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Annual Report  
31 December 2013

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**CORPORATE DIRECTORY**

**Directors**

Mr. Matthew Wood (Chairman)  
 Mr. Erdene Tsengelbayar (Managing Director)  
 Mr. Timothy Flavel (Executive Director)  
 Mr. Marshall Cooper (Non-Executive Director)  
 Mr. Daniel Crennan (Non-Executive Director)  
 Mr. Bat-Ochir Sukhbaatar (Non-Executive Director)  
 Mr. Amarbaatar Chultem (Non-Executive Director)

**Company Secretaries**

Mr. Timothy Flavel  
 Mr. Scott Funston

**Registered Office**

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 330 Churchill Avenue  
 SUBIACO WA 6008  
 Telephone: +61 8 9200 4415  
 Facsimile: +61 8 9200 4469

**Share Registry**

Automic Registry Services Pty Ltd  
 Level 1  
 7 Ventnor Ave  
 WEST PERTH WA 6005  
 Telephone: + 618 9324 2099  
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**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](http://www.haranga.com)

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## Directors' Report

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The Directors present their report for Haranga Resources Limited ("Haranga Resources" or "the Company") and its subsidiaries for the year ended 31 December 2013.

### 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 and a graduate certificate in mineral economics from the Western Australian School of Mines and is a member of the AusIMM. Mr. Wood is a founding Director in venture capital and advisory firm Garrison Capital Pty Limited.

Mr. Wood was a Director of Laguna Resources NL (appointed 6 August 2009, resigned 8 December 2010), Castillo Copper Limited (appointed 19 November 2012, resigned 21 May 2013) and Signature Metals Limited (appointed 19 February 2007, resigned 13 February 2012). Mr. Wood is currently a Director of Caravel Energy Limited (appointed 29 May 2009), Wolf Petroleum Limited (appointed 24 April 2012), Voyager Resources Limited (appointed 12 June 2009), Avanco Resources Limited (appointed 4 July 2007), Lindian Resources Limited (appointed 5 May 2011) and Black Star Petroleum Limited (appointed 28 February 2013). Mr Wood is also a director of Hunnu Coal Limited (appointed 19 August 2009) a former ASX listed company. He has not held any other listed directorships over the past three years.

#### **Mr. Erdene Tsengelbayar** **Managing 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. He has not held any other listed directorships over the past three years.

#### **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 was a Director of Signature Metals Limited (appointed 20 February 2007, resigned 1 December 2011), Hunnu Coal Limited (appointed 23 December 2009, resigned 2 November 2011), Black Star Petroleum Limited (appointed 9 August 2012, resigned 24 October 2013) and Caravel Energy Limited (appointed 28 May 2009, resigned 3 September 2013). Mr. Flavel is currently a Director of Voyager Resources Limited (appointed 12 June 2009) and Wolf Petroleum Limited (appointed 5 November 2012). He has not held any other listed directorships over the past three years.

#### **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 Geotrax 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. He has not held any other listed directorships over the past three years.

#### **Mr. Marshall Cooper** **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

## Directors' Report

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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. He has not held any other listed directorships over the past three years.

### **Mr Daniel Crennan** **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 Castillo Copper Limited (appointed 21 May 2013) and The Waterberg Coal Company Limited (appointed 12 April 2012). He was also previously a director of Hunnu Coal Limited. He has not held any other listed directorships over the past three years.

### **Mr. Amarbaatar Chultem (appointed 5 July 2013)** **Non-Executive Director**

Mr. Chultem is a Mongolian citizen and a highly successful businessman with more than twenty years of experience in the investment, finance, trade, and real estate sectors. Mr. Chultem is currently the Chairman of Mongol 999 National Consortium, which includes 2,000 Mongolian companies and he is also a major shareholder and Chairman of 30 small and medium sized companies.

Mr. Chultem's extensive in country expertise and established networks will greatly contribute to and enhance the Company's strategy to successfully fund and develop its Selenge Iron Ore Project in Mongolia. He has not held any other listed directorships over the past three years.

### **Mr. Kerry Griffin (resigned 12 August 2013)** **Former 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 OyuTolgoi 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.

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..

### **Dr. Robert Wrixon** **Former Managing Director (resigned 13 May 2013)**

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 was also 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).

## **COMPANY SECRETARIES**

In addition to Mr. Timothy Flavel, Mr Scott Funston and Mr. Aaron Bertolatti also held the positions of Company Secretary during the financial period.

### **Mr. Scott Funston** **Company Secretary (appointed 23 January 2014)**

Mr. Funston is a qualified Chartered Accountant and Company Secretary with more than 10 years' experience in the mining industry and the accounting profession. His expertise is financial management, regulatory compliance and corporate advice. Mr. Funston possesses a strong knowledge of the Australian Securities Exchange requirements and currently assists or has

## Directors' Report

previously assisted a number of resources companies operating throughout Australia, South America, Asia, USA and Canada with financial accounting, stock exchange compliance and regulatory activities.

Mr. Funston is currently a Director of Lindian Resources Limited (appointed 5 May 2011), Avanco Resources Limited (appointed 17 March 2009), Castillo Copper Limited (appointed 19 November 2012) and Highfield Resources Limited (appointed 2 November 2012).

### Mr. Aaron Bertolatti

#### Former Company Secretary (resigned 23 January 2014)

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.

### 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 31 December 2014	Options – exercisable at \$0.20 each on or before 30 April 2015	Options – exercisable at \$1.00 each on or before 1 March 2015	Options – exercisable at \$1.00 each on or before 16 February 2016	Options – exercisable at \$0.50 each on or before 30 June 2018
Matthew Wood	8,296,553	-	1,000,000	-	500,000	1,000,000
Timothy Flavel	4,471,251	-	1,000,000	-	500,000	1,000,000
Erdene Tsengelbayar	1,256,000	-	2,500,000	250,000	-	2,000,000
Bat-Ochir Sukhbaatar	5,000,000	-	-	-	-	250,000
Daniel Crennan	57,000	-	-	-	-	250,000
Marshall Cooper	-	-	-	-	-	250,000
Amarbaatar Chultem	30,000,000	15,000,000	-	-	-	-

### RESULTS OF OPERATIONS

The Group's net loss after taxation attributable to the members of Haranga Resources for the year to 31 December 2013 was \$6,630,174 (2012: net loss of \$3,049,676).

### 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 Company's flagship Selenge iron ore project is transitioning into its Development stage after the completion of the successful Exploration phase.

### SUMMARY OF EXPLORATION ACTIVITIES

#### Selenge Project (Ownership 80%)

The Company completed approximately 47,900m of diamond drilling at the Selenge Project during 2011 and 2012 exploration seasons. As a result of this extensive exploration work the Company was able to delineate a Resource that is now the largest internationally recognized JORC compliant Iron Ore Resource in Mongolia, with significant exploration upside.

The Company defined a significantly increased JORC Code (2004 edition)\* compliant resource covering three clustered deposits within the Selenge iron ore project area in Mongolia. These are the categories sufficient to use as a basis for estimating Proven/Probable Ore Reserves and undertaking a Feasibility Study.

The combined total resource is 254Mt of iron ore at an average in situ grade of 17.2% Fe (for 44Mt of contained iron metal) based on a 12.5% Fe cut-off grade, of which 99.7% is in the Measured and Indicated categories.

**Table 1: Selenge Resource Estimates Split by Deposit (Cutoff = 12.5% Fe)**

Deposit	Measured		Indicated		Inferred		TOTAL	
	Mt	Fe Grade	Mt	Fe Grade	Mt	Fe Grade	Mt	Fe Grade
Dund Bulag	96.4	16.6	103.5	16.1			199.9	16.4
Bayantsogt	20.7	23.0	15.0	22.8	0.55	16.6	36.3	22.8
Undur Ukhaa	9.3	15.8	8.9	15.1			18.2	15.4
<b>TOTAL</b>	<b>126.4</b>	<b>17.6</b>	<b>127.4</b>	<b>16.8</b>	<b>0.55</b>	<b>16.7</b>	<b>254.4</b>	<b>17.2</b>

## Directors' Report

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Below describes geological parameters of each clustered deposit:

### *Dund Bulag deposit*

The Dundbulag deposit has a wide massive structure. A total of 11 bodies were determined throughout the deposit. The Dundbulag deposits's iron ore body striking NE 40-50°, dipping 60-70° NW, 1100m length, 600m wide, 180-200m thickness of iron ore body. Deposit's average iron ore grade 16.4%. The JORC compliant Resource of 199.9 million tons of Measured and Indicated categories.

### *Bayantsogt deposit*

The Bayantsogt deposits's iron ore body striking North East 40-50°, dipping 70-80° North West, 810-820m length, 320-330m wide, thickness of iron ore body 70-80m. Iron ore body continue to deep until 350m. Deposit's average iron ore grade 22.8%. The combined JORC Resource is 36.3 million tons of Bayantsogt deposit.

### *UndurUkhaa deposit*

The grade and style of mineralisation appears similar to nearby Dund Bulag with the raw mineralisation at UndurUkhaa occurring in wide (10-40m) seams from surface, typically between 15% and 30% Fe in grade. Striking NE 40-50°, dipping 60-70° NW, 430m length, 210m wide, 80-100m thickness of iron ore body of UndurUkhaa deposit. Average iron ore grade 15.4%. The combined JORC Resource is 18.2 million tons of UndurUkhaa deposit.

### **Further exploration and extension drilling targets**

The Company's Bayantsogt, Dund Bulag and Undur Ukhaa iron ore deposits lie within 3km of each other and are associated with large magnetite skarn hills with wide mineralised lodes from surface. All are located within a defined structural corridor that contains the major iron ore deposits in the region. There are a number of other promising magnetic anomalies, some containing visible magnetite skarn mineralisation at surface, yet to be drill tested at Selenge. An estimated additional Exploration Targets of 50-100Mt exists on these new drilling targets.

### **REVIEW OF DEVELOPMENT ACTIVITIES**

The Selenge iron ore project is ideally 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 nearby Eruu Gol mine, Mongolia's largest magnetite concentrate rail export operation, exported approximately 4 million tonnes of dry magnetite concentrate in 2012, shipping the product via a newly constructed rail spur to the main trans-Mongolian rail line. In August 2012, the Company signed an MOU with both the Mongolian Railway Authority and the Ministry for Transportation requesting up to 5Mtpa of rail capacity from 2015 onwards.

### **Feasibility Study**

The delineation of a Resource in the Measured and Indicated categories is sufficient to use as a basis for estimating Proven and Probable Ore Reserves and undertaking a Project Feasibility Study. The Company commenced work on the three main components (Metallurgical Pilot Test, Hydrogeological study, Geotechnical study and Infrastructure & Engineering Solutions Studies) of a Feasibility Study with the key results of each aspect to date summarised below:

### **Metallurgical Pilot Test**

A laboratory scale Davis Tube Recovery test with Progressive Grind test works have been completed. These preliminary test results demonstrated that a high quality magnetite concentrate with iron content of above 62% iron can be achieved as a final saleable product. The laboratory scale DTR test work was conducted based on average of 60 representative samples (each comprising 5 to 6 meter composites) across each deposit at the different grind sizes of: 45µm, 75µm, 105µm, 125µm, 150µm, 212µm, 300µm (microns). These 60 composite samples consisted of 12 composite samples from Bayantsogt, 44 composite samples from Dundbulag and 4 composite samples from Undur-Ukhaa.

Based on the results of the progressive grind test work the following correlation can be made. The coarser the grind size the higher the yield, and finer the grind size the higher the Fe grade in concentrate. The key results of the grind size of 105µm were superior to the original 75µm in the previous DTR test work; therefore the 105µm grind size can be selected for further pilot scale metallurgical test work.

An independent expert assigned to work this task as a Contractor to ensure that the test is completed successfully. Samples will be analyzed at laboratory scale to determine ore beneficiation characteristics of Bayantsogt and Dundbulag deposits as well as to establish a design flowsheet to complete metallurgical test further at pilot scale.

Also, as a result of this test, actual throughput, energy and water consumption, and a nominal and design flowsheets for the potential processing plant will be estimated.

Samples were reviewed to represent the actual four main ore domains at Selenge iron ore deposits: (i) banded magnetite skarn (BMS about 40%-52%), (ii) magnetite skarn (25%-39%), (iii) magnetite garnet skarn (13%-18%), and (iv) garnet phyrrotite skarn (5%-8%).

### **Gap Analysis and Desktop Review**

After the completion of the laboratory scale DTR test work at different progressive grind sizes, the Gap analysis was performed. As a result of this Gap analysis, it was concluded that the Bond Work Index (18.8kWh/T) determination and the Dry Low Intensity Magnetic Separator (LIMS) test works were complete and provided sufficient data for the use of a dry magnetic separator for process design. Also, the Davis Tube Wash test work carried out at 3000 gauss provided an indication for the process design with additional work being beneficial for equipment size confirmation of a Wet High Intensity Magnetic Separator Circuit. The plant configuration for all ores will be the same with the primary differences being in the amount of rejects as well as the grade and yield of the iron concentrates produced.

## Directors' Report

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### Hydrogeological Study

The permit to carry out the hydrogeological study and field drilling was obtained in 2013. The detailed scope of work has also been approved by the Ministry of Environment and Green Development of Mongolia. The hydrogeological study will include:

- Water supply alternatives and its assessment for a future mine/open pit and processing plant complex at the Selenge project,
- Water characterization of mining hydro-geological conditions, and
- Hydrogeological drilling programme and study for exploring the underground water resources.

The Company will be exploring for underground water resources based on the two identified target areas Khavtsgait and Eruu Valley.

### Geotechnical Study

The preliminary geotechnical work to optimize a pit slope design criteria was completed. The geotechnical logging and relevant parameters/measurements were performed in each deposit. The key tasks performed included:

- identified drill holes were geotechnical logged on site and when necessary this was supported by utilizing geology logs (the field work consisted of six holes to represent the geology inside the pit walls);
- Natural Seismic loading assessment was conducted using available data to determine seismic loading for limit equilibrium analysis;
- structural assessment of the oriented core using DIPS – extracting structural types that relate to the geotechnical performance of the slope;
- empirical slope angle assessment on MRMR logging based on geotechnical domains was performed;
- overall slope stability assessment was done using limit equilibrium methods (SLIDE Program) to verify overall slope geometries;
- blasting characteristics such as rock mass strength/rock hardness, rock support and reinforcement were defined and measured;
- Available hydro-geological reports on the work completed in 2012 were reviewed in terms of hydrogeological conditions, water characterizations, and underground water flow through geotechnical or tectonic faults.

### Mining License Application Works

The first and most important stage of the mining license application process has been completed. This stage involved the production of a Reserves Report together with the Pre-Feasibility Study according to Mongolian standards and subsequent registration of the Resources and Reserves defined in that study with the Minerals Council of Mongolia. The Company now expects to finalise and submit the mining license application to the Minerals Authority of Mongolia in 2014.

### Pre Mining Agreement

The Company's 80% owned Mongolian subsidiary Haranga Huder LLC, which holds the MEL, signed Pre-Mining Agreement with The Mineral Resources Authority of Mongolia on 20 December 2013. This PMA covers the entire license area where the JORC resource was estimated. Under This PMA, the Company is allowed to build a mine and processing plant after completion and submittal of Feasibility Study together with a Mine Design. An open pit preliminary design work is currently underway.

### Environmental Impact Assessment

As a part of the Mining License ("ML") application process, the Company has successfully passed the review of the Environmental Baseline Study of the Project by the Department of Environment and Natural Resources of MEGD of Mongolia. Following this, it was approved for the Company to proceed and conduct the Detailed Environmental Impact Assessment.

### Independent Techno-Economic Assessment

The assessment was conducted by a third party independent consultancy firm, which used their valuation model (ORVAL)\*\* designed specifically for a magnetite iron ore project. The purpose of the independent assessment was to assess the economics and feasibility of the Selenge project.

This work was important as it;

- was based on the new updated JORC Compliant Resource;
- assisted in selecting and prioritising further development and investigation of the Selenge Project; and
- analysed the different options and alternatives of:
  - the mill target grind size to be optimised based on the results of the pilot scale metallurgical test;
  - the production capacity of a concentrator; and
  - the transportation options such as raiing (full scale plant capacity), trucking (smaller capacity initial operation) and overland conveyor.

The focus of the assessment was to examine the Selenge Project economics based on the following two scenarios and assumptions:

1. two different target grind sizes (75 and 150 microns) by a crushing and mill complex; and
2. two different production capacities of a processing plant: 3Mtpa and 0.5Mtpa.

## Directors' Report

The JORC Compliant Resource at the Selenge Project's three clustered deposits supports the 16-year life of mine and a wet magnetic processing plant with a standalone infrastructure solution to deliver 3Mtpa of magnetite concentrate onto the nearby rail spurs for domestic and export consumption. This techno-economic assessment assumes that a 43km railway will be constructed from the project to the rail line of Darkhan - Shariin Gol which connects the producing coal miner to the main Trans-Mongolian railway.

The Company is now working towards improving the economics of this scenario based on additional adjusted input data including but not limited to; Initial mine blocks that are being optimized by the Whittle model and a grid line for power supply instead of diesel electricity generation.

Resource Base	Tonnage (Mln tons)	Mine Life (LOM, years)	Annual Concentrate Production (Mtpa)	CAPEX (AU\$ Mln)	Cash Cost (AU\$ per ton conc.)	NPV (AU\$ Mln)	IRR (% After tax)
JORC	253.8	16	3.0	562.4	64.0	457.8	47.6

(12.5% Discount Rate, US\$131.5/t Price for Concentrate, 150µ scenario)

### OTHER PROJECTS

#### Shavdal Project

During the financial year the Company withdrew from the Shavdal project and returned its interest in the project to the joint venture partner based on the results of previous exploration activities.

#### Khundlun Project

During the financial year the Company relinquished the Khundlun exploration license 13867X to the Minerals Authority of Mongolia based on the results of previous exploration activities.

### CORPORATE AND GENERATIVE

The Group issued 30 million new shares and 15 million new options to Mr. Amarbaatar Chultem, the leader of a group of Mongolian investors in January 2013. This placement was made at a price of \$0.20 per share for a total consideration of \$6 million. As a result, Mr. Amarbaatar Chultem strengthened its position as the Group's largest shareholder.

#### Board Changes

Haranga Resources Limited announced the appointment of Mr. Erdene Tsengelbayar (appointed as Managing Director the Company on 13<sup>th</sup> May 2013) and Mr. Amarbaatar Chultem (appointed as Non-Executive Director and joined the board on 5 July 2013) to the Company's Board during the year. Dr. Robert Wrixon resigned on 13 May 2013 and Mr. Kerry Griffin resigned on 12 August 2013.

#### 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

There were no 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 57,500,000 unissued ordinary shares under options (57,500,000 at the reporting date). The details of the options at the date of this report are as follows:

Number	Exercise Price \$	Expiry Date
15,000,000	\$0.20	31 December 2014
8,000,000	\$0.10	31 December 2014
24,000,000	\$0.20	30 April 2015
3,000,000	\$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
8,750,000	\$0.20	30 June 2018
57,500,000		

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

1,500,000 options (exercise price of 20 cents and expiry date of 16 June 2015) issued to Robert Wrixon lapsed on his resignation (13 May 2013). No other options expired or were exercised during or since the year ended 31 December 2013.

### 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	2	2
Robert Wrixon	1	1
Timothy Flavel	2	2
Bat-Ochir Sukhbaatar	2	1
Erdene Tsengelbayar	2	2
Kerry Griffin	1	1
Daniel Crennan	2	2
Amarbaatar Chultem	1	-
Marshall Cooper	2	2

### 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 36 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

## Directors' Report

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.

During the year there were no fees paid or payable for non-audit services by the auditor of the parent entity, its related practices and non-related audit firms.

### 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
Mr. Erdene Tsengelbayar	Managing Director
Mr. Timothy Flavel	Executive Director & Joint Company Secretary
Mr. Bat-Ochir Sukhbaatar	Non-Executive Director
Mr. Daniel Crennan	Non-Executive Director
Mr. Marshall Cooper	Non-Executive Director
Mr. Amarbaatar Chultem	Non-Executive Director (appointed 5 July 2013)
Dr. Robert Wrixon	Former Managing Director (resigned 13 May 2013)
Mr. Kerry Griffin	Former Executive Director (resigned 12 August 2013)
Mr. Aaron Bertolatti	Joint Company Secretary (resigned 23 January 2014)
Mr. Scott Funston	Joint Company Secretary (appointed 23 January 2014)

#### 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	2013	2012	2011
Loss per share (cents)	(3.00)	(1.46)	(2.45)
Share Price (\$)	0.062	0.165	0.285

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

## Directors' Report

### 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 2013 are as follows:

2013	Short term			Options	Post employment		Total \$	Option related %
	Base Salary \$	Directors Fees \$	Consulting Fees \$	Share Based Payments \$	Superannuation \$	Prescribed Benefits \$		
<b>Executive Directors</b>								
Matthew Wood	-	-	180,000	80,003	-	-	260,003	30.8
Robert Wrixon	-	-	291,667	160,006	-	-	451,673	35.4
Timothy Flavel	-	-	114,000	80,003	-	-	194,003	41.2
Kerry Griffin	-	-	385,478	160,006	-	-	545,484	29.3
Erdene Tsengelbayar	-	-	156,998	160,006	-	-	317,004	50.5
<b>Non-Executive Directors</b>								
Marshall Cooper	-	40,000	-	20,002	-	-	60,002	33.3
Daniel Crennan	-	40,000	-	20,001	-	-	60,001	33.3
Amarbaatar Chultem	-	-	-	-	-	-	-	-
Bat-Ochir Sukhbaatar	-	-	-	20,001	-	-	20,001	100.0
	-	<b>80,000</b>	<b>1,128,143</b>	<b>700,028</b>	-	-	<b>1,908,171</b>	

There were no other executive officers of the Company during the financial year ended 31 December 2013.

2012	Short term			Options	Post employment		Total \$	Option related %
	Base Salary \$	Directors Fees \$	Consulting Fees \$	Share Based Payments \$	Superannuation \$	Prescribed Benefits \$		
<b>Executive Directors</b>								
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
<b>Non-Executive Directors</b>								
Marshall Cooper	-	20,000	-	-	-	-	20,000	-
Daniel Crennan	-	30,000	-	-	-	-	30,000	-
Bat-Ochir Sukhbaatar	-	45,000	-	-	-	-	45,000	-
	-	<b>95,000</b>	<b>1,055,058</b>	<b>267,451</b>	-	-	<b>1,417,509</b>	

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

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

2013	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
<b>Directors</b>									
Matthew Wood	09/05/13	1,000,000	30/06/18	\$0.05	\$0.20	\$80,003	1,000,000	100%	-
E Tsengelbayar	09/05/13	2,000,000	30/06/18	\$0.05	\$0.20	\$160,006	2,000,000	100%	-
Robert Wrixon	09/05/13	2,000,000	30/06/18	\$0.05	\$0.20	\$160,006	2,000,000	100%	-
Kerry Griffin	09/05/13	2,000,000	30/06/18	\$0.05	\$0.20	\$160,006	2,000,000	100%	-
Timothy Flavel	09/05/13	1,000,000	30/06/18	\$0.05	\$0.20	\$80,003	1,000,000	100%	-
Marshall Cooper	09/05/13	250,000	30/06/18	\$0.05	\$0.20	\$20,002	250,000	100%	-
Daniel Crennan	09/05/13	250,000	30/06/18	\$0.05	\$0.20	\$20,001	250,000	100%	-
B Sukhbaatar	09/05/13	250,000	30/06/18	\$0.05	\$0.20	\$20,001	250,000	100%	-
		<b>8,750,000</b>				<b>\$700,028</b>	<b>8,750,000</b>		-

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

2012	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
<b>Directors</b>									
Matthew Wood	15/02/11	500,000	16/02/16	\$0.426	\$1.00	\$212,912	500,000	100%	-
Robert Wrixon	15/02/11	2,000,000	16/02/16	\$0.426	\$1.00	\$851,646	2,000,000	100%	-
Timothy Flavel	15/02/11	500,000	16/02/16	\$0.426	\$1.00	\$212,912	500,000	100%	-
Kerry Griffin	01/07/11	1,000,000	01/07/16	\$0.156	\$0.50	\$156,838	1,000,000	100%	-
E Tsengelbayar	11/03/11	250,000	01/03/15	\$0.298	\$1.00	\$50,965	250,000	100%	-
		<b>4,250,000</b>				<b>\$1,485,273</b>	<b>4,250,000</b>		-

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

## Directors' Report

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### Service Agreements

#### Executive Directors

Executive Director and Chief Operating Officer, Mr. Erdene Tsengelbayar is employed under a consulting services agreement, which commenced on 28 March 2012 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 threemonths 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.

#### Loans to Directors and Executives

There were no loans to directors and executives during the financial year ending 31 December 2013.

#### Voting and comments made at the Company's 2013 Annual General Meeting

Haranga Resources Limited received more than 87% of "yes" votes on its remuneration report for the 2013 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  
19 March 2014

*\* The technical information contained in this announcement in relation to the JORC Code (2004) Compliant Resource for the Selenge Project Deposits 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 mineralization 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. Refer to the HAR ASX announcement dated 7 May 2013 for further details.*

*\*\* The information in this release is based on the Options Study Report prepared by GHD. This report was prepared on the basis of information provided by Mr. Kerry Griffin, the former Technical Director of Haranga Resources Limited. GHD consented to the inclusion in this release of the matters based on the Option Study Report and information presented to it, in the context in which it appears. Mr. Kerry Griffin consented to the inclusion in this release of the matters based on his information, in the context in which it appears. The information in this release, which relates to Mineral Resources and exploration results was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.*

## 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](http://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 2013, 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	4 years, 1 month
Erdene Tsengelbayar	2 years, 3 months
Timothy Flavel	4 years, 4 months
Bat-Ochir Sukhbaatar	2 years, 5 months
Amarbaatar Chultem	8 months
Marshall Cooper	1 year and 8 months
Daniel Crennan	1 year and 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](http://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
2.2	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 Profit or Loss and Other Comprehensive Income** for the year ended 31 December 2013

	Notes	2013 \$	2012 \$
<b>Revenue from continuing operations</b>			
Interest income		131,508	611,486
Service administration fee		(180,000)	(180,000)
Impairment of exploration expenditure	10	(3,277,137)	-
Professional and consulting fees	4(a)	(1,366,783)	(1,386,222)
Share based payments expense	22(a)	(915,651)	(544,563)
Foreign exchange gain/( loss)		32,016	(86,423)
Loss on disposal of subsidiaries	18	(32,876)	-
Other expenses	4(b)	(1,527,965)	(1,470,303)
<b>Loss from continuing operations before income tax</b>		<b>(7,136,888)</b>	<b>(3,056,025)</b>
Income tax benefit	5	-	-
<b>Loss from continuing operations after income tax</b>		<b>(7,136,888)</b>	<b>(3,056,025)</b>
<b>Net Loss for the year</b>		<b>(7,136,888)</b>	<b>(3,056,025)</b>
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Foreign currency translation		748,878	(126,973)
<b>Other comprehensive loss for the year, net of tax</b>		<b>748,878</b>	<b>(126,973)</b>
<b>Total comprehensive loss for the year</b>		<b>(6,388,010)</b>	<b>(3,182,998)</b>
<b>Loss for the year attributable to:</b>			
Owners of Haranga Resources Limited		(6,630,174)	(3,049,676)
Non-controlling interests		(506,714)	(6,349)
		<b>(7,136,888)</b>	<b>(3,056,025)</b>
<b>Comprehensive loss for the year attributable to:</b>			
Owners of Haranga Resources Limited		(5,881,296)	(3,176,649)
Non-controlling interests		(506,714)	(6,349)
		<b>(6,388,010)</b>	<b>(3,182,998)</b>
<b>Loss per share attributable to owners of Haranga Resources Limited</b>			
Basic loss per share (cents)	19	(3.00)	(1.46)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position as at 31 December 2013

	Notes	2013 \$	2012 \$
<b>Current Assets</b>			
Cash and cash equivalents	6	2,076,693	3,357,843
Other receivables	7	118,157	33,552
Other current assets	8	236,942	193,808
<b>Total Current Assets</b>		<u>2,431,792</u>	<u>3,585,203</u>
<b>Non-Current Assets</b>			
Plant and equipment	9	738,138	887,580
Deferred exploration & evaluation expenditure	10	25,223,994	24,407,908
<b>Total Non-Current Assets</b>		<u>25,962,132</u>	<u>25,295,488</u>
<b>Total Assets</b>		<u>28,393,924</u>	<u>28,880,691</u>
<b>Current Liabilities</b>			
Trade and other payables	11	107,024	744,658
<b>Total Current Liabilities</b>		<u>107,024</u>	<u>744,658</u>
<b>Total Liabilities</b>		<u>107,024</u>	<u>744,658</u>
<b>Net Assets</b>		<u><b>28,286,900</b></u>	<u><b>28,136,033</b></u>
<b>Equity</b>			
Issued capital	12	38,378,509	33,355,295
Reserves	13	6,217,420	3,952,879
Accumulated losses	14	(16,590,633)	(9,960,459)
<b>Capital and reserves attributable to owners of Haranga Resources Limited</b>		<u>28,005,296</u>	<u>27,347,715</u>
Non-controlling interest		<u>281,604</u>	<u>788,318</u>
<b>Total Equity</b>		<u><b>28,286,900</b></u>	<u><b>28,136,033</b></u>

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 2013

	Notes	2013 \$	2012 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(2,614,328)	(2,849,629)
Interest received		128,298	565,069
Other receipts		2,880	46,417
<b>Net cash outflows from operating activities</b>	6	<b>(2,483,150)</b>	<b>(2,238,143)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		-	(447,557)
Payments for exploration expenditure		(4,439,398)	(12,042,403)
<b>Net cash outflows from investing activities</b>		<b>(4,439,398)</b>	<b>(12,489,960)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		6,000,000	6,000,000
Payments for share issue costs		(376,774)	(281,423)
<b>Net cash inflows from financing activities</b>		<b>5,623,226</b>	<b>5,718,577</b>
Net decrease in cash held		(1,299,322)	(9,009,526)
Cash and cash equivalents at beginning of period		3,357,843	12,497,042
Net foreign exchange differences		18,172	(129,673)
<b>Cash and cash equivalents at end of the period</b>	6	<b>2,076,693</b>	<b>3,357,843</b>

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

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Consolidated Statement of Changes in Equity for the year ended 31 December 2013

	Issued capital \$	Accumulated Losses \$	Reserves \$	Non-controlling interests \$	Total \$
<b>Balance 1 January 2013</b>	<b>33,355,295</b>	<b>(9,960,459)</b>	<b>3,952,879</b>	<b>788,318</b>	<b>28,136,033</b>
Loss for the year	-	(6,630,174)	-	(506,714)	(7,136,888)
<i>Other comprehensive loss</i>					
Foreign currency translation	-	-	748,878	-	748,878
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(6,630,174)</b>	<b>748,878</b>	<b>(506,714)</b>	<b>(6,388,010)</b>
<b>Transactions with owners in their capacity as owners</b>					
Shares issued via placement	6,000,000	-	-	-	6,000,000
Costs of issue	(976,786)	-	600,012	-	(376,774)
Share based payments	-	-	915,651	-	915,651
<b>Balance at 31 December 2013</b>	<b>38,378,509</b>	<b>(16,590,633)</b>	<b>6,217,420</b>	<b>281,604</b>	<b>28,286,900</b>

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

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

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# 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 2013 were authorised for issue in accordance with a resolution of the directors on 19 March 2014.

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.

#### *Going Concern*

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Group incurred a net loss after tax for the year ended 31 December 2013 of \$7,136,888 and experienced net cash outflows from operating activities of \$2,483,150 and net cash outflows for investing activities of \$4,439,398. At 31 December 2013, the Group had a net current asset position of \$2,324,768. The cash and cash equivalents balance at the date of issuing this report is \$1,547,072. The Directors recognise the need to raise additional funds via equity raisings for planned future exploration activities.

In considering the above, the Directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will be successful in securing additional funds through an equity issue.

Should the Group not obtain funds through an equity issue, there is significant uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

#### (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 Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position respectively.

(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 2013, 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>Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets:</p> <ul style="list-style-type: none"> <li>- Amortised cost</li> <li>- Fair value through profit or loss</li> <li>- Fair value through other comprehensive income.</li> </ul> <p>The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9:</p> <ul style="list-style-type: none"> <li>- Classification and measurement of financial liabilities; and</li> <li>- Derecognition requirements for financial assets and liabilities.</li> </ul> <p>However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.</p>	The Group has not yet determined the impact on the Group's financial statements.	1 January 2015

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

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## Haranga Resources Limited

### Notes to the Consolidated Financial Statements for the year ended 31 December 2013

#### Changes in accounting policies and disclosures

In the year ended 31 December 2013, 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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.

# Haranga Resources Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2013

### (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 profit or loss and other 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 2013

#### *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 profit or loss and other 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 2013

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.

#### (u) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

### 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 profit or loss and other 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

	2013 \$	2012 \$
Accounting fees	(70,515)	(54,786)
Audit and taxation fees	(43,559)	(52,115)
Consultants	(1,104,147)	(1,176,960)
Other	(148,562)	(102,361)
	<u>(1,366,783)</u>	<u>(1,386,222)</u>

#### b) Other expenses

Administrations services	(126,274)	(72,298)
ASX listing fees	(28,856)	(50,057)
Conferences and seminars	(24,388)	(44,194)
Donations	(30,214)	(33,784)
Insurance	(22,119)	(32,066)
Motor vehicle expenses	(23,656)	(38,800)
Rent and outgoings	(330,808)	(269,323)
Travel expenses	(286,382)	(326,583)
Employee benefit expense	(373,685)	(296,633)
Other	(283,583)	(306,565)
	<u>(1,527,965)</u>	<u>(1,470,303)</u>

# Haranga Resources Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2013

### 5. Income Tax

#### (a) Income tax expense

Major component of tax expense for the year:	2013 \$	2012 \$
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

#### (b) Numerical reconciliation between aggregate tax expense recognised in the statement of profit or loss and other 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	(7,136,888)	(3,056,025)
Tax at the Australian rate of 30% (31/12/2012: 30%)	(2,141,066)	(916,808)
Share based payments	274,695	163,369
Income tax benefit not brought to account	1,866,371	753,439
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>
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##### Assets

Losses available to offset against future taxable income	4,213,924	2,141,031
Share issue costs deductible over five years	584,702	350,274
Accrued Expenses	(995)	(807)
Net Deferred tax asset not recognised	<u>4,797,631</u>	<u>2,490,498</u>

#### (d) Unused tax losses

Unused tax losses	14,046,414	7,136,770
Potential tax benefit not recognised at 30%	<u>4,213,924</u>	<u>2,141,031</u>

The benefit for tax losses will only be obtained if:

- 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
- the Company continues to comply with the conditions for deductibility imposed by tax legislation in Australia and
- 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	2,076,693	3,357,843
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#### Reconciliation of operating loss after tax to net cash flows from operations

Loss after tax	(7,136,888)	(3,056,025)
<b>Non cash items</b>		
Share based payment	915,651	544,563
Depreciation and impairment charges	61,672	68,199
Exploration and evaluation expenditure written-off	3,277,137	-
Loss on disposal of subsidiaries	32,876	-
Foreign exchange gain/( loss)	(32,016)	86,423
<b>Change in assets and liabilities</b>		
Trade and other receivables	384,845	123,368
Trade and other payables	13,573	(4,671)
<b>Net cash outflow from operating activities</b>	<u>(2,483,150)</u>	<u>(2,238,143)</u>

# Haranga Resources Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2013

### 7. Other Receivables – Current

	2013	2012
	\$	\$
GST receivable	11,256	27,679
Other	106,901	5,873
	<u>118,157</u>	<u>33,552</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	191,797	134,165
Other	45,145	59,643
	<u>236,942</u>	<u>193,808</u>

### 9. Plant and Equipment

Opening balance	887,580	531,224
Additions	-	447,557
Disposals	(61,134)	-
Net exchange differences on translation	(26,637)	(23,002)
Depreciation charge for the year	(61,672)	(68,199)
Closing balance	<u>738,138</u>	<u>887,580</u>

### 10. Deferred Exploration and Evaluation Expenditure

Opening balance	24,407,908	12,153,883
Exploration and evaluation expenditure incurred during the period	4,122,843	11,462,214
Acquisition of exploration tenements	-	976,181
Net exchange differences on translation	(29,620)	(184,370)
Impairment of exploration expenditure	(3,277,137)	-
Closing balance	<u>25,223,994</u>	<u>24,407,908</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 2013 financial year related to the Company withdrawing from the Tumurtei Khudag, Shavdal and Khundlun projects.

### 11. Trade and Other Payables

Other payables	82,024	716,340
Accruals	25,000	28,318
	<u>107,024</u>	<u>744,658</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>38,378,509</u>	<u>33,355,295</u>
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#### (b) Movements in shares on issue

	2013		2012	
	No. of shares	\$	No. of shares	\$
Opening balance	211,750,002	33,355,295	196,750,002	27,636,719
Shares issued via placement	30,000,000	6,000,000	15,000,000	6,000,000
Costs of issue	-	(976,786)	-	(281,424)
Closing balance	<u>241,750,002</u>	<u>38,378,509</u>	<u>211,750,002</u>	<u>33,355,295</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.

# Haranga Resources Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2013

### (d) Capital risk management

The Group's capital comprises share capital, reserves less accumulated losses amounting to a net equity of \$28,286,900 at 31 December 2013 (2012: of \$28,136,033). 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 57,500,000 unissued ordinary shares under options (57,500,000 at the reporting date). The details of the options at the date of this report are as follows:

Number	Exercise Price \$	Expiry Date
15,000,000	\$0.20	31 December 2014
8,000,000	\$0.10	31 December 2014
24,000,000	\$0.20	30 April 2015
3,000,000	\$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
8,750,000	\$0.20	30 June 2018
57,500,000		

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.

### 13. Reserves

	2013 \$	2012 \$
Share based payments reserve	5,971,524	4,455,861
Option premium reserve	240	240
Foreign currency translation reserve	245,656	(503,222)
	<u>6,217,420</u>	<u>3,952,879</u>

#### Movements in Reserves

<i>Share based payments reserve</i>		
Opening balance	4,455,861	3,911,298
Share based payments expense	1,515,663	544,563
Closing balance	<u>5,971,524</u>	<u>4,455,861</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 2013.

#### *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	(503,222)	(376,249)
Foreign currency translation	748,878	(126,973)
Closing balance	<u>245,656</u>	<u>(503,222)</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 profit or loss and other comprehensive income when the net investment is disposed of.

### 14. Accumulated losses

Movements in accumulated losses were as follows:

Opening balance	(9,960,459)	(6,910,783)
Loss for the year	(6,630,174)	(3,049,676)
Closing balance	<u>(16,590,633)</u>	<u>(9,960,459)</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>31,945</u>	<u>30,264</u>
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There were no other services provided by the auditor during the years ended 31 December 2013 and 31 December 2012.

# Haranga Resources Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2013

### 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:

	2013	2012
	\$	\$
Short term employee benefits	1,208,143	1,150,058
Share based payments	700,028	289,185
<b>Total remuneration</b>	<b>1,908,171</b>	<b>1,439,243</b>

#### (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.

2013	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	8,296,553	-	-	-	8,296,553
Timothy Flavel	4,471,251	-	-	-	4,471,251
Erdene Tsengelbayar	1,256,000	-	-	-	1,256,000
Bat-Ochir Sukhbaatar	5,000,000	-	-	-	5,000,000
Daniel Crennan	57,000	-	-	-	57,000
Marshall Cooper	-	-	-	-	-
Amarbaatar Chultem <sup>1</sup>	-	-	-	30,000,000	30,000,000
Robert Wrixon <sup>2</sup>	500,000	-	-	(500,000)	-
Kerry Griffin <sup>3</sup>	250,000	-	-	(250,000)	-

<sup>1</sup> Mr. Amarbaatar Chultem appointed on 5 July 2013. On 13 February 2013, Chultem purchased 30 million new shares at \$0.20 per share and received 15 million new options on a 'one for two' basis for nil consideration.

<sup>2</sup> Mr. Robert Wrixon resigned on 13 May 2013

<sup>3</sup> Mr. Kerry Griffin resigned on 12 August 2013

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	-	-	-	-	-

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:

2013	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	1,000,000	-	-	2,500,000	2,500,000	-
Timothy Flavel	1,500,000	1,000,000	-	-	2,500,000	2,500,000	-
Erdene Tsengelbayar	2,750,000	2,000,000	-	-	4,750,000	4,750,000	-
Bat-Ochir Sukhbaatar	-	250,000	-	-	250,000	250,000	-
Daniel Crennan	-	250,000	-	-	250,000	250,000	-
Marshall Cooper	-	250,000	-	-	250,000	250,000	-
Amarbaatar Chultem <sup>1</sup>	-	-	-	15,000,000	15,000,000	15,000,000	-
Robert Wrixon <sup>2</sup>	6,500,000	2,000,000	-	(8,500,000)	-	-	-
Kerry Griffin <sup>3</sup>	1,000,000	2,000,000	-	(3,000,000)	-	-	-

<sup>1</sup> Mr. Amarbaatar Chultem appointed on 5 July 2013. On 13 February 2013, Chultem purchased 30 million new shares at \$0.20 per share and received 15 million new options on a 'one for two' basis for nil consideration.

<sup>2</sup> Mr. Robert Wrixon resigned on 13 May 2013

<sup>3</sup> Mr. Kerry Griffin resigned on 12 August 2013

## Haranga Resources Limited

### Notes to the Consolidated Financial Statements for the year ended 31 December 2013

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	-	-	-	-	-	-	-

There were no forfeitures and no options lapsed during the year ended 31 December 2013 or during the period ended 31 December 2012.

The fair value at grant date of options granted to employees for the year ended 31 December 2013 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 and expected price volatility of the underlying share and the risk free interest rate for the term of the option. For details on the valuation of options, including models and assumptions used, please refer to note 22.

#### Other transactions with Key Management Personnel

Garrison Capital Pty Ltd, a company of which Mr. Wood and Mr. Funston are directors, provided the Company with a fully serviced office including administration and information technology support totalling \$180,000 (2012: \$180,000) and reimbursement of payments for financial accounting fees, courier and other minor expenses, at a cost of \$81,508 (2012: \$77,262). A total of \$19,171 was outstanding at year end (2012: \$20,961).

Mineral Quest Pty Ltd, a company of which Mr. Wood is a director, was reimbursed for payments of secretarial expenses, at a cost of \$5,400 (2012: \$3,150) during the period. \$450 (2012: \$450) was outstanding at year end.

The Group raised \$6 million by issuing 30 million new shares to Director, Amarbaatar Chultem, at a price of \$0.20 per share, representing a 31% premium to the Company's one month VWAP at the time. In addition, he received 15 million new options on a 'one for two' basis for nil consideration.

These transactions have been entered into under normal commercial terms and have been included in note 16(a) Remuneration of Key Management Personnel.

#### 17. Events Subsequent to Reporting Date

There were no known significant events from the end of the financial year up to the date of this report.

#### 18. Related Party Disclosures

##### (a) Key management personnel

For Director related party transactions please refer to Note 16 "Key Management Personnel Disclosures".

##### (b) Subsidiaries

The consolidated financial statements include the financial statements of Haranga Resources Limited and the subsidiaries listed in the following table:

Name of Entity	Country of Incorporation	Equity Holding	
		2013	2012
Haranga Iron LLC	Mongolia	100%	100%
Haranga Shavdal LLC	Mongolia	-	75%
Haranga Erdenes LLC	Mongolia	-	100%
Haranga Gobi LLC	Mongolia	51%	51%
Haranga Khuder LLC	Mongolia	80%	80%
Haranga Mineral LLC	Mongolia	-	100%
Haranga Ovoo LLC	Mongolia	-	100%
Haranga Had LLC	Mongolia	-	100%
Nomad Mining Limited	Australia	100%	100%
Nomad Manganese LLC	Mongolia	100%	100%
Haranga Resources (Hong Kong) Limited	Hong Kong	100%	100%
Haranga Investments Pte Ltd	Singapore	100%	100%

During the period the Group made a loss of \$32,867 on the disposal of the following Mongolian subsidiaries: Haranga Shavdal LLC, Haranga Erdenes LLC, Haranga Mineral LLC, Haranga Ovoo LLC and Haranga Had LLC.

# Haranga Resources Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2013

### (c) Non-controlling interests (NCI)

The following table sets out the summarised financial information for Haranga Khuder LLC which has non-controlling interests that are material to the group. Amounts disclosed are before intercompany eliminations

Summarised statement of financial position	Haranga Khuder LLC	
	31 December 2013	31 December 2012
Current assets	31,382	42,507
Non-current assets	15,163,836	14,101,154
<b>Total assets</b>	<b>15,195,218</b>	<b>14,143,661</b>
Non-current liabilities	(15,264,355)	(14,176,525)
<b>Total liabilities</b>	<b>(15,264,355)</b>	<b>(14,176,525)</b>
<b>Net liabilities</b>	<b>(69,137)</b>	<b>(32,864)</b>

Summarised statement profit or loss and other comprehensive income	Haranga Khuder LLC	
	31 December 2013	31 December 2012
Revenue	-	-
Loss for the period	(36,842)	(27,358)
Other comprehensive income	-	-
<b>Total comprehensive loss</b>	<b>(36,842)</b>	<b>(27,358)</b>
<b>Loss allocated to NCI</b>	<b>(7,368)</b>	<b>(5,472)</b>

Summarised cash flows	Haranga Khuder LLC	
	31 December 2013	31 December 2012
Cash flows from operating activities	(36,842)	(27,358)
Cash flows from investing activities	(1,072,888)	(11,139,262)
Cash flows from financing activities	1,109,739	11,166,642
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(9)</b>	<b>(22)</b>

### (d) Terms and conditions

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties. All other transactions were made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

### 19. Loss per Share

	2013 \$	2012 \$
Loss used in calculating basic and dilutive EPS	(7,136,888)	(3,056,025)
	<b>Number of Shares</b>	
Weighted average number of ordinary shares used in calculating basic loss per share:	238,133,564	208,708,906
<b>Effect of dilution:</b>		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	238,133,564	208,708,906

There is no impact from 57,500,000 options outstanding at 31 December 2013 on the earnings per share calculation because they are anti-dilutive. These options could potentially dilute basic EPS in the future. There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

### 20. Financial Risk Management

Exposure to liquidity, interest rate, credit and foreign currency 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.

## Haranga Resources Limited

### Notes to the Consolidated Financial Statements for the year ended 31 December 2013

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 2013 and 31 December 2012 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.

	2013	2012
	\$	\$
Cash and cash equivalents	2,076,693	3,357,843

#### Interest rate sensitivity

The following table demonstrates the sensitivity of the Group's statement of profit or loss and other 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	
	2013	2012
	\$	\$
Increase 100 basis points	20,767	33,578
Decrease 100 basis points	(20,767)	(33,578)

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

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 2013, 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 cash held in Mongolia is not material to the Group. The Group has no past due or impaired debtors as at 31 December 2013.

#### (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 \$23,116,674 (2012: \$17,350,713). 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:

#### Foreign currency risk sensitivity

The following table demonstrates the sensitivity of the Group's statement of profit or loss and other 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
	2013	2012
	\$	\$
AU\$/US\$ + 5%	1,155,834	867,536
AU\$/US\$ - 5%	(1,155,834)	(867,536)

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

# Haranga Resources Limited

## Notes to the Consolidated Financial Statements for the year ended 31 December 2013

### (e) Fair Value Measurement

There were no financial assets or liabilities at 31 December 2013 requiring fair value estimation and disclosure as they are either not carried at fair value or in the case for short term assets and liabilities, their carrying values approximate fair value.

### 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 profit or loss and other comprehensive income or as capital raising costs in the equity during the year were as follows:

	2013 \$	2012 \$
<i>Operating expenses</i>		
Employee share based payments	915,651	544,563
<i>Capital raising expenses</i>		
Share based payments to suppliers	600,012	-

#### (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

The table below summarises options granted to Directors, employees and consultants during the year ended 31 December 2013:

	Grant Date	Expiry date	Exercise price	Balance at start of the period Number	Granted during the period Number	Exercised during the period Number	Forfeited during the period Number	Balance at end of the period Number	Exercisable at end of the period Number	Value (\$)
<i>Directors:</i>										
R Wrixon	09/05/13	30/06/18	\$0.20	-	2,000,000	-	-	2,000,000	-	160,006
K Griffin	09/05/13	30/06/18	\$0.20	-	2,000,000	-	-	2,000,000	-	160,006
E Tsengelbayar	09/05/13	30/06/18	\$0.20	-	2,000,000	-	-	2,000,000	-	160,006
T Flavel	09/05/13	30/06/18	\$0.20	-	1,000,000	-	-	1,000,000	-	80,003
M Wood	09/05/13	30/06/18	\$0.20	-	1,000,000	-	-	1,000,000	-	80,003
M Cooper	09/05/13	30/06/18	\$0.20	-	250,000	-	-	250,000	-	20,002
D Crennan	09/05/13	30/06/18	\$0.20	-	250,000	-	-	250,000	-	20,001
B Sukhbaatar	09/05/13	30/06/18	\$0.20	-	250,000	-	-	250,000	-	20,001
					<b>8,750,000</b>			<b>8,750,000</b>		
<i>Consultants:</i>										
B McMaster	07/11/13	31/12/14	\$0.10	-	4,000,000	-	-	4,000,000	-	83,190
A Randall	07/11/13	31/12/14	\$0.10	-	4,000,000	-	-	4,000,000	-	83,190
					<b>8,000,000</b>			<b>8,000,000</b>		
Weighted average exercise price					\$0.15			\$0.15		

The weighted average fair value of options granted during the year ended 31 December 2013 was \$0.05.

The model inputs, not included in the table above, for options granted during the year ended 31 December 2013 included:

- options are granted for no consideration and vest immediately;
- expected life of options had a range of one to five years;
- share prices at various grant dates had a range of \$0.08 to \$0.12;
- expected volatility of 100%;
- expected dividend yield of Nil; and
- a risk free interest rate from 2.575% to 2.811%.

## Haranga Resources Limited

### Notes to the Consolidated Financial Statements for the year ended 31 December 2013

The table below summaries options granted for the year ended 31 December 2012 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
15/02/2012	16/02/2016	\$1.00	-	4,000,000	-	-	4,000,000	-
11/03/2012	01/03/2015	\$1.00	-	2,500,000	-	-	2,500,000	-
01/07/2012	01/07/2016	\$0.50	-	1,000,000	-	-	1,000,000	-
			-	<b>7,500,000</b>	-	-	<b>7,500,000</b>	-
Weighted average exercise price				\$0.93			\$0.93	

The weighted average fair value of options granted during the year ended 31 December 2012 was \$0.35.

The model inputs, not included in the table above, for options granted during the year ended 31 December 2012 included:

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

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.

#### (c) Share-based payment to suppliers:

The table below summarises options granted to suppliers during the year ended 31 December 2013:

Grant Date	Expiry date	Exercise price	Balance at start of the period Number	Granted during the period Number	Exercised during the period Number	Forfeited during the period Number	Balance at end of the period Number	Exercisable at end of the period Number	Value (\$)
09/05/13	31/12/14	\$0.20	-	15,000,000	-	-	15,000,000	-	600,012
Weighted average exercise price				\$0.20			\$0.20		

The weighted average fair value of options granted during the year ended 31 December 2013 was \$0.04.

The model inputs, not included in the table above, for options granted during the year ended 31 December 2013 included:

- a) options are granted for no consideration and vest immediately;
- b) expected life of options of one year;
- c) share price at a grant date of \$0.12;
- d) expected volatility of 100%;
- e) expected dividend yield of Nil; and
- f) a risk free interest rate from 2.575%.

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 to suppliers during the year ended 31 December 2012.

#### 23. Fair Value of Financial Instruments

The Company does not have any financial instruments that are subject to recurring fair value measurements. Due to their short term nature, the carrying amount of current receivables and current trade and other payables is assumed to be approximate their fair value.

#### 24. 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 2013.

## Haranga Resources Limited

### Notes to the Consolidated Financial Statements for the year ended 31 December 2013

#### 25. 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	105,000	180,000
After one year but not longer than 5 years	-	105,000
	<u>105,000</u>	<u>285,000</u>

#### 26. Parent Entity Information

The following details information related to the parent entity, Haranga Resources Limited, at 31 December 2013. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	2013 \$	2012 \$
Current assets	2,019,516	3,071,068
Total assets	<u>28,389,255</u>	<u>28,665,950</u>
Current liabilities	(102,356)	(194,978)
Total liabilities	<u>(102,356)</u>	<u>(194,978)</u>
Net Assets	<b><u>28,286,900</u></b>	<b><u>28,470,972</u></b>
Issued capital	38,378,509	33,355,295
Reserves	5,971,764	4,456,101
Accumulated losses	(16,063,373)	(9,340,424)
	<b><u>28,286,900</u></b>	<b><u>28,470,972</u></b>
Loss of the parent entity	(6,722,949)	(2,268,849)
Other comprehensive income for the year	-	-
Total comprehensive loss of the parent entity	<b><u>(6,722,949)</u></b>	<b><u>(2,268,849)</u></b>

## Directors Declaration

### 31 December 2013

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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 2013 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 2013 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 year ended 31 December 2013.

On behalf of the Board



Mr. Matthew Wood  
Chairman  
19 March 2014  
Perth, Western Australia

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 2013, 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 year.



Phillip Murdoch

BDO Audit (WA) Pty Ltd  
Perth, 19 March 2014

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## 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 2013, the consolidated statement of profit or loss and other 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.

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## 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 2013 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).

## Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity. This condition, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

## Report on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 31 December 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO



Phillip Murdoch

Director

Perth, 19 March 2014

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## 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 19 March 2014.

### Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	31	9,698
1,001 - 5,000	107	331,996
5,001 - 10,000	129	1,138,390
10,001 - 100,000	537	22,928,013
100,001 - and over	199	217,341,905
<b>TOTAL</b>	<b>1,003</b>	<b>241,750,002</b>

There were 21 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	19,925,931	8.24
GOLDEN RAIN HOLDINGS LIMITED	15,010,000	6.21
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	12,615,171	5.22
GEOTRASS LLC/C	10,000,000	4.14
NEFCO NOMINEES PTY LTD	9,605,000	3.97
MR JASON PETERSON & MRS LISA PETERSON <J & L PETERSON S/F A/C>	7,458,893	3.09
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,859,219	2.84
MITCHELL GRASS HOLDING SINGAPORE PTE LTD	6,802,500	2.81
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	6,521,910	2.70
MR GEORGE LKHAGVADORJ TUMUR	5,012,500	2.07
MR TIMOTHY JAMES FLAVEL <THE FLAVEL INVESTMENT A/C>	3,951,250	1.63
MR DANIEL EDDINGTON & MRS JULIE EDDINGTON <DJ HOLDINGS A/C>	2,850,000	1.18
MR BILGUUN AMARBAATAR	2,838,946	1.17
SURFBOARD PTY LTD <ARW SUPER FUND NO 1 A/C>	2,821,631	1.17
MR KELL IVAR NIELSEN <NIELSEN FAMILY A/C>	2,500,000	1.03
CITICORP NOMINEES PTY LIMITED	2,323,204	0.96
BAYONET INVESTMENTS PTY LTD <SOUTHPOINT A/C>	2,100,000	0.87
AZURE CAPITAL INVESTMENTS PTY LTD	2,000,000	0.83
CHEVAL HOLDINGS PTY LTD	2,000,000	0.83
<b>Total</b>	<b>153,196,155</b>	<b>63.37</b>

### 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 2013.

## Tenement Table

Project	Location	Tenement	Area (km2)	Structure (%)
Selenge	Northern Mongolia (Selenge Province)	11334X 11335X 11337X 11338X 17245X	425.51	80

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