



ABN 83 141 128 841

Annual Report
31 December 2015

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CORPORATE DIRECTORY

Directors

Mr. Marshall Cooper (Executive Chairman)
 Mr. Erdene Tsengelbayar (Executive Director)
 Mr. Brian McMaster (Non-Executive Director)
 Mr. Matthew Wood (Non-Executive Director)
 Mr. Michael Riady (Non-Executive Director)
 Mr. Jack James (Non-Executive Director)
 Mr. Bat-Ochir Sukhbaatar (Non-Executive Director)

Company Secretary

Mr. Jack James

Registered Office

Level 1
 330 Churchill Avenue
 SUBIACO WA 6008
 Telephone: +61 8 9200 4415
 Facsimile: +61 8 9200 4469

Share Registry

Automic Registry Services Pty Ltd
 Level 1
 7 Ventnor Ave
 WEST PERTH WA 6005
 Telephone: + 61 8 9324 2099
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Auditors

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

Stock Exchange

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

Website

www.haranga.com

Directors' Report

The Directors present their report for Haranga Resources Limited ("Haranga Resources" or "the Company") and the entities it controlled at the end of, or during the year ended 31 December 2015. Throughout the report the consolidated entity is referred to as "the Group".

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. Marshall Cooper **Executive Chairman**

Mr. Cooper has over 25 years of experience operating in Asia and Australia. He has been a Director of Lippo Group since 1998 and has held various executive roles in their Mining, Media and Telecommunications divisions including Chief Financial Officer and Chief Executive Officer of various business groups from the TV and internet services division, Chief Executive of Globe Media, and Director of Asia Now Resources Corp listed on TSX Venture Exchange.

Mr. Cooper is currently the Director and Chief Operating Officer of Lippo Energy, which is involved in developing a global minerals and mining portfolio within the Lippo Group, currently focusing on copper, iron ore, coal and gold. His primary role involves guiding the development of the business unit and he is directly involved in project acquisitions, management of exploration programs, project development, corporate M&A and arranging project funding. He has not held any other listed directorships over the past three years.

Mr. Erdene Tsengelbayar **Executive Director**

Mr. Tsengelbayar acts as Chief Executive Officer for the Company and has more than 20 years' experience in mineral economics and consulting, mineral asset assessment, mineral project finance and M&A advisory for both the public and private sector in Mongolia. Mr. Tsengelbayar has extensive operational, management and project acquisition expertise and has previously acted in an advisory role for the Company and assisted in the acquisition of a number of the Company's current projects. He has an extensive network in the mining and resources sector having worked with both the Mineral Resource Authority of Mongolia and the former Ministry of Industry and Trade.

Mr. Tsengelbayar joined Haranga Resources from the Mongolian investment bank MICC where he was a Senior Vice President and latterly Managing Director, Metals and Mining. He holds a Master of Science degree in mineral economics from Michigan Tech University in the USA and a degree in mining engineering and economics from Sankt-Petersburg Mining Institute in Russia. He is a Mongolian national and is based in Ulaanbaatar. He has not held any other listed directorships over the past three years.

Mr. Matthew Wood **Non-Executive Director**

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

Mr. Wood is currently a director of The Carajas Copper Company Limited (appointed 12 June 2009), Wolf Petroleum Limited (appointed 24 April 2012), Black Star Petroleum (appointed 28 February 2013) and Harvest Minerals Limited (appointed 1 April 2014). Mr. Wood was a director of Avanco Resources Limited (appointed 4 July 2007, resigned 22 September 2014), Lindian Resources Limited (appointed 5 May 2011, resigned 3 October 2014), Antares Mining Limited (appointed 29 May 2009, resigned 12 August 2015) and Castillo Copper Limited (appointed 1 April 2014, resigned 13 August 2015). He has not held any other listed directorships over the past three years.

Mr. Brian McMaster **Non-Executive Director**

Mr. McMaster is a Chartered Accountant, and has over 20 years' experience in the area of corporate reconstruction and turnaround/performance improvement. Formerly, Mr. McMaster was a partner of the restructuring firm Korda Mentha and prior to that was a partner at Ernst & Young. His experience includes significant working periods in the United States, South America, Asia and India.

Mr. McMaster is currently a director of Wolf Petroleum Limited (appointed 24 April 2012), Black Star Petroleum Limited (appointed 9 August 2012), Harvest Minerals Limited (appointed 1 April 2014) and The Carajas Copper Company Limited (appointed 27 August 2014). Mr. McMaster was a director of The Waterberg Coal Company (appointed 12 April 2012, resigned 17 March 2014), Firestone Energy Limited (appointed 14 June 2013, resigned 18 March 2014), Lindian Resources Limited (appointed 20 June 2011, resigned 16 September 2014), Antares Mining Limited (appointed 2 December 2011, resigned 12 August 2015), Castillo Copper Limited (appointed 31 August 2013, resigned 13 August 2015) and Paradigm Metals Limited (appointed 14 September 2012, resigned 2 October 2015). He has not held any other listed directorships in the past three years.

Directors' Report

Mr. Bat-Ochir Sukhbaatar

Non-Executive Director

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

Mr. Sukhbaatar graduated from the Moscow State Automobile and Road Technical University in Russia and obtained an MBA from the City University of Seattle in the USA. Mr. Sukhbaatar is a native of Mongolia and fluent in Russian and English. He has not held any other listed directorships over the past three years.

Mr. Michael Riady

Non-Executive Director (appointed 3 February 2015)

Mr. Riady joined the Lippo Group, a multi-billion plus Pan Asia Pacific diversified conglomerate, in 2004. Mr. Riady serves in various positions within the Lippo organisation, primarily real estate in the United States of America and Indonesia.

Mr. Riady is a former CEO of Lippo Malls Indonesia, Indonesia's largest owner mall operator, and former CEO of The St. Moritz, an 11 million square feet US\$1.2 billion mixed-use development in Jakarta, Indonesia. Currently, Mr. Riady remains a non-executive advisor to Lippo Malls Indonesia. Mr. Riady is also the CEO of Lippo Energy, which has direct interests in a copper and gold mine operation in Utah, USA and Iron Ore in Mongolia. Mr. Riady is also a non-executive Chief Advisor to OUE for US Real Estate. Mr. Riady is also the CEO of Blacksteel Group, an Indonesian malls focused development company. He has not held any other listed directorships over the past three years.

Mr. Riady graduated with a Bachelor's degree in Business Administration from California State University, Fullerton, followed by an Executive MBA dual degree from the University of California, Los Angeles Anderson School of Management and National University of Singapore.

Mr. Jack James

Non-Executive Director (appointed 15 January 2015) & Company Secretary

Mr. Jack James has a Bachelor of Business from the Queensland University of Technology and is a Chartered Accountant. Mr. James provides accounting, secretarial and advisory advice to private and public companies, government and other stakeholders. Mr. James has over fifteen years' experience in chartered accounting specialising in corporate advisory and reconstruction. Most recently, he held senior roles in Ernst & Young and KordaMentha.

Mr. James is currently a director of Castillo Copper Limited (appointed 13 August 2015), Eumeralla Resources Limited (appointed 22 August 2011, resigned 14 May 2015, appointed 21 May 2015), and Premiere Eastern Energy Limited (appointed 18 March 2015). Mr. James was previously a director of Antares Mining Limited (appointed 15 October 2014, resigned 10 September 2015), Lithex Resources Limited (appointed 12 December 2013, resigned 29 January 2015), Firestone Energy Limited (appointed 5 February 2013, resigned 12 June 2013) and Black Star Petroleum Limited (appointed 9 August 2012, resigned 28 February 2013). He has not held any other listed directorships over the past three years.

Mr. George Tumur

Former Non-Executive Director (appointed 15 June 2015, resigned 19 June 2015)

Mr. Tumur is a Mongolian citizen and has a Masters of Science in Mining Engineering and a Bachelor of Science in Metallurgical Engineering from the Colorado School of Mines, as well as a Technical degree in Mineral Processing. Mr. Tumur has worked in senior management positions for various Mongolian mining companies, and most notably was the Managing Director of highly successful, formerly, ASX listed Hunnu Coal Limited. Mr. Tumur has an intricate understanding of the mining and legal landscape in Mongolia and has been one of the leaders in introducing western contract mining and mineral processing technologies into the Mongolian mining industry. Mr. Tumur is also a founding Director of Wolf Operations Limited.

Mr. Tumur was a director of Haranga Resources Limited (appointed 15 June 2015, resigned 19 June 2015) and The Carajas Copper Company Limited (appointed 17 September 2009, resigned 6 July 2015). He has not held any other listed directorships over the past three years.

Mr. Amarbaatar Chultem

Former Non-Executive Director (resigned 29 May 2015)

Mr. Chultem is a Mongolian citizen and a highly successful businessman with more than twenty years of experience in the investment, finance, trade, and real estate sectors. Mr. Chultem is currently the Chairman of Mongol 999 National Consortium, which includes 2,000 Mongolian companies and he is also a major shareholder of Chairman of 30 small and medium sized companies. He has not held any other listed directorships over the past three years.

Mr. Stephen Lo

Former Non-Executive Director (appointed 15 January 2015, resigned 3 February 2015)

Mr. Stephen Lo has been a Director of Lippo Group since January 2012 and has held Executive roles in Mining and Mine Product Processing Businesses. Mr. Lo graduated with a degree in Chemical Engineering from the National Taiwan University, Taiwan in 1989, and in 1993 took a Master program of Fertilizer Technology at National Chung-Hsing University,

Directors' Report

Taiwan. His work experience includes chemical industry projects, engineering, construction and management, having spent time in Middle East; North Africa; South and South East Asia; Mainland China and Korea.

Mr. Lo has over ten years' experience in mining, management and technology, securing mining licenses, settling of government and social affairs; purchasing land; exploration; production; processing; logistics and export affairs. He has not held any other listed directorships over the past three years.

Mr. Daniel Crennan

Former Non-Executive Director (resigned 15 January 2015)

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

Mr. Crennan is currently a director of Wolf Petroleum Limited (appointed 5 January 2015). Mr. Crennan was previously a director of The Waterberg Coal Company Limited (appointed 12 April 2012, resigned 7 May 2014) and Castillo Copper Limited (appointed 21 May 2013, resigned 13 August 2015). He has not held any other listed directorships over the past three years.

COMPANY SECRETARY

Mr. Jack James held the position of Company Secretary during the financial period.

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 \$0.50 on or before 30 June 2018
Marshall Cooper	-	250,000
Matthew Wood	10,841,509	1,000,000
Brian McMaster	1,666,106	-
Erdene Tsengelbayar	3,273,148	2,000,000
Bat-Ochir Sukhbaatar	6,533,743	250,000
Jack James	-	-
Michael Riady	-	-

RESULTS OF OPERATIONS

The Group's net loss after taxation attributable to the members of Haranga Resources for the year to 31 December 2015 was \$1,397,980 (2014: net loss of \$2,101,726).

DIVIDENDS

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

CORPORATE STRUCTURE

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

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The Company's main activity is the transition into the Development phase of the Selenge Iron Ore Project located in Mongolia, with a focus on the construction of the Project after a successful Exploration phase.

REPORT ON OPERATIONS – SELENGE PROJECT (HARANGA RESOURCES: 80%)

During the year, management has been reviewing and continues to review the strategy of the Company in regards to the Selenge Iron Ore Project ('the Project') and the operational options available in order to maintain the Company's position in the Project given the current status of the iron ore market globally. The Company remains focused on and committed to the long term progression of the Project's further development.

Grant of Mining License

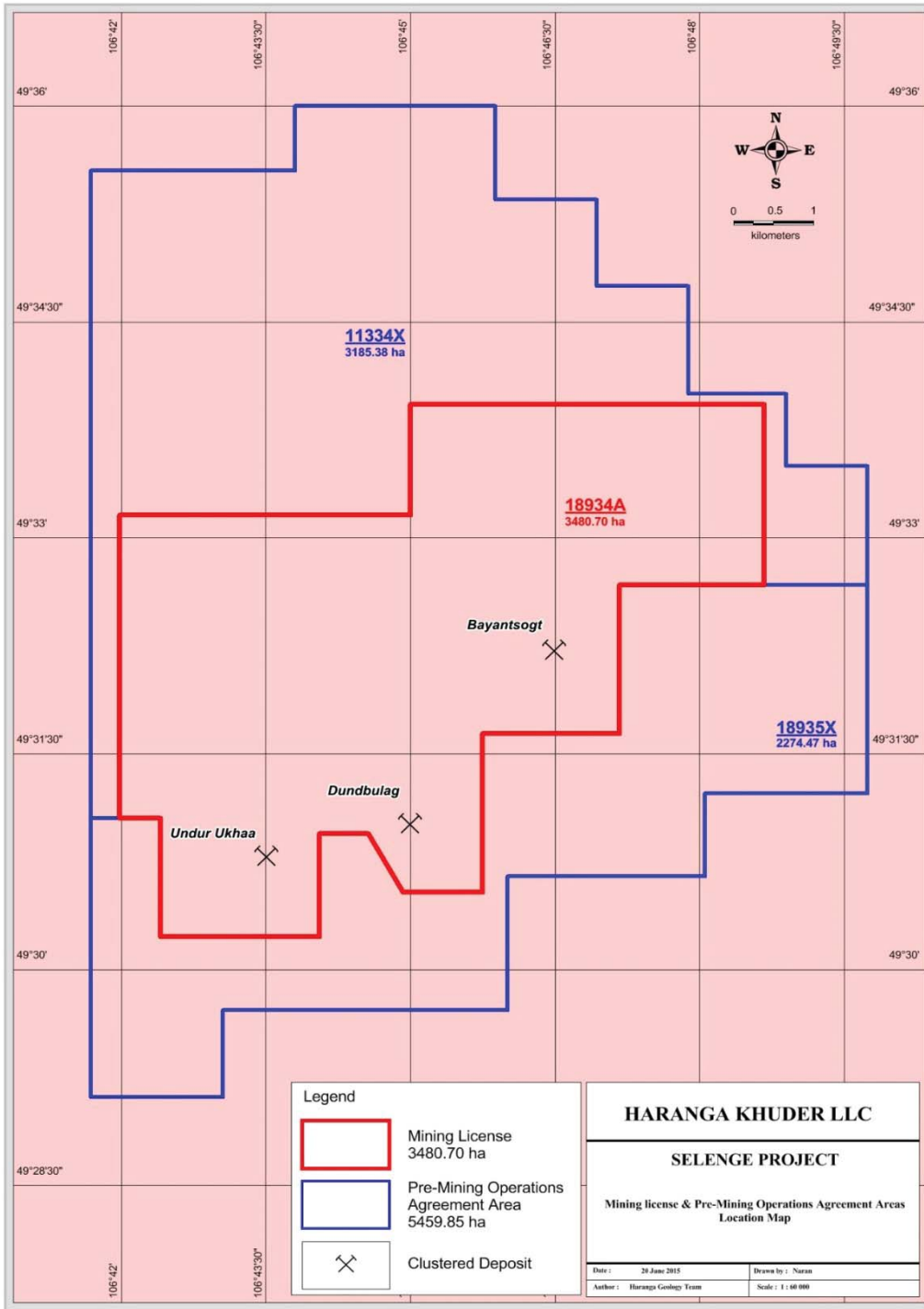
During the year, the Company's 80% owned subsidiary Haranga Khuder LLC, which holds the Mineral Exploration Licenses and Pre-Mining Operations Agreement for the Project in Mongolia, was granted a Mining License by the Mineral Resources Authority of Mongolia ('MRAM') on 19 June 2015. The license area covers 3,480.70 hectares.

The Mining License is valid for 30 years until 19 June 2045. Pursuant to the Minerals Law of Mongolia, the Company can apply to have the license extended up to 2 additional terms of 20 years each.

As a result of granting of the Mining License, the area covered by Exploration License #11334X was split and new Exploration License #18935X granted. The five remaining tenements held by the Company remain unchanged, see Figure 1 below.

Directors' Report

Figure 1. A new Mining license and remaining Pre-Mining Operations agreement area



During the second half of 2015, the Company has focused on the completion of activities required by the mining related laws and regulations in Mongolia after the grant of Mining License by MRAM. This has included:

- (i) As required by Land Use Agreement, the boundaries of the mining license specified areas being verified and officially registered by a certified contractor appointed by the Geodesy and Land Cadastre Office of Mongolia; and
- (ii) Completion of a Detailed Environmental Impact Assessment ('DEIA') with the Company having received the final draft of the ('DEIA') required by Mongolian mining law. Management is reviewing the DEIA before finalisation and submission to the Special Committee of the Ministry of Environment and Green Development.

Metallurgical Test Work

During the year a metallurgical test was undertaken on samples taken from the Project by ALS Iron Ore Technical Centre ('ALS') in Wangara, Western Australia. The test work was completed in January 2015. A total of 400.1 kg of samples, including 196.9 kg of samples representing Bayantsogt deposit and 203.2 kg of samples representing Dundbulag deposit, were prepared and delivered to ALS for testing.

The metallurgical test results demonstrated a magnetite concentrate of marketable specification with high iron grade and low impurities suitable for Chinese steel producers.

Directors' Report

Summary Results of the Two-stage Grinding Wet Magnetic Separation Test (P80 250µm and P80 75 µm):

Deposit	Final stage Mass Yield, %	Grade, Fe%	Final stage Recovery, %
Dund Bulag	67.4	63.1	93.9
Bayantsogt	67.6	62.1	88.6

Summary Results on the Quality and Impurities in the Product of Iron Concentrate:

Deposit / JORC Measured & Indicated Resource	Fe, %	SiO ₂ , %	S, %	Al ₂ O ₃ , %	P, %
Dund Bulag (199.9Mln tons)	63.1	6.9	0.2	1.38	0.005
Bayantsogt (36.3Mln tons)	62.1	6.45	2.8	1.33	0.038

The Company continues to assess the results of this metallurgical test program further to generate a nominal and design flow-sheets for the engineering purpose of a potential beneficiation plant at the Project site.

COMPARISON OF MINERAL RESOURCES

There have been no changes to the mineral resources during the year.

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

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

Governance Arrangements and Internal Controls

A summary of the governance and controls applicable to the Company's Mineral Resource process is as follows:

- Review and validation of drilling and sampling methodology and data spacing, geological logging, data collection and storage, sampling and analytical quality control;
- Review of known and interpreted geological structure, lithology and weathering controls;
- Review of estimation methodology relevant to the mineralisation style;
- Visual validation of block model against raw data; and
- Internal peer review by senior company personnel.

CORPORATE

During the financial year the Company completed a fully underwritten non-renounceable rights issue to raise \$1.4 million (before costs). The right issues was fully underwritten by Golden Rain.

On 29 January 2016, the Company announced it was undertaking a non-renounceable entitlement issue to raise up to \$1,367,383. The issue was partially underwritten by Golden Rain Holdings Limited. The issue closed on 19 February 2016 having raised approximately \$156,945 before costs. The Directors have three months to allocate the shortfall.

Board Changes

On 15 January 2015 Mr. Daniel Crennan resigned from his position as Non-Executive Director with Mr. Jack James and Mr. Stephen Lo being appointed to the Board on that date. On 3 February 2015 Mr. Stephen Lo resigned from his position as Non-Executive Director with Mr. Michael Riady replacing him on that date. Mr. Amarbaatar Chultem resigned from his position as a Non-Executive Director on 29 May 2015. Mr. George Tumur was appointed as a Non-Executive Director on 15 June 2015 and resigned on 19 June 2015.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 29 January 2016, the Company announced it was undertaking a non-renounceable entitlement issue to raise up to \$1,367,383. The issue was partially underwritten by Golden Rain Holdings Limited. The issue closed on 19 February 2016 having raised \$156,945 before costs. The Directors have three months to allocate the shortfall.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

Directors' Report

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.

SHARES UNDER OPTION

As at the date of this report, there were 28,450,000 unissued ordinary shares under options (32,450,000 at the reporting date). The details of the options at the date of this report are as follows:

Number	Exercise Price \$	Expiry Date
3,700,000	\$0.10	31 March 2016
1,000,000	\$0.50	1 July 2016
15,000,000	\$0.05	31 December 2017
8,750,000	\$0.20	30 June 2018
28,450,000		

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

Options that expired during the year or since the year ended 31 December 2015 are as follows:

Number	Exercise Price \$	Expiry Date
2,500,000	\$1.00	1 March 2015
24,000,000	\$0.20	30 April 2015
3,000,000	\$0.20	16 June 2015
4,000,000	\$1.00	16 February 2016
33,500,000		

No other options expired or were exercised during or since the year ended 31 December 2015.

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
Marshall Cooper	4	4
Erdene Tsengelbayar	4	4
Matthew Wood	4	3
Brian McMaster	4	4
Bat-Ochir Sukhbaatar	4	-
James James (a)	4	4
Michael Riady (b)	4	-
George Tumur (c)	-	-
Amarbaatar Chultem (d)	3	1
Stephen Lo (e)	-	-
Daniel Crennan (f)	-	-

(a) Mr. Jack James was appointed on 15 January 2015;

(b) Mr. Michael Riady was appointed on 3 February 2015;

(c) Mr. George Tumur was appointed on 15 June 2015 and resigned on 19 June 2015;

(d) Mr. Amarbaatar Chultem resigned on 29 May 2015;

(e) Mr. Stephen Lo was appointed on 15 January 2015 and resigned on 3 February 2015; and

(f) Mr. Daniel Crennan resigned on 15 January 2015.

PROCEEDINGS ON BEHALF OF COMPANY

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

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Board 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

Directors' Report

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 Group's auditors to provide the Board of Haranga Resources with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included in this report.

Non-Audit Services

There were no non-audit services provided by the Group's auditor during the year ended 31 December 2015.

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. Marshall Cooper	Executive Chairman
Mr. Erdene Tsengelbayar	Executive Director
Mr. Matthew Wood	Non-Executive Director
Mr. Brian McMaster	Non-Executive Director
Mr. Bat-Ochir Sukhbaatar	Non-Executive Director
Mr. Jack James	Non-Executive Director (appointed 15 January 2015)
Mr. Michael Riady	Non-Executive Director (appointed 3 February 2015)
Mr. George Tumur	Former Non-Executive Director (appointed 15 June 2015, resigned 19 June 2015)
Mr. Amarbaatar Chultem	Former Non-Executive Director (resigned 29 May 2015)
Mr. Stephen Lo	Former Non-Executive Director (appointed 15 January 2015, resigned 3 February 2015)
Mr. Daniel Crennan	Former Non-Executive Director (resigned 15 January 2015)

Remuneration Policy

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

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

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

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

As at 31 December	2015	2014	2013	2012	2011
Loss per share (cents)	(0.42)	(0.87)	(2.78)	(1.46)	(2.45)
Share Price (\$)	0.004	0.014	0.062	0.165	0.285

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

Directors' Report

Details of Remuneration

Details of the nature and amount of each element of the remuneration of each Director and Executive of the Company as required by the Corporations Act 2001, for the period ended 31 December 2015 are as follows:

2015	Short term			Options	Post employment		Total \$	Option related %
	Base Salary \$	Directors Fees \$	Consulting Fees \$	Share Based Payments \$	Superannuation \$	Prescribed Benefits \$		
Directors								
Marshall Cooper	-	40,000	-	-	-	-	40,000	-
Erdene Tsengelbayar	-	-	90,962	-	-	-	90,962	-
Matthew Wood	-	-	60,000	-	-	-	60,000	-
Brian McMaster	-	-	60,000	-	-	-	60,000	-
Bat-Ochir Sukhbaatar	-	40,000	-	-	-	-	40,000	-
Jack James (a)	-	-	-	-	-	-	-	-
Michael Riady (b)	-	-	-	-	-	-	-	-
George Tumur (c)	-	-	-	-	-	-	-	-
Amarbaatar Chultem (d)	-	20,000	-	-	-	-	20,000	-
Stephen Lo (e)	-	-	-	-	-	-	-	-
Daniel Crennan (f)	-	1,556	-	-	-	-	1,556	-
	-	101,556	210,962	-	-	-	312,518	

- (a) Mr. Jack James was appointed on 15 January 2015;
 (b) Mr. Michael Riady was appointed on 3 February 2015;
 (c) Mr. George Tumur was appointed on 15 June 2015 and resigned on 19 June 2015;
 (d) Mr. Amarbaatar Chultem resigned on 29 May 2015;
 (e) Mr. Stephen Lo was appointed on 15 January 2015 and resigned on 3 February 2015; and
 (f) Mr. Daniel Crennan resigned on 15 January 2015.

There were no other executive officers of the Company during the financial year ended 31 December 2015.

Details of the nature and amount of each element of the remuneration of each Director and Executive of the Company as required by the Corporations Act 2001, for the period ended 31 December 2014 are as follows:

2014	Short term			Options	Post employment		Total \$	Option related %
	Base Salary \$	Directors Fees \$	Consulting Fees \$	Share Based Payments \$	Superannuation \$	Prescribed Benefits \$		
Directors								
Marshall Cooper	-	40,000	-	-	-	-	40,000	-
Matthew Wood	-	-	170,000	-	-	-	170,000	-
Brian McMaster (a)	-	-	80,000	-	-	-	80,000	-
Timothy Flavel (b)	-	-	24,000	-	-	-	24,000	-
Erdene Tsengelbayar	-	-	136,070	-	-	-	136,070	-
Daniel Crennan	-	40,000	-	-	-	-	40,000	-
Amarbaatar Chultem	-	40,000	-	-	-	-	40,000	-
Bat-Ochir Sukhbaatar	-	40,000	-	-	-	-	40,000	-
	-	160,000	410,070	-	-	-	570,070	

- (a) Mr. Brian McMaster was appointed on 1 April 2014; and
 (b) Mr. Timothy Flavel resigned on 1 April 2014.

There were no other executive officers of the Company during the financial period ended 31 December 2014.

There are no options affecting remuneration in the current and future reporting period. No options have been exercised at 31 December 2015.

Directors' Report

Shareholdings of Key Management Personnel

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

2015	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
Marshall Cooper	-	-	-	-	-
Erdene Tsengelbayar	1,641,277	-	-	-	1,641,277
Matthew Wood	10,841,509	-	-	-	10,841,509
Brian McMaster	833,053	-	-	-	833,053
Bat-Ochir Sukhbaatar	6,533,743	-	-	-	6,533,743
James James (a)	-	-	-	-	-
Michael Riady (b)	-	-	-	-	-
George Tumur (c)	-	-	-	-	-
Amarbaatar Chultem (d)	39,202,454	-	-	(39,202,454)	-
Stephen Lo (e)	-	-	-	-	-
Daniel Crennan (f)	57,000	-	-	(57,000)	-

- (a) Mr. Jack James was appointed on 15 January 2015;
 (b) Mr. Michael Riady was appointed on 3 February 2015;
 (c) Mr. George Tumur was appointed on 15 June 2015 and resigned on 19 June 2015;
 (d) Mr. Amarbaatar Chultem resigned on 29 May 2015;
 (e) Mr. Stephen Lo was appointed on 15 January 2015 and resigned on 3 February 2015; and
 (f) Mr. Daniel Crennan resigned on 15 January 2015.

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.

Option holdings of Key Management Personnel

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

2015	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Exercisable	Un-exercisable
Marshall Cooper	250,000	-	-	-	250,000	250,000	-
Erdene Tsengelbayar	4,750,000	-	-	(2,750,000)	2,000,000	2,000,000	-
Matthew Wood	2,500,000	-	-	(1,500,000)	1,000,000	1,000,000	-
Brian McMaster	-	-	-	-	-	-	-
Bat-Ochir Sukhbaatar	250,000	-	-	-	250,000	250,000	-
James James (a)	-	-	-	-	-	-	-
Michael Riady (b)	-	-	-	-	-	-	-
George Tumur (c)	-	-	-	-	-	-	-
Amarbaatar Chultem (d)	-	-	-	-	-	-	-
Stephen Lo (e)	-	-	-	-	-	-	-
Daniel Crennan (f)	250,000	-	-	(250,000)	-	-	-

- (a) Mr. Jack James was appointed on 15 January 2015;
 (b) Mr. Michael Riady was appointed on 3 February 2015;
 (c) Mr. George Tumur was appointed on 15 June 2015 and resigned on 19 June 2015;
 (d) Mr. Amarbaatar Chultem resigned on 29 May 2015;
 (e) Mr. Stephen Lo was appointed on 15 January 2015 and resigned on 3 February 2015; and
 (f) Mr. Daniel Crennan resigned on 15 January 2015.

Other transactions with Key Management Personnel

Garrison Capital Pty Ltd, a company of which Mr. Wood and Mr. McMaster are directors, provided the Company with a fully serviced office including administration and information technology support totalling \$nil (2014: \$130,000) and reimbursement of payments for financial accounting fees, courier and other minor expenses, of \$nil (2014: \$45,870). Nil was outstanding at year end (2014: \$161).

Garrison Capital Pte Ltd, a company of which Mr. Wood and Mr. McMaster are directors, provided the Company with corporate advisory services totalling \$nil (2014: \$150,210) and administration expenses of \$nil (2014: \$4,298). Nil was outstanding at year end (2014: \$nil).

Palisade Business Consulting Pty Ltd, a company of which Mr. James is a director, provided the Company with a fully serviced office including administration and information technology support totalling \$120,000 (2014: \$30,000) and reimbursement of payments for financial accounting fees of \$36,493 (2014: \$10,683). A total of \$51,932 was outstanding at year end (2014: \$16,129).

Directors' Report

Service Agreements

During the year the Directors Mr. Erdene Tsengelbayar, Mr. Matthew Wood and Mr. Brian McMaster were paid a consulting fee on a monthly basis. Their services may be terminated by either party at any time.

Loans to Directors and Executives

There were no loans to directors and executives during the financial year ending 31 December 2015.

Voting and comments made at the Company's 2014 Annual General Meeting

Haranga Resources Limited received more than 89% of "yes" votes on its remuneration report for the 2014 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

END OF AUDITED REMUNERATION REPORT

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



Marshall Cooper
Executive Chairman
31 March 2016

Competent Person Statement:

The technical information contained in this report in relation to the JORC Code (2012) Compliant Resource for the Selenge Project Deposits has been reviewed by Mr Peter Ball of DataGeo Ltd, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Ball has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves'. Mr Ball consents to the inclusion in this report of the matters based on his information, and information presented to him, in the form and context in which it appears. Refer to the HAR ASX announcement dated 7 May 2013 for further details.

Mr. Aden Tan, who represents the ALS Iron Ore Technical Centre in Wangara in Western Australia, consents to the inclusion in this report of the matters based on his information, and information presents to him, in the form and context in which it appears.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2015

	Notes	2015 \$	2014 \$
Revenue from continuing operations			
Interest income		8,045	21,347
Expenses			
Service administration expenses		(137,718)	(189,418)
Professional and consulting fees	4(a)	(538,231)	(890,787)
Share based payment expense		-	(129,850)
Foreign exchange (loss) / gain		(3,897)	3,284
Other expenses	4(b)	(750,388)	(921,798)
Loss from continuing operations before income tax		(1,422,189)	(2,107,222)
Income tax benefit	5	-	-
Loss from continuing operations after income tax		(1,422,189)	(2,107,222)
Loss for the year		(1,422,189)	(2,107,222)
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss:</i>			
Foreign currency translation differences		823,688	(1,045,560)
Other comprehensive loss for the year, net of tax		823,688	(1,045,560)
Total comprehensive loss for the year		(598,501)	(3,152,782)
Loss for the year attributable to:			
Owners of Haranga Resources Limited		(1,397,980)	(2,101,726)
Non-controlling interests		(24,209)	(5,496)
		(1,422,189)	(2,107,222)
Comprehensive loss for the year attributable to:			
Owners of Haranga Resources Limited		(574,292)	(3,147,286)
Non-controlling interests		(24,209)	(5,496)
		(598,501)	(3,152,782)
Loss per share attributable to owners of Haranga Resources Limited			
Basic and diluted loss per share (cents)	17	(0.42)	(0.87)

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

Consolidated Statement of Financial Position as at 31 December 2015

	Notes	2015 \$	2014 \$
Current Assets			
Cash and cash equivalents	6	62,034	232,919
Other receivables	7	153,762	181,622
Other current assets	8	91,582	223,648
Total Current Assets		<u>307,378</u>	<u>638,189</u>
Non-Current Assets			
Plant and equipment	9	510,713	575,756
Deferred exploration and evaluation expenditure	10	26,015,122	24,542,480
Total Non-Current Assets		<u>26,525,835</u>	<u>25,118,236</u>
Total Assets		<u>26,833,214</u>	<u>25,756,425</u>
Current Liabilities			
Trade and other payables	11	521,102	135,157
Total Current Liabilities		<u>521,102</u>	<u>135,157</u>
Total Liabilities		<u>521,102</u>	<u>135,157</u>
Net Assets		<u>26,312,112</u>	<u>25,621,268</u>
Equity			
Issued capital	12	39,944,203	38,735,809
Reserves	13	6,206,349	5,301,710
Accumulated losses	14	(20,090,339)	(18,692,359)
Capital and reserves attributable to owners of Haranga Resources Limited		26,060,213	25,345,160
Non-controlling interest		251,899	276,108
Total Equity		<u>26,312,112</u>	<u>25,621,268</u>

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

Consolidated Statement of Cash Flows *for the year ended 31 December 2015*

	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Payments to suppliers and employees		(834,025)	(1,832,910)
Interest received		8,045	21,347
Other receipts		30,378	-
Net cash outflows from operating activities	6	<u>(795,601)</u>	<u>(1,811,563)</u>
Cash flows from investing activities			
Acquisition of plant and equipment		(49,473)	-
Payments for exploration expenditure		(619,053)	(386,228)
Net cash outflows from investing activities		<u>(668,526)</u>	<u>(386,228)</u>
Cash flows from financing activities			
Proceeds from issue of shares		1,444,425	357,300
Payments for share issue costs		(155,081)	-
Net cash inflows from financing activities		<u>1,289,344</u>	<u>357,300</u>
Net decrease in cash held		(174,783)	(1,840,491)
Cash and cash equivalents at beginning of period		232,919	2,076,693
Net foreign exchange differences		3,898	(3,283)
Cash and cash equivalents at end of the period	6	<u>62,034</u>	<u>232,919</u>

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2015

	Issued capital \$	Accumulated Losses \$	Reserves \$	Non- controlling interests \$	Total \$
Balance 1 January 2015	38,735,809	(18,692,359)	5,301,710	276,108	25,621,268
Loss for the year	-	(1,397,980)	-	(24,209)	(1,422,189)
<i>Other comprehensive loss</i>					
Foreign currency translation	-	-	823,688	-	823,688
Total comprehensive loss for the year	-	(1,397,980)	823,688	(24,209)	(598,501)
Transactions with owners in their capacity as owners					
Shares issued via placement	1,444,425	-	-	-	1,444,425
Costs of issue	(236,031)	-	-	-	(236,031)
Share based payments	-	-	80,951	-	80,951
Balance at 31 December 2015	39,944,203	(20,090,339)	6,206,349	251,899	26,312,112
Balance 1 January 2014					
Balance 1 January 2014	38,378,509	(16,590,633)	6,217,420	281,604	28,286,900
Loss for the year	-	(2,101,726)	-	(5,496)	(2,107,222)
<i>Other comprehensive loss</i>					
Foreign currency translation	-	-	(1,045,560)	-	(1,045,560)
Total comprehensive loss for the year	-	(2,101,726)	(1,045,560)	(5,496)	(3,152,782)
Transactions with owners in their capacity as owners					
Shares issued via placement	357,300	-	-	-	357,300
Costs of issue	-	-	-	-	-
Share based payments	-	-	129,850	-	129,850
Balance at 31 December 2014	38,735,809	(18,692,359)	5,301,710	276,108	25,621,268

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

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

1. Corporate Information

The financial statements of Haranga Resources Limited ("Haranga Resources" or "the Group") for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 31 March 2016.

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

The nature of the operations and the principal activities of the Group are described in the 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, other authoritative pronouncements of the Australian Accounting Standards Board and Australian Accounting interpretations. The financial statements have also been prepared on a historical cost basis. Haranga Resources Limited is a for profit entity for the purpose of preparing the financial statements. The presentation currency is Australian dollars.

Going Concern

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

The Group incurred a net loss after tax for the year ended 31 December 2015 of \$1,422,189 and experienced net cash outflows from operating activities of \$795,601 and net cash outflows from investing activities of \$668,526. At 31 December 2015, the Group had a net current liability position of \$213,724. At the date of this report the majority of the current liabilities are overdue.

Of the \$521,102 trade and other payables outstanding at reporting date, \$321,501 are owed to related parties and internal creditors and \$199,601 are owed to external creditors. The related parties and internal creditors have indicated they will continue to support the Group and the Directors are in communications with the Group's major creditors and have their continued support to defer repayment terms and entitlements until such time that the Group has the financial capacity to compensate them. In considering the above, the Directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group has the ability to successfully raise necessary funding through equity to meet existing and future commitments.

However, the Directors acknowledge that without the continued support of its related parties and major creditors until such time as the Group can repay them and the raising of funding through equity, there is material uncertainty which may cast significant doubt about whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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

(b) Compliance Statement

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

(c) Basis of Consolidation

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

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

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

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

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

(d) New Accounting Standards and Interpretations

The following applicable accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the year ended 31 December 2015, and no change to the Group's accounting policy is required:

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ▪ The change attributable to changes in credit risk is presented in other comprehensive income (OCI) ▪ The remaining change is presented in profit or loss <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>	The Group has considered these standards and determined that there is no impact on the Group's financial statements.	1 January 2018

New, Revised or Amending Accounting Standards and Interpretations Adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

(e) Foreign Currency Translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

(iii) Group entities

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

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

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

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

(f) Plant and Equipment

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

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

Depreciation

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

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

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

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

Derecognition

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

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

(g) Impairment of Non-Financial Assets Other than Goodwill

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

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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

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

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

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

(h) Exploration Expenditure

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

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that rights to tenure over the area of interest are current and one of the following conditions is met:

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

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

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

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

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

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

(i) Other Receivables

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

(j) Cash and Cash Equivalents

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

(k) Trade and Other Payables

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

(l) Income Tax

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

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

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

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

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

Current and deferred income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(m) Issued Capital

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

(n) Revenue Recognition

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

Interest income

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

(o) Segment Reporting

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

(p) Investments in Controlled Entities

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

(q) Earnings per Share

Basic earnings per share

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

Diluted earnings per share

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

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

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

(r) Goods and Services Tax and Value Added Tax

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

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

(s) Share Based Payment Transactions

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

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

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The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in note 20.

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

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

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

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

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

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

The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted. The dilutive effect, if any, of outstanding options is reflected in the computation of loss per share (see note 17).

(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 Company decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

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

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

Share based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black Scholes formula taking into account the terms, conditions and probability upon which the instruments were granted, as discussed in note 20.

(u) Employee Benefits

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

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

3. Segment Information

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

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

	2015 \$	2014 \$
4. Expenses		
a) Professional and consulting fees		
Accounting fees	(45,225)	(44,797)
Audit and taxation fees	(33,657)	(36,461)
Consultants	(243,125)	(616,425)
Other	(216,224)	(193,104)
	<u>(538,231)</u>	<u>(890,787)</u>
b) Other expenses		
Administrations services	(1,990)	(54,576)
ASX listing fees	(19,744)	(31,291)
Conferences and seminars	(11,589)	(30,829)
Donations	(4,050)	(13,108)
Insurance	(9,352)	(9,626)
Motor vehicle expenses	(2,739)	(1,839)
Rent and outgoings	(90,788)	(232,748)
Travel expenses	(163,258)	(187,661)
Employee benefit expense	(198,472)	(157,883)
Depreciation	(38,350)	(39,199)
Other	(210,056)	(163,038)
	<u>(750,388)</u>	<u>(921,798)</u>
5. Income Tax		
(a) Income tax expense		
Major component of tax expense for the year:		
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
(b) Numerical reconciliation between aggregate tax expense recognised in the statement of profit or loss and other comprehensive income and tax expense calculated per the statutory income tax rate.		
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable tax rate is as follows:		
Loss from continuing operations before income tax expense	(1,422,189)	(2,107,222)
Tax at the Australian rate of 30% (2014: 30%)	(426,657)	(632,167)
Share based payments	-	38,955
Income tax benefit not brought to account	426,657	593,212
Income tax expense	<u>-</u>	<u>-</u>
(c) Deferred tax		
The following deferred tax balances have not been brought to account:		
<i>Liabilities</i>		
Deferred tax liability recognised	<u>-</u>	<u>-</u>
<i>Assets</i>		
Losses available to offset against future taxable income	5,548,738	5,002,462
Share issue costs deductible over five years	508,592	437,783
Accrued Expenses	(7,300)	10,200
Net Deferred tax asset not recognised	<u>6,050,030</u>	<u>5,450,445</u>

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Notes to the Consolidated Financial Statements for the year ended 31 December 2015

	2015 \$	2014 \$
5. Income Tax continued		
(d) Unused tax losses		
Unused tax losses	18,495,792	16,674,874
Potential tax benefit not recognised at 30%	<u>5,548,738</u>	<u>5,002,462</u>
The benefit for tax losses will only be obtained if:		
i. the Company derives future assessable income in Australia and overseas of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and		
ii. the Company continues to comply with the conditions for deductibility imposed by tax legislation in Australia, and		
iii. no changes in tax legislation in Australia, adversely affect the Company in realising the benefit from the deductions for the losses.		
6. Cash and Cash Equivalents		
Reconciliation of Cash		
Cash comprises of:		
Cash at bank	<u>62,034</u>	<u>232,919</u>
Reconciliation of operating loss after tax to net cash flows from operations		
Loss after tax	(1,422,189)	(2,107,222)
Non cash items		
Share based payment	-	129,850
Depreciation and impairment charges	38,350	39,199
Loss on disposal of property, plant & equipment	131,876	-
Foreign exchange loss	3,897	(3,284)
Change in assets and liabilities		
Trade and other receivables	123,812	109,159
Trade and other payables	<u>328,653</u>	<u>20,735</u>
Net cash outflow from operating activities	<u>(795,601)</u>	<u>(1,811,563)</u>
7. Other Receivables – Current		
GST receivable	5,051	10,622
Other	<u>148,711</u>	<u>171,000</u>
	<u>153,762</u>	<u>181,622</u>
Debtors, other debtors and goods and services tax are non-interest bearing and generally receivable on 30 day terms. They are neither past due nor impaired. The amount is fully collectible. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.		
8. Other Current Assets		
Prepayments	60,558	191,507
Other	<u>31,024</u>	<u>32,141</u>
	<u>91,582</u>	<u>223,648</u>
9. Plant and Equipment		
Opening balance	575,756	738,138
Additions	54,024	263
Disposals	(3,270)	(49,565)
Net exchange differences on translation	(77,447)	(73,881)
Depreciation charge for the year	(38,350)	(39,199)
Closing balance	<u>510,713</u>	<u>575,756</u>
10. Deferred Exploration and Evaluation Expenditure		
Opening balance	24,542,480	25,223,994
Exploration and evaluation expenditure incurred during the period	679,517	316,598
Net exchange differences on translation	793,125	(998,112)
Impairment of exploration expenditure	-	-
Closing balance	<u>26,015,122</u>	<u>24,542,480</u>

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

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Notes to the Consolidated Financial Statements for the year ended 31 December 2015

	2015 \$	2014 \$
11. Trade and Other Payables		
Other payables	486,436	76,157
Accruals	34,666	59,000
	521,102	135,157

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

12. Issued Capital

(a) Issued and paid up capital

Ordinary shares fully paid	39,944,203	38,735,809
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	2015		2014	
	No. of shares	\$	No. of shares	\$
(b) Movements in shares on issue				
Opening balance	261,600,002	38,735,809	241,750,002	38,378,509
Shares issued via rights issue	80,245,826	1,444,425	-	-
Shares issued via placement	-	-	19,850,000	357,300
Costs of issue	-	(236,031)	-	-
Closing balance	341,845,828	39,944,203	261,600,002	38,735,809

(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 \$26,312,112 at 31 December 2015 (2014: of \$25,621,268). 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 18 for further information on the Group's financial risk management policies.

(e) Share Options

As at the date of this report, there were 28,450,000 unissued ordinary shares under options (32,450,000 at the reporting date). The details of the options at the date of this report are as follows:

Number	Exercise Price \$	Expiry Date
3,700,000	\$0.10	31 March 2016
1,000,000	\$0.50	1 July 2016
15,000,000	\$0.05	31 December 2017
8,750,000	\$0.20	30 June 2018
28,450,000		

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 20.

13. Reserves

Share based payments reserve	6,182,325	6,101,374
Option premium reserve	240	240
Foreign currency translation reserve	23,784	(799,904)
	6,206,349	5,301,710

Movements in Reserves

<i>Share based payments reserve</i>		
Opening balance	6,101,374	5,971,524
Share based payments expense	80,951	129,850
Closing balance	6,182,325	6,101,374

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 20 for further details of the options issued during the financial period ended 31 December 2015.

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

	2015 \$	2014 \$
13. Reserves continued		
<i>Option premium reserve</i>		
Opening balance	240	240
Options issued	-	-
Closing balance	<u>240</u>	<u>240</u>

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

<i>Foreign currency translation reserve</i>		
Opening balance	(799,904)	245,656
Foreign currency translation	823,688	(1,045,560)
Closing balance	<u>23,784</u>	<u>(799,904)</u>

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

14. Accumulated losses

Movements in accumulated losses were as follows:

Opening balance	(18,692,359)	(16,590,633)
Loss for the year	(1,397,980)	(2,101,726)
Closing balance	<u>(20,090,339)</u>	<u>(18,692,359)</u>

15. Auditor's Remuneration

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

Amounts received or due and receivable for:

- an audit or review of the financial statements of the Consolidated Group	<u>29,220</u>	<u>29,000</u>
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There were no other services provided by the auditor during the years ended 31 December 2015 and 31 December 2014.

16. Related Party Disclosures

(a) Key management personnel

For Director related party transactions please refer to audited Remuneration Report.

(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	
		2015	2014
Haranga Iron LLC	Mongolia	100%	100%
Haranga Gobi LLC	Mongolia	-	51%
Haranga Khuder LLC	Mongolia	80%	80%
Nomad Mining Limited	Australia	100%	100%
Nomad Manganese LLC	Mongolia	100%	100%
Haranga Resources (Hong Kong) Limited	Hong Kong	100%	100%
Haranga Investments Pte Ltd	Singapore	100%	100%

(c) Remuneration of Key Management Personnel

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

Short term employee benefits	312,518	570,070
Share based payments	-	-
Total remuneration	<u>312,518</u>	<u>570,070</u>

Detailed remuneration disclosures are provided in the audited Remuneration Report.

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

16. Related Party Disclosures continued

(d) Non-controlling interests (NCI)

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

Summarised statement of financial position	Haranga Khuder LLC	
	31 December 2015	31 December 2014
Current assets	27,349	22,785
Non-current assets	15,799,195	14,363,400
Total assets	15,826,544	14,386,185
Current liabilities	(103,253)	(3,961)
Non-current liabilities	(15,946,973)	(14,476,056)
Total liabilities	(16,050,226)	(14,480,017)
Net liabilities	(223,682)	(93,832)

Summarised statement profit or loss and other comprehensive income	Haranga Khuder LLC	
	31 December 2015	31 December 2014
Revenue	-	1,242
Loss for the period	(121,046)	(27,096)
Other comprehensive income	-	-
Total comprehensive loss	(121,046)	(27,096)
Loss allocated to NCI	(24,209)	(5,419)

Summarised cash flows	Haranga Khuder LLC	
	31 December 2015	31 December 2014
Cash flows from operating activities	(121,046)	(27,096)
Cash flows from investing activities	(532,571)	(194,398)
Cash flows from financing activities	653,594	221,397
Net increase/(decrease) in cash and cash equivalents	(23)	(97)

(e) 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.

17. Loss per Share

	2015	2014
	\$	\$
Loss used in calculating basic and dilutive EPS	(1,397,980)	(2,101,726)
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic loss per share:	337,448,796	243,000,260
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	337,448,796	243,000,260

There is no impact from 32,450,000 options outstanding at 31 December 2015 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.

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

18. Financial Risk Management

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

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

(a) Liquidity Risk

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

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

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

Maturity analysis for financial liabilities

Financial liabilities of the Group comprise trade and other payables. As at 31 December 2015 and 31 December 2014 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.

	2015	2014
	\$	\$
Cash and cash equivalents	62,034	232,919

Interest rate sensitivity

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

Judgements of reasonably possible movements	Effect on Post Tax Losses	
	2015	2014
	\$	\$
Increase 100 basis points	620	2,329
Decrease 100 basis points	(620)	(2,329)

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

(c) Credit Risk

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

At 31 December 2015, the Group held cash at bank. These were held with financial institution with a rating from Standard & Poors of -AA or above (long term). The cash held in Mongolia is not material to the Group. The Group has no past due or impaired debtors as at 31 December 2015.

(d) Foreign Currency Risk

Currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Group does not have any material exposure to foreign currency risk.

(e) Fair Value Measurement

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

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

19. Contingent Liabilities

There are no known contingent liabilities.

20. Share Based Payment Plan

(a) Recognised share based payment transactions

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

	2015 \$	2014 \$
<i>Operating expenses</i>		
Employee share based payments	-	129,850
<i>Capital raising expenses</i>		
Share based payments to suppliers	80,951	-

(b) Employee share based payments

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

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

The table below summarises options granted to employees during the previous financial year:

Grant Date	Expiry date	Exercise price	Balance at start of the period Number	Granted during the period Number	Exercised during the period Number	Forfeited during the period Number	Balance at end of the period Number	Exercisable at end of the period Number	Value (\$)
19/03/14	31/03/16	\$0.10	3,700,000	-	-	-	3,700,000	3,700,000	129,850
Weighted average exercise price			\$0.04				\$0.04	\$0.04	

The model inputs, not included in the table above, for options granted during the year ended 31 December 2014 included:

- options are granted for no consideration and vest immediately;
- expected life of options had a range of one to three years;
- share prices at grant date was \$0.075;
- expected volatility of 100%;
- expected dividend yield of Nil; and
- a risk free interest rate from 2.55%.

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

	Grant Date	Expiry date	Exercise price	Balance at start of the period Number	Granted during the period Number	Exercised during the period Number	Forfeited during the period Number	Balance at end of the period Number	Exercisable at end of the period Number	Value (\$)
R Wrixon	09/05/13	30/06/18	\$0.20	2,000,000	-	-	-	2,000,000	2,000,000	160,006
K Griffin	09/05/13	30/06/18	\$0.20	2,000,000	-	-	-	2,000,000	2,000,000	160,006
E Tsengelbayar	09/05/13	30/06/18	\$0.20	2,000,000	-	-	-	2,000,000	2,000,000	160,006
T Flavel	09/05/13	30/06/18	\$0.20	1,000,000	-	-	-	1,000,000	1,000,000	80,003
M Wood	09/05/13	30/06/18	\$0.20	1,000,000	-	-	-	1,000,000	1,000,000	80,003
M Cooper	09/05/13	30/06/18	\$0.20	250,000	-	-	-	250,000	250,000	20,002
D Crennan	09/05/13	30/06/18	\$0.20	250,000	-	-	-	250,000	250,000	20,002
B Sukhbaatar	09/05/13	30/06/18	\$0.20	250,000	-	-	-	250,000	250,000	20,002
				8,750,000	-	-	-	8,750,000	8,750,000	700,030
Weighted average exercise price				\$0.20				\$0.20	\$0.20	

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

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

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

20. Share Based Payment Plan continued

(c) Share-based payment to suppliers

On 20 January 2015, the Company issued 15,000,000 unlisted options to Golden Rain Holdings Ltd as a portion of consideration for fully underwriting the rights issue completed in January 2015.

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

The table below summarises options granted to suppliers during the year ended 31 December 2015:

Grant Date	Expiry date	Exercise price	Balance at start of the period Number	Granted during the period Number	Exercised during the period Number	Forfeited during the period Number	Balance at end of the period Number	Exercisable at end of the period Number	Value (\$)
20/01/15	31/12/17	\$0.05	-	15,000,000	-	-	15,000,000	15,000,000	80,951
Weighted average exercise price				\$0.05			\$0.05	\$0.05	

The model inputs, not included in the table above, for options granted during the year ended 31 December 2015 included:

- options are granted for no consideration and vest immediately;
- expected life of options of approximately three years;
- share price at a grant date of \$0.013;
- expected volatility of 110%;
- expected dividend yield of Nil; and
- a risk free interest rate from 2.0%.

21. Fair Value of Financial Instruments

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

22. Dividends

No dividend was paid or declared by the Group in the period since the end of the financial year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 31 December 2015.

23. Commitments

Rental and services agreement

The Group entered a service agreement with Palisade Business Consulting Pty Ltd for certain administrative services and office space for a term of three years starting in October 2014. The Group is required to give 3 month's written notice to terminate the agreement.

Payable:

Within one year	120,000	180,000
After one year but not longer than 5 years	90,000	315,000
	<u>210,000</u>	<u>495,000</u>

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2015

24. Parent Entity Information

The following details information related to the parent entity, Haranga Resources Limited, at 31 December 2015. The information presented here has been prepared using consistent accounting policies as presented in note 2.

	2015 \$	2014 \$
Current assets	64,151	248,672
Total assets	<u>26,668,893</u>	<u>25,746,002</u>
Current liabilities	(356,781)	(124,734)
Total liabilities	<u>(356,781)</u>	<u>(124,734)</u>
Net Assets	<u>26,312,112</u>	<u>25,621,268</u>
Issued capital	39,944,202	38,735,809
Reserves	6,182,565	6,101,614
Accumulated losses	(19,814,656)	(19,216,155)
	<u>26,312,112</u>	<u>25,621,268</u>
Loss of the parent entity	(598,500)	(3,152,782)
Other comprehensive income for the year	-	-
Total comprehensive loss of the parent entity	<u>(598,500)</u>	<u>(3,152,782)</u>

25. Events Subsequent to Reporting Date

On 29 January 2016, the Company announced it was undertaking a non-renounceable entitlement issue to raise up to \$1,367,383. The issue was partially underwritten by Golden Rain Holdings Limited. The issue closed on 19 February 2016 having raised \$156,945 before costs. The Directors have three months to allocate the shortfall.

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

Directors' Declaration

31 December 2015

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

1. In the opinion of the directors:
 - a) the financial statements and notes of Haranga Resources Limited for the year ended 31 December 2015 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 2015 and of its performance for the year ended on that date; and
 - ii. Complying with Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b).
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. This declaration has been made after receiving the declarations required to be made by the Director's in accordance with sections of 295A of the Corporations Act 2001 for the financial year ended 31 December 2015.

On behalf of the Board



Marshall Cooper
Executive Chairman
31 March 2016

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

As lead auditor of Haranga Resources Limited for the year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of 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 Australia Ltd

Perth, 31 March 2016

INDEPENDENT AUDITOR'S REPORT

To the members of Haranga Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Haranga Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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



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 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2 (b).

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2(a) in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the continued support of its related parties and major creditors, and the future successful raising of necessary funding through equity to meet existing and future commitments. These conditions, along with other matters as set out in Note 2(a), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 10 of the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Haranga Resources Limited for the year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch
Director

Perth, 31 March 2016

Corporate Governance Statement 31 December 2015

This statement has been approved by the Board. It is current as at March 2016.

Haranga Resources Limited's ('Haranga's') approach to Corporate Governance

This Statement addresses how Haranga implements the ASX Corporate Governance Council's, 'Corporate Governance Principles and Recommendations – 3rd Edition (referred to as either ASX Principles or Recommendations).

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1 – *A listed entity should disclose:*

- a) *the respective roles and responsibilities of its board and management;*
- b) *those matters expressly reserved to the board and those delegated to management.*

Role of the Haranga Board ('the Board')

The Board is responsible for the governance of Haranga. The role of the Board is to provide overall strategic guidance and effective oversight of management. The Board derives its authority to act from Haranga's Constitution.

The Board's responsibilities are set out in a formal Charter which the Board reviews every two years. The Charter was most recently reviewed in March 2016.

The major powers the Board has reserved to itself are:

- Appointment of the Chief Executive Officer ('CEO') / Managing Director ('MD') and other senior executives and the determination of their terms and conditions including remuneration and termination;
- Driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- Approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- Approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- Approving the annual, half yearly and quarterly accounts;
- Approving significant changes to the organisational structure;
- Approving the issue of any shares, options, equity instruments or other securities in the Company (subject to compliance with ASX Listing Rules);
- Ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- Recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them (in accordance with the ASX Listing Rules); and
- Meeting with the external auditor, at their request, without management being present.

Delegation to the CEO / MD

The Board has delegated to the CEO/MD responsibility for implementing Haranga's strategic direction and for managing Haranga's day-to-day operations.

Recommendation 1.2 – *A listed entity should disclose:*

- a) *undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election, as a director;*
- b) *provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

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.

When considering the appointment of a new Director, the Board may engage the services of an executive recruitment firm to assist identify suitable candidates to be shortlisted for consideration for appointment to the Board and to carry out appropriate reference checks before the Board makes an offer to a preferred candidate.

Newly appointed directors must stand for reappointment at the next subsequent AGM. The Notice of Meeting for the AGM provides shareholders with information about each Director standing for election or re-election including details of relevant skills and experience.

Recommendation 1.3 – *A listed entity should have a written agreement with each director and executive setting out the terms of their appointment.*

New Directors consent to act as a Director and receive a formal letter of appointment which sets out duties and responsibilities, rights, and remuneration entitlements.

Corporate Governance Statement

31 December 2015

Recommendation 1.4 – *The company secretary of a listed entity should be accountable directly to the chair, on all matters to do with the proper functioning of the board.*

Haranga's Company Secretary fulfils a broad range of management responsibilities in addition to company secretarial duties. As a result, the formal reporting line of the Company Secretary is to the CEO/ MD and the Chair. For any matter relevant to the company secretarial duties or conduct of the Board, the Company Secretary has an indirect reporting line, and is accountable, to the Chair of the Board.

Recommendation 1.5 – *A listed entity should:*

- a) *have a diversity policy which includes requirements for the board to or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;*
- b) *disclose that policy or a summary of it; and*
- c) *disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:*
 1. *the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or*
 2. *if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.*

The Group has not disclosed its policy concerning diversity, its measurable objectives for achieving gender diversity and its progress towards achieving those objectives. The Board continues to monitor diversity across the organization however due to the size of the Group, the Board does not consider it appropriate at this time to formally set measurable objectives for gender diversity.

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

In accordance with this policy, the Board discloses there were four women employed in the organization however none on the Board of the Group as at the date of this report.

Recommendation 1.6 – *A listed entity should:*

- a) *have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors;*
- b) *disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

Evaluation of Board and individual Directors

The Board of Haranga conducts its performance review of itself on an ongoing basis throughout the year. The small size of the Group 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 Group given its size.

Recommendation 1.7 – *A listed entity should:*

- a) *have and disclose a process for periodically evaluating the performance of its senior executives; and*
- b) *disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The Board of Haranga conducts its performance review the CEO / MD on an ongoing basis throughout the year. The small size of the Group and hands on management style requires an increased level of interaction between Directors and CEO/MD throughout the year. The Board considers that the current approach provides the best guidance and value to the Group given its size.

Principle 2: Structure the Board to add value

Haranga's Constitution provides for a minimum of three directors and a maximum of twelve.

The Directors of Haranga at any time during the financial year are listed with a brief description of their qualifications, appointment date, experience and special responsibilities in the Annual Report.

The Board met regularly throughout the course of the financial year to discuss the Company's operational and financial activities, however no formal meetings were held.

Corporate Governance Statement

31 December 2015

Recommendation 2.1 – *The Board of a listed entity should:*

- a) *have a nomination committee which:*
 1. *Has at least three members, a majority of whom are independent directors; and*
 2. *Is chaired by an independent director;**and disclose:*
 3. *the charter of the committee;*
 4. *the members of the committee; and*
 5. *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- b) *if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable to discharge its duties and responsibilities effectively.*

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.

Recommendation 2.2 – *The listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.*

The Group does not have an established board skills matrix on the mix of skills and diversity for Board membership. The Board continues to monitor the mix of skills and diversity on the Board however, due to the size of the Group, the Board does not consider it appropriate at this time to formally set matrix on the mix of skills and diversity for Board membership.

Recommendation 2.3 – *A listed entity should disclose:*

- a) *the names of the directors considered by the board to be independent directors;*
- b) *if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion and*
- c) *the length of service of each director.*

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 Group 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 Act 2001) of the Group or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Group;
- has not within the last three years been employed in an executive capacity by the Group or another Group member, or been a Director after ceasing to hold any such employment;
- is not a principal of a professional adviser to the Group or another Group member;
- is not a significant consultant, supplier or customer of the Group or another Group 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 Group or another Group member other than as a Director of the Group;
- 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 Group."

In accordance with the definition of independence above, the majority of Directors are not considered independent. Accordingly, a majority of the Board is not independent. Given the size of the Group the current Board is deemed appropriate. 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 Group'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
Mr. Marshall Cooper	3 years, 8 months
Mr. Erdene Tsengelbayar	4 years, 3 months
Mr. Brian McMaster	1 year, 11 months
Mr. Matthew Wood	6 years, 1 month
Mr. Michael Riady	1 year, 1 month
Mr. Jack James	1 year, 2 months
Mr. Bat-Ochir Sukhbaatar	4 years, 5 months

Corporate Governance Statement

31 December 2015

Recommendation 2.4 – *The majority of the Board of a listed entity should be independent Directors.*

The Group 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 Group.

As at the date of this report, the Board comprised three executive Directors. In accordance with the definition of independence above, no Directors are considered independent. Accordingly, a majority of the Board is not independent.

Recommendation 2.5 – *The Chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO/MD of the entity.*

Under Haranga's Constitution, the Board elects a Chairman from amongst the Directors. If a Chairman ceases to be an independent Director then the Board will consider appointing a lead independent Director.

Haranga's Chairman, Marshall Cooper is not considered an independent Director. The Directors consider that the current Chairman of the Board is appropriate to the size and nature of operations of the Group.

Recommendation 2.6 – *The listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.*

The formal letter of appointment and an induction pack provided to Directors contain sufficient information to allow the new Director to gain an understanding of:

- The rights, duties and responsibilities of Directors;
- The role of Board Committees;
- The roles and responsibilities of the CEO/MD; and
- Haranga' financial, strategic, and operational risk management position.

Directors are encouraged to take appropriate professional development opportunities approved by the Board.

Principle 3: Promote ethical and responsible decision making

Recommendation 3.1 – *A listed entity should:*

- a) have a code of conduct for its directors, senior executives and employees; and*
- b) disclose that code or a summary of it.*

Haranga has a Code of Conduct that applies to Haranga and its Directors, employees and contractors (all of which are referred to as "employees" in the Code).

The Code of Conduct sets out a number of overarching principles of ethical behaviour which cover:

- Personal and Professional Behaviour;
- Conflict of Interest;
- Public and Media Comment;
- Use of Company Resources;
- Security of Information;
- Intellectual Property/Copyright
- Discrimination and Harassment;
- Corrupt Conduct;
- Occupational Health and Safety;
- Legislation;
- Fair Dealing;
- Insider Trading;
- Responsibilities to Investors;
- Breaches of the Code of Conduct; and
- Reporting Matters of Concern.

Training about the Code of Conduct is part of the induction process for new Haranga Directors.

Haranga's Code of Conduct is available on their website.

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1 – A board of a listed entity should:

- a) have an audit committee which:
 1. has at least three members, all of whom are non-executive directors and a majority of whom are independent; and
 2. is chaired by an independent director, who is not the chair of the board, and disclose:
 3. the charter of the committee;
 4. the relevant qualifications and experience of the members of the committee; and
 5. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard that integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

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. The Directors consider this as appropriate to the size and nature of operations of the Group.

Charter of the Audit and Risk Management Committee

The Board has formally adopted an Audit and Risk Management Committee Charter but given the present size of the Group, 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 Group 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 Group.

Recommendation 4.2 – The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO/MD and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The CEO/MD and the CFO have provided the Board with written assurances that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal compliance and control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 4.3 – A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The external auditor attends Haranga's Annual General Meeting. Shareholders may submit written questions to the auditor to be considered at the meeting in relation to the conduct of the audit and the preparation and content of the Independent Audit Report by providing the questions to Haranga at least five business days before the day of the meeting. No questions were sent to the auditor in advance of the 2015 Annual General Meeting. Shareholders are also given a reasonable opportunity at the meeting to ask the auditor questions relevant to the conduct of the audit, the Independent Audit Report, the accounting policies adopted by Haranga and the independence of the auditor.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 – A listed entity should:

- a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- b) disclose that policy or a summary of it.

Disclosure

Haranga's Disclosure Policy describes its continuous disclosure obligations and how they are managed by Haranga. The Policy is reviewed bi-annually and is published on Haranga's website. It was most recently reviewed in March 2016.

Accountability

The Company Secretary reports to the Board quarterly on matters that were either notified or not notified to the ASX. Directors receive copies of all announcements immediately after notification to the ASX. All ASX announcements are available on the Haranga website.

Corporate Governance Statement

31 December 2015

Financial market communications

Communication with the financial market is the responsibility of the CEO/MD. Communication with the media is the responsibility of the CEO/MD. The Disclosure Policy covers briefings to institutional investors and stockbroking analysts, general briefings, one-on-one briefings, blackout periods, compliance and review as well as media briefings.

The substantive content of all market presentations about the half year and full year financial results and all statements relating to Haranga's future earnings performance must be referred to, and approved by, the Board before they are disclosed to the market.

Principle 6: Respect the rights of shareholders

Recommendation 6.1 – *A listed entity should provide information about itself and its governance to investors via its website.*

Haranga's website provides detailed information about its business and operations. Details of Haranga's Board Members can be found on the website.

The Investor Centre link on Haranga's website provides helpful information to shareholder. It allows shareholders to view all ASX and media releases; various investor presentations; a copy of the most recent Annual Report and Annual Reports for at least the two previous financial years; and the notice of meeting and accompanying explanatory material for the most recent Annual General Meeting and the Annual General Meetings for at least the two previous financial years.

Shareholders can find information about Haranga's corporate governance on its website at under the Corporate link. This includes its Corporate Governance Plan.

The Corporate Governance Plan includes:

- Board Charter
- Corporate Code of Conduct
- Committee Charters
- Performance evaluation processes
- Continuous disclosure processes
- Risk management processes
- Trading policy
- Diversity policy
- Shareholder communications strategy

Recommendation 6.2 – *A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

Haranga is committed to communicating effectively with its shareholders and making it easier for shareholders to communicate with the Group.

Haranga promotes effective communication with shareholders and encourages effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX;
- Through the Annual Report, half yearly report and quarterly reports;
- Through the distribution of the annual report and notices of annual general meeting;
- Through shareholder meetings and investor relations presentations; and
- 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.

Recommendation 6.3 – *A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.*

Notices of meeting sent to Haranga's shareholders comply with the "Guidelines for notices of meeting" issued by the ASX in August 2007. Shareholders are invited to submit questions before the meeting and, at the meeting, the Chairman attempts to answer as many of these as is practical.

The Chairman also encourages shareholders at the meeting to ask questions and make comments about Haranga's operations and the performance of the Board and senior management. The Chairman may respond directly to questions or, at his discretion, may refer a question to another Director or the CEO/MD.

New Directors or Directors seeking re-election are given the opportunity to address the meeting and to answer questions from shareholders.

Corporate Governance Statement

31 December 2015

Recommendation 6.4 – A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Shareholders have the option of electing to receive all shareholder communications by e-mail. Haranga provides a printed copy of the Annual Report to only those shareholders who have specifically elected to receive a printed copy. Other shareholders are advised that the Annual Report is available on the Haranga website.

All announcements made to the ASX are available to shareholders by email notification when a shareholder provides the Haranga Share Registry with an email address and elects to be notified of all Haranga ASX announcements.

The Haranga Share Register is managed and maintained by Automic Share Registry Services Pty Ltd. Shareholders can access their shareholding details or make enquiries about their current shareholding electronically by quoting their Shareholder Reference Number (SRN) or Holder Identification Number (HIN), via the Automic Share Registry Investor Online Login or by emailing info@automic.com.

Principle 7: Recognise and manage risk

Recommendation 7.1 – A board of a listed entity should:

- a) have a committee or committees to oversee risk, each of which:
 1. has at least three members, all of whom are non-executive directors and a majority of whom are independent; and
 2. is chaired by an independent director, who is not the chair of the board, and disclose:
 3. the charter of the committee;
 4. the members of the committee; and
 5. as at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

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.

Details of the structure and Charter of the Audit and Risk Management Committee are set out in Recommendation 4.1.

Recommendation 7.2 – The board or a committee of the board should:

- a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- b) disclose, in relation to each reporting period, whether such a review has taken place.

Risk Management Policies

Haranga has a number of other policies that directly or indirectly serve to reduce and/or manage risk. These include, but are not limited to:

- Directors and Executive Offices' Code of Conduct
- Code of Business Conduct
- Dealing in Company Securities
- Communications Strategy
- Disclosure Policy
- Risk Management and Internal Control Policy

Roles and responsibilities

The Risk Management Policy, and the other policies listed above, describes the roles and responsibilities for managing risk. This includes, as appropriate, details of responsibilities allocated to the Board.

The Board is responsible for reviewing and approving changes to the Risk Management Policy and for satisfying itself that Haranga has a sound system of risk management and internal control that is operating effectively. The Board annually reviews and approves Haranga's main risk exposures and the mitigating actions.

Recommendation 7.3 – A listed entity should disclose:

- a) If it has an internal audit function, how the function is structured and what role it performs; or
- b) If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Group does not have an established internal audit function given the size of its current operations. The risk management functions of the board are summarised under recommendations 7.1 and 7.2.

Corporate Governance Statement

31 December 2015

Recommendation 7.4 – *A listed entity should disclose whether it has any material exposure to economic and social sustainability risks and, if it does, how it manages or intends to manage those risks.*

The Board of Haranga informally monitors and manages the Groups exposure to economic, environment and social responsibility risks. The Board considers that the current approach that it has adopted with regard to the sustainability risk management process is appropriate to the size and nature of operations of the Group.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 – *A board of a listed entity should:*

- a) *have a remuneration committee which:*
 1. *has at least three members, all of whom are non-executive directors and a majority of whom are independent; and*
 2. *is chaired by an independent director,*
and disclose:
 3. *the charter of the committee;*
 4. *the members of the committee; and*
 5. *as at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- b) *if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

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 Group, 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 Group 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.

Recommendation 8.2 – *A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.*

Haranga's remuneration structure distinguishes between non-executive Directors and that of the CEO/MD. A Remuneration Report required under Section 300A(1) of the Corporations Act is provided in the Directors' Report of the Annual Report.

Recommendation 8.3 – *A listed entity which has an equity-based remuneration scheme should:*

- a) *have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*
- b) *disclose that policy or a summary of it.*

Haranga does not have a policy on whether participants in equity based remuneration schemes are able to enter into transactions which limit the economic risk of participating in those schemes as the Group does not have an equity based remuneration scheme.

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 30 March 2016.

Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	30	8,698
1,001 - 5,000	95	292,531
5,001 - 10,000	107	933,418
10,001 - 100,000	434	17,618,999
100,001 - and over	184	371,310,683
TOTAL	850	390,164,329

There were 680 holders of ordinary shares holding less than a marketable parcel.

Top Twenty Share Holders

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

Name	Number of shares held	%
GOLDEN RAIN HOLDINGS LIMITED	152,164,088	39.00
AMARBAATAR CHULTEM	39,202,454	10.05
J P MORGAN NOMINEES AUSTRALIA LIMITED	15,518,519	3.98
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	13,211,570	3.39
GEOTRASS LLC\C	13,067,485	3.35
BRING ON RETIREMENT LTD	12,798,678	3.28
NEFCO NOMINEES PTY LTD	11,295,129	2.89
CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	8,809,337	2.26
MR GEORGE LKHAGVADORJ TUMUR	5,012,500	1.28
MR BILGUUN AMARBAATAR	4,760,415	1.22
MR TIMOTHY JAMES FLAVEL <THE FLAVEL INVESTMENTS A/C>	4,471,250	1.15
BNP PARIBAS NOMS PTY LTD <UOB KAY HIAN PRIV LTD DRP>	3,682,312	0.94
E & E HALL PTY LTD <E & E HALL P/L S/F A/C>	3,445,000	0.88
PETERSVIEW PTY LTD	3,000,000	0.77
MS MARNIE EDDINGTON	2,950,000	0.76
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,946,430	0.76
MR ERDENE TSENGELBAYAR	2,613,498	0.67
MR KELL IVAR NIELSEN <NIELSEN FAMILY A/C>	2,500,000	0.64
CHEVAL HOLDINGS PTY LTD	2,000,000	0.51
MISS BADMAARAG GANTUMUR	1,822,092	0.47
Total	305,270,757	78.24

Substantial Shareholders

The names of shareholders who have notified the Company in accordance with Section 671B of the *Corporations Act 2001* are:

Shareholder Name	No. of Ordinary Shares	Percentage %
Golden Rain Holdings Limited	152,164,088	39.00
Amarbaatar Chultem	39,202,454	10.05

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.

Tenement Table

Tenement Table

The Status of Mineral Licenses					
License Holder	License No.	Date of issue	License area /ha/	Current year	Valid until
Haranga Khuder LLC	MV-018934	19-Jun-15	3,480.70	2	2045*
Haranga Khuder LLC	XV-018935	19-Jun-15	2,274.47	11	2016**
Haranga Khuder LLC	XV-011334	10-Feb-06	3,185.38	11	2016**
Haranga Khuder LLC	XV-011335	10-Feb-06	616.96	11	2018
Haranga Khuder LLC	XV-011337	10-Feb-06	3,039.41	11	2018
Haranga Khuder LLC	XV-011338	10-Feb-06	3,171.66	11	2018
Haranga Khuder LLC	XV-017245	10-Feb-06	562.63	11	2018
Haranga Khuder LLC	XV-017467	10-Feb-06	459.47	11	2018

*under ML status
**under PMA status