

Haranga Resources Ltd

Visibility for attractive export operation provided by study, rail agreement & neighbouring operation's offtake deal

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Independent base case valuation of +US\$1b for flagship project:

Haranga Resources Ltd ('Haranga' or 'the Company') on August 21st, announced the results of a ProMet Engineers' techno-economic assessment for its 80% owned Selenge project located in Mongolia's premier iron ore province. A base case 4Mtpa concentrate export operation supports a 15 year mine life with total capex of only US\$407m and Net Present Valuation ('NPV') of US\$1,094m utilising a 9% discount rate (100% basis), ex contingency estimates, LOM opex_{FOB} of US\$63.39/t and recent quoted prices for equivalent product (US\$130/t_{FOB} for 66% Fe concentrate inland northern China).

Resource scenarios range from 160Mt (Lower) to 320Mt (Upper), based on the Company's previously stated Exploration Target range, with the 2011 drilling programme of 10,308 metres having defined a maiden JORC resource of 32.8Mt @ 24.4% Fe at the Bayantsogt prospect. Significant upside to the base case preliminary scoping study valuations are envisaged due to: refining various key assumptions via ongoing feasibility studies (eg grind size assumptions and an early stage dry separation production scenario); resource inventory definition (both scale and grade); potential for an early production development scenario and/or Mine Gate Sale agreement; and, scale of project development (for example a 5Mtpa operation yielded a NPV_{9%} of ~US\$1.5b).

The primary outcome of the study is independent third party confirmation that the Selenge project has considerable potential value if exploration targets are met and the Company secures the required access to rail to export its product. Haranga is currently undertaking the largest exploration drilling programme in Mongolia with nine rigs operational, further planned metallurgical analysis and a Mining Licence application to be submitted shortly. Current mining operations at the neighbouring Eruu Gol mine (Mongolia's largest iron ore mine) have proven magnetite skarn deposits such as Bayantsogt and Dund Bulag at Selenge are amenable to low strip ratio mining and simple beneficiation, generating extremely attractive margins given the inherent transport cost advantage to northern China – indeed the largest individual cost component remains freight costs (estimated to be US\$21/t, not mining or processing).

Visibility for a scalable rail export operation: On August 27th, Haranga announced that it has entered a Memorandum of Understanding ('MoU') with both the Mongolian Railway Authority and Ministry for Transportation for an initial allocation of 1Mtpa of rail export capacity upon commencement of mining (supporting the potential for an early stage development scenario utilising high grade areas using dry magnetic separation) and increasing to 5Mtpa from 2015 (utilising a larger wet magnetic separation plant with a grinding circuit). The aforementioned government departments will assist Haranga to obtain the required licences and operating permits to build and operate any new rail infrastructure and facilities required. The MoU is a key de-risking milestone with the relevant Mongolian government authorities both aware and supportive of the Company's development plans and in our view this MoU highlights Haranga's unique advantage of being favourably located to existing bulk commodity infrastructure relative to most iron ore development projects.

Winsway signs a 25 year exclusive offtake agreement for iron ore product from the neighboring Eruu Gol mine:

Winsway Coking Coal Holdings Ltd ('Winsway') on August 20th announced a strategic Alliance Agreement with the Lung Ming Group ('Lung Ming'). Lung Ming is a part owner and current sole marketing agent for the Eruu Gol iron ore mine, and the agreement sets out the terms upon which Winsway will arrange customs clearance, warehousing, logistics and sale from the Erlianhaote port (border point of the existing trans-Mongolian rail line) for exclusive sale and distribution iron ore product from Eruu Gol into China. Lung Ming will remain responsible for the production and delivery of product to the border crossing with target volume of supply estimated to be 2Mt for Aug-Dec'12 (current annual production of 6Mtpa), with increments thereafter to 30Mtpa from 2017. Winsway is a leading bulk trading group importing commodities from Mongolia into China and we expect the proposed iron ore offtake to be sold to the inland Chinese steel mills which are currently supplied by declining quantities, and declining quality, of low grade domestic ore and where substitute seaborne iron ore is limited and/or expensive.

Our discussion continues on the next page of this report . . .

OCEAN EQUITIES

Iron Ore : MONGOLIA

28nd August 2012

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|--------------------|------------------|
| Market Cap | A\$56.1m |
| Listing:Ticker | ASX:HAR |
| Share Price | A\$0.265 |
| Shares o/s | 211.8m |
| 52 week High/Low | A\$0.54 / \$0.19 |
| Net Cash (30/6/12) | A\$15m |

Highlighted Related Press Releases:

27th Aug'12: Haranga Resources Ltd "MOU to Secure 5Mtpa Rail Capacity"

21st Aug'12: Haranga Resources Ltd "Techno-Economic Assessment on the Selenge Iron Ore Project"

20th Aug'12: Winsway Coking Coal Holdings Ltd "Strategic alliance agreement with the Lung Ming Group"

2nd Jul'12: Haranga Resources Ltd "Excellent Met Test Results from Selenge Iron Ore Project"

Highlighted Related Research:

2nd Jul'12: Haranga Resources Ltd "Metallurgical results confirm the ability to produce a premium product with drilling recommenced at Selenge"

11th Apr'12: Mongolia Exploration Update "KM site visit highlights the potential of Voyager; Haranga's new big brother to assist in planned development activities; and, a focus on Mongolia at Hong Kong Mines & Money"

19th Mar'12: Haranga Resources Ltd "Maiden resource, significant scale exploration target and A\$6m placement with an accelerated drilling programme to shortly commence"

29th Feb'12: Mongolia exploration update & focus series "An emerging mining frontier and one of the last regions where a junior can add a lot of value quickly – Part i: Haranga Resources Ltd"

17th Jan'12: Focus on Metals & Mining - Haranga Resources Ltd "Concept starting to become reality with maiden resource, favourable met tests and scoping study expected in H1'12"

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Disclosures & Disclaimer

Ocean Equities has an investment in and is seeking investment business from Haranga Resources Ltd.

This report must be read with the disclaimer and disclosures on the final page that forms part of this report.

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In our view the agreement is a major step towards Winsway branching out and diversifying its core coal business, highlights the growing importance and value of iron ore exports from Mongolia into China, and Eruu Gol's ability to secure the required capacity and de-bottleneck the existing rail network for capacity of 30Mtpa in the medium term. The Eruu Gol mine is adjacent to Haranga's Selenge project. The offtake agreement for 30Mtpa from 2017 raises a major query regarding Eruu Gol's ability to supply this level of product given the existing resource of ~300Mt and limited landholding with the agreement potentially supporting consolidation in the Selenge iron ore region.

Well funded and following a proven value creation roadmap: The Company remains comfortably funded (A\$15m in cash at Jun'12), with an EV of only A\$41m and the Lippo Group (a major Asian conglomerate with +A\$50b of assets under management) has recently gained board representation (the Company's largest shareholder with a 15.3% interest). The business model Haranga is employing is very similar to its big brother coal company, Hunnu Coal (the target of a successful A\$477m cash offer by Banpu Minerals in 4Q'11) albeit ~12-18 months behind in terms of exploration/development of its flagship asset.

In our view, the upside from an equity investment in Haranga is de-risked by its new big brother cornerstone financial investor (the Lippo Group) and the neighbouring Eruu Gol mine, which provides proof of concept, a potential exit strategy, a value creation roadmap and potential for corporate/development synergies. CIC invested US\$700m to take a 35% stake in Eruu Gol in Oct'09 (implied US\$2b valuation) at which time it was still a development project with a ~300Mt resource. We believe Haranga will be a particularly attractive M&A target given the direct comparison and similarities to Eruu Gol.

Other near-term de-risking milestones for Haranga are expected to be the submission of a mining right application and a significant resource upgrade post completion of the ongoing drilling programme (Dec'12). We expect news flow to remain positive with investor/analyst site visits planned.

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