



ABN 83 141 128 841

Annual Report
31 December 2010

CONTENTS	PAGE NO
Corporate Directory	1
Directors' Report	2
Corporate Governance Statement	10
Consolidated Statement of Comprehensive Income	13
Consolidated Statement of Financial Position	14
Consolidated Statement of Cash Flows	15
Consolidated Statement of Changes in Equity	16
Notes to the Financial Statements	17
Directors' Declaration	34
Auditor's Independence Declaration	35
Independent Audit Report	36
ASX Additional Information	38

CORPORATE DIRECTORY

Directors

Mr. Matthew Wood (Chairman)
Dr. Robert Wrixon (Managing Director)
Mr. Kell Nielsen (Exploration Director)
Mr. Timothy Flavel (Executive Director)
Mr. Achit-Erdene Darambazar (Non-Executive Director)
Mr. Jason Peterson (Non-Executive Director)

Company Secretary

Mr. Timothy Flavel
Mr. Angus Caithness

Registered Office

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33 Richardson Street
WEST PERTH WA 6005

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Facsimile: +61 8 9200 4469
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Share Registry

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

Auditors

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

Stock Exchange

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

Directors' Report

The Directors present their report for Haranga Resources Limited ("Haranga Resources" or "the Company") and its subsidiaries for the period ended 31 December 2010.

DIRECTORS

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

Mr. Matthew Wood (appointed 2 February 2010)

Chairman

Mr. Wood has over 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. Mr. Wood's expertise is in project identification, negotiation, acquisition and corporate development. Mr. Wood has an honours degree in geology from the University of New South Wales in Australia and a graduate certificate in mineral economics from the Western Australian School of Mines.

Mr. Wood is currently a director of Signature Metals Limited, Voyager Resources Limited, Laguna Resources NL, Copper Range Limited, Avanco Resources Limited and Hunnu Coal Limited. Mr. Wood was previously a Director of Overland Resources Limited, Bellamel Mining Limited and Black Range Minerals Limited.

Dr. Robert Wrixon (appointed 4 August 2010)

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.

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

Mr. Kell Nielsen (appointed 15 December 2009)

Exploration Director

Mr. Nielsen is a geologist with 18 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 is currently Managing Director of Voyager Resources Limited, a Mongolia 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 (appointed 15 December 2009)

Executive Director

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

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

Directors' Report

Mr. Jason Peterson (appointed 8 April 2010)

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

Mr. Achit-Erdene Darambazar (appointed 8 April 2010)

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 USA.

COMPANY SECRETARIES

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

Mr. Angus Caithness (appointed 1 October 2010)

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 and a Director of Lindian Resources Limited.

Mr Caithness 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.

INTERESTS IN THE SECURITIES OF THE COMPANY

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

Director	Ordinary Shares	Options – exercisable at \$0.20 each on or before 30 April 2015	Options – exercisable at \$0.20 each on or before 16 June 2015
Matthew Wood	6,302,500	1,000,000	-
Robert Wrixon	500,000	-	4,500,000
Kell Nielsen	2,680,001	250,000	-
Timothy Flavel	4,471,251	1,000,000	-
Jason Peterson	7,025,000	1,500,000	-
Achit-Erdene Darambazar	1,000,000	5,000,000	-

RESULTS OF OPERATIONS

The Group's net loss after taxation attributable to the members of Haranga Resources for the period to 31 December 2010 was (\$2,310,406).

DIVIDENDS

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

CORPORATE STRUCTURE

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

Directors' Report

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

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 listed on the Australian Stock Exchange on 9 December 2010. The Company operates in Mongolia through its subsidiary company Haranga Iron LLC, a Mongolian incorporated company. The Company has acquired a majority interest in five Mongolian iron ore projects and commenced exploration activity on all projects during 2010.

Summary

Targeted magnetic surveys were conducted over areas of outcropping iron mineralisation at the Shavdal, Khundlun and Tumurtei Khudag projects. All three surveys revealed high order magnetic anomalies coincident with surface mineralisation and provide highly prospective targets for further exploration in the coming year.

Post IPO, a magnetic survey was conducted over the entire Sumber project licence located less than 50km from the Chinese border crossing at Hangi Mandal in the southern Gobi region of Mongolia. The survey revealed that all three distinct iron outcrop zones previously located at Sumber are associated with an extensive and previously undiscovered magnetic anomaly with a strike length of approximately 4km. This result has enhanced the priority of Sumber and it is now a priority project for drilling in 2011.

A large 5,700 line kilometre magnetic survey has commenced over the entire Selenge project area. Selenge is Haranga Resources' largest project consisting of five contiguous exploration licences covering almost 600km² in the heart of the Selenge region, Mongolia's premier iron ore province. This survey will assist with prioritisation of iron ore targets for drilling during the 2011 field season.

Review of Projects

Haranga Resources' five iron ore projects are located in Mongolia. The targets in each case are large, high grade magnetite skarn deposits common to Mongolia and northern China. Each of the projects has a viable route to market based on favourable location and infrastructure.

The Company's exploration projects are:

- **Selenge:** Five contiguous licences covering almost 600km² within the premier iron ore province of Mongolia. Project area is close to the Eruu Gol mine and the large state owned iron ore deposit at Tumurtei. The project area has access to the nearby trans Mongolian rail line, lying only 40km from the rail terminal at Sharyn Gol and adjacent to the Eruu Gol rail spur.
- **Shavdal:** Single exploration licence located 10km from the town of Baruun Urt in Sukhbaatar province, southeast of Mongolia. This province is home to two operating iron ore mines and the planned new east-west rail line will pass adjacent to the Shavdal project area.
- **Sumber:** Sumber is ideally located in Mongolia's south Gobi region, just 50km north of the Chinese border crossing at Hangi Mandal. The licence area borders the new iron ore development at Agaruu.
- **Tumurtei Khudag:** Iron ore rights over two large exploration licences covering 577km² in the mid Gobi region, 180km from the main line rail terminal at Choyr.
- **Khundlun:** Located in Hentii province in the northeast of Mongolia, the Khundlun licence is 200km from both the rail terminal at Choybalsan (to the east) and at Baganuur (to the west).

Selenge Project (Haranga Resources 60%)

The Selenge project consists of five contiguous licences covering almost 600km² located approximately 230km north of the capital Ulaanbaatar, in the middle of the Selenge province iron ore belt that also contains the Eruu Gol iron ore mine and the magnetite deposits at Tumurtei and Tumor Tolgoi. In 2009, the China Investment Corporation (CIC) invested US\$500m to secure a minority stake in Eruu Gol. Eruu Gol currently exports around 1Mtpa of iron ore concentrate, with stated plans to increase production to over 6Mtpa upon completion of the new rail spur. This rail spur passes next to Haranga Resources' Selenge project area. In addition, the project area is only 40km from the rail terminal at Sharyn Gol.

Directors' Report

Previous exploration companies completed partial magnetic surveys at Selenge yielding numerous magnetic anomalies, but the majority of the project area has yet to be surveyed.

Drilling and trenching work was conducted by previous explorers in 2008 at the Bayantsogt iron ore prospect, an area of outcropping iron mineralisation located near a subsurface magnetic anomaly in the southern part of the project area. Haranga Resources' geologists resampled some of the trenches and the assays returned average grades that were similar to the historic results.

Selenge's numerous other (larger) magnetic anomalies remain mostly unexplored. A 5,700 line km magnetic survey has commenced over the entire Selenge area. The results of this magnetic survey will assist in the prioritisation of drill targets in advance of the planned drill program at Selenge during the 2011 field season.

Shavdal Project (Haranga Resources 75%)

The Shavdal project consists of one exploration licence covering 66km² located 10km from the town of Baruun Urt the administrative centre of Sukhbaatar province in the southeast of Mongolia. Sukhbaatar is already home to two operating iron ore mines. Mongolia's planned new east-west rail line will pass through Baruun Urt, adjacent to the Shavdal project area. The nearby Ervei Khushuu mine currently exports approximately 0.5Mtpa of iron ore concentrate eastwards by truck and rail to a steel mill in the Chinese province of Inner Mongolia.

The Company commissioned a targeted geological and magnetic survey that revealed a high order magnetic anomaly with associated surface outcrops. Three rock chip samples taken from these outcrops each assayed over 94% magnetite (64% Fe).

The Company believes the magnetic anomaly discovered at Shavdal to be a highly prospective target based on the initial outcrop chip sample grades, its excellent location close to infrastructure and the presence of iron ore export operations in the nearby region. Exploration plans for a first pass reverse circulation (RC) drill program have been submitted.

Sumber Project (Haranga Resources 75%)

The Sumber project consists of one mineral exploration licence located in Dornogobi province in southeastern Mongolia, less than 50km from the Chinese border crossing at Hangi Mandal. The licence is 65km² in area and lies adjacent to the Agarut iron ore export mine. Agarut is currently transporting iron ore to buyers in nearby China by truck.

Haranga Resources discovered three large and distinct magnetite outcrops in the northern part of the tenement, spread over a distance of 2km. The Company then completed a magnetic survey over the entire Sumber tenement. The survey revealed that the three distinct iron outcrop zones previously located at Sumber are coincident with an extensive and previously undiscovered magnetic anomaly with a strike length of approximately 4km and between 0.5km to 1.0km in interpreted width. Additional magnetic anomalism is found further to the west, providing a secondary target area.

Sumber is considered highly prospective due to a) the significant size of the magnetic anomalies and related iron outcrops at surface; b) the excellent location of this project in terms of ease of access to the Chinese market; and c) the existence of an operating export mine directly adjacent to the project area.

Tumurtei Khudag Project (Haranga Resources 51%)

The Tumurtei Khudag project consists of the iron ore rights over two large exploration licences in Dundgobi province covering 577km² in the mid Gobi region of southern Mongolia. The project location has access to infrastructure from the nearby town of Mandalgovi and lies 180km from the main line rail terminal at Choyr.

During recent geological surveys, a number of magnetite outcrops were discovered in the southern part of project area, with rock chip results assaying up to 86% magnetite (60% Fe). A targeted magnetic survey over this small part of the tenement revealed that the outcrops are coincident with some smaller magnetic anomalies and also revealed some much larger potential targets.

Khundlun Project (Haranga Resources 100%)

The Khundlun project consists of one exploration licence covering 26km² in Hentii province in north-eastern Mongolia. Previous geological surveys had discovered a significant magnetite outcrop with associated rock chip samples assaying up to 66% magnetite (51.5% Fe).

A targeted magnetic survey conducted by Haranga Resources over the area of outcropping mineralisation revealed an associated magnetic anomaly with a cumulative strike length of over 4km. This survey confirmed that Khundlun contains a highly prospective iron ore target.

Directors' Report

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Haranga Resources was incorporated in Australia on 15 December 2009 for the purpose of acquiring and developing iron ore projects in Mongolia. The company lodged a Prospectus with ASIC in November 2010, offering 125,000,000 Shares at an issue price of 20 cents each to raise \$25,000,000. Haranga Resources successfully listed on the Australian stock Exchange on 9 December 2010.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

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

SHARE OPTIONS

As at the date of this report, there were 28,500,000 unissued ordinary shares under options (28,500,000 at the reporting date). The details of the options at the date of this report are as follows:

Number	Exercise Price \$	Expiry Date
24,000,000	\$0.20	30 April 2015
4,500,000	\$0.20	16 June 2015
28,500,000		

No option holder has any right under the options to participate in any other share issue of the company or any other entity. No options expired or were exercised during or since the year ended 31 December 2010.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

DIRECTORS' MEETINGS

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

Director	Number of Meetings Eligible to Attend	Number of Meetings Attended
Matthew Wood	1	1
Robert Wrixon	1	1
Kell Nielsen	1	1
Timothy Flavel	1	1
Jason Peterson	1	1
Achit-Erdene Darambazar	1	1

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the period.

Directors' Report

CORPORATE GOVERNANCE

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

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of Haranga Resources with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included at page 35 of this report.

Non-Audit Services

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

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

REMUNERATION REPORT (AUDITED)

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

Details of Key Management Personnel

Mr. Matthew Wood	Chairman (appointed 2 February 2010)
Dr. Robert Wrixon	Managing Director (appointed 4 August 2010)
Mr. Kell Nielsen	Exploration Director (appointed 15 December 2009)
Mr. Timothy Flavel	Executive Director, Company Secretary (appointed 15 December 2009)
Mr. Jason Peterson	Non-Executive Director (appointed 8 April 2010)
Mr. Achit-Erdene Darambazar	Non-Executive Director (appointed 8 April 2010)
Mr. Angus Caithness	Company Secretary (appointed 1 October 2010)

Remuneration Policy

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

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

The rewards for Directors' have no set or pre-determined performance conditions or key performance indicators as part of their remuneration due to the current nature of the business operations. The Board determines appropriate levels of performance rewards as and when they consider rewards are warranted. The Company has no policy on executives and directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

Directors' Report

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

As at 31 December	2010	2009	2008	2007	2006
Loss per share (cents)	(5.54)	N/A*	N/A*	N/A*	N/A*
Share Price (\$)	0.64	N/A*	N/A*	N/A*	N/A*

* Loss per share and share price is unavailable as the Company only listed on the Australian Stock Exchange on 9 December 2010.

Details of Remuneration

Details of the nature and amount of each element of the remuneration of each Director and Executive of the Company including the five highest paid as required by the Corporations Act 2001, for the period ended 31 December 2010 are as follows:

2010	Short term			Options	Post employment		Total \$	Performance Based/ options %
	Base Salary \$	Directors Fees \$	Consulting Fees \$	Share Based Payments \$	Superannuation \$	Prescribed Benefits \$		
Executive Directors								
Matthew Wood	-	-	80,000	67,400	-	-	147,400	45.7
Robert Wrixon	-	-	100,000	295,035	-	-	395,035	74.7
Kell Nielsen	-	-	58,333	16,850	-	-	75,183	22.4
Timothy Flavel	-	-	70,000	67,400	-	-	137,400	49.1
Non-Executive Directors								
Jason Peterson	-	16,667	-	101,100	-	-	117,767	85.8
Achit-Erdene Darambazar	-	16,667	-	337,000	-	-	353,667	95.3
Key Management Personnel								
Angus Caithness	-	-	-	-	-	-	-	-
	-	33,334	308,333	884,785	-	-	1,226,452	

There were no other executive officers of the Company during the financial period ended 31 December 2010.

Grant of Options to Pursuant to Employment Contract

Dr. Robert Wrixon

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

- 1,500,000 options exercisable at \$0.20 each on or before 16 June 2015 vesting on the date that the Company successfully lists on the ASX;
- 1,500,000 options exercisable at \$0.20 each on or before 16 June 2015 vesting when the share price of the Company, as quoted by the ASX, reaches a level of A\$0.50 or higher; and
- 1,500,000 options exercisable at \$0.20 each on or before 16 June 2015 vesting when the share price of the Company, as quoted by the ASX, reaches a level of A\$1.00 or higher.

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

	Grant Date	Grant Number	Expiry date/last exercise date	Fair Value per option at grant date	Exercise price per option	Value of options at grant date *	Number of options exercisable	% exercisable	Max value yet to be expensed
Robert Wrixon	16/06/2010	1,500,000	16/06/2015	\$0.0674	\$0.20	\$101,100	1,500,000	100	-
	16/06/2010	1,500,000	16/06/2015	\$0.0666	\$0.20	\$99,930	1,500,000	100	-
	16/06/2010	1,500,000	16/06/2015	\$0.0627	\$0.20	\$94,005	-	-	\$94,005
Matthew Wood	30/04/2010	1,000,000	30/04/2015	\$0.0674	\$0.20	\$67,400	**	-	-
Kell Nielsen	30/04/2010	250,000	30/04/2015	\$0.0674	\$0.20	\$16,850	**	-	-
Timothy Flavel	30/04/2010	1,000,000	30/04/2015	\$0.0674	\$0.20	\$67,400	**	-	-
Jason Peterson	30/04/2010	1,500,000	30/04/2015	\$0.0674	\$0.20	\$101,100	**	-	-
Achit-Erdene Darambazar	30/04/2010	5,000,000	30/04/2015	\$0.0674	\$0.20	\$337,000	**	-	-

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

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

No options have lapsed or have been exercised at 31 December 2010.

Directors' Report

Service Agreements

Executive Directors

The Managing Director, Dr. Robert Wrixon is employed under a consulting services agreement, which commenced on 1 August 2010 for a period of 24 months unless extended by both parties. Under the agreement Dr. Wrixon is to be paid an annual fee of \$240,000. Dr. Wrixon may terminate the agreement at any time by giving three months notice in writing, or such shorter period of notice as may be agreed. The Company may terminate the agreement by giving six months written notice or by paying an amount equivalent to six months fees (based on agreed consulting fee) or without notice in the case of serious misconduct, at which time Dr. Wrixon would be entitled to that portion of consulting fees services arising up to the date of termination. No additional Directors fees will be paid to Dr. Wrixon in addition to the fees paid under the consulting agreement.

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

Non-Executive Directors

The Non-Executive Directors Mr. Jason Peterson and Mr. Achit-Erdene Darambazar are paid a consulting fee on a monthly basis. These services may be terminated by either party at any time.

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

END OF REMUNERATION REPORT

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



Matthew Wood
Chairman
10 February 2011

Competent Person Statements

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

Corporate Governance Statement

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

The Company has established a set of corporate governance policies and procedures and these can be found within the Company’s Corporate Governance Plan located on the Company’s website: www.haranga.com. These are based on the Australian Securities Exchange Corporate Governance Council’s (the Council’s) “Principles of Good Corporate Governance and Best Practice Recommendations” (the Recommendations). In accordance with the Council’s recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. To further this, the Company’s Trading Policy can also be found on the Company’s website as can the full Corporate Governance Statement detailing all the Councils amendments which are effective 1 January 2011, including diversity, and the company’s compliance or non compliance with these principles.

Structure of the Board

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

The Board has accepted the following definition of an Independent Director:

“An Independent Director is a Director who is not a member of management, is a Non-Executive Director and who:

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

In accordance with the definition of independence above, Mr. Achit-Erdene Darambazar is the only Independent Director. Accordingly, a majority of the board is not considered independent.

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

Name	Term in office
Matthew Wood	12 months
Robert Wrixon	6 months
Kell Nielsen	13 months
Timothy Flavel	13 months
Jason Peterson	10 months
Achit-Erdene Darambazar	10 months

Nomination Committee

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

Corporate Governance Statement

Audit and Risk Management Committee

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

Performance

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

Remuneration

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

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

The Board is responsible for determining and reviewing compensation arrangements for executive directors. The Board has formally adopted a Remuneration Committee Charter however given the present size of the Company, has not formed a separate Committee. Instead the function will be undertaken by the full Board in accordance with the policies and procedures outlined in the Remuneration Committee Charter. At such time when the Company is of sufficient size a separate Remuneration Committee will be formed.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

Trading Policy

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

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

Risk

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

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

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

Corporate Governance Statement

CEO and Finance Director

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

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

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

Shareholder Communication Policy

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

Haranga Resources Limited is committed to:

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

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

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

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

Corporate Governance Compliance

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

Best Practice Recommendation	Notification of Departure	Explanation of Departure
2.1	The Company does not have a majority of independent directors	The Directors consider that the current structure and composition of the Board is appropriate to the size and nature of operations of the Company.
2.2	The Chairman is not an independent director	The Directors consider that the current structure and composition of the Board is appropriate to the size and nature of operations of the Company.
2.4	The Group does not have a Nomination Committee	The role of the Nomination Committee has been assumed by the full Board operating under the Nomination Committee Charter adopted by the Board.
4.1 & 4.2	The Group does not have an Audit and Risk Management Committee	The role of the Audit and Risk Management Committee has been assumed by the full Board operating under the Audit and Risk Management Committee Charter adopted by the Board.
8.1 & 8.2	The Group does not have a Remuneration Committee	The role of the Remuneration Committee has been assumed by the full Board operating under the Remuneration Committee Charter adopted by the Board.

Haranga Resources Limited

Consolidated Statement of Comprehensive Income *for the period ended 31 December 2010*

	Notes	15 December 2009 to 31 December 2010 \$
Continuing operations		
Interest income		131,835
Service administration fee		(75,237)
Impairment of exploration expenditure		(67,280)
Professional and consulting fees		(391,048)
Share based payments expense		(1,542,037)
Travel expenses		(146,083)
Foreign exchange loss		(116,519)
Other expenses		(104,463)
Loss from continuing operations before income tax		<u>(2,310,832)</u>
Income tax benefit	4	-
Loss from continuing operations after income tax		<u>(2,310,832)</u>
Net loss for the year		<u>(2,310,832)</u>
Other comprehensive loss		
Foreign currency translation		(2,486)
Other comprehensive loss for the period, net of tax		<u>(2,486)</u>
Total comprehensive loss for the period		<u>(2,313,318)</u>
Loss for the period attributable to:		
Owners of Haranga Resources Limited		(2,310,406)
Non-controlling interests		(426)
		<u>(2,310,832)</u>
Comprehensive loss for the period attributable to:		
Owners of Haranga Resources Limited		(2,312,892)
Non-controlling interests		(426)
		<u>(2,313,318)</u>
Loss per share attributable to owners of Haranga Resources Limited		
Basic loss per share (cents)	19	(5.54)

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

Haranga Resources Limited

Consolidated Statement of Financial Position *as at 31 December 2010*

	Notes	2010 \$
Current Assets		
Cash and cash equivalents	5	23,027,631
Other receivables	6	158,197
Other current assets	7	33,767
Total Current Assets		<u>23,219,595</u>
Non-Current Assets		
Plant and equipment	8	85,535
Deferred exploration & evaluation expenditure	9	3,072,404
Total Non-Current Assets		<u>3,157,939</u>
Total Assets		<u>26,377,534</u>
Current Liabilities		
Trade and other payables	10	503,923
Total Current Liabilities		<u>503,923</u>
Total Liabilities		<u>503,923</u>
Net Assets		<u>25,873,611</u>
Equity		
Issued capital	11	25,443,722
Reserves	12	1,910,521
Accumulated losses	13	(2,310,406)
Capital and reserves attributable to owners of Haranga Resources Limited		25,043,837
Non-controlling interest		829,774
Total Equity		<u>25,873,611</u>

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

Haranga Resources Limited

Consolidated Statement of Cash Flows *for the period 31 December 2010*

	Notes	15 December 2009 to 31 December 2010 \$
Cash flows from operating activities		
Payments to suppliers and employees		(404,410)
Interest received		131,835
Net cash used in operating activities	5	(272,575)
Cash flows from investing activities		
Purchase of plant and equipment		(85,988)
Payments for exploration expenditure		(2,311,979)
Net cash used in investing activities		(2,397,967)
Cash flows from financing activities		
Proceeds from issue of shares		27,603,952
Proceeds from issue of options		240
Payments for share issue costs		(1,789,500)
Net cash provided by financing activities		25,814,692
Net increase in cash held		23,144,150
Cash and cash equivalents at beginning of period		-
Net foreign exchange differences		(116,519)
Cash and cash equivalents at end of the period	5	23,027,631

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

Haranga Resources Limited

Consolidated Statement of Changes in Equity for the period ended 31 December 2010

Consolidated	Issued capital \$	Accumulated Losses \$	Reserves \$	Non-controlling interests \$	Total \$
Balance at 15 December 2009	-	-	-	-	-
Loss for the period	-	(2,310,406)	-	(426)	(2,310,832)
<i>Other comprehensive loss</i>					
Foreign currency translation	-	-	(2,486)	-	(2,486)
Total comprehensive loss for the period	-	(2,310,406)	(2,486)	(426)	(2,313,318)
Transactions with owners in their capacity as owners					
Shares issued for cash on incorporation	2	-	-	-	2
Issue of seed capital	2,603,950	-	-	-	2,603,950
Shares issued pursuant to prospectus	25,000,000	-	-	-	25,000,000
Costs of issue	(2,160,230)	-	-	-	(2,160,230)
Options issued	-	-	240	-	240
Share based payments	-	-	1,912,767	-	1,912,767
Non-controlling interest in subsidiary equity	-	-	-	830,200	830,200
Balance at 31 December 2010	25,443,722	(2,310,406)	1,910,521	829,774	25,873,611

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

1. Corporate Information

The financial report of Haranga Resources Limited ("Haranga Resources" or "the Company") for the period ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 7 February 2011.

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

The nature of the operations and the principal activities of the Company are described in the Directors' Report.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

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

Comparatives

The Company was incorporated on 15 December 2009 and listed on the ASX on 9 December 2010; therefore there is no comparative data for the period ended 31 December 2010.

(b) Compliance Statement

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

(c) Basis of Consolidation

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

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

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

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

Haranga Resources Limited

Notes to the Financial Statements for the period ended 31 December 2010

(d) New accounting standards and interpretations

The following accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the period ended 31 December 2010, and no change to the Group's accounting policy is required:

Affected Standard	Title of Affected Standard	Nature of Change	Application Date *	Impact on Initial Application
AASB 2009-10	Amendments to Australian Accounting Standards-Classification of Rights Issues [AASB 132]	Clarifies that such transactions where an issue of rights or options to a fixed number of shares for a fixed amount in a different currency to the functional currency must be treated as equity.	1 February 2010	There will be no impact as the entity does not issue rights or options to a fixed number of shares for a fixed amount in a different currency to the functional currency.
AASB 9 (issued December 2009)	Financial Instruments	Amends the requirements for classification and measurement of financial assets.	1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made an assessment of the impact of these amendments.
AASB 124 (issued December 2009)	Related Party Disclosures	Clarifies the definition of a related party.	1 January 2011	As this a disclosure standard only, there will be no impact on amounts recognised in the financial statements.
AASB Interpretation 19 (issued December 2009)	Extinguishing Financial Liabilities with Equity Instruments	Equity instruments issued to a creditor to extinguish all or part of a financial liability are 'consideration paid' to be recognised at the fair value of the equity instruments issued, unless their fair value cannot be measured reliably, in which case they are measured at the fair value of the debt extinguished. Any difference between the carrying amount of the financial liability extinguished and the 'consideration paid' is recognised in profit or loss.	1 July 2010	There will be no impact as the entity has not undertaken any debt for equity swaps.
IFRS 7	Financial Instruments Disclosures	Deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held.	1 January 2011	There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures.

* - periods commencing on or after this date

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

No other new Accounting Standards and Interpretations will have an impact on the financial position or performance of the Company.

(e) Foreign Currency Translation*(i) Functional and presentation currency*

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

(ii) Transactions and balances

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

(iii) Group entities

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

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

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

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

(f) Plant and Equipment

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

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

Depreciation

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

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

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

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

Derecognition

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

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

(g) Impairment of non financial assets other than goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, it makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Group and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in the statement of comprehensive income.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(h) Exploration expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure. Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

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

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

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

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

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

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

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

(i) Other Receivables

Trade and other receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently at amortised cost less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(j) Cash and Cash Equivalents

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

(k) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(l) Trade and other payables

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

(m) Income Tax

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

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

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

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

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

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

(n) Issued Capital

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

(o) Revenue

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

Interest income

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

(p) Segment Reporting

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

(q) Earnings per share*Basic earnings per share*

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

Diluted earnings per share

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

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

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

(r) Goods and Services Tax and Value Added Tax

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

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

(s) Share based payment transactions

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

There is currently an Employee Share Option Plan (ESOP) in place, which provides benefits to employees (including Directors) and individuals providing services similar to those provided by an employee. The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Binomial or Trinomial formula taking into account the terms and conditions upon which the instruments were granted, as discussed in note 22.

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

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

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

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

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

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

The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted.

The dilutive effect, if any, of outstanding options is reflected in the computation of loss per share (see note 19).

(t) Critical accounting estimates and judgements

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

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

Capitalised exploration and evaluation expenditure

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

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

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

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

Haranga Resources Limited

Notes to the Financial Statements for the period ended 31 December 2010

Share based payment transactions

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

3. Segment Information

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

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

Consolidated

2010

\$

4. Income Tax

(a) Income tax expense

Major component of tax expense for the year:

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

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

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

Loss from continuing operations before income tax expense	<u>(2,310,832)</u>
Tax at the group rate of 30%	(693,250)
Share based payments	462,611
Income tax benefit not brought to account	230,639
Income tax expense	<u>-</u>

(c) Deferred tax

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

Liabilities

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

Assets

Losses available to offset against future taxable income	295,596
Share issue costs deductible over five years	429,480
Accrued expenses	42,413
Deferred tax assets offset against deferred tax liabilities	-
Deferred tax asset not recognised	<u>767,489</u>

(d) Unused tax losses

Unused tax losses	<u>985,319</u>
Potential tax benefit not recognised at 30%	<u>295,596</u>

Haranga Resources Limited

Notes to the Financial Statements for the period ended 31 December 2010

The benefit for tax losses will only be obtained if:

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

Consolidated
2010
\$

5. Cash and Cash Equivalents

Reconciliation of Cash

Cash comprises of:

Cash at bank 23,027,631

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

Loss after tax (2,310,832)

Non cash items

Share based payment 1,542,037

Depreciation and impairment charges 462

Exploration and evaluation expenditure written-off 67,280

FX losses 116,519

Change in assets and liabilities

Trade and other receivables (191,964)

Trade and other payables 503,923

Net cash outflow from operating activities **(272,575)**

6. Other Receivables – Current

GST receivable 154,165

Other receivables 4,032

158,197

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

7. Other Current Assets

Prepayments 33,286

Other 481

33,767

8. Plant and Equipment

Opening balance -

Additions 85,988

Disposals -

Net exchange differences on translation 9

Depreciation (462)

Closing balance 85,535

Haranga Resources Limited
Notes to the Financial Statements for the period ended 31 December 2010

Consolidated
2010
\$

9. Deferred Exploration & Evaluation Expenditure

Opening balance	-
Exploration and evaluation expenditure incurred during the period	185,564
Acquisition of exploration tenements	2,954,120
Net exchange differences on translation	-
Impairment of exploration expenditure	(67,280)
Closing balance	3,072,404

The ultimate recoupment of costs carried forward for exploration expenditure is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

10. Trade and Other Payables

Trade payables	362,547
Accruals	141,376
	503,923

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

11. Issued Capital

(a) Issued and paid up capital

Ordinary shares fully paid	25,443,722
----------------------------	------------

(b) Movements in shares on issue

	2010	\$
	Number of shares	
Opening balance	-	-
Shares issued for cash on incorporation	2	2
Issue of seed capital	61,750,000	2,603,950
Issue of shares pursuant to prospectus	125,000,000	25,000,000
Costs of issue	-	(2,160,230)
Closing balance	186,750,002	25,443,722

(c) Ordinary shares

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

(d) Capital risk management

The Group's capital comprises share capital, reserves less accumulated losses amounting to a net equity of \$25,873,611 at 31 December 2010. The Group manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders. The Group was ungeared at year end and not subject to any externally imposed capital requirements. Refer to note 20 for further information on the Group's financial risk management policies.

Haranga Resources Limited

Notes to the Financial Statements for the period ended 31 December 2010

(e) Share options

As at the date of this report, there were 28,500,000 unissued ordinary shares under options (28,500,000 at the reporting date). The details of the options at the date of this report are as follows:

Number	Exercise Price \$	Expiry Date
24,000,000	\$0.20	30 April 2015
4,500,000	\$0.20	16 June 2015
28,500,000		

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

	Consolidated
	2010
	\$
12. Reserves	
Share based payments reserve	1,912,767
Option premium reserve	240
Foreign currency translation reserve	(2,486)
	<u>1,910,521</u>

Movements in Reserves

Share based payments reserve

Opening balance	-
Share based payments expense	1,912,767
Closing balance	<u>1,912,767</u>

The share based payment reserve is used to record the value of equity benefits provided to directors and executives as part of their remuneration and non-employees for their goods and services. Refer to note 22 for further details of the options issued during the financial period ended 31 December 2010.

Option premium reserve

At beginning of the year	-
Options issued	240
Options exercised	-
Balance at end of year	<u>240</u>

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

Foreign currency translation reserve

Opening balance	-
Foreign currency translation	(2,486)
Closing balance	<u>(2,486)</u>

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

Haranga Resources Limited
Notes to the Financial Statements for the period ended 31 December 2010

Consolidated
2010
\$

13. Accumulated losses

Movements in accumulated losses were as follows:

Opening balance	-
Loss for the year	(2,310,406)
Closing balance	<u>(2,310,406)</u>

14. Expenditure Commitments

(a) Rental and services agreement

The Group entered a service agreement with Garrison Capital Pty Ltd for certain administrative services and office space for a term of 2 years starting in 2010. The Group is required to give 3 month's written notice to terminate the agreement.

Payable:

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

(b) Expenditure commitments

Exploration expenditure commitments – cancellable

The company has a total statutory commitment of \$287,640 for its current projects located in Mongolia for the year ended 31 December 2011, but the company may cancel these commitments by letting the licenses lapse.

The company's proposed expenditure and acquisition costs in respect of its current projects are \$1,771,954 for the year ended 31 December 2011 and \$1,968,504 for the year ended 31 December 2012. At any time from the commencement date of the signed project agreements, Haranga Resources may withdraw from any project and any further expenditure commitments on that project by providing 30 days written notice.

15. Auditors' Remuneration

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

Amounts received or due and receivable by BDO for:

An audit or review of the financial report of the entity and any other entity in the Consolidated group	14,000
Other services in relation to the entity and any other entity in the consolidated group	
- Preparation of Independent Accountants Report	12,000
	<u>26,000</u>

16. Key Management Personnel Disclosures

(a) Remuneration of Key Management Personnel

Details of the nature and amount of each element of the remuneration of each Director and Executive of the Group for the financial period ended are as follows:

Short term employee benefits	341,667
Post employment benefits	-
Share based payments	884,785
Total remuneration	<u>1,226,452</u>

Haranga Resources Limited

Notes to the Financial Statements for the period ended 31 December 2010

(b) Shareholdings of Key Management Personnel

Share holdings

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

2010	Balance at the start of the period	Granted during the period as compensation	On exercise of share options	Other changes during the period	Balance at the end of the period
Matthew Wood	-	-	-	6,302,500	6,302,500
Robert Wrixon	-	-	-	500,000	500,000
Kell Nielsen	-	-	-	2,680,001	2,680,001
Timothy Flavel	-	-	-	4,471,251	4,471,251
Jason Peterson	-	-	-	7,025,000	7,025,000
Achit-Erdene Darambazar	-	-	-	1,000,000	1,000,000
Angus Caithness	-	-	-	212,500	212,500

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

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

(c) Option holdings of Key Management Personnel

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

2010	Balance at the start of the period	Granted during the period as compensation	Exercised during the period	Other changes during the period	Balance at the end of the period	Exercisable	Un-exercisable
Matthew Wood	-	1,000,000	-	-	1,000,000	-*	1,000,000
Robert Wrixon	-	4,500,000	-	-	4,500,000	3,000,000	1,500,000
Kell Nielsen	-	250,000	-	-	250,000	-*	250,000
Timothy Flavel	-	1,000,000	-	-	1,000,000	-*	1,000,000
Jason Peterson	-	1,500,000	-	-	1,500,000	-*	1,500,000
Achit-Erdene Darambazar	-	5,000,000	-	-	5,000,000	-*	5,000,000
Angus Caithness	-	-	-	-	-	-	-

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

There were no forfeitures and no options lapsed during the period ended 31 December 2010.

Options granted as part of remuneration have been valued using the Binomial or Trinomial option pricing model, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price, the time to maturity of the option and performance hurdles. Options granted under the plan carry no dividend or voting rights. For details on the valuation of options, including models and assumptions used, please refer to note 22.

Other transactions with Key Management Personnel

Garrison Capital Pty Ltd, a company of which Mr. Wood and Mr. Flavel are directors, provided the Company with a fully serviced office including administration and information technology support totalling \$75,000 and reimbursement of payments for financial accounting fees, courier and other minor expenses, at a cost of \$20,630. A total of \$90,700 was outstanding at year end.

Mineral Quest Pty Ltd, a company of which Mr. Wood is a director, was reimbursed for payments of secretarial expenses, at a cost of \$2,250 during the period. Nil was outstanding at year end.

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

Haranga Resources Limited
Notes to the Financial Statements for the period ended 31 December 2010

17. Events Subsequent to Balance Date

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

18. Related Party Disclosures

(a) Key management personnel

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

(b) Subsidiaries

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

Name of Entity	Country of Incorporation	Equity Holding 2010
Haranga Iron LLC	Mongolia	100%
Legendary Hero LLC	Mongolia	60%
Haranga Shavdal LLC	Mongolia	75%
Haranga Erdenes LLC	Mongolia	100%
Haranga Sumber LLC	Mongolia	75%
Haranga Gobi LLC	Mongolia	51%
Haranga Khuder LLC	Mongolia	100%

Consolidated
2010
\$

(c) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Current receivables

Other related parties	91,840
	<u>91,840</u>

(d) Terms and conditions

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

All other transactions were made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

19. Loss per Share

Loss used in calculating basic and diluted EPS	<u>(2,310,406)</u>
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Weighted average number of ordinary shares used in calculating basic loss per share:	<u>41,693,572</u>
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Effect of dilution:

Share options	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	<u>41,693,572</u>

There is no impact from 28,500,000 options outstanding at 31 December 2010 on the earnings per share calculation because they are anti-dilutive. These options could potentially dilute basic EPS in the future. There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

20. Financial Risk Management

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

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

(a) Liquidity Risk

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

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

Alternatives for sourcing the future capital needs of the Group include the use of the current cash balances and the issue of equity instruments. These alternatives are evaluated to determine the optimal mix of capital resources for the Group's capital needs. The Group expects that, absent a material adverse change in a combination of the Group's sources of liquidity, present levels of liquidity along with future capital raising will be adequate to meet the expected capital needs.

Maturity analysis for financial liabilities

Financial liabilities of the Group comprise trade and other payables. As at 31 December 2010, all financial liabilities are contractually matured within 30 days.

(b) Interest Rate Risk

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

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

	Consolidated
	2010
	\$
Cash and cash equivalents	23,027,631

Interest rate sensitivity

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

Judgements of reasonably possible movements	Effect on Post Tax Losses Increase/(Decrease)
	2010
	\$
Consolidated	
Increase 100 basis points	230,276
Decrease 100 basis points	230,276

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

(c) Credit Risk Exposures

Credit risk represents the risk that a counterparty will default on its contractual obligations and cause the Group to incur a financial loss. The Group's maximum credit exposure is the carrying amounts on the statement of financial position. The Group holds financial instruments with credit worthy third parties.

At 31 December 2010, the Group held cash at bank. These were held with financial institution with a rating from Standard & Poors of AA or above (long term). The Group has no past due or impaired debtors as at 31 December 2010.

Haranga Resources Limited
Notes to the Financial Statements for the period ended 31 December 2010

21. Contingent Liabilities

There are no known contingent liabilities.

22. Share Based Payment Plan

(a) Recognised share based payment transactions

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

	Consolidated
	2010
	\$
Employee and supplier share based payments	1,912,767

(b) Employee share based payment plan

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

The fair value at grant date of options granted during the reporting period was determined using the Black Scholes, Binomial or Trinomial option pricing models that take into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, expected price volatility of the underlying share and the risk free interest rate for the term of the option and where applicable, the probability of achieving performance hurdles.

The table below summaries options granted under ESOP:

Grant Date	Expiry date	Exercise price	Balance at start of the period Number	Granted during the period Number	Exercised during the period Number	Forfeited during the period Number	Balance at end of the period Number	Exercisable at end of the period Number
30/04/2010	30/04/2015	\$0.20	-	18,500,000	-	-	18,500,000	-
16/06/2010	16/06/2015	\$0.20	-	4,500,000	-	-	4,500,000	3,000,000
				23,000,000			23,000,000	3,000,000
Weighted average exercise price				\$0.20			\$0.20	\$0.20

The weighted average remaining contractual life of the options outstanding at the end of the period was 4.4 years.

The model inputs, not included in the table above, for options granted during the period ended 31 December 2010 included:

- (a) 18,500,000 options were granted for \$0.00001 and are escrowed for a period of 24 months from the date of listing;
- (b) 4,500,000 options were granted for no consideration and vest subject to performance hurdles;
- (c) expected life of options was five years;
- (d) share price at grant date was \$0.10;
- (e) expected volatility of 100%;
- (f) expected dividend yield of Nil; and
- (g) a risk free interest rate from 4.89%.

The expected price volatility is based on the historic volatility (based on the remaining life of the options) adjusted for any expected changes to future volatility due to publicly available information.

The fair value of services received in return for share options have been fair valued based upon the fair value of equity securities granted, measured using either a Binomial or Trinomial option pricing model.

Performance Hurdles

Dr. Robert Wrixon

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

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

Haranga Resources Limited

Notes to the Financial Statements for the period ended 31 December 2010

(c) Share-based payment to suppliers:

The table below summarises options granted to the Lead Mangers of the Company's Initial Public Offering.

Grant Date	Expiry date	Exercise price	Balance at start of the period Number	Granted during the period Number	Exercised during the period Number	Expired during the period Number	Balance at end of the period Number	Exercisable at end of the period Number
30/04/2010	30/04/2015	\$0.20	-	5,500,000	-	-	5,500,000	-
Weighted remaining contractual life (years)				5.0				4.2
Weighted average exercise price				\$0.20				\$0.20

The options were issued to the Lead Manager's of the company for their services provided. The fair value of options granted during the year was \$0.06741. The fair value of options issued is determined based upon the fair value of the services provided. The value of these options was \$370,730 and has been included in equity raising transaction costs.

The model inputs, not included in the table above, for options granted during the period ended 31 December 2010 included:

- (h) 5,500,000 options were granted for \$0.00001 and are escrowed for a period of 24 months from the date of listing;
- (i) expected life of options was five years;
- (j) share price at grant date was \$0.10;
- (k) expected volatility of 100%;
- (l) expected dividend yield of Nil; and
- (m) a risk free interest rate from 4.89%.

The expected price volatility is based on the historic volatility (based on the remaining life of the options) adjusted for any expected changes to future volatility due to publicly available information.

The fair value of services received in return for share options have been fair valued based upon the fair value of equity securities granted, measured using Black-Scholes and Binomial option pricing models.

Consolidated
2010
\$

23. Parent Entity Information

The following details information related to the parent entity, Haranga Resources Limited, at 31 December 2010. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

Current assets	23,094,969
Total assets	<u>25,540,571</u>
Current liabilities	(459,983)
Total liabilities	<u>(459,983)</u>
Net Assets	<u>25,080,588</u>
Issued capital	25,443,722
Reserves	1,913,007
Accumulated losses	<u>(2,276,141)</u>
	<u>25,080,588</u>
Profit or loss of the parent entity	(2,276,141)
Other comprehensive income for the year	-
Total comprehensive income of the parent entity	<u>(2,276,141)</u>

24. Dividends

No dividend was paid or declared by the Company in the period since the end of the financial period and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the period ended 31 December 2010.

Directors' Declaration

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

1. In the opinion of the directors:
 - a) the financial statements and notes of Haranga Resources Limited for the period ended 31 December 2010 are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated financial position as at 31 December 2010 and of its performance for the period ended on that date; and
 - ii. Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
 - b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosures included in pages 7 to 9 of the directors' report (as part of audited Remuneration Report), for the period ended 31 December 2010, comply with section 300A of the Corporations Act 2001.
4. This declaration has been made after receiving the declarations required to be made by the Director's in accordance with sections of 295A of the Corporations Act 2001 for the financial period ending 31 December 2010.

On behalf of the Board



Matthew Wood

Director

10 February 2011

10 February 2011

The Directors
Haranga Resources Limited
Level 1/33 Richardson St
WEST PERTH, WA 6005

Dear Sirs,

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

As lead auditor of Haranga Resources Limited for the period ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Haranga Resources Limited and the entities it controlled during the period.



Phillip Murdoch
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

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

Report on the Financial Report

We have audited the accompanying financial report of Haranga Resources Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity and the entities it controlled at periods end and from time to time during the period.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.



Auditor's Opinion

In our opinion:

- (a) the financial report of Haranga Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b)

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' report for the period ended 31 December 2010. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Haranga Resources Limited for the period ended 31 December 2010, complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO
A handwritten signature in black ink, appearing to read 'Phillip Murdoch', written over the printed name.

Phillip Murdoch
Director

Dated this 10th day of February 2011
Perth, Western Australia

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 19 January 2011.

Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	11	7,745
1,001 - 5,000	173	1,315,058
5,001 - 10,000	648	32,022,319
10,001 - 100,000	218	72,344,739
100,001 - and over	26	81,060,141
TOTAL	1,076	186,750,002

There were 3 holders of ordinary shares holding less than a marketable parcel.

Top Twenty Share Holders

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

Name	Number of Ordinary Shares held	%
CS Fourth Nominees Pty Ltd	7,002,315	5.06
JP Morgan Nominees Australia Limited	4,500,000	3.25
NEFCO Nominees Pty Ltd	4,140,000	2.99
National Australia Trustees Limited <12781100 A/C>	3,200,000	2.31
National Nominees Limited	2,656,400	1.92
HSBC Custody Nominees (Australia) Limited	2,608,773	1.89
Bayonet Investments Pty Ltd <Southpoint A/C>	2,500,000	1.81
Dr Salim Cassim	2,500,000	1.81
HSBC Custody Nominees (Australia) Limited - A/C 3	2,500,000	1.81
Interstate Investments Pty Ltd	2,300,000	1.66
UBS Wealth Management Australia Nominees Pty Ltd	2,260,000	1.63
Mr Aziz Hussain	1,700,000	1.23
Zero Nominees Pty Ltd	1,550,000	1.12
JP Morgan Nominees Australia Limited <Cash Income A/C>	1,401,650	1.01
Mr Timothy James Flavel <The Flavel Investment A/C>	1,395,000	1.01
Surfboard Pty Ltd <ARW Super Fund No 1 A/C>	1,250,000	0.90
Citicorp Nominees Pty Limited	1,220,463	0.88
Mulloway Pty Ltd <John Hartley Poynton Fm A/C>	1,025,000	0.74
Merrill Lynch (Australia) Nominees Pty Limited <Berndale A/C>	1,000,000	0.72
Mulloway Pty Ltd <Family A/C>	1,000,000	0.72
	47,709,601	34.48

On-Market Buy Back

There is no current on-market buy back.

Voting Rights

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

Use of Proceeds

In accordance with listing rule 4.10.19, the Company confirms that it has used cash and assets in a form readily convertible to cash in a way consistent with its business objectives during the period from admission (9 December 2010) to the end of the financial year (31 December 2010).

Unquoted Equity Securities

Shares

Class	Number of securities	Holders with more than 20%
Fully paid ordinary shares voluntarily escrowed until 17 May 2011	3,785,000	-
Fully paid ordinary shares voluntarily escrowed until 9 December 2012	44,552,500	-

Options

Class	Number of securities	Holders with more than 20%
Options over ordinary shares exercisable at \$0.20 on or before 30 April 2015	24,000,000	NEFCO Nominees Pty Ltd 7,000,000 options Azure Capital Investments Pty Ltd 5,000,000 options Achit-Erdene Darambazar 5,000,000 options
Options over ordinary shares exercisable at \$0.20 on or before 16 June 2015	4,500,000	Robert Wrixon 4,500,000 options

Tenement Table

Project	Location	Tenement	Area (km ²)	Renewal Date	Expiry Date	Signed	Structure
Khundlun	Northeast Mongolia (Hentii Province)	13867X	25.6	9-Jul-11	9-Jul-17	20-Jul-10	100%
Tumurtei Khudag	South Gobi Basin (Dundgobi Province)	13544X 14907X	577.1	15-Apr-11	15-Apr-17	23-Aug-10	51% of iron ore rights, Option for Haranga to go to 80%
Shavdal	East Mongolia (Sukhbaatar Province)	14198X	66.2	24-Sep-11	24-Sep-17	8-Sep-10	75% Option for Haranga to go to 100%
Sumber	South Gobi (Dornogobi Province)	14568X	64.6	12-Dec-11	12-Dec-17	15-Sep-10	75% Option for Haranga to go to 100%
Selenge	Northern Mongolia (Selenge Province)	11334X 11335X 11336X 11337X 11338X	577.5	10-Feb-11	10-Feb-15	5-Oct-10	60%