not to create a separate Remuneration Committee but has instead decided to undertake the function of the Committee as a full Board under the guidance of the formal charter.

The rewards for Directors' generally have no set or pre-determined performance conditions or key performance indicators as part of their remuneration due to the current nature of the business operations except for options issued to the managing director pre-listing. Details are set out in note 22(b). The Board determines appropriate levels of performance rewards as and when they consider rewards are warranted. The Company has no policy on executives and directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

The table below shows the performance of the Group as measured by loss per share:

As at 31 December	2012	2011
Loss per share (cents)	(1.46)	(2.45)
Share Price (\$)	0.165	0.285

* The Company listed on the Australian Stock Exchange on 9 December 2010.

Details of Remuneration

Details of the nature and amount of each element of the remuneration of each Director and Executive of the Company as required by the Corporations Act 2001, for the period ended 31 December 2012 are as follows:

2012	Short term			Options	Post employment		Total	Option related
	Base Salary	Directors Fees	Consulting Fees	Share Based Payments	Superannuation	Prescribed Benefits		
	\$	\$	\$	\$	\$	\$	\$	%
Executive Directors								
Matthew Wood	-	-	180,000	27,417	-	-	207,417	13.2
Robert Wrixon	-	-	329,167	109,667	-	-	438,834	25.0
Timothy Flavel	-	-	168,000	27,417	-	-	195,417	14.0
Kerry Griffin	-	-	212,665	78,252	-	-	290,917	26.9
Erdene Tsengelbayar	-	-	165,226	24,698	-	-	189,924	13.0
Non-Executive Directors								
Marshall Cooper	-	20,000	-	-	-	-	20,000	-
Daniel Crennan	-	30,000	-	-	-	-	30,000	-
Bat-Ochir Sukhbaatar	-	45,000	-	-	-	-	45,000	-
Key Management Personnel								
Aaron Bertolatti	-	-	-	21,734	-	-	21,734	100.0
	-	95,000	1,055,058	289,185	-	-	1,439,243	

There were no other executive officers of the Company during the financial year ended 31 December 2012.

Directors' Report

2011	Short term			Options	Post employment		Total \$	Option related %
	Base Salary \$	Directors Fees \$	Consulting Fees \$	Share Based Payments \$	Superannuation \$	Prescribed Benefits \$		
Executive Directors								
Matthew Wood	-	-	180,000	186,083	-	-	366,083	50.8
Robert Wrixon	-	-	300,000	744,334	-	-	1,044,334	71.3
Kell Nielsen	-	-	113,333	372,167	-	-	485,500	76.7
Timothy Flavel	-	-	168,000	186,083	-	-	354,083	52.6
Non-Executive Directors								
Jason Peterson	-	-	-	-	-	-	-	-
Achit-Erdene Darambazar	-	-	-	-	-	-	-	-
Bat-Ochir Sukhbaatar	-	-	-	-	-	-	-	-
Key Management Personnel								
Aaron Bertolatti	-	-	-	27,015	-	-	27,015	100.0
Angus Caithness	-	-	-	-	-	-	-	-
	-	-	761,333	1,515,682	-	-	2,277,015	

There were no other executive officers of the Company during the financial period ended 31 December 2011.

The terms and conditions of options affecting remuneration in the current or future reporting periods are as follows:

	Grant Date	Grant Number	Expiry date/last exercise date	Fair Value per option at grant date	Exercise price per option	Value of options at grant date *	Number of options vested	% Vested	Max value yet to vest
Executive Directors									
Matthew Wood	15/02/2011	500,000	16/02/2016	\$0.426	\$1.00	\$212,912	500,000	100%	-
Robert Wrixon	15/02/2011	2,000,000	16/02/2016	\$0.426	\$1.00	\$851,646	2,000,000	100%	-
Timothy Flavel	15/02/2011	500,000	16/02/2016	\$0.426	\$1.00	\$212,912	500,000	100%	-
Kerry Griffin	01/07/2011	1,000,000	01/07/2016	\$0.156	\$0.50	\$156,838	500,000**	50%	\$78,419
Erdene Tsengelbayar	11/03/2011	250,000	01/03/2015	\$0.298	\$1.00	\$50,965	125,000***	50%	\$25,482
		4,250,000				\$1,485,273	3,625,000		-
Key Management Personnel									
Aaron Bertolatti	11/03/2011	220,000	01/03/2015	\$0.298	\$1.00	\$44,849	110,000***	50%	\$22,425

* the value at grant date has been calculated in accordance with AASB 2 *Share based payments*.

** Options vest in two tranches, one half on 1 July 2012 and the remaining half on 1 July 2013

*** Options vest in two tranches, one half on 1 March 2012 and the remaining half on 1 March 2013.

Service Agreements

Executive Directors

The Managing Director, Dr. Robert Wrixon is employed under a consulting services agreement. Dr. Wrixon's consulting services agreement was extended from 1 January 2013 for a period of 24 months. Under the agreement Dr. Wrixon is to be paid an annual fee of \$350,000. Dr. Wrixon may terminate the agreement at any time by giving three months notice in writing, or such shorter period of notice as may be agreed. The Company may terminate the agreement by giving six months written notice or by paying an amount equivalent to six months fees (based on agreed consulting fee) or without notice in the case of serious misconduct, at which time Dr. Wrixon would be entitled to that portion of consulting fees services arising up to the date of termination. No additional Directors fees will be paid to Dr. Wrixon in addition to the fees paid under the consulting agreement.

The Technical Director, Mr. Kerry Griffin is employed under a consulting services agreement, which commenced on 1 July 2011 for a period of 24 months unless extended by both parties. Under the agreement Mr. Griffin is to be paid an annual fee of US\$240,000. Mr. Griffin may terminate the agreement at any time by giving two months notice in writing, or such shorter period of notice as may be agreed. The Company may terminate the agreement by giving two months written notice or by paying an amount equivalent to two months fees (based on agreed consulting fee). No additional Directors fees will be paid to Mr. Griffin in addition to the fees paid under the consulting agreement.

Executive Director and Chief Operating Officer, Mr. Erdene Tsengelbayar is employed under a consulting services agreement, which commenced on 28 March 2011 for a period of 24 months unless extended by both parties. Under the agreement Mr. Tsengelbayar is to be paid an annual fee of \$210,000. Mr. Tsengelbayar may terminate the agreement at any time by giving three months notice in writing, or such shorter period of notice as may be agreed. The Company may terminate the agreement by giving three months written notice or by paying an amount equivalent to three months fees (based on agreed consulting fee). No additional Directors fees will be paid to Mr. Tsengelbayar in addition to the fees paid under the consulting agreement.

The Executive Directors, Mr. Matthew Wood and Mr. Timothy Flavel are paid a consulting fee on a monthly basis. Their services may be terminated by either party at any time.

The aggregate remuneration for Directors has been set at an amount not to exceed \$500,000 per annum (excluding consulting fees). This amount may only be increased with the approval of Shareholders at a general meeting.

Directors' Report

Loans to Directors and Executives

There were no loans to directors and executives during the financial year ending 31 December 2012.

Voting and comments made at the Company's 2012 Annual General Meeting

Haranga Resources Limited received more than 99% of "yes" votes on its remuneration report for the 2011 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

END OF AUDITED REMUNERATION REPORT

Signed on behalf of the board in accordance with a resolution of the Directors.



Matthew Wood
Chairman
5 March 2013

** Exploration Targets are conceptual in nature and should not be construed as indicating the existence of a JORC Code compliant mineral resource. There is insufficient information to establish whether further exploration will result in the determination of a mineral resource within the meaning of the JORC Code.*

The information in this report that relates to Exploration Results is based on information compiled by Mr Kerry Griffin, who is a Member of the Australian Institute of Geoscientists. Mr Griffin has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Griffin is the Technical Director of Haranga Resources Limited and consents to the inclusion in this report of the matters based on his information, and information presented to him, in the form and context in which it appears.

The technical information contained in this announcement in relation to the JORC Compliant Resource for the Bayantsogt Deposit has been reviewed by Mr Peter Ball of DataGeo Ltd, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Ball has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves'. Mr Ball consents to the inclusion in this report of the matters based on his information, and information presented to him, in the form and context in which it appears.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Haranga Resources Limited (“Haranga Resources” or “the Company”) is responsible for corporate governance of the Group. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Company has established a set of corporate governance policies and procedures and these can be found within the Company’s Corporate Governance Plan located on the Company’s website: www.haranga.com. These are based on the Australian Securities Exchange Corporate Governance Council’s (the Council’s) “Principles of Good Corporate Governance and Best Practice Recommendations” (the Recommendations). In accordance with the Council’s recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure.

To further this, the Company’s Trading Policy can also be found on the Company’s website as can the full Corporate Governance Statement detailing all the Councils amendments which are effective 1 January 2011, including diversity, and the company’s compliance or non-compliance with these principles.

Structure of the Board

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included in the Directors’ Report. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

The Board has accepted the following definition of an Independent Director: “An Independent Director is a Director who is not a member of management, is a Non-Executive Director and who:

- is not a substantial shareholder (under the meaning of Corporations Law) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Company member, or been a Director after ceasing to hold any such employment;
- is not a principal of a professional adviser to the Company or another Company member;
- is not a significant consultant, supplier or customer of the Company or another Company member, or an officer of or otherwise associated, directly or indirectly, with a significant consultant, supplier or customer;
- has no significant contractual relationship with the Company or another Company member other than as a Director of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director’s ability to act in the best interests of the Company.”

In accordance with the definition of independence above, Mr. Bat-Ochir Sukhbaatar, Mr. Daniel Crennan and Mr. Marshall Cooper are the only Independent Directors of the Company. Accordingly, a majority of the board is not considered independent.

There are procedures in place, as agreed by the board, to enable Directors to seek independent professional advice on issues arising in the course of their duties at the company’s expense. The term in office held by each Director in office at the date of this report is as follows:

Name	Term in office
Matthew Wood	3 years, 1 month
Robert Wrixon	2 year, 6 months
Timothy Flavel	3 years, 4 months
Bat-Ochir Sukhbaatar	1 year, 5 months
Kerry Griffin	1 year, 3 months
Erdene Tsengelbayar	1 year, 3 months
Marshall Cooper	8 months
Daniel Crennan	11 months

Nomination Committee

The Board has formally adopted a Nomination Committee Charter but given the present size of the Company, has not formed a separate Committee. Instead the function will be undertaken by the full Board in accordance with the policies and procedures outlined in the Nomination Committee Charter. At such time when the Company is of sufficient size a separate Nomination Committee will be formed.

Audit and Risk Management Committee

The Board has formally adopted an Audit and Risk Management Committee Charter but given the present size of the Company, has not formed a separate Committee. Instead the function of the Committee will be undertaken by the full Board in accordance with the policies and procedures outlined in the Audit and Risk Management Committee Charter. At such time when the Company is of sufficient size a separate Audit and Risk Management Committee will be formed. It is the Board’s responsibility to ensure that an effective internal control framework exists within the entity. This includes both internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial and non-financial information. It is the Board’s responsibility for the establishment and maintenance of a framework of internal control of the Company.

CORPORATE GOVERNANCE STATEMENT

Performance

The Board of Haranga Resources conducts its performance review of itself on an ongoing basis throughout the year. The small size of the company and hands on management style requires an increased level of interaction between directors and executives a throughout the year. Board members meet amongst themselves both formally and informally. The Board considers that the current approach that it has adopted with regard to the review of its performance provides the best guidance and value to the Company.

Remuneration

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating directors fairly and appropriately with reference to relevant employment market conditions. The Company does not link the nature and amount of executive and directors' emoluments to the company's financial and operational performance.

For details of remuneration of Directors and Executives please refer to the Directors' Report.

The Board is responsible for determining and reviewing compensation arrangements for executive directors. The Board has formally adopted a Remuneration Committee Charter however given the present size of the Company, has not formed a separate Committee. Instead the function will be undertaken by the full Board in accordance with the policies and procedures outlined in the Remuneration Committee Charter. At such time when the Company is of sufficient size a separate Remuneration Committee will be formed. There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

Diversity Policy

The company is committed to workplace diversity and to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees, to enhance Company performance. The Board has adopted a Diversity Policy which addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees.

In accordance with this policy, the Board provides the following information pertaining to the proportion of women across the organisation at the date of this report.

	Actual	
	Number	Percentage
Women in the whole organisation	3	18%
Women in senior executive positions	-	-
Women on the board	-	-

Trading Policy

Under the Company's securities trading policy, an executive or director must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

Before commencing to trade, an executive must first obtain the approval of the Managing Director to do so and a Director must first obtain approval of the Chairman. Only in exceptional circumstances will approval be forthcoming inside of the period commencing on the tenth day of the month in which the company is required to release its Quarterly Activities Report and Quarterly Cashflow Report and ending two days following the date of that release.

Risk

The board has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value.

In recognition of this, the board determines the company's risk profile and is responsible for overseeing and approving the risk management strategy and policies, internal compliance and internal control.

The board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management through the CEO, including responsibility for the day to day design and implementation of the Company's risk management and internal control system. Management reports to the board on the Company's key risks and the extent to which it believes these risks are being adequately managed.

CEO and Finance Director

In accordance with section 295A of the *Corporations Act*, the CEO and Finance Director have provided a written statement to the board that:

- Their view provided on the Company's financial report is founded on a sound system of risk management and internal control compliance and control which implements the financial policies adopted by the board
- The Company's risk management and internal compliance and control system is operating effectively in all material respects

CORPORATE GOVERNANCE STATEMENT

The board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and Finance Director can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

Shareholder Communication Policy

Pursuant to Principle 6, the Company's objective is to promote effective communication with its shareholders at all times.

Haranga Resources Limited is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information
- Complying with continuous disclosure obligations contained in the ASX listing rules and the *Corporations Act* in Australia
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with the Company

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX
- Through the distribution of the annual report and notices of annual general meeting
- Through shareholder meetings and investor relations presentations
- Through letters and other forms of communications directly to shareholders
- By posting relevant information on the Company's website: www.haranga.com

The external auditors are required to attend the annual general meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

Corporate Governance Compliance

During the financial period Haranga Resources has complied with each of the 8 Corporate Governance Principles and the corresponding Best Practice Recommendations, other than in relation to the matters specified below:

Best Practice Recommendation	Notification of Departure	Explanation of Departure
2.1	The Company does not have a majority of independent directors	The Directors consider that the current structure and composition of the Board is appropriate to the size and nature of operations of the Company.
2.2	The Chairman is not an independent director	The Directors consider that the current structure and composition of the Board is appropriate to the size and nature of operations of the Company.
2.4	The Group does not have a Nomination Committee	The role of the Nomination Committee has been assumed by the full Board operating under the Nomination Committee Charter adopted by the Board.
3.3	The Company has not disclosed in its annual report its measurable objectives for achieving gender diversity and progress towards achieving them.	The Board continues to monitor diversity across the organisation and is satisfied with the current level of gender diversity within the Company as disclosed above. Due to the size of the company and its small number of employees, the Board does not consider it appropriate at this time, to formally set measurable objectives for gender diversity.
4.1 & 4.2	The Group does not have an Audit and Risk Management Committee	The role of the Audit and Risk Management Committee has been assumed by the full Board operating under the Audit and Risk Management Committee Charter adopted by the Board.
8.1 & 8.2	The Group does not have a Remuneration Committee	The role of the Remuneration Committee has been assumed by the full Board operating under the Remuneration Committee Charter adopted by the Board.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2012

	Notes	2012 \$	2011 \$
Revenue from continuing operations			
Interest income		611,486	676,176
Service administration fee		(180,000)	(180,000)
Impairment of exploration expenditure		-	(887,867)
Professional and consulting fees	4(a)	(1,386,222)	(1,222,640)
Share based payments expense	22(a)	(544,563)	(1,998,531)
Travel expenses		(326,583)	(287,123)
Foreign exchange loss		(86,423)	(60,671)
Other expenses	4(b)	(1,143,720)	(641,628)
Loss from continuing operations before income tax		(3,056,025)	(4,602,284)
Income tax benefit	5	-	-
Loss from continuing operations after income tax		(3,056,025)	(4,602,284)
Net Loss for the year		(3,056,025)	(4,602,284)
Other comprehensive loss			
Foreign currency translation		(126,973)	(373,763)
Other comprehensive loss for the year, net of tax		(126,973)	(373,763)
Total comprehensive loss for the year		(3,182,998)	(4,976,047)
Loss for the year attributable to:			
Owners of Haranga Resources Limited		(3,049,676)	(4,600,377)
Non-controlling interests		(6,349)	(1,907)
		(3,056,025)	(4,602,284)
Comprehensive loss for the year attributable to:			
Owners of Haranga Resources Limited		(3,176,649)	(4,974,140)
Non-controlling interests		(6,349)	(1,907)
		(3,182,998)	(4,976,047)
Loss per share attributable to owners of Haranga Resources Limited			
Basic loss per share (cents)	19	(1.46)	(2.45)

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

Consolidated Statement of Financial Position as at 31 December 2012

	Notes	2012 \$	2011 \$
Current Assets			
Cash and cash equivalents	6	3,357,843	12,497,042
Other receivables	7	33,552	25,741
Other current assets	8	193,808	189,100
Total Current Assets		3,585,203	12,711,883
Non-Current Assets			
Plant and equipment	9	887,580	531,224
Deferred exploration & evaluation expenditure	10	24,407,908	12,153,883
Total Non-Current Assets		25,295,488	12,685,107
Total Assets		28,880,691	25,396,990
Current Liabilities			
Trade and other payables	11	744,658	341,098
Total Current Liabilities		744,658	341,098
Total Liabilities		744,658	341,098
Net Assets		28,136,033	25,055,892
Equity			
Issued capital	12	33,355,295	27,636,719
Reserves	13	3,952,879	3,535,289
Accumulated losses	14	(9,960,459)	(6,910,783)
Capital and reserves attributable to owners of Haranga Resources Limited		27,347,715	24,261,225
Non-controlling interest		788,318	794,667
Total Equity		28,136,033	25,055,892

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

Consolidated Statement of Cash Flows for the year ended 31 December 2012

	Notes	2012 \$	2011 \$
Cash flows from operating activities			
Payments to suppliers and employees		(2,849,629)	(2,286,497)
Interest received		565,069	672,043
Other receipts		46,417	4,133
Interest paid		-	(1,657)
Net cash used in operating activities	6	(2,238,143)	(1,611,978)
Cash flows from investing activities			
Purchase of plant and equipment		(447,557)	(493,812)
Payments for exploration expenditure		(12,042,403)	(8,352,106)
Net cash used in investing activities		(12,489,960)	(8,845,918)
Cash flows from financing activities			
Proceeds from issue of shares		6,000,000	-
Payments for share issue costs		(281,423)	(7,003)
Net cash provided/(used) by financing activities		5,718,577	(7,003)
Net decrease in cash held		(9,009,526)	(10,464,899)
Cash and cash equivalents at beginning of period		12,497,042	23,027,631
Net foreign exchange differences		(129,673)	(65,690)
Cash and cash equivalents at end of the period	6	3,357,843	12,497,042

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

For personal use only

Consolidated Statement of Changes in Equity for the year ended 31 December 2012

	Issued capital \$	Accumulated Losses \$	Reserves \$	Non-controlling interests \$	Total \$
Balance 1 January 2012	27,636,719	(6,910,783)	3,535,289	794,667	25,055,892
Loss for the year	-	(3,049,676)	-	(6,349)	(3,056,025)
<i>Other comprehensive loss</i>					
Foreign currency translation	-	-	(126,973)	-	(126,973)
Total comprehensive loss for the year	-	(3,049,676)	(126,973)	(6,349)	(3,182,998)
Transactions with owners in their capacity as owners					
Shares issued via placement	6,000,000	-	-	-	6,000,000
Costs of issue	(281,424)	-	-	-	(281,424)
Share based payments	-	-	544,563	-	544,563
Balance at 31 December 2012	33,355,295	(9,960,459)	3,952,879	788,318	28,136,033

	Issued capital \$	Accumulated Losses \$	Reserves \$	Non-controlling interests \$	Total \$
Balance 1 January 2011	25,443,722	(2,310,406)	1,910,521	829,774	25,873,611
Loss for the year	-	(4,600,377)	-	(1,907)	(4,602,284)
<i>Other comprehensive loss</i>					
Foreign currency translation	-	-	(373,763)	-	(373,763)
Total comprehensive loss for the year	-	(4,600,377)	(373,763)	(1,907)	(4,976,047)
Transactions with owners in their capacity as owners					
Shares issued as part consideration for acquisition	2,200,000	-	-	-	2,200,000
Costs of issue	(7,003)	-	-	-	(7,003)
Share based payments	-	-	1,998,531	-	1,998,531
Non-controlling interest in subsidiary equity	-	-	-	(33,200)	(33,200)
Balance at 31 December 2011	27,636,719	(6,910,783)	3,535,289	794,667	25,055,892

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

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

1. Corporate Information

The financial statements of Haranga Resources Limited ("Haranga Resources" or "the Group") for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 5 March 2013.

Haranga Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and the principal activities of the Group are described in the Director's Report.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general-purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Australian Accounting interpretations. The financial statements have also been prepared on a historical cost basis. Haranga Resources Limited is a for profit entity for the purpose of preparing the financial statements. The presentation currency is Australian dollars.

(b) Compliance Statement

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

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Haranga Resources Limited ('the Company') and its subsidiaries as at 31 December each year ('the Group').

Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Company controls another entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-company transactions have been eliminated in full. Unrealised losses are also eliminated unless costs cannot be recovered.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position respectively.

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

(d) New accounting standards and interpretations

The following applicable accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the year ended 31 December 2012, and no change to the Group's accounting policy is required:

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <p>(a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.</p> <p>(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p>	The Group has not yet determined the impact on the Group's financial statements.	1 July 2013
AASB 2009-11	Amendments to AAS arising from AASB 9 - [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<ul style="list-style-type: none"> These amendments arise from the issuance of AASB 9 <i>Financial Instruments</i> that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. This Standard shall be applied when AASB 9 is applied. 	The Group has not yet determined the impact on the Group's financial statements.	1 July 2013
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) - [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	<p>The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:</p> <ul style="list-style-type: none"> The change attributable to changes in credit risk are presented in other comprehensive income (OCI) The remaining change is presented in profit or loss <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p>	The Group has not yet determined the impact on the Group's financial statements.	1 July 2013
AASB 10 (issued August 2011)	Consolidated Financial Statements	<p>Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present:</p> <ul style="list-style-type: none"> Power over investee (whether or not power used in practice) Exposure, or rights, to variable returns from investee Ability to use power over investee to affect the entity's returns from investee. 	The Group has not yet determined the impact on the Group's financial statements.	1 January 2013
AASB 11 (issued August 2011)	Joint Arrangements	<p>Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement).</p> <p>Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed).</p>	The Group has not yet determined the impact on the Group's financial statements.	1 January 2013

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

AASB 13 (issued September 2011)	Fair Value Measurement	Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments, e.g. land and buildings, investment properties etc.	The Group has not yet determined the impact on the Group's financial statements.	31 December 2013
AASB 119 (reissued September 2011)	Employee Benefits	Main changes include: <ul style="list-style-type: none">▪ Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans▪ Actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in OCI rather than in profit or loss, and cannot be reclassified in subsequent periods▪ Subtle amendments to timing for recognition of liabilities for termination benefits▪ Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.	The Group has not yet determined the impact on the Group's financial statements.	1 January 2013

The group has not elected to early adopt any new Standards or Interpretations.

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

Changes in accounting policies and disclosures

In the year ended 31 December 2012, the Group has reviewed 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.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

(e) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency of Haranga Resources Limited is Australian dollars. The functional currency of the overseas subsidiary is Mongolian Tugrik.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(iii) Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to shareholders' equity.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of comprehensive income, as part of the gain or loss on sale where applicable.

(f) Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance expenditure is charged to the statement of comprehensive income during the financial period in which it is incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and Equipment	10-40 %

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Derecognition

Carrying amounts of plant and equipment are derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in the statement of comprehensive income.

(g) Impairment of non financial assets other than goodwill

The Group assesses at each reporting date 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 of the Company and the asset's value in use cannot be estimated. 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 are recognised in the statement of comprehensive income.

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.

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.

(h) Exploration expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest. Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Expenditure which fails to meet the conditions outlined above is written off, furthermore, the directors regularly review the carrying value of exploration and evaluation expenditure and make write downs if the values are not expected to be recoverable.

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions referred to above is met.

Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration expenditure incurred by or on behalf of the entity.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

Expenditure is not carried forward in respect of any area of interest unless the Group's right of tenure to that area of interest is current.

(i) Other Receivables

Other receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently at amortised cost less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. Intercompany loans are impaired based on the ability of the subsidiaries to generate future cash flows to repay the loans.

(j) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown as current liabilities in the statement of financial position. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as described above and bank overdrafts.

(k) Trade and other payables

Liabilities for trade creditors and other amounts are recognised initially at fair value and subsequently at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received that are unpaid, whether or not billed to the Group.

(l) Income Tax

The income tax expense for the period is based on the profit/loss for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates for each jurisdiction that have been enacted or are substantially enacted by the reporting date.

Deferred income tax is provided for on all temporary differences at reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. No deferred income tax will be recognised from the initial recognition of goodwill or of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and only recognised to the extent that sufficient future assessable income is expected to be obtained.

No deferred income tax liabilities or assets will be recognised in respect of temporary differences between the carrying value and tax bases of investments in controlled entities if the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the near future.

Current and deferred income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income. 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 the same taxation authority.

(m) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue is capable of being reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(o) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Haranga Resources Limited.

(p) Investments in controlled entities

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. Subsequent to the initial measurement, investments in controlled entities are carried at cost less accumulated impairment losses.

(q) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the result attributable to equity holders of the Company, excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares, adjusted for any bonus elements.

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

Diluted earnings per share

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

- costs of servicing equity (other than 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 elements.

(r) Goods and Services Tax and Value Added Tax

Revenues, expenses and assets are recognised net of the amount of GST/VAT, except where the amount of GST/VAT incurred is not recoverable from the Government. In these circumstances the GST/VAT 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/VAT.

The net amount of GST/VAT recoverable from, or payable to, the Government is included as part of receivables or payables in the statement of financial position. Cash flows are presented in the cash flow statement on a gross basis, except for the GST/VAT component of investing and financing activities, which is receivable from or payable to the Government, are disclosed as operating cash flows.

(s) Share based payment transactions

The group provides benefits to individuals acting as, and providing services similar to employees (including Directors) of the group in the form of share based payment transactions, whereby individuals render services in exchange for shares or rights over shares ('equity settled transactions').

There is currently an Employee Share Option Plan (ESOP) in place, which provides benefits to Directors and individuals providing services similar to those provided by an employee.

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in note 22.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Haranga Resources Limited ('market conditions').

The cost of the equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense 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 number of awards that, in the opinion of the Directors of the group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the award is recognised immediately. However if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted. The dilutive effect, if any, of outstanding options is reflected in the computation of loss per share (see note 19).

(t) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made. In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

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 the Black Scholes formula taking into account the terms, conditions and probability upon which the instruments were granted, as discussed in note 22.

3. Segment Information

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. The entity does not have any operating segments with discrete financial information.

The Board of Directors review internal management reports on a monthly basis that is consistent with the information provided in the statement of comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required because the information as presented is what is used by the Board to make strategic decision

4. Expenses

a) Professional and consulting fees

	2012 \$	2011 \$
Accounting fees	(54,786)	(45,167)
Audit and taxation fees	(52,115)	(35,858)
Consultants	(1,176,960)	(1,118,325)
Other	(102,361)	(23,290)
	<u>(1,386,222)</u>	<u>(1,222,640)</u>

b) Other expenses

Administrations services	(72,298)	(3,150)
ASX listing fees	(50,057)	(48,817)
Conferences and seminars	(44,194)	(124,375)
Donations	(33,784)	(12,912)
Insurance	(32,066)	(22,880)
Motor vehicle expenses	(38,800)	(24,707)
Rent and outgoings	(269,323)	(86,087)
Travel and accommodation	(297,958)	(287,123)
Other	(305,240)	(31,577)
	<u>(1,143,720)</u>	<u>(641,628)</u>

5. Income Tax

(a) Income tax expense

Major component of tax expense for the year:

Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

2012
\$ 2011
\$

(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate.

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable tax rate is as follows:

Loss from continuing operations before income tax expense	(3,056,025)	(4,602,284)
Tax at the Australian rate of 30%	(916,808)	(1,380,685)
Share based payments	163,369	599,559
Income tax benefit not brought to account	753,439	781,126
Income tax expense	<u>-</u>	<u>-</u>

(c) Deferred tax

The following deferred tax balances have not been brought to account::

Liabilities

Deferred tax liability recognised	<u>-</u>	<u>-</u>
-----------------------------------	----------	----------

Assets

Losses available to offset against future taxable income	2,141,031	1,239,866
Share issue costs deductible over five years	350,274	412,766
Accrued Expenses	(807)	(33,110)
Net Deferred tax asset not recognised	<u>2,490,498</u>	<u>1,619,522</u>

(d) Unused tax losses

Unused tax losses	7,136,770	4,132,888
Potential tax benefit not recognised at 30%	<u>2,141,031</u>	<u>1,239,866</u>

The benefit for tax losses will only be obtained if:

- i. the Company derives future assessable income in Australia of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and
- ii. the Company continues to comply with the conditions for deductibility imposed by tax legislation in Australia and
- iii. no changes in tax legislation in Australia, adversely affect the Company in realising the benefit from the deductions for the losses.

6. Cash and Cash Equivalents

Reconciliation of Cash

Cash comprises of:

Cash at bank	3,357,843	12,497,042
--------------	-----------	------------

Reconciliation of operating loss after tax to net cash flows from operations

Loss after tax	(3,056,025)	(4,602,284)
----------------	-------------	-------------

Non cash items

Share based payment	544,563	1,998,531
Depreciation and impairment charges	68,199	44,222
Exploration and evaluation expenditure written-off	-	888,714
FX losses	86,423	60,671

Change in assets and liabilities

Trade and other receivables	123,368	160,993
Trade and other payables	(4,671)	(162,825)
Net cash outflow from operating activities	<u>(2,238,143)</u>	<u>(1,611,978)</u>

7. Other Receivables – Current

GST receivable	27,679	24,030
Other	5,873	1,711
	<u>33,552</u>	<u>25,741</u>

Debtors, other debtors and goods and services tax are non-interest bearing and generally receivable on 30 day terms. They are neither past due nor impaired. The amount is fully collectible. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

8. Other Current Assets

Prepayments	134,165	154,616
Other	59,643	34,484
	<u>193,808</u>	<u>189,100</u>

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

	2012 \$	2011 \$
9. Plant and Equipment		
Opening balance	531,224	85,535
Additions	447,557	493,812
Disposals	-	(148)
Net exchange differences on translation	(23,002)	(6,469)
Depreciation charge for the year	(68,199)	(41,506)
Closing balance	<u>887,580</u>	<u>531,224</u>

10. Deferred Exploration and Evaluation Expenditure

Opening balance	12,153,883	3,072,404
Exploration and evaluation expenditure incurred during the period	11,462,214	3,878,260
Acquisition of exploration tenements	976,181	5,924,535
Net exchange differences on translation	(184,370)	167,398
Impairment of exploration expenditure	-	(888,714)
Closing balance	<u>24,407,908</u>	<u>12,153,883</u>

The ultimate recoupment of costs carried forward for exploration expenditure is dependent on the successful development and commercial exploitation or sale of the respective mining areas. The impairment loss incurred during the 2011 financial year related to the Company withdrawing from the Sumber Project.

11. Trade and Other Payables

Other payables	716,340	310,091
Accruals	28,318	31,007
	<u>744,658</u>	<u>341,098</u>

Trade creditors and other creditors are non-interest bearing and generally payable on 30 day terms. Due to the short term nature of these payable, their carrying value is assumed to approximate their fair value.

12. Issued Capital

(a) Issued and paid up capital

Ordinary shares fully paid	<u>33,355,295</u>	<u>27,636,719</u>
----------------------------	-------------------	-------------------

(b) Movements in shares on issue

	2012		2011	
	No. of shares	\$	No. of shares	\$
Opening balance	196,750,002	27,636,719	186,750,002	25,443,722
Shares issued via placement	15,000,000	6,000,000	-	-
Shares issued as part consideration for acquisition	-	-	10,000,000	2,200,000
Costs of issue	-	(281,424)	-	(7,003)
Closing balance	<u>211,750,002</u>	<u>33,355,295</u>	<u>196,750,002</u>	<u>27,636,719</u>

(c) Ordinary shares

The Company does not have authorised capital nor par value in respect of its issued capital. Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Company.

(d) Capital risk management

The Group's capital comprises share capital, reserves less accumulated losses amounting to a net equity of \$28,136,033 at 31 December 2012 (2011: of \$25,055,892). The Group manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders. The Group was ungeared at year end and not subject to any externally imposed capital requirements. Refer to note 20 for further information on the Group's financial risk management policies.

(e) Share Options

As at the date of this report, there were 36,000,000 unissued ordinary shares under options (36,000,000 at the reporting date). The details of the options at the date of this report are as follows:

Number	Exercise Price \$	Expiry Date
24,000,000	\$0.20	30 April 2015
4,500,000	\$0.20	16 June 2015
2,500,000	\$1.00	1 March 2015
4,000,000	\$1.00	16 February 2016
1,000,000	\$0.50	1 July 2016
<u>36,000,000</u>		

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

No option holder has any right under the options to participate in any other share issue of the company or any other entity. Information relating to the Haranga Resources Limited's Employee Share Option Plan, including details of options issued under the plan, is set out in note 22.

	2012 \$	2011 \$
13. Reserves		
Share based payments reserve	4,455,861	3,911,298
Option premium reserve	240	240
Foreign currency translation reserve	(503,222)	(376,249)
	<u>3,952,879</u>	<u>3,535,289</u>

Movements in Reserves

<i>Share based payments reserve</i>		
Opening balance	3,911,298	1,912,767
Share based payments expense	544,563	1,998,531
Closing balance	<u>4,455,861</u>	<u>3,911,298</u>

The share based payment reserve is used to record the value of equity benefits provided to directors and executives as part of their remuneration and non-employees for their goods and services. Refer to note 22 for further details of the options issued during the financial period ended 31 December 2012.

Option premium reserve

Opening balance	240	240
Options issued	-	-
Closing balance	<u>240</u>	<u>240</u>

The option premium reserve is used to record the premium paid on the issue of options.

Foreign currency translation reserve

Opening balance	(376,249)	(2,486)
Foreign currency translation	(126,973)	(373,763)
Closing balance	<u>(503,222)</u>	<u>(376,249)</u>

The Foreign Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in note 2(e). The reserve is recognised in the statement of comprehensive income when the net investment is disposed of.

14. Accumulated losses

Movements in accumulated losses were as follows:

Opening balance	(6,910,783)	(2,310,406)
Loss for the year	(3,049,676)	(4,600,377)
Closing balance	<u>(9,960,459)</u>	<u>(6,910,783)</u>

15. Auditor's Remuneration

The auditor of Haranga Resources Limited is BDO Audit (WA) Pty Ltd

Amounts received or due and receivable for:

- an audit or review of the financial statements of the Consolidated group	<u>30,264</u>	<u>26,995</u>
--	---------------	---------------

There were no other services provided by the auditor during the years ended 31 December 2012 and 31 December 2011.

16. Key Management Personnel Disclosures

(a) Remuneration of Key Management Personnel

Details of the nature and amount of each element of the emolument of each Director and Executive of the Group for the financial year are as follows:

Short term employee benefits	1,150,058	761,333
Share based payments	289,185	1,515,682
Total remuneration	<u>1,439,243</u>	<u>2,277,015</u>

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

(b) Shareholdings of Key Management Personnel

Share holdings

The number of shares in the company held during the financial year held by each director of Haranga Resources Limited, including their personally related parties, is set out below. There were no shares granted during the reporting period as compensation.

2012	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
Matthew Wood	7,796,553	-	-	500,000	8,296,553
Robert Wrixon	500,000	-	-	-	500,000
Timothy Flavel	4,471,251	-	-	-	4,471,251
Bat-Ochir Sukhbaatar	5,000,000	-	-	-	5,000,000
Erdene Tsengelbayar	-	-	-	1,256,000	1,256,000
Kerry Griffin	-	-	-	250,000	250,000
Daniel Crennan	-	-	-	57,000	57,000
Marshall Cooper	-	-	-	-	-
Aaron Bertolatti	263,000	-	-	-	263,000

2011	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
Matthew Wood	6,302,500	-	-	1,494,053	7,796,553
Robert Wrixon	500,000	-	-	-	500,000
Kell Nielsen	2,680,001	-	-	-	2,680,001
Timothy Flavel	4,471,251	-	-	-	4,471,251
Bat-Ochir Sukhbaatar	-	-	-	5,000,000	5,000,000
Jason Peterson**	7,025,000	-	-	(7,025,000)	-
Achit-Erdene Darambazar**	1,000,000	-	-	(1,000,000)	-
Aaron Bertolatti	-	-	-	263,000	263,000
Angus Caithness*	212,500	-	-	(212,500)	-

* Mr. Angus Caithness resigned on 29 November 2011

** Mr. Jason Peterson and Mr. Achit-Erdene Darambazar resigned on 22 February 2011

All other changes refer to shares purchased or sold directly or indirectly by Key Management Personnel.

All equity transactions with key management personnel other than arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(c) Option holdings of Key Management Personnel

The numbers of options over ordinary shares in the company held during the financial year by each director of Haranga Resources Limited and specified executive of the group, including their personally related parties, are set out below:

2012	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Exercisable	Un-exercisable
Matthew Wood	1,500,000	-	-	-	1,500,000	1,500,000	-
Robert Wrixon	6,500,000	-	-	-	6,500,000	6,500,000	-
Timothy Flavel	1,500,000	-	-	-	1,500,000	1,500,000	-
Bat-Ochir Sukhbaatar	-	-	-	-	-	-	-
Erdene Tsengelbayar	-	-	-	2,750,000	2,750,000	2,625,000	125,000
Kerry Griffin	-	-	-	1,000,000	1,000,000	500,000	500,000
Daniel Crennan	-	-	-	-	-	-	-
Marshall Cooper	-	-	-	-	-	-	-
Aaron Bertolatti	150,000	70,000	-	-	220,000	110,000	110,000

2011	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Exercisable	Un-exercisable
Matthew Wood	1,000,000	500,000	-	-	1,500,000	-*	1,500,000
Robert Wrixon	4,500,000	2,000,000	-	-	6,500,000	3,000,000	3,500,000
Kell Nielsen	250,000	1,000,000	-	-	1,250,000	-*	1,250,000
Timothy Flavel	1,000,000	500,000	-	-	1,500,000	-*	1,500,000
Bat-Ochir Sukhbaatar	-	-	-	-	-	-	-
Jason Peterson	1,500,000	-	-	(1,500,000)	-	-	-
Achit-Erdene Darambazar	5,000,000	-	-	(5,000,000)	-	-	-
Aaron Bertolatti	-	150,000	-	-	150,000	-*	150,000
Angus Caithness	-	450,000	-	(450,000)	-	-	-

* Options are escrowed for a period of 24 months from the date of listing and/or are yet to vest and are therefore unable to be exercised.

There were no forfeitures and no options lapsed during the year ended 31 December 2012 or during the period ended 31 December 2011.

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

20. Financial Risk Management

Exposure to interest rate, liquidity and credit risk arises in the normal course of the Group's business. The Group does not hold or issue derivative financial instruments.

The Group uses different methods as discussed below to manage risks that arise from these financial instruments. The objective is to support the delivery of the financial targets while protecting future financial security.

(a) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments. The responsibility for liquidity risk management rests with the Board of Directors.

Alternatives for sourcing our future capital needs include our cash position and the issue of equity instruments. These alternatives are evaluated to determine the optimal mix of capital resources for our capital needs. We expect that, absent a material adverse change in a combination of our sources of liquidity, present levels of liquidity along with future capital raising will be adequate to meet our expected capital needs.

Maturity analysis for financial liabilities

Financial liabilities of the Group comprise trade and other payables. As at 31 December 2012 and 31 December 2011 all financial liabilities are contractually matured within 30 days.

(b) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

The Group's exposure to market risk for changes to interest rate risk relates primarily to its earnings on cash and term deposits. The Group manages the risk by investing in short term deposits.

	2012	2011
	\$	\$
Cash and cash equivalents	3,357,843	12,497,042

Interest rate sensitivity

The following table demonstrates the sensitivity of the Group's statement of comprehensive income to a reasonably possible change in interest rates, with all other variables constant.

Judgements of reasonably possible movements	Effect on Post Tax Losses	
	2012	2011
	\$	\$
Increase 100 basis points	33,578	124,970
Decrease 100 basis points	33,578	124,970

A sensitivity of 100 basis points has been used as this is considered reasonable given the current level of both short term and long term Australian Dollar interest rates. The change in basis points is derived from a review of historical movements and management's judgement of future trends.

(c) Credit Risk Exposures

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's maximum credit exposure is the carrying amounts on the statement of financial position. The Group holds financial instruments with credit worthy third parties.

At 31 December 2012, the Group held cash at bank. These were held with financial institution with a rating from Standard & Poors of AA or above (long term). The Group has no past due or impaired debtors as at 31 December 2012.

(d) Foreign Currency Risk

Currency risk is the risk of fluctuation in the value of monetary assets which are denominated in foreign currencies.

The Group's exposure to foreign currency risk relates primarily to the loans to subsidiaries that are denominated in United States dollars. The parent entity is therefore exposed to the movement of the USD to Australian dollar through its loan to the Mongolian subsidiary of \$17,350,713 (2011: \$5,238,770). The loan is eliminated on consolidation. The Group does not enter into any financial arrangement to mitigate these exposures to the foreign currencies. The following sensitivity is based on the foreign currency risk exposure in existence at the reporting date:

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

Foreign currency risk sensitivity

The following table demonstrates the sensitivity of the Group's statement of comprehensive income to a reasonably possible change in US\$/AU\$ foreign exchange rates, with all other variables constant.

Judgements of reasonably possible movements	Effect on Post Tax Losses	Effect on Other
	Increase/(Decrease)	comprehensive income
	2012\$	2011\$
AU\$/US\$ + 5%	867,536	261,939
AU\$/US\$ - 5%	(867,536)	(261,939)

The change in foreign exchange rates is derived from a review of historical movements and management's judgement of future trends.

(e) Fair Value

There were no financial assets or liabilities at 31 December 2012 requiring fair value estimation and disclosure.

21. Contingent Liabilities

There are no known contingent liabilities.

22. Share Based Payment Plan

(a) Recognised share based payment transactions

Share based payment transactions recognised either as operation expenses in the statement of comprehensive income or as capital raising costs in the equity during the year were as follows:

	2012\$	2011\$
Employee share based payments	544,563	1,998,531

(b) Employee share based payments

The Group has established an employee share option plan (ESOP). The objective of the ESOP was to assist in the recruitment, reward, retention and motivation of employees of Haranga Resources Limited. Under the ESOP, the Directors may invite individuals acting in a manner similar to employees to participate in the ESOP and receive options. An individual may receive the options or nominate a relative or associate to receive the options. The plan is open to executive officers, nominated consultants and employees of Haranga Resources Limited.

The fair value at grant date of options granted during the reporting period was determined using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share and the risk free interest rate for the term of the option

There were no options granted for the year ended 31 December 2012 under the ESOP. The table below summaries options granted for the year ended 31 December 2011 under the ESOP:

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired /forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
15/02/2011	16/02/2016	\$1.00	-	4,000,000	-	-	4,000,000	-
11/03/2011	01/03/2015	\$1.00	-	2,500,000	-	-	2,500,000	-
01/07/2011	01/07/2016	\$0.50	-	1,000,000	-	-	1,000,000	-
			-	7,500,000	-	-	7,500,000	-
Weighted remaining contractual life (years)				3.85			3.85	3.85
Weighted average exercise price				\$0.93			\$0.93	\$0.93

The weighted average fair value of options granted during the year ended 31 December 2011 was \$0.35.

The model inputs, not included in the table above, for options granted during the year ended 31 December 2011 included:

- options are granted for no consideration and vest over a period of up to two years;
- expected life of options had a range of one to five years;
- share prices at various grant dates had a range of \$0.20 to \$0.94;
- expected volatility had a range of 90% to 100%;
- expected dividend yield of Nil; and
- a risk free interest rate from 4.93% to 5.23%.

The expected price volatility is based on the historic volatility (based on the remaining life of the options) adjusted for any expected changes to future volatility due to publicly available information. The fair value of services received in return for share options have been fair valued based upon the fair value of equity securities granted, measured using either a Binomial or Trinomial option pricing model.

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2012

Performance Hurdles

Dr. Robert Wrixon

Dr. Wrixon was granted options in the Company on the following specific terms:

- (i) 1.5 million options vesting upon the date that the Company successfully lists on the ASX.
- (ii) 1.5 million options vesting when the share price of the Company, as quoted by the ASX, reaches A\$0.50 or higher.
- (iii) 1.5 million options vesting when the share price of the Company, as quoted by the ASX, reaches A\$1.00 or higher

(c) Share-based payment to suppliers:

There were no options granted to suppliers during the year ended 31 December 2012 (2011: nil).

23. Dividends

No dividend was paid or declared by the Group in the period since the end of the financial year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 31 December 2012.

24. Commitments

Rental and services agreement

The Group entered a service agreement with Garrison Capital Pty Ltd for certain administrative services and office space for a term of 2 years starting in August 2012. The Group is required to give 3 month's written notice to terminate the agreement.

Payable:

Within one year	180,000	105,000
After one year but not longer than 5 years	105,000	-
	<u>285,000</u>	<u>105,000</u>

25. Parent Entity Information

The following details information related to the parent entity, Haranga Resources Limited, at 31 December 2012. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	2012 \$	2011 \$
Current assets	3,071,068	12,501,513
Total assets	<u>28,665,950</u>	<u>24,699,513</u>
Current liabilities	(194,978)	(222,832)
Total liabilities	<u>(194,978)</u>	<u>(222,832)</u>
Net Assets	<u>28,470,972</u>	<u>24,476,681</u>
Issued capital	33,355,295	27,636,719
Reserves	4,456,101	3,911,538
Accumulated losses	(9,340,424)	(7,071,576)
	<u>28,470,972</u>	<u>24,476,681</u>
Loss of the parent entity	(2,268,849)	(4,795,435)
Other comprehensive income for the year	-	-
Total comprehensive loss of the parent entity	<u>(2,268,849)</u>	<u>(4,795,435)</u>

Directors Declaration

31 December 2012

In accordance with a resolution of the Directors of Haranga Resources Limited, I state that:

1. In the opinion of the directors:
 - a) the financial statements and notes of Haranga Resources Limited for the year ended 31 December 2012 are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated financial position as at 31 December 2012 and of its performance for the year ended on that date; and
 - ii. Complying with Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b).
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. This declaration has been made after receiving the declarations required to be made by the Director's in accordance with sections of 295A of the Corporations Act 2001 for the financial period ended 31 December 2012.

On behalf of the Board



Mr. Matthew Wood
Chairman
5 March 2013
Perth, Western Australia

5 March 2013

Board of Directors
Haranga Resources Limited
Level 1, 33 Richardson St
WEST PERTH WA 6005

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF
HARANGA RESOURCES LIMITED**

As lead auditor of Haranga Resources Limited for the year ended 31 December 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 of Haranga Resources Limited and the entities it controlled during the period.



PHILLIP MURDOCH
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

For personal use only

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARANGA RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Haranga Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary 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(b), 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 company'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 company'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 Haranga Resources Limited, 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 Haranga Resources Limited 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 31 December 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(b).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 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 Haranga Resources Limited for the year ended 31 December 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch
Director

Perth, Western Australia
Dated this 5th day of March 2013

For personal use only

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 13 February 2013.

Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	30	11,202
1,001 - 5,000	277	1,733,971
5,001 - 10,000	637	27,272,340
10,001 - 100,000	180	55,602,213
100,001 - and over	29	157,130,276
TOTAL	1,153	241,750,002

There were 84 holders of ordinary shares holding less than a marketable parcel.

Top Twenty Share Holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Number of shares held	%
Amarbaatar Chultem	30,000,000	12.41
Taycol Nominees Pty Ltd	18,820,000	7.78
Golden Rain Holdings Limited	15,010,000	6.21
Geotrass LLC	10,000,000	4.14
JP Morgan Nominees Australia Limited <Cash Income A/C>	9,894,691	4.09
Nefco Nominees Pty Ltd	9,605,000	3.97
HSBC Custody Nominees (Australia) Limited	6,343,938	2.62
Mitchell Grass Holdings Pty Ltd <Wood Family A/C>	5,557,500	2.30
Mr Jason Peterson + Mrs Lisa Peterson <J & L Peterson S/F A/C>	5,500,000	2.28
Mr George Lkhagvadorj Tumur	5,012,500	2.07
Azure Capital Investments Pty Ltd	5,000,000	2.07
Surfboard Pty Ltd <ARW Super Fund No 1 A/C>	4,567,222	1.89
Mr Timothy James Flavel <The Flavel Investment A/C>	3,951,250	1.63
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	3,825,587	1.58
JP Morgan Nominees Australia Limited	3,050,000	1.26
Mr Kell Ivar Nielsen <Nielsen Family A/C>	2,500,000	1.03
Bayonet Investments Pty Ltd <Southpoint A/C>	2,100,000	0.87
National Nominees Limited	1,828,346	0.76
Celtic Capital Pty Ltd <The Celtic Capital A/C>	1,772,853	0.73
Mrs Kathleen Mary Eddington <Kathie Eddington No2 S/F A/C>	1,750,000	0.72
Total	146,088,887	60.43

Unquoted Equity Securities

Options

Class	Number of securities	Holder with more than 20
Options over ordinary shares exercisable at \$0.20 on or before 30 April 2015	24,000,000	NEFCO Nominees Pty Ltd 7,000,000 options Azure Capital Investments Pty Ltd 5,000,000 options
Options over ordinary shares exercisable at \$0.20 on or before 16 June 2015	4,500,000	Robert Wrixon 4,500,000 options
Options over ordinary shares exercisable at \$1.00 on or before 1 March 2015	2,500,000	-
Options over ordinary shares exercisable at \$0.20 on or before 16 February 2016	4,000,000	Robert Wrixon 2,000,000 options Kell Nielsen 1,000,000 options
Options over ordinary shares exercisable at \$0.50 on or before 16 June 2015	1,000,000	Kerry Griffin 1,000,000 options

On-Market Buy Back

There is no current on-market buy back.

Voting Rights

All ordinary shares carry one vote per share without restriction. Options have no voting rights.

Use of Proceeds

In accordance with listing rule 4.10.19, the Company confirms that it has used cash and assets in a form readily convertible to cash in a way consistent with its business objectives during the financial year ended 31 December 2012.

Tenement Table

Project	Location	Tenement	Area (km2)	Structure (%)
Khundlun	Northeast Mongolia (Hentii Province)	13867X	25.6	100
Tumurtei Khudag	South Gobi Basin (Dundgobi Province)	13544X 14907X	577.1	51 of iron ore rights
Shavdal	East Mongolia (Sukhbaatar Province)	14198X	66.2	75 Option for Haranga to go to 100
Selenge	Northern Mongolia (Selenge Province)	11334X 11335X 11336X 11337X 11338X	577.5	80