



ABN 83 141 128 841

Annual Report
31 December 2019

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CORPORATE DIRECTORY

Directors

Mr Peter Youd (Non-Executive Director)
 Mr Teow Kim Chng (Non-Executive Director)
 Ms Nerida Schmidt (Non-Executive Director)

Company Secretary

Ms Nerida Schmidt

Registered Office

Suite 3, 9 Hampden Road
 NEDLANDS WA 6009
 Telephone: +61 1300 660 448
 Facsimile: +61 1300 855 044
 Website: www.haranga.com

Share Registry

Automic Registry Services Pty Ltd
 Level 2
 267 St Georges Terrace
 PERTH WA 6000
 Telephone: 1300 288 664
 Facsimile: + 61 8 9321 2337

Solicitors

Steinepreis Paganin
 Level 4, The Read Buildings
 16 Milligan Street
 PERTH WA 6000
 Telephone: + 61 8 9321 4000
 Facsimile: + 61 8 9321 4333

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

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 2019. 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 Peter Youd, Non-Executive Director

Mr Youd is a Chartered Accountant and has extensive experience within the resources and oil and gas services industries. For the last 30 years Mr Youd has held a number of senior management positions and directorships for publicly listed and private companies in Australia and overseas.

Mr Youd is currently an executive director of First Graphene Limited (appointed 6 June 2014). He has not held any other listed directorships over the past three years.

Mr Teow Chng, Non-Executive Director

Mr Chng is a qualified accountant with many years’ experience in the corporate finance, marketing and resources industry.

Currently, Mr Chng is the Executive Chairman of Candlestick Ltd, a public unlisted company in Australia, and the Executive Director of Acutus Corporate Services Pte Ltd in Singapore, Chairman of Acutus (Australia) Pty Ltd and has held several directorships in mining resources and resort development companies in both Australia, and several Asian countries. He was also partner in a management educational and training venture that delivers high level western products and services through leading international academics and thinkers to China-based senior managers and executives. Mr Chng has experience in establishing businesses and taking these businesses to IPO in the Australian Securities Exchange and has raised capital to finance these businesses.

Mr Chng has not held any listed directorships over the past three years.

Ms Nerida Schmidt, Non-Executive Director & Company Secretary

Ms Schmidt has 28 years’ professional experience as the CFO and company secretary of a number of ASX, TSX and AIM listed companies in a variety of industries and has consulted to a number of listed and unlisted entities providing corporate, company secretarial and financial services. She holds a Bachelor of Commerce from the University of Western Australia, is a Certified Practising Accountant and a Fellow of Finsia. She is also a Chartered Secretary and holds a Graduate Diploma in Company Secretarial Practice.

Currently Ms Schmidt is the Company Secretary for Trek Metals Limited and First Graphene Limited, both ASX listed companies. Ms Schmidt was previously a director of Sirocco Energy Limited (appointed 25 May 2015, resigned 18 November 2015).

Ms Schmidt held the position of Non-Executive Director of Entek Energy Limited from 7 March 2018 to 1 September 2018. Ms Schmidt has not held any other listed directorships over the past three years

COMPANY SECRETARY

Ms Nerida Schmidt

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
Peter Youd	1,333,334
Teow Chng	1,338,891
Nerida Schmidt	1,333,334

RESULTS OF OPERATIONS

The Group’s net loss after taxation attributable to the members of Haranga Resources for the year to 31 December 2019 was \$288,970 (2018: net loss of \$120,486).

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 continues to assess various re-capitalisation opportunities and intends, at this stage, to remain a minerals exploration and development company.

REPORT ON OPERATIONS

On 21 May 2019, the Company drew down \$30,000 from the \$200,000 Convertible Note facility with Celtic Capital Pty Ltd. On 1 August 2019, the Company issued 44,056,899 shares at \$0.0007 extinguishing convertible debt, including interest, of \$30,839 and 39,523,819 shares were issued to sophisticated investors raising funds of \$27,667.

On 7 August 2019, shareholders approved a 1:30 consolidation of capital which was completed on 13 August 2019.

On 23 August 2019 the Company announced a non-renounceable entitlement issue of two shares for every three held by shareholders. A total of 2,664,624 shares at \$0.03 per share were issued to investors on 19 September 2019 raising \$79,939. On 13 December 2019, a further 11,578,566 shares at \$0.03 were issued under the Shortfall provisions of the non-renounceable entitlement issue.

The Directors, together with the Company's corporate adviser, are continuing to assess various recapitalisation opportunities for the Company and continue to actively pursue other opportunities to restore shareholder value as well as looking at other funding options for these opportunities.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Directors, together with the Company's corporate adviser, are continuing to assess various recapitalisation opportunities for the Company and continues to actively pursue other opportunities to restore shareholder value as well as looking at other funding options for these opportunities. Refer also to Significant Events After the Reporting Date.

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

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

As disclosed in the Rights Issue prospectus dated 23 August 2019, each of the directors, Mr Peter Youd, Mr Teow Kim Chng and Ms Nerida Schmidt entered into agreements with the Underwriter to sub-underwrite the Rights Issue up to \$40,000 each (1,333,334 shares). Any allocation of shortfall to the directors was intended to be issued in reliance on Exception 2 of ASX Listing Rule 10.12 so that shareholder approval would not be required under ASX Listing Rule 10.11.

In the course of allocating the shortfall, 1,333,334 shares were issued to each of Mr Peter Youd, Mr Teow Kim Chng and Ms Nerida Schmidt (together the "**Director Shortfall Shares**"). Due to an administrative oversight the shortfall allocations (including the Director Shortfall Shares) were not finalised or issued until 12 December 2019. As the Director Shortfall Shares were issued more than 15 business days after the close of the Rights Issue, the relevant ASX Listing Rule exception to 10.11 was unable to be relied upon resulting in an unintentional and inadvertent breach of ASX Listing Rule 10.11.

As a corrective measure, the Company intends to buy back the Director Shortfall Shares (at the Rights Issue price of \$0.03) in accordance with the selective reduction of capital provisions of the Corporations Act 2001 (Cth). The Company is in the process of preparing a notice of meeting for the shareholder approval required for this process. The Company also intends to seek shareholder approval to allow each of the directors to re-subscribe for up to 1,333,334 shares at the issue price of \$0.03 each.

On 15 April 2019, ASX released a revised version of [Guidance Note 33](#) (GN33) stating ASX's policy is to remove from the official list:

- an entity that fails to lodge any of the documents referred to in Listing Rule 17.5 for a continuous period of 1 year after the deadline for lodgement of that document; and
- an entity whose securities have been suspended from quotation for a continuous period of 2 years, whichever occurs first.

As stated in footnote 76 of GN33 and [Listed@ASX Compliance Update 04/19](#), this policy will come into effect on **Monday 3 February 2020**. Unless ASX decides otherwise, entities that have failed to file any of the documents referred to in Listing Rule 17.5 on or before 31 January 2019 and have not rectified that failure by the close of trading on Friday 31 January 2020 will be automatically removed from the official list at the commencement of trading on Monday 3 February 2020. Likewise, any other entities that have been continuously suspended since on or before 31 January 2018 and remain suspended at the close of trading on Friday 31 January 2020 will be automatically removed from the official list at the commencement of trading on Monday 3 February 2020.

As an entity to which this applies, the Company will be removed from the official list. Haranga will continue to be a public unlisted company and will, together with its corporate adviser, continue to assess various recapitalisation opportunities for the Company and continue to actively pursue other opportunities to restore shareholder value as well as looking at other funding options for these opportunities. Should it be appropriate, the Company will re-apply for admission to the official list under Chapters 1 & 2 of the Listing Rules.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

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

SHARES UNDER OPTION

During the year and to the date of this report, there were no unissued ordinary shares under options. No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

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. 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
Peter Youd	7	7
Teow Kim Chng	7	7
Nerida Schmidt	7	7

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 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 in separate announcements released to ASX on the date of this 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 2019.

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. Peter Youd	Non-Executive Director (appointed 1 June 2017)
Mr. Teow Kim Chng	Non-Executive Director (appointed 4 May 2018)
Ms. Nerida Schmidt	Non-Executive Director (appointed 4 May 2018)
Mr. Bat-Ochir Sukhbaatar	Non-Executive Director (not re-elected at the AGM held on 12 September 2018)
Mr. Jack James	Non-Executive Director (resigned 4 May 2018)
Ms. Paula Smith (nee Cowan)	Non-Executive Director (appointed 28 March 2017, resigned 4 May 2018)

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 on a post consolidation basis. Note that the company has been in a trading halt since 22 January 2018:

As at 31 December	2019	2018	2017	2016	2015
Loss per share (cents) – post consolidation	(1.41)	(0.70)	(35.71)	(179.30)	(12.48)
Share Price (\$) – post consolidation	0.09	0.09	0.09	0.09	0.012

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 2019 are as follows:

2019	Short term			Options	Post employment		Total	Option related %
	Base Salary	Directors Fees	Consulting Fees	Share Based Payments	Super-annuation	Prescribed Benefits		
	\$	\$	\$	\$	\$	\$	\$	%
Directors								
Peter Youd	-	36,000	-	-	-	-	36,000	-
Teow Kim Chng	-	36,000	-	-	-	-	36,000	-
Nerida Schmidt	-	36,000	-	-	-	-	36,000	-
	-	108,000	-	-	-	-	108,000	

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 2018 are as follows:

2018	Short term			Options	Post employment		Total	Option related %
	Base Salary	Directors Fees	Consulting Fees	Share Based Payments	Super-annuation	Prescribed Benefits		
	\$	\$	\$	\$	\$	\$	\$	%
Directors								
Peter Youd	-	36,000	-	-	-	-	36,000	-
Teow Kim Chng (a)	-	23,710	-	-	-	-	23,710	-
Nerida Schmidt (a)	-	23,710	-	-	-	-	23,710	-
Bat-Ochir Sukhbaatar (c)	-	27,997	-	-	-	-	27,997	-
Jack James (b)	-	12,000	-	-	-	-	12,000	-
Paula Smith (b)	-	12,000	-	-	-	-	12,000	-
	-	135,417	-	-	-	-	135,417	

(a) Mr Chng and Ms Schmidt were appointed 4 May 2018;

(b) Mr James and Ms Smith resigned on 4 May 2018; and

(c) Mr Sukhbaatar was not re-elected at the AGM on 12 September 2018.

There are no options affecting remuneration in the current and future reporting period. No options have been exercised at 31 December 2019.

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.

2019	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Effect of consolidation ⁽²⁾	Other changes during the Year	Balance at the end of the year
Peter Youd	-	-	-	-	1,334,334 ⁽¹⁾	1,334,334
Teow Kim Chng	100,000	-	-	(95,443)	1,334,334 ⁽¹⁾	1,338,891
Nerida Schmidt	-	-	-	-	1,334,334 ⁽¹⁾	1,334,334

(1) Each of the current directors participated in the non-renounceable entitlement issue and were each issued 1,333,334 shares on 13 December 2019

(2) Mr Chng's opening balance was consolidated on a 30:1 basis to 3,334 shares and he participated in the Rights Issue to purchase his entitlement of 2,223 shares.

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:

2019	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Balance at the end of the year	Exercisable	Un-exercisable
Peter Youd	-	-	-	-	-	-
Teow Kim Chng	-	-	-	-	-	-
Nerida Schmidt	-	-	-	-	-	-

Other transactions with Key Management Personnel

Ms Nerida Schmidt provided Company Secretarial services totalling \$48,000 (2018: \$31,613) during the year of which \$13,200 (2018: \$4,000) was payable at 31 December 2019.

Loans to Directors and Executives

There were no loans to directors and executives during the financial year ending 31 December 2019.

Voting and comments made at the Company's 2018 Annual General Meeting

Haranga Resources Limited received more than 25% votes against its remuneration report for the 2018 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.



Mr Peter Youd
Non-Executive Director
30 January 2020

Haranga Resources Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended
31 December 2019

	Notes	2019 \$	2018 \$
Revenue from continuing operations			
Interest income		72	522
Other Income	15	-	222,235
Expenses			
Professional and consulting fees	4(a)	(225,813)	(293,935)
Foreign exchange gain / (loss)		-	11
Interest expense		(840)	-
Other expenses	4(b)	(62,389)	(36,449)
Loss from continuing operations before income tax		(288,970)	(107,616)
Income tax benefit	5	-	-
Loss from continuing operations after income tax		(288,970)	(107,616)
Loss for the year from discontinued operations	21	-	(12,870)
Loss for the year		(288,970)	(120,486)
Other comprehensive income / (loss)			
<i>Items that may be reclassified to profit or loss:</i>			
Foreign currency translation of foreign operations		-	12,870
Other comprehensive income / (loss) for the year, net of tax		-	12,870
Total comprehensive income / (loss) for the year		(288,970)	(107,616)
(Loss)/profit for the year attributable to:			
Owners of Haranga Resources Limited		(288,970)	(120,486)
Non-controlling interests		-	-
		(288,970)	(120,486)
Total comprehensive income / (loss) for the year attributable to:			
Owners of Haranga Resources Limited		(288,970)	(107,616)
Non-controlling interests		-	-
		(288,970)	(107,616)
Loss per share attributable to owners of Haranga Resources Limited (amounts in cents)			
Basic and diluted loss per share from continuing operations		(1.41)	(0.63)
Basic and diluted loss per share from discontinued operations		n/a	(0.07)
Basic and diluted loss per share	13	(1.41)	(0.70)

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

Haranga Resources Limited
Consolidated Statement of Financial Position as at 31 December 2019

	Notes	2019 \$	2018 \$
Current Assets			
Cash and cash equivalents	6	172,224	32,850
Other receivables	7	11,500	8,148
Other current assets		13,553	13,542
Total Current Assets		197,277	54,540
Total Assets		197,277	54,540
Current Liabilities			
Trade and other payables	7	137,392	150,296
Total Current Liabilities		137,392	150,296
Total Liabilities		137,392	150,296
Net Assets/(Liabilities)		59,885	(95,756)
Equity			
Issued capital	8	40,834,231	40,389,620
Reserves	9	6,127,871	6,127,871
Accumulated losses	10	(46,902,217)	(46,613,247)
Total Equity		59,885	(95,756)

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

Haranga Resources Limited
Consolidated Statement of Cash Flows for the year ended 31 December 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Payments to suppliers and employees		(304,469)	(207,591)
Interest received		72	522
Net cash outflows from operating activities	6	(304,397)	(207,069)
Cash flows from financing activities			
Proceeds from issue of shares		454,872	50,875
Payments for share issue costs		(41,101)	(2,072)
Proceeds from convertible note	7	30,000	-
Net cash inflows from financing activities		443,771	48,803
Net increase / (decrease) in cash held		139,374	(158,266)
Cash and cash equivalents at beginning of period		32,850	191,116
Cash and cash equivalents at end of the period	6	172,224	32,850

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

Haranga Resources Limited

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

	Issued capital \$	Accumulated Losses \$	Reserves \$	Total \$
Balance 1 January 2019	40,389,620	(46,613,247)	6,127,871	(95,756)
Loss for the year	-	(288,970)	-	(288,970)
<i>Other comprehensive loss</i>				
Foreign currency translation	-	-	-	-
Total comprehensive loss for the year	-	(288,970)	-	(288,970)
Transactions with owners in their capacity as owners				
Shares issued	485,712	-	-	485,712
Costs of issue	(41,101)	-	-	(41,101)
Balance at 31 December 2019	40,834,231	(46,902,217)	6,127,871	59,885

	Issued capital \$	Accumulated Losses \$	Reserves \$	Total \$
Balance 1 January 2018	40,340,817	(46,492,761)	6,115,001	(36,943)
Loss for the year	-	(120,486)	-	(120,486)
<i>Other comprehensive loss</i>				
Foreign currency translation	-	-	12,870	12,870
Total comprehensive loss for the year	-	(120,486)	12,870	(107,616)
Transactions with owners in their capacity as owners				
Shares issued	50,875	-	-	50,875
Costs of issue	(2,072)	-	-	(2,072)
Balance at 31 December 2018	40,389,620	(46,613,247)	6,127,871	(95,756)

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 2019

1. Corporate Information

The financial statements of Haranga Resources Limited (“Haranga Resources” or “the Group”) for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 30 January 2020.

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, and 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 2019 of \$288,970 (2018: net loss of \$120,486) and experienced net cash outflows from operating activities of \$304,397 (2018: \$207,069). At 31 December 2019, the Group had a net current asset position of \$59,885 (2018: net liabilities of \$95,756). At the date of this report the majority of the trade and other payables are past due and relate to fees payable to the Directors, legal advisors and the Company’s corporate advisor actively pursuing opportunities for the Company

Notwithstanding the above, the ability of the Group to continue as a going concern is dependent upon the Group obtaining funding through various sources, including debt and/or equity issues, to meet its commitments in the next 12 months.

These conditions indicate a material uncertainty that may cause a significant doubt about the Group’s ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management believe there are sufficient funds to meet the consolidated Group’s working capital requirements at the date of this report and that there are reasonable grounds to believe that the Group will continue as a going concern for the following reasons:

- The Company signed a convertible note providing for up to \$200,000 available to be drawn down, the full amount being available at the date of this report;
- The ability to raise additional funding through debt or equity; and
- In the interim, the company has reduced its expenditure to conserve cash and has received confirmation from certain creditors that outstanding liabilities totalling \$63,381 would not be called upon in the near future.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the consolidated entity not continue as a going concern.

(b) Compliance Statement

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

(c) Basis of Consolidation

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

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

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

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

(d) New Accounting Standards and Interpretations

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

New, Revised or Amending Accounting Standards and Interpretations Adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2019.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 16 Leases

There was no material impact on adoption of the standard and no adjustment made to current or prior period amounts.

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

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

(ii) Transactions and balances

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

(iii) Group entities

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

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

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

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

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

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

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

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

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

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

(g) Financial Instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

On initial recognition, financial assets are classified as measured at:

- Amortised cost;
- Fair Value through Other Comprehensive Income ("FVOCI") – debt investment;
- FVOCI – equity investment; or
- Fair Value through Profit or Loss ("FVTPL")

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. For financial assets measured at amortized cost, these assets are subsequently measured at amortized cost using the effective interest method. The amortised cost is reduced by impairment losses.

Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

As of 31 December 2019, the Group's financial instruments consist of cash and cash equivalents, trade and other receivables and trade and other payables.

Cash and cash equivalents and other receivables are classified as amortised cost under AASB 9. The trade and other payables are designated as other financial liabilities, which are measured at amortised cost.

The cash and cash equivalents, trade and other receivables, and trade and other payables approximate their fair value due to their short-term nature.

The Group classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:

The three levels of the fair value hierarchy are:

- Level 1 – Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Values based on inputs, including quoted prices, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – Values based on prices or valuation techniques that are not based on observable market data.

Impairment of financial assets

The Group assesses the recoverability of financial assets using an 'expected credit loss' ("ECL") model. This impairment model is applied to financial assets measured at amortised cost, contract assets and debt investments at Fair Value Through Other Comprehensive Income ("FVOCI"), but not to investments in equity instruments.

In accordance with AASB 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECL: these are ECLs that result from all possible default events over the expected life of a financial instrument.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(h) Other Receivables

Other receivables, which generally have 30-day terms, are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less any provision for impairment.

(i) 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.

(j) Trade and Other Payables

Trade creditors and other payables are recognised at amortised cost and not discounted due to their short-term nature. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

(k) Income Tax

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

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

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

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

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

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) Share Based Payment Transactions

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

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

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

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 13).

(r) 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.

Assessment of payables

The directors conducted an assessment of certain payables during the year and determined that they were to be reversed in the current period and disclosed in Contingent Liabilities. This assessment involved significant judgement by management. Refer to Note 15 for more details.

(s) Employee Benefits

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

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

3. Segment Information

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

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

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

	2019 \$	2018 \$
4. Expenses		
a) Professional and consulting fees		
Accounting fees	(10,905)	(16,940)
Audit and taxation fees	(37,180)	(30,461)
Consultants	-	(61,613)
Other	(177,728)	(184,921)
	<u>(225,813)</u>	<u>(293,935)</u>
b) Other expenses		
ASX listing fees	(23,288)	(10,056)
Insurance	(10,228)	(4,721)
Other	(28,873)	(21,672)
	<u>(62,389)</u>	<u>(36,449)</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:		
Accounting loss before income tax expense	(288,970)	(120,486)
Tax at the Australian rate of 27.5% (2018: 27.5%)	(79,467)	(33,134)
Non-deductible expenses	5,729	-
Other assessable income – capital gains tax	-	-
Temporary differences – accruals not deductible	(1,551)	(19,889)
Deductible expenses	(20,774)	(17,368)
Non-assessable income - other	-	-
Exploration acquisition costs written back	-	-
	<u>(96,063)</u>	<u>(70,391)</u>
Income tax credit not brought to account	96,063	70,391
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	7,521,267	7,425,204
Share issue costs deductible over five years	18,110	21,852
Accrued expenses	9,587	11,138
Net deferred tax asset not recognised	<u>7,548,964</u>	<u>7,458,194</u>
(d) Unused tax losses		
Unused tax losses	27,350,062	27,000,741
Potential tax benefit not recognised at 27.5% (2018: 27.5%)	<u>7,521,267</u>	<u>7,425,204</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.

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

	2019 \$	2018 \$
6. Cash and Cash Equivalents		
Reconciliation of Cash		
Cash comprises of:		
Cash at bank	172,224	32,850
Reconciliation of operating loss after tax to net cash flows from operations		
Loss after tax	(288,970)	(120,486)
Non-cash items		
Loss on deconsolidation/disposal of subsidiaries	-	12,870
Interest paid	840	-
Change in assets and liabilities		
Trade and other receivables	(3,352)	(681)
Other assets	(11)	(13,521)
Trade and other payables	(12,904)	(85,251)
Net cash outflow from operating activities	(304,397)	(207,069)

7. Financial assets and liabilities

Set out below is an overview of financial assets (other than cash and short term deposits) and financial liabilities held by the Group as at 31 December 2019 and 31 December 2018:

Financial assets

Other receivables (1)	11,500	8,148
	11,500	8,148
<i>Current</i>	11,500	8,148
Total Financial assets	11,500	8,148

Financial liabilities

Trade and other payables (2)	137,392	150,296
Financial liabilities (3)	-	-
	137,392	150,296
<i>Current</i>	137,392	150,296
Total Financial liabilities	137,392	150,296

- (1) 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.
- (2) 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.
- (3) On 17 May 2018, the Company executed a \$200,000 Convertible Note facility with Celtic Capital Pty Ltd. On 5 July 2018, \$30,000 was drawn down on the facility to support working capital requirements. On 1 August 2019, this liability, plus interest of \$840, was converted into 44,056,899 shares at \$0.0007 per share. No further drawdowns have been executed by the Company and the facility continues to be available in full. The Note facility is subject to interest of 18%pa upon draw down and a term commencing 3 months after the first subscription date and ending when the funds have been fully subscribed.

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

8. Issued Capital

(a) Issued and paid up capital

	2019	2018
	\$	\$
Ordinary shares fully paid	40,834,231	40,389,620

(b) Movements in shares on issue

	2019		2018	
	No. of shares	\$	No. of shares	\$
Opening balance	557,204,789	40,389,620	484,525,904	40,340,817
Shares issued via placement	39,523,819	27,667	72,678,885	50,875
Shares issued upon conversion of debt	44,056,899	30,839	-	-
Consolidation 1:30 shares	(619,425,661)	-	-	-
Shares issued via non-renounceable entitlement issue ⁽¹⁾	14,240,190	427,206	-	-
Costs of issue	-	(41,101)	-	(2,072)
Closing balance	35,600,036	40,834,231	557,204,789	40,389,620

⁽¹⁾ On 13 December 2019, 1,333,334 shares were issued to each of the current directors pursuant to their sub-underwriting of the non-renounceable entitlement issue. Refer to Note 22 for further details.

(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 \$59,885 at 31 December 2019 (2018: net capital deficiency of \$95,756). 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 14 for further information on the Group's financial risk management policies.

(e) Share Options

As at the reporting date and the date of this report, there were no unissued ordinary shares under options.

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 16.

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

	2019 \$	2018 \$
9. Reserves		
Share based payments reserve	6,182,325	6,182,325
Option premium reserve	240	240
Foreign currency translation reserve	(54,694)	(54,694)
	<u>6,127,871</u>	<u>6,127,871</u>

Movements in Reserves

<i>Share based payments reserve</i>		
Opening balance	6,182,325	6,182,325
Share based payments expense	-	-
Closing balance	<u>6,182,325</u>	<u>6,182,325</u>

The share-based payment reserve is used to record the value of equity benefits provided to directors and executives as part of their remuneration and non-employees for their goods and services.

<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	(54,694)	(67,564)
Foreign currency translation	-	12,870
Closing balance	<u>(54,694)</u>	<u>(54,694)</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.

10. Accumulated losses

Movements in accumulated losses attributable to the owners of Haranga were as follows:

Opening balance	(46,613,247)	(46,492,761)
Loss for the year	(288,970)	(120,486)
Closing balance	<u>(46,902,217)</u>	<u>(46,613,247)</u>

11. 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>29,820</u>	<u>28,205</u>
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There were no other services provided by the auditor during the years ended 31 December 2019 and 31 December 2018.

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

12. 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	
		2019	2018
Nomad Mining Limited	Australia	100%	100%
Nomad Manganese LLC	Mongolia	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:

	2019	2018
	\$	\$
Short term employee benefits	108,000	135,417
Total remuneration	108,000	135,417

Detailed remuneration disclosures are provided in the audited Remuneration Report.

(d) Terms and conditions

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

(e) Other transactions

Ms Nerida Schmidt provided Company Secretarial services totalling \$48,000 (2018: \$31,613) during the year of which \$13,200 (2018: \$4,000) was payable at 31 December 2019.

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

	2019 \$	2018* \$
13. Loss per Share		
Loss attributable to the owners of Haranga used in calculating basic and dilutive EPS	(288,970)	(120,486)
	Number of Shares	
Weighted average number of ordinary shares	592,713,399	515,787,781
Less effect of 1:30 consolidation approved by shareholders 7 August 2019 and effective for both periods.	(572,277,306)	(498,594,885)
Weighted average number of ordinary shares used in calculating basic loss per share	20,436,093	17,192,926
Basic and diluted loss per share	1.41	0.70

* The 2018 loss per shares has been restated to take into account the impact of the share consolidation.

There are no options on issue at 31 December 2019. 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.

14. 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 2019 and 31 December 2018 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.

	2019 \$	2018 \$
Cash and cash equivalents	172,224	32,850

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	
	2019 \$	2018 \$
Increase 10 basis points	17	18
Decrease 10 basis points	-	-

A sensitivity of 10 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.

14. Financial Risk Management (continued)

(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 2019, the Group held cash at bank. These were held with financial institutions with a rating from Standard & Poors of -AA or above (long term). The Group has no past due or impaired debtors as at 31 December 2019.

(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.

15. Contingent Liabilities

In the year ended 31 December 2018, the current Board made a re-assessment of certain payables and accruals in respect of previous Directors fees and expenses totaling \$222,235. Management re-estimated the associated liabilities and reversed this liability in that financial year, of which a credit of \$214,236 was recorded in the period ended 31 December 2018. This re-estimation was due to the lack of evidence of any contracted service that would ordinarily be expected in the role of a Director and that no service agreement was in place that would outline any fees payable for any service rendered. The current Directors' made a judgement over the likelihood of any claim over these amounts and expected the likelihood that the prior directors would claim an amount for services rendered to be unlikely. There has been no demand or other claim for any of these amounts. In the unlikely event of such a claim it will be rigorously defended by the Group and the current directors believe it would not be probable that there would be an amount payable.

There are no other contingent liabilities or contingent assets.

16. Share Based Payments

(a) Recognised share-based payment transactions

No share-based payment transactions were recognised in the statement of profit or loss and other comprehensive income or as capital raising costs in the equity during the year or the prior year.

(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.

17. 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 approximate their fair value.

18. 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 2019.

19. Commitments

The Group has no commitments at 31 December 2019 (2018: Nil)

Haranga Resources Limited

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

20. Parent Entity Information

The following details information related to the parent entity, Haranga Resources Limited, at 31 December 2019. The information presented here has been prepared using consistent accounting policies as presented in note 2.

	2019 \$	2018 \$
Current assets	198,477	54,540
Total assets	-	54,540
Current liabilities	(137,392)	(150,296)
Total liabilities	(137,392)	(150,296)
Net Assets / (Liabilities)	61,085	(95,756)
Issued capital	40,834,231	40,389,620
Reserves	6,182,566	6,182,566
Accumulated losses	(46,955,712)	(46,667,942)
	61,085	(95,756)
Loss of the parent entity	287,770	107,616
Other comprehensive income for the year	-	-
Total comprehensive loss of the parent entity	287,770	107,616

21. Discontinued Operations

On 13 April 2018, the Company deregistered its Hong Kong subsidiary, Haranga Investments (Hong Kong) Pte Ltd

	2019 \$	2018 \$
Financial performance		
Other income	-	-
Reversal of exploration impairment	-	-
Exploration expenses	-	-
Other expenses	-	-
Operating profit/(loss) from discontinued operations	-	-
Income tax expense	-	-
Operating profit/(loss) from discontinued operations after tax	-	-
Loss on sale and dissolution of subsidiaries	-	(80)
Profit / (loss) before income tax	-	(80)
Income tax expense	-	-
Profit / (loss) after income tax	-	(80)
Recycling of foreign currency translation reserve upon disposal.	-	(12,790)
Disposal of non-controlling interests	-	-
Profit / (loss) after tax attributable to the discontinued operation	-	(12,870)
Cash flows information for the period:		
Net cash outflow from operating activities	-	-
Net cash inflow from investing activities	-	-
Net cash outflow from financing activities	-	-
Effect of exchange rate fluctuations on cash	-	-
Net increase / (decrease) in cash generated by the subsidiary	-	-
Consideration received	-	-
Carrying amount of net assets sold	-	-
Loss on disposal	-	-
Income tax expense	-	-
Loss on disposal after tax	-	-

22. Events Subsequent to Reporting Date

As disclosed in the Rights Issue prospectus dated 23 August 2019, each of the directors, Mr Peter Youd, Mr Teow Kim Chng and Ms Nerida Schmidt entered into agreements with the Underwriter to sub-underwrite the Rights Issue up to \$40,000 each (1,333,334 shares). Any allocation of shortfall to the directors was intended to be issued in reliance on Exception 2 of ASX Listing Rule 10.12 so that shareholder approval would not be required under ASX Listing Rule 10.11.

In the course of allocating the shortfall, 1,333,334 shares were issued to each of Mr Peter Youd, Mr Teow Kim Chng and Ms Nerida Schmidt (together the "**Director Shortfall Shares**"). Due to an administrative oversight the shortfall allocations (including the Director Shortfall Shares) were not finalised or issued until 12 December 2019. As the Director Shortfall Shares were issued more than 15 business days after the close of the Rights Issue, the relevant ASX Listing Rule exception to 10.11 was unable to be relied upon resulting in an unintentional and inadvertent breach of ASX Listing Rule 10.11. These financial statements reflect the accounts for these shares as issued shares as at 31 December 2019.

As a corrective measure, the Company intends to buy back the Director Shortfall Shares (at the Rights Issue price of \$0.03) in accordance with the selective reduction of capital provisions of the Corporations Act 2001 (Cth). The Company is in the process of preparing a notice of meeting for the shareholder approval required for this process. The Company also intends to seek shareholder approval to allow each of the directors to re-subscribe for up to 1,333,334 shares at the issue price of \$0.03 each.

On 15 April 2019, ASX released a revised version of [Guidance Note 33](#) (GN33) stating ASX's policy is to remove from the official list:

- an entity that fails to lodge any of the documents referred to in Listing Rule 17.5 for a continuous period of 1 year after the deadline for lodgement of that document; and
- an entity whose securities have been suspended from quotation for a continuous period of 2 years, whichever occurs first.

As stated in footnote 76 of GN33 and [Listed@ASX Compliance Update 04/19](#), this policy will come into effect on **Monday 3 February 2020**. Unless ASX decides otherwise, entities that have failed to file any of the documents referred to in Listing Rule 17.5 on or before 31 January 2019 and have not rectified that failure by the close of trading on Friday 31 January 2020 will be automatically removed from the official list at the commencement of trading on Monday 3 February 2020. Likewise, any other entities that have been continuously suspended since on or before 31 January 2018 and remain suspended at the close of trading on Friday 31 January 2020 will be automatically removed from the official list at the commencement of trading on Monday 3 February 2020.

As an entity to which this applies, the Company will be removed from the official list. Haranga will continue to be a public unlisted company and will, together with its corporate adviser, continue to assess various recapitalisation opportunities for the Company and continue to actively pursue other opportunities to restore shareholder value as well as looking at other funding options for these opportunities. Should it be appropriate, the Company will re-apply for admission to the official list under Chapters 1 & 2 of the Listing Rules.

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 2019

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 2019 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 2019 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 2019.

On behalf of the Board



Peter Youd
Non-Executive Director
30 January 2020

DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF HARANGA RESOURCES LIMITED

As lead auditor of Haranga Resources Limited for the year ended 31 December 2019, 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.



Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 30 January 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Haranga Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Haranga Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 2(a) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have not identified any key audit matters for Haranga Resources Limited.

Other information

The directors are responsible for the other information. The other information comprises the information contained in Group's Annual Report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 6 of the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Haranga Resources Limited, for the year ended 31 December 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

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.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Neil Smith'. Above the signature, the letters 'BDO' are written in a stylized, blocky font.

Neil Smith

Director

Perth, 30 January 2020

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 28 January 2020.

Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	407	164,937
1,001 - 5,000	217	496,693
5,001 - 10,000	66	466,821
10,001 - 100,000	92	2,730,572
100,001 - and over	39	31,741,013
TOTAL	821	35,600,036

There were 724 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	%
CITICORP NOMINEES PTY LIMITED	5,360,759	15.06%
CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	5,313,346	14.93%
RED AND WHITE HOLDINGS PTY LTD <BLOOD SUPER FUND A/C>	2,666,668	7.49%
AEGIAN PAL PTY LTD <ELPIDA SUPER FUND A/C>	1,344,445	3.78%
INTERVIEW HOLDINGS PTY LTD <KIM CHNG FAMILY A/C>	1,333,334	3.75%
KINGSTON VALE PTY LTD <YOU D FAMILY A/C>	1,333,334	3.75%
MS NERIDA LEE SCHMIDT	1,333,334	3.75%
AMARBAATAR CHULTEM	1,306,749	3.67%
CELTIC CAPITAL PTY LTD <INCOME A/C>	1,239,743	3.48%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	968,990	2.72%
MR CRAIG ROBERT MCGUCKIN & MRS LEE ANN MCGUCKIN <MCGUCKIN FAMILY A/C>	938,886	2.64%
AGENS PTY LTD <THE MARK COLLINS S/F A/C>	695,834	1.95%
MR GABRIEL HEWITT	666,667	1.87%
BLUEKNIGHT CORPORATION PTY LTD	579,560	1.63%
MS ZOLZAYA BYAMBAA	552,382	1.55%
CPS CAPITAL NO 3 PTY LTD	531,318	1.49%
E & E HALL PTY LTD <E & E HALL P/L S/F A/C>	500,000	1.40%
GEO TRASS LLC	435,583	1.22%
BAITA HOLDINGS PTY LTD <BAITA FAMILY A/C>	435,001	1.22%
CHALLENGE AURORA PTY LTD	432,117	1.21%
BNP PARIBUS NOMS PTY LTD <DRP>	356,133	1.00%
PELAGYIA PTY LTD <CAPRICE SUPER FUND A/C>	346,667	0.97%
Total	28,670,850	80.54%

ASX Additional Information

Unquoted Equity Securities

Nil

Substantial Shareholders

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

Shareholder Name	No. of Ordinary Shares	Percentage %
Celtic Capital Pty Ltd	7,084,407	19.90
Golden Rain Holdings Limited	5,072,136	14.25

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. On a show of hands every person present who is a Member or representative of a Member shall have one vote and, on a poll, every Member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. None of the options have any voting rights.