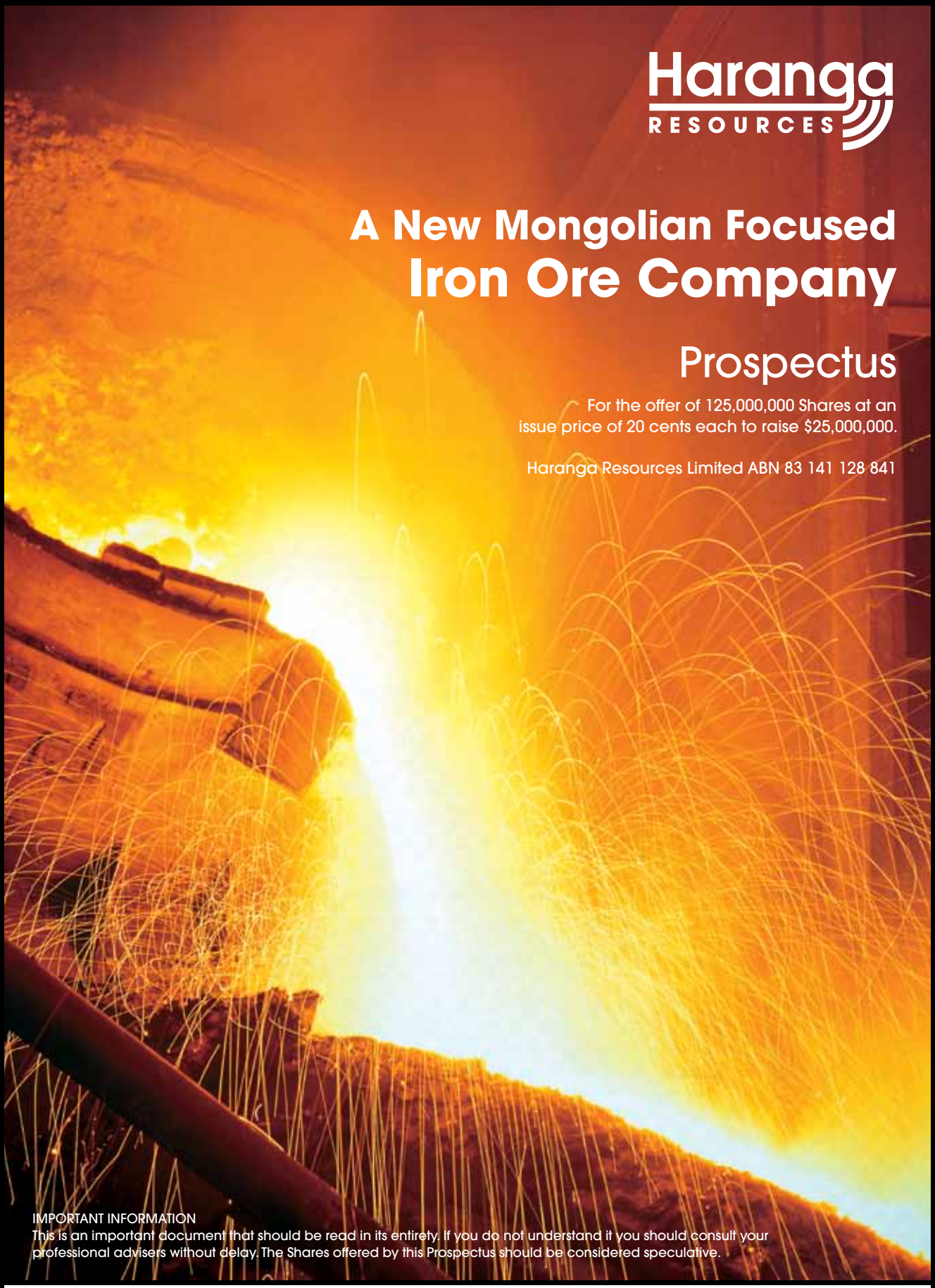

Haranga RESOURCES

A New Mongolian Focused Iron Ore Company

Prospectus

For the offer of 125,000,000 Shares at an issue price of 20 cents each to raise $25,000,000.

Haranga Resources Limited ABN 83 141 128 841

IMPORTANT INFORMATION
This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. The Shares offered by this Prospectus should be considered speculative.

CPS Securities
Joint Lead Manager and Broker
CPS Securities

Azure Capital
Joint Lead Manager
Azure Capital Limited

GARRISON CAPITAL
Corporate Adviser to the Company
Garrison Capital Pty Ltd

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IMPORTANT NOTICE
This Prospectus is dated 9 November 2010 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates.

The expiry date of this Prospectus is at 5.00pm WST on that date which is 13 months after the date this Prospectus was lodged with the ASIC (**Expiry Date**). No securities may be issued on the basis of this Prospectus after the Expiry Date.

Application will be made to ASX within seven (7) days after the date of this Prospectus for Official Quotation of the Shares which are the subject of this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares that are the subject of this Prospectus should be considered speculative.

WEB SITE – ELECTRONIC PROSPECTUS
A copy of this Prospectus can be downloaded from the website of the Company at www.haranga.com. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

PHOTOGRAPHS
Unless otherwise indicated photographs used in this Prospectus do not depict assets owned by the Company but have been included to give an indication of the nature and or location of the Company's business operations and industry in which it operates.

In particular, the Company is an exploration company and accordingly photographs depicting mining activity don't relate to the Company's current projects but have been included for illustration only.

EXPOSURE PERIOD
This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in the Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act.

Applications for Shares under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

JORC COMPETENT PERSON STATEMENTS
The information in the Investment Highlights section, included as Section 3 of the Prospectus, and the Independent Geologist's Report, included in Section 8 of the Prospectus, which relate to Exploration Results, Mineral Resources, or Ore Reserves is based on information compiled by Xstract Mining Consultants Pty Ltd. Mr Trevor James Ellice has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, and is a member of the Australasian Institute of Mining and Metallurgy. This qualifies Mr Ellice as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2004)'. Mr Ellice consents to the inclusion of the information in these sections of the Prospectus in the form and context in which it appears.

EXPLORATION TARGET STATEMENTS
References to exploration targets in this Prospectus are conceptual in nature and should not be construed as indicating the existence of a JORC Code compliant mineral resource. Exploration targets are based on projections of established grade ranges over appropriate widths and strike lengths having regard for geological considerations including mineralisation style, specific gravity and expected mineralisation continuity as determined by qualified geological assessment. There is insufficient information to establish whether further exploration will result in the determination of a mineral resource within the meaning of the JORC Code.

1. CORPORATE DIRECTORY

Directors

Mr Matthew Wood
Chairman

Dr Robert Wrixon
Managing Director

Mr Kell Nielsen
Exploration Director

Mr Timothy Flavel
Non Executive Director

Mr Achit-Erdene Darambazar
Non Executive Director

Mr Jason Peterson
Non Executive Director

Company Secretaries

Mr Timothy Flavel

Mr Angus Caithness

Registered Office

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Website:
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Share Registry*

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Telephone: +61 8 9223 2222
Facsimile: +61 8 9223 2211

Joint Lead Manager

Azure Capital Limited

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PERTH WA 6000

Corporate Adviser to the Company

Garrison Capital Pty Ltd

Level 1, 33 Richardson Street
WEST PERTH WA 6005

Investigating Accountant

BDO Corporate Finance (WA) Pty Ltd

38 Station Street
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Telephone: +61 6382 4600
Facsimile: +61 6382 6401

Auditors

BDO Audit (WA) Pty Ltd

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SUBIACO WA 6008

Telephone: +61 6382 4600
Facsimile: +61 6382 6401

Independent Geologist

Xstract Mining Consultants Pty Ltd

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BRISBANE QLD 4000

Telephone: +61 7 3221 2366
Facsimile: +61 7 3020 3699

Lawyers in Australia

Steinepreis Paganin Lawyers and Consultants

Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Lawyers in Mongolia

Economic & Legal Consultancy LLC

Suite 1003
Central Tower
Sukhbaatar Square-2
Sukhbaatar District
ULAANBAATAR, Mongolia

* This entity is included for information purposes only and has not been involved in the preparation of this Prospectus.

2. CHAIRMAN'S LETTER

Dear Investor,

On behalf of the Board, I am very pleased to offer you the opportunity to become a Shareholder in Haranga Resources Limited (**Haranga Resources** or the **Company**). Haranga Resources was incorporated in Australia in late 2009 for the purpose of acquiring and developing iron ore projects in Mongolia. Over the past year the Company has successfully acquired a controlling interest in five promising iron ore projects. The Company aims to establish itself as a premium iron ore company focused on exploration of its iron ore interests in Mongolia.

The Directors believe that favourable geology, political stability, improving infrastructure and a fast developing mining sector makes Mongolia an outstanding destination for investment. Mongolia is known to host world class deposits of coal, copper, gold and now iron ore. Vast areas of the country are being opened up by new rail and electricity networks. This infrastructure build, allied with its strategic location on the doorstep of China's booming steel industry, represents an exciting opportunity.

Haranga Resources has positioned itself, through outright acquisition and joint venture agreements, in the premier iron ore regions of Mongolia. These projects are close to existing deposits, mines and infrastructure. This includes a substantial ground position in the highly sought after Selenge Province.

The Board of Haranga Resources comprises exceptional commercial and technical experience in the exploration and mining industry. In addition, a number of board members have considerable prior experience in highly successful Mongolian minerals ventures.

The Company will be led by its Managing Director, Dr Robert Wrixon, who has over 15 years experience in engineering, consulting, mineral asset acquisition and exploration management. Dr Wrixon is an exceptional mineral industry professional who possesses the requisite experience and ability to create and enhance value in mineral exploration and development. Dr Wrixon has driven the project acquisition process to date and is tasked with advancing these projects whilst assessing further opportunities to grow the Company and upgrade the portfolio.

Haranga Resources is seeking to raise funds through this Prospectus to expand its exploration efforts at its Mongolian iron ore projects and to complete staged payments required for project acquisition in some cases. The Company will immediately commence its planned exploration programmes and these will continue through 2010 and 2011. The Directors join me in offering you this exciting opportunity to participate in the ownership of Haranga Resources and I look forward to welcoming you as a Shareholder of the Company.

Yours sincerely,

Matthew Wood

Chairman
Haranga Resources Limited

3. INVESTMENT HIGHLIGHTS

This Section contains selective highlights and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus and in particular the risk factors affecting the Company contained in Section 4 and Section 12.

Investors should read this Prospectus in its entirety and not rely solely on this overview.

3.1 Management and Project Development Strategy

(a) Haranga Resources was incorporated in Australia for the purpose of acquiring and developing iron ore projects in Mongolia.

(b) Haranga Resources aims to establish itself as a premium iron ore company focused on exploration of its interests in iron ore deposits in Mongolia.

(c) The Company is targeting the acquisition and discovery of high quality iron ore projects close to either existing or planned infrastructure.

(d) Haranga Resources' management team has a proven history of successful project acquisition, exploration and development.

(e) Haranga Resources' management have been successfully active in Mongolian mineral acquisitions and exploration for the past three years and have built considerable networks, knowledge and operating experience in the country.

3.2 Mongolia, China and Iron Ore

(a) Mongolia is a vast and underexplored country on the doorstep of China, the world's second largest and fastest growing major economy.

(b) China's growing demand for bulk steel raw materials such as iron ore is increasingly being met by seaborne imports as domestic production declines in both volume and grade.

(c) Mongolia is perfectly positioned to meet growing Chinese demand.

(d) Mongolia currently contains three significant iron ore operations that export to China, and a handful of smaller operations. These three mines are majority owned by Mongolian interests and are not associated with Haranga Resources. They are:

(i) **Eruu Gol, formerly Bayangol (Selenge Province).** Located in Mongolia's premier iron ore province, the Eruu Gol mine accesses the nearby trans-Mongolian railway in order to sell into the Chinese market. In 2009, the China Investment Corporation (CIC) invested US$500 million to acquire a minority stake in this operation. The dedicated rail spur to Eruu Gol is nearing completion.

(ii) **Tayan Nuur (Gobi Altai Province).** Located in Mongolia's west, Tayan Nuur exports approximately 1Mtpa of its concentrate product (62% Fe) 600km by road to Bayi Steel in the city of Urumqi, in the northwest of China, as part of a 15 year off-take agreement. Deutsche Bank has invested US$42 million to acquire 21% of the private company that owns the asset.

(iii) **Ervei Khoshuu (Sukhbaatar Province).** Located in Mongolia's east, this mine currently produces approximately 0.5Mtpa and accesses the Chinese market by trucking to the rail terminal at Choybalsan and then exporting by rail eastwards to Inner Mongolia.

3.3 Company's Interest in Projects

(Please Refer to the Independent Geologist's Report set out in Section 8 and the Material Contracts set out in Section 13 of the Prospectus for full Details)

(a) Selenge Project (ELs 11334X, 11335X, 11336X, 11337X and 11338X)

(i) Five contiguous licences covering 578km^2 in the heart of Selenge, the premier iron ore province in Mongolia.

(ii) Haranga Resources has acquired a 60% interest in the Selenge Project joint venture and has a commitment of staged payments to maintain this interest.

(iii) Situated in the middle of the three government controlled iron ore districts at Eruu Gol (Bayangol), Tumurtei and Tumur Tolgoi.

(iv) 40km from the rail terminal at Sharyn Gol and adjacent to the new rail spur being built to Eruu Gol.

(v) Contains numerous large magnetic anomalies, mostly unexplored, with less than 35% of the project area surveyed to date.

(vi) Sixteen drill holes and eight trenches were completed at two of the near surface anomalies in 2008. Iron mineralisation at Bayantsogt was intersected from surface trenching to a vertical depth of 110m below surface and remains open at depth. Two assayed drill holes returned drill intersections of 28m at 30% Fe and 25m at 32% Fe at downhole depths of 50m in DH4 and 90m in DH5 respectively. Further details are contained in the Independent Geologist's Report.

(vii) 36,000 metre drill program planned to commence post IPO.

(b) Shavdal Project (EL 14198X)

(i) Exploration Licence covers 66km^2 in eastern Mongolia, close to the producing iron ore mines at Ervei Khoshuu and Tumurtei Ovoo.

(ii) Haranga Resources has acquired a 75% interest in the Shavdal Project with an option to increase to 100%.

(iii) Located next to infrastructure provided by the provincial capital of Baruun Urt and directly on the path of the proposed east west rail line across Mongolia that passes through Baruun Urt.

(iv) Rock chip samples taken from the iron ore outcrops at Shavdal assayed up to 95% magnetite (66% Fe), with an average Fe content of 55%.

(v) Magnetic survey confirms that the outcrop sits on top of a significant magnetic anomaly.

(vi) 13,000 metre drill program planned to commence post IPO.

(c) Khundlun Project (EL 13867X)

(i) Exploration Licence covers 26km^2 in the Hentii Province of northern Mongolia, within trucking distance to the rail terminals at Baganuur (to the west) or Choybalsan (to the east).

(ii) Haranga Resources has acquired a 100% interest in the Khundlun Project and has a commitment of one further payment to maintain this interest.

(iii) The Khundlun iron occurrence was trenched in 1989 and encountered a broad magnetite rich zone.

(iv) Khundlun was surveyed during due diligence and found to contain a large and highly promising magnetic anomaly with a number of associated outcrops.

(v) Rock chip samples taken during Haranga Resources' due diligence assayed up to 66% magnetite (52% Fe).

(vi) 8,800 metre drill program planned to commence post IPO.

(d) Tumurtei Khudag Project (ELs 13544X and 14907X)

(i) Two Exploration Licences cover a significant area of 577km^2 in the Dundgobi Province of southern Mongolia, 150km from the rail terminal at Choyr.

(ii) Haranga Resources has acquired a 51% interest in the Tumurtei Khudag Project with an option to increase to 80%.

(iii) The Khar Toirom iron occurrence on the Tumurtei Khudag project area was recently discovered and a rock chip sample assaying 51.5% Fe was reported.

(iv) The Khar Toirom occurrence was surveyed during due diligence and found to contain a number of highly promising magnetic anomalies with numerous associated outcrops.

(v) Rock chip samples taken during Haranga Resources' due diligence assayed up to 86% magnetite (60% Fe) in an area associated with some of the magnetic anomalies.

(vi) Khar Toirom represents a small surveyed part within this project area and an 8,000 metre drill program is planned to commence post IPO.

(e) Sumber Project (EL 14568X)

(i) Exploration Licence covers 65km^2 in the South Gobi region, less than 50km from the Chinese border crossing at Hangi Mandal and adjacent to the iron ore deposit at Agaruut, currently being developed by Chinese interests.

(ii) Haranga Resources has acquired a 75% interest in the Sumber Project with an option to increase to 100% on or before 15 September 2013.

(iii) Recent geological mapping during due diligence discovered three previously unknown iron ore occurrences on the Licence.

(iv) Comprehensive magnetic survey and rock chip sampling program planned to commence post IPO.

4. KEY RISKS

The risk factors associated with an investment in the Company are outlined in Section 12. You should consider these risks before deciding on whether to apply for Shares under this Prospectus. A summary of some of the key risks include:

(a) Limited History of the Company and its Projects

The agreements entered into by the Company in relation to the exploration permits and exploration claims in which the Company has an interest (**Tenements**) are at an early stage of exploration, and potential investors should understand that iron ore exploration and development are high-risk undertakings.

No project that the Company has an interest in has a JORC resource. Further exploration is required to determine whether the Company's projects contain any economically viable mineral deposits.

There can be no assurance that exploration of the Tenements, or any other tenements that may be acquired by the Company in the future, will result in the discovery of an economic ore deposit or JORC Code resource classification.

Even if an apparently viable mineral deposit is identified, there is no guarantee that it can be profitably exploited.

(b) Exploration Target Estimates

Exploration targets and other estimates of iron ore occurrences, including those contained in this Prospectus, are expressions of judgment based on knowledge, experience and industry practice. Often these estimates were appropriate when made but may change significantly when new information becomes available. There are risks associated with such estimates, including that iron ore mined may be of a different quality, tonnage or strip ratio from the estimates. Exploration target estimates are necessarily imprecise and depend to some extent upon interpretations, which may ultimately prove to be inaccurate and require adjustment.

(c) No JORC Compliant Resource

No project that the Company has an interest in has a JORC resource. Further exploration is required to determine the extent of the Company's viable mineral deposits.

There can be no assurance that exploration of the Tenements, or any other tenements that may be acquired by the Company in the future, will result in the discovery of a JORC Code compliant resource.

(d) Operating Risks

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of operational factors including things such as extreme climatic conditions which restrict the period within which exploration, appraisal and possibly production activities may take place.

(e) The Company is experiencing a period of rapid growth and may not be able to manage its growth effectively

The Company is experiencing a period of rapid growth and expansion that will place significant demands on management personnel, systems and resources. To accommodate this growth, the Company may need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of accounting and other internal management systems, all of which would require substantial management effort and significant additional expenditures. There can be no assurance that the Company will be able to manage its growth effectively, and failure to do so may have a material adverse effect on the business, prospects, financial condition and results of operations.

(f) Sovereign and Political Risks Associated with Operating in Mongolia

The Company's interests in projects are located in Mongolia.

Holding projects in a young democratic country which is experiencing a transition to a market economy presents a certain level of uncertainty and risk.

The Mongolian Parliament has previously passed laws that may restrict or limit the Company's operations or make them uneconomic. These include laws that impose the right of the Mongolian State to participate in 'mineral deposits of strategic importance'. Should the Company's exploration activities lead to economically viable mineral deposits, there is a risk that the Mongolian State may seek to acquire an interest in those deposits. Furthermore, there is a risk that the Mongolian Parliament may attempt to pass further laws that may prejudicially affect the Company's operations.

(g) Legal Risks Associated with Operating in Mongolia

The Company's Mongolian operations are subject to the jurisdiction of Mongolia's courts. The legal system operating in Mongolia is developing which may result in risks such as:

(i) political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation, or in an ownership dispute;

(ii) a higher degree of discretion on the part of governmental agencies;

(iii) the lack of political or administrative guidance on implementing applicable rules and regulations including, in particular, as regards local taxation and property rights; or

(iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions.

The commitment to local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business.

In the case where the Company disputes the actions of the State with regard to its Tenements, it is unlikely that the Company would be successful in raising a claim in Australian courts for reasons of comity or the doctrine of sovereign immunity.

(h) Title Risks Associated with the Mongolian Projects

There are a number of conditions that the Company must satisfy with respect to the Mongolian licences it has an interest in, including minimum expenditure and annual reporting requirements to keep the Company's licences in good standing. There is a risk that the Company may not be able to satisfy these requirements, in which case the Company may forfeit title to those licences.

Specifically the Company notes the following with respect to the Mongolian licences it has an interest in (for more information refer to Sections 10 and 11 of the Prospectus):

(i) if the Company fails to make the payment of the ongoing consideration detailed in the cooperation agreement between the Company and Geotrass LLC (this agreement is detailed in Section 13.1 of the Prospectus), there is a risk that the Company may be in breach of this agreement and may have to return its 60% interest in the five (5) exploration licences 11334X, 11335X, 11336X, 11337X and 11338X to Geotrass LLC and the Company will no longer have an interest in these licences;

(ii) if the Company fails to make the payment of the ongoing consideration detailed in the cooperation agreement between the Company and Orchlon Ord LLC (this agreement is detailed in Section 13.2 of the Prospectus), there is a risk that the Company may be in breach of this agreement and may have to return its 75% interest in exploration licence 14198X to Orchlon Ord LLC and the Company will no longer have an interest in this licence;

(iii) if the Company fails to make the payment of the ongoing consideration detailed in the cooperation agreement between the Company and Khukh Kharkhiraa LLC (this agreement is detailed in Section 13.3 of the Prospectus), there is a risk that the Company may be in breach of this agreement and may have to return its 100% interest in exploration licence 13867X to Khukh Kharkhiraa LLC and the Company will no longer have an interest in this licence;

(iv) if the Company fails to make the payment of the ongoing consideration detailed in the cooperation agreement between the Company and Sumber Erdene Orgil LLC (this agreement is detailed in Section 13.5 of the Prospectus), there is a risk that the Company may be in breach of this agreement and may have to return its 75% interest in exploration licence 14568X to Sumber Erdene Orgil LLC and the Company will no longer have an interest in this licence;

(v) delays in obtaining all necessary approvals and permits may jeopardise the economic viability of a project. As highlighted in Section 11 of the Prospectus, there have been no delays in obtaining any approval or permits of any licence in which the Company has an interest in;

(vi) EL 14198X will need to be renewed prior to 24 September 2011 (date of grant was 24 September 2008), EL 13867X will need to be renewed prior to 9 July 2011 (date of grant was 9 July 2008), EL 13544X will need to be renewed prior to 15 April 2011 (date of grant was 15 April 2008), EL 14907X will need to be renewed prior to 15 April 2011 (date of grant was 15 April 2008) and EL 14568X will need to be renewed prior to 12 December 2011 (date of grant was 12 December 2008). According to the provisions of Articles 19.8 and 24.1.4 of the Law on Minerals of Mongolia, an exploration licence holder has the right to renew the licence two times for an additional three (3) year period, i.e. the holder of the relevant licence can possess the licence for up to nine (9) years from the first date of issuance of the licence;

(vii) all licence fees have been paid for the year 2010-2011 as required by the Revised Minerals Law (**MLM**). The MLM requires that licence fees for subsequent years shall be payable annually in advance, on or before the anniversary date of the issuance date of the licence (MLM, Article 34.2).

The failure to pay the licence fees within the specified period can be legal grounds for possible revocation (MLM, Article 56.1.2);

(viii) all necessary environmental reclamation funds for 2010 have been paid. If the holder of the licence fails to fund the necessary environmental reclamation funds, this failure can be the legal ground for the suspension of exploration activities for up to two (2) months and the possibility of revocation of its licence;

(ix) all the exploration plans for 2010 are complete and the exploration reports for 2010 have all been filed. The MLM requires that exploration plans be submitted to MRA within thirty (30) days after the issue date of the licence and be submitted within the second quarter of that year starting from the second year (MLM, Article 48.1.1; Regulation of MRA on Receiving Exploration Work Plans, 9 September 2009). As a consequence of the failure to submit the necessary exploration plans, an administrative penalty can be imposed on the licence holder (MLM, Article 66.1.2);

(x) the environmental protection plans have been filed. The failure to develop and submit the environmental plan and report can be legal grounds for the suspension of exploration activities for up to two (2) months and the possibility of revocation of those licences;

(xi) there are no registered pledges with MRA on the licences as of 25 October 2010; and

(xii) according to the cadastral registry, none of the licences overlap with special purposes designation areas and state special protection areas.

(i) Uncertainties Regarding VAT Reimbursement and Possible Revisions to the Mongolian Royalty Fee System Could Adversely Affect the Company's Financial Position

A value-added tax at a rate of 10% is payable in respect of all goods sold, work performed and services provided within Mongolia. Value-added tax is also payable in respect of goods imported into Mongolia and in respect of certain service fee payments made by Mongolian taxpayers to non-resident service providers. If a legal entity is registered as a value-added taxpayer, it can obtain credits for such tax paid to its suppliers of goods and services and can use such credits to offset value-added, or other taxes owed in Mongolia. However, the Value-Added Tax Law provides certain conditions which can limit the ability of a legal entity to register as a value-added taxpayer.

Additionally, the Value-Added Tax Law was recently amended to exempt all sales of mineral products with the exception of exported "finished mineral products". Under the aforementioned amendments to the Value-Added Tax Law, the Government of Mongolia is to determine the types of "finished mineral products," however no such classification is available as of this date. Effective as of 21 July 2009, any VAT paid by the producer of mineral products cannot be claimed back – i.e., the producer is deemed to be the end-user and must bear the burden of VAT paid to produce such products. Finished products that are exported are, however, zero-rated and VAT paid to produce such products may be claimed back. There can be no assurance that iron ore will be deemed a "finished mineral product" that would allow the Company to obtain a VAT reimbursement.

(j) The PRC Government may Impose Restrictions on Mongolian Iron Ore

While the PRC government has not imposed any restrictions on imports of Mongolian iron ore, there can be no assurance that restrictions will not be directly or indirectly implemented in the future. The PRC government may do so for a number of reasons, including but not limited to, a policy to support domestic PRC iron ore producers.

(k) Co Existence Rights

Some of the Tenements that the Company holds an interest in, or has a right to acquire an interest in, are limited to the right to explore and mine iron ore. This means that other entities may have the right to explore and mine other minerals on the Tenements and such activities may adversely impact on the Company's exploration on those Tenements.

(l) Joint Venture Parties, Contractors and Contractual Disputes

The Company is a party to a joint venture in respect of some of its interests in projects in Mongolia. The Company is thereby reliant upon its joint venture participants complying with their obligations.

With respect to this issue, the Directors are unable to predict the risk of:

(i) financial failure or default by a participant in any joint venture to which the Company may become a party; or

(ii) insolvency or other managerial failure by any of the operators and contractors used by the Company in its exploration activities; or

(iii) insolvency or other managerial failure by any of the other service providers used by the Company or its operators for any activity.

(m) Infrastructure

Several of the Mongolian licences the Company has an interest in (or right to acquire an interest in) are located in areas that lack access to basic infrastructure including roads, electricity, running water and health and emergency services.

The lack of infrastructure may impact negatively on the economic viability of any deposits discovered by the Company in other regions and may require the Company to negotiate access to existing infrastructure and/or invest substantial amounts on the upgrade of existing infrastructure of development of new infrastructure.

(n) The Company has Limited Insurance Coverage which may Not Be Sufficient to Cover All Potential Losses

Exploration (and possible development operations) on mineral properties involve numerous risks and hazards and the current Mongolian insurance industry offers limited insurance coverage. As a result, the Company may have to pay out for financial and other losses, damages and liabilities, including those caused by fire, weather, disease, civil strife, industrial strikes, breakdowns of equipment, difficulties or delays in obtaining raw materials and equipment, natural disasters, terrorist incidents, industrial accidents or other causes. The Company also does not have any business interruption insurance or third party liability insurance other than motor vehicle insurance. Any business disruption or natural disaster may result in substantial costs and diversion of resources. Losses incurred or payments which may be required to be made may have a material adverse effect on the Company's business, prospects, financial condition and results of operations to the extent such losses or payments are not insured or the insured amount is not adequate.

(o) Environmental Risk

The Company's interests in projects are subject to Mongolian laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mining projects, these projects would be expected to have a variety of environmental impacts should development proceed.

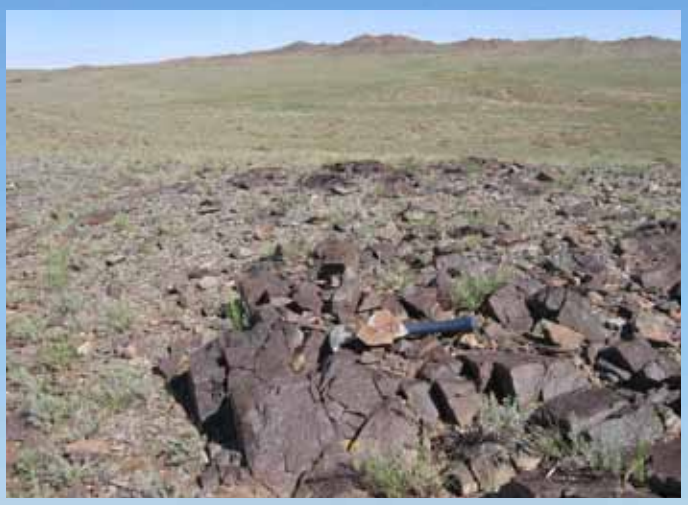
As noted in Section 10, the Mongolian Parliament has passed the Water Basin Law which attempts to prohibit mineral exploration and/or mining in river basins and forested areas. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by the Company's activities will be rehabilitated as required by applicable laws and regulations.

(p) Currency

Any revenue generated by the Company is expected to be in US$ while its cost base would be expected to be in A$, Mongolian National Tugrik (**MNT**) and US$. Consequently the cross exchange rates for these currencies will have an impact on the Company's expected earnings in A$.

The cross exchange rates are affected by numerous factors beyond the control of the Company.

These factors include Australia's, Mongolia's and the USA's economic conditions and the outlook for interest rates, inflation and other economic factors. These factors may have a positive or negative effect on the Company's exploration, project development and production plans and activities, together with the ability to fund those plans and activities.



5. INVESTMENT OVERVIEW

5.1 Important Notice

This Section is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

5.2 Summary of the Offer

By this Prospectus, the Company invites investors to apply for 125,000,000 Shares at an issue price of 20 cents each to raise $25,000,000.

5.3 Indicative Timetable

Lodgement of Prospectus with the ASIC	9 November 2010
Opening Date	17 November 2010
Closing Date	5.00pm WST on 3 December 2010
Despatch of Holding Statements	6 December 2010
Expected date for listing on ASX	10 December 2010

5.4 Purpose of the Offer and Use of Proceeds

The purpose of this Offer is to:

(a) fund exploration of the Company's interests in the Tenements and satisfy funding obligations pursuant to acquisition and joint venture agreements to earn into projects;

(b) provide for general working capital; and

(c) provide funds for the assessment and possible acquisition of new projects.

On completion of the Offer, the Board believes the Company will have sufficient capital to achieve these objectives.

It is intended to apply funds raised from the Offer in the two years after listing on ASX as follows (all figures below in A$):

Item	Year 1	Year 2	Total
Acquisition costs (to earn interests in projects)[1]	3,888,889	3,333,333	7,222,222
Exploration and project evaluation[2]	4,330,777	6,275,556	10,606,333
Expenses of issue[3]	1,708,000	—	1,708,000
Administration costs, working capital and new projects	2,572,334	2,891,111	5,463,445
Total	**12,500,000**	**12,500,000**	**25,000,000**

Notes:

[1]These figures are assumed on an exchange rate of AU$1=US$0.90. Refer to Section 13 for a summary of the material agreements that give rise to these payments.

[2] Funds allocated to exploration will ensure minimum requirements are met under agreements. Please refer to Sections 7 and 13 of the Prospectus and the INDEPENDENT GEOLOGIST'S REPORT for further details and summaries of material agreements.

[3]Refer to Section 14.10 for further details.

The above table is a statement of current intentions as of the date of lodgement of this Prospectus with the ASIC. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

5.5 Capital Structure

The capital structure of the Company following completion of the Offer is summarised below:

Shares	Number
Shares on issue at date of Prospectus	61,750,002
Shares now offered	125,000,000
Total Shares on issue at completion of the Offer[1]	**186,750,002**

Options	Number
Options issued to Directors[2]	12,750,000
Options issued to CPS Securities, Azure Capital, Employees and Consultants of the Company and/or their Nominees[3]	15,750,000
Options now offered	Nil
Total Options on issue at completion of the Offer[2]	**28,500,000**

Notes:

[1] Refer to Investigating Accountant's Report for further information.

[2] Refer to Section 14.2 and 14.3 for a summary of the terms and conditions of these options.

[3] Refer to Section 14.3 for a summary of the terms and conditions of the options.

5.6 Restricted securities

Subject to the Company being admitted to the Official List, certain of the securities on issue may be classified by ASX as restricted securities and will be required to be held in escrow for such time as prescribed by ASX.

6. DETAILS OF THE OFFER

6.1 The Offer

By this Prospectus, the Company offers for subscription 125,000,000 Shares at an issue price of 20 cents each to raise $25,000,000.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

6.2 Applications

Applications for Shares offered under this Prospectus must be made using the Application Form.

Payment for the Shares must be made in full at the issue price of 20 cents per Share. Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares. Completed Application Forms and accompanying cheques must be mailed to:

Haranga Resources Limited
PO Box 826 WEST PERTH WA 6872

Or delivered to:

Haranga Resources Limited
Level 1, 33 Richardson Street WEST PERTH WA 6005

Cheques should be made payable to "Haranga Resources Limited – Share Offer Account" and crossed "Not Negotiable". Completed Application Forms must reach one of the above addresses by no later than the Closing Date.

The Company reserves the right to close the Offer early.

6.3 Oversubscriptions

The Company will not accept oversubscriptions.

6.4 Allotment

Subject to ASX granting conditional approval for the Company to be admitted to the Official List and the Company raising the minimum subscription under the Offer (being the full subscription), allotment of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date. Prior to allotment, all application monies shall be held by the Company on trust. The Company, irrespective of whether the allotment of Shares takes place, will retain any interest earned on the application monies.

The Directors, in consultation with the Joint Lead Managers, reserve the right to allot Shares in full for any application or to allot any lesser number or to decline any application. Where the number of Shares allotted is less than the number applied for, or where no allotment is made, the surplus application monies will be returned by cheque to the applicant as soon as practicable after the allotment date.

6.5 Joint Lead Managers to the Offer

Cunningham Peterson Sharbanee Securities Pty Ltd trading as CPS Securities (Australian Financial Services Licence Number 294848) and Azure Capital Limited are the Joint Lead Managers to the Offer. The terms of the appointment of CPS Securities as Joint Lead Manager and Broker to the offer is summarised in Section 13.8 of this Prospectus. No additional fees are payable by the Company to Azure Capital Limited for acting as Joint Lead Manager to the Offer.

6.6 Dividend Policy

The Company anticipates that significant expenditure will be incurred in the evaluation and development of the Company's projects. These activities are expected to dominate the two year period following the issue of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.

6.7 ASX Listing

The Company will apply to ASX within seven (7) days after the date of this Prospectus for admission to the Official List and for Official Quotation of the Shares offered under this Prospectus. If ASX does not grant permission for Official Quotation of the Shares within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, all applications will be dealt with in accordance with the Corporations Act.

6.8 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify these Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained.

6.9 Minimum Subscription

The minimum subscription in respect of the Offer is $25,000,000, being the full subscription.

If the minimum subscription has not been raised within 4 months after the date of this Prospectus, the Company will either repay the application monies to Applicants or issue a supplementary or replacement prospectus to allow Applicants one month to withdraw their Application and be repaid their application money. No interest will be paid on this money.

6.10 Underwriter

The Offer is not underwritten.

6.11 Commissions on Application Forms

The Company reserves the right to pay a commission of 5% (inclusive of goods and services tax) of amounts subscribed to any licensed securities dealers or Australian Financial Services licensee in respect of valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian Financial Services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian Financial Services licensee.

6.12 CHESS

The Company will apply to participate in the Clearing House Electronic Subregister System (CHESS). CHESS is operated by ASX Settlement and Transfer Corporation Pty Ltd (ASTC), a wholly owned subsidiary of ASX, in accordance with the Listing Rules and the ASTC Settlement Rules.

Under CHESS, the Company will not issue certificates to investors. Instead, Share and Option holders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASTC will send a CHESS statement.

6.13 Risk Factors

Prospective investors in the Company should be aware that subscribing for Shares the subject of this Prospectus involves a number of risks. These risks are set out in Section 12 of this Prospectus and investors are urged to consider those risks carefully (and if necessary, consult their professional adviser) before deciding whether to invest in the Company.

The risk factors set out in Section 12, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Shares. Accordingly, an investment in the Company should be considered speculative.

6.14 Forecast Financial Information

Given the speculative nature of mineral exploration and development and the fact the Company is in an early stage of exploration, there are significant uncertainties associated with forecasting future revenues and expenses of the Company. On this basis and after considering Regulatory Guide 170, the Directors believe that reliable financial forecasts for the Company cannot be prepared and accordingly have not included financial forecasts in this Prospectus.

6.15 Privacy Statement

If you complete an application for Shares, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers; regulatory bodies, including the Australian Taxation Office; authorised securities brokers; print service providers; mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

7. COMPANY OVERVIEW, DIRECTORS AND CORPORATE GOVERNANCE

7.1 Company Overview

The Company was incorporated on 15 December 2009 and was formed with the aim of acquiring and exploring iron ore projects in Mongolia.

The Company operates in Mongolia through its subsidiary company Haranga Iron LLC, a Mongolian incorporated company. Haranga Iron LLC holds the Company's shares in the jointly-owned or wholly-owned Mongolian subsidiaries that both operate the projects and hold title to the project licences for each of the Company's five projects.

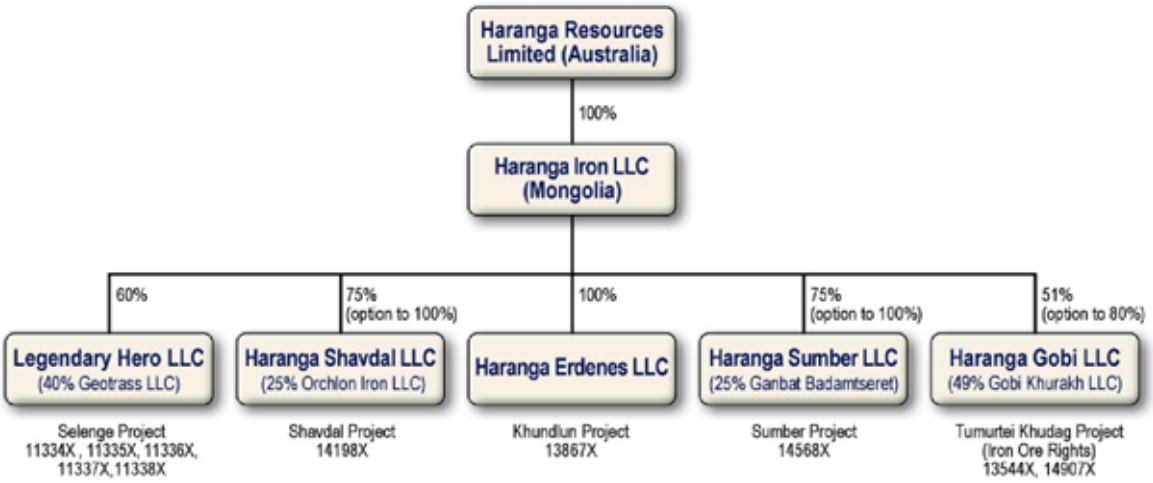


Figure: Haranga Resources Company Structure

Mongolia hosts numerous known iron ore deposits located throughout the country and large parts of the country remain significantly underexplored. The most common type of iron ore deposit in Mongolia is magnetite skarn, although some predominantly haematite deposits have been reported in the far west of the country. Some Mongolian magnetite skarn deposits are of high enough grade to be 'direct shipped' to end users (50-60% Fe content) but the existing Mongolian mines that produce a lower grade ore upgrade to a saleable product by crushing and screening, followed by magnetic separation if required.

The two best known iron ore regions in the country are Selenge province, in the north of the country (directly north of the capital Ulaanbaatar) and Sukhbaatar province in the southeast. Both provinces contain one known operating iron ore mine and a handful of promising developments. Selenge contains the larger known deposits and benefits from easy access to Ulaanbaatar and the nearby trans-Mongolian Railway. Sukhbaatar is well situated close to northern Chinese steel mill demand but currently lacks direct rail access.

Other iron ore deposits are scattered throughout the country, including the large Tayan Nuur mine in Gobi Altai in the west, but for the most part, isolated location and lack of infrastructure has delayed mine development up to this point. To date, no major iron ore deposits have been discovered in the south Gobi region, although some private Chinese companies are producing iron ore from smaller deposits in that region and trucking the output over the border for sale in China.

Haranga Resources intends to commence iron ore exploration on selected Mongolian iron ore projects in late 2010, others will commence in 2011. Through a series of acquisitions and joint ventures (for further details refer to the material contracts summaries contained in Section 13 of the Prospectus), the Company has established majority interests in a diverse portfolio of highly prospective projects within the eastern half of Mongolia, including the premier iron ore provinces of Selenge and Sukhbaatar.

The Company's projects can presently all be characterised as early stage. The projects are:

(a) Selenge Project (ELs 11334X, 11335X, 11336X, 11337X and 11338X) in Selenge Province, northern Mongolia. The Company has, through Haranga Iron LLC, acquired a 60% interest in the company that holds these licences. The Company has a commitment of further staged payments and will sole fund exploration on this project until completion of a feasibility study on the licences.

(b) Shavdal Project (EL 14198X) in Sukhbaatar Province, southeastern Mongolia. This licence has been transferred to a 75% owned subsidiary of Haranga Iron LLC and the Company has an option to take its ownership to 100%.

(c) Khundlun Project (EL 13867X) in Hentii Province, northeastern Mongolia. This licence has been entirely acquired by the Company as it has been transferred into a 100% owned subsidiary of Haranga Iron LLC. The Company has a commitment of one further payment to complete this purchase.

(d) Tumurtei Khudag Project (ELs 13544X and 14907X) in Dundgobi Province, in the mid-Gobi region of southern Mongolia. The Company has acquired a 51% interest in the iron ore rights on these licences. The Company has an option to take its interest to 80%.

(e) Sumber Project (EL 14568X) in Dornogobi Province, southern Mongolia. This licence has been transferred to a 75% owned subsidiary of Haranga Iron LLC and the Company has an option to take its ownership to 100%.

The Company's proposed expenditure and acquisition costs in respect of these projects are summarised below and further referred to in the Independent Geologist's Report included in Section 8.

	Year 1 AUD	Year 2 AUD	Total AUD	Year 1 USD	Year 2 USD	Total USD
1. Acquisition Costs						
Selenge	2,222,222	3,333,333	5,555,555	2,000,000	3,000,000	5,000,000
Shavdal	555,556	-	555,556	500,000	-	500,000
Khundlun	222,222	-	222,222	200,000	-	200,000
Tumurtei Khudag	333,333	-	333,333	300,000	-	300,000
Sumber	555,556	-	555,556	500,000	-	500,000
Total Acquisition Costs	**3,888,889**	**3,333,333**	**7,222,222**	**3,500,000**	**3,000,000**	**6,500,000**
2. Exploration Expenditure						
Selenge	1,993,889	2,658,222	4,652,111	1,794,500	2,392,400	4,186,900
Shavdal	690,333	1,149,556	1,839,889	621,300	1,034,600	1,655,900
Khundlun	545,889	790,000	1,335,889	491,300	711,000	1,202,300
Tumurtei Khudag	573,666	721,111	1,294,777	516,300	649,000	1,165,300
Sumber	527,000	956,667	1,483,667	474,300	861,000	1,335,300
Total Exploration Expenditure	**4,330,777**	**6,275,556**	**10,606,333**	**3,897,700**	**5,648,000**	**9,545,700**

Table: Acquisition and Exploration Expenditure by Project

The Company's strategy is to explore and develop high quality iron ore deposits located, where possible, in proximity to established mining operations and to current or planned infrastructure to allow access to potential markets.

The Company's management team has nearly 100 years of combined experience in the commercial and natural resource industries. The board includes a Chairman and Company Secretary who have both been instrumental in the success of other ASX listed Mongolian resource companies and a Mongolian national, Mr Achit-erdene Darambazar who resides permanently in Mongolia and is also the founding director of a highly successful Mongolian investment bank. The Company intends to exploit these networks in the pursuit of complementary opportunities within Mongolia.

Investors are encouraged to read the Independent Geologist's Report in Section 8 of this Prospectus, the Solicitor's Report in Section 11 and the Material Contracts summary in Section 13 for further information pertaining to the Tenements in which the Company has acquired an interest. Investors should also carefully consider the risk factors set out in Section 4 and Section 12.

7.2 Directors and Management

Mr Matthew Wood
Chairman

Mr Wood has more than 18 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, most recently in Mongolia. Mr Wood's expertise is in project identification, negotiation, acquisition and corporate development. He has a BSc 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.

Mr Wood is currently a director of ASX-listed Hunnu Coal Limited, Avanco Resources Limited, Signature Metals Limited, Copper Range Limited, Laguna Resources NL and Voyager Resources Limited. Mr Wood is a member of the AusIMM.

Mr Wood was previously a director of Iberian Resources Limited, Black Range Minerals Limited, Elk Petroleum Limited, Kasbah Resources Limited, Overland Resources Limited and Bellamel Mining Limited.

Dr Robert Wrixon
Managing Director

Dr Wrixon has 15 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 which produces 32 million tonnes of seaborne export thermal coal per annum.

Prior to joining Haranga Resources, Dr Wrixon was Managing Director of the ASX listed uranium exploration company Uranio Limited (now Manhattan Corporation Limited).

Originally from Ireland, Dr Wrixon now holds dual Australian and Irish citizenship.

Mr Kell Nielsen
Exploration Director

Kell Nielsen is a geologist with 19 years experience covering a variety of commodities including gold, base metals, iron ore, phosphate and coal throughout Australia as well as Africa and North America. Mr Nielsen has performed in diverse roles from grass roots exploration through to managing large resource development teams for Placer Dome and consulting to BHP Billiton's iron ore and coal divisions as a Team Leading Consultant for Snowden Mining Consultants. Mr Nielsen also held the position of Technical Director at Peak Resources Limited at a time that saw the company move its portfolio base from Western Australia to Tanzania, including the acquisition of the Ngualla rare earth elements and phosphate project in Tanzania.

Mr Nielsen is currently Managing Director of Voyager Resources, a Mongolian focused gold and base metals exploration company. He studied geology at Macquarie University in Sydney and is a member of the AusIMM.

Mr Timothy Flavel
Non Executive Director and Joint Company Secretary

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

Mr Flavel is currently a Director of Hunnu Coal Limited, Signature Metals Limited, Copper Range Limited and Voyager Resources Limited. Mr Flavel is also company secretary of Hunnu Coal Limited, Copper Range Limited and Voyager Resources Limited.

Mr Achit-Erdene Darambazar
Non Executive Director

Mr Darambazar is Founder and President of Mongolia International Capital Corporation (MICC), Mongolia's first and leading investment bank serving clients across all sectors of the Mongolian economy. Mr Darambazar has consistently distinguished himself as a pioneer within the Mongolian financial sector and has completed over a dozen public and private placement transactions for Metals and Mining clients in Mongolia, including financing of some of the largest mines in Mongolia.

Mr Darambazar earned his Master's Degree in International Relations from Columbia University and his Bachelor's Degree from Middlebury College in the USA.

Mr Jason Peterson
Non Executive Director

Mr Peterson has more than 16 years of experience in the financial advisory sector, which he obtained by working in both local and international stockbroking companies such as Patersons, Tolhurst, and Merrill Lynch. Mr Peterson specialises in corporate structuring, capital raisings, corporate and strategic advice to small and medium size companies and reverse takeovers.

Mr Peterson holds a Bachelor of Commerce degree from Curtin University in Australia and a Graduate Diploma of Finance from FINSIA (Financial Services Institute of Australia)/SDIA (Securities & Derivatives Institute of Australia). Mr Peterson is a Senior Client Advisor and a Director of stockbroking firm, CPS Securities.

Mr Angus Caithness
Joint Company Secretary

Mr Caithness is a Chartered Accountant, member of the Financial Services Institute of Australasia and is currently the Chief Financial Officer of Hunnu Coal Limited.

He was previously an Executive Director at Ernst & Young and has been providing assurance and transaction advisory services across the international resources community within established and emerging markets for over 10 years.

In particular he has been a specialist advisor to mining companies in emerging markets looking to list on the London Stock Exchange. These have included Kazakhmys Plc, Gem Diamonds Ltd, Hochschild Mining Plc and Ferrous Resources Ltd.

7.3 Directors' Deeds of Indemnity

The Company intends to enter into deeds of indemnity and access with each of its Directors (**Deeds**) following listing of the Company on ASX.

Pursuant to these Deeds, the Company will indemnify each Director to the extent permitted by the Corporations Act against any liability arising as a result of the Director acting as an officer of the Company. The Company will be required under the Deeds to maintain insurance policies for the benefit of the relevant Director for the term of the appointment and for a period of 7 years after the relevant Director's retirement or resignation.

The Deeds will also provide for the Director's right of access to Board papers.

7.4 Corporate Governance

The Company's main corporate governance policies and practices are outlined below:

(a) Board of Directors

The Company's Board of Directors is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

(i) maintain and increase shareholder value;

(ii) ensure a prudential and ethical basis for the Company's conduct and activities; and

(iii) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

(i) developing initiatives for profit and asset growth;

(ii) reviewing the corporate, commercial and financial performance of the Company on a regular basis;

(iii) acting on behalf of, and being accountable to, the Shareholders; and

(iv) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

(b) Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

(i) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and

(ii) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board membership, but an informal assessment process, facilitated by the Chairman in consultation with the Company's professional advisors, has been committed to by the Board.

(c) Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

(d) Remuneration arrangements

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is the subject of a Shareholder resolution in accordance with the Company's Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director.

The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

(e) External audit

The Company in general meeting is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

(f) Audit committee

The Company will have an audit committee charter and due to the size and nature of activities the function of the audit committee will be undertaken by the full Board.

(g) Identification and management of risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

(h) Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

Full details of the corporate governance policies adopted by the Board can be found on the Company's website, www.haranga.com.

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Website:
www.xstractgroup.com

This report has been prepared by

Xstract Mining Consultants Pty Ltd ("Xstract") on behalf of Haranga Resources Limited ("Haranga").

Issued by:	Xstract Brisbane Office
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Date:	3 November 2010
Prepared by:	Trevor Ellice – Senior Consultant Geology Michael Tyndall – Senior Consultant Corporate Services
Peer Reviewed by:	Jeames McKibben – GM and Principal Consultant Corporate Services

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GLOSSARY

Abbreviation or Term	
%	Percent, percentage
°C	Degrees Celsius
AIG	Australian Institute of Geoscientists
Alluvial	Sediment deposited by flowing water, as in a riverbed, flood plain or delta.
Andesite	An extrusive igneous, volcanic rock of intermediate composition between basalt and dacite dominated by plagioclase plus pyroxene and/or hornblende
Aeromagnetic survey	A common type of geophysical survey carried out using a magnetometer aboard or towed behind an aircraft
ASIC	Australian Securities and Investments Commission
ASL	Above sea level
ASX	Australian Securities Exchange
AusIMM	Australasian Institute of Mining and Metallurgy
Aymag	Province of Mongolia
Basalt	A dark, fine grained mafic extrusive rock.
B	Billion
Bt	Billion tonne(s)
Calcareous	Mostly or partly composed of calcium carbonate or containing lime or being chalky
Cambrian	A geological time period spanning from 544 million to about 500 million years ago
Carbonate	Minerals and rocks made chiefly of carbonate minerals and dominated by the carbonate ion, CO_3
Carboniferous	A geological time period spanning from 345 to 285 million years ago.
CIS	the Commonwealth of Independent States
Coal	A solid brittle, stratified, combustible carbonaceous rock, formed by partial to complete decomposition of vegetation. Varies in colour from dark brown to black.
Conglomerate	A rock consisting of individual clasts within a finer-grained matrix that have become cemented together
Copper porphyry	Copper ore bodies which are associated with porphyritic intrusive rocks and the fluids that accompany them during the transition and cooling from magma to rock
Craton	An old and stable part of the continental lithosphere
Cretaceous	A geological time period ranging from 65 to 135 million years ago.
Dacite	An igneous, volcanic rock intermediate in compositions between andesite and rhyolite
Devonian	A geological time period spanning from 416 to 360 million years ago
Diamond drilling	A method of exploratory drilling to extract core samples using a diamond encrusted drill bit
dmt	Dry metric tonne
Dolostone	A sedimentary carbonate rock that contains a high percentage of the mineral dolomite
DP	Democratic Party
EL	Exploration licence
Fe	Iron
Felsic	Comprising silicate minerals, magma, and rocks which are enriched in the lighter elements such as silicon, oxygen, aluminium, sodium and potassium
Fluorite	A halide mineral composed of calcium fluoride, CaF2.
Foreign Investment Law	The Foreign Investment Law of Mongolia 1993

Fraser Survey	The Fraser Institute Annual Survey of Mining Companies 2008/2009
Gabbro	A large group of dark, coarse-grained, intrusive mafic igneous rocks chemically equivalent to basalt
GDP	Gross domestic product
Granite	A common and widely occurring type of intrusive, felsic, igneous rock.
Granitoids	Suite of felsic plutonic rocks
Granodiorite	An intrusive igneous rock similar to granite, but containing more plagioclase than potassium feldspar.
GPS	Global positioning system
Greenschist	Metamorphic and/or altered mafic volcanic rock with abundant green chlorite, actinolite and epidote minerals
ha	Hectare(s)
Haranga	Haranga Resources Limited
ILAC	International Laboratory Accreditation Cooperation
IMF	International Monetary Fund
Intrusive	Body of rock formed under the surface of the earth as magma and pushes up into the existing country rock
Iron ore	Rocks and minerals from which metallic iron can be economically extracted.
JORC Code	2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Jurassic	Geological time period from 199.6 to 145.5 million years ago
km	Kilometre(s)
km²	Square kilometre(s)
Lenticular	Relating to lenses or lensoid in shape
Limestone	A sedimentary rock consisting mainly of calcium that was deposited by the remains of marine animals
Loam	A rich soil consisting of a mixture of sand and clay and decaying organic materials
m	Metre(s)
m³	Cubic metre(s)
mASL	Metres above sea level
Ma	Million years
Magnetite	A ferromagnetic mineral with chemical formula Fe3O4
MCLG	Mongolian Central Laboratory of Geology
Melanges	A large-scale breccia –type body of rock characterized by a lack of continuous bedding and the inclusion of fragments of rock of all sizes
Mesozoic	Geological time period from 251 – 65.5 million years ago
Meta-andesite	Metamorphosed andesite
Metamorphism	The solid-state recrystallisation of pre-existing rocks due to changes in physical and chemical conditions, primarily heat, pressure, and the introduction of chemically active fluids
Metasomatic	Chemical alteration of a rock by hydrothermal and other fluids
Mineral Resource	A concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories
ML	Mining licence

Molybdenum	Silvery white metal that can withstand extreme heat and is used in steel alloys
mm	Millimetre(s)
MNT	Currency, Mongolian "Tugrik"
MPRP	Mongolian People's Revolutionary Party
MRAM	Mineral Resources Authority of Mongolia
Mt	Million tonne(s)
Mtpa	Million tonnes per annum
Neoproterozoic	An Era in geologic time from 1,000 to 542 million years ago
NSO	National Statistics Office of Mongolia
OECD	Organisation for Economic Development and Co-operation
Oligocene	A geological time period within the Tertiary period spanning from 40 million to 25 million years ago.
Ophiolites	A section of the Earth's oceanic crust and the underlying upper mantle that has been uplifted or emplaced to be exposed within continental crustal rocks
Ordovician	A geological time period from 500 million to 425 million years ago
Orogenic Belt	Long tracts of highly deformed rock formed as a result of forces and events leading to a severe structural deformation of the earth's crust due to the engagement of tectonic plates
oz	Ounce(s)
Palaeogene	Span of time between 65 and 23 million years ago
Palaeozoic	Span of time between 542 and 251 million years ago
Permian	A geological time period from 280 to 225 million years ago.
Phyllite	A type of foliated metamorphic rock primarily composed of quartz, sericite mica, and chlorite; the rock represents a gradation in the degree of metamorphism between slate and mica schist
Pliocene	The period in the geologic timescale that extends from 5.3 million to 2.6 million years before present
Plutonic	An intrusive igneous rock (called a plutonic rock) body that crystallised from magma slowly cooling below the surface of the Earth
Pyritised	Containing pyrite
Pyrite	An iron sulfide with the formula FeS2
Precambrian	Span of time between 4500 and 542 million years ago
Quaternary	A geological time period dating from about 2 million years ago to present.
Rhyolite	A fine grained volcanic rock which has the same composition as granite
Rhyodacite	An extrusive volcanic rock intermediate in composition between dacite and rhyolite
RD	Relative density. Density relative to water (1,000 kg/m3)
Sandstone	A sedimentary rock consisting of sand consolidated with some cement (clay or quartz etc.)
Schist	A group of medium-grade metamorphic rocks, chiefly notable for the preponderance of lamellar minerals such as micas, chlorite, talc, hornblende, graphite, and others
Sedimentary	Formed by sedimentation of material at the Earth's surface and within bodies of water. The collective name for processes that cause mineral and/or organic particles (detritus) to settle and accumulate or minerals to precipitate from a solution.
Serpentinite	A rock formed by hydration and metamorphic transformation of ultramafic rock from the Earth's mantle.
Skarn	A metamorphic rock which forms by chemical metasomatism of rocks during metamorphism in the contact zone of magmatic intrusions like granites with carbonate-rich rocks such as limestone or dolomite

Siltstone	A rock composed chiefly of silt hardened by heat, pressure, or cementation.
Silurian	A geological time period dating from about 440 to 416 million years ago
t	Tonne(s)
Terrigenous	Derived on land as opposed to the marine environment.
Triassic	A geological time period from 225 to 195 million years ago.
Tuff	Rock continuing fragments of other rocks and minerals sourced from eruptive volcanic action.
Turbidites	Geological formations have their origins in turbidity current deposits, which are deposits from a form of underwater avalanche that are responsible for distributing vast amounts of clastic sediment into the deep ocean
Ultramafic	Igneous and meta-igneous rocks with very low silica content (less than 45%)
US$	Currency, United States Dollars
USGS	United States Geological Survey
VALMIN Code	2005 edition of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Volcanic	Rocks formed from the solidification of lava extruded on or erupted at the earth's surface.
Volcaniclastic	Sedimentary rocks containing material of volcanic origin.
Wolframite	An iron manganese tungstate mineral
Xstract	Xstract Mining Consultants Pty Ltd

1 Executive Summary

Xstract Mining Consultants Pty Ltd ("Xstract") has prepared an Independent Geologist's Report ("IGR") on certain iron ore assets held by Haranga Resources Limited ("Haranga") located in Mongolia. This report will be included in a Prospectus to be lodged with the Australian Securities and Investments Commission ("ASIC") for Haranga's proposed listing on the Australian Securities Exchange ("ASX"). Xstract understands that the funds raised will be directed towards future exploration and development of Haranga's Mongolian projects.

Xstract has concluded from its review of Haranga's Mongolian iron ore projects that they are of merit and worthy of further exploration. The principal findings of Xstract's technical review of Haranga's iron ore projects are summarised as follows:

Selenge Project

The Selenge Project contains a number of exploration prospects at varying stages of assessment. One of the most advanced prospects is the iron occurrence at Bayantsogt. Here, skarn style alteration of a granitic precursor rock has resulted in a zone of iron mineralisation that has been exposed in trenching and tested by diamond drilling. While exploration completed to date is insufficient to report a Mineral Resource, Xstract supports Haranga's estimated exploration target of between 5 to 9 million tonnes ("Mt") grading between 25 and 30% Fe per 100 vertical metres.

The Huiten Gol prospect has been explored by detailed trenching and drilling over a localised area. Xstract notes that the main magnetic geophysical anomaly zone in the area has received only limited previous exploration. Haranga considers that there is potential for an exploration target in this area of between 6 Mt and 12 Mt at grades ranging from 30 to 40% Fe per 100 m vertically. Xstract considers the methodology used by Haranga to be valid, it relies on assumptions detailed in the body of this report and on the prospect's proximity to known mineralisation.

There are several other early stage prospects near Bayantsogt, lying within the Dartsagt area, that have been identified by local scale geophysical (magnetic) surveys. The prospects are known as Dund Bulag, Undur Ukhaa, and Ulunt and are prospective for potentially economic quantities of magnetite. This view is based on the presence of similar magnetic geophysical anomalies to that at Bayantsogt and the occurrence of outcropping magnetite at surface which has been tested by rock chip geochemical sampling.

Outside of the Dartsagt area, but still within Haranga's licences, several other magnetic geophysical anomalies have been previously identified and remain to be tested. In addition, the Selenge licences cover a large area within a known iron ore region and less than 35% of the ground held by Haranga has been subject to geophysical surveying, suggesting there remains considerable potential for further discoveries.

Shavdal Project

The Shavdal Project covers a high grade surface outcrop of magnetite, which is associated with a distinct, magnetic geophysical anomaly which remains to be adequately tested by drilling. Surface rock chip geochemical sampling has confirmed the high grade nature of the magnetite at the project and Xstract supports Haranga's exploration target of between 18 Mt to 20 Mt at grades ranging from 50 to 65% Fe. This exploration target relies on assumptions detailed in the body of this report and has not been confirmed by drilling.

Any discovery at Shavdal will also benefit from the prospect's location close to labour sources, urban infrastructure, and planned rail infrastructure.

Khundlun Project

Magnetite-bearing quartzite units outcrop at surface and are traceable for over 500 m at the Khundlun prospect. This iron occurrence is associated with a magnetic anomaly identified from a ground geophysical survey conducted by Haranga. Based on the lateral extents of this magnetic anomaly and the results of recent rockchip geochemical sampling, Haranga has estimated an exploration target of between 2 Mt and 8 Mt of magnetite-bearing quartzite rock per 100 vertical meters occurs at Khundlun, assuming the occurrence is continuous in the subsurface. Having reviewed the supporting technical data, Xstract concurs with Haranga's assessment and consider that the ongoing exploration of this project is justified.

Tumurtei Khudag Project

Recent exploration has identified iron outcrops which have returned high grade rock chip assays. Furthermore, Xstract notes that recent geophysical (magnetic) surveys have identified several large geophysical anomalies which remain to be adequately tested and are worthy of further exploration.

Sumber Project

A previous geological review of the Sumber project concluded that there is potential for a significant magnetite occurrence. Given the prospect's close proximity to potential Chinese customers and the region's metal endowment, as indicated by the presence of other mines in the area, Xstract considers that further exploration is warranted.

The statements relating to exploration targets, as outlined above, rely on the various assumptions (as detailed in the main body of this report) and thus such estimates are conceptual in nature. Importantly at all of Haranga's projects there has been insufficient exploration to define a Mineral Resource in accordance to the 2004 JORC Code and it remains uncertain whether further exploration will result in the determination of such a Mineral Resource.

Xstract considers that Haranga's Selenge project offers excellent potential for iron mineralisation and should be the focus of the company's initial exploration efforts. This view is based on the size of the targets delineated to date, the results from previous exploration, the endowment of the surrounding region (in particular the existing iron ore mine) and the project's proximity to existing and planned infrastructure. Furthermore, Xstract also recommends that Haranga's Shavdal property be given elevated priority for drill testing based on the results of exploration to date which have outlined a high quality magnetite occurrence and coincident magnetic geophysical anomaly.

Haranga's Mongolian efforts are managed by a small but experienced development team under the guidance of senior mining executives with extensive networks, knowledge, and operating experience in the Mongolian mining industry. Haranga's management team has a proven history of successful project acquisition, exploration, mining and project management.

As part of its acquisition agreements, Haranga has committed to certain expenditures and work programmes until 2012 as presented in Table 1-1.

Licence	Exploration Expenditure (US$)			Work Programme
	Year 1	Year 2	Total	
Selenge	1,794,500	2,392,400	4,186,900	2,600 line km geophysics, 36,200 m drilling
Shavdal	621,300	1,034,600	1,655,900	580 line km geophysics, 13,000 m drilling
Khundlun	491,300	711,000	1,202,300	540 line km geophysics, 8,800 m drilling
Tumurtei Khudag	516,300	649,000	1,165,300	500 line km geophysics, 8,100 m drilling
Sumber	474,300	861,000	1,335,300	1,250 line km geophysics, 9,300 m drilling
Total	**3,897,700**	**5,648,000**	**9,545,700**	**5,470 km geophysics, 75,400 m drilling**

Table 1-1: Summary of Haranga's Exploration Expenditure and Work Commitments

Exploration in Mongolia is primarily costed in US$. Haranga's A$ forecasts (Sec 7.1) use an exchange rate of A$1=US$0.90.

Haranga's ultimate success in discovering and developing exploration targets within its project areas will depend largely upon the skills of its exploration team. In Xstract's opinion, Haranga has developed an impressive exploration team with local operating expertise. Furthermore, Xstract considers the Company's exploration strategy is justified and the proposed programme of expenditure to be warranted.

2 Introduction

China's increasing demand for steel making raw materials led the directors of Haranga to found a private, Mongolian focused exploration and development company in mid-2009, which was subsequently incorporated in March 2010. Since that time, the company has identified and consolidated a portfolio of exploration tenements it considers to be prospective for high quality iron mineralisation located in proximity to the country's existing and planned rail and road transport infrastructure. Haranga is now seeking to list on the ASX in order to fund future exploration and potential development of its iron ore properties.

Upon achieving admission to the ASX, Haranga intends to create value for its shareholders through the discovery, exploration and economic evaluation of any such iron deposits within the Company's wholly owned or joint ventured projects in northern, eastern, central and southern Mongolia.

Haranga's principal focus is on the exploration of iron deposits potentially capable of supporting export operations into the North Asia region, with a particular emphasis on China. Although Mongolia's iron ore production is not as prominent as for other commodities (i.e. copper and coal), the country and sector continues to receive increased attention based on a combination of:

- Improved investor sentiment
- The country's perceived mineral endowment
- A paucity of previous exploration and development in the bulk commodities sector
- Proposed infrastructure developments, including the expansion of the Darkhan metallurgical works and the construction of new railway networks
- The planned privatisation of State held assets
- The upcoming listing of similar (although much larger) assets on other international markets.

The location of Haranga's exploration licences are shown in Figure 2-1 while a summary of the licences and exploration commitments as advised by Haranga is provided in Table 2-1.

Project Name	EL No.	Partner or Vendor	Signed	Total Area (ha)	Haranga's Interest	Exploration Commitment US$
Selenge	11334X, 11335X, 11336X, 11337X, 11338X	Geotrass LLC	5 Oct 2010	57,756	60%	1,794,500 in Year 1 2,392,400 in Year 2
Shavdal	14198X	Orchlon Ord LLC	8 Sep 2010	6,620	75%*	621,300 in Year 1 1,034,600 in Year 2
Khundlun	13867X	Khukh Kharkhiraa LLC	20 Jul 2010	2,564	100%	491,300 in Year 1 711,000 in Year 2
Tumurtei Khudag	13544X, 14907X	Gobi Khurakh LLC	23 Aug 2010	57,714	51%^	516,300 in Year 1 649,000 in Year 2
Sumber	14568X	Sumber Erdene Orgil LLC	15 Sep 2010	6,467	75%*	474,300 in Year 1 861,000 in Year 2
			Total	**131,121**		

**option to increase to 100% ^option to increase to 80%*

Table 2-1: Haranga's Exploration Licences

Exploration in Mongolia is primarily costed in US$. Haranga's A$ forecasts (Sec 7.1) use an exchange rate of A$1=US$0.90.

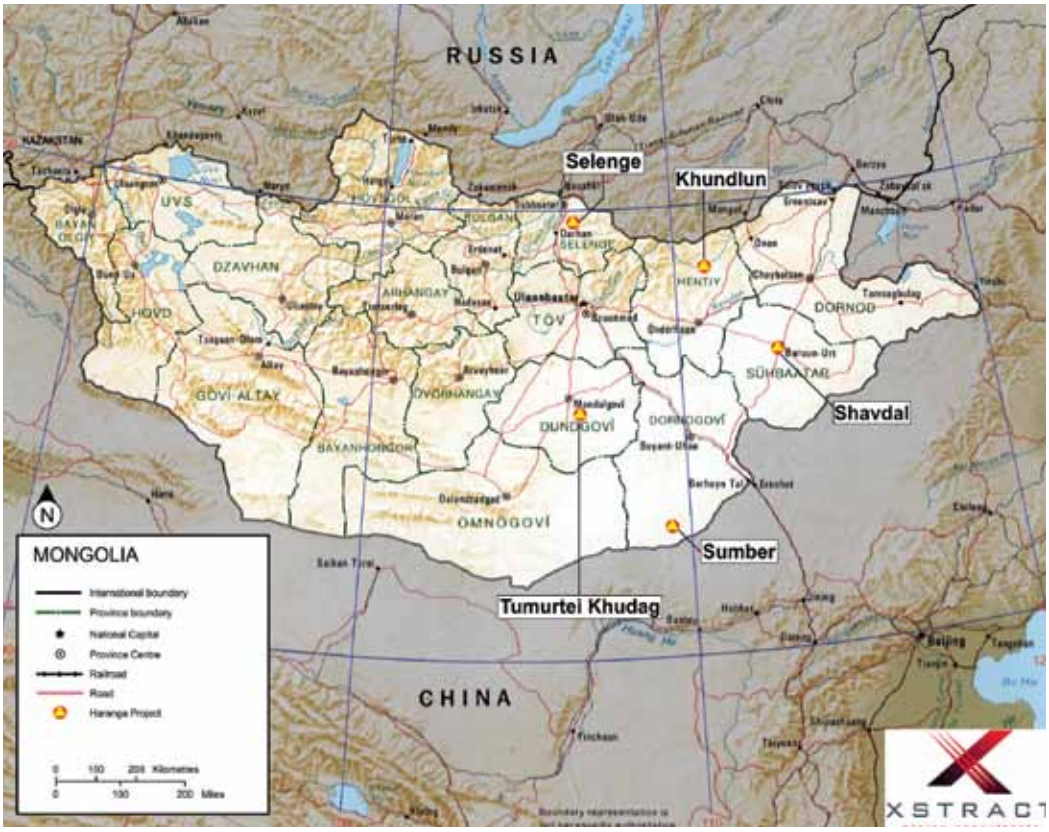


Figure 2-1: Location of Haranga's Projects in Mongolia

Figure 3-1: Location of Mongolia – Source: http://www.nationsonline.org/oneworld/map/mongolia_map2.htm

3 Overview of Mongolia

3.1 Introduction

Mongolia, along with China, eastern Russia, North and South Korea and Japan comprise the North Asia region, one of the most densely populated and fastest growing areas in the world. It contains about one-quarter of the world's population and boasts a total economic size above US$13 trillion. China is the central core of economic development and its surrounding neighbours consider China as their main trading partner. Despite its land locked stature, the emerging Mongolian economy offers a favourable location relative to key Chinese markets.

Mongolia is the sixth largest country in Asia and one of the largest land locked countries in the world covering a total area exceeding 1,564,000 square kilometres ("km^2"). Approximately half of Mongolia's 8,220 kilometres ("km") border is shared with the Russian Federation to the north and the remainder with China to the east, south and west. Figure 3-1 shows Mongolia's position relative to its nearest neighbours and the location of key transportation links throughout the country.

Mongolia's terrain comprises vast semi-desert and open grasslands (or steppes) which pass into mountains in the west and southwest. Forests occupy only 10% of the country, mainly as conifers growing on north-facing slopes. The Gobi Desert covers 33% of the country, predominantly in the south. It is one of the highest countries in the world with an average altitude of 1,580 metres above mean sea level ("mASL"). Huiten Uul in the west at 4,653 mASL is the highest peak in the country, while Lake Huh at 560 mASL is the lowest point. The elevation of Mongolia's capital, Ulaanbaatar, is 1,350 mASL.

With a population of 3.041 million (July 2010 estimate), Mongolia has one of the lowest population densities in the world. The traditional nomadic lifestyle of Mongolians has changed recently to be more urbanised, with currently more than 50% of the population living in cities. Mongolians have an average life expectancy of 68 years and with more than 97% of the population over 15 able to read and write, it has one of the highest literacy rates in the world.

The country experiences a continental, desert climate characterised by extreme seasonal variations in temperature (-40 to +40°C) and an average of 250 sunny days a year. The country is subject to high wind conditions that alleviate the effects of the summer's heat, but can result in severe wind chills during the winter months. The high winds can also affect light aircraft movements, particularly over the Gobi Desert. The country's average annual precipitation is under 100 millimetres ("mm"), with most rain recorded during the months of July and August which can give rise to localised flash flooding.

The country has about 49,000 km of roads, of which 92.75% are dirt roads. Outside the cities, the roads form a system of multiple dirt tracks extending from village to village across the steppes. In reality, virtually all areas are accessible by vehicle.

Railway transportation plays a dominant role in the Mongolian transportation industry, with approximately 1,835 km of railway present within the country. The main line connects Mongolia with the Trans-Asian Railway network by the Zamin Uud – Ulaanbaatar – Darkhan – Sukhbaatar corridor, over a total length of 1,110 km. The railway gauge is 1.52 m. Figure 3-2 shows the existing and planned railway infrastructure of Mongolia in relation to Haranga's projects and the country's iron ore mines and known deposits.

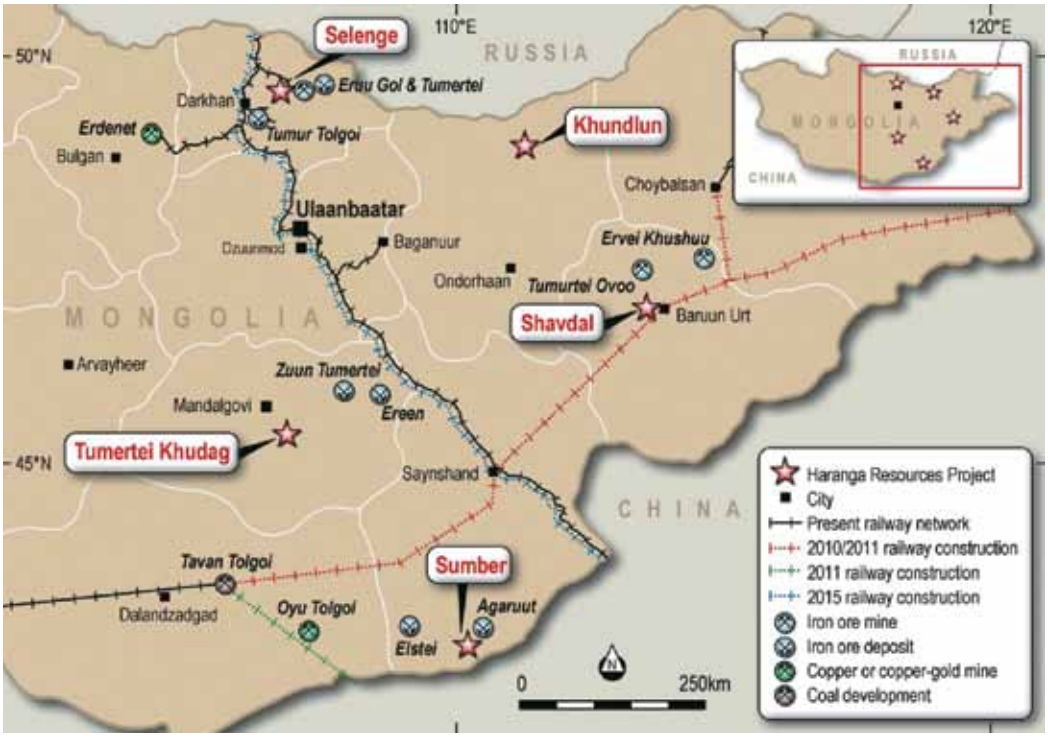


Figure 3-2: Location of Current and Proposed Railway Infrastructure Relative to Haranga's Projects
Note: Railway construction plans as per Mongolian Parliament Act #32, June 2010

The only operating waterway is at Lake Hovsgol in the north of the country, which extends over a length of approximately 135 km. The Selenge River (270 km) and the Orhon River (175 km) are navigable but carry little traffic. Lakes and rivers freeze in winter but are open from May to September.

Mongolia has 13 nature reserves, the largest of which is the Great Gobi Reserve that covers an area of about 5 million hectares ("ha").

3.2 Political and Economic Climate

3.2.1 Political Overview

Mongolia is a thriving democracy with over 30 political parties and an elected government. It is a parliamentary republic, whose Constitution was declared in January 1992 after 70 years of Soviet-style single-party rule. Supreme legislative power is vested in the unicameral State Great Hural (Parliament), comprised of 76 members, elected for a four-year term by popular vote. The Great Hural recognises the President upon popular election and subject to the President's agreement the Prime Minister and members of the Cabinet are appointed.

The President is Head of State and Commander-in-Chief of the Armed Forces, while the Prime Minister is Head of Government. The current President is Tsakhiagiin Elbegdorj, who was elected on 24 May 2009. The Prime Minister is Sükhbaataryn Batbold who has been Head of Government since 29 October 2009.

There are two major political parties that emerged from Mongolia's 1990 democracy movement and they are:

- the Mongolian People's Revolutionary Party ("MPRP") that evolved from the Communist single-party government; and
- the Democratic Party ("DP").

In the five parliamentary elections since 1992, power has alternated between the two major parties, or the two parties have formed grand coalition governments.

On 29 June 2008, Parliamentary elections were held in Mongolia. With widespread allegations of illegal actions, a peaceful demonstration on 1 July 2008 escalated into a riot, in which five people were killed. A subsequent DP boycott prevented the Parliament from convening for two months, with a quorum of two-thirds required to swear in new members of Parliament. Eventually, the MPRP offered to share power with the DP in a grand coalition with ministerial appointments divided 60:40 between the MPRP and DP. Disputes and appeals delayed the announcement of a number of seats, with the result that the last remaining seat was delivered to the President on 24 September 2009, giving the MPRP 45 seats, the DP 28 seats and minor parties and independents three seats.

The judiciary consists of the Supreme Court, the Provincial Court and People's Courts.

Politically, Mongolia is divided into 21 Provinces (Aymguud, singular: aymag) and one municipality (Ulaanbaatar).

3.2.2 Economy

Mongolia's economy remains small with the total Gross Domestic Product ("GDP") at approximately US$5 billion ("B"), with US$9.45 B in purchasing power parity, equivalent to approximately US$1,800 per capita.

Economic activity in Mongolia was traditionally based on herding and agriculture, which still remains important for employment and income of rural residents. However, in recent years mining has overtaken agriculture as the dominant industry in terms of value. Exports are the primary driver of the Mongolian economy and represent about half of the country's nominal GDP. Mongolia remains heavily dependent on its neighbours, with China accounting for 73.1% of exports and Russia providing the majority of the country's petroleum imports. Figure 3-3 and Figure 3-4 present Mongolia's GDP by industry and its mineral exports.

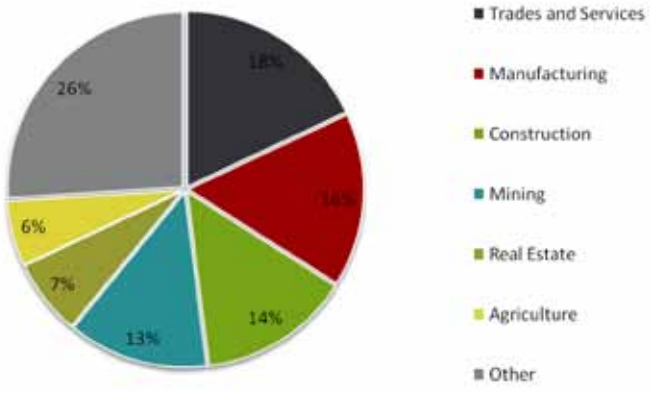


Figure 3-3: GDP by Industry (Source: Golomt Bank – October 2010)

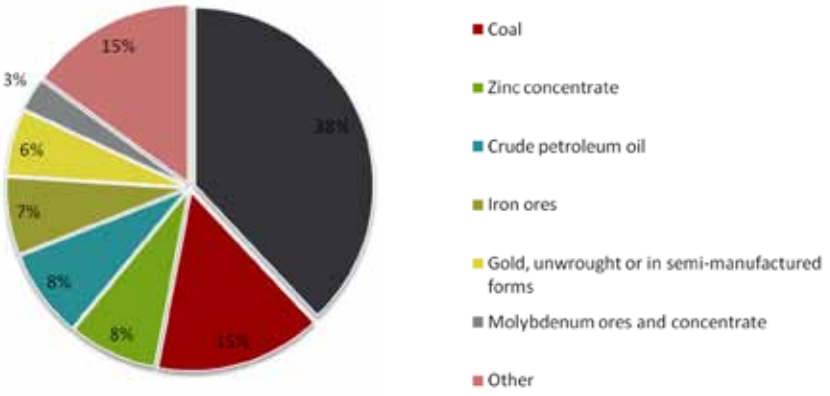


Figure 3-4: Mongolia's Natural Resource Exports (Jan to Feb 2010) (Source: Frontier Securities)

Between 2004 and 2008, Mongolia experienced strong economic growth, averaging almost 9% per year as a result of high copper prices and new gold production. This coincided with a soaring inflation rate, which reached nearly 40% in 2008. The deterioration in the global economy and falling commodity prices since late 2008 has helped lower inflation, but has also resulted in reduced government revenues and spending cuts. Key sectors have stalled, especially those fuelled by foreign investment. As a result GDP was expected to grow by only 2.7% in 2009 after 8.9% growth in 2008 and 10.2% growth in 2007. In response to the crisis, Mongolia negotiated a stand-by loan with the International Monetary Fund, on the condition that it met a budget financing gap of US$204 M before the loan was released. For this, Mongolia sought international donor assistance.

The number of Mongolians living below the poverty line[1] has averaged 40% for the last decade, which is reflected in a high unemployment rate of 14%. The rural population is particularly vulnerable, a fact that has been highlighted by the severe winter disasters in recent years. Although the poverty rate has recently dropped to 35%, poverty reduction remains a priority of the Mongolian government and the International Monetary Fund.

Recently, much attention has been paid to the country's vast mineral potential, with sizeable deposits of coal, copper, fluorite, gold, iron ore, lead, molybdenum, oil, phosphates, tin, uranium and wolframite recorded.

On 25 August 2009, the Mongolian Parliament approved legislation – including the repeal of a Windfall Profits Tax, effective 1 January 2011 – that should help to create a more certain environment for prospective resource industry investors. On 6 October 2009, the Mongolian Government signed an investment agreement for the massive Oyu Tolgoi copper and gold mine. Prospective revenues from Oyu Tolgoi are estimated at US$3 billion, about half of Mongolia's present GDP. Production is expected to commence in 2013.

3.3 Geology and Mineral Resources

During Mongolia's communist past, joint Russian/Mongolian geological prospecting teams identified and delineated more than 500 mineral deposits throughout the country. However, due to Mongolia's underdeveloped infrastructure, only some 15% of the country has reportedly been geologically mapped. This provides an exciting opportunity for the current wave of mineral explorers, developers and mining companies as they seek to further understand and ultimately capitalise on the country's significant mineral potential.

Mongolia lies along the eastern margin of a complex geological domain which extends for over 5,000 km from northeastern Asia to the Ural Mountains in western Russia and ranges between 1,000 and 2,000 km in width. This domain is one of the largest accretionary terranes on Earth and is known as the Central Asian Orogenic Belt (or Altaids). It is bound by the Siberian Craton to the north and by the Tarim and Sino-Korean Cratons to the south.

The Central Asian Orogenic Belt is composed of a series of accreted terranes and micro-platelets that range in age from the Proterozoic (2,500 million years ("Ma")) to Early Mesozoic (200 Ma). The belt evolved through a complex tectonic history of collision, accretion, rifting and faulting, resulting in the formation of Island and Andean-type magmatic arcs, rifted basins, accretionary wedges and numerous regional and local-scale faults and shear zones.

Accompanying the Central Asian Orogenic Belt is a vast distribution of Palaeozoic and Mesozoic granitic intrusions. These granitoids vary widely in composition (from calc-alkaline to alkaline to per-alkaline series) and age mainly between 500 Ma and 100 Ma, but only a small proportion of plutons have been precisely dated.

Although previous geologists and explorers have defined 44 geological terranes within the country (Figure 3-5), in its simplest form Mongolia can be subdivided into a northern and southern domain separated by the so-called Main Mongolian Lineament. This arcuate, east-west trending structure broadly separates dominantly Precambrian and Lower Palaeozoic rocks in the north from dominantly Lower to Upper Palaeozoic rocks to the south.

[1] The poverty line is defined as Mongolian Tugrik (MNT) 25.000 or USD $20 per month

The northern domain is characterised by metamorphic rocks of Precambrian and Lower Palaeozoic age, Neoproterozoic ophiolites, and Lower Palaeozoic volcanic and volcaniclastic sedimentary units. In addition there are many granitic intrusive (of various ages and compositions), Devonian to Carboniferous sedimentary units and Permian-aged volcanic to plutonic belts with associated marine and non-marine sediments.

The southern domain is dominated by Lower to Middle Palaeozoic volcanic and volcaniclastic rocks with fragments of ophiolites and serpentinite mélanges. Silurian to Permian aged limestone, turbidites and volcanic rocks are also reported. Numerous Mesozoic granitic bodies have intruded rocks of the southern domain and are in turn overlain by Upper Jurassic to Cretaceous marine volcanic and sedimentary rocks indicative of a basin and range style rifting event.

Consequently, Mongolia possesses a diverse assemblage of geological environments and a similar diversity in types and styles of mineralisation. Within Mongolia there are over 6,000 known occurrences/ deposits of 80 different minerals. The most economically significant of these are base metals, copper, gold, fluorite, and coal.

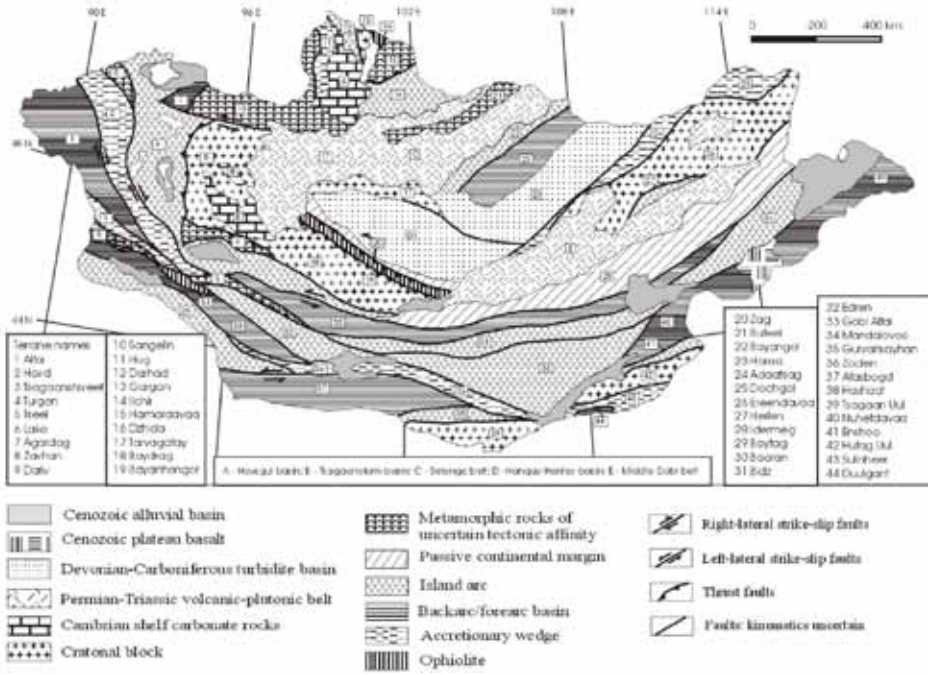


Figure 3-5: Simplified Geology of Mongolia (After Badarch and others 2002)

3.3.1 Metal Provinces

Mongolia's key metal provinces occur throughout the northern, central, and southern parts of the country and are characterised by multiple mineral occurrences and deposits including:

- copper porphyries (with associated gold or molybdenum) of late Palaeozoic to early Mesozoic-age
- ultramafic intrusive related copper-nickel deposits of unknown age
- Palaeozoic to Mesozoic-aged strata-bound copper
- mid to late Mesozoic lead-zinc skarn, pipe and vein deposits and sandstone hosted uranium mineralisation.

The most economically important mineralisation styles evident within Mongolia are epithermal veins, porphyries and placers for gold, porphyries for copper and molybdenum, skarns for lead and zinc, volcanogenic-sedimentary for iron, coal seam for coal, epithermal veins for silver and fluorspar, pegmatitic for rare earth elements and sandstone for uranium.

3.3.2 Iron Ore in Mongolia

Location

In 2004, the Mongolian Ministry of Industry and Trade produced a map (Figure 3-6) showing the distribution of the country's iron occurrences clustered together into 14 separate, districts identified by the numbers I to XIV. The Mongolian Ministry of Industry and Trade identified the main deposits to be located towards the northeast of Ulaanbaatar containing approximately 370 Mt iron ore. These deposits were given the names Tumurtei, (not related to Haranga's Tumurtei Khudag project), Bayangol (or Eruu Gol), Tumur Tolgoi and Khust Uul (located near Eruu Gol). Other moderate grade iron deposits were also identified and located mainly in southeastern Mongolia and include the Tayan Nuur, Tumurtei Ovoo, Ervei Khoshuu and Bargilt deposits (shown along with other occurrences in Figure 3-6). The average grade of the Mongolian iron deposits was reported to be approximately 45% Fe, one exception being the large Tumurtei deposit which averaged a reported grade of 51.5% Fe.

In 2009, the Mineral Resources Authority of Mongolia ("MRAM") estimated that Mongolia registered iron production for that year was almost 1.4 Mt.

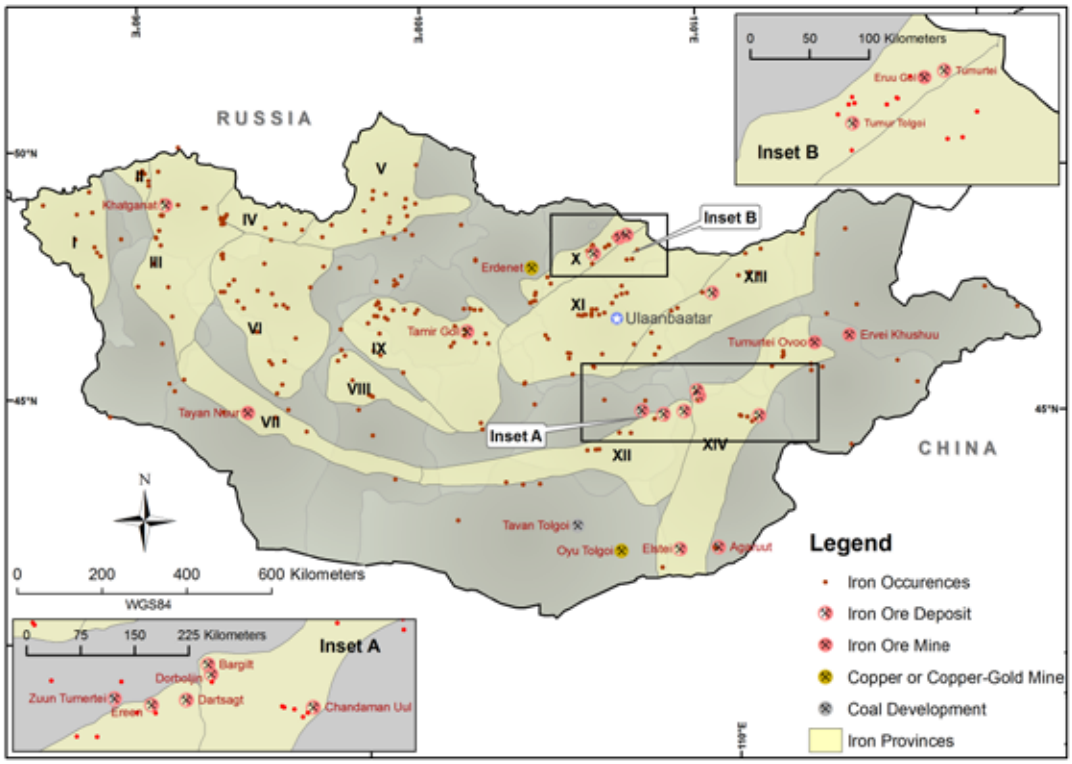


Figure 3-6: Mongolian Iron Ore Occurrences – Source: Ministry of Industry and Trade

Mongolia's National Mineral Inventory

In 2009, Mongolia's top four mineral commodities, as shown in Table 3-1, were estimated by Mongolia's National Statistics Office ("NSO") and the MRAM.

Mineral Commodity	Estimate
Coal (Mt)	172,000
Copper (kt)	1,267,300
Gold (t)	125,136
Iron ore (kt)	1,864,000

* Defined by NSO and MRAM

Table 3-1: Resource Estimates for Mongolia's Top Four Mineral Commodities

In 2009, according to the United States Geological Survey ("USGS"), Mongolia accounted for approximately 0.2% of the world's crude iron inventory with an estimated mineable inventory of 264 Mt. Mongolia's standing relative to other major iron producing nations is outlined in Table 3-2 and Figure 3-7.

Iron ore	Million tonnes
United States	6,900
Australia	20,000
Brazil	16,000
Canada	1,700
China	22,000
India	7,000
Iran	2,500
Kazakhstan	8,300
Mauritania	700
Mexico	700
Russia	25,000
South Africa	1,000
Sweden	3,500
Ukraine	30,000
Venezuela	4,000
Mongolia*	264
Other Countries	10,736
World Total	160,300

* NSO & MRAM 2009

Table 3-2: Global Iron Inventory as at 2009 – Source: USGS, 2010

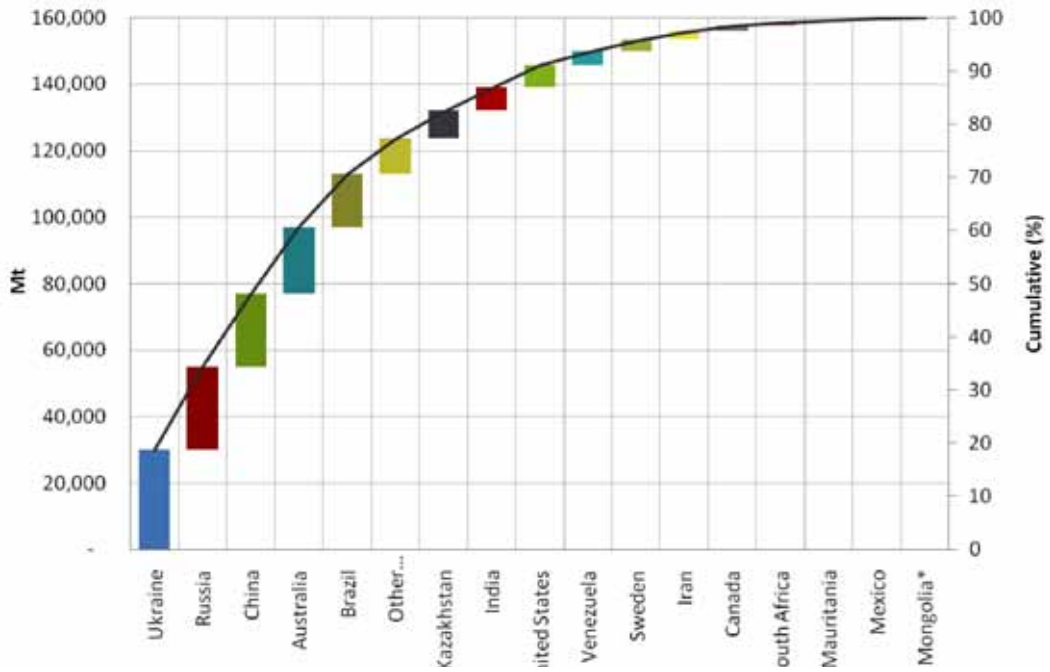


Figure 3-7: Cumulative World Iron Inventory for 2009

MRAM compiled national production figures for Mongolia by commodity for the period 2004 to 2009. These are listed in Table 3-3.

Commodity	2004	2005	2006	2007	2008	2009
Fluorite (kt)	206.7	233.4	239.4	245	219.1	344.2
Fluorite concentrate (kt)	102.7	93.7	108.3	109.9	115.7	115.3
Copper (kt)	130.0	126.3	129.7	130.2	126.8	129.8
Copper cathode (kt)	2.4	2.5	2.6	3.0	2.6	2.5
Copper cast (kt)	-	0.2	0.2	-	-	-
Molybdenum concentrate (kt)	1.1	1.2	1.4	2.0	1.8	2.4
Molybdenum oxide (kt)	-	-	0.2	2.7	2.1	0.2
Tin concentrate 50% (kt)	0.0	0.0	-	0.0	0.1	0.0
Tungsten concentrate 68% (kt)	0.1	0.1	0.2	0.2	0.1	0.0
Zinc concentrate (wet, kt)	-	22.8	109.9	154.7	143.6	156.5
Coal (kt)	6,665.0	7,517.1	8,074.1	9,237.6	9,691.6	13,164.0
Gold (t)	19.0	22.0	21.0	18.0	15.0	10.0
Iron (kt)	33.5	167.7	180.0	265.1	1,387.4	1,379.0

Table 3-3: Mining Production by Commodity – Source: MRAM

The main Mongolian iron ore mining operations are described as follows and can be referred to in Figure 3-2 and Figure 3-6.

- **The Bayangol/Eruu Gol mine** controlled and owned privately by Lung Ming Investment Holdings and Dornyn Gobi LLC, located in Selenge Province near the city of Darkhan.
- **The Ervei Khoshuu mine** held by Erven Khuder (a private limited company and subsidiary of the Monzol group of companies). The project is located approximately 110 km northeast of Baruun Urt, the capital of the Sukhbaatar Province in southeastern Mongolia and currently supplies iron concentrate to China. In 2008, production was expanded to approximately 0.5 million tonnes per annum ("Mtpa").
- **The Tayan Nuur mine** is located in southwestern Mongolia, 168 km northeast of the Mongolia-China border in the Govi-Altai Province. The project is in early stage production and is infrastructure constrained, where production is limited to 2,700 t per day (approx 1 Mtpa) using truck deliveries.

Other iron ore projects and developments, subject to negotiation, are:

- Hong Kong Stock Exchange listed North Asia Resources Holdings Limited's ("North Asia Resources") Oyut Ovoo project is a high-grade iron and copper deposit located 270 km west of the city of Choyr, the capital of the Govisumber Province in south-central Mongolia. Choyr Station is located on the Trans-Mongolian Railway. The main property comprises an area of 12.01 km^2 and includes a JORC Code compliant Mineral Resource of 148.9 Mt with an average grade of approximately 40% Fe. In November 2009, North Asia Resources entered into a Transportation Agreement, an Off-take Agreement and a Choyr Docking Agreement with China Railway Mongolia.
- A mining and exploration permit held by private company, Taishen Development LLC, for two iron mines located approximately 60 km and 35 km from Choyr in Dundgovi and Dornogovi Provinces respectively. The mining permit was issued by the Mongolian authorities for thirty years from 22 February 2007.
- In July 2009, the Mongolia Energy Corporation acquired 2,986 ha of ferrous metal concessions in the province of Bayan-Ölgii in Western Mongolia. The property consists of one tenement and is valid for a nine year period.

3.3.3 Market

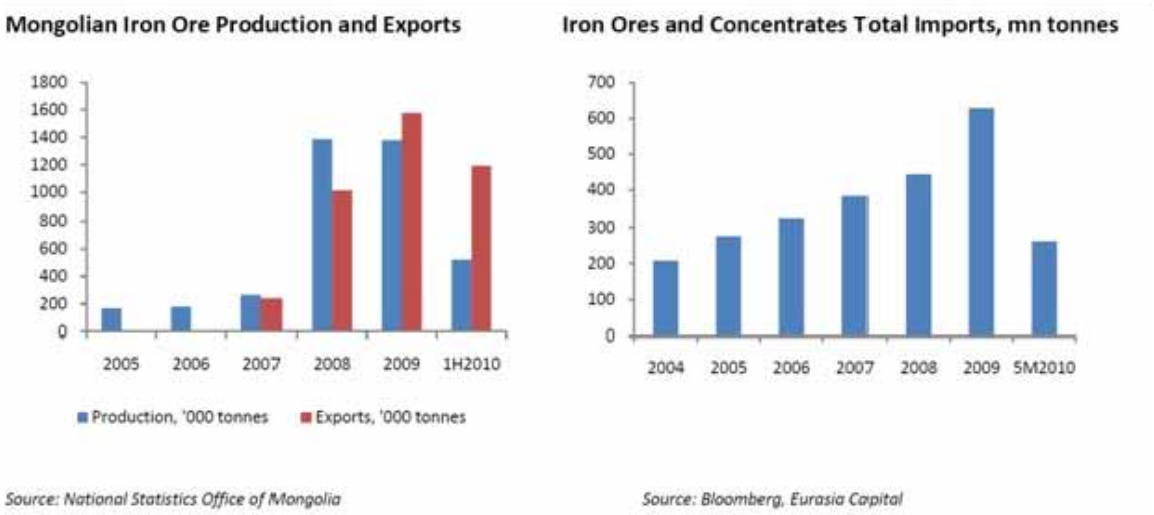
Global trade in iron products was estimated at approximately 944 Mt in 2009, with Australia and Brazil being the primary exporters. Increased demand in mainland China and other Asian countries is expected to drive further increases in traded iron ore as Asian markets are in deficit and require new regional sources of supply. Demand for Australian and Brazilian exports has been driven in part by a decline in the quality and quantity of natural lump ores, increased environmental concerns with sinter production and improved freight economics of a high grade product without moisture.

China is the world's largest steel producer with more than 2,000 steel enterprises. While China has iron ore production capacity, it is highly disparate with approximately 1,340 individual mines reportedly operating in 2009. The ten largest mines produced approximately 156 Mt in 2008 representing 19 percent of China's total iron production. Many of these mines are also vertically integrated with steel mills, resulting in a largely unconsolidated mining sector.

As a result, China is also a significant importer of iron ore importing approximately 628 Mt in 2009 with a compound annual growth rate of almost 23% from 2005 to 2009. In 2008, the value of China's iron imports was estimated at US$ 19.87 B, up 110% year-on-year; while the average price reached US$ 129.50 per tonne, which was an 80% jump in a year. While the bulk of these imports are derived from large established markets in Australia, Brazil, India, South Africa and the Commonwealth of Independent States ("CIS"), Asian nations (excluding China, CIS and Middle East) reportedly produced some 214 Mt in 2009.

A leading importer of key commodities, China currently consumes all of Mongolia's iron ore exports. Over the last five years, Mongolia's iron exports have increased dramatically from 6,500 t in 2005 to approximately 1.6 Mt in 2009. In 2009, the monetary value of Mongolia's iron exports was US$86.7 M and in the first six months of 2010, exports to China alone reached approximately 1.2 Mt, an amount almost equal to the level of production during the entire year of 2009, at a value of US$85.5 M.

Figure 3-8 displays Mongolia's increasing iron production and exports as well as the trend in total Chinese imports of iron concentrates.



"mn" equates to million.

Figure 3-8: Mongolian Iron Ore Production & Exports and Chinese Iron Ore Imports

3.4 Mining Industry

Mining is a major and increasing contributor to Mongolia's economy. Industrial output is largely based on copper and gold production, however, Mongolia also produces significant amounts of fluorite and coal, as well as limited quantities of tungsten, iron ore, salt, clay, lime and aggregates.

In 2007, the mining and quarrying sector accounted for 33% of the country's GDP, 70.3% of the total value of Mongolia's industrial output and more than 69% of export earnings. In 2008, the Mongolian mining sector generated 75% of the country's total export income. Of that, copper accounted for 33%; gold (24%); coal (7%); petroleum (4%); and zinc (6%). Mongolia received 66% of its total export revenue from China, followed by Europe (17%); the United States and Canada (11% each); Russia (3%); and the remainder from other countries.

The Erdenet Copper Mine is the largest and only operating copper mine in Mongolia and is operated by Erdenet Mining Corporation, a Mongolian-Russian joint venture. The mine has been in operation since 1978 and is currently processing 25 Mt of ore annually, yielding approximately 530,000 t of copper concentrate (3% of world production) and 3,000 t of molybdenum concentrate each year. The company is responsible for 15% of Asia's total copper export. The mine earns approximately half of Mongolia's foreign exchange and provides almost 25% of government revenues.

Canadian miner, Centerra Gold Inc. ("Centerra") operates the Boroo gold mine located 110 km northwest of Ulaanbaatar. This project was the first significant foreign investment for industrial development in Mongolia since 1979. Production started in 2004 with 245,000 oz by year-end and in 2009, production exceeded 150,000 oz. Total production was 1.4 Moz during that time.

Mongolia also has 14 coal mines, one tungsten mine, one salt mine, and a large number of small clay, lime, and aggregate quarries. Numerous artisanal and small placer and hard-rock miners extract gold, coal, fluorspar, mercury, precious and semi-precious stones, salt, gypsum, limestone, chert, brick clay, sand, and aggregates.

Mongolia exports nearly all its copper concentrates to China. Table 3-4 lists Mongolia's other mineral export destinations in descending order of volumes shipped:

Molybdenum	Fluorspar	Gold
The Republic of Korea	Russia	Canada
China	The United States of America	The United States of America
Japan	Ukraine	The Republic of Korea
The Netherlands	China	

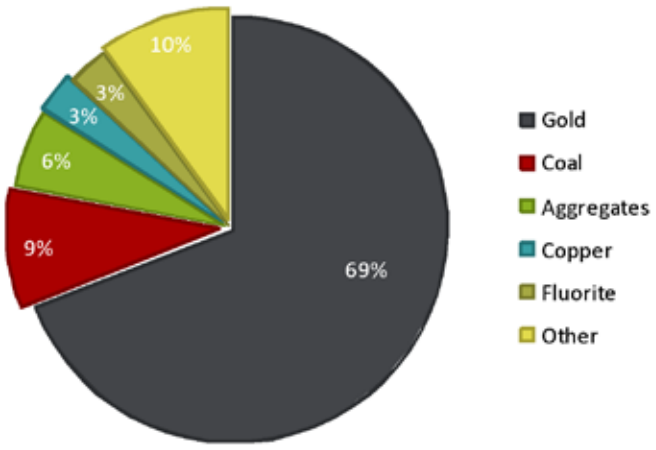
Table 3-4: Mineral Exports by Destination

Economic and governmental reforms led to increased foreign investment in mineral exploration and exploitation between 2004 and late 2008. During this period, mining and oil exploration accounted for 68% of total foreign direct investment. In addition to the global financial crisis of late 2008, which dampened inbound capital flows, mineral exploration and development continues to be hampered by limited infrastructure, such as a shortage of roads and water resources, and severe weather.

Excluding coal, there are 140 registered mining operations in Mongolia; more than 420 companies hold mining licences, although the vast majority of these are small Mongolian companies. An estimated 94% of companies claim to be gold producers. Over 70% (299 companies) hold less than 100 ha and 50% (222 companies) hold less than 50 ha. The five largest licence holders are:

- Altan Dornod Mongolia Co. (Russia)
- Erdenet (Mongolia)
- Cameco Gold Mongolia (Canada)
- Mongolgazar Co. (Mongolia)
- Boroo Gold Co. (Canada).

At the end of March 2009, Mongolia had 5,221 exploration and mining licences which cover 48 million ha: 32% of Mongolia's total land area. Figure 3-9 illustrates the breakdown of the licences by primary mineral exploration type.



"Other" includes licences for iron ore, uranium, zinc, rare earth elements, tungsten and salt.

Figure 3-9: Licences by Mineral Type

The total labour force in the Mongolian mining and quarrying sector decreased to 15,235 in 2007 from 16,167 in 2006. However, employment data did not include approximately 70,000 people engaged in artisanal and small-scale mining in Mongolia.

During the next 10 years, production of minerals and metals is expected to grow based on the commencement of operation of a number of new mining projects, some of which are displayed in Table 3-5 according to deposit type.

Coal	Copper and Gold	Gold
Baruun Naran	Oyu Tolgoi	Bayangol
Ovoot Tolgoi	Tsagaan Suvarga	Tavt
Tavan	Tolgoi	Toson

Table 3-5: Mining Project According to Deposit Type

3.5 Mongolian Legislation

The Foreign Investment Law of Mongolia 1993 (Foreign Investment Law) regulates the operations of foreign-invested business entities within Mongolia. Key aspects of the foreign ownership and investment regime include:

Foreign Ownership

Foreign investors are permitted to own 100% of any registered business without a Mongolian partner, except for in the case of mining projects in which the State has a right to participate.

Foreign firms may not own land but may own physical structures such as buildings. Leases are available upon Government approval for an initial term of up to 60 years, which is extendable for a second term of up to 40 years.

Exploration and Mining Licences

Only legal entities registered in Mongolia are able to hold exploration and mining licences.

In accordance with the Mongolian Minerals Law of 1997, exploration licences ("ELs") have an initial term of three years and are granted for areas between 25 and 400,000 ha. However, licences can be extended for two, three-year periods. Annual licence fees (US$) are $0.10/ha in the first year, gradually increasing to a maximum rate of $1.50/ha per year for the seventh through ninth years. The work requirement for year one is for general studies, while there are minimum annual expenditure requirements of $0.50/ha for years two and three, increasing to $1.50/ha for years seven to nine.

Annual mining licence ("ML") fees (US$) are $5/ha for coal and common mineral deposits and $15/ha for copper, gold, zinc, and iron. Mining licences are granted for an initial term of 30 years and may be extended twice for terms of 20 years each. A 2.5% royalty is imposed on coal and common mineral deposits, whereas the royalty on gold, copper, zinc, and iron is 5%. All revenues from mineral products is payable to the Mongolian Government. Additionally, if a mining lease holder undertakes to invest no less than US$5 million for the first five years of the project, the Government of Mongolia, acting through the Minister of Finance, can enter into an Investment Agreement that provides guarantees for a long term stable regulatory environment for the mining lease holder. These agreements can contain provisions regarding the stability of corporate income tax rates, customs duty, value-added tax, and minerals royalties for a definite time period.

Environmental Obligations

The Minerals Law places various environmental obligations on exploration and mining licence holders. Licence holders are required to prepare an environmental impact assessment to address any adverse impacts that their operations may have on the environment. To ensure compliance with the environmental protection plan, licence holders must deposit an amount equal to 50% of their environmental protection budget for a particular year in a special bank account with the Government. These funds are accessed by the Government if a licence holder fails to fully implement its environment protection plan.

State Participation in the Exploitation of Mineral Deposits

In 2006, the Minerals Law was amended to provide for State participation in the exploitation of any mineral deposit of "strategic importance"; defined as a deposit that either:

- has a size that may have a potential impact on the national security, economic, and social development of the country at the national and regional level; and
- that is producing or has a potential of producing more than 5% of total Mongolian GDP in a given year.

Under this amendment, the State may acquire up to a 34% interest in large mining projects explored without government funding and 50% interest in projects that received State funding in the past. For all other mineral deposits of strategic importance, the State's maximum share is set at 34%. This amendment was subsequently revised in August 2009, and now requires the government to pay for any equity interests in major projects through an effective deferred payment arrangement and the deferment of fees for the management of the project. In addition, licence holders of mineral deposits of strategic importance are required to trade at least 10% of their shares on the Mongolian Stock Exchange. However, regulations have not been introduced to govern this requirement and it is still not known how this rule will be implemented in practice.

In August 2009, Mongolia's parliament passed legislation which enables the Government to do away with a controversial Windfall Profits Tax on mining with effect from 1 January 2011. Aside from the proposed Windfall Profits Tax, the Mongolian tax regime is generally thought to be competitive with other major foreign mining jurisdictions. The principal taxes imposed in Mongolia are:

- VAT of 10% and customs duty of 5% on the import of most goods;
- corporate income tax of 10% on income up to three billion Tugriks ("MNT") and 25% thereafter; and
- a one tier personal income tax rate of 10%.

3.5.1 Risk Profile Overview

The Fraser Institute Annual Survey of Mining Companies 2009/2010 (Fraser Survey) outlines the mineral potential of countries and provinces assuming the current regulations and land use restrictions. As displayed in Figure 3-10, the Fraser Survey in 2009/2010, ranked Mongolia 42nd out of 72 countries and provinces. Mongolia's current Fraser Survey rank is comparable to previous years as shown in Table 3-6.

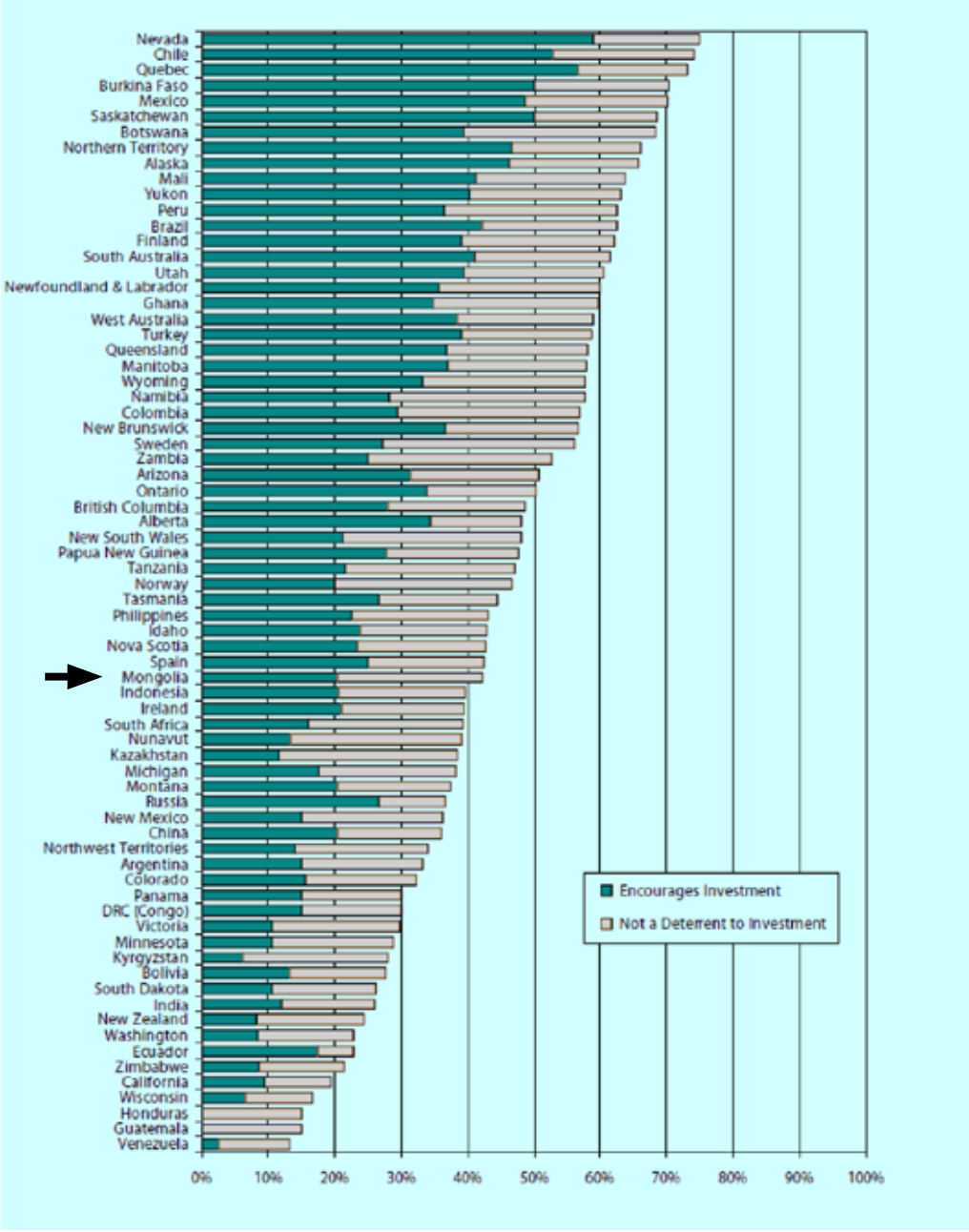


Figure 3-10: Current Mineral Potential Assuming Current Regulations/Land Use Restrictions – Source: Fraser Institute, 2010

Survey Year	Mineral Potential Rank	Total Countries Surveyed
2009/2010	42	72
2008/2009	55	71
2007/2008	61	68
2006/2007	62	65
2005/2006	33	64

Table 3-6: Mongolia's Historical Fraser Survey Rank

Mongolia's credit risk rating as published by the Organisation for Economic Development and Co-operation ("OECD") has a score of 6 (where a score of '0' is the lowest credit risk and '7' is the highest credit risk).

In general, Mongolia's business climate is friendlier and more open to foreign investment than that found in the rest of Commonwealth of Independent States. However, it still "suffers from some of the frustrations of this part of the world". According to the World Bank's Doing Business Index for 2010, Mongolia ranked 60 out of 183 economies.

4 Selenge Project

4.1 Property Description

Haranga's Selenge project lies approximately 200 km north of Ulaanbaatar in central northern Mongolia. While the project occurs within the Selenge province, its closest regional centre is the city of Darkhan, capital of the Darkhan-Uul province, approximately 40 km to the west. The project occurs within an important iron ore region of Mongolia.

The location and extent of the project tenements are presented in Figure 4-1.

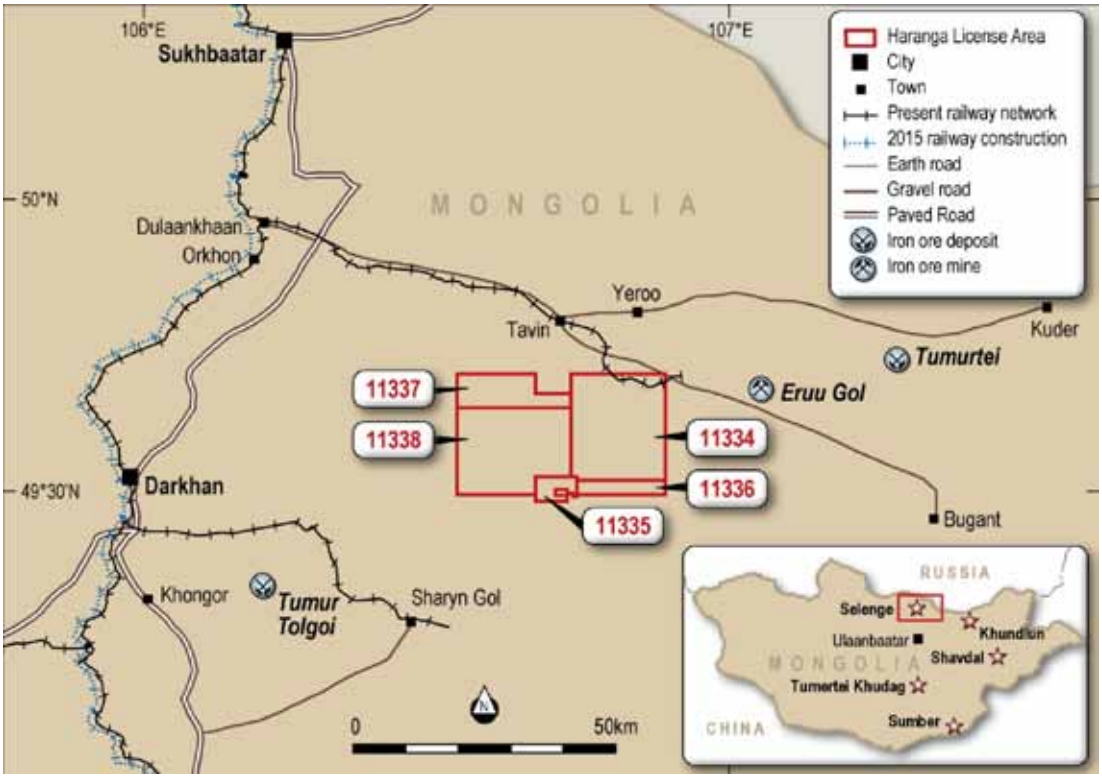


Figure 4-1: Location of the Selenge Project

Note: Railway construction plans as per Mongolian Parliament Act #32, June 2010

The Selenge project consists of five adjoining exploration licences covering a combined area of almost 600 km^2 (57,756 ha as outlined in Table 4-1).

Tenement Licence Number	Size (ha)
11334X	23,459
11335X	2,075
11336X	3,046
11337X	7,404
11338X	21,772
Total	**57,756**

Table 4-1: Selenge Project Tenement List

The licences are accessible by formed gravel roads connecting the nearby mine at Eruu Gol to the city of Darkhan and unimproved tracks. The area is relatively remote and the terrain has moderate relief. Localised access may be slightly impeded at certain times of the year when cropping and other agricultural activities are common.

The project licences cover an area of moderate relief and some wide valleys ranging in altitude from 700 mASL in the Yeroo River valley to 1,300 mASL at the top of the watershed divide between the Yeroo and Kharaa Rivers, which are the largest rivers in the area. The project area is relatively rich in flora compared to other parts of Mongolia, represented by groves of mixed birch and pine trees growing on the sheltered northern hill slopes. Thick yellow willows thrive along the valleys and river beds. Grasslands cover the remaining terrain.

The region surrounding Darkhan is relatively well-developed economically. Darkhan is a suitably serviced city and the second most industrialised centre in Mongolia. With a population of over 75,000 people, it hosts significant heavy industry, including a steel and concrete works. The city is connected to the main transnational railway line and high voltage electricity supply with Russia in the north and China in the south. The Sharyn Gol coal mine lies between 65 and 80 km from Haranga's Selenge project.

A nearby water source for Haranga's mineral properties is from the Yeroo River basin. It is represented by a large valley which hosts both permanent and temporary drainages. Untreated water is reportedly suitable for drinking purposes.

4.2 Geological Setting

4.2.1 Regional

The regional geology of the Selenge region is characterised by Neoproterozoic volcanic and sedimentary units which have been intruded by a complex suite of felsic granitoids and overlain by Quaternary-aged alluvial sediments as shown in Figure 4-2.

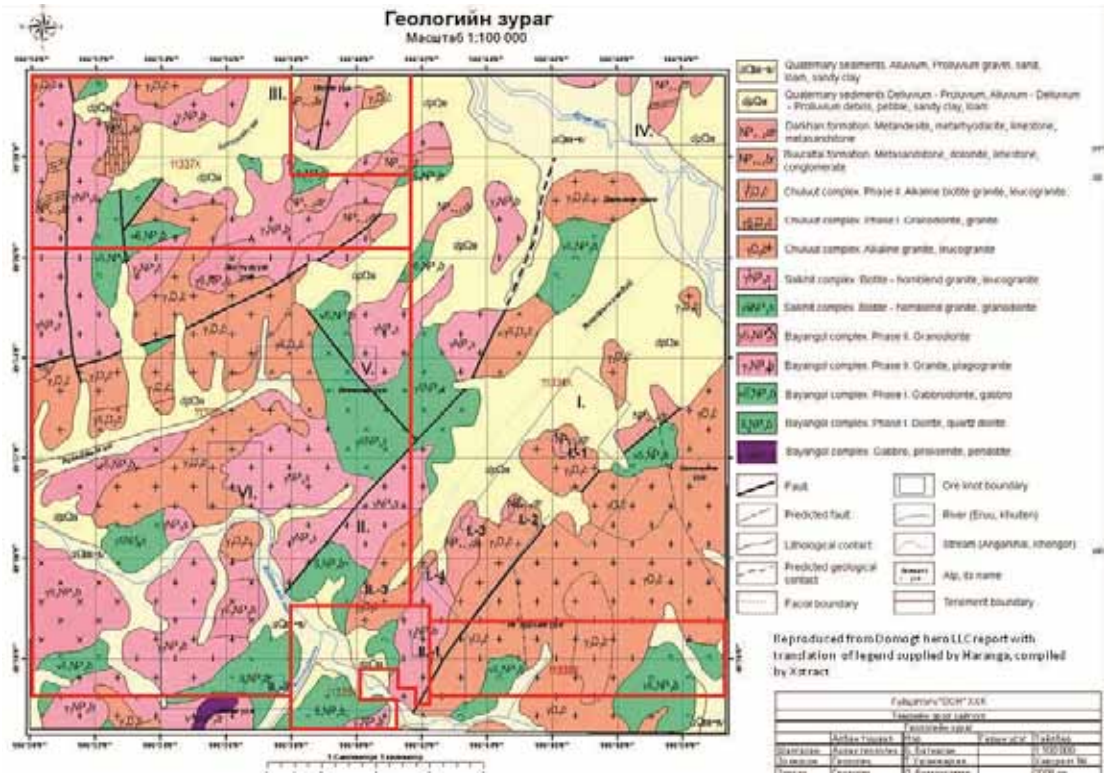


Figure 4-2: Geology Map of Haranga's Selenge Project

Within Haranga's project area, the Upper Neoproterozoic rocks are divided into the lower Darkhan Formation which is discordantly overlain by the Buuraltai Formation.

The Darkhan Formation ranges between 1,500 to 1,700 m in thickness and is widespread throughout the project area. It is considered to be of shallow marine origin and comprises schist, phyllite, and sandstone dominated carbonate units, which are further divided into two members, the lower calcareous terrigenous sediment member and the upper volcanogenic-terrigenous sediments member. These rocks have been significantly altered by intensive folding and faulting, such that the original sedimentary layers are now tilted almost vertically. Strong regional and contact metamorphism is evident within rocks of the Darkhan Formation.

The overlying Buuraltai Formation is approximately 1,500 m thick and is also relatively widespread across the project area. It consists of marblised and dolomitic limestone, sandstone, conglomerate and phyllite-like schist units which have also been widely intruded by various granitic bodies. It hosts the majority of the iron deposits in the region, which typically occur as skarn deposits along, and in proximity to, the margins of associated intrusive bodies.

The majority of rocks in Haranga's Selenge project area are intrusive in origin and consist mainly of Cambrian-aged granites, granodiorites and gabbros of the Bayangol Complex and Devonian-aged granitoid rocks of the Salkhit and Chuluut complexes respectively, as displayed in Figure 4-2.

On a regional scale, Haranga's project area has been subjected to various levels of tectonic activity and is characterised by structural features associated with the North-Mongolian super terrane. The Bayangol Fault is interpreted to be an important control on skarn style iron-nickel-cobalt and gold mineralisation that extends across the southeastern part of Haranga's project area.

Other large fractures belong to the same fault system, but are orientated along northwesterly trends and play a key role in the overall structure of the project area. Both vertical and horizontal movement are interpreted to have occurred along these faults. More recent tectonic movement was interpreted to have occurred in the Pliocene, leading to the creation of the current topography.

Skarn-type rocks which generally host the iron enriched mineralisation were formed by chemical and thermal alteration of the host rocks during metamorphism and are commonly located along the contact between granite intrusions and carbonate-rich rocks such as limestone or dolostone. Magnetite skarns are typically developed along fractures within the Bayangol Complex.

4.3 History

4.3.1 Tenement Ownership

Haranga's Selenge project tenements (11334X, 11335X, 11336X, 11337X and 11338X) are held by a joint venture ("JV") company Legendary Hero LLC ("Legendary Hero"). An agreement was signed with Geotrass LLC, who previously held a 100% interest in Legendary Hero, on 5 October 2010. Haranga now holds a 60% interest in the JV.

4.3.2 Previous Exploration / Mining

Geological research in the Yeroo Basin has an appreciable history, with the first recorded activities conducted between 1900 and 1920 when the first stratigraphic and tectonic schemes were compiled and numerous mineral occurrences discovered. Of significance was research work carried out at the Hentii mountain range between 1913 and 1914, when the ages of various sedimentary units and intrusive rocks were established and an attempt was made to quantify the gold content of the surrounding region.

During the period 1931 to 1947, further gold prospecting activities were conducted in the northeastern portion of the Hentii mountain range and the adjacent river basins. Palaeozoic sandstone, schist and metamorphic rocks were mapped at that time and the reported gold mineralisation attributed to pyritised quartz veins.

In 1941, the Tumurtei iron deposit was discovered and a small iron resource declared. Further exploration was carried out from 1957 to 1965, resulting in the classification of various other sedimentary and metamorphic rocks, as well as the discovery of numerous occurrences of gold, molybdenum, wolframite, tin, copper, and iron. Between 1963 and 1965, aeromagnetic geophysical surveys were conducted over wide areas and identified several magnetic anomalies. Subsequent activities confirmed the geophysical anomalies were coincident with magnetite occurrences and several modest iron resources were estimated according to the Russian reporting code. During the 1970s, additional expeditions were undertaken to confirm the presence of other iron occurrences.

Between 1992 and 1994, geological mapping and general prospecting discovered the Monostoi iron occurrences and the Taliin Hillocks, the iron-nickel-cobalt prospect at Muul Mountain. Various other occurrences and mineralised zones were also reported.

The region has been subject to more recent iron ore exploration in the form of diamond drilling, trenching, magnetic geophysical surveying and geological mapping. The detail of this work is described in Section 4.5.

4.3.3 Recent Exploration

Recent exploration activities conducted over the Selenge project tenements include airborne and ground magnetic geophysical surveying, geological mapping, localised rock chip and stream geochemical sampling, trenching and diamond drilling. The majority of this work was conducted between August and October 2008. The objective of this programme was to verify the results from previous prospecting activities and to delineate prospective iron occurrences.

A large field team consisting of geologists, geophysical and drilling crews with support drivers and staff carried out the 2008 programme. Field research and prospecting was concentrated along the Bayangol fault zone, where either iron mineralisation had previously been recorded within sedimentary rocks or strong geophysical magnetic anomalies were evident. A total of six iron occurrences crop out along the Bayangol Fault. The iron occurrences and prospects identified in 2008 along with the work completed are listed below:

Locality	Drill Core sample	Trench sample	Geochemical	Rockchip sample	Section	Polished section
1. Bayantsogt	53	29		6	2	2
2. Huiten Gol	14	16	4			
3. Dartsagt Hillock			22			
4. Undur Ukhaa				2		
5. Khustai			14	2		
6. Dund Bulag				10		
7. Muul Mountain			27	3		
8. Yeroo			13	3		
9. Ust Angal			2	4		
10. Mukhar			3	1		
11. Yargait			5	4		
12. Ulunt				2		
Total	**67**	**45**	**90**	**37**	**2**	**2**

Table 4-2: Sample Details from Previous Work on the Selenge Project

Several large ground magnetic surveys were completed at the prospect and Figure 4-3 shows the location of the completed surveys.

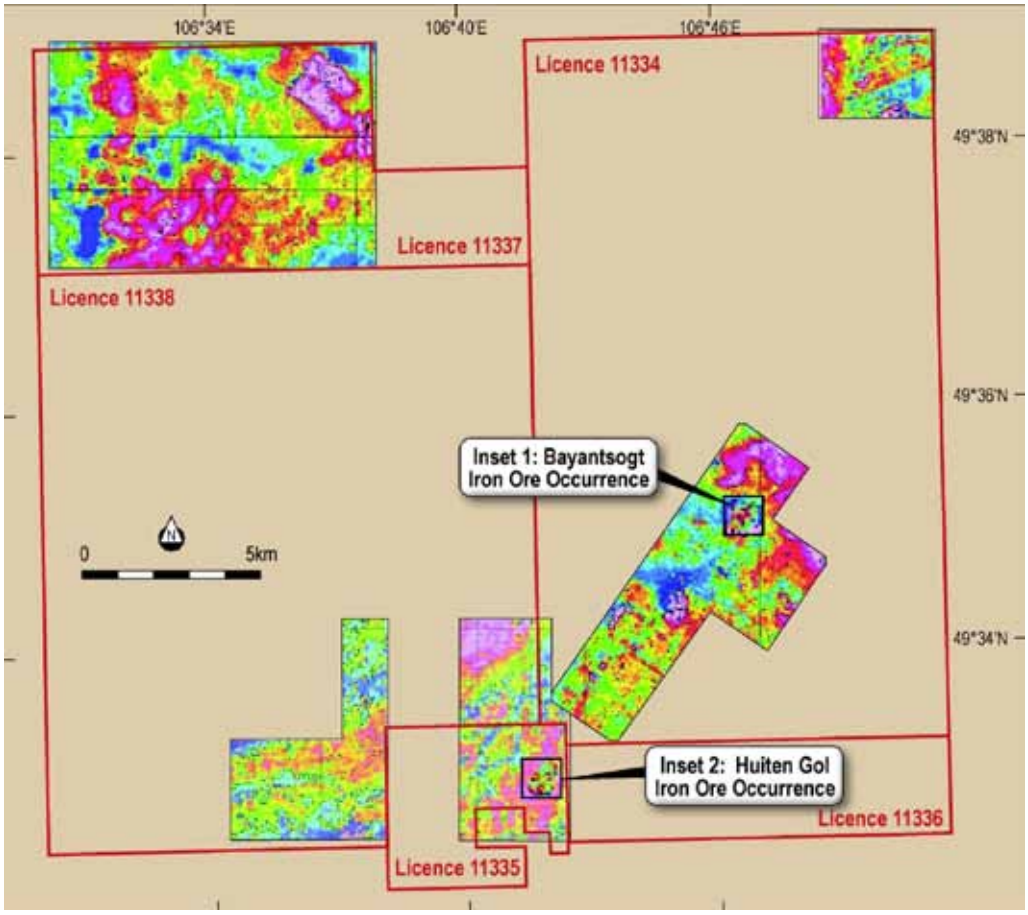


Figure 4-3: Location of Completed Magnetic Surveys at the Selenge Project

All samples (comprising trench, rock chip and drill core) listed in Table 4-2 were submitted to the Central Geological and the Actlabs laboratories in Mongolia to determine iron, nickel, cobalt, gold and/or platinum and tungsten contents.

Figure 4-4, Figure 4-5, and Figure 4-6 are photographs taken during the 2008 field programme.

Figure 4-4: Diamond Drill Core from the Selenge Project

Figure 4-5: Diamond Drill Core Laid out for Inspection at the Selenge Project

Figure 4-6: Trenching at the Huiten Gol Prospect

The following section details the activities completed at various prospects within the Selenge project, starting with the most advanced prospects.

4.3.4 Bayantsogt Prospect

Exploration

The Bayantsogt prospect falls within exploration licence, 11334X, within a larger area known locally as Dartsagt. Figure 4-7 presents a magnetic image of the Dartsagt area showing the locations of the main iron occurrences, including the Bayantsogt prospect. The main iron occurrences are associated with several discrete magnetic anomalies where the presence of iron at surface is confirmed by rock chip sampling as shown in Figure 4-9. Of the prospects identified as being associated with magnetic anomalies in the Dartsagt area, only the Bayantsogt prospect has been the subject of detailed exploration, including trenching and drilling.

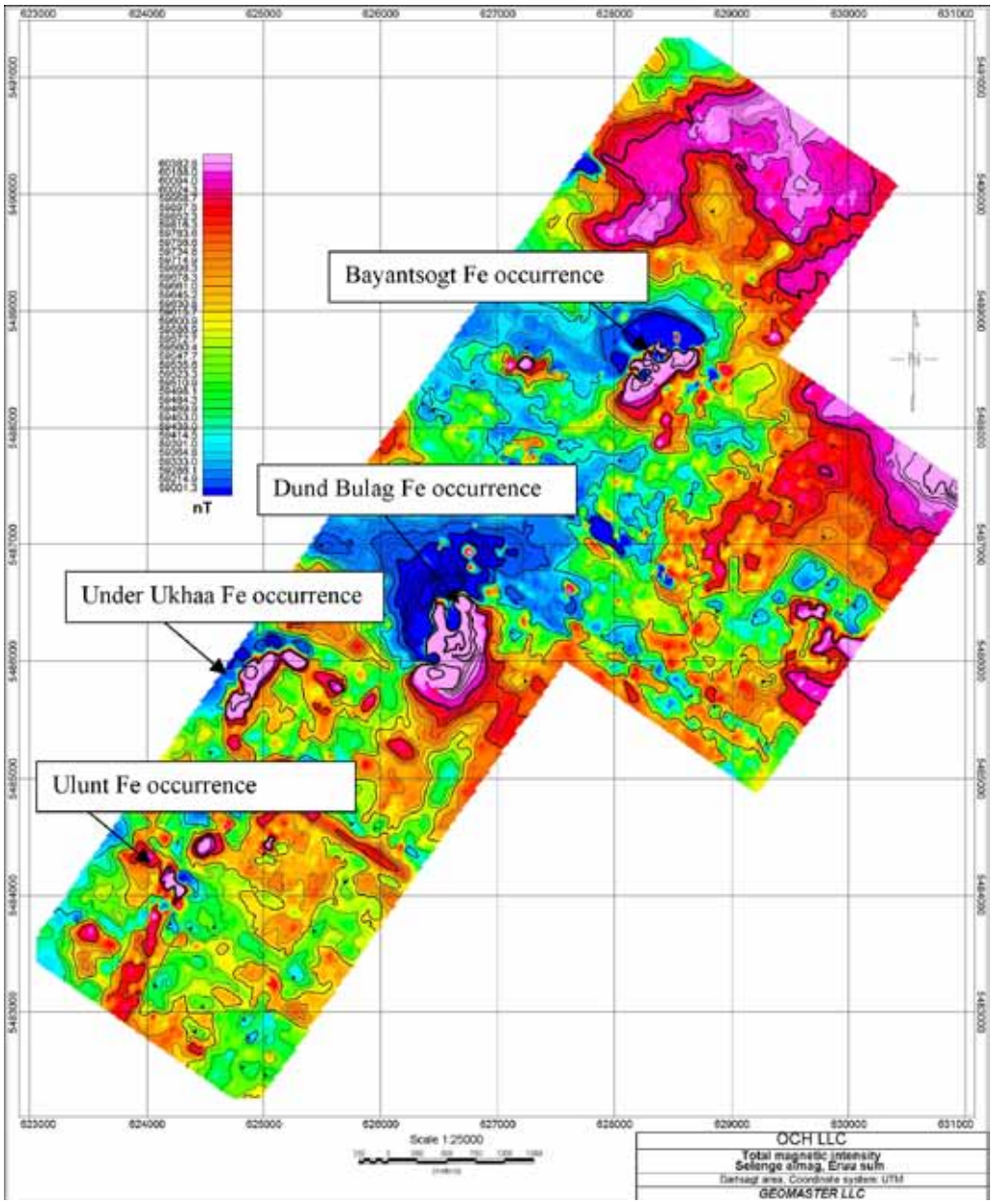


Figure 4-7: Total Magnetic Intensity for the Dartsagt Area Showing the Location of Iron Occurrences

Figure 4-8 shows the location of trenching over the Bayantsogt iron occurrence and several associated diamond drillholes on the side of hill in the area. Figure 4-9 is a plan map of the area with the 2008 trenching and drillhole collar locations along with Haranga's 2010 rock chip and channel sampling locations. A 25 m wide zone of magnetite skarn alteration was exposed in the trench and abundant magnetite float is widespread over the hill slope.

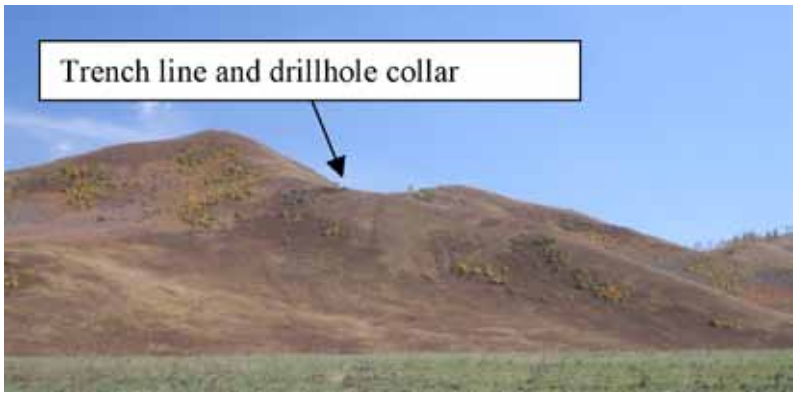


Figure 4-8: Bayantsogt Iron Occurrence

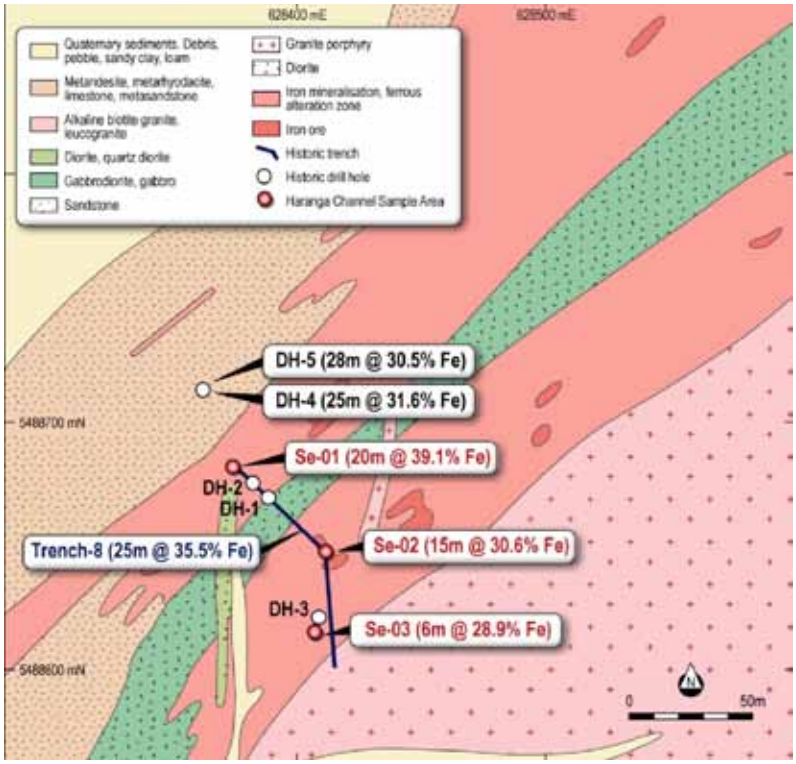


Figure 4-9: Location of Drillhole Collar Co-Ordinates and Drilling, with Geological Map for the Bayantsogt Prospect within the Selenge Project

Figure 4-10 illustrates the style of skarn magnetite mineralisation present. Another smaller mineralised zone occurs also occurs within the trench however the alteration is less intense than the main zone.

Figure 4-10: Skarn Style Magnetite Exposed in Trenching at the Bayantsogt Iron Occurrence

Drilling has targeted both zones and encountered significant iron concentrations below surface that correlate with surface outcrop. Haranga's cross sectional interpretation shows a steeply dipping mineralised zone. Figure 4-11 illustrates the location of trenching and drilling relative to the magnetic geophysical anomalies and indicates the drilling completed to date has tested the northernmost portion of the Bayansogt magnetic anomaly. This drilling indicates the magnetic anomaly is associated with skarn style magnetite mineralisation. The majority of the southernmost portion of the Bayansogt magnetic anomaly remains untested by drilling.

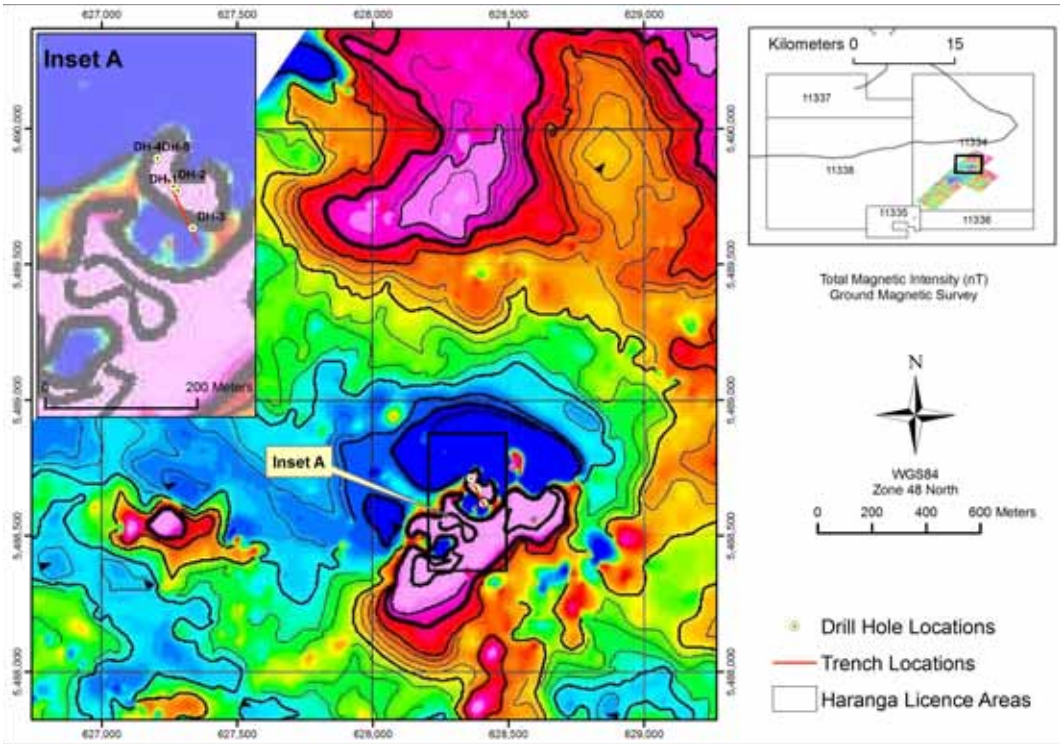


Figure 4-11: Location of Drilling and Trenching at the Bayantsogt prospect

Generally, the host rock type comprises strongly weathered granite. However, previous mapping and drilling has also outlined older metamorphosed sandstone and gabbroic intrusive units in the area as shown in Figure 4-12.

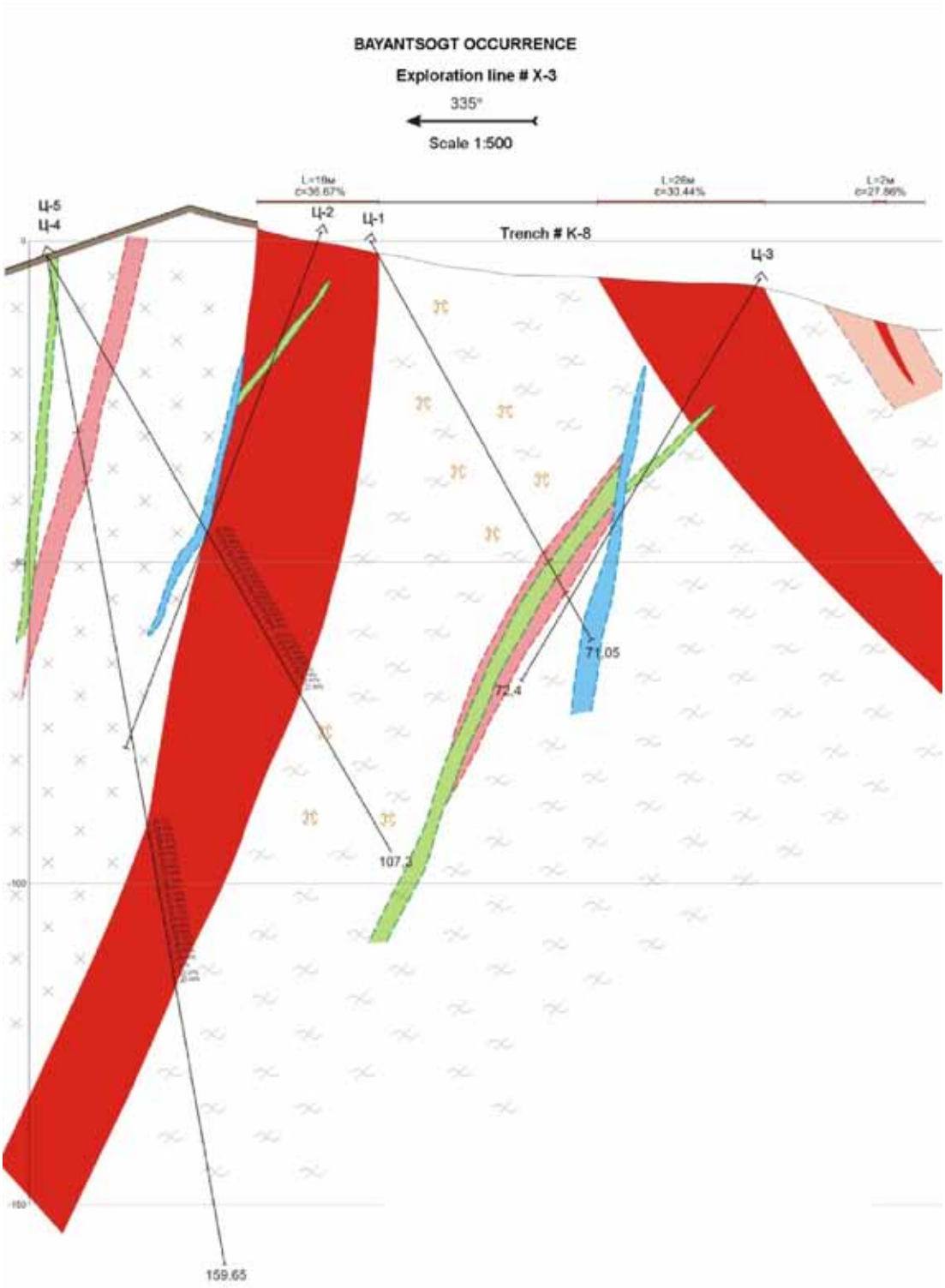


Figure 4-12: Cross Section at the Bayantsogt Prospect (not to scale)

Note red shading indicates magnetite mineralisation with other rock types denoted by other colours (legend not available). The figures denoting Assay Results are also given in Appendix A.

Bayantsogt Exploration Target

Assay results for the prospect reportedly grade between 20% and 60% Fe, with an average of 33% Fe. Xstract has estimated drilling intersections, across the entire mineralised interval, based on results from Legendary Hero drill-hole cross sections to be 28 m at 30% iron and 25 m at 32% iron at Bayantsogt from approximately 50 m and 90 m down hole in drillholes (DH) 4 and 5, respectively.

Haranga considers the Bayantsogt prospect hosts an exploration target of between five and nine million tonnes per 100 vertical meters, at a grade ranging between 25 to 30% Fe. This target is based on a potential strike extrapolation length of 500 to 800 m and a width of 25 m and an estimated dry bulk density of 4.2 g/m^3. Previous explorers also reported a second mineralised zone at this location; however this is not reflected in the drilling information and therefore has not been included in the defined exploration target. The 800 m strike length is defined by the size of the magnetic anomaly associated with the prospect and not material outcropping at surface.

This exploration target is conceptual in nature and is based on the surface expression of mineralisation, because of the limited amount of drilling information and geophysical (magnetic) surveys available. This information is insufficient to meet the requirements for the estimation of a Mineral Resource in accordance with the 2004 JORC Code. At this stage of the investigation, there is no guarantee that further exploration will result in the determination of a Mineral Resource reported in accordance to the 2004 JORC Code at the Bayantsogt prospect.

4.3.5 Huiten Gol Iron Occurrence

The Huiten Gol prospect has also been the subject of detailed exploration work, including trenching and drilling. The prospect is located 10 km southwest of Bayantsogt and is associated with another large magnetic geophysical anomaly. The location of the previous drilling and geochemical sampling programmes are superimposed on the magnetic image as shown in Figure 4-13.

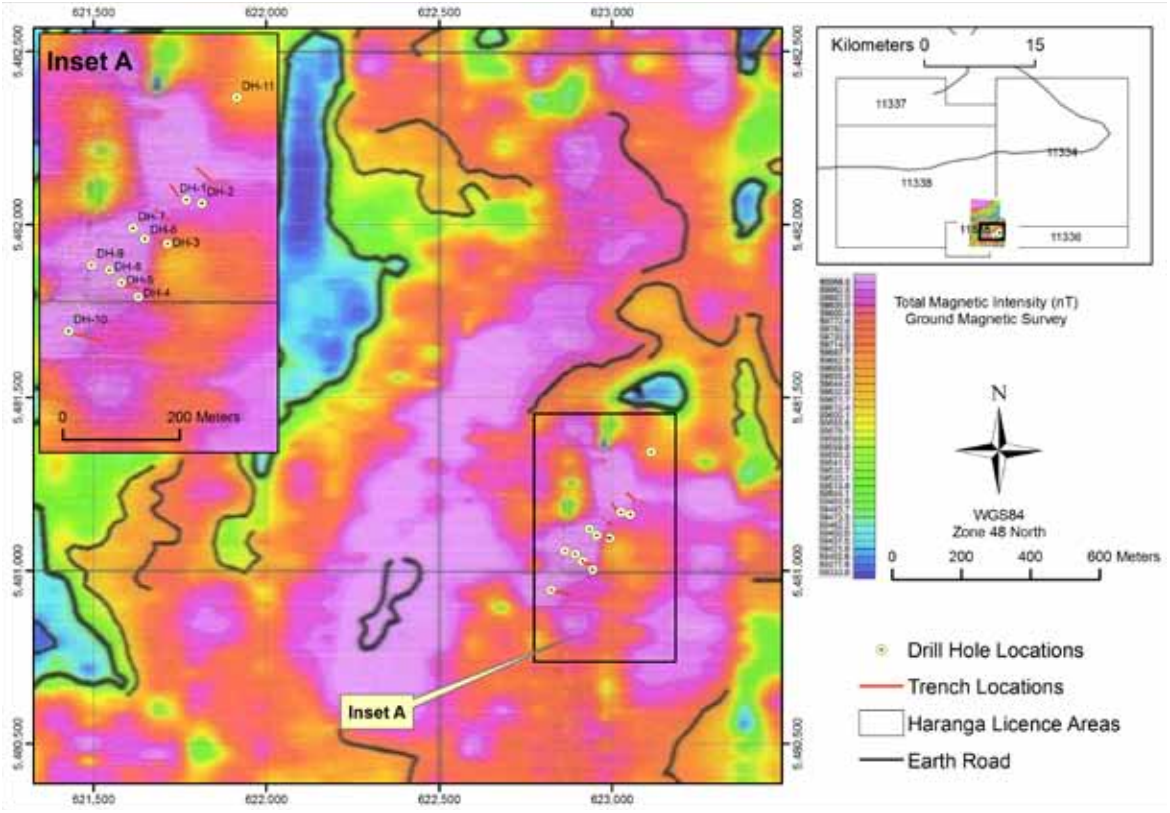


Figure 4-13: Location of Trenching and Drilling at the Huiten Gol Prospect

A total of 11 diamond drillholes have been completed along five section lines spaced approximately 100 m along strike Figure 4-14.

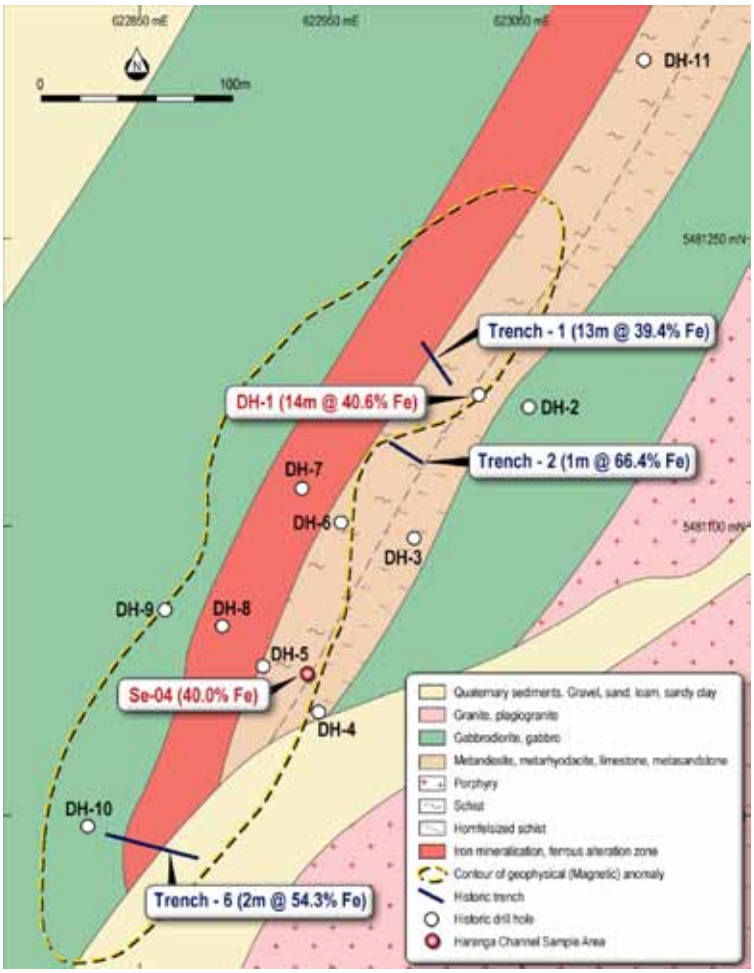


Figure 4-14 Location of Drillhole Collar Co-Ordinates and Drilling, with Geological Map for the Huiten Gol Prospect within the Selenge Project

While the drilling at Huiten Gol has confirmed that the magnetic geophysical anomaly is associated with skarn magnetite mineralisation, only one of the eleven drillholes (DH 1) has iron assay information recorded. The value of the intersection in drillhole, DH 1, has been estimated by Xstract to be 14 m at 40.6% Fe from approximately 25 m downhole. While it should be noted that the drilling cross sections indicate that iron mineralisation has been encountered in several other drillholes, these zones have not been assayed. The drillhole cross sections at Huiten Gol as produced by Legendary Hero can be found in Appendix M of this report.

Xstract notes that the drilling has not tested the main magnetic anomaly zone in the area (shown in Figure 4-13), which lies to the west of where trenching and drilling were carried out. Currently, only a small portion of the prospect has been explored. The rocks associated with this anomaly do not crop out as they are covered by Quaternary sedimentary units. Based on the size of this main magnetic anomaly and the association of magnetic anomalism and skarn magnetite mineralisation indicated from the drilling previously described, Haranga has indicated that they consider a large exploration target exists in this area. Given a nominal width of mineralisation as seen elsewhere in the project area (20 m) and the length of this anomaly (1 km to 1.4 km), there is the potential for an exploration target of between 6 and 12 Mt at approximately 30 to 40% Fe, per 100 m vertically. Xstract considers the methodology used to generate these results to be valid noting that it relies on the prospect's proximity to known mineralisation.

Xstract notes that this estimated potential tonnage and grade of mineralisation is conceptual in nature as there has been insufficient exploration to meet the requirements for a Mineral Resource prepared in accordance to the 2004 JORC Code. Furthermore, based on the information currently to hand, there is no guarantee that further exploration will result in the determination of a Mineral Resource prepared in accordance to the 2004 JORC Code at the Huiten Gol prospect.

4.3.6 Other Iron Occurrences in the Selenge Project Area

Regional scale mapping conducted prior to 2008 and magnetic surveys and field traverses have identified numerous other iron occurrences and prospects. Xstract has analysed the remaining prospects from the information contained in the Legendary Hero report and the magnetic geophysical data. Of these, Xstract, considers the Dundbulag prospect located about 3 km southwest from the Bayantsogt occurrence (refer Figure 4-7) to be the most prospective. Indeed, the magnetic anomaly at this location is very similar to that at Bayantsogt. Sampling of the prospect at this stage is only indicative, and two rock-chip geochemical samples reported an average grade of 25% Fe. Xstract recommends further exploration work is carried out at this prospect.

Xstract also recommends further exploration at the Undur Ukhaa and Ulunt sites within the Dartsagt area (refer Figure 4-7). At these sites, skarn style iron mineralisation has been identified at surface, and rock chip geochemical samples indicate the occurrence of iron mineralisation. These occurrences are supported by discrete magnetic anomalies, and are highly prospective for iron mineralisation of potential economic significance.

The Muul, Ust Angal, Eruu, Khustai, Yargait, and Mukhar occurrences were generally known prior to 2008 and take the form of low iron grade skarn mineralisation that is prospective for other metals like nickel, cobalt, platinum group elements and tungsten. These prospects are supported by several surface rock chip geochemical samples which returned encouraging iron values.

Other pertinent points supporting ongoing exploration of the project include:

- the presence of several iron deposits in the surrounding region;
- the availability of high quality geophysical data over much of the area; and
- the lack of previous systematic exploration.

4.3.7 Verification Sampling

To confirm the previous geochemical results at both the Bayantsogt and Huiten Gol prospects, Haranga collected several rock chip geochemical samples, during a field visit attended by Xstract's representative. Channel sampling was conducted along a line of trenches and rock chip samples were also taken from the Huiten Gol prospect as minimal iron mineralisation was evident at surface.

Haranga used the services of Stewart Mongolia LLC, based in Ulaanbaatar, to analyse its rock chip geochemical samples. Stewart Mongolia LLC is part of the internationally recognised Stewart Group Geochemical and Assay Laboratories, which specialise in geochemical analysis. Xstract has reviewed the procedures carried out by the Stewart Mongolia laboratory and considers it to have a comprehensive Quality Control/Quality Assurance ("QA/QC") programme covering all stages of the analytical process. Stewart Mongolia LLC have stated that before results are printed and reported, the appropriate analysis data and related QC data is examined by a qualified member of staff who is approved for reviewing and signing analysis data and reports. This is carried out to ensure that the quality control data is within the laboratory's specifications. The laboratory was accredited to ISO 17025 in May 2009.

Xstract considers the risk of sample contamination, tampering or substitution to be low with current industry standards reportedly being applied to sample collection, QA/QC procedures and sample preparation.

The assay results taken at Selenge by Haranga are presented in Table 4-3.

Lab	Sample ID.	Fe_2O_2 %	Fe %
Stewart group	Se 10_001/1	32.5	25.2
	Se 10_001/2	56.6	43.9
	Se 10_001/3	56.6	44.0
	Se 10_001/4	74.4	57.8
	Se 10_001/5	22.0	17.1
	Se 10_002/1	35.0	27.2
	Se 10_002/2	54.6	42.4
	Se 10_002/3	39.7	30.9
	Se 10_002/4	25.7	20.0
	Se 10_002/5	28.4	22.0
	Se 10_002/6	24.6	19.1
	Se 10_003	29.0	22.5
	Se 10_004	56.3	43.8

Table 4-3: Channel and Rock Chip Assay Results from the Selenge Project: Bayantsogt and Huiten Gol Prospects

Based on the verification rock chip sample results, the tenor and style of mineralisation is consistent with that previously reported.

4.4 Proposed Exploration and Recommendation

Haranga intends to undertake further exploration to advance its Selenge project as a priority, as the project is, at this point, viewed as the most prospective within its portfolio. Should future activities prove positive, then Haranga would seek to define a Mineral Resource in accordance with the JORC Code.

The Selenge project contains a number of high quality exploration prospects and prioritisation of these prospects will be important going forward. Haranga has entered into discussions with potential drilling, geological, logging, and modelling contractors to assist with the programme. To this end, Haranga has defined a budgeted work programme totalling US$4.3M of expenditure until the end of 2012 as outlined in Table 4-4.

Exploration Expenditure (US$)			Work Programme		
Year 1	Year 2	Total	Year 1	Year 2	Total
1,794,500	2,392,400	4,186,900	1,600 line kilometres of geophysics and 14,700 m of drilling	1,000 line kilometres of geophysics and 21,500 m of drilling	2,600 line kilometres of geophysics and 36,200 m of drilling

Table 4-4: Budgeted Exploration Expenditure and Work Programme for the Selenge Project

Exploration in Mongolia is primarily costed in US$. Haranga's A$ forecasts (Sec 7.1) use an exchange rate of A$1=US$0.90.

Based on its review of the available technical data, Xstract considers Haranga's Selenge project to be of merit and the proposed expenditures to be justified.

4.5 Conclusion

The Selenge project is located in a region of Mongolia known to contain economic iron ore deposits and Haranga's licences cover a structural lineament known to be important in the distribution of magnetite-bearing skarn mineralisation. Despite only a small proportion of this large project area being subject to ground magnetic geophysical surveys, several distinct anomalies have been identified. Subsequent rock chip geochemical sampling and drilling has determined that these anomalies are associated with skarn related magnetite mineralisation that may be of economic importance. As such, Xstract considers Haranga's Selenge project offers good potential for skarn-related magnetite mineralisation and that the company's budgeted work programmes are justified.

5 Shavdal Project

Haranga's Shavdal project consists of a single granted tenement (14198X) covering a total area of 6,620 ha in the Sukhbaatar Province of eastern Mongolia as demonstrated in Figure 5-1. The property is located approximately 8 km southwest of the provincial capital Baruun Urt.

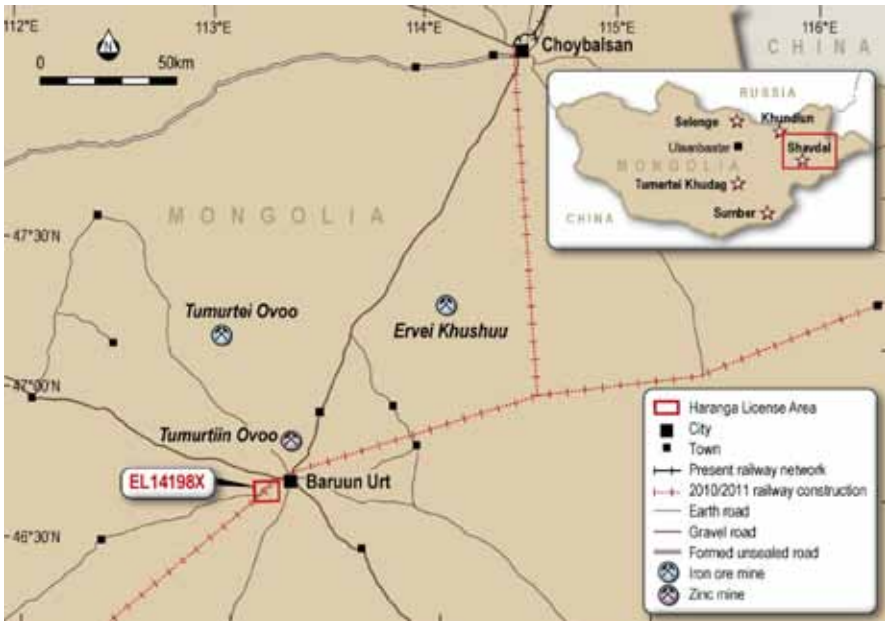


Figure 5-1: Infrastructure and Mines in Relation to the Shavdal Project
Note: Railway construction plans as per Mongolian Parliament Act #32, June 2010

The project is easily accessed by unimproved roads from Baruun Urt. The region is accessed by gravel roads from the cities of Ondorhaan or Choybalsan. Xstract visited the project in late September 2010 and noted that a sealed road is currently being constructed from Ondorhaan; however it was less than 20% complete. The Mongolian Government has indicated its intent to commence construction of a rail link between Baruun Urt and Choybalsan in 2010/2011.

The topography of the area is characterised by low rolling steppe grasslands with relatively low relief, averaging around 1000 mASL. Salty marsh lies to the south of the project and there is no other significant drainage or watercourses in the project area.

Baruun Urt has a population of about 15,000 people with well developed health, communication, accommodation, and infrastructure. The project benefits from its proximity to infrastructure, without being so close as to prove an impediment to its development.

The Sukhbaatar Province supports two operating iron ore mines at nearby Tumurtei Ovoo and Ervei Khoshuu, both owned by third parties, not associated with Haranga. The Ervei Khoshuu operation currently trucks 1 Mtpa of ore over a distance of 150 km to the rail terminal at Choybalsan. The ore is then railed to the Chinese border where it receives a reported price of US$140/dmt (delivered) for a 60% Fe concentrate.

5.1 Geological Setting

5.1.1 Regional

The Shavdal region was geologically mapped and geophysically surveyed in the 1960s on a 200,000 scale. Skarn style alteration was reported at this time however the focus of subsequent exploration was largely directed towards assessing the potential for gold and base metal mineralisation.

The jointly owned Chinese-Mongolian Tsemteorict mineral company operates the polymetallic Tumurtiin Ovoo zinc and molybdenum mine, located approximately 15 km northeast of Haranga's Shavdal Project.

5.1.2 Local

The project is dominated by granitic rocks which range widely in composition and are hosted by Ordovician-aged phyllites. These units are mostly covered by Quaternary sedimentary units consisting of sand, sandy loam, and soil. Pea-sized granules of weathered granite form a residual float, which is abundant over most of the project area.

An interesting iron occurrence crops out over a 30 m zone within the central portion of the project and contains over 90% magnetite. It is almost certainly derived from the intense metasomatic skarn-style alteration of a granitic protolith. Indeed, only relict grains of quartz can be seen in hand specimen. The rock consists of course grained magnetite and trace amounts of azurite and malachite. This observation is consistent with the rocks being part of a zone of strong skarn alteration, which resulted in a large volume of altered rock. The magnetite is associated with milky white quartz veining.

Figure 5-2: Typical Example of the Main Outcrop Rock Type at the Shavdal Project

A further zone of magnetite float and subcrop lies about 200 m from the main outcrop. Samples collected from just below the subsurface indicate this occurrence is part of the bedrock and not a superficial occurrence. Haranga interprets this occurrence represents part of the same alteration system as the main outcrop to which it is connected at depth.

During Xstract's site visit, evidence of skarn alteration could be seen over a large portion of the licence area. This includes lower grade skarn altered phyllites, outcropping smokey grey quartz veins and milky white quartz veins. It is likely that the skarn alteration system at Shavdal is part of a large intrusive system and represents a potentially large exploration target.

5.2 History

5.2.1 Previous Exploration / Mining

Prior to Haranga's acquisition, the project had been subject to limited modern exploration which mainly comprised regional geological mapping on a 200,000 scale. A number of 'interesting iron ore mineralisation points' were reported by geologists in the 1970s.

However, one historical rock chip geochemical sample was reported from the area which returned an assay result of 64% Fe (refer Figure 5-3). This sample was largely responsible for Haranga's initial interest in the area. Haranga recently conducted a ground geophysical magnetic survey over half the tenement and the image of Total Magnetic Intensity ("TMI") is presented in Figure 5-3. This survey identified a coincident geophysical-geochemical anomaly. Haranga has conducted additional rock chip sampling which yielded high grade results of approximately 66% Fe (refer Figure 5-3).

Exploration at Shavdal remains in the early stages of assessment and most of the work conducted has focused on the two outcrop zones mentioned previously. However the interpretation of ground magnetic geophysical image has indicated the presence of a magnetite body covered by quaternary sediments, obscuring the limits of the magnetite body.

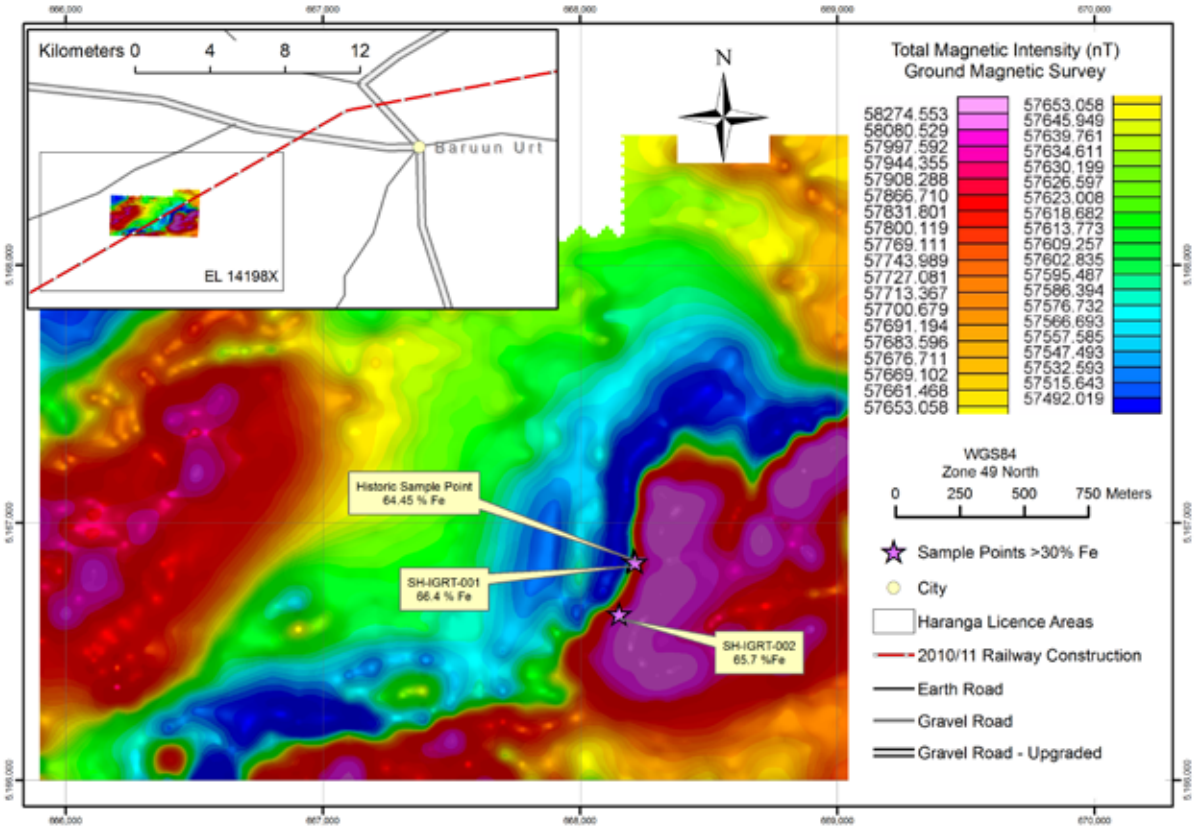


Figure 5-3: Ground Magnetic Survey Conducted by Haranga

Xstract understands that no special sample preparation security measures has been employed; however the risk of sample contamination, tampering or substitution is considered to be low.

During a field trip to the area attended by an Xstract consultant, several rock chip samples were collected by Haranga from the main outcrop. Several of these samples returned exceptionally high iron grades (>90% Fe2O3) confirming the high quality of the material present at the prospect.

5.3 Potential Tonnage Estimates

Given the style and intensity of alteration present at surface and the high grade results from rock chip geochemical sampling, Xstract considers the area offers potential for a high grade magnetite occurrence of sufficient tonnage to be economically significant. If it is assumed the magnetic geophysical anomaly identified in the ground magnetic survey is consistent with the magnetite identified at surface then it is likely a sizeable exploration target exists at Shavdal. Also if the magnetite is representative of a potentially large body then the grade and quality may be sufficient so as not to require beneficiation, and therefore potentially suitable for direct shipping.

The magnetic anomaly associated with the surface expression measures approximately 1,450 m by 200 m in area (see Figure 5-3), and the grade of rock chip samples varied from 27% (one sample) to 94-95% Fe2O3 (three samples). Haranga considers that based on the association of the magnetite occurrence at surface, with the magnetic anomaly identified in the ground geophysical survey, there is an exploration target of between 18 to 20 Mt at a grade of between 50 and 65% Fe. This estimate is based on a magnetite body with the dimensions of 1,450 m long by 30 m width at a dry bulk density of 4.2 g/cm^3. This target size relies on the assumption that the magnetic anomaly is associated with magnetite in the subsurface of a similar nature to that identified in outcrop. This assumption has not been confirmed by drilling. Xstract considers this target is achievable and the assumptions outlined by Haranga are conceptually valid, however Xstract recommends further drill-testing of the target be given high priority.

Importantly, this exploration target is conceptual in nature based on the surface expression and geophysical (magnetic) survey data. This information is insufficient to meet the requirements for the estimation of a Mineral Resource, according to the guidelines outlined in the 2004 JORC Code. Furthermore, it is currently unclear as to whether further exploration will result in the determination of a Mineral Resource reported in accordance to the 2004 JORC Code at Shavdal.

5.4 Proposed Exploration

Haranga intends to undertake further exploration to develop its Shavdal project. Table 5-1 summarises Haranga's budgeted work programme and associated expenditure for the Shavdal project until the end of 2012.

Exploration Expenditure (US$)			Work Programme		
Year 1	Year 2	Total	Year 1	Year 2	Total
621,300	1,034,600	1,655,900	380 line kilometres of geophysics and 4,400 m of drilling	200 line kilometres of geophysics and 8,600 m of drilling	580 line kilometres of geophysics and 13,000 m of drilling

Table 5-1: Budgeted Exploration Expenditure and Work Programme for the Shavdal Project

Exploration in Mongolia is primarily costed in US$. Haranga's A$ forecasts (Sec 7.1) use an exchange rate of A$1=US$0.90.

Xstract considers the Shavdal project to be prospective and likely to contain a magnetite body of economic significance. Exploration drilling is expected to focus on the magnetite occurrence identified at surface and should exploration prove positive, then Haranga propose to define a Mineral Resource in accordance with the JORC Code.

Haranga has entered into discussions with potential drilling, geological, logging and modelling contractors to assist with all its exploration programmes.

Drilling of exploration targets and any other occurrences is expected to consist of a combination of open hole and diamond core drilling to depths of 100 to 150 m with possible downhole geophysical logging and analysis to further test the main magnetite occurrences. This programme will also be designed to obtain an improved understanding of the lateral and vertical orientation of the iron ore mineralisation. It is expected that approximately 13,000 m of drilling will be completed by the end of 2012. Once this data has been evaluated, a follow-up drilling programme will be implemented to delineate the potential iron ore resources within the Shavdal project area.

As discussed previously, Xstract recommends that priority be given to drilling to ascertain the size and extent of the magnetite occurrence at Shavdal. The drilling should concentrate on areas of known mineralisation (i.e. the outcropping magnetite) and test the along strike extents at an appropriate drill spacing.

5.5 Conclusion

The Shavdal project is located in an area known to host sizeable magnetite bearing skarn deposits. Furthermore, the presence of high grade magnetite outcropping at surface, associated with a large coincident geochemical and magnetic geophysical anomaly suggests that the Shavdal prospect is prospective for a magnetite body of sufficient size and grade to be of economic significance.

6 Khundlun Project

Haranga's Khundlun project consists of a single granted licence (13867X) covering an area of 2,564 ha and located in the Bayan-Adarga soum of Hentii province in northeastern Mongolia (Figure 6-1). The project lies 350 km from Ulaanbaatar, and 170 km north of the provincial capital, Ondorhaan, near the Russian border. At the local scale the project lies along the northern bank of the Onon River and less than 5 km from the Onon-Balj Basin National Park.

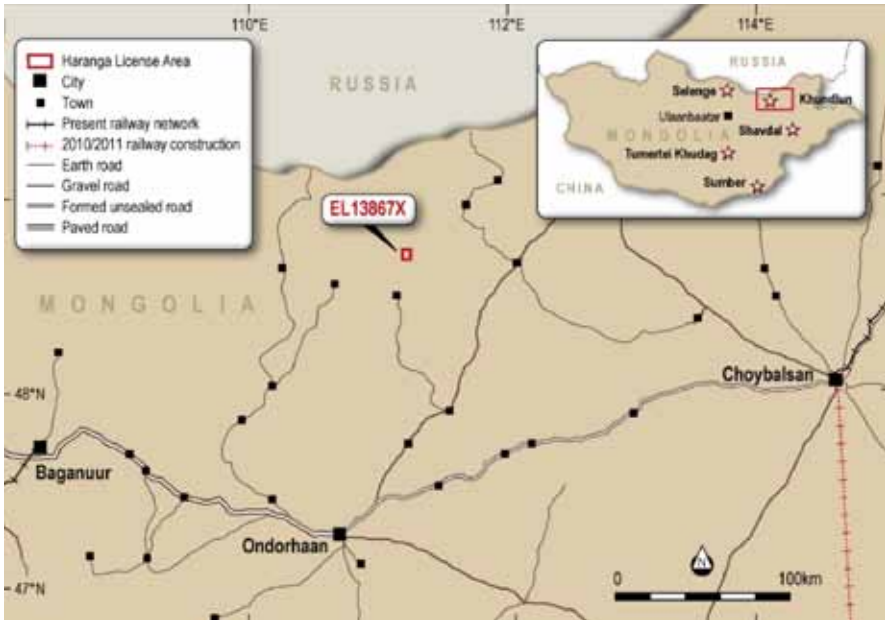


Figure 6-1: Location of Haranga's Khundlun Project
Note: Railway construction plans as per Mongolian Parliament Act #32, June 2010

The project area is similar to other locations in Mongolia and is easily accessible by unimproved roads and tracks in a 4WD vehicle. Access is via Ondorhaan, the trip involves crossing the Onon River on an unmotorised ferry, which is only suitable for passenger vehicles and light trucks. Xstract visited the prospect in late September 2010 and noted that grazing activity by local herders in the area was minimal.

The area is dominated by round hills to a height of about 1,170 mASL. The general morphology of the steppe and location of outcropping magnetite can be seen in Figure 6-2, which shows the main hill containing the magnetite occurrence.

The project supported by the soum of Bayan-Adarga, which lies 20 km to the east and has communication, power, health, and other service infrastructure. Local manpower is also available.

Haranga's Khundlun project is located approximately 200 km trucking distance from either Baganuur (to the west) or Choybalsan (to the east) rail terminals.

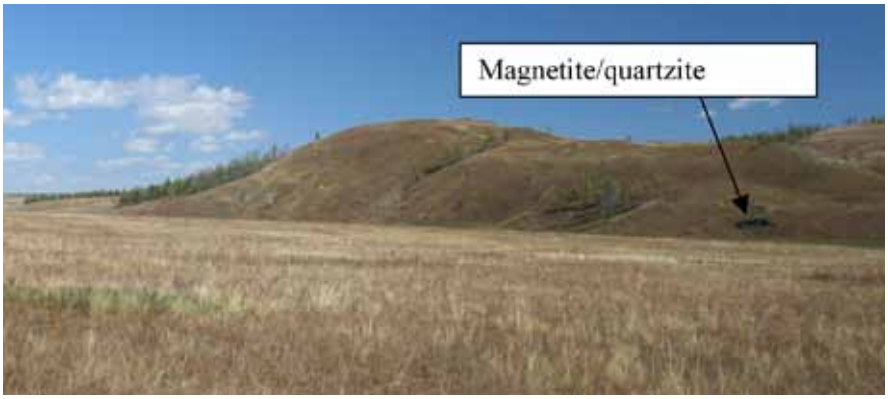


Figure 6-2: Main Zone of Magnetite Outcrop at the Khundlun Prospect Showing Outcropping Ridge

6.1 Geological Setting

The area contains low hills with outcropping green metapelite schist rock. Lower areas of steppe and seasonal watercourses are covered with alluvial and locally transported Quaternary cover consisting of clay, sand and loamy soil. A magnetite-bearing quartzite crops out along a prominent ridge located near the centre of the tenement. This rock type can be traced for a distance of 500 m to 700 m, and is consistent with a magnetic geophysical anomaly, identified during a recent ground magnetic geophysical survey conducted by Haranga. The mineralised outcrop ranges between 1 m to 5 m in width and dips steeply to the north (Figure 6-2).

The rock unit displays isoclinal folding and quartz eye textures (Figure 6-3) consistent with strong structural deformation and lateral extension along this zone. This rock type may represent the development of a shear zone and increased fluid flow; however at this stage, it is not clear whether the rock is of primary origin (and thus part of the local stratigraphy) or of secondary origin (and resulting from metasomatic alteration of country rocks). That is, it not clear whether the magnetite occurrence is a skarn and similar to the majority of magnetite occurrences in Mongolia, or separate style of mineralisation. The orientation of schistosity in the surrounding metapelite is parallel to the strike and internal layering of the magnetite-bearing quartzite, suggesting the deformation is caused by deformation on a regional scale.

Figure 6-3: Typical Rock Type Present at the Khundlun Project. Note Folding, Banded Magnetite and Quartzite.

6.2 History

6.2.1 Tenement Ownership

The special licence to conduct exploratory works for the tenement was first granted on 9 July 2008 to Khukh Kharkhiraa LLC and valid for period of three years (with two further renewals allowed).

6.2.2 Previous Exploration / Mining

The Khundlun project has extensive iron outcrops that have been geologically mapped and geochemically sampled. Rock chip samples returned up to 66% magnetite. The project has a mapped occurrence of magnetite-bearing quartzite, which outcrops along a ridge near the middle of the licence. The occurrence has been known since the 1960s when mapping was conducted by geologists from the Soviet Union.

In 1989 a Russian geological team conducted exploratory trenching at the Khundlun iron occurrence. A 41.4 m^3 trench was completed and eleven channel geochemical samples were collected. The Russian report states that the geochemical samples contained between 35 and 50% magnetite, with additional iron present as haematite.

In 2010, Haranga completed rock chip geochemical sampling and ground magnetic geophysical surveying over the Khundlun area. Haranga's recent magnetic survey shows that the outcrops at Khundlun sit on top of a very large (3.5 km x 0.5 km) magnetic anomaly that appears to be a large magnetite skarn. There is potential for a large resource here, given the size of the anomaly.

Figure 6-4 is an image of the magnetic survey with the sample locations taken by Haranga and the inset shows a close up of the sampled area.

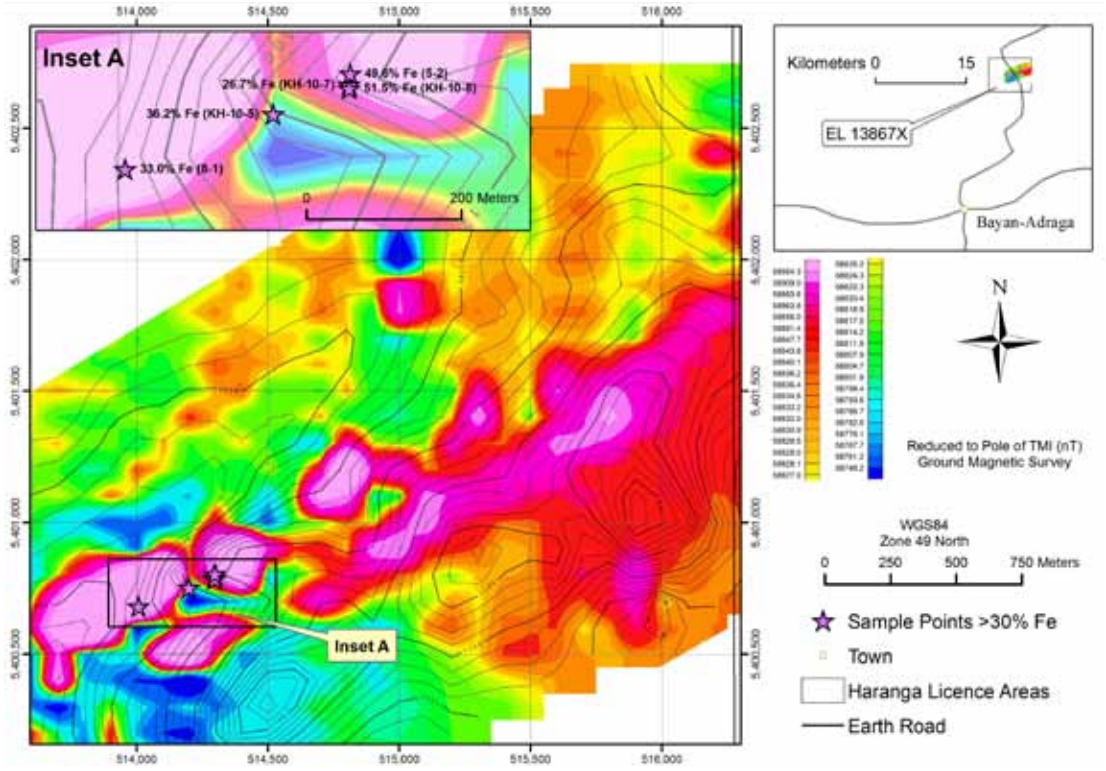


Figure 6-4: Location of Ground Magnetic Survey Anomaly and Haranga's Rock Chip Samples

6.2.3 Analytical Results

Table 6-1 outlines the results of Haranga's most recent rock chip geochemical sampling programme at the Khundlun project, which targeted samples from the weathered iron ore outcrops and a historic trench which was located during the field survey.

LAB	SAMPLE ID.	Fe_2O_2%	Fe %
Stewart group	Khu 10_001	26.5	20.6
	Khu 10_002	29.8	23.2
	Khu 10_003	26.2	20.4
	Khu 10_004	13.9	10.8
	Khu 10_005	46.6	36.2
	Khu 10_006	19.1	14.8
	Khu 10_007	34.3	26.7
	Khu 10_008	66.3	51.5

Table 6-1: Rock Chip Assay Results for the Khundlun Project

Note: Fe% results are calculated from Fe2O3% with a factor of 1.287 applied.

Given the early stage of assessment at the Khundlun project, no metallurgical testwork has been completed.

6.3 Potential Tonnage Estimates

The extent of magnetite-bearing quartzite observed in outcrop may 'account' for only a portion of the magnetite anomaly identified in ground magnetic survey. A possible method to commence exploration of the project would involve geophysical modelling of the anomaly to determine if the anomaly is consistent with the width of material present at surface. This investigation would provide an indication of whether the true width of the occurrence is greater than currently evident at surface, as suggested by the magnetic anomaly. Whilst this may be sufficient for conceptual purposes, drilling is the only true test of the actual mineralised widths and Xstract recommends this be undertaken as a priority.

Considering only the width of the mineralised outcrop evident at surface, an exploration target can be estimated in the range of 2 Mt to 8 Mt of magnetite-bearing quartzite rock per 100 vertical metres. Key assumptions supporting this estimate are that the occurrence is continuous in the subsurface, and extends over a 2.5 km to 3 km strike length at a width of between 2 m and 5 m and with a dry bulk density of 4.2g/m^3. The Khundlun project is yet to be drill tested and it is possible the true width encountered in the subsurface maybe thicker than those observed in outcrop.

Xstract notes that the statements above rely on the assumptions detailed and that the exploration target is conceptual in nature. There is insufficient exploration to define a Mineral Resource according to the guidelines outlined in the 2004 JORC Code, and it is uncertain whether further exploration will result in the determination of a Mineral Resource.

6.4 Adjacent Properties

Soviet era geological mapping over the area surrounding Haranga's Khundlun project noted the presence of other magnetite-bearing 'veins' within quartzite units lying outside of the current tenement boundary. It is unclear from the available technical information whether these have been investigated by other third parties.

6.5 Proposed Exploration

Haranga intends to undertake further exploration to develop its Khundlun project. Table 6-2 outlines Haranga's budgeted work programme and associated expenditure for the Khundlun project until the end of 2012.

Exploration Expenditure (US$)			Work Programme		
Year 1	Year 2	Total	Year 1	Year 2	Total
491,300	711,000	1,202,300	270 line kilometres of geophysics and 3,200 m of drilling	270 line kilometres of geophysics and 5,600 m of drilling	540 line kilometres of geophysics and 8,800 m of drilling

Table 6-2: Budgeted Exploration Expenditure and Work Programme for the Khundlun Project

Exploration in Mongolia is primarily costed in US$. Haranga's A$ forecasts (Sec 7.1) use an exchange rate of A$1=US$0.90.

Based on surface outcrops of magnetite-bearing quartzite, Haranga has outlined an `unbeneficiated iron' exploration target as outlined in Section 6.2.4. Future exploration drilling programmes are expected to focus on the assessment of this target mineralised zone. Should results prove encouraging, Haranga anticipates undertaking appropriate drill testing and delineation activities so as to define a Mineral Resource in accordance with the 2004 JORC Code.

Furthermore, Haranga considers its proposed geophysical survey programme will identify additional targets for subsequent follow-up assessment. Drilling of targets and other mineralised occurrences is expected to consist of a combination of open hole and diamond core drilling to depths of 100 to 150 m below surface, with downhole geophysical logging and analysis is likely to further delineate identified iron mineralisation. This programme will also be designed to obtain an improved understanding of the extent, continuity and geochemical character of the iron mineralisation. It is expected that approximately 8,800 m of drilling will be completed by the end of 2012. On-going exploration thereafter will be dependent upon results.

6.6 Conclusion and summary

Haranga's Khundlun project has been the subject of cursory exploration work, which has provided some encouragement, including the presence of several outcropping magnetite veins and the delineation of a large associated magnetic anomaly. Haranga proposes to review the Khundlun area as part of an integrated regional targeting programme across northern Mongolia. Within this context, Xstract considers that the Khundlun project is worthy of evaluation to the extent being proposed. However, Xstract cautions that the project's remote location to existing or proposed infrastructure in northern Mongolia means that in order to bring the project into development, a significant tonnage will need to be defined. Ultimately the success of this project will depend upon the economic risk factors typical for this type of project including: physical properties affecting the ease of beneficiation and mining modifying factors like strip ratios.

Should these factors not prove prohibitive, Xstract considers the Khundlun project offers the potential for a magnetite occurrence of sufficient size and grade to be of economic interest.

7 Tumurtei Khudag Project

7.1 Property Description

Haranga's Tumurtei Khudag project comprises two conjoined ELs (14907X, 13544X) covering a combined area of 57,714 ha within the Dundgovi Province (South Gobi Basin) of central Mongolia (Figure 7-1). The Tumurtei Khudag project lies approximately 56 km southeast of the provincial capital of Mandalgovi, and approximately 290 km south of Ulaanbaatar. The nearest population is the soum (county) village of Gurvansaikhan, which is situated approximately 30 km to the east. A known iron occurrence called "Khar Toirom" exists in the southern part of 14907X.

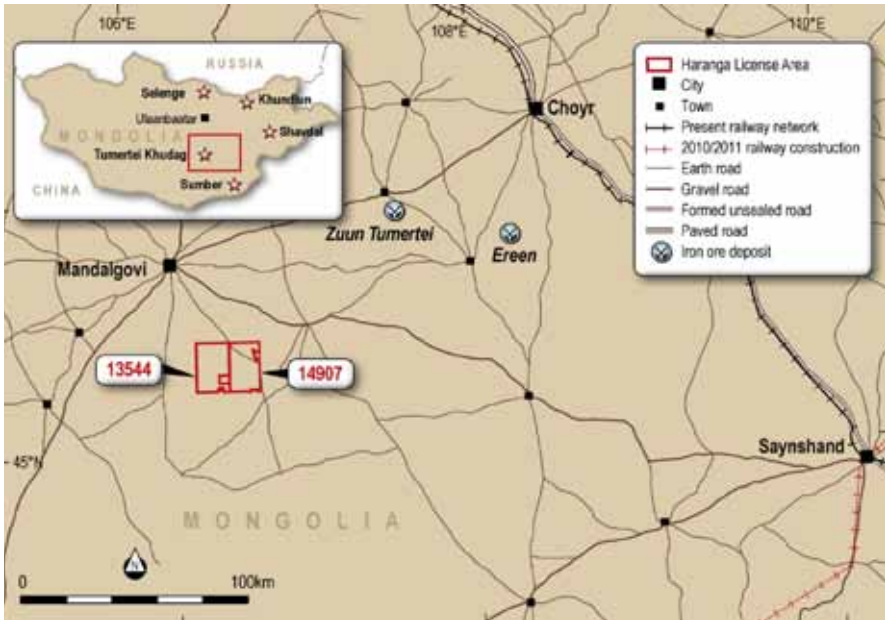


Figure 7-1: Location of the Tumurtei Khudag Project Tenement
Note: Railway construction plans as per Mongolian Parliament Act #32, June 2010

Access is gained to the project area by travelling for 260 km on partially improved gravel roads from Ulaanbaatar to Mandalgovi, followed by approximately an hour on an unimproved earth road. Mongolia's land ownership regime means that there are very few fences or defined property boundaries within the country or the licence area. The project is accessible by 4WD vehicles from any direction all year. Access by airplane can be arranged through on-demand flights and takes approximately 45 minutes from Ulaanbaatar to Mandalgovi. The nearest rail station is at Choyr, 150 m to the northeast.

The project lies in the Dundgovi uplift, which consists of a mixture of steppe and desert. The actual licence area is situated in an area of small hills and ridges with flat tops. The project's elevation ranges from 1,240 to 1,350 mASL and is centrally located within the Ulaan Valley. There is no permanent running water in the licence area. Small pools or lakes form temporarily, when the rain is heavy.

Much of the project area is devoid of trees and the soil is predominately dark brown and sandy, and supports vegetation that includes khargana, couch, stipa, and grey grass. The region has undergone extensive desertification in the last decade.

The local infrastructure is relatively well developed compared to other regions in Mongolia. There is a 35 MW power line between Mandalgovi and Gurvansaikhan, passing across the northwest of the project area, and a 220 MW power line between Mandalgovi and Choyr, passing by 65 km to the north.

This project lies immediately adjacent to Hunnu Coal Limited's (**Hunnu Coal**) Unst Khudag project and only 150 km from the main rail line station at Choyr.

7.1.1 Tenement Ownership

The registered holder of both of the Tumurtei Khudag licences is Bilegt Hairhan Uul LLC ("BHU"), a 65% owned subsidiary company of Hunnu Coal Limited. Haranga has acquired an interest in the iron ore rights on these licences, while BHU retains the coal rights.

Xstract understands that this is the only project within Haranga's portfolio where the mineral rights have been split according to commodity. Importantly, the areas considered most prospective for coal are geologically distinct from those having potential for iron ore; hence Hunnu Coal's exploration activities are unlikely to impact on those of Haranga.

7.2 Geological Setting

7.2.1 Regional

The project area lies within a metallogenic district called the Ulziitore Junction which occurs at the contact between the Dornogovi Fold Belt and the Dundgovi uplift of the East Mongol volcanic-plutonic province. The project also partially overlies the Dundgovi coal basin, which hosts several high quality thermal coal deposits.

A dominant feature of the area is an east-west oriented fault associated with the regional, deep-seated Khangai-North Gobi Fault.

7.2.2 Local

The stratigraphic sequence of the project area is underlain by metamorphic rocks of the Proterozoic Oortsog Formation, which are covered by sedimentary units of Upper Jurassic Sharil Formation, Upper Jurassic to Lower Cretaceous Manlai Formation, and volcanic rocks of Palaeogene age. This sequence has been intruded by various felsic to mafic bodies belonging to Devonian and Early Permian intrusive complexes.

Extensive quartz veining is evident in the southern portions of the project area, with veins typically measuring between 50 cm to 2 m in width and extending over 200 to 500 m in length. Other chalcedonic and quartz-fluorite veins also occur. These veins are mainly oriented northeast - southwest, but also occur in association with east-west trending fault zones.

The structural fabric of the area is dominated by branching faults of the regional-scale Khangai-North Govi Fault. Other subsidiary faults are transverse and oriented northeast and northwest, which creates a blocky structure to the overall composition of the region.

Reported mineralisation on the project is consistent with that of the surrounding region, predominantly comprising iron, coal and fluorspar.

7.3 History

7.3.1 Previous Exploration / Mining

The first recorded exploration activity over the current project area dates back to the early 20th century. However, it was not until 1957 that systematic geological programmes were initiated over the area. Since that time, various prospecting and exploration activities have been carried out over the project area and surrounds targeting a variety of mineralisation styles. This work has resulted in the definition of two third-party held mines, one exploiting a high-quality thermal coal deposit and the other for fluorspar, which lie in proximity to Haranga's licence areas.

Aerial geophysical surveys were carried out from 1966 to 1967 on a scale of 1:200,000 across much of central Mongolia. This work resulted in the identification of magnetic anomalies in the vicinity of the Bilgekh Mountain in the northeastern part of the current project area. Subsequent ground magnetic surveying of these anomalies revealed an association with quartz-fluorite veining with meta-sedimentary units.

Between 1973 and 1974, a coal occurrence was subject to a concerted exploration programme.

Geological mapping and general prospecting activities were carried out in the Dundgovi district from 1979 to 1983. This work resulted in rock age determination in the area and the identification of certain mineral occurrences, for example, coal, beryllium, tin, lead, tungsten and fluorspar.

Between 1992 and 1993, a geochemical and panning survey was carried out on a scale of 1:50,000 over much of the current project area. No additional mineral prospects were identified at this time.

In more recent years, geological investigations have been carried out for fluorspar; however, the results of these activities were not available. The southeastern portion of the project contains several historic trenches and mining pits developed over a quartz-fluorite vein. This is most probably the result of historical artisanal mining activities as no records for these workings are available. The pits measure 25 m by 40 m in size and are between two and three metres in depth.

7.3.2 Recent Exploration

In September 2010, Haranga engaged Mine Info LLC ("Mine Info") to conduct a staged exploration programme over the southern part of exploration licence 14907X, known to host the Khar Toirom iron occurrence, comprising initial field reconnaissance and subsequent data processing. The aim of this programme was to verify the location and lateral extents of known iron and manganese mineralised zones outlined by previous explorers.

The field component of this programme located numerous iron occurrences within this portion of Haranga's project area. Rock chip geochemical samples collected during this exploration phase reported up to 86% magnetite. Subsequent to the initial field work, Haranga commissioned a ground magnetic geophysical survey to be carried out over a small area in the south of the project. The survey identified several significant geophysical anomalies associated with the known magnetite outcrops. In particular, a large (1 km x 1 km) magnetic anomaly was identified in the southeast and is remains open to the south and east beyond the limits of the recent ground magnetic survey. Figure 7-2 presents the location and significant results from Mine Info's surface rock chip geochemical sampling programme. It should be noted not all samples collected by Mine Info over the project area have been included in Figure 7-2.

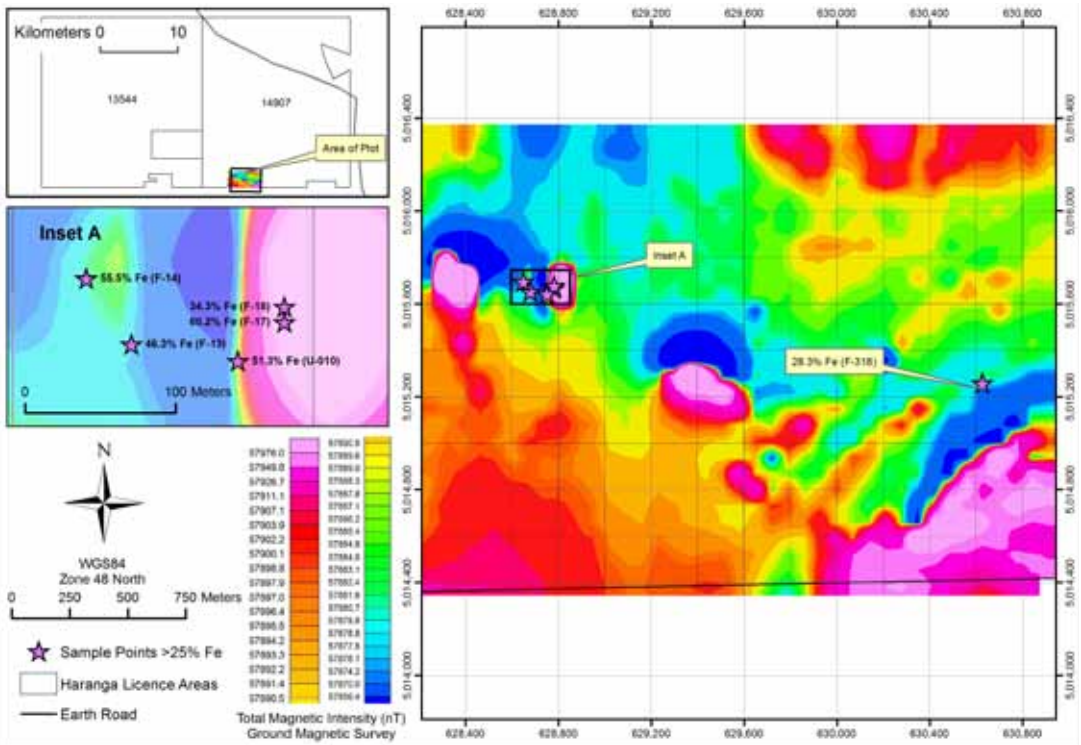


Figure 7-2: Tumurtei Khudag Ground Magnetic Survey and Rock Chip Sample Locations

Figure 7-3: Outcropping Iron-Bearing Rock within the Tumurtei Khudag Project Area

7.4 Potential Tonnage Estimates

Based on its reconnaissance exploration activities over the licence 14907X, Mine Info considered there to be limited potential for an economic iron ore deposit to occur within the surveyed area. Xstract notes that exploration over the area remains at a very early stage of assessment and that less than 10% of the area available to Haranga has been assessed. Furthermore, Xstract considers the iron ore potential of the project to be reasonable at this stage given that:

- The area covered by Haranga's magnetic geophysical survey (as outlined in Figure 7-2) represents less than 5% of the available area covered by the project licences.
- The majority of the project is concealed by variable depths of cover, including Quaternary sediments, thus limiting the understanding of the project's geology.
- The presence of skarn alteration over much of the project area suggests that key areas located in proximity to granitic intrusive bodies with appropriate fluid focusing structures, such as faults and associated splays, may offer potential for magnetite mineralised zones. Importantly, these zones may not always crop out at surface.
- Encouraging rock chip results have been returned from Khar Toirom and a large magnetic anomaly in the southeast of the survey area is of particular interest but currently remains untested.

7.5 Proposed Exploration

Haranga considers the Tumurtei Khudag project area remains prospective for magnetite-bearing iron ore deposits and intends to undertake further exploration to assess and advance the status of the project. Xstract has reviewed the data supporting Haranga's proposed exploration plan and agrees with the company's assessment. Table 7-1 provides a brief outline of Haranga's budgeted work programme and associated expenditure for the Tumurtei Khudag project until the end of 2012.

Exploration Expenditure (US$)			Work Programme		
Year 1	Year 2	Total	Year 1	Year 2	Total
516,300	649,000	1,165,300	500 line kilometres of geophysics and 3,300 m of drilling	4,800 m of drilling	500 line kilometres of geophysics and 8,100 m of drilling

Table 7-1: Budgeted Exploration Expenditure and Work Programme for the Tumurtei Khudag Project

Exploration in Mongolia is primarily costed in US$. Haranga's A$ forecasts (Sec 7.1) use an exchange rate of A$1=US$0.90.

Exploration drilling is expected to be focussed on targets identified from Haranga's initial geophysical programme. Drilling of exploration targets and any other occurrences is expected to consist of a combination of open hole and diamond core drilling to depths of 100 to 150 m below surface with possible downhole geophysical logging. Haranga's objective is also to improve its understanding of the lateral and depth extents and to assess the geological continuity of the defined iron mineralisation. It is expected that approximately 8,100 m of drilling will be completed by the end of 2012.

Based on its review of the available technical data, Xstract considers the Tumurtei Khudag project to be of merit and that the exploration work programme and budget as proposed by Haranga to be warranted. Whilst the budget is relatively small, it should be sufficient to assess the key targets outlined to date and provide for the advancement of the project beyond its current early stage status.

8 Sumber Project

Haranga's Sumber project comprises a single square-shaped exploration licence (14568X) covering an area of 6,467 ha in the Dornogovi Province of southeastern Mongolia. The project is situated approximately 50 km from the Chinese border crossing at Hangi Mandal (Figure 8-1). Ulaanbaatar lies approximately 580 km to the north and the regional capital, Saynshand is 210 km to the northeast. Saynshand is the closest urban centre of any size (population 25,000) to the project and is located on the Trans Mongolian railway and main road link connecting Ulaanbaatar to China. The nearest village is Khatanbulag situated approximately 35 km to the northwest.

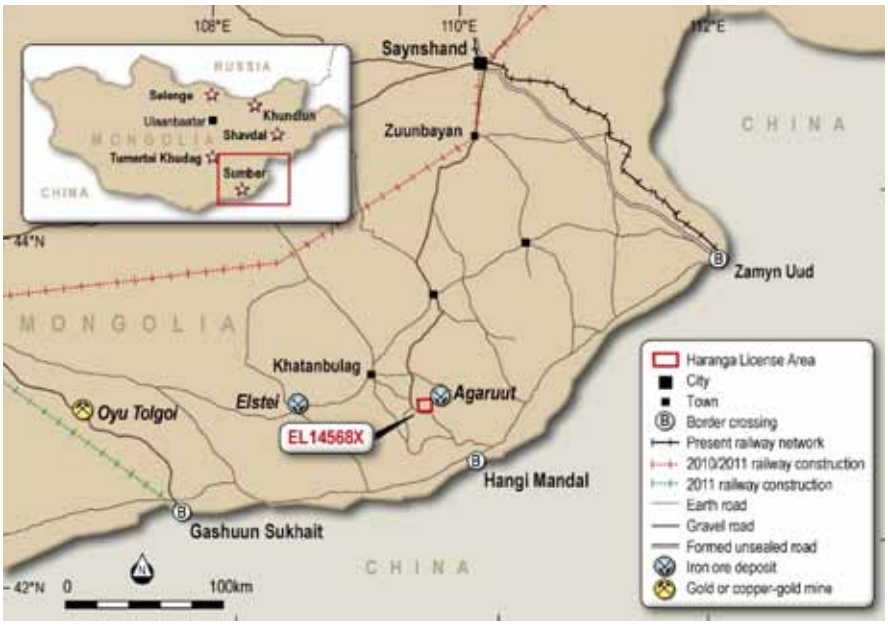


Figure 8-1: Location of Haranga's Sumber Project

Note: Railway construction plans as per Mongolian Parliament Act #32, June 2010

Access may be gained to the project by travelling for 225 km along a paved road from Ulaanbaatar to Govisümber Province followed by 240 km of improved dirt road to Saynshand. From Saynshand, the project area is a further 10 hours on dirt roads of varying condition.

The nearest rail link to the project is the Trans Mongolian railway at Saynshand although closer railways are currently being planned for construction in 2011 (refer Figure 8-1).

The landscape in the vicinity of the project area consists of a mixture of steppe and desert. The terrain is characterised by low hills and its elevation is between 1,200 and 1,300 mASL. There are no rivers with permanent water flow throughout the area, however small ponds and lakes appear during times of rainfall. The typical vegetation is that of grasslands, particularly bushy mat-wheat-grass and rocky pinto mat-grass in a dark-brown, dry, sandy steppe soil. The area has been affected by desertification during recent years.

The general infrastructure in the region is poorly developed. Most of the inhabitants are subsistence farmers and herdsmen.

8.1 Geological Setting

8.1.1 Regional

The Sumber project area covers metavolcanic and sedimentary rocks of the East Mongol volcanic-plutonic region. This area is characterised by several large fault zones, which are interpreted to be deep seated structures, which have played an important role in the structural evolution of the area. Rocks in the licence area generally strike southwest to northeast and been subject to extensive regional and contact metamorphism associated with the emplacement of granitoids during the Devonian period.

8.1.2 Local

At the local scale, the Devonian-aged Burged Formation is the dominant rock-type in the area consisting of schistose rhyolite, rhyodacite, dacite, andesite, tuff, sandstone and lenticular limestone. These are overlain by andesite, meta-andesite, tuff, greenschist, sandstone and limestone.

The project area contains andesite and meta-andesite in the northern part and mostly sandstone, siltstone and subordinate limestone units in the central and southern parts. These rocks are generally covered by Recent alluvial and colluvial sedimentary units in the valley floors which trend easterly to northeasterly (Figure 8-2).

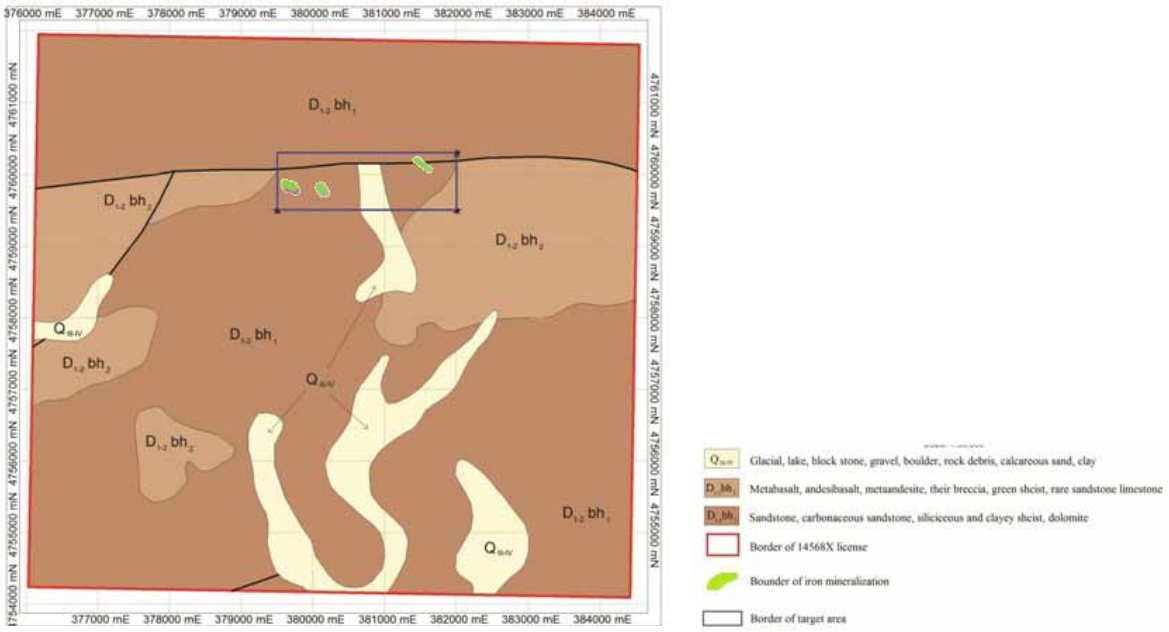


Figure 8-2: Geology of the Sumber Project Tenement (14568X)

In addition, there are numerous quartz veins and veinlets that cut through the sandstone and siltstone layers. Based on exploration completed to date, these veins and veinlets do not appear to be mineralised.

8.2 History

8.2.1 Previous Exploration / Mining

Only cursory work appears to have been carried out over Haranga's current project area, with previous exploration activities primarily conducted as part of multiple, regional-scale surveys. During the period 1966 to 1967, an airborne geophysical survey was flown over central Mongolia. Between 1991 and 1994, broad geological mapping and general prospecting work was conducted in the southeastern portions of Dornogovi Province. The results of these regional programmes as they pertain to Haranga's project licences are not currently known. In order to improve its understanding of the previous work carried out over the area, Haranga commissioned Mine Info LLC (**Mine Info**) to undertake an initial review, reconnaissance site investigation, geological mapping and rock chip geochemical sampling over the area.

8.2.2 Recent Exploration

The only recorded mineralisation within the licence area is silver geochemical anomaly which has previously been interpreted to represent a dispersion halo around a small mineralised vein. However, based on its initial reconnaissance exploration of the area, Mine Info outlined a copper occurrence and three iron "zones" located along the contact between limestone and andesite units (refer Figure 8-2 and Figure 8-3).

Figure 8-3: Example of a Typical Ferrous Outcrop Identified in the Field

8.3 Adjacent Properties

The area surrounding Haranga's Sumber project contains several known iron skarn occurrences and a iron ore mine, recently opened by Chinese interests. Haranga interprets that iron-bearing skarn mineralisation may extend southwards under cover from the Chinese-owned iron mine into the company's Sumber project area.

While a high grade iron occurrence has yet to be located, the presence of known iron occurrences along strike and in close proximity to the project is encouraging. Furthermore, the lack of recent systematic exploration over the area suggests that further work is warranted.

The project's location in the south of the country provides the project with proximity to potential customers in China, should a sizeable iron occurrence be outlined.

8.4 Proposed Exploration

Haranga intends to undertake further exploration to develop its Sumber project and has outlined a budgeted work programme up until the end of 2012 as outlined in Table 8-1.

Exploration Expenditure (US$)			Work Programme		
Year 1	Year 2	Total	Year 1	Year 2	Total
474,300	861,000	1,335,300	900 line kilometres of geophysics and 2,700 m of drilling	350 line kilometres of geophysics and 6,600 m of drilling	1,250 line kilometres of geophysics and 9,300 m of drilling

Table 8-1: Budgeted Exploration Expenditure and Work Programme for the Sumber Project

Exploration in Mongolia is primarily costed in US$. Haranga's A$ forecasts (Sec 7.1) use an exchange rate of A$1=US$0.90.

Haranga's programme will initially focus on the compilation, verification, and critical re-assessment of the geology and historical exploration data through a regional review to generate targets for subsequent follow-up assessment.

Exploration drilling is expected to focus on any positive results or targets identified from the geophysical programme as proposed in both 2011 and 2012. Drilling of exploration targets and any other occurrences is expected to consist of a combination of open hole and diamond core drilling to depths of 100 to 150 m below surface with downhole geophysical logging to be conducted if warranted. The objective of this drill programme is to provide the company with an improved understanding of the geological setting and styles of mineralisation present within the project area. It is expected that approximately 9,300 m of drilling will be completed by the end of 2012 and will initially be focussed on early stage exploration targets and concepts. Once this data has been evaluated, a follow-up drilling programme will be implemented to delineate the potential for economically viable iron deposits within the Sumber project area.

9 Technical Capabilities

Haranga's management team has a history of successful project acquisition, exploration, mining and project management. This team has established links to the Mongolian government and its mining industry and has gained knowledge regarding the geological setting and operating environment.

There are a number of drilling, geophysical and surveying companies available within Mongolia with suitable equipment and personnel to undertake the programmes as proposed by Haranga. In addition, there are several certified laboratories in Mongolia and China capable of performing the routine analysis and testwork for iron ore as required by Haranga. Resource modelling services would most likely be undertaken by an Australian based company.

10 Work Programme and Exploration Budget

Haranga has proposed a programme of exploration for its Mongolian tenements over a two year period following its listing on the ASX. Haranga's programme will continue to focus on the re-assessment of historical data as well as developing new targets for subsequent follow-up assessment.

Key activities to be undertaken by Haranga include geological mapping, drilling, ground geophysical surveys and further trenching along with additional analysis and metallurgical testing for suitable iron ore grades. Geophysical surveying and drilling of identified targets are key assessment techniques for ongoing exploration, especially in the Selenge project. This work is expected to continue throughout 2011 and 2012. Given the early stage nature of the iron ore targets outlined, no trial mining or processing studies have been planned at this stage.

All drillholes will be surveyed with a handheld global positioning system ("GPS") initially and then by differential GPS when available. All drillhole and trench sites will be backfilled and rehabilitated at the completion of each field programme.

The purpose of the proposed drilling will be to gain a better understanding of the extent and continuity of the iron mineralisation and geological structure, as well as to obtain samples for grade analysis. Haranga is expecting to drill 75% of the holes using Reverse Circulation and 25% as diamond core.

The geophysical work will comprise ground-based magnetic surveys. Haranga envisage surveying at 50 m line spacing with infill surveys to 25 m line spacing in some areas (40 line kilometres = 1 m^2 on average).

10.1 Expenditure

Haranga's budgeted exploration expenditure for each project area is shown in Table 10-1.

	Exploration Expenditure (US$)			
Project	**Year 1**	**Year 2**	**Total**	**Work Programme**
Selenge	1,794,500	2,392,400	4,186,900	2,600 line km geophysics, 36,200 m drilling
Shavdal	621,300	1,034,600	1,655,900	580 line km geophysics, 13,000 m drilling
Khundlun	491,300	711,000	1,202,300	540 line km geophysics, 8,800 m drilling
Tumurtei Khudag	516,300	649,000	1,165,300	500 line km geophysics, 8,100 m drilling
Sumber	474,300	861,000	1,335,300	1,250 line km geophysics, 9,300 m drilling
Total	**3,897,700**	**5,648,000**	**9,545,700**	**5,470 km geophysics, 75,400 m drilling**

Table 10-1: Budgeted Exploration Expenditure and Work Programme for each Project Area

Exploration in Mongolia is primarily costed in US$. Haranga's A$ forecasts (Sec 7.1) use an exchange rate of A$1=US$0.90.

In Xstract's opinion, Haranga's proposed expenditures are realistic in the context of expected capital amounts to be raised through this prospectus. It should be possible to evaluate the resource potential at the Selenge, Shavdal and Khundlun projects within the two year period. Furthermore, the proposed budget should permit a more meaningful assessment of the potential of the key targets identified within the Tumertei Khudag and Sumber projects. Xstract notes that the amounts stipulated may change in the future as these will be dependent upon the success of the programme in 2011.

11 Conclusions

Haranga has acquired interests in 10 exploration licences in Mongolia, covering a total area of 131,121 ha. These licences are considered prospective for magnetite, being generally located in areas of known magnetite-bearing skarn mineralisation and coincide with regional and local scale magnetic geophysical anomalies.

The Selenge project is the largest and most advanced of Haranga's project areas and has, prior to the Haranga's acquisition of the projects, been subject to detailed geological mapping, trenching, and drilling at two localities: Bayantsogt and Huiten Gol. Skarn-style magnetite mineralisation has been outlined in association with either geochemical and/or magnetic geophysical anomalies which has provided early stage indications of sufficient grade and thickness to be of potential economic significance. Haranga has defined a combined exploration target of between 11 and 21 Mt at a grade ranging from 25 to 40% Fe per 100 vertical meters at these two prospects. Elsewhere within the Selenge project, several additional occurrences are associated with geophysical anomalies and have been confirmed by rock chip geochemical sampling. Xstract endorses Haranga's planned programme to advance the understanding of these prospects through continued exploration.

In addition, Haranga holds the Shavdal, Khundlun, Tumurtei Khudag, and Sumber early stage exploration projects located in the east and south of the country. Based on a coincident geochemical-magnetic geophysical anomaly, Haranga considers the Shavdal project to be the most prospective of its early stage projects. Haranga has estimated exploration targets at both the Shavdal and Khundlun projects with a combined total ranging between 20 to 28 Mt per 100 vertical meters.

Xstract has reviewed the methodology used by Haranga to estimate the potential tonnages and grades of each of its defined exploration targets and considers the methodology and approach to be valid. However, Xstract cautions that at this stage there has been insufficient exploration to define a Mineral Resource in accordance to the 2004 JORC Code. Furthermore, there is no guarantee that on-going exploration will result in the determination of such a Mineral Resource. Furthermore, Xstract considers that in order to achieve this target, substantial exploration will be required to further geologically map, detect, trench and drill test the defined conceptual targets. On this basis, Xstract considers that further work is warranted and that Haranga's exploration strategy is justified, should the results continue to be positive.

Haranga has proposed substantial drilling and exploration to support the identification and delineation of Mineral Resources, as well as locating additional targets within the licence areas. Xstract considers the projects held by Haranga are of high quality and provide the basis for the company to meet its stated objective of developing a number of economic iron ore deposits in Mongolia.

12 Declarations

12.1 Independence

Xstract is a privately owned and operated mining and resource industry consultancy providing independent, strategic and tactical advice and personalised professional services to exploration and mining companies, engineering firms, financial institutions and investors. Xstract operates through its offices in Brisbane and Perth. Xstract's corporate services include technical audits, project reviews, valuations, independent expert reports, project management plans and corporate advice.

Xstract personnel have extensive experience in the preparation of independent valuations for a variety of commodities including coal, gold, base metal, platinum, diamonds and iron.

This report has been prepared independently. Neither Xstract nor the authors hold any interest in Haranga, their related parties, or in any of the mineral properties or interested parties, which are the subject of this report. Fees for the preparation of this report are being charged at Xstract's standard rates, whilst expenses are being reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions drawn in this report.

12.2 Qualifications

Trevor Ellice (Senior Consultant – Geology)

Trevor is an economic geologist with high level skills in mining, leadership, and resource estimation. With over 20 years in the industry, Trevor is most familiar with base and precious metals, having worked in a variety of geological terranes across Australia. During his career Trevor has lead wealth creation through exploration success and innovation at several projects, most recently at Rosebery in Tasmania. His interests include mining finance, with post graduate qualifications in mineral economics, and geostatistics.

Michael Tyndall (Senior Consultant – Corporate Services)

Michael is a geologist with more than 19 years combined experience including 10 years in marine and terrestrial diamond exploration and mining, five years in mineral resource management on deep level gold mines in southern Africa and four years as a mineral industry consultant. Michael's key expertise lies in mineral project feasibility, technical due diligence studies, technical reporting and mineral asset valuation. As a mining consultant, Michael has worked previously for Venmyn Rand in South Africa, where he assisted in the compilation and preparation of techno-economic and valuation reports for a variety

of commodity and mineral assets, primarily for stock exchange listings and project capital funding. In January 2009, Michael relocated to Australia and joined Snowden's Corporate Services Division where he was involved in mineral asset valuations, due diligence studies and technical reporting. In June 2010, Michael joined Xstract's Corporate Division as a Senior Consultant. Michael holds a BSc (Honours) degree and Graduate Diploma in Mining Engineering. Michael is also a member of the Geological Society of South Africa and the Australasian Institute of Mining and Metallurgy.

Jeames McKibben (GM – Corporate Services and Principal Consultant)

During his more than 16 years experience in the mining and mineral industry, Jeames has served in a diverse range of roles including corporate consultant, project manager, geologist and analyst. Jeames' most recent role was as the Corporate Services Divisional Manager for a major, international mining consultancy. He has a strong record in project due diligence, independent technical review, valuation, deposit evaluation and the promotion of best practice strategies in the workplace. As a corporate consultant he specialises in valuations and Mineral Expert Reports for equity transactions and Independent Technical Reports in support of project finance. He has assisted numerous mineral companies, financial and legal institutions in securing regulatory approvals for IPOs and other secondary filings on the following international exchanges: Australian Securities Exchange, Alternative Investment Market, London Stock Exchange, Johannesburg Securities Exchange and Toronto Stock Exchange. Other mandates include technical due diligence in support of information memoranda, divestments, acquisitions and mergers, Pre-Feasibility Studies and independent Competent Persons' Reports. Jeames has a MBA and a BSc (First Class Honours), and is a member of the AIG and a CP (Geo) with the AusIMM. Jeames was recently appointed to a joint AusIMM/AIG committee to review and update the VALMIN Code.

12.3 Terms of Reference

This technical assessment report has been prepared at the request of Haranga to provide an independent opinion on the merits of the company's iron ore assets located in Mongolia.

The conclusions expressed in this report are appropriate as at 3 November 2010. All monetary values outlined in this report are expressed in Australian dollars unless otherwise stated.

In the execution of our mandate we have reviewed all relevant technical and corporate information made available to us by the management of Haranga, which we have accepted in good faith as being true, accurate and complete, having made due enquiry. Haranga's directors have agreed in writing their obligation to provide Xstract all material information for this purpose.

For the specific purpose of this report, Mr Trevor Ellice carried out a site visit to Haranga's Mongolian iron ore projects between 20 September and 1 October 2010. During the visit, Xstract reviewed the latest exploration results, geological sections and estimates in discussions with Haranga's Managing Director, Dr Robert Wrixon and Haranga's Exploration Director, Mr Kell Nielsen. Discussions were also held with the geologists and directors of the companies which currently hold the exploration licences discussed in this report. Site visits to the Khundlun, Shavdal and Selenge project areas were made on the 23, 24 and 26 September 2010 respectively.

Xstract is not qualified to express legal opinion and has not sought any independent legal opinion on the ownership rights and obligations that Haranga may have pertaining to the respective iron ore assets under licence or any other fiscal or legal agreements that the company may have with any third party.

12.4 Reporting Standard

This report has been prepared in accordance with the rules and guidelines issued by such bodies as the ASIC and ASX which pertain to Independent Geologist's Reports. Of particular importance to the preparation of publicly disclosed Independent Expert reports in Australia are ASIC's Regulatory Guides 111 (Contents of Expert Reports) and 112 (Independence of Experts).

In addition, authors of this report are either members of the AusIMM and Australian Institute of

Geoscientists ("AIG"). As such they are obliged to prepare mineral asset valuations in accordance with the reporting requirements as set out in the 2005 edition of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ("VALMIN Code") and the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code").

12.5 Competent Person Statement

The information in this report that relates to Exploration Results is based on information reviewed by Mr Trevor Ellice, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Ellice is a full time employee of Xstract Mining Consultants Pty Ltd. Mr Ellice has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Mr Ellice consents to the inclusion of this report in Haranga's Prospectus in the form and context in which it is included.

12.6 Data Sources

Xstract has relied upon information provided by Haranga and associated companies as well as information gained from other public sources. Key sources are outlined in Part 13 of this IGR.

Data for this review was provided by Haranga's Managing Director and Exploration Director and the geologists and directors of the companies which currently hold the Exploration Licences discussed in this report along with other publicly disclosed information. The material on which this report is based consists of internal and open-file project memorandums, technical reports and location plans, which were all provided by Haranga.

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Appendix A:
Assay Results for Samples Taken at the Bayantsogt Occurrence, Selenge Project

#	Sample number	Sample type	Lithology	Fe %
1	171	Rock chips	Magnetite skarn	28.58
2	419	Rock chips	Magnetite skarn	22.55
3	423	Rock chips	Magnetite skarn	28.54
4	751	Rock chips	Magnetite skarn	68.01
5	758	Rock chips	Magnetite skarn	21.88
6	757	Rock chips	Magnetite skarn	23.03
7	K-8/1	Channel/Trench sample	Disseminated magnetite skarn	22.63
8	K-8/2	Channel/Trench sample	Disseminated magnetite skarn	31.50
9	K-8/3	Channel/Trench sample	Massive magnetite	36.95
10	K-8/4	Channel/Trench sample	Massive magnetite	55.58
11	K-8/5	Channel/Trench sample	Disseminated magnetite skarn	32.75
12	K-8/6	Channel/Trench sample	Massive magnetite	45.58
13	K-8/7	Channel/Trench sample	Massive magnetite	32.22
14	K-8/8	Channel/Trench sample	Massive magnetite	23.92
15	K-8/9	Channel/Trench sample	Massive magnetite	33.83
16	K-8/10	Channel/Trench sample	Massive magnetite	39.63
17	K-8/11	Channel/Trench sample	Massive magnetite	35.64
18	K-8/12	Channel/Trench sample	Massive magnetite	39.07
19	K-8/13	Channel/Trench sample	Massive magnetite	39.85
20	K-8/14	Channel/Trench sample	Massive magnetite	38.90
21	K-8/15	Channel/Trench sample	Massive magnetite	39.70
22	K-8/16	Channel/Trench sample	Massive magnetite	38.72
23	K-8/24	Channel/Trench sample	Massive magnetite	20.06
24	K-8/25	Channel/Trench sample	Massive magnetite	24.63
25	K-8/26	Channel/Trench sample	Massive magnetite	29.7
26	K-8/27	Channel/Trench sample	Massive magnetite	29.17
27	K-8/28	Channel/Trench sample	Massive magnetite	29.63
28	K-8/29	Channel/Trench sample	Massive magnetite	33.1
29	K-8/30	Channel/Trench sample	Massive magnetite	28.48
30	K-8/31	Channel/Trench sample	Massive magnetite	35.86
31	K-8/32	Channel/Trench sample	Massive magnetite	42.94
32	K-8/33	Channel/Trench sample	Massive magnetite	39.54
33	K-8/36	Channel/Trench sample	Massive magnetite	21.83
34	K-8/41	Channel/Trench sample	Massive magnetite	28.98
35	K-8/42	Channel/Trench sample	Massive magnetite	26.75
36	BTS-4/17	Core sample	Iron ore	18.99
37	BTS-4/18	Core sample	Iron ore	16.04
38	BTS-4/19	Core sample	Disseminated magnetite skarn	23.96
39	BTS-4/20	Core sample	Disseminated magnetite skarn	31.40
40	BTS-4/21	Core sample	Massive magnetite	26.39
41	BTS-4/22	Core sample	Massive magnetite	30.40
42	BTS-4/23	Core sample	Disseminated magnetite skarn	25.07
43	BTS-4/24	Core sample	Massive magnetite	28.62
44	BTS-4/25	Core sample	Massive magnetite	34.02
45	BTS-4/26	Core sample	Massive magnetite	41.93
46	BTS-4/27	Core sample	Massive magnetite	40.75
47	BTS-4/28	Core sample	Massive magnetite	51.83
48	BTS-4/29	Core sample	Massive magnetite	44.92
49	BTS-4/30	Core sample	Massive magnetite	60.24
50	BTS-4/31	Core sample	Massive magnetite	39.78
51	BTS-4/32	Core sample	Massive magnetite	31.60

52	BTS-4/33	Core sample	Massive magnetite	26.36
53	BTS-4/34	Core sample	Massive magnetite	19.60
54	BTS-4/36	Core sample	Massive magnetite	28.62
55	BTS-4/37	Core sample	Massive magnetite	29.91
56	BTS-4/38	Core sample	Massive magnetite	43.29
57	BTS-4/39	Core sample	Massive magnetite	21.39
58	BTS-4/40	Core sample	Massive magnetite	34.98
59	BTS-4/41	Core sample	Massive magnetite	27.58
60	BTS-4/42	Core sample	Massive magnetite	25.53
61	BTS-4/43	Core sample	Massive magnetite	20.19
62	BTS-4/44	Core sample	Massive magnetite	15.41
63	BTS-4/45	Core sample	Massive magnetite	17.80
64	BTS-5/28	Core sample	Iron skarn	24.6
65	BTS-5/29	Core sample	Iron skarn	19.3
66	BTS-5/30	Core sample	Iron skarn	27
67	BTS-5/31	Core sample	Iron skarn	45.2
68	BTS-5/32	Core sample	Iron skarn	37.5
69	BTS-5/33	Core sample	Iron skarn	41.2
70	BTS-5/34	Core sample	Iron skarn	31.5
71	BTS-5/35	Core sample	Iron skarn	—
72	BTS-5/36	Core sample	Iron skarn	28.9
73	BTS-5/37	Core sample	Iron skarn	19.8
74	BTS-5/38	Core sample	Iron skarn	31.1
75	BTS-5/39	Core sample	Iron skarn	39.5
76	BTS-5/40	Core sample	Iron skarn	22
77	BTS-5/41	Core sample	Iron skarn	33.3
78	BTS-5/42	Core sample	Iron skarn	20.6
79	BTS-5/43	Core sample	Iron skarn	21.4
80	BTS-5/44	Core sample	Iron skarn	29.4
81	BTS-5/45	Core sample	Iron skarn	30
82	BTS-5/46	Core sample	Iron skarn	27.8
83	BTS-5/47	Core sample	Iron skarn	35.9
84	BTS-5/48	Core sample	Iron skarn	15.4
85	BTS-5/49	Core sample	Iron skarn	22.1
86	BTS-5/50	Core sample	Iron skarn	27.8
87	BTS-5/51	Core sample	Iron skarn	11.2
88	BTS-5/53	Core sample	Iron skarn	20.1

Appendix B:
Assay Results for Samples Taken at the Huiten Gol Occurrence, Selenge Project

#	Sample number	Sample type	Lithology	Fe %
1	202	Rock chips	Diorite	10.19
2	470	Rock chips	Pegmatite	3
3	468	Rock chips	Granite porphyry	5
4	460	Rock chips	Quartz	—
5	461	Rock chips	Granite	2
6	K-1/1	Channel/Trench sample	Massive magnetite	15.1
7	K-1/2	Channel/Trench sample	Massive magnetite	12.2
8	K-1/3	Channel/Trench sample	Massive magnetite	17.4
9	K-1/4	Channel/Trench sample	Massive magnetite	21.7
10	K-1/4-3	Channel/Trench sample	Massive magnetite	71.6
11	K-1/5	Channel/Trench sample	Massive magnetite	28.8
12	K-1/6	Channel/Trench sample	Massive magnetite	31.1

13	K-1/7	Channel/Trench sample	Massive magnetite	38.7
14	K-1/8	Channel/Trench sample	Massive magnetite	—
15	K-1/8-3	Channel/Trench sample	Massive magnetite	57.9
16	K-1/9	Channel/Trench sample	Massive magnetite	39.1
17	K-1/10	Channel/Trench sample	Massive magnetite	30.5
18	K-1/11	Channel/Trench sample	Massive magnetite	25.2
19	K-1/12	Channel/Trench sample	Massive magnetite	67.7
20	K-1/13	Channel/Trench sample	Massive magnetite	31.3
21	K-1/14	Channel/Trench sample	Massive magnetite	21.3
22	K-1/15	Channel/Trench sample	Massive magnetite	33.6
23	K-1/16	Channel/Trench sample	Massive magnetite	35
24	K-2/1	Channel/Trench sample	Iron ore	15.2
25	K-2/2-3	Channel/Trench sample	Iron ore	42
26	K-2/3	Channel/Trench sample	Iron ore	21.8
27	K-2/4	Channel/Trench sample	Iron ore	10.3
28	K-2/5-3	Channel/Trench sample	Iron ore	66.4
29	K-2/6	Channel/Trench sample	Iron ore	12.7
30	K-3/1	Channel/Trench sample	Schist	10.9
31	K-3/2	Channel/Trench sample	Schist	10.1
32	K-5/1	Channel/Trench sample	Massive magnetite	12.2
33	K-5/2	Channel/Trench sample	Muscovite schist	4.37
34	K-5/3	Channel/Trench sample	Muscovite schist	5.35
35	K-5/6	Channel/Trench sample	Epidote schist	11.6
36	K-5/7	Channel/Trench sample	Epidote schist	13.6
37	K-6/1	Channel/Trench sample	Massive magnetite	50
38	K-6/1-3	Channel/Trench sample	Massive magnetite	55.5
39	K-6/2	Channel/Trench sample	Massive magnetite	57.3
40	K-6/3	Channel/Trench sample	Massive magnetite	8.27
41	K-6/6	Channel/Trench sample	Massive magnetite	22.55
42	K-7/6	Channel/Trench sample	Iron ore	28.5
43	K-7/7	Channel/Trench sample	Iron ore	13.3
44	K-7/8	Channel/Trench sample	Iron ore	12
45	K-7/9	Channel/Trench sample	Iron ore	15.4
46	HG-1/1	Core sample	Schist	29.81
47	HG-1/2	Core sample	Schist	35.49
48	HG-1/3	Core sample	Massive magnetite	51.52
49	HG-1/4	Core sample	Massive magnetite	48.90
50	HG-1/5	Core sample	Disseminated magnetite skarn	35.52
51	HG-1/6	Core sample	Schist	16.32
52	HG-1/7	Core sample	Disseminated magnetite skarn	26.33
53	HG-1/8	Core sample	Disseminated magnetite skarn	64.34
54	HG-1/9	Core sample	Muscovite schist	31.51
55	HG-1/10	Core sample	Muscovite schist	55.71
56	HG-1/11	Core sample	Epidote schist	66.36
57	HG-1/12	Core sample	Epidote schist	60.64
58	HG-1/13	Core sample	Disseminated magnetite skarn	19.52
59	HG-1/14	Core sample	Disseminated magnetite skarn	26.75

Appendix C:
Assay Results for Samples Taken at the Undur Ukhaa Occurrence, Selenge Project

#	Sample number	Sample type	Lithology	Fe %
1	133	Rock chips	Skarnised schist	64.01
2	135	Rock chips	Skarnised schist	37.37

Appendix D:
Assay Results for Samples taken at the Dund Bulag Occurrence, Selenge Project

#	Sample number	Sample type	Lithology	Fe %
1	195	Rock chips	Magnetite skarn	31.68
2	434	Rock chips	Magnetite skarn	24.09
3	436	Rock chips	Magnetite skarn	22.33
4	438	Rock chips	Magnetite skarn	24.42
5	440	Rock chips	Magnetite skarn	18.65
6	775	Rock chips	Magnetite skarn	18.15
7	783	Rock chips	Magnetite skarn	22.92
8	785	Rock chips	Magnetite skarn	30.45
9	799	Rock chips	Magnetite skarn	25.6
10	808	Rock chips	Magnetite skarn	32.39

Appendix E:
Assay Results for Samples Taken at the Ulunt Occurrence, Selenge Project

#	Sample number	Sample type	Lithology	Fe %
1	809	Rock chips	Magnetite skarn	12.68
2	GA-2	Rock chips	Magnetite skarn	16.5

Appendix F:
Assay Results for Samples Taken at the Ust Angal Occurrence, Selenge Project

#	Sample number	Sample type	Lithology	Fe %
1	283	Rock chips	Pyroxenite	16.2
2	301	Rock chips	Pyroxenite	12.6
3	224	Rock chips	Gabbro	3
4	220	Rock chips	Granite	2
5	474	Rock chips	Quartz	—
6	476	Rock chips	Quartz	—
7	Shtuf-1	Rock chips	Pyroxenite	9.2
8	Shtuf-2	Rock chips	Pyroxenite	11
9	Shtuf-3	Rock chips	Pyroxenite	8.6

Appendix G:
Assay Results for Samples Taken at the Yeroo Occurrence, Selenge Project

#	Sample number	Sample type	Lithology	Fe %
1	489	Rock chips	Gabbro	9.43
2	609	Rock chips	Pyroxenite	10
3	499	Rock chips	Gabbrodiorite	3
4	633	Rock chips	Diorite porphyry	>10
5	480	Rock chips	Gabbrodiorite	10
6	485	Rock chips	Pyroxenite	10
7	625	Rock chips	Pyroxenite	7
8	656	Rock chips	Microdiorite	>10
9	650	Rock chips	Rhyolite	7
10	678	Rock chips	Granodiorite	2
11	665	Rock chips	Gabbro-amphibolite	>10
12	675	Rock chips	Schistose microdiorite	>10
13	497	Rock chips	Gabbrodiorite	>10
14	641	Rock chips	Diorite	5
15	629	Rock chips	Quartz	—
16	643	Rock chips	Quartz	—

Appendix H:
Assay Results for Samples taken at the Muul Mountain Occurrence, Selenge Project

#	Sample number	Sample type	Lithology	Fe %
1	363	Rock chips	Pyroxenite	14.59
2	363/1	Rock chips	Pyroxenite	13.29
3	333	Rock chips	Gabbro	5
4	342	Rock chips	Gabbro	3
5	316	Rock chips	Gabbrodiorite	5
6	280	Rock chips	Gabbrodiorite	7
7	279	Rock chips	Diorite	5
8	323	Rock chips	Diorite porphyry	5
9	325	Rock chips	Diorite porphyry	3
10	356	Rock chips	Diorite	7
11	355	Rock chips	Gabbrodiorite	5
12	350	Rock chips	Microdiorite	7
13	298	Rock chips	Gabbrodiorite	5
14	299	Rock chips	Gabbrodiorite	3
15	341	Rock chips	Gabbro	5
16	354	Rock chips	Diorite	5
17	330	Rock chips	Dacite porphyry	2
18	313	Rock chips	Granodiorite	2
19	323	Rock chips	Diorite	7
20	267	Rock chips	Schist	3
21	258	Rock chips	Sandstone	2
22	373	Rock chips	Diorite porphyry	3
23	250	Rock chips	Schist	3
24	264	Rock chips	Silt-sandstone	2
25	352	Rock chips	Quartz	—
26	290	Rock chips	Microdiorite	3

Appendix I:
Assay Results for Samples Taken at the Khustai Occurrence, Selenge Project

#	Sample number	Sample type	Lithology	Fe %
1	686	Rock chips	Granodiorite	10
2	734	Rock chips	Diorite	10
3	729	Rock chips	Schistose diorite	7
4	726	Rock chips	Schist	10
5	724	Rock chips	Quartzite	2
6	721	Rock chips	Schist	5
7	736	Rock chips	Schist	10
8	737	Rock chips	Rhyolite	5
9	692	Rock chips	Quartz	7
10	684	Rock chips	Rhyolite	5
11	714	Rock chips	Schist	5
12	697	Rock chips	Gabbrodiorite	10
13	725	Rock chips	Diorite	2
14	707	Rock chips	Rhyolite	2
15	688	Rock chips	Quartz	—
16	743	Rock chips	Quartz	—

Appendix J:
Assay Results for Samples Taken at the Yargait Occurrence, Selenge Project

#	Sample number	Sample type	Lithology	Fe %
1	395	Rock chips	Microdiorite	>10
2	408	Rock chips	Gabbro	>10
3	410	Rock chips	Breccia	7
4	415	Rock chips	Diorite	7
5	409	Rock chips	Microdiorite	10
6	404	Rock chips	Quartz-Epidote	—
7	719	Rock chips	Quartz	—
8	726	Rock chips	Quartz	—
9	395	Rock chips	Microdiorite	—

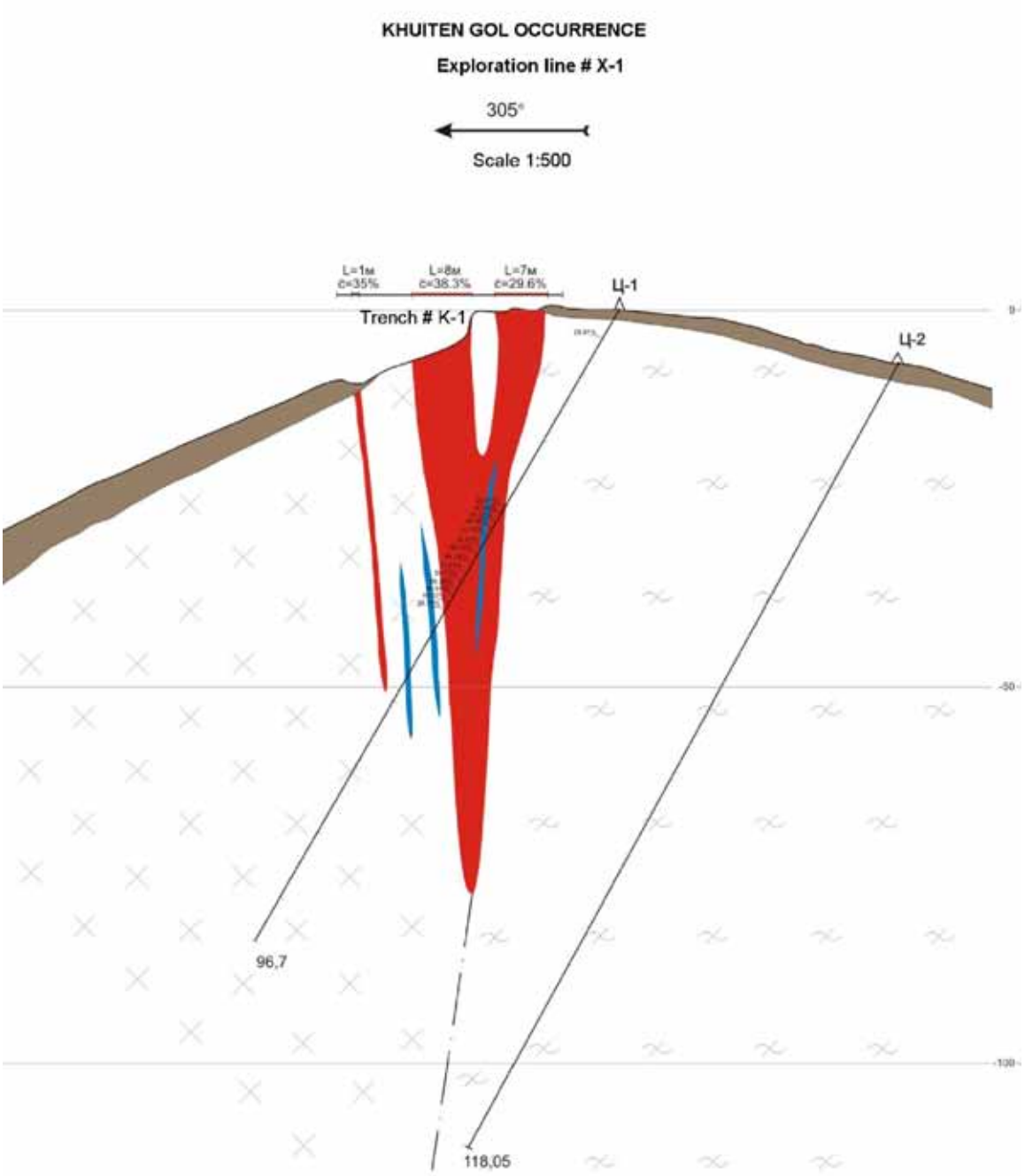
Appendix K:
Assay Results for Samples Taken at the Mukhar Occurrence, Selenge Project

#	Sample number	Sample type	Lithology	Fe %
1	372	Rock chips	Granite porphyry	1.5
2	273	Rock chips	Quartz	5
3	382	Rock chips	Greisenized granite	2
4	384	Rock chips	Granite porphyry	2
5	724/м	Rock chips	Granodiorite	5

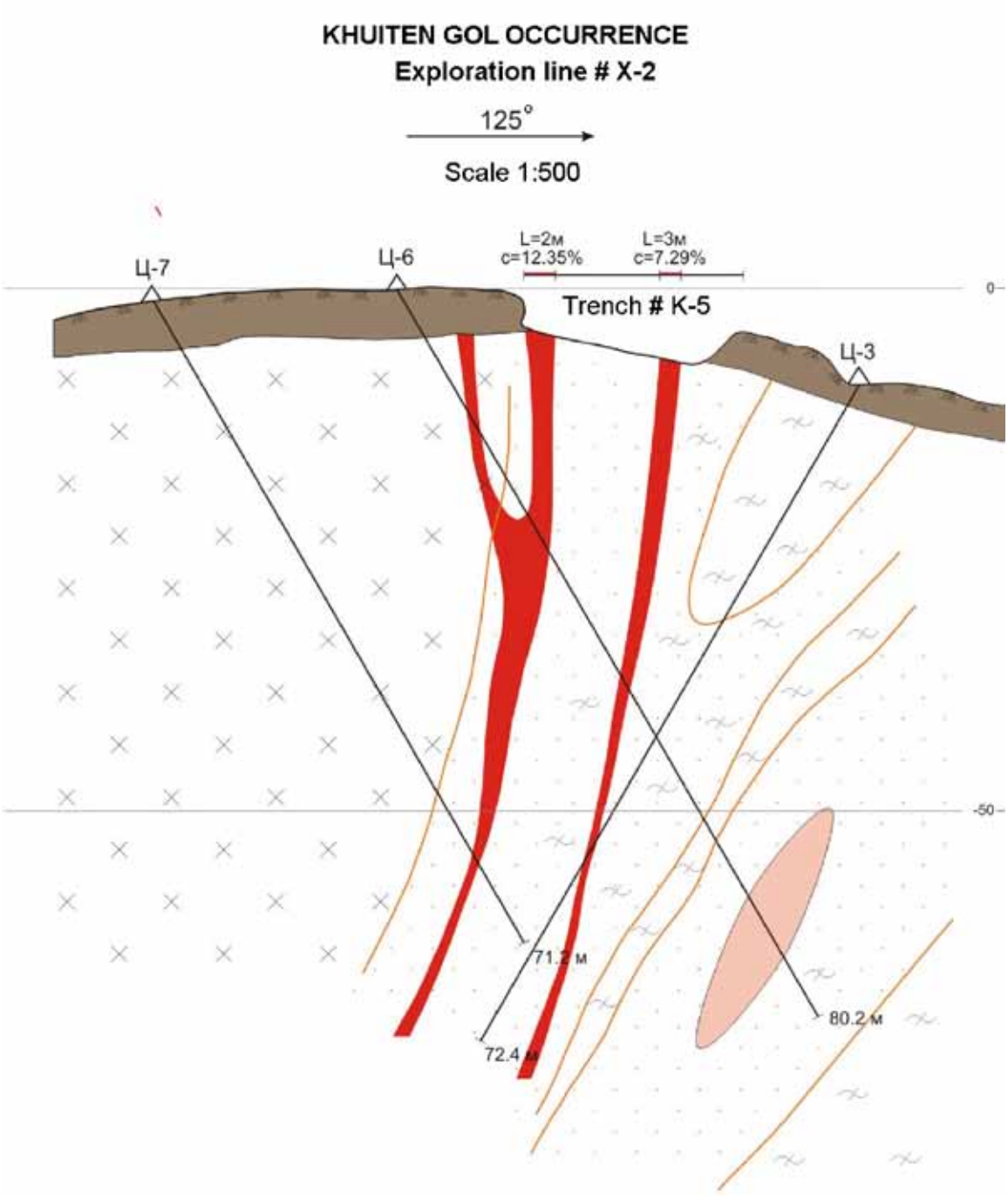
Appendix L:
Assay Results for Samples Taken at the Dartsagt Hillock Occurrence, Selenge Project

#	Sample number	Sample type	Lithology	Fe %
1	117	Rock chips	Diorite	5
2	365	Rock chips		5
3	112	Rock chips	Gabbrodiorite	5
4	228	Rock chips	Gabbro	10
5	246	Rock chips	Granite gneiss	1.5
6	161	Rock chips	Granite porphyry	3
7	190	Rock chips	Granite porphyry	3
8	103	Rock chips	Granite	3
9	123	Rock chips	Schist	3
10	08,11	Rock chips	Sandstone	5
11	149	Rock chips	Diorite	3
12	14	Rock chips	Hornfels	5
13	113	Rock chips	Limestone	3
14	188	Rock chips	Silt-sandstone	10
15	164	Rock chips	Diorite	2
16	181	Rock chips	Silt-sandstone	3
17	511	Rock chips	Sandstone	5
18	508	Rock chips	Silt-sandstone	2
19	509	Rock chips	Silt-sandstone	7
20	526	Rock chips	Silt-sandstone	7
21	126	Rock chips	Gabbrodiorite	7

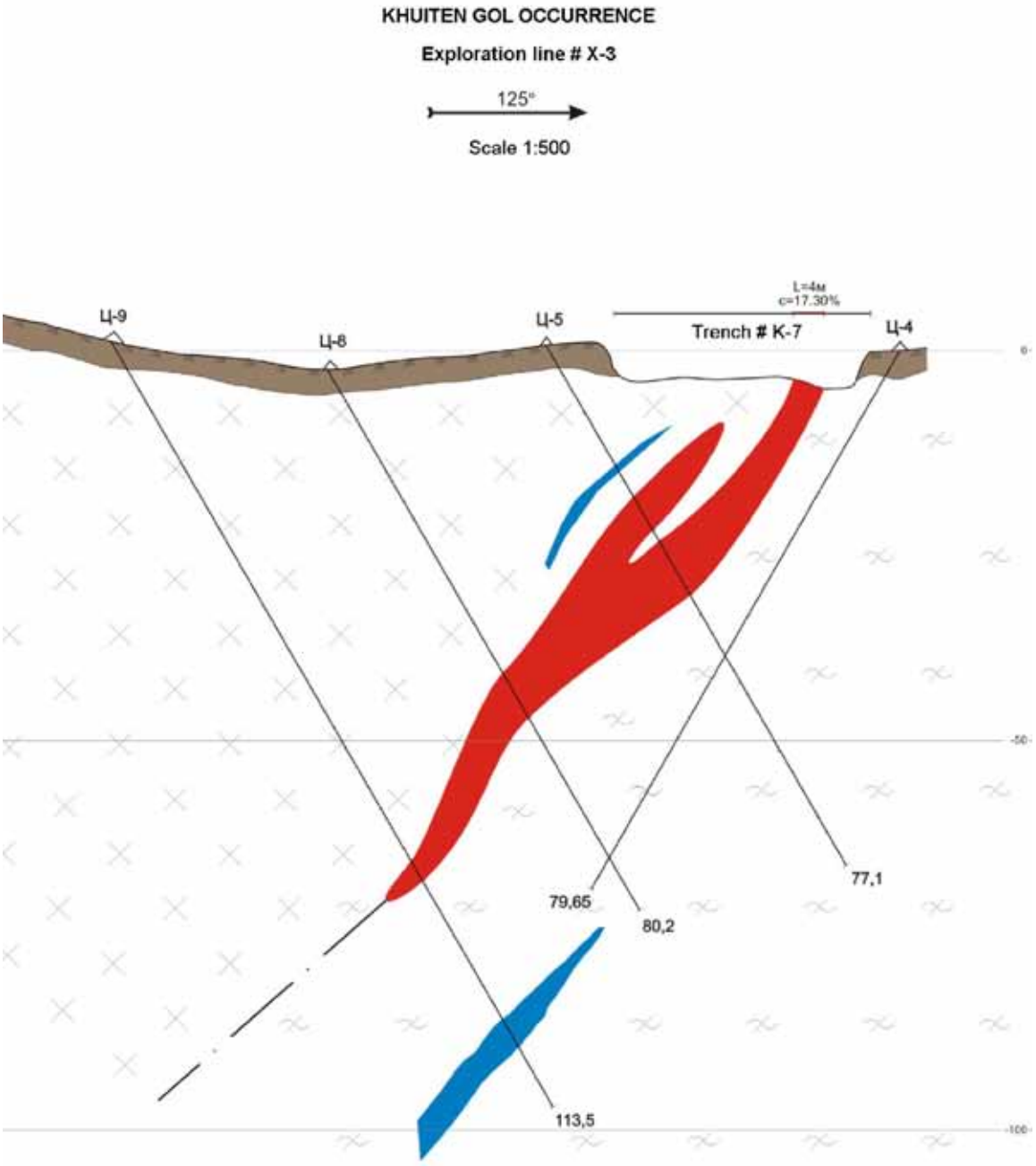
Appendix M:
Cross Sections over the Huiten Gol Occurrence, Selenge Project



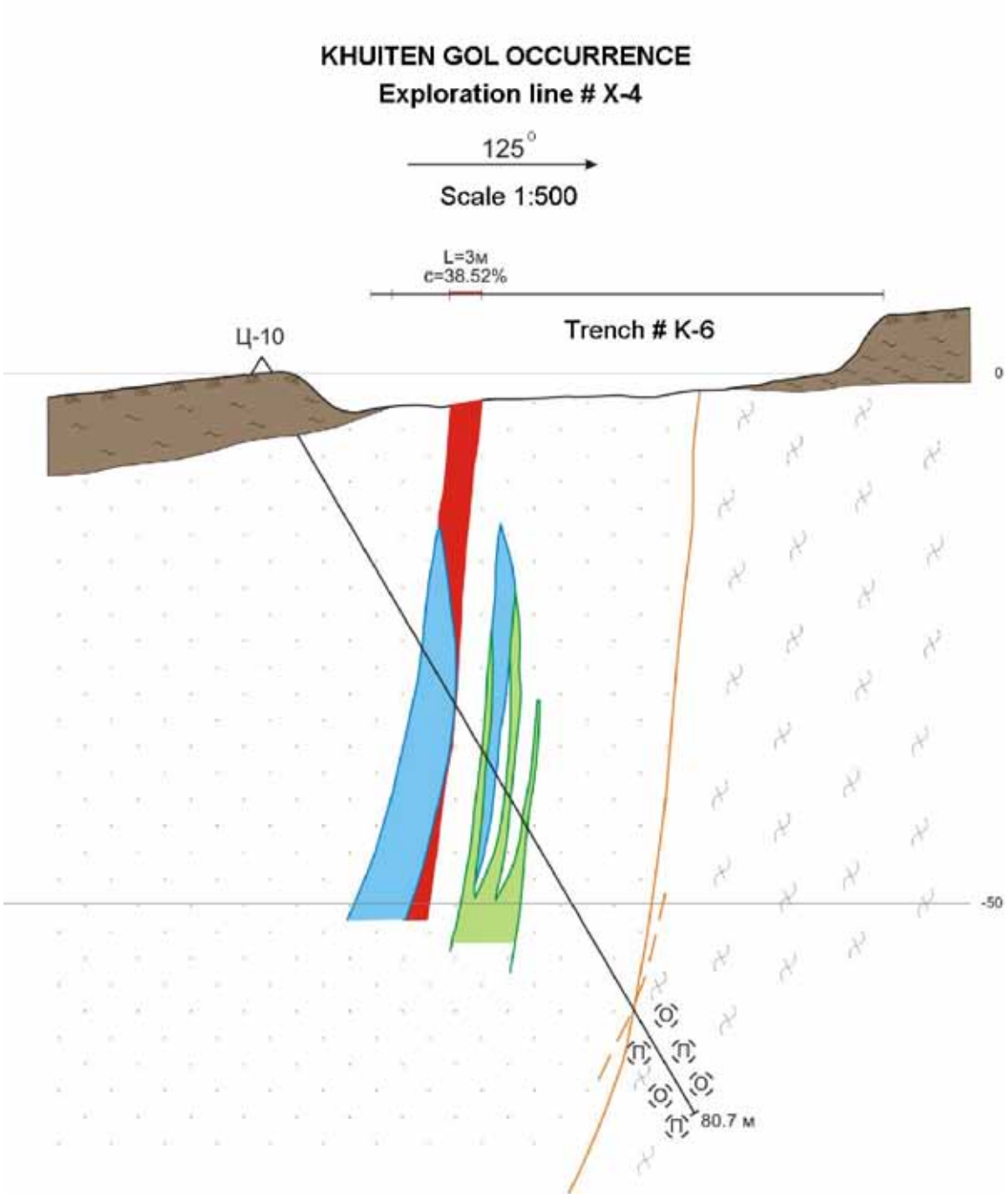
Appendix M:
Cross Sections over the Huiten Gol Occurrence, Selenge Project



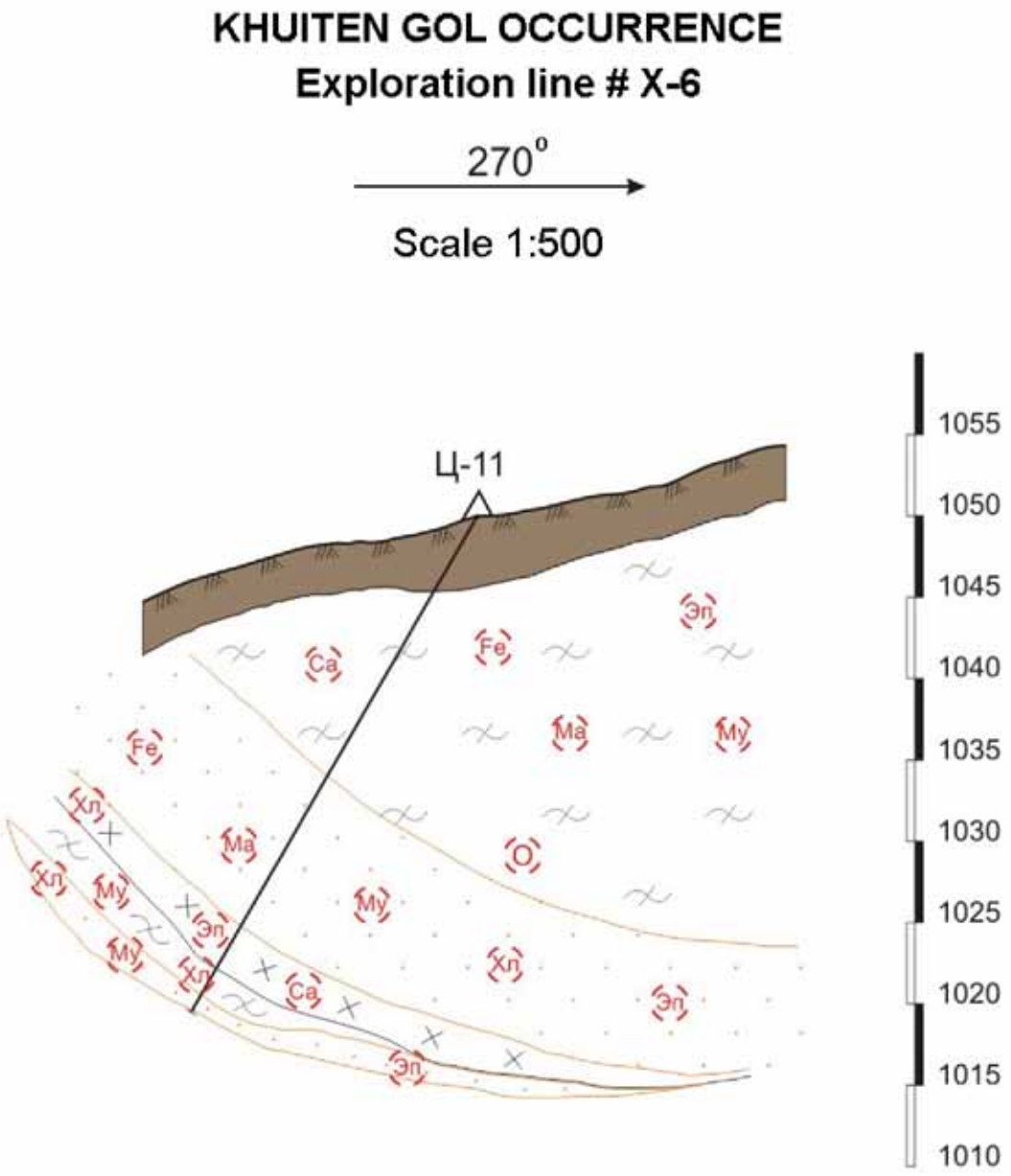
Appendix M:
Cross Sections over the Huiten Gol Occurrence, Selenge Project



Appendix M:
Cross Sections over the Huiten Gol Occurrence, Selenge Project



Appendix M:
Cross Sections over the Huiten Gol Occurrence, Selenge Project

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9. INVESTIGATING ACCOUNTANT'S REPORT

5 November 2010

The Directors
Haranga Resources Limited
Level 1
33 Richardson Street
WEST PERTH WA 6005

Dear Sirs

INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

We have prepared this Investigating Accountant's Report ("Report") on historical financial information of Haranga Resources Limited ("Haranga" or "the Group") for inclusion in a Prospectus. Broadly, the Prospectus will offer up to 125 million shares at an issue price of $0.20 per share to raise $25 million before costs ("the Offer").

2. Basis of Preparation

This Report has been prepared to provide investors with information on the Consolidated Statement of Comprehensive Income, the Consolidated Pro-forma Statement of Financial Position, and the Consolidated Statement of Changes in Equity as noted in Appendices 1, 2 and 3 respectively. It has also been prepared assuming the $25 million is raised and includes costs associated with the Offer.

This Report does not address the rights attaching to the shares to be issued in accordance with the Prospectus, nor the risks associated with the investment, and has been prepared based on the complete Offer being achieved which is the minimum subscription. BDO Corporate Finance (WA) Pty Ltd ("BDO") has not been requested to consider the prospects for the Group, the shares on offer and related pricing issues, nor the merits and risks associated with becoming a shareholder and accordingly has not done so, and does not purport to do so. BDO accordingly takes no responsibility for these matters or for any matter or omission in the Prospectus, other than responsibility for this Report. Risk factors are set out in the Prospectus.

Expressions defined in the Prospectus have the same meaning in this Report.

3. Background

Haranga was incorporated in Australia on 15 December 2009 under the name Haranga Resources Pty Limited. On 5 February 2010 the Group applied for a change of company status to a public company, and on 16 March 2010 was subsequently renamed Haranga Resources Limited. Haranga was incorporated for the purpose of acquiring and developing iron ore projects in Mongolia.

Over the past year the Group has acquired an interest in five iron ore projects:

- **Selenge Project –** Five contiguous licences covering 578km^2 in Selenge. Haranga has acquired a 60% interest in the Selenge Project joint venture and has a commitment of staged payments to maintain this interest.
- **Shavdal Project –** One exploration licence covering 66km^2 in eastern Mongolia. Haranga has acquired a 75% interest in the Shavdal Project with an option to increase to 100%.
- **Khundlun Project –** One exploration licence covering 26km^2 in the Hentii Province of northern Mongolia. Haranga has acquired a 100% interest in the Khundlun Project and has a commitment of one further payment to maintain this interest.
- **Tumurtei Khudag Project –** Two exploration licences covering 577km^2 in the Dundgobi Province of southern Mongolia. Haranga has acquired a 51% interest in the Tumurtei Khudag Project with an option to increase to 80%.
- **Sumber Project –** One exploration licence covering 65km^2 in the South Gobi region. Haranga has acquired a 75% interest in the Sumber Project with an option to increase to 100%.

4. Scope

You have requested BDO to prepare an Investigating Accountant's Report covering the following financial information:

- Haranga's reviewed Consolidated Statement of Comprehensive Income for the period from incorporation to 30 September 2010;
- Haranga's reviewed Consolidated Statement of Financial Position as at 30 September 2010;
- the Consolidated Pro-forma Statement of Financial Position as at 30 September 2010 reflecting the actual position as at that date, major transactions between that date and the date of our report and the proposed capital raising under the Prospectus; and
- the accounting policies applied by Haranga in preparing its financial statements.

The historical financial information set out in the appendices to this Report has been extracted from the reviewed financial statements of the Group for the period from incorporation to 30 September 2010.

The Directors are responsible for the preparation of the historical financial information including determination of the adjustments.

We have conducted our review of the historical financial information in accordance with the Australian Auditing and Assurance Standard ASRE 2405 "Review of Historical Financial Information Other than a Financial Report". We made such inquiries and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- a review of work papers, accounting records and other documents pertaining to balances in existence at 30 September 2010;
- a review of the assumptions used to compile the Consolidated Pro-forma Statement of Financial Position;
- a review of the adjustments made to the pro-forma historical financial information;
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Group disclosed in the appendices to this Report; and
- enquiry of Directors and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Our review was limited primarily to an examination of the historical financial information, the pro-forma financial information, analytical review procedures and discussions with both management and directors. A review of this nature provides less assurance than an audit and, accordingly, this Report does not express an audit opinion on the historical information or pro-forma financial information included in this Report or elsewhere in the Prospectus.

In relation to the information presented in this Report:

- support by another person, corporation or an unrelated entity has not been assumed;
- the amounts shown in respect of assets do not purport to be the amounts that would have been realised if the assets were sold at the date of this Report; and
- the going concern basis of accounting has been adopted.

5. Conclusion

Statement on Historical Financial Information

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the reviewed historical financial information as set out in the appendices to this report does not present fairly the consolidated financial performance for the period ended 30 September 2010 or the consolidated financial position as at 30 September 2010 in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

Statement of Pro-forma Financial Information

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the pro-forma financial information does not present fairly the financial position of the Group as at 30 September 2010, in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the pro-forma transactions had occurred on that date.

6. Subsequent Events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief, no other material transactions or events outside of the ordinary business of the Group have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Significant events subsequent to 30 September 2010 and prior to the date of this report are as follows:

- The issue of 6,250,000 shares at an issue price of $0.16 per share to raise $1,000,000;
- The payment of $515,092 (US$500,000) for the Selenge Project;
- The payment of $511,134 (US$500,000) for the Selenge Project;
- The payment of $102,208 (US$100,000) for the Sumber Project;
- The payment of $101,317 (US$100,000) for the Shavdal Project;
- The payment of $200,743 (US$200,000) for the Khundlun Project; and
- The payment of $101,947 (US$100,000) for the Tumurtei Khudag Project.

7. Assumptions Adopted in Compiling the Pro-forma Statement of Financial Position

The Consolidated Pro-forma Statement of Financial Position is shown in Appendix 2. This has been prepared based on the reviewed consolidated financial statements as at 30 September 2010 and the transactions and events relating to the issue of shares under this Prospectus:

- The issue of 125,000,000 shares at an issue price of $0.20 cents per share to raise $25,000,000; and
- Capital raising costs totalling approximately $2,078,730, which includes the value of unlisted options issued to Brokers totalling $370,730, to be offset against contributed equity.

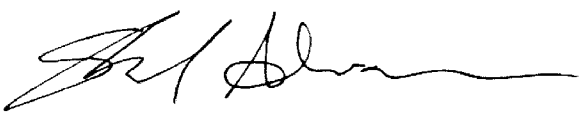
8. Disclosures

BDO Corporate Finance (WA) Pty Ltd is the corporate advisory arm of BDO in Perth.

Neither BDO Corporate Finance (WA) Pty Ltd nor BDO, nor any director or executive or employee thereof, has any financial interest in the outcome of the proposed transaction except for the normal professional fee due for the preparation of this Report.

Consent to the inclusion of the Investigating Accountant's Report in the Prospectus in the form and context in which it appears, has been given. At the date of this Report, this consent has not been withdrawn.

Yours faithfully
BDO Corporate Finance (WA) Pty Ltd



Sherif Andrawes
Director

APPENDIX 1
HARANGA RESOURCES LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Reviewed For the period from Incorporation to 30 September 2010
	$
Revenue from continuing operations	—
Interest income	26,785
	26,785
Administration expenses	(137,713)
General Expenses	(2,241)
Travel & Accommodation	(66,740)
Share based payments expense	(1,542,037)
Other expenses	(64,311)
	(1,813,042)
Loss before income tax expense	**(1,786,257)**
Income tax expense	—
Net Loss for the period	**(1,786,257)**
Other comprehensive income for the period, net of tax	—
Total comprehensive income for the period	**(1,786,257)**
Loss for the period is attributable to:	
Owners of Haranga Resources Limited	(1,786,257)
Non-controlling interest	—
	(1,786,257)
Total comprehensive income for the period is attributable to:	
Owners of Haranga Resources Limited	(1,786,257)
Non-controlling interest	—
	(1,786,257)

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4.

APPENDIX 2
HARANGA RESOURCES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Reviewed 30-Sep-10 $	Subsequent Events $	Pro-forma Adjustments $	Pro-forma After Issue $
CURRENT ASSETS					
Cash and cash equivalents	2	1,286,454	(532,441)	23,292,000	24,046,013
Receivables		12,296	—	—	12,296
Other current assets	3	393,317	—	(370,730)	22,587
TOTAL CURRENT ASSETS		1,692,067	(532,441)	22,921,270	24,080,896
NON CURRENT ASSETS					
Exploration and evaluation expenditure	4	105,842	1,532,441	—	1,638,283
Property, plant and equipment		177	—	—	177
TOTAL NON CURRENT ASSETS		106,019	1,532,441	—	1,638,460
TOTAL ASSETS		1,798,086	1,000,000	22,921,270	25,719,356
CURRENT LIABILITES					
Creditors and borrowings		68,512	—	—	68,512
TOTAL CURRENT LIABILITIES		68,512	—	—	68,512
TOTAL LIABILITIES		68,512	—	—	68,512
NET ASSETS		1,729,574	1,000,000	22,921,270	25,650,844
EQUITY					
Contributed equity	5	1,602,553	1,000,000	22,921,270	25,523,823
Reserves	6	1,913,278	—	—	1,913,278
Accumulated losses		(1,786,257)	—	—	(1,786,257)
TOTAL EQUITY		1,729,574	1,000,000	22,921,270	25,650,844

The Consolidated Pro-forma Statement of Financial Position is as per the Statement of Financial Position before issue adjusted for the transactions described in sections 6 and 7 of this report. The Consolidated Statement of Financial Position is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4.

APPENDIX 3
HARANGA RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Reviewed 30-Sep-10 $	Subsequent Events $	Pro-forma Adjustments $	Pro-forma After Issue $
Balance at 15 December 2009		—	—	—	—
Comprehensive income for the period					
Loss for the period		(1,786,257)	—	—	(1,786,257)
Total comprehensive income for the period		**(1,786,257)**	**—**	**—**	**(1,786,257)**
Transactions with equity holders in their capacity as equity holders:					
Contributed equity	5	1,602,553	1,000,000	22,921,270	25,523,823
Reserves	6	1,913,278	—	—	1,913,278
Contributions of equity, net of transaction costs		**3,515,831**	**1,000,000**	**22,921,270**	**27,437,101**
Balance		**1,729,574**	**1,000,000**	**22,921,270**	**25,650,844**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4.

APPENDIX 4
HARANGA RESOURCES LIMITED
NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

NOTE 1.

The significant accounting policies adopted in the preparation of the historical financial information included in this Report have been set out below.

a) Basis of preparation of historical financial information

The historical financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of the Australian equivalents to International Financial Reporting Standards ("AIFRS"), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

The historical financial information has also been prepared on a historical cost basis, except for derivatives and available-for-sale financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged. Non-current assets and disposal groups held-for-sale are measured at the lower of carrying amounts and fair value less costs to sell.

Compliance with AIFRS ensures that the historical financial information complies with International Financial Reporting Standards.

b) Going Concern

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

The ability of the Group to continue as a going concern is dependent on the Group successfully raising the minimum subscription pursuant to this Prospectus or alternatively raising additional capital through alternative options available to the company to meet ongoing commitments and for working capital. The Directors believe that the Group will continue as a going concern. As a result the financial report has been prepared on a going concern basis. However should the Group be unsuccessful in undertaking additional raisings or realising assets, the entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the Group not continue as a going concern.

c) Basis of consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of Haranga Resources Limited and its subsidiaries at 30 September 2010. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless costs cannot be recovered.

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

Subsidiaries are accounted for in the parent entity financial statements at cost.

d) Foreign Currency Translation

The functional and presentation currency of Haranga Resources Limited is Australian Dollars (A$).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at

the rate of exchange ruling at the end of the reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

The functional currency of the overseas subsidiaries is the Tugrik (MNT). At the end of the reporting period, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Haranga Resources Limited at the closing rate at the end of the reporting period and income and expenses are translated at the weighted average exchange rates for the year. All resulting exchange differences are recognised in other comprehensive income as a separate component of equity (foreign currency translation reserve). On disposal of a foreign entity, the cumulative exchange differences recognised in foreign currency translation reserves relating to that particular foreign operation is recognised in profit or loss.

e) Revenue Recognition

Revenue from the sale of goods is recognised when the Group has passed control of the goods to the buyer. Interest revenue is recognised on a time proportionate basis that takes into account the interest rates applicable to the financial assets.

f) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

g) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the Statement of Financial Position.

h) Investments and other financial assets

Classification

The Group classifies all of its financial assets as loans and receivables. Management determines the classification of its investments at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the Statement of Comprehensive Income.

i) Trade Receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Objective evidence of impairment include financial difficulties of the debtor, default payments or debts more than 90 days overdue. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and are not, in the view of the directors, sufficient to require the derecognition of the original instrument.

j) Exploration and evaluation assets

Exploration and evaluation costs are accumulated in respect of each separate 'area of interest' or geographical segment. Costs are capitalised as an exploration and evaluation asset provided exploration titles are current and at least one of the following conditions are satisfied:

- the expenditure is expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amounts exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. Impairment losses are recognised in the statement of comprehensive income.

k) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms.

l) Contributed Equity

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

m) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except where the amount of the GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or for receivables and payables which are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

n) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

o) Accounting estimates and judgements

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the financial statements.

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

Recoverability of capitalised exploration and evaluation expenditure

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

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

Valuation of share based payment transactions

The valuation of share-based payment transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using either the Binomial model or the Trinomial model, taking into account the terms and conditions upon which the options were granted.

NOTE 2.
CASH AND CASH EQUIVALENTS

	Reviewed 30 September 2010 $	Pro-forma After Issue $
Cash	1,286,454	24,046,013
Adjustments arising in the preparation of the pro-forma cash and cash equivalents balance are summarised as follows:		
Reviewed balance of Haranga at 30 September 2010		1,286,454
Subsequent events:		
The issue of 6,250,000 shares at an issue price of $0.16 per share to raise $1,000,000		1,000,000
The first payment for the Selenge Project		(515,092)
The second payment for the Selenge Project		(511,134)
The payment for the Sumber Project		(102,208)
The payment for the Shavdal Project		(101,317)
The payment for the Khundlun Project		(200,743)
The payment for the Tumurtei Khudag Project		(101,947)
		(532,441)
Pro-forma adjustments:		
Proceeds from shares issued under this Prospectus		25,000,000
Capital raising costs		(1,708,000)
		23,292,000
Pro-forma Balance		24,046,013

NOTE 3.
OTHER CURRENT ASSETS

	Reviewed 30 September 2010 $	Pro-forma After Issue $
Other Assets	393,287	22,587
Adjustments arising in the preparation of the pro-forma other current assets are summarised as follows:		
Reviewed balance of Haranga at 30 September 2010		393,317
Pro-forma adjustments:		
The issue cost of 5,500,000 unlisted options to brokers at an exercise price of $0.20 exercisable on or before 30 April 2015 as part of the $25 million capital raising		(370,730)
Pro-forma Balance		22,587

NOTE 4.
EXPLORATION AND EVALUATION EXPENDITURE

	Reviewed 30 September 2010 $	Pro-forma After Issue $
Exploration and evaluation expenditure	105,842	1,638,283
Adjustments arising in the preparation of the pro-forma Exploration and evaluation expenditure are summarised as follows:		
Reviewed balance of Haranga at 30 September 2010		105,842
Subsequent events:		
The first payment for the Selenge Project		515,092
The second payment for the Selenge Project		511,134
The payment for the Sumber Project		102,208
The payment for the Shavdal Project		101,317
The payment for the Khundlun Project		200,743
The payment for the Tumurtei Khudag Project		101,947
		1,532,441
Pro-forma Balance		1,638,283

NOTE 5.
CONTRIBUTED EQUITY

	Reviewed 30 September 2010 $	Pro-forma After Issue $
Contributed equity	1,602,523	25,523,823

	Number of Shares	$
Adjustments arising in the preparation of the pro-forma contributed equity balance are summarised as follows:		
Fully paid ordinary share capital as at 30 September 2010	55,500,002	1,602,553
Subsequent Events:		
Issue of 6,250,000 shares at $0.16 per share to raise $1,000,000	6,250,000	1,000,000
Pro-forma adjustments:		
Proceeds from shares issued under this Prospectus	125,000,000	25,000,000
Capital raising costs – cash consideration	—	(1,708,000)
Capital raising costs – options issued	—	(370,730)
Pro-forma balance	186,750,002	25,523,823

NOTE 6.
RESERVES

	Reviewed 30 September 2010 $
Reviewed reserves balance of Haranga at 30 September 2010	
Issue of options to Directors and other parties	240
Foreign currency translation	271
Share based payment expense	1,912,767
	1,913,278

As at the date of this report, the Group has the following Options on issue:

Number of Options on Issue	Expiry Date	Exercise Price	Vesting Conditions
1,500,000	1 August 2015	$0.20	Haranga must successfully list on ASX
1,500,000	1 August 2015	$0.20	Haranga share price must reach $0.50
1,500,000	1 August 2015	$0.20	Haranga share price must reach $1.00
5,500,000	30 April 2015	$0.20	Nil
18,500,000	30 April 2015	$0.20	Nil

Using the Binomial and Trinomial option valuation methodologies, the fair value of the 28,500,000 options on issue was calculated. The following inputs were used:

Input	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Number of Options	1,500,000	1,500,000	1,500,000	5,500,000	18,500,000
Model used	Binomial	Trinomial	Trinomial	Binomial	Binomial
Vesting Condition	Haranga must successfully list on the ASX	Share price must reach $0.50	Share price must reach $1.00	nil	nil
Share Price	$0.10	$0.10	$0.10	$0.10	$0.10
Exercise price	$0.20	$0.20	$0.20	$0.20	$0.20
Expected volatility	100%	100%	100%	100%	100%
Life of options	5 years	5 years	5 years	5 years	5 years
Expected dividends	nil	nil	nil	nil	nil
Risk free interest rate	4.89%	4.89%	4.89%	4.89%	4.89%
Value per Option	$0.06740	$0.06662	$0.06267	$0.06740	$0.06740
Total value of Options	$101,100	$99,930	$94,005	$370,730	$1,247,002

The value of these options is calculated to be $1,912,767 in total.

NOTE 7.
RELATED PARTY DISCLOSURES

At the date of the report no material transactions with related parties and directors interests exist that we are aware of, other than those disclosed in the prospectus.

NOTE 8.
COMMITMENTS AND CONTINGENCIES

At the date of the report no material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the prospectus.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10. LICENSING IN MONGOLIA

10.1 Mongolia's Political Structure

Beginning with the passage of its constitution on 12 February 1992, Mongolia became an independent and sovereign republic. In addition to a number of fundamental changes, the legislative branch was restructured thereby creating a unicameral legislature named the State Great Hural (**Parliament**).

As the supreme government body, the Parliament is empowered to enact and amend laws, determine domestic and foreign policy, ratify international agreements, and declare a state of emergency. The Parliament meets semi-annually for three four-month sessions. Parliament members elect a chairman and vice-chairman who serve four-year terms. Parliament members are popularly elected by district for four-year terms.

The President is the head of state, commander-in-chief of the armed forces, and head of the National Security Council. He or she is popularly elected by a national majority for a four year term and limited to two terms. The constitution empowers the President to propose a Prime Minister, call for the Government's dissolution in consultation with the Parliament's chairman, initiate legislation, veto all or parts of legislation (the Parliament can override the veto with a two thirds majority), and issue decrees, which become effective with the Prime Minister's signature.

The Government, headed by the Prime Minister, has a four-year term. The Prime Minister is nominated by the President and confirmed by the Parliament. Under constitutional changes made in 2001, the President is required to nominate the prime ministerial candidate proposed by a party or coalition with a majority of members of the Parliament. The Prime Minister chooses a cabinet, subject to Parliament's approval and currently has two Deputy Prime Ministers. Dissolution of the Government occurs upon the Prime Minister's resignation, simultaneous resignation of half the cabinet, or after a Parliamentary vote for dissolution.

Local hurals (legislatures) and their governors are elected by the 18 Aymags (provinces) plus the capital, Ulaanbaatar, and cities of Darhan and Erdenet. Administrative units are further broken down into soum (county) legislatures and their respective governors.

10.2 Minerals Sector in Mongolia

The mineral resource sector is Mongolia's largest industry with significant deposits of fluorspar, uranium, copper, gold, and coal. At present there are numerous foreign invested companies or joint venture operations producing copper concentrate (Erdenet Mine) and gold dore (Boroo Gold Company).

The minerals sector in Mongolia is governed predominately by three bodies of law: the 2006 Minerals Law of Mongolia (**Minerals Law**), the Nuclear Energy Law and the Subsoil Law. In the case of iron ore mining, the Minerals Law governs the entire life cycle of a minerals deposit from licensing through exploration, development, mining and mine closure. While a much older law, the Subsoil Law, regulates the construction of mining support and process facilities.

Administration of minerals legislation and mining activity in Mongolia is largely the responsibility of the Minerals Resource Authority (**MRA**) which together with the Petroleum Authority falls under the Ministry of Mineral Resources and Energy (**MMRE**).

Minerals Licensing

All minerals exploration and exploitation, with the exception of common construction material, must be conducted under a licence issued by MRA (licences to conduct exploration and exploitation of uranium are issued separately by the Nuclear Energy Authority in accordance with the Nuclear Energy Law). Under the Minerals Law, two separate licences are issued by MRA whereby the rights to conduct mineral exploration over a licenced area are separated from the rights to mine/exploit. In each case, exploration (denoted as an X licence) and mining (denoted as an A licence), the licence-holder must (i) be a registered Mongolian legal entity (generally a private limited liability company), and (ii) pay annual fees with respect to each hectare of licenced land.

An exploration licence is granted through public tender for an initial period of three years and is renewable for two (2) three year periods for a total period of nine years. At the end of nine years, an exploration licence must be converted from an exploration licence into a mining licence or returned to the State.

An exploration licence holder must (i) satisfy annual expenditure requirements outlined in the Minerals Law so as to maintain its right to conduct exploration activities in the licensed area, (ii) prepare annual exploration activities reports, (iii) obtain approval of an environmental protection plan on each three year renewal period, monitor its exploration activities in accordance with its environmental protection plan and report yearly on its compliance with the same, and (iv) pay a yearly reclamation bond to the soum administration.

Conversion of Exploration Licences

The Minerals Law provides the exploration licence holder an exclusive right to apply for a mining licence over the licensed area it previously explored under an exploration licence. The conversion from an exploration licence to a mining licence requires that the exploration licence submit, inter alia, a pro forma application to MRA together with certain fees, a summary of its qualification (personnel mostly) to conduct mining operations in the former exploration licensed area and approval of the minerals reserve estimate by the Minerals Professional Council (an ad-hoc council under the MMRE).

MRA reviews the application, and if all matters are in order, the exploration licence is converted to a mining licence. The initial term of a mining licence is thirty years (extendable for two additional twenty year periods where the mining licence-holder has no serious incidents of environmental violations and the mineral reserve supports the extension). Within sixty days of being issued the mining licence, the mining licence holder must submit a feasibility study for the mining licensed area to MRA.

In accordance with the Subsoil Law, the mining licence holder must commence use of the mining licence within three years. The holder is eligible in accordance with the terms of the Minerals Law to execute a pre mining agreement that allows it a three year period (while paying reduced licence fees) to prepare for commencement of commercial mining operations. During the pre mining period, the mining licence holder is requirement to obtain a wide variety of permits for construction, water use, settlement relocation, communications, and chemicals.

Prior to commencement of mining activities, the mining licence holder is required to obtain final approval of an ad hoc committee whose members are jointly appointed by MMRE, the Ministry of Road, Transportation, Construction and Urban Development and the Ministry of Nature and Tourism.

Pre-Mining Agreements

After a mineral reserve has been defined and recorded, an exploration licence holder may apply to MRA for a pre-mining agreement. During the term of this agreement, which may not exceed three years, Mongolian-law compliant final feasibility studies must be completed, mine facilities must be developed, and the mine must be brought into production.

Reserves

In Mongolia, the tonnage and grade of a mineral reserve that has been defined by exploration activities must be recorded in official archives. Under the 2006 Minerals Law, a mining licence holder must extract all of the mineral reserves that are within the licence area. The purpose of this provision is to prevent "high-grading", but the net effect is to mandate mining practices that are not necessarily consistent with practices in countries where free market principles prevail and the concept of mining mineral reserves on an economically viable basis is recognized and understood. It is unclear what consequences, if any, may follow from non-compliance with this provision.

Sales and Transfers of Exploration Licences and Mining Licences

In accordance with the 2006 Minerals Law, the holder of an exploration licence may not sell the licence itself. The holder may, however, sell the underlying "original materials and reports on prospecting and exploration work" (**Licence Area Data**) in respect of the licence. Upon completion of the sale of the Licence Area Data, and payment of applicable taxes (evidenced by a document showing payment of such tax), the holder may transfer the licence, but for no consideration. In accordance with the 2006 Minerals Law, the holder of a mining licence may not sell the licence itself. The holder may, however, sell "the mine, together with its machinery, equipment and documents" that is located within the relevant licence area. Upon completion of the sale of the mine, and payment of applicable taxes (evidenced by a document showing payment of such tax), the holder may transfer the licence, but for no consideration.

Land Tenure

Land tenure in Mongolia is divided into: (i) ownership rights; (ii) possession rights; and (iii) use rights. Only Mongolian citizens can own land. Mongolian citizens, organisations and legal entities that are not deemed to be a business entity with foreign investment (**BEFI**) are entitled to possess land, which entitles them to pledge their interest and to transfer and/or lease it, all subject to approval by relevant authorities. BEFIs may only acquire use rights over land, which may not be transferred, pledged or leased. Land possession and land use rights are evidenced by certificates issued by the local government authority in the city, aimag (province) or soum (district) in which the relevant property is located.

Such certificates are issued in conjunction with a document that provides for the term of the land possession or land use rights and the requirements for maintaining such rights in good standing, most notably the payment of recurring fees to the local government (together a **Land Use Certificate**). To engage in mining activities the licence holder, if it is a BEFI, must acquire land use rights to the relevant land area. Under the Land Law of Mongolia enacted on 7 June 2002 (the **Land Law**), land use rights can be granted for a period of up to sixty (60) years, although in practice Land Use Certificates are typically issued for shorter terms. The Land Law provides that renewals may be made once or more than once, but that the maximum term of any renewal may not exceed a period of forty (40) years.

The Foreign Investment Law of Mongolia enacted on 10 May 1993, and amended 29 May 2008, (Mongolia's Foreign Investment Law) further provides, in respect of BEFIs, that such renewals may not be made more than once. Land Use Certificates are issued for a specific number of years and for a specific purpose stated in the relevant land use agreement, and are usually renewable if the holder has complied with relevant requirements.

Land possession and land use rights are subject to revocation by the issuing authority if the holder fails to comply with (i) applicable provisions of the Land Law, (ii) the terms of the relevant Land Use Certificate (most notably failure to make timely payment of recurring land use fees), or (iii) applicable environmental protection obligations.

While the law provides for a public registry where parties should be able to confirm the current status of a Land Use Certificate, in practice this registry is not used. It is, however, sometimes possible to obtain written confirmation from the relevant regional issuing authorities as to the current status of a specific Land Use Certificate. A mining licence is not a real property interest and does not convey either land possession or land use rights to the holder. A mining licence holder must enter into either a land possession or land use agreement with relevant land owners, possessors, or the governing authorities of soums and districts and obtain the Land Use Certificate.

An exploration licence is also not a real property interest and does not convey either land possession or land use rights to the holder. It is not clear whether an exploration licence holder must obtain a Land Use Certificate before conducting minerals exploration activities. The 2006 Minerals Law does not specifically provide that such holders must obtain such Land Use Certificates.

Investment Agreements

A mining licence holder that invests a certain threshold amount over the first five years of a mining project may apply to the Government to enter into an investment agreement. The purpose of the investment agreement is to stabilize the legal regime (primarily in regards to taxation), guarantees with regard to the selling of mineral products and the right to receive and dispose of income from such sales. The term of each Investment Agreement will depend on the amount of the five year commitment as follows:

Minimum Investment (US$)	Term
50 million	10 years
100 million	15 years
300 million	30 years

Recently Ivanhoe Mines Ltd and Rio Tinto Ltd, holders of the mining rights to the world class Oyu Tolgoi (**OT**) copper deposit concluded negotiations on a thirty year investment agreement with the Government. The OT investment agreement is seen as a positive sign that Mongolia is increasingly opening its substantial minerals wealth to foreign investment.

10.3 Mineral Deposits of Strategic Importance and State Participation

The Minerals Law defines a certain category of mineral deposits (irrespective of mineral type) as being of strategic importance. Article 4.1.11 of the Minerals Law defines a strategically important mineral deposit as "a deposit whose scope may have a potential impact on national security, economic and social development of the country at the national and regional levels or that is producing or has a potential of producing more than five (5) percent of total Gross Domestic Product in a given year". Where the Government determines that the mineral deposit is of strategic importance, the State is entitled a take a percentage of the shares of the mining licence-holding company. The shared participation in the mining licence holding company that exploits a mineral deposit of strategic importance can be up to 34% of the shares where the State has not undertaken exploration with State funds in the mineral deposit area, or up to 50% of the shares where the State has used State funds on exploration in the mineral deposit area.

At present there are approximately fifteen mineral deposits that have been defined as being of strategic importance (**Strategic Deposits List**) together with an additional thirty-nine mineral deposits which have the potential of being added to the strategic importance mineral deposit list. Since 2007, no new mineral deposits have been added to the Strategic Deposits List.

10.4 Environmental Legislation

The environmental legislation of Mongolia is largely comprised of the Law of Mongolia on Environmental Protection (**Environmental Protection Law**) and the Law of Mongolia on Environmental Impact Assessments (**EIA Law**). The Environmental Protection Law is the primary law regulating relations between the State, citizens, business entities and organizations in order to guarantee the human right to live in a healthy and safe environment, the ecological balance between social and economic development, the protection of the environment for present and future generations, the proper use of natural resources and the restoration of available resources. Alternatively, the EIA Law regulates relations that arise in connection with the protection of the environment, prevention of ecological misbalance, use of natural resources, assessment of environmental impact and decision making at the start of projects.

All exploration licence holders must prepare an environmental protection plan, and report yearly to the MRA about its compliance with that plan. Additionally the licence holder is required to pay 50% of its yearly environmental reclamation budget (**Bond**) to the soum administrative. The Minerals Law allows the soum administration to use the Bond for reclamation in the event the licence holder does not undertake reclamation in the licensed area as required by the law and the licence holder's environmental protection plan.

All mining projects undertaken in Mongolia are required to conduct a detailed environmental impact assessment (**DEIA**) according to the standards set forth in the EIA Law. The DEIA, as approved by the Ministry of Nature and Tourism, must be submitted to the mining commissioning committee prior to commencement of commercial production. Additionally, a mining licence holder is required to prepare an environmental protection plan and report yearly on its compliance with the terms of this plan. As with an exploration licence, a mining licence holder must pay a 50% Bond to the state central authority. In the event the mining licence holder does not properly conduct reclamation activities, the Minerals Law allows the State to undertake those activities from the yearly Bond.

The 2006 Minerals Law also provides for the following administrative sanctions that may be levied against licence holders found in violation of environmental protection obligations:

(a) MNT500,000 – 1,000,000 fine for failure to comply with legitimate requirements imposed by an authorised Mongolian state inspector regarding the elimination of deficiencies discovered in the course of an inspection;

(b) in the event a licence holder continues to be in violation of the EPL or the 2006 Minerals Law, the exploration and mining activities of the licence holder shall be suspended for up to two months, and if the deficiencies are not eliminated within this period, the relevant minerals licence may be revoked; and

(c) if a mining licence holder causes serious damage to the environment, fauna, or human health by failing to implement safety rules or a technological regime while using toxic substances for its operations, its licence shall be revoked and no licence shall be issued to such holder for twenty years.

10.5 Law Prohibiting the Exploration and Mining of Minerals from the Start of a River Source, and the Protection of the Water, Land and Wood Reservoir Areas (Water Basin Law)

In July 2009, Mongolia's Parliament passed the Water Basin Law which attempts to prohibit mineral exploration and/or mining in river basins and forested areas. According to the terms of the Water Basin Law, the Government must define what it determines to be a "water basin" and "forested areas." As yet the Government has not made this determination. According to the terms of the law, existing exploration and mining licences in those areas will be revoked and the licence holder will be compensated.

10.6 Mongolian Laws and Regulations Relating to Labour, Health and Safety

The Mongolian Labour Law (1999) (**Labour Law**) and the Labour Safety and Sanitary Law (2008) (**Labour Safety Law**) contain provisions of general application in relation to labour, health and safety.

Labour legislation in Mongolia includes the Law on Setting up a Minimum Labour Wage (1998) according to which the Government (Cabinet) shall set the minimum wage based on comments provided by the national organization that would represent the interest of the employers and all the workers. The minimum wage shall be renewed at least once a year.

The Labour Law provides provisions regarding collective bargaining, termination, overtime and holiday pay as well as minimum working conditions and health and safety standards. An employer is responsible for maintaining a safe working environment that meets applicable safety and sanitation requirements. Furthermore, if the nature of an employee's work so requires, the employer must provide special work garments and arrange for such employees to receive regular, preventative health examinations related to their work. Mining companies must create a special department, or appoint an officer, dedicated to overseeing matters of safety and sanitation.

If a company's activities are proven to have an adverse impact on the health and safety of its employees, the State Professional Inspection Agency of Mongolia or other authorised official may take steps to force the company to remedy the breaches. If the company fails to remedy such breaches, it may be ordered to wholly or partially suspend business activities until the safety and sanitation requirements are satisfied. Additionally, failing to comply with safety and sanitation regulations, causing or concealing an industrial accident, or failing to pay requisite compensation for an industrial accident, may result in the imposition of administrative fines. In extreme cases, criminal sanctions may be imposed for violating the applicable Labour Law provisions.

A mining licence holder must carry out activities that ensure (i) safety for the citizens of the relevant soum or district and (ii) labour safety and proper sanitary conditions for its employees. The licence holder must also submit an annual report on safety to the State Professional Inspection Agency and MRA. If a licence holder is found to have continually violated mining operation safety regulations, its licence(s) may be suspended by a State inspector for up to two months, and if the deficiencies are not eliminated within

this period, the licence(s) may be revoked.

If a mining licence holder causes serious damage to human health through failure to implement safety rules and appropriate technical standards while using toxic chemicals and substances, its licence may be revoked and no new licence issued for a period of up to twenty years. Criminal sanctions may also be imposed in extreme cases for violating the health and safety provisions of the 2006 Minerals Law.

The Law on Working Abroad and Accepting Workers and Specialists from Abroad was adopted on 12 April 2001. The purpose of the Law is to govern and protect the rights of Mongolian citizens being sent abroad as well as foreign citizens being employed in Mongolia.

It details the general working conditions of foreign citizens when working in Mongolia, and states that the company shall pay a fee equal to two times the minimum monthly wage when hiring a foreign citizen. Further, a licence holder is obliged to employ the citizens of Mongolia and only up to a maximum of 10 percent of the employees may be foreign citizens. If the number of foreign citizens employed exceeds 10 percent, the licence holder shall pay 10 times the minimum monthly salary for each foreign citizen each month.

10.7 Taxes and Royalties

Tax Laws

Mongolia does not have a comprehensive tax code, but rather relies on a group of individual laws that regulate the taxation of company income, goods and services. With regard to minerals resource companies, the Corporate Tax Law, the Value Added Tax Law and Law on the Tax of Some Commodities are the most relevant laws.

Corporate Tax Law

The income tax rates applicable to a Mongolian company are 10% on the first three billion MNT and 25% on amounts in excess of this amount. In September 2009, Parliament passed an amendment to the Corporate Tax Law that allows for loss-carry forward periods of four to eight years which is double the previous provision. The law allows for a range of deductible expenses in calculating taxable income. Additionally, 10% of invested capital in certain priority sectors can be applied as a credit against other taxes payable.

Value Added Tax

Mongolia imposes a value added tax at a rate of 10% on (with some very limited exceptions) imported and exported goods (including some minerals products), services rendered to residents of Mongolia from outside Mongolia, and goods sold and services rendered within Mongolia. As a general rule most exports are "zero-rated" (i.e. the VAT rate for exports is 0% and the exporter can credit value added tax paid to produce the exports against other taxes payable). The list of exempted imported goods generally changes on an annual basis as approved by the Government.

The Law on Tax of Some Commodities (Windfall Profits Tax)

The Windfall Profits Tax passed in May 2006 added a 68% tax on the sales value of copper concentrate and gold metal over a threshold market price. Parliament repealed the Windfall Profits Tax for all purposes effective January 2011.

Minerals Royalties

The Minerals Law provides for a royalty at the rate of 5% on the sales value of minerals with the exception of domestically sold coal and common construction minerals that are sold, shipped for sale, or otherwise used. The royalty rate for domestically sold coal and construction minerals is 2.5%.

10.8 Foreign Investment Law

Foreign investors in Mongolia are protected by many of its laws most notably the Constitution of Mongolia and the Foreign Investment Law. The Foreign Investment Law statutorily provides that foreign investors (those natural or legal persons which have invested at least 25% in a Mongolian registered company) are entitled, amongst other things, to wholly or partially own a Mongolian company and to buy and sell shares of Mongolian entities in any sector or areas of production. As well as this, a foreign investor has the right to participate in concession and product sharing for the exploitation of natural resources. Additionally the law provides that foreign investors shall not receive less favourable conditions with regard to their investment than those accorded to domestic investors and that:

(a) a foreign investment within the territory of Mongolia shall enjoy the legal protection guaranteed by the Constitution, this law and other legislation, consistent with those laws and international treaties to which Mongolia is a party;

(b) a foreign investment within the territory of Mongolia shall not be unlawfully expropriated;

(c) investments of foreign investors may be expropriated only for public purposes or interests and only in accordance with due process of law on a non-discriminatory basis and on payment of full compensation where compensation shall be determined by the value of the expropriated assets at the time of expropriation or public notice of expropriation. Such compensation shall be paid without delay (unless specified otherwise in an international treaty to which Mongolia is a party); and

(d) losses suffered by foreign investors due to a state of emergency or war in Mongolia shall be treated equally with losses suffered by Mongolian investors.

10.9 Mongolian Laws Relating to Payments for Goods and Services in Local Currency

The newly enacted Law of Mongolia on Implementing Payments in National Banknotes provides that (i) all posted tariffs and contracts between two parties within the territory of Mongolia must be stated in MNT; (ii) all payments made between two parties within the territory of Mongolia must be made in MNT; and (iii) parties within the territory of Mongolia are prohibited from including an adjustment mechanism in the terms of a contract that adjusts the agreed MNT price based on changes in foreign exchange rates. The Law of Mongolia on Implementing Payments in National Banknotes does not prohibit an offshore party and a Mongolian party from transacting in the currency of their choice, nor does the law prohibit a Mongolian party from paying into an offshore account or being paid in an offshore account in foreign currency.

Penalties for non-compliance with the Law of Mongolia on Implementing Payments in National Banknotes include confiscation of the proceeds of an illegal payment by the State, other administrative fines and revocation of a non-complying business's operating licence.

11. SOLICITOR'S REPORT

ELC - Economic & Legal Consultancy LLC

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Ulaanbaatar, Mongolia

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Bayar Budragchaa
Mobile: 976-88118193

Date: October 27, 2010

To the Board of Directors
Haranga Resources Limited

Re: Solicitor's Report on Tenements

Dear Board,

Economic and Legal Consultancy LLC (**ELC**) has been engaged to provide a report for inclusion in a prospectus to be issued by Haranga Resources Limited (ABN 83 141 128 841) (**Haranga Resources** or **Company**) for the offer of 125,000,000 fully paid ordinary shares in the capital of the Company (**Share**) at an issue price of 20 cents each to raise $25,000,000 on or about 9 November 2010 (**Prospectus**).

The Company reports that it has entered into certain contractual arrangements related to exploration tenements and mineral rights in Mongolia (**Tenements**). A schedule of the Tenements is attached to and forms part of this report (**Schedule**). The Schedule contains a list of the Tenements.

Where indicated in the report, "to the best of our knowledge" indicates that no independent sources of information came to our attention indicating a contrary finding.

ELC prepared this report on the basis of the due diligence undertaken. In all cases, an attempt was made to obtain the original documents for evaluation. ELC assumed that all Company employees and officers gave truthful statements in good faith, that all individuals material to the investigation were of legal age and capacity and that all signatures on documents material to the investigation were genuine.

The nature and scope of the information in this report have been determined on the basis of availability of related documents and materials provided by the Company. This opinion does not purport to disclose all material information concerning the Company.

On the basis of the Tenement searches conducted by ELC lawyers in Mongolia, on behalf of the Company at the relevant government departments in Mongolia, the information set out below provides an accurate statement as to the status of the Tenements at the date the relevant searches were obtained.

1. MONGOLIAN TENEMENTS

1.1. Introduction

This Solicitor's Report relates to:

(a) A brief summary of the laws applying to the Tenements in Mongolia; and

(b) Details of the Tenements.

On the basis of the searches of the registers and records maintained in Mongolia by the Minerals Resources Authority of Mongolia (**MRA**) conducted by its Mongolian lawyers on behalf of the Company, the information set out below provides an accurate statement as to the status of the Tenements as at 25 October 2010.

The system of application, grant and tenure of mining interests in Mongolia is different in substance and detail from the system that applies in Australia and this Solicitor's Report does not purport to be an exhaustive review of all laws that may apply to the Company in Mongolia. This Solicitor's Report relates only to the laws in force in Mongolia at the date of this Solicitor's Report with respect to the Tenements.

1.2. Relevant Mongolian Laws

Set out below is a summary of the basic structure of the Mongolian legal system relevant to the Tenements. For more detailed information on the Mongolian legal system please refer to Section 10 of the Prospectus.

(a) The Constitution

(i) The Constitution of Mongolia (**Constitution**) was adopted on 13 January 1992 and went into effect on 12 February 1992.

(ii) Chapter 3 of the Constitution sets out the legislative and executive structure of the Government of Mongolia, which consists of:

(A) The Legislature;

(B) The President; and

(C) The Government.

(iii) Legislative power is vested only in the National Parliament which is the highest body of state power.

(b) Foreign Investment Law

(i) The Foreign Investment Law (**FIL**) was adopted 1 July 1993.

(ii) The purpose of the FIL is to regulate the relationship between the State and foreign investors in Mongolia, as well as, ensuring property rights, repatriation of profits, intellectual and industrial property rights and stability agreements offering foreign investors stability with regard to the legal and taxation environment in Mongolia.

(c) International Treaties

(i) Article 10 of the Constitution specifies that Mongolia will honour any international treaty to which it is a party. The international treaties to which Mongolia is a party become effective upon domestic ratification.

(ii) Mongolia signed the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (also known as the New York Convention) on 24 October 1994, and it is currently in force in Mongolia.

(iii) The New York Convention applies to the recognition and enforcement of arbitral awards made in the territory of one state other than the state where the recognition and enforcement of such domestic awards in the state where their recognition and enforcement is sought.

(iv) Accordingly, the judicial system of Mongolia will honour and enforce the arbitral awards made in any state other than Mongolia including any underlying decision based on a substantive law other than Mongolian laws[1].

(d) Minerals Law of Mongolia

(i) The National Parliament adopted the Revised Minerals Law (**MLM**) on 8 July 2006.

(ii) The purpose and scope of the MLM is to regulate activities regarding prospecting, reconnaissance, exploration and mining of all types of mineral resources except water, petroleum, radioactive minerals and natural gas within the territory of Mongolia.

(e) Licensing Law of Mongolia

(i) The Licensing Law of Mongolia (**Licensing Law**) was adopted on 1 February 2001.

(ii) Article 15 of the Licensing Law outlines the types of business activities to be conducted under a licence, one of which is the exploration of minerals. Article 6 of the Licensing Law states that a licence shall not be extended if the terms and conditions under which it was granted have been violated. As such, a company could face the possibility of being denied extension of their minerals licence, and therefore lose the licence, if any of the requirements (i.e. reporting, filing environmental plans) under the MLM have not been met.

[1] Mongolia has incorporated a reservation to the application of the New York Convention as applying only to commercial disputes. In regards to this Mongolian reservation, an arbitrator (or panel) could determine on challenge by the State, prior to allowing the arbitration to proceed, whether the matter under review is a commercial matter under the laws of Mongolia (namely to Civil Code). If this were not done at the time of arbitration, it is possible that upon the execution of levy of the arbitral award by the licence holder in Civil Court, MRA could challenge the arbitral award. The Civil Court would be required to make its own determination on whether the matter qualified under the Civil Code as a commercial matter. If the Civil Court found that such a matter was not commercial, the Court could refuse to execute a levy of the arbitral award. The granting and maintaining of minerals licences is regarded as an administrative action under MLM.

(iii) Article 13.1 of the Licensing Law outlines the ground for suspension of the minerals licence for up to 3 months. The minerals licence could be suspended if any of terms, conditions and requirements of the licence has been violated. A licence holder should take measures to ensure the elimination of violation in a period of suspension, and if not, there is the possibility of revocation of the minerals licence (Licensing Law, 14.1.5).

(f) Company Law in Mongolia

(i) The Company Law of Mongolia (**CLM**) was adopted on 2 July 1999.

(ii) The purpose of the CLM is to regulate the establishment, registration and reorganization of a company, its management and organisational structure, the rights and obligations of its shareholders and its control and liquidation.

(iii) All companies operating within the territory of Mongolia, without regard to their ownership, the size of their properties, the amount of their production or their internal organization, shall be subject to the CLM unless otherwise provided in the CLM or other applicable laws of Mongolia.

(g) Land Law of Mongolia

(i) Land Law of Mongolia (Land Law) was adopted on 7 June 2002.

(ii) The Land Law allows state and local governments to set aside land as special purpose lands (**Special Purpose Designation**). In addition to the Land Law, the MLM allows for Special Purpose Designation as it relates to lands covered under minerals licences. In such a case, the MLM requires that the State or local administration resolving to set aside land already covered by a minerals licence must pay compensation and that Special Purpose Designation must be made for no less than five (5) years.

2. CONSENTS

This Solicitor's Report is provided solely for the benefit of the Company and the directors of the Company in connection with the issue of the Prospectus and is not to be relied on or disclosed to any other person or used for any other purpose or quoted or referred to in any public document without prior written consent.

Economic and Legal Consultancy LLC consents to being named in the Prospectus as the authors of this Solicitor's Report.

Economic and Legal Consultancy LLC has given, and has not before the lodgement of this Prospectus, withdrawn its consent to the inclusion of this Solicitor's Report in the Prospectus.

3. DISCLOSURE OF INTEREST

Economic and Legal Consultancy LLC will be paid normal and professional fees for the preparation of this Solicitor's Report and related matters, as set out elsewhere in the Prospectus.

TENEMENT	REGISTERED HOLDER/ APPLICANT	AFFILIATION WITH HARANGA RESOURCES	GRANT OR RENEWAL DATE*	EXPIRY DATE*	AREA SIZE	ANNUAL RENT**	MINIMUM ANNUAL EXPENDITURE**	ENCUMBRANCES / DEALINGS	NOTES
Selenge									
EL 11334X	Legendary Hero LLC	60%-owned subsidiary of Haranga Iron LLC (a wholly-owned subsidiary of Haranga Resources)	January 22, 2009 (first renewal)	February 10, 2012	23,459 hectare	US$23,459	US$23,459	As reported by the Company under a Cooperation Agreement with Geotrass LLC, the Company (or through a subsidiary of the Company) owns 60% of the issued capital in Legendary Hero LLC and Geotrass owns 40% of the issued capital in Legendary Hero LLC. Please refer to summary of the agreement in Section 13.1 of the Prospectus.	See "Notes" at end.
EL 11335X	Legendary Hero LLC	60%-owned subsidiary of Haranga Iron LLC (a wholly-owned subsidiary of Haranga Resources)	January 22, 2009 (first renewal)	February 10, 2012	2,075 hectare	US$2,075	US$2,075	As reported by the Company under a Cooperation Agreement with Geotrass LLC, the Company (or through a subsidiary of the Company) owns 60% of the issued capital in Legendary Hero LLC and Geotrass owns 40% of the issued capital in Legendary Hero LLC. Please refer to summary of the agreement in Section 13.1 of the Prospectus.	See "Notes" at end.
EL 11336X	Legendary Hero LLC	60%-owned subsidiary of Haranga Iron LLC (a wholly-owned subsidiary of Haranga Resources)	January 22, 2009 (first renewal)	February 10, 2012	3,046 hectare	US$3,046	US$3,046	As reported by the Company under a Cooperation Agreement with Geotrass LLC, the Company (or through a subsidiary of the Company) owns 60% of the issued capital in Legendary Hero LLC and Geotrass owns 40% of the issued capital in Legendary Hero LLC. Please refer to summary of the agreement in Section 13.1 of the Prospectus.	See "Notes" at end.
EL 11337X	Legendary Hero LLC	60%-owned subsidiary of Haranga Iron LLC (a wholly-owned subsidiary of Haranga Resources)	January 22, 2009 (first renewal)	February 10, 2012	7,404 hectare	US$7,404	US$7,404	As reported by the Company under a Cooperation Agreement with Geotrass LLC, the Company (or through a subsidiary of the Company) owns 60% of the issued capital in Legendary Hero LLC and Geotrass owns 40% of the issued capital in Legendary Hero LLC. Please refer to summary of the agreement in Section 13.1 of the Prospectus.	See "Notes" at end.
EL 11338X	Legendary Hero LLC	60%-owned subsidiary of Haranga Iron LLC (a wholly-owned subsidiary of Haranga Resources)	January 22, 2009 (first renewal)	February 10, 2012	21,772 hectare	US$21,772	US$21,772	As reported by the Company under a Cooperation Agreement with Geotrass LLC, the Company (or through a subsidiary of the Company) owns 60% of the issued capital in Legendary Hero LLC and Geotrass owns 40% of the issued capital in Legendary Hero LLC. Please refer to summary of the agreement in Section 13.1 of the Prospectus.	See "Notes" at end.

TENEMENT	REGISTERED HOLDER/ APPLICANT	AFFILIATION WITH HARANGA RESOURCES	GRANT OR RENEWAL DATE*	EXPIRY DATE*	AREA SIZE	ANNUAL RENT**	MINIMUM ANNUAL EXPENDITURE**	ENCUMBRANCES / DEALINGS	NOTES
Shavdal									
EL 14198X	Haranga Shavdal LLC	75%-owned subsidiary of Haranga Iron LLC (a wholly-owned subsidiary of Haranga Resources)	September 24, 2008 (grant)	September 24, 2011	6,620 hectare	US$6,620	US$6,620	As reported by the Company under a Cooperation Agreement with Orchlon Ord LLC, the Company (or through a subsidiary of the Company) owns 75% of the issued capital in Haranga Shavdal LLC and Orchlon Ord owns 25% of the issued capital in Haranga Shavdal LLC. Please refer to summary of the agreement in Section 13.2 of the Prospectus.	See "Notes" at end.
Khundlun									
EL 13867X	Haranga Erdenes LLC	100% subsidiary of Haranga Iron LLC (a wholly-owned subsidiary of Haranga Resources)	July 09, 2008 (grant)	July 09, 2011	2,564 hectare	US$2,564	US$2,564	As reported by the Company under a Cooperation Agreement with Khukh Kharkhiraa LLC, Haranga owns 100% interest in Haranga Erdenes LLC. Please refer to summary of the agreement in Section 13.3 of the Prospectus.	See "Notes" at end.
Tumurtei Khudag									
EL 13544X	Bilegt Hairhan Uul LLC	Subsidiary of Gobi Khurakh LLC and Hunnu Coal Ltd	April 15, 2008 (grant)	April 15, 2011	29,549 hectare	US$29,549	US$29,549	As reported by the Company under a Cooperation Agreement with Gobi Khurakh LLC and an additional Investment Agreement with Gobi Khurakh LLC , Bilegt Hairhan Uul LLC and Haranga Gobi LLC, the Company has a 51% interest in the iron ore rights within the Exploration Licence. Please refer to summary of the agreement in Section 13.4 of the Prospectus.	See "Notes" at end.
EL 14907X	Bilegt Hairhan Uul LLC	Subsidiary of Gobi Khurakh LLC and Hunnu Coal Ltd	April 15, 2008 (grant)	April 15, 2011	28,165 hectare	US$28,165	US$28,165	As reported by the Company under a Cooperation Agreement with Gobi Khurakh LLC and an additional Investment Agreement with Gobi Khurakh LLC, Bilegt Hairhan Uul LLC and Haranga Gobi LLC, the Company has a 51% interest in the iron ore rights within the Exploration Licence. Please refer to summary of the agreement in Section 13.4 of the Prospectus.	See "Notes" at end.
Sumber									
EL 14568X	Haranga Sumber LLC	75%-owned subsidiary of Haranga Iron LLC (a wholly-owned subsidiary of Haranga Resources)	December 12, 2008 (grant)	December 12, 2011	6,467 hectare	US$6,467	US$6,467	As reported by the Company under a Cooperation Agreement with Sumber Erdene Orgil LLC, the Company (or through a subsidiary of the Company) owns 75% of the issued capital in Haranga Sumber LLC and Sumber Erdene Orgil owns 25% of the issued capital in Haranga Sumber LLC. Please refer to summary of the agreement in Section 13.5 of the Prospectus.	See "Notes" at end.

*According to provisions of Articles 19.8 and 24.1.4 of the Law on Minerals of Mongolia, an Exploration Licence holder has the right to renew the licence two times for an additional 3 year period, i.e. the holder can possess the licence for up to 9 years from the first date of issuance of the licence.

**Annual rent and minimum annual expenditures are those expected for the year 2011.

TENEMENT / PROJECT COMPANY	NOTES
Selenge	
Legendary Hero LLC	1. We have been provided with the documentation to determine that Legendary Hero LLC (**Legendary Hero**) is duly registered with the State Registrations Office as a legal entity in Mongolia as is required to lawfully hold a minerals licence and to conduct exploration or mining activities. 2. According to the Status Certificate of the CEO of Legendary Hero to the best of our knowledge, there is no past or present material litigation with regards to the company, the licences, or the current holder's right to hold the licences. 3. The company has paid the year 2010-2011 licences fees in due time as required by the MLM. The MLM requires that licence fees for subsequent years shall be payable annually in advance, on or before the anniversary date of the issuance date of the licence (MLM, Article 34.2). The failure to pay the licence fees within the specified period can be legal grounds for possible revocation (MLM, Article 56.1.2). 4. The company has fully funded the necessary environmental reclamation funds in 2010 for the licences. 5. The Exploration Plans for the licences in 2010 are complete. The MLM requires that Exploration Plans be submitted to MRA within thirty (30) days after the issued date of the licence and be submitted within the second quarter of that year starting from the second year (MLM, Article 48.1.1; Regulation of MRA on Receiving Exploration Work Plans, 9 September 2009). As a consequence of the failure to submit the necessary Exploration Plans, an administrative penalty can be imposed on the company (MLM, Article 66.1.2). 6. The 2010 Exploration Reports have been filed. 7. The Environmental Protection Plan has been filed. 8. There are no pledges registered with MRA on the licences as of 25 October 2010. 9. According to the cadastral registry, none of the licences overlap with Special Purpose Designation areas and State Special Protection Areas.
Shavdal	
Haranga Shavdal LLC	1. We have been provided with the documentation to determine that Haranga Shavdal LLC (**Haranga Shavdal**) is duly registered with the State Registrations Office as a legal entity in Mongolia as is required to lawfully hold a minerals licence and to conduct exploration or mining activities. 2. According to the Status Certificate of the CEO of Haranga Shavdal and to the best of our knowledge, there is no past or present material litigation with regards to the company, the licences, or the current holder's right to hold the licence. 3. The company has paid the year 2010-2011 licence fees in due time as required by the MLM. The MLM requires that licence fees for subsequent years shall be payable annually in advance, on or before the anniversary date of the issuance date of the licence (MLM, Article 34.2). The failure to pay the licence fees within the specified period can be legal grounds for possible revocation (MLM, Article 56.1.2). 4. The company has fully funded the necessary environmental reclamation funds in 2010 for the licence. 5. The Exploration Plans for the licence in 2010 is complete. The MLM requires that Exploration Plans be submitted to MRA within thirty (30) days after the issued date of the licence and be submitted within the second quarter of that year starting from the second year (MLM, Article 48.1.1; Regulation of MRA on Receiving Exploration Work Plans, 9 September 2010). As a consequence of the failure to submit the necessary Exploration Plans, an administrative penalty can be imposed on the company (MLM, Article 66.1.2). 6. The 2010 Exploration Reports have been filed. 7. The Environmental Protection Plan has been filed. 8. There are no pledges registered with MRA on the licence as of 25 October 2010. 9. According to the cadastral registry, the licence does not overlap with Special Purpose Designation areas and State Special Protection Areas.
Khundlun	
Haranga Erdenes LLC	1. We have been provided with the documentation to determine that Haranga Erdenes LLC (**Haranga Erdenes**) is duly registered with the State Registrations Office as a legal entity in Mongolia as is required to lawfully hold a minerals licence and to conduct exploration or mining activities. 2. According to the Status Certificate of the CEO of Haranga Erdenes and to the best of our knowledge, there is no past or present material litigation with regards to the company, the licence, or the current holder's right to hold the licence. 3. The company has paid the year 2010-2011 licence fees in due time as required by the MLM. The MLM requires that licence fees for subsequent years shall be payable annually in advance, on or before the anniversary date of the issuance date of the licence (MLM, Article 34.2). The failure to pay the licence fees within the specified period can be legal grounds for possible revocation (MLM, Article 56.1.2). 4. The company has fully funded the necessary environmental reclamation funds in 2010 for the licence. 5. The Exploration Plans for the licence in 2010 are complete. The MLM requires that Exploration Plans be submitted to MRA within thirty (30) days after the issued date of the licence and be submitted within the second quarter of that year starting from the second year (MLM, Article 48.1.1; Regulation of MRA on Receiving Exploration Work Plans, 9 September 2009). As a consequence of the failure to submit the necessary Exploration Plans, an administrative penalty can be imposed on the company (MLM, Article 66.1.2). 6. The 2010 Exploration Reports have been filed. 7. The Environmental Protection Plan has been filed. 8. There are no pledges registered with MRA on the licence as of 25 October 2010. 9. According to the cadastral registry, the licence does not overlap with Special Purpose Designation areas and State Special Protection Areas.

TENEMENT / PROJECT COMPANY	NOTES
Tumurtei Khudag	
Bilegt Hairhan Uul LLC	1. We have been provided with the documentation to determine that Bilegt Hairhan Uul LLC (**Bilegt Hairhan Uul**) is duly registered with the State Registrations Office as a legal entity in Mongolia as is required to lawfully hold a minerals licence and to conduct exploration or mining activities. 2. According to the Status Certificate of the CEO of Bilegt Hairhan Uul and to the best of our knowledge, there is no past or present material litigation with regards to the company, the licences, or the current holder's right to hold the licences. 3. The company has paid the year 2010-2011 licence fees in due time as required by the MLM. The MLM requires that licence fees for subsequent years shall be payable annually in advance, on or before the anniversary date of the issuance date of the licence (MLM, Article 34.2). The failure to pay the licence fees within the specified period can be legal grounds for possible revocation (MLM, Article 56.1.2). 4. The company has fully funded the necessary environmental reclamation funds in 2010 for the licences. 5. The Exploration Plans for the licences in 2010 are complete. The MLM requires that Exploration Plans be submitted to MRA within thirty (30) days after the issued date of the licence and be submitted within the second quarter of that year starting from the second year (MLM, Article 48.1.1; Regulation of MRA on Receiving Exploration Work Plans, 9 September 2009). As a consequence of the failure to submit the necessary Exploration Plans, an administrative penalty can be imposed on the company (MLM, Article 66.1.2). 6. The 2010 Exploration Reports have been filed. 7. The Environmental Protection Plan has been filed. 8. There are no pledges registered with MRA on the licences as of 25 October 2010. 9. According to the cadastral registry, none of the licences overlap with Special Purpose Designation areas and State Special Protection Areas.
Sumber	
Haranga Sumber LLC	1. We have been provided with the documentation to determine that Haranga Sumber LLC (**Haranga Sumber**) is duly registered with the State Registrations Office as a legal entity in Mongolia as is required to lawfully hold a minerals licence and to conduct exploration or mining activities. 2. According to the Status Certificate of the CEO of Haranga Sumber and to the best of our knowledge, there is no past or present material litigation with regards to the company, the licence, or the current holder's right to hold the licence. 3. The company has paid the year 2010 licence fees in due time as required by the MLM. The MLM requires that licence fees for subsequent years shall be payable annually in advance, on or before the anniversary date of the issuance date of the licence (MLM, Article 34.2). The failure to pay the licence fees within the specified period can be legal grounds for possible revocation (MLM, Article 56.1.2). 4. The company has fully funded the necessary environmental reclamation funds in 2010 for the licence. 5. The Exploration Plans for the licence in 2010 are complete. The MLM requires that Exploration Plans be submitted to MRA within thirty (30) days after the issued date of the licence and be submitted within the second quarter of that year starting from the second year (MLM, Article 48.1.1; Regulation of MRA on Receiving Exploration Work Plans, 9 September 2010). As a consequence of the failure to submit the necessary Exploration Plans, an administrative penalty can be imposed on the company (MLM, Article 66.1.2). 6. The 2010 Exploration Reports have been filed. 7. The Environmental Protection Plan has been filed. 8. There are no pledges registered with MRA on the licence as of 25 October 2010. 9. According to the cadastral registry, the licence does not overlap with Special Purpose Designation areas and State Special Protection Areas.

Yours faithfully,

By: _____

Bayar Budragchaa

Governing Partner, ELC LLC
Suite 1003, Central Tower,
Sukhbaatar Square 02,
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201620a, Mongolia

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12. RISK FACTORS

12.1 Introduction

An investment in the Company is not risk free and prospective new investors should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

12.2 Risks Specific to the Company and its Projects

(a) Limited History of the Company and its Projects

The agreements entered into by the Company in relation to the exploration permits and exploration claims in which the Company has an interest (**Tenements**) are at various stages of exploration, and potential investors should understand that iron ore exploration and development are high-risk undertakings. None of the Tenements currently have a Mineral Resource.

There can be no assurance that exploration of the Tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit or JORC Code resource classification. Little exploration has taken place on the Company's Mongolian projects. Further exploration is required to determine whether the Company's projects contain any economically viable mineral deposits. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The prospects of the Company must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly in the mineral exploration sector which has a high level of inherent uncertainty.

(b) Exploration Target Estimates

Exploration targets and other estimates of iron ore occurrences, including those contained in this Prospectus, are expressions of judgment based on knowledge, experience and industry practice. Often these estimates were appropriate when made but may change significantly when new information becomes available. There are risks associated with such estimates, including that iron ore mined may be of a different quality, tonnage or strip ratio from the estimates. Exploration target estimates are necessarily imprecise and depend to some extent upon interpretations, which may ultimately prove to be inaccurate and require adjustment.

(c) No JORC Compliant Resource

No project that the Company has an interest in has a JORC resource. Further exploration is required to determine the extent of the Company's viable mineral deposits.

There can be no assurance that exploration of the Tenements, or any other tenements that may be acquired by the Company in the future, will result in the discovery of a JORC Code compliant resource.

(d) Operating Risks

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of factors.

The Company's Mongolian projects will be subject to extreme climatic conditions which restrict the period within which exploration, appraisal and possibly production activities may take place and may also place Company personnel at risk if exposed to these extreme conditions.

Mongolia has a foreign worker quota system that may make it difficult to hire qualified personal even where local manpower is unavailable.

A summary of factors that may affect the operations of the Company, include:

(i) geological conditions;

(ii) alterations to joint venture programs and budgets;

(iii) unanticipated operational and technical difficulties encountered in geophysical surveys, drilling and production activities;

(iv) mechanical failure of operating plant and equipment, industrial and environmental accidents, acts of terrorism or political or civil unrest and other force majeure events;

(v) industrial action, disputation or disruptions;

(vi) unavailability of aircraft or drilling equipment to undertake airborne electromagnetic and other geological and geophysical investigations;

(vii) unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment;

(viii) prevention or restriction of access by reason of political unrest, outbreak of hostilities, and inability to obtain consents or approvals;

(ix) current exploration operations and future mine development of the tenements are subject to the Company's ability to obtain a wide range of permits, licences, and approvals and there is no guarantee that such permits, licences and approvals will be granted or will be granted in a timely matter;

(x) advancement of the exploration operations to mine development can be a lengthy process taking a number of years where the Company's projects may be subject to new laws, regulations, and taxes which may have a material impact on the Company; and

(xi) restriction of access to infrastructure by Russian, Chinese or Mongolian authorities.

(e) The Company is experiencing a period of rapid growth and may not be able to manage its growth effectively.

The Company is experiencing a period of rapid growth and expansion that will place significant demands on management personnel, systems and resources. To accommodate this growth, the Company may need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of accounting and other internal management systems, all of which would require substantial management effort and significant additional expenditures. There can be no assurance that the Company will be able to manage its growth effectively, and failure to do so may have a material adverse effect on the business, prospects, financial condition and results of operations.

(f) Sovereign and Political Risks Associated with Operating in Mongolia

The Company holds an interest in (or a right to earn an interest in) a number of projects in Mongolia. As set out in Sections 8 and 11, the Company has an interest in projects in a young democratic country which is experiencing a transition to a market economy which presents a certain level of uncertainty and risk.

As set out under Section 10, the Mongolian Parliament has previously passed laws that may restrict or limit the Company's operations or make them uneconomic. These include the laws that impose the right to participate in 'mineral deposits of strategic importance'. Should the Company's exploration activities lead to an economically viable mineral deposit, there is a risk that the Mongolian State may seek to acquire an interest in those deposits. Furthermore, there is a risk that the Mongolian Parliament may attempt to pass further laws that may prejudicially affect the Company's operations.

More general risks include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

(g) Legal Risks Associated with Operating in Mongolia

The Company's Mongolian operations are subject to the jurisdiction of Mongolia's courts. The legal system operating in Mongolia is developing which may result in risks such as:

(i) political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation, or in an ownership dispute;

(ii) a higher degree of discretion on the part of governmental agencies;

(iii) the lack of political or administrative guidance on implementing applicable rules and regulations including, in particular, as regards local taxation and property rights; or

(iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions.

The commitment to local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that the licences and other legal arrangements will not be adversely affected by the actions of the government authorities or others and the effectiveness of an enforcement of such arrangements cannot be assured.

In the case where the Company disputes the actions of the State with regard to its Tenements, it is unlikely that the Company would be successful in raising a claim in Australian courts for reasons of comity or the doctrine of sovereign immunity.

(h) Title Risks Associated with the Mongolian Projects

As noted in Sections 10, 11 and 13, there are a number of conditions that the Company must satisfy with respect to the Mongolian licences it has an interest in, including minimum expenditure and annual reporting requirements to keep the Company's Mongolian licences in good standing. There is a risk that the Company may not be able to satisfy these requirements, in which case the Company may forfeit title to those licences.

Licences are also subject to periodic renewal and may only be renewed a limited number of times for a limited period of time. While the Company anticipates that such renewals will be given as and when sought, there can be no assurance that these renewals will be given as a matter of course and that new conditions will not be imposed in connection therewith.

Furthermore, the Company will require mining licences and permits to mine in order to conduct mining operations in Mongolia. There can be no assurance, however, that such licences and permits will be obtained on terms favourable to the Company or at all for the Company's future intended mining and/or exploration targets in Mongolia.

Specifically the Company notes the following with respect to its Mongolian licences:

(i) if the Company fails to make the payment of the ongoing consideration detailed in the cooperation agreement between the Company and Geotrass LLC (this agreement is detailed in Section 13.1 of the Prospectus), there is a risk that the Company may be in breach of this agreement and may have to return its 60% interest in the five (5) exploration licences 11334X, 11335X, 11336X, 11337X and 11338X to Geotrass LLC and the Company will no longer have an interest in these licences;

(ii) if the Company fails to make the payment of the ongoing consideration detailed in the cooperation agreement between the Company and Orchlon Ord LLC (this agreement is detailed in Section 13.2 of the Prospectus), there is a risk that the Company may be in breach of this agreement and may have to return its 75% interest in exploration licence 14198X to Orchlon Ord LLC and the Company will no longer have an interest in this licence;

(iii) if the Company fails to make the payment of the ongoing consideration detailed in the cooperation agreement between the Company and Khukh Kharkhiraa LLC (this agreement is detailed in Section 13.3 of the Prospectus), there is a risk that the Company may be in breach of

this agreement and may have to return its 100% interest in exploration licence 13867X to Khukh Kharkhiraa LLC and the Company will no longer have an interest in this licence;

(iv) if the Company fails to make the payment of the ongoing consideration detailed in the cooperation agreement between the Company and Sumber Erdene Orgil LLC (this agreement is detailed in Section 13.5 of the Prospectus), there is a risk that the Company may be in breach of this agreement and may have to return its 75% interest in exploration licence 14568X to Sumber Erdene Orgil LLC and the Company will no longer have an interest in this licence;

(v) delays in obtaining all necessary approvals and permits may jeopardise the economic viability of a project. As highlighted in Section 11 of the Prospectus, there have been no delays in obtaining any approval or permits of any licence in which the Company has an interest in;

(vi) EL 14198X will need to be renewed prior to 24 September 2011 (date of grant was 24 September 2008), EL 13867X will need to be renewed prior to 9 July 2011 (date of grant was 9 July 2008), EL 13544X will need to be renewed prior to 15 April 2011 (date of grant was 15 April 2008), EL 14907X will need to be renewed prior to 15 April 2011 (date of grant was 15 April 2008) and EL 14568X will need to be renewed prior to 12 December 2011 (date of grant was 12 December 2008). According to the provisions of Articles 19.8 and 24.1.4 of the Law on Minerals of Mongolia, an exploration licence holder has the right to renew the licence two times for an additional three (3) year period, i.e. the holder of the relevant licence can possess the licence for up to nine (9) years from the first date of issuance of the licence;

(vii) all licence fees have been paid for the year 2010-2011 as required by the Revised Minerals Law (**MLM**). The MLM requires that licence fees for subsequent years shall be payable annually in advance, on or before the anniversary date of the issuance date of the licence (MLM, Article 34.2). The failure to pay the licence fees within the specified period can be legal grounds for possible revocation (MLM, Article 56.1.2);

(viii) all necessary environmental reclamation funds for 2010 have been paid. If the holder of the licence fails to fund the necessary environmental reclamation funds, this failure can be the legal ground for the suspension of exploration activities for up to two (2) months and the possibility of revocation of its licence;

(ix) all the exploration plans for 2010 are complete and the exploration reports for 2010 have all been filed. The MLM requires that exploration plans be submitted to MRA within thirty (30) days after the issue date of the licence and be submitted within the second quarter of that year starting from the second year (MLM, Article 48.1.1; Regulation of MRA on Receiving Exploration Work Plans, 9 September 2009). As a consequence of the failure to submit the necessary exploration plans, an administrative penalty can be imposed on the licence holder (MLM, Article 66.1.2);

(x) the environmental protection plans have been filed. The failure to develop and submit the environmental plan and report can be legal grounds for the suspension of exploration activities for up to two (2) months and the possibility of revocation of those licences;

(xi) there are no registered pledges with MRA on the licences as of 25 October 2010; and

(xii) according to the cadastral registry, none of the licences overlap with special purposes designation areas and state special protection areas.

(i) Uncertainties Regarding VAT Reimbursement and Possible Revisions to the Mongolian Royalty Fee System Could Adversely Affect the Company's Financial Position.

A value-added tax at a rate of 10% is payable in respect of all goods sold, work performed and services provided within Mongolia. Value-added tax is also payable in respect of goods imported into Mongolia and in respect of certain service fee payments made by Mongolian taxpayers to non-resident service providers. If a legal entity is registered as a value-added taxpayer, it can obtain credits for such tax paid to its suppliers of goods and services and can use such credits to offset value-added, or other taxes owed in Mongolia. However, the Value-Added Tax Law provides certain conditions which can limit the ability of a legal entity to register as a value-added taxpayer.

Additionally, the Value-Added Tax Law was recently amended to exempt all sales of mineral products with the exception of exported "finished mineral products". Under the aforementioned amendments to the Value-Added Tax Law, the Government of Mongolia is to determine the types of "finished mineral products," however no such classification is available as of this date. Effective as of 21 July 2009, any VAT paid by the producer of mineral products cannot be claimed back – i.e. the producer is deemed to be the end-user and must bear the burden of VAT paid to produce such products. Finished products that are exported are, however, zero-rated and VAT paid to produce such products may be claimed back. There can be no assurance that iron ore will be deemed a "finished mineral product" that would allow the Company to obtain a VAT reimbursement.

(j) The PRC Government May Impose Restrictions on Mongolian Iron Ore.

While the Peoples Republic of China (**PRC**) government has not imposed any restrictions on imports of Mongolian iron ore, there can be no assurance that restrictions will not be directly or indirectly implemented in the future. The PRC government may do so for a number of reasons, including but not limited to, a policy to support domestic PRC iron ore producers.

(k) Co Existence Rights

Some of the Tenements that the Company holds an interest in, or has a right to acquire an interest in, are limited to the right to explore and mine iron ore. This means that other entities may have the right to explore and mine other minerals on the Tenements and such activities may adversely impact on the Company's exploration on those Tenements.

(l) Joint Venture Parties, Contractors and Contractual Disputes

The Company is a party to joint venture agreements in respect of some of its projects in Mongolia. The Company is thereby reliant upon its joint venture participants complying with their obligations.

With respect to this issue, the Directors are unable to predict the risk of:

(i) financial failure or default by a participant in any joint venture to which the Company may become a party;

(ii) insolvency or other managerial failure by any of the operators and contractors used by the Company in its exploration activities; or

(iii) insolvency or other managerial failure by any of the other service providers used by the Company or its operators for any activity.

(m) Infrastructure

Several of the Company's Mongolian licences (or right to acquire an interest in) are located in areas that lack access to basic infrastructure including roads, electricity, running water and health and emergency services.

The lack of infrastructure may impact negatively on the economic viability of any deposits discovered by the Company in other regions and may require the Company to negotiate access to existing infrastructure and/or invest substantial amounts on the upgrade of existing infrastructure of development of new infrastructure.

(n) The Company Has Limited Insurance Coverage which may not be Sufficient to Cover all Potential Losses.

Exploration (and possible development) operations on mineral properties involve numerous risks and hazards, including:

(i) rock bursts, slides, fires, earthquakes or other adverse environmental occurrences;

(ii) industrial accidents;

(iii) labour disputes;

(iv) political and social instability;

(v) technical difficulties due to unusual or unexpected geological formations;

(vi) failures of pit walls; and

(vii) flooding and periodic interruptions due to inclement or hazardous weather condition.

These risks can result in, amongst other things:

(i) damage to, and destruction of, mineral properties or production facilities;

(ii) personal injury;

(iii) environmental damage;

(iv) delays in mining;

(v) monetary losses; and

(vi) legal liability.

The current Mongolian insurance industry offers limited insurance coverage. As a result, the Company may have to pay out for financial and other losses, damages and liabilities, including those caused by fire, weather, disease, civil strife, industrial strikes, breakdowns of equipment, difficulties or delays in obtaining raw materials and equipment, natural disasters, terrorist incidents, industrial accidents or other causes. The Company also does not have any business interruption insurance or third party liability insurance other than motor vehicle insurance. Any business disruption or natural disaster may result in substantial costs and diversion of resources. Losses incurred or payments which may be required to be made may have a material adverse effect on the Company's business, prospects, financial condition and results of operations to the extent such losses or payments are not insured or the insured amount is not adequate.

(o) Environmental Risks

The Company's projects are subject to Mongolian laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mining projects, these projects would be expected to have a variety of environmental impacts should development proceed.

The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by the Company's activities will be rehabilitated as required by applicable laws and regulations.

(p) Currency

Any revenue generated by the Company is expected to be in US$ while its cost base would be expected to be in A$, Mongolian National Tugrik (**MNT**) and US$. Consequently the cross exchange rates for these currencies will have an impact on the Company's expected earnings in A$.

The cross exchange rates are affected by numerous factors beyond the control of the Company.

These factors include Australia's, Mongolia's and the USA's economic conditions and the outlook for interest rates, inflation and other economic factors. These factors may have a positive or negative effect on the Company's exploration, project development and production plans and activities, together with the ability to fund those plans and activities.

12.3 General Economic Risks and Business Climate

(a) Stockmarket Conditions

The market price of the Shares if quoted on ASX will be influenced by international and domestic factors affecting conditions in equity and financial markets. These factors may affect the prices of listed securities and the prices for the securities of companies quoted on ASX, including the Company.

(b) Funding

The funds raised under the Offer will be sufficient for the Company to meet its contractual obligations under its existing joint venture agreements and its objectives set out in this Prospectus for the next 2 years. If the Company elects to obtain the maximum interest in all of its projects and conduct further exploration envisaged under this Prospectus, it will need to obtain additional funds on terms acceptable to the Company. Any additional equity financing may be dilutive to Shareholders and any debt financing, if available, may involve restrictive covenants, which may limit the Company's operations and business strategy.

Unless, and until, the Company develops or acquires income producing assets, it will be dependent upon the funds raised by the Offer (and interest earned on those funds) and its ability to obtain future equity or debt funding to support exploration, evaluation and development of the properties in which it has an interest.

The Company's ability to raise further equity, or debt, or to divest part of its interest in a project, and the terms of such transactions will vary according to a number of factors, including the success of exploration and the future development of the project, stock market conditions and prices for iron ore.

(c) Resource Estimates

Resource estimates are based on a number of assumptions, however there can be no assurance that identified resources will be recovered in the quantities, qualities or yields presented in this prospectus. Iron ore resource estimates are inherently prone to variability. They involve expressions of judgment with regard to the presence and grade of mineralization and the ability to extract and process the mineralization economically. These judgments are based on a variety of factors, such as knowledge, experience and industry practice. The accuracy of these estimates may be affected by many factors, including the quality of the results of drilling and sampling of the ore bodies and analysis of the ore samples and the procedures adopted and experience of the person(s) making the estimates. There are risks associated with such estimates, including that iron ore mined may be of a different or inferior quality, volume, overburden strip ratio or stripping cost from the resource estimates. If the Company encounters mineralization or geological or mining conditions different from those predicted by historical drilling, sampling and similar examinations, it may have to adjust its mining plans in a way that may materially and adversely affect its business, prospects, financial condition and results of operations and reduce the estimated amount of iron ore available for production and expansion plans.

(d) Iron Ore Marketing and Iron Ore Prices

In the event that the Company's exploration is successful and the Company proceeds to develop an iron ore mine, the marketability of the iron ore production depends upon the quality and tonnage demand from the international and domestic marketplace.

Customers may default on their contractual obligations with the Company. Potential contractual defaults may include non payment for iron ore or failure to take delivery of contracted volumes. Should such a default occur, the Company may find it difficult to access other customers.

Depressed iron ore prices would affect the business. Future revenues, operating results, profitability, future rate of growth and the carrying value of the properties of the Company depend heavily on prevailing market prices for iron ore. Any substantial or extended decline in the price of iron ore would have a material adverse effect on the financial condition and results of operations.

Increases in iron ore prices could encourage new or existing international iron ore producers to expand their production capacity. Any oversupply of iron ore in the world markets could reduce world iron ore prices in the future and the prices the Company receives under new iron ore supply agreements, which could materially and adversely affect the Company's business, prospects, financial condition and results of operations.

(e) Reliance on Key Management

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(f) Competition

The Company will be competing with other companies in the resource sector many of which will have access to greater resources than the Company and may be in a better position to compete for future business opportunities. There can be no assurance that the Company can compete effectively with these companies.

(g) Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Prospectus. Therefore, the securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for securities pursuant to this Prospectus.

13. MATERIAL CONTRACTS

13.1 Cooperation Agreement – Geotrass LLC

On 5 October 2010, the Company entered into a cooperation agreement (**Agreement**) with Geotrass LLC (a company incorporated under the laws of Mongolia, State Registration Number 9011003076, 2809478) (**Geotrass**) pursuant to which Geotrass agreed to grant the Company the sole and exclusive right to earn up to a 60% interest in the five (5) exploration licences 11334X, 11335X, 11336X, 11337X and 11338X (together the **Licences**).

The Company (or through a subsidiary of the Company) and Geotrass have since acquired the company that holds the Licences, Legendary Hero LLC, which is now 60% owned by the Company and 40% owned by Geotrass. This joint venture is being managed by the Company for the purpose of exploring minerals on the Licences.

The initial part consideration which was paid for the 60% interest in the capital of Legendary Hero LLC by the Company was USD$500,000 to Geotrass on execution of this Agreement and USD$500,000 to Geotrass on the successful transfer of 60% of the share capital of Legendary Hero LLC, the Mongolian-registered company that holds the Licences, to the Company (**Initial Part Consideration**). The ongoing consideration to be paid for the 60% interest in the capital of Legendary Hero LLC is by the Company:

(a) making payments to Geotrass totalling USD$2,000,000 (AUD$2,222,222) by 5 October 2011; and

(b) making payments to Geotrass totalling USD$3,000,000 (AUD$3,333,333) by 5 October 2012 (**Ongoing Consideration**),

(the Initial Part Consideration and the Ongoing Consideration together, the **Total Consideration**)

During the Sole Funding Period and until the Company notifies Geotrass in writing of the completion of a feasibility study on the Licences, the Company agrees to be responsible for 100% of the exploration and development expenditure, licence payments, fees, and other payments regarding environmental protection and rehabilitation as well as in respect of the Licences in so far as it relates to minerals. Upon the Company notifying Geotrass in writing of the completion of a feasibility study on the Licences, each party must contribute to expenditure in proportion to their joint venture interest.

The Agreement shall be governed by and construed in accordance with the laws in Mongolia. The parties agree to submit to the non-exclusive jurisdiction of the Arbitration Courts of Mongolia.

The Agreement otherwise contains warranties and indemnities which are standard for an agreement of this nature.

13.2 Cooperation Agreement – Orchlon Ord LLC

On 8 September 2010, the Company entered into a cooperation agreement (**Agreement**) with Orchlon Ord LLC (a company incorporated under the laws of Mongolia, State Registration Number 9011110084) (**Orchlon Ord**) pursuant to which Orchlon Ord agreed to grant the Company the sole and exclusive right to earn up to a 100% interest in exploration licence 14198X (the **Licence**).

The Company (or through a subsidiary of the Company) and Orchlon Ord have since established a joint venture company, Haranga Shavdal LLC, which is 75% owned by the Company and 25% owned by Orchlon Ord. This joint venture has been established for the purpose of exploring minerals on the Licence.

The initial part consideration which was paid for the 75% interest in the capital of Haranga Shavdal LLC was USD$100,000 to Orchlon Ord (**Initial Part Consideration**). The ongoing consideration to be paid for the 75% interest in the capital of Haranga Shavdal LLC is by the Company:

(a) making payments to Orchlon Ord totalling USD$200,000 (AUD$222,222) within one month of the Company listing on the ASX; and

(b) making payments to Orchlon Ord totalling USD$300,000 (AUD$333,333) by 8 March 2011 (**Ongoing Consideration**),

(the Initial Part Consideration and the Ongoing Consideration together, the **Total Consideration**).

During the Sole Funding Period and until the Company notifies Orchlon Ord in writing at the completion of a feasibility study on the Licence, the Company agrees to be responsible for 100% of the exploration

and development expenditure, licence payments, fees, and other payments regarding environmental protection and rehabilitation as well as in respect of the Licences in so far as it relates to minerals. Upon the expiry of the Sole Funding Period, each party must contribute to expenditure in proportion to their joint venture interest.

On or before 8 September 2013, the Company has the right to earn a further 25% interest in the capital of Haranga Shavdal LLC by transferring USD$2,000,000 (AUD$2,222,222) to Orchlon Ord in order to take its interest to 100% in the capital of Haranga Shavdal LLC.

In the case of the Company defining 40,000,000 tonnes or more of iron ore on the Licence at a grade greater than 50% Fe content in JORC Code Resources (Measures and Indicated categories), the Company agrees to transfer USD$3,000,000 (AUD$3,333,333) to Orchlon Ord.

The Agreement shall be governed by and construed in accordance with the laws in Mongolia. The parties agree to submit to the non-exclusive jurisdiction of the Arbitration Courts of Mongolia.

The Agreement otherwise contains warranties and indemnities which are standard for an agreement of this nature.

13.3 Cooperation Agreement – Khukh Kharkhiraa LLC

On 20 July 2010, the Company entered into a cooperation agreement (**Agreement**) with Khukh Kharkhiraa LLC (a company incorporated under the laws of Mongolia, State Registration Number 9011117006) (**Khukh Kharkhiraa**) pursuant to which Khukh Kharkhiraa agreed to grant the Company the sole and exclusive right to earn up to a 100% interest in exploration licence 13867X (the **Licence**).

The Company has since established a company, Haranga Erdenes LLC, which is 100% owned by the Company. This company has been established for the purpose of exploring minerals on the Licence.

The initial part consideration which was paid for the 100% interest in the Licence was USD$300,000 to Khukh Kharkhiraa (**Initial Part Consideration**). The ongoing consideration to be paid for the 100% interest in the Licence is by the Company making payments to Khukh Kharkhiraa totalling USD$200,000 (AUD$222,222) on or before 20 December 2010 (**Ongoing Consideration**). If the Company fails to make the payment of the Ongoing Consideration, the Company shall return the Licence to Khukh Kharkhiraa and the Company agrees to no longer have an interest in the Licence.

The Company agrees to be responsible for 100% of the exploration and development expenditure, licence payments, fees, and other payments regarding environmental protection and rehabilitation as well as in respect of the Licence in so far as it relates to minerals.

The Agreement shall be governed by and construed in accordance with the laws in Mongolia. The parties agree to submit to the non-exclusive jurisdiction of the Arbitration Courts of Mongolia.

The Agreement otherwise contains warranties and indemnities which are standard for an agreement of this nature.

13.4 Cooperation Agreement and Investment Agreement – Gobi Khurakh LLC

On 23 August 2010, the Company entered into a cooperation agreement (**Agreement**) with Gobi Khurakh LLC (a company incorporated under the laws of Mongolia, State Registration Number 9011203011) (**Gobi Khurakh**) pursuant to which Gobi Khurakh agreed to grant the Company the sole and exclusive right to earn up to a 51% interest in iron ore rights (**Iron Ore Rights**) on the following exploration licences:

(a) licence 13544X, located in Dundgobi province, Gurvansaikhan, Saintsagaan and Ulziit subprovinces in Mongolia, held by Bilegt Hairhan Uul LLC (a company organised and existing under the laws of Mongolia); and

(b) licence 14907X, located in Dundgobi province, Gurvansaikhan subprovince in Mongolia, held by Bilegt Hairhan Uul LLC,

(together, the **Licences**).

The Company has also entered into a investment agreement with a new joint venture company Haranga Gobi LLC (**Haranga Gobi**), Haranga Iron LLC (a wholly-owned subsidiary of the Company organised and existing under the laws of Mongolia), Gobi Khurakh and Bilegt Hairhan Uul LLC (**Investment Agreement**) pursuant to which Gobi Khurakh immediately vested 100% of the Iron Ore Rights on the Licences into a new joint venture company called Haranga Gobi LLC. Haranga Gobi LLC is 51% owned by the Company (or a subsidiary of the Company) and 49% owned by Gobi Khurakh. This joint venture has been established for the purpose of exploring iron ore on the Licences.

The consideration paid for the 51% interest in the Iron Ore Rights in the Licences was USD$100,000 to Gobi Khurakh (**Consideration**).

On or before 30 June 2011, the Company has the right to earn a further 29% interest in the Iron Ore Rights on the Licences by transferring USD$300,000 (AUD$333,333) to Gobi Khurakh in order to take its interest in Haranga Gobi to 80%.

From the date of this Agreement, Gobi Khurakh's remaining interest in the Iron Ore Rights on the Licences will be free carried to the completion of a feasibility study (the **Sole Funding Period**).

During the Sole Funding Period and until the Company notifies Gobi Khurakh in writing of the completion of a feasibility study, the Company agrees to be responsible for 100% of the expenditure and other payments regarding environmental protection and rehabilitation in so far as it relates to iron ore minerals. Upon the expiry of the Sole Funding Period, each party must contribute to further expenditure made or incurred in respect of the Iron Ore Rights in proportion to their interest holding in the Iron Ore Rights.

In the case of the Company defining 50,000,000 tonnes or more of iron ore on the Licences at a grade greater than 50% Fe content in JORC Code Resources (Measures and Indicated categories), the Company agrees to transfer USD$5,000,000 (AUD$5,555,556) to Gobi Khurakh.

The Agreement shall be governed by and construed in accordance with the laws in Mongolia. The parties agree to submit to the non-exclusive jurisdiction of the Arbitration Courts of Mongolia.

The Agreement otherwise contains warranties and indemnities which are standard for an agreement of this nature.

13.5 Cooperation Agreement – Sumber Erdene Orgil LLC

On 15 September 2010, the Company entered into a cooperation agreement (**Agreement**) with Sumber Erdene Orgil LLC (a company incorporated under the laws of Mongolia, State Registration Number 9011120114) (**Sumber Erdene Orgil**) pursuant to which Sumber Erdene Orgil agreed to grant the Company the sole and exclusive right to earn up to a 100% interest in exploration licence 14568X (**Licence**).

The Company and Sumber Erdene Orgil have since established a joint venture company, Haranga Sumber LLC, which is 75% owned by the Company (or its subsidiary company) and 25% owned by Ganbat Badamtseret, a Mongolian national and executive director of Sumber Erdene Orgil. This joint venture has been established for the purpose of exploring minerals on the Licence.

The initial part consideration which was paid for the 75% interest in the capital of Sumber Erdene by the Company was USD$100,000 to Sumber Erdene Orgil on 13 October 2010 (**Initial Part Consideration**). The ongoing consideration to be paid for the 75% interest in the capital of Haranga Sumber LLC is by the Company making payments to Sumber Erdene Orgil totalling USD$500,000 (AUD$555,556) by 15 March 2010 (**Ongoing Consideration**), (the Initial Part Consideration and the Ongoing Consideration together, the **Total Consideration**).

During the Sole Funding Period and until the Company notifies Sumber Erdene Orgil in writing of the completion of a feasibility study on the Licence, the Company agrees to be responsible for 100% of the exploration and development expenditure, licence payments, fees, and other payments regarding environmental protection and rehabilitation as well as in respect of the Licence in so far as it relates to minerals. Upon the expiry of the Sole Funding Period, each party must contribute to expenditure in proportion to their joint venture interest.

On or before 15 September 2013, the Company has the right to earn a further 25% interest in the capital of Haranga Sumber LLC by transferring USD$3,000,000 (AUD$3,333,333) to Sumber Erdene Orgil in order to take its interest to 100% in the capital of Haranga Sumber LLC.

In the case of the Company defining 25,000,000 tonnes or more of iron ore on the Licence at a grade greater than 40% Fe content in JORC Code Resources (Measures and Indicated categories), the Company agrees to transfer USD$2,000,000 (AUD$2,222,222) to Sumber Erdene Orgil.

The Agreement shall be governed by and construed in accordance with the laws in Mongolia. The parties agree to submit to the non-exclusive jurisdiction of the Arbitration Courts of Mongolia.

The Agreement otherwise contains warranties and indemnities which are standard for an agreement of this nature.

13.6 Services Agreement

The Company has entered into an agreement with Garrison Capital Pty Ltd (ABN 63 132 795 941) (**Garrison Capital**), a company of which Mr Matthew Wood and Mr Timothy Flavel (both directors of the Company) are directors and shareholders of, to provide administrative services and office space to the Company in Perth. This will include the use of the office and office equipment, services of an office manager and secretary and maintenance of the office computer equipment. The Company will pay to Garrison Capital AUD$180,000 per annum (plus GST) for the provision of these services. The term of the agreement is from 1 August 2010 until on or before 1 August 2012, unless extended by the parties.

13.7 Consulting Agreement – RCW Ichiban Pty Ltd

The Company has entered into a consulting agreement with RCW Ichiban Pty Ltd in relation to the appointment of Dr Robert Wrixon as Managing Director of the Company. The material terms and conditions of the agreement are as follows:

(a) (**Term**): the term of employment commenced on 1 August 2010 and will terminate on or before 1 August 2012 unless extended by both parties;

(b) (**Duties**): the duties to be performed by Dr Robert Wrixon are in the nature usually prescribed for an appointment of this type;

(c) (**Remuneration**): the Company shall pay Dr Robert Wrixon a salary of A$240,000 per annum;

(d) (**Options**): on execution of this consulting agreement, the Company grants Dr Robert Wrixon 4,500,000 Options on the terms and conditions summarised in Section 14.2 of the Prospectus;

(e) (**Termination by Dr Robert Wrixon**): Dr Robert Wrixon may terminate the consulting agreement by giving the Company three (3) months written notice;

(f) (**Termination by the Company**): the Company may terminate the consulting agreement by the Board:

  (i) giving six (6) months' notice in writing, or by paying to Dr Robert Wrixon an amount equivalent to six (6) months' remuneration; or

  (ii) giving part of six (6) months' notice in writing, and by paying the annual salary pro rata equivalent to the balance of that notice period;

(g) (**Governing Law**): the consulting agreement shall be governed by the laws of Western Australia; and

(h) (**Other Terms**): the consulting agreement also contains provisions including confidentiality, leave entitlements, intellectual property and immediate termination rights that are customary in agreements of this type.

13.8 Lead Manager Mandate

On 15 October 2010, the Company entered into a mandate agreement with CPS Securities, a company of which Mr Jason Peterson (a director of the Company) is a director and shareholder, pursuant to which CPS Securities was appointed as the Joint Lead Manager to the Offer (**Lead Manager Mandate**).

Under the Lead Manager Mandate, CPS Securities will receive a fee of 5%, inclusive of GST, on all funds raised under the Prospectus. CPS Securities is also entitled to a management fee of 1% (AUD$250,000), inclusive of GST, for management services in respect of the Offer.


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14.1 Rights Attaching to Shares

Full details of the rights attaching to Shares are set out in the Company's Constitution a copy of which can be inspected, free of charge, at the Company's registered office during normal business hours.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

(a) General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

(i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

(iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend Rights

Subject to the rights of persons (if any) entitled to shares with special rights to dividend the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to shares with special rights as to dividend all dividends are to be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

(d) Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, shares classified by ASX as restricted securities at the time of the commencement of the winding up shall rank in priority after all other shares.

(e) Transfer of Shares

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(f) Variation of Rights

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

14.2 Terms of Options to Managing Director

A summary of the terms and conditions of the Options issued to Dr Robert Wrixon as part of his engagement as Managing Director are as follows:

(a) The Options shall vest on the following terms (Vesting Date):

  (i) 1.5 million Options vesting upon the date that the Company successfully lists on the ASX;

  (ii) 1.5 million Options vesting when the share price of the Company, as quoted by the ASX, reaches a level of A$0.50 or higher; and

  (iii) 1.5 million Options vesting when the share price of the Company, as quoted by the ASX, reaches a level of A$1.00 or higher.

(b) Each Option entitles the holder the right to subscribe for one Share.

(c) The Options will expire at 5:00 pm (WST) on 16 June 2015 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) The amount payable upon exercise of each Option will be A$0.20 (**Exercise Price**).

(e) The Options held by each Option holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.

(f) An Option holder may exercise their Options by lodging with the Company, before the Expiry Date:

  (i) a written notice of exercise of Options specifying the number of Options being exercised; and

  (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised, (**Exercise Notice**).

(g) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

(h) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.

(i) The Company will not apply for quotation of the Options on ASX.

(j) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.

(k) The Company will not apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.

(l) If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(m) There are no participating rights or entitlements inherent in the Options and Option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(n) If there is a bonus issue to Shareholders, the number of Shares over which the Option is exercisable may be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

14.3 Terms of Options to Directors, CPS Securities, Azure Capital, Employees, Consultants and/or their Nominees

The following is a summary of the terms and conditions of the Options issued to the Directors, CPS Securities, Azure Capital, Employees and Consultants of the Company and/or their nominees:

(a) The Options issued do not vest until 31 December 2011.

(b) Each Option entitles the holder the right to subscribe for one Share.

(c) The Options will expire at 5:00 pm (WST) on 30 April 2015 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) The amount payable upon exercise of each Option will be A$0.20 (**Exercise Price**).

(e) The Options held by each Option holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.

(f) An Option holder may exercise their Options by lodging with the Company, before the Expiry Date:

(g) a written notice of exercise of Options specifying the number of Options being exercised; and

(h) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised, (**Exercise Notice**).

(i) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

(j) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.

(k) The Company will not apply for quotation of the Options on ASX.

(l) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.

(m) The Company will not apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.

(n) If at any time the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(o) There are no participating rights or entitlements inherent in the Options and Option holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(p) If there is a bonus issue to Shareholders, the number of Shares over which the Option is exercisable may be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

14.4 Employee Share Option Plan

The Company has established an employee share option plan (**Scheme**).

The full terms of the Scheme may be inspected at the registered office of the Company during normal business hours. A summary of the terms of the Scheme is set out below.

(a) Eligibility

The Board may invite full or part time employees and directors of the Company or an Associated Body Corporate of the Company to participate in the Scheme (**Eligible Employee**).

Eligible Employees do not possess any right to participate in the Scheme, as participation is solely determined by the Board.

(b) Offer of Scheme Options

The Scheme will be administered by the Board which may, in its absolute discretion, offer Scheme Options to any Eligible Employee from time to time as determined by the Board and, in exercising that discretion, may have regard to some or all of the following considerations:

(i) the Eligible Employee's length of service with the Company;

(ii) the contribution made by the Eligible Employee to the Company;

(iii) the potential contribution of the Eligible Employee to the Company; or

(iv) any other matter the Board considers relevant.

(c) Number of Scheme Options

The number of Scheme Options to be offered to an Eligible Employee will be determined by the Board in its discretion and in accordance with the rules of the Scheme and applicable law.

(d) Conversion

Each Scheme Option is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company.

(e) Consideration

Scheme Options issued under the Scheme will be issued for no consideration.

(f) Exercise price

The exercise price for Scheme Options offered under the Scheme will be determined by the Board.

(g) Exercise conditions

The Board may impose conditions, including performance-related conditions, on the right of a participant to exercise Scheme Option granted under the Scheme.

(h) Exercise of Scheme Options

A participant in the Scheme will be entitled to exercise their Scheme Options in respect of which the exercise conditions have been met provided the Scheme Options have not lapsed and the exercise of the Scheme Options will not result in the Company contravening ASIC Class Order 03/184. A holder may exercise Scheme Options by delivering an exercise notice to the Company Secretary along with the Scheme Options certificate, and paying the applicable exercise price of the Scheme Options multiplied by the number of Scheme Options proposed to be exercised.

Within ten Business Days of receipt of the required items, the Company will, subject to the ASX Listing Rules, issue to the participant the relevant number of Shares.

(i) Cessation of employment

If the participant in the Scheme ceases to be an employee or director of, or render services to, the Company or an Associated Body Corporate for any reason (other than by death, permanent disability or permanent retirement from the workforce) prior to the lapse of the Scheme Options, and the exercise conditions attaching to the Scheme Options have been met, the participant will be entitled to exercise their Scheme Options in accordance with the Scheme for a period of up to 28 days after the date of the cessation event.

(j) Death, permanent disability or retirement

If the participant in the Scheme dies, becomes permanently disabled or permanently retires from the workforce as an employee or director of the Company prior to the lapse of the Scheme Options, the participant, or the participant's legal personal representative, will be entitled to exercise their Scheme Options in accordance with the Scheme rules for the period commencing on the date of the cessation event and ending on the first to occur of the date of lapsing of the Scheme Options and the date which is six months after the date of the cessation event.

(k) Lapse of Scheme Options

Scheme Options held by a participant in the Scheme will lapse immediately if:

(i) the Scheme Options have not been exercised by the date which is two years after the date of issue, or such other date as the Board determines in its discretion at the time of issue of the Scheme Options;

(ii) the exercise conditions attaching to the Scheme Conditions are unable to be met; or

(iii) the holder ceases to be an employee or director of the Company or an Associated Body Corporate and the deadline set out in paragraph (i) or (j) has passed.

(l) Participation in Rights Issues and Bonus Issues

The Scheme Options granted under the Scheme do not give the holder any right to participate in rights issues or bonus issues unless Shares are allotted pursuant to the exercise of the relevant Scheme Options prior to the record date for determining entitlements to such issue. The number of Shares issued on the exercise of Scheme Options will be adjusted for bonus issues made prior to the exercise of the Scheme Options.

(m) Reorganisation

The terms upon which the Scheme Options will be granted will not prevent the Scheme Options being reorganised as required by the ASX Listing Rules on the reorganisation of the capital of the Company.

(n) Limitation on offers

If the Company makes an offer under the Scheme where:

(i) the total number of Shares to be received on exercise of Scheme Options the subject of that offer exceeds the limit set out in ASIC Class Order 03/184; or

(ii) the Offer does not otherwise comply with the terms and conditions set out in ASIC Class Order 03/184, the Company must comply with Chapter 6D of the Corporations Act at the time of that offer.

(o) Trigger event

If any of the following events occur:

(i) the Company is subject to a takeover bid;

(ii) the Company proposes a scheme of arrangement with its members under Part 5.1 of the Corporations Act; or

(iii) a person, or group of associated persons, becomes entitled to sufficient Shares to give him or them the ability, in general meeting, to replace all or a majority of the Board, where such ability was not already held by a person associated with such a person or group of persons, then the Board may:

(A) determine that Scheme Options may be exercised at any time from the date of such event so as to permit the holder to participate in the change of control arising from the event; or

(B) use its reasonable endeavours to procure that an offer is made to holder of Scheme Options on like terms to the terms proposed in such event.

14.5 Disclosure of Interests

Directors are not required under the Company's Constitution to hold any Shares. As at the date of this Prospectus, the Directors have relevant interests in Shares and Options as set out in the table below:

Director	Shares	Options[1]
Mr Matthew Wood	6,322,500	1,000,000
Mr Timothy Flavel	3,971,251	1,000,000
Mr Kell Nielsen	2,600,001	250,000
Mr Jason Peterson	6,625,000	1,000,000
Mr Achit-Erdene Darambazar	1,000,000	5,000,000
Dr Robert Wrixon	312,500	4,500,000

[1] Refer to Section 14.2 and 14.3 for the terms of these Options.

14.6 Remuneration

The Company's Constitution provides that the remuneration of non-executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration for non-executive Directors has been set at an amount not to exceed $500,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting.

The remuneration of executive Directors will be fixed by the Directors and may be paid by way of fixed salary or consultancy fee.

14.7 Fees and Benefits

Other than as set out below or elsewhere in this Prospectus, no:

(a) Director of the Company;

(b) person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus;

(c) promoter of the Company; or

(d) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the Offer;

has, or had within 2 years before lodgement of this Prospectus with the ASIC, any interest in:

(i) the formation or promotion of the Company;

(ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of Shares under this Prospectus; or

(iii) the offer of Shares under this Prospectus,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a Director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of Shares under this Prospectus.

Xstract Mining Consultants Pty Ltd has acted as the Independent Geologist and has prepared an Independent Geologist's Report which has been included in Section 8 of this Prospectus. The Company estimates that it will pay a total of $80,000 for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Xstract Mining Consultants Pty Ltd has not received any other fees from the Company.

BDO Corporate Finance (WA) Pty Ltd has acted as Investigating Accountant and has prepared an Investigating Accountant's Report which has been included in Section 9 of this Prospectus. The Company estimates it will pay BDO Corporate Finance a total of $8,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, BDO Corporate Finance has not received any fees from the Company.

Steinepreis Paganin has acted as the Australian solicitors to the Company in relation to the Offer, and has been involved in due diligence enquiries on legal matters. The Company estimates it will pay Steinepreis Paganin $30,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received approximately $1,400 for legal services provided to the Company.

Economic & Legal Consultancy LLC has acted as the Mongolian solicitors to the Company in relation to the Offer and has prepared a report on the Licensing in Mongolia which has been included in Section 10 of this Prospectus and the Solicitor's Report which has been included in Section 11 of this Prospectus. The Company estimates it will pay Economic & Legal Consultancy LLC a total of $5,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Economic & Legal Consultancy LLC has received approximately $1,000 for legal services provided to the Company.

Cunningham Peterson Sharbanee Securities Pty Ltd trading as CPS Securities has acted as joint Lead Manager and broker to the Offer. In respect of this work, Cunningham Peterson Sharbanee Securities Pty Ltd trading as CPS Securities will be paid such amounts as detailed in Section 13.8. During the 24 months preceding lodgement of this Prospectus at the ASIC, Cunningham Peterson Sharbanee Securities Pty Ltd trading as CPS Securities has not received any fees from the Company.

Azure Capital Limited has acted as joint Lead Manager to the Offer. The Company will not pay any fees to Azure Capital Limited directly for this service. Fees payable to Azure Capital Limited will be paid by CPS Securities from the funds received by CPS Securities pursuant to its agreement with the Company.

Garrison Capital Pty Ltd has acted as Corporate Adviser to the Company in respect of the Offer. In respect of this work, Garrison Capital Pty Ltd will not be paid. With the exception of the services agreement summarised in Section 13.6, during the 24 months preceding lodgement of this Prospectus with the ASIC, Garrison Capital Pty Ltd has not received any other fees from the Company.

14.8 Consents

Each of the parties referred to in this Section:

(a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and

(b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Xstract Mining Consultants Pty Ltd has given its written consent to being named as the Independent Geologist to the Company in this Prospectus and to the inclusion of the Independent Geologist's Report in Section 8 in the form and context in which the report is included. Xstract Mining Consultants Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

BDO Corporate Finance (WA) Pty Ltd has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 9 in the form and context in which the report is included. BDO Corporate Finance has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the Australian solicitor to the Company in this Prospectus Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Economic & Legal Consultancy LLC has given its written consent to being named as the Company's Mongolian lawyer in this Prospectus and to the inclusion of a report on the Licensing in Mongolia in Section 10 and the inclusion of the Solicitor's Report in Section 11 in the form and context in which the overview is included. Economic & Legal Consultancy LLC has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Cunningham Peterson Sharbanee Securities Pty Ltd trading as CPS Securities has given its written consent to being named as the Joint Lead Manager and broker to the Offer in this Prospectus. Cunningham Peterson Sharbanee Securities Pty Ltd trading as CPS Securities has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Garrison Capital Pty Ltd has given its written consent to being named as the Corporate Adviser to the Company in this Prospectus. Garrison Capital Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Azure Capital Limited has given its written consent to being named as the Joint Lead Manager to the Offer in this Prospectus. Azure Capital Limited has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

BDO Audit (WA) Pty Ltd has given its written consent to being named the Company's Auditor in this Prospectus. BDO Audit has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

14.9 Restricted Shares

ASX has indicated that certain existing security holders may be required to enter into agreements which restrict dealings in Shares held by them. These agreements will be entered into in accordance with the Listing Rules.

14.10 Expenses of the Offer

The total expenses of the Offer are estimated to be approximately $1,708,000 and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Amount
Placement Fee	$1,250,000
Management Fee	$250,000
ASIC fees	$2,000
ASX fees	$70,000
Advisers Fees	$116,000
Printing and Other Expenses	$20,000
TOTAL	**$1,708,000**

14.11 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

14.12 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the relevant application forms. If you have not, please email the Company at (info@haranga.com) and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both. Alternatively, you may obtain a copy of the Prospectus from the Company's website at www.haranga.com.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

14.13 Taxation

The acquisition and disposal of Shares in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

15. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Matthew Wood
Chairman

For and on behalf of
HARANGA RESOURCES LIMITED

16. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

A$, AUD$ or $ means an Australian dollar.

Applicant means a person who submits a Application Form.

Application Form means the application form accompanying this Prospectus relating to the Offer.

Associated Body Corporate means:
(a) a related body corporate (as defined in the Corporations Act) of the Company;
(b) a body corporate which has an entitlement to not less than 20% of the voting Shares in the Company; or
(c) a body corporate in which the Company has an entitlement to not less than 20% of the voting shares.

ASIC means Australian Securities & Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange (as the context requires).

Azure Capital means Azure Capital Limited (AFSL 276 569) (ACN 107 416 106) as trustee for the Azure Capital Trust.

BDO Audit means BDO Audit (WA) Pty Ltd.

BDO Corporate Finance means BDO Corporate Finance (WA) Pty Ltd.

Board means the board of Directors as constituted from time to time.

Business Day means a week day when trading banks are ordinarily open for business in Perth, Western Australia.

Company or Haranga Resources or Haranga means Haranga Resources Limited (ABN 83 141 128 841).

Closing Date means the closing date of the Offer as set out in Section 5.3.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

CPS Securities means Cunningham Peterson Sharbanee Securities Pty Ltd trading as CPS Securities (AFSL 294 848) (ABN 73 088 055 636).

Directors means the directors of the Company at the date of this Prospectus.

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

Independent Geologist's Report means the Independent Geologist's Report included in Section 8 of this Prospectus.

IPO means initial public offering.

Joint Lead Managers means CPS Securities and Azure Capital.

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004) prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

Listing Rules means the official listing rules of ASX.

Mineral Resources has the meaning given in the JORC Code.

MNT means Mongolian National Tugrik, the currency of Mongolia.

MRA means Mineral Resources Authority of Mongolia.

Offer means the offer of Shares pursuant to this Prospectus as outlined in Section 6.

16. GLOSSARY

Official List means the Official List of ASX.

Official Quotation means official quotation by ASX in accordance with the Listing Rules.

Option means an option to subscribe for a Share.

PRC means Peoples Republic of China.

Prospectus means this prospectus.

Scheme means the Company's employee option scheme, the terms of which are summarised in Section 14.4.

Scheme Option means an Option issued pursuant to the Scheme.

Share means a fully paid ordinary share in the capital of the Company.

Share Registry means Computershare Investor Services Pty Ltd.

Shareholder means a holder of Shares.

Solicitor's Report means the Solicitor's Report included in Section 11 of this Prospectus.

Tenements means the tenements in which the Company has an interest, as set out in Section 11 of this Prospectus.

US$ or USD$ means the currency of the United States of America.

WST means Western Standard Time, Perth, Western Australia.

OFFER APPLICATION FORM

Haranga Resources Limited ABN 83 141 128 841

ONLY COMPLETE THIS APPLICATION FORM IF YOU WISH TO SUBSCRIBE FOR SHARES UNDER THE GENERAL OFFER.

This Offer Application Form (Application Form) relates to the issue of 125,000,000 fully paid ordinary shares (Shares) in Haranga Resources Limited (Company) at 20 cents per Share pursuant to a prospectus dated 9 November 2010 (Prospectus). The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. While the Prospectus is current, the Company will send paper copies of the Prospectus, any supplementary documents and the Application Form, free of charge to any person upon request. You should read the Prospectus before applying for Shares. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable).

PLEASE READ ALL INSTRUCTIONS ON THE REVERSE OF THIS FORM

Full name (PLEASE PRINT)

Title, Given Name(s) & Surname or Company Name

Joint Applicant #2 or <designated account>

Joint Applicant #3 or <designated account>

Postal Address (PLEASE PRINT)

Street Number Street

Suburb/Town State Post Code

ABN, Tax File Number or Exemption Applicant #2 Applicant #3

CHESS HIN or Existing SRN (where applicable)

Number of Shares applied for

Application Money enclosed at 20 cents per Share

A$

I/We whose full name(s) and address appear above hereby apply for the number of Shares shown above (to be allocated to me/us by the Company in respect of this Application) under the Prospectus on the terms set out in the Prospectus.

Cheque Details:

PLEASE ENTER CHEQUE DETAILS THANKYOU

Drawer	Bank	BSB or Branch	Amount

My/Our contact numbers in the case of inquiry are:

Telephone ( ) Fax ( )

Cheques should be made payable to Haranga Resources Limited – Share Offer Account, crossed "NOT NEGOTIABLE". Cheques and completed Application Forms should be forwarded, to arrive no later than 5:00pm WST on 3 December 2010 (or such other date as is determined by the Directors) to the Company:

Haranga Resources Limited – Share Offer Account
C/- Haranga Resources Limited
Level 1, 33 Richardson Street
WEST PERTH WA 6005

GUIDE TO THE APPLICATION FORM

If an applicant has any questions on how to complete this Application Form, please telephone the Company on 9200 4267.

A. Application for Shares

The Application Form must only be completed in accordance with instructions included in Prospectus. Applications must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares.

B. Name of Applicant

Write the Applicant's FULL NAME. This must be either an individual's name or the name of a company. Please refer to the bottom of this page for the correct form of registrable title. Applications using the incorrect form of registrable title may be rejected.

C. Name of Joint Applicants or Account Designation

If JOINT APPLICANTS are applying, up to three joint Applicants may register. If applicable, please provide details of the Account Designation in brackets. Please refer to the bottom of this page for instructions on the correct form of registrable title.

D. Address

Enter the Applicant's postal address for all correspondence. If the postal address is not within Australia, please specify Country after City/Town.

E. Contact Details

Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Application Form.

F. CHESS HIN or existing SRN Details

The Company participates in CHESS. If the Applicant is already a participant in this system, the Applicant may complete this section with their existing CHESS HIN. If the applicant is an existing shareholder with an Issuer Sponsored account, the SRN for this existing account may be used. Otherwise leave the section blank and the Applicant will receive a new Issuer Sponsored account and statement.

G. Cheque Details

Make cheques payable to "Haranga Resources Limited – Share Offer Account" in Australian currency and cross them "Not Negotiable". Cheques must be drawn on an Australian Bank. The amount of the cheque should agree with the amount shown on the Application Form.

H. Declaration

This Application Form does not need to be signed. By lodging this Application Form and a cheque for the application money this Applicant hereby:

(1) applies for the number of Shares specified in the Application Form or such lesser number as may be allocated by the Directors;
(2) agrees to be bound by the constitution of the Company;
(3) authorises the directors of the Company to complete or amend this Application Form where necessary to correct any errors or omissions;
(4) acknowledges that he/she has received a copy of the Prospectus attached this Application Form or a copy of the Application Form before applying for the Shares; and
(5) acknowledges that he/she will not provide another person with this Application Form unless it is attached to or accompanied by the Prospectus.

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold securities. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons under 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

OFFER APPLICATION FORM

Haranga Resources Limited ABN 83 141 128 841

ONLY COMPLETE THIS APPLICATION FORM IF YOU WISH TO SUBSCRIBE FOR SHARES UNDER THE GENERAL OFFER.

This Offer Application Form (Application Form) relates to the issue of 125,000,000 fully paid ordinary shares (Shares) in Haranga Resources Limited (Company) at 20 cents per Share pursuant to a prospectus dated 9 November 2010 (Prospectus). The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. While the Prospectus is current, the Company will send paper copies of the Prospectus, any supplementary documents and the Application Form, free of charge to any person upon request. You should read the Prospectus before applying for Shares. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable).

PLEASE READ ALL INSTRUCTIONS ON THE REVERSE OF THIS FORM

Full name (PLEASE PRINT)

Title, Given Name(s) & Surname or Company Name

Joint Applicant #2 or <designated account>

Joint Applicant #3 or <designated account>

Postal Address (PLEASE PRINT)

Street Number Street

Suburb/Town State Post Code

ABN, Tax File Number or Exemption Applicant #2 Applicant #3

CHESS HIN or Existing SRN (where applicable)

Number of Shares applied for

Application Money enclosed at 20 cents per Share

A$

I/We whose full name(s) and address appear above hereby apply for the number of Shares shown above (to be allocated to me/us by the Company in respect of this Application) under the Prospectus on the terms set out in the Prospectus.

Cheque Details:

PLEASE ENTER CHEQUE DETAILS THANKYOU

Drawer	Bank	BSB or Branch	Amount

My/Our contact numbers in the case of inquiry are:

Telephone ( ) Fax ( )

Cheques should be made payable to Haranga Resources Limited – Share Offer Account, crossed "NOT NEGOTIABLE". Cheques and completed Application Forms should be forwarded, to arrive no later than 5:00pm WST on 3 December 2010 (or such other date as is determined by the Directors) to the Company:

Haranga Resources Limited – Share Offer Account
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Level 1, 33 Richardson Street
WEST PERTH WA 6005

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