HANNANS
REWARD LIMITED

ABN 52 099 862 129

Financial report for the half-year ended 31 December 2011

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Independent Non Executive Chairman
Richard Scallan

Managing Director
Damian Hicks

Non Executive Director
William Hicks
Jonathan Murray

COMPANY SECRETARY

Ian Gregory
Michael Craig

PRINCIPAL OFFICE

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West Perth WA 6005
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REGISTERED OFFICE

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West Perth WA 6005

AUDITOR
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West Perth, WA, 6005

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2, 45 St George's Terrace
Perth , WA, Australia, 6000

STOCK EXCHANGE LISTING
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: HNR

DIRECTORS' REPORT

The Directors of Hannans Reward Limited submit herewith the financial report for the half-year ended 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The names of the Directors of the Company who have held office during and since the end of the half-year are:

Independent Non Executive Chairman
Mr Richard Scallan
Managing Director
Mr Damian Hicks
Non Executive Directors
Mr William Hicks
Mr Jonathan Murray

All directors held their position throughout the entire financial interim period and up to the date of this report.

Principal activities

The principal activity of the Group during the interim period was exploration and evaluation of mineral interests.

Results

The net profit of the Group for the interim period after income tax expense was $2,284,749 (2010: $719,095).

Review of operations

Other than exploration, equity investments and corporate activities as detailed in the reports released to the market, there have been no other significant operations by the Group during the six months to 31 December 2011.

Auditor's independence declaration

The auditor's independence declaration is included on page 6 and forms part of the Directors' report for the six months ended 31 December 2011.

Signed in accordance with a resolution of directors:

On behalf of the Directors

Richard Scallan

Mr Richard Scallan
Chairman
15 March 2012

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and giving a true and fair view of the financial position and performance of the consolidated entity for the half-year ended 31 December 2011.

This declaration is made in accordance with a resolution of Directors.

On behalf of the Directors

Richard Scallan

Mr Richard Scallan
Chairman

15 March 2012

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

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15 March 2012

Board of Directors
Hannans Reward Limited
6 Outram Street
West Perth, Western Australia

Dear Sirs

RE: HANNANS REWARD LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Hannans Reward Limited.

As the Audit Director for the review of the financial statements of Hannans Reward Limited for the period ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully
STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)

Martin Michalik
Director

Liability limited by a scheme approved
under Professional Standards Legislation

Member of Russell Bedford International

Stantons International Audit and Consulting Pty Ltd
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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
HANNANS REWARD LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hannans Reward Limited, which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Hannans Reward Limited (the consolidated entity). The consolidated entity comprises both Hannans Reward Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Hannans Reward Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hannans Reward Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Hannans Reward Limited on 15 March 2012.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hannans Reward Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd.

Martin Michalik
Director

West Perth, Western Australia
15 March 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	Consolidated	
		Half-year ended 31 December 2011 $	Half-year ended 31 December 2010 $
Revenue		299,140	149,077
Other income		538,386	48,511
Gain on disposal of shares		5,560,601	3,335,087
Employee and contractors expense		(388,864)	(257,577)
Depreciation expense		(21,378)	(20,804)
Consultants expenses		(140,859)	(36,407)
Occupancy expenses		(37,809)	(30,175)
Marketing expenses		(26,157)	(15,075)
Exploration and evaluation expenditure		(3,323,160)	(2,323,737)
Provision against recoverability of loan		-	(14,944)
Other expenses		(175,151)	(114,861)
Profit before income tax expense		**2,284,749**	**719,095**
Income tax expense	11(a)	-	-
Net income for the period		**2,284,749**	**719,095**
Other comprehensive income for the period			
Net fair value (losses)/gains on available for sale assets net of deferred taxation		(2,890,944)	4,387,264
Net change in fair value of available for sale assets transferred to profit and loss		(6,675,352)	(2,539,256)
Total comprehensive (loss)/income for the period		**(7,281,547)**	**2,567,103**
Net income attributable to the parent entity		2,284,749	719,095
Total comprehensive (loss)/income attributable to the parent entity		(7,281,547)	2,567,103
Earnings per share:			
Basic (cents per share)		1.74	0.55
Diluted (cents per share)		1.74	0.55

The accompanying condensed notes form part of the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	Consolidated 31 December 2011 $	Consolidated 30 June 2011 $
Current assets			
Cash and cash equivalents		218,292	570,840
Trade and other receivables		254,542	332,495
Other financial assets	8	19,563,345	27,335,464
Total current assets		**20,036,179**	**28,238,799**
Non-current assets			
Trade and other receivables		312,227	212,225
Property, plant and equipment	9	148,145	162,022
Other financial assets	8(iv)	300,000	300,000
Total non-current assets		**760,372**	**674,247**
Total assets		**20,796,551**	**28,913,046**
Current liabilities			
Trade and other payables		1,338,037	332,902
Provisions		101,279	66,258
Borrowings	10	1,050,134	-
Other financial liabilities		20,901	20,086
Total current liabilities		**2,510,351**	**419,246**
Non-current liabilities			
Provisions		36,854	32,906
Deferred tax liability	11(c)	251,045	3,280,989
Other financial liabilities		65,680	76,340
Total non-current liabilities		**353,579**	**3,390,235**
Total liabilities		**2,863,930**	**3,809,481**
Net assets		**17,932,621**	**25,103,565**
Equity			
Issued capital	12	20,135,891	20,135,891
Reserves	13	9,420,435	18,876,128
Accumulated losses		(11,623,705)	(13,908,454)
Total equity		**17,932,621**	**25,103,565**

The accompanying condensed notes form part of the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

For the half-year ended 31 December 2011	Issued Capital $	Option Reserves $	Revaluation Reserves $	Accumula-ted Losses $	Total Equity $
Balance at 1 July 2011	20,135,891	1,258,206	17,617,922	(13,908,454)	25,103,565
Total Comprehensive Income					
Net income for the period	-	-		2,284,749	2,284,749
Other comprehensive income for the period	-	-	(9,566,296)	-	(9,566,296)
Total comprehensive loss for the period	-	-	(9,566,296)	2,284,749	(7,281,547)
Transactions with owners recorded direct to equity					
Issue of options	-	110,603	-	-	110,603
Total transactions with owners	-	110,603	-	-	110,603
Balance at 31 December 2011	**20,135,891**	**1,368,809**	**8,051,626**	**(11,623,705)**	**17,932,621**

For the half-year ended 31 December 2010	Issued Capital $	Option Reserves $	Revaluation Reserves $	Accumula-ted Losses $	Total Equity $
Balance at 1 July 2010	20,135,891	1,215,102	11,502,559	(12,062,727)	20,790,825
Total Comprehensive Income					
Net income for the period	-	-	-	719,095	719,095
Other comprehensive income for the period	-	-	1,848,008	-	1,848,008
Total comprehensive income for the period	-	-	1,848,008	719,095	2,567,103
Transactions with owners recorded direct to equity					
Issue of options	-	43,104	-	-	43,104
Total transactions with owners	-	43,104	-	-	43,104
Balance at 31 December 2010	**20,135,891**	**1,258,206**	**13,350,567**	**(11,343,632)**	**23,401,032**

The accompanying condensed notes form part of the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

		Consolidated	
	Note	Half-year ended 31 December 2011 $	Half-year ended 31 December 2010 $
Cash flows from operating activities			
Receipts from customers		392,406	
Payments for exploration and evaluation		(2,376,723)	(2,323,736)
Payments to suppliers and employees		(565,266)	(607,366)
Interest received		56,082	179,788
Interest on loan paid		(27,991)	(2,485)
Net cash used in operating activities		**(2,521,492)**	**(2,753,799)**
Cash flows from investing activities			
Payment for investment securities		(4,447,734)	(4,000)
Proceeds on sale of investment securities		6,705,077	4,224,710
Dividends received		169,281	-
Amounts advanced to related parties	8(iv)	(200,000)	-
Payments for plant and equipment		(7,559)	(4,381)
Amounts advanced to outside entities		(1,300,000)	(659,947)
Repayment of loans from outside entities		226,536	-
Net cash provided by investing activities		**1,145,601**	**3,556,382**
Cash flows from financing activities			
Proceeds from borrowings		2,571,900	-
Repayment of borrowings		(1,548,557)	(7,480)
Net cash provided by/(used in) financing activities		**1,023,343**	**(7,480)**
Net (decrease)/increase in cash and cash equivalents		**(352,548)**	**795,103**
Cash and cash equivalents at the beginning of the half-year		**570,840**	**4,584,746**
Cash and cash equivalents at the end of the half-year		**218,292**	**5,379,849**

The accompanying condensed notes form part of the financial statements.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

1. Reporting Entity

Hannans Reward Ltd ("Hannans" or the "Company") is a company domiciled in Australia. The consolidated half-year financial report of the Group as at and for the six months ended 31 December 2011 comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2011 is available upon request from the Company's registered office at 6 Outram Street, West Perth, Western Australia, 6005 or at www.hannansreward.com.

2. Statement of compliance

The consolidated half-year financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Company as at and for the year ended 30 June 2011 and any public announcements made by the Company during its interim reporting period.

The half-year financial report was approved by the Board of Directors on 15 March 2012.

3. Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2011 annual financial report for the financial year ended 30 June 2011 except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2011:

- AASB 124 Related Party Disclosures (amendment) effective 1 January 2011
- AASB 132 Financial Instruments: Presentation (amendment) effective 1 February 2010
- AASB Int 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011
- Improvements to AASBs (May 2010)

The adoption of the standards or interpretations is described below:

AASB 124 Related Party Transactions (Amendment)

The AASB issued an amendment to AASB 124 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

3. Significant accounting policies (cont'd)

AASB 132 Financial instruments: Presentation (Amendment)

The AASB issued an amendment that alters the definition of a financial liability in AASB 132 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these type of instruments.

AASB Int 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Group is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Group.

In May 2010, the AASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of those amendments had no impact on the financial position or performance of the Group.

The Group has not elected to early adopt any of the new standards or amendments that are issued but not yet effective.

4. Basis of preparation

The report has been prepared on the going concern basis. The Directors are of the opinion that the going concern basis is appropriate as the Company expects to be able to pay its debts as and when they become due and payable for the next 12 months.

5. Estimates

The preparation of half-year financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial report as at and for the year ended 30 June 2011.

6. Financial risk management

The Company's financial risk management objective and policies are consistent with those disclosed in the financial report as at and for the year ended 30 June 2011.

7. Segment reporting

Operating segments are identified and segment information is disclosed on the basis of internal reports that are provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of directors. The size of the Group, and its stage of development, does not warrant the reporting of information disaggregated into segments. Accordingly, the information provided to the Board of directors is prepared using the same measures as those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. The Group operates only in the exploration and evaluation of mineral interests in Australia.

8. Current other financial assets

	Consolidated 31 December 2011 $	30 June 2011 $
Loans to Kiruna Iron AB(i)	3,744,767	2,419,871
Loan to Resources & Rewards Ltd(ii)	15,484	15,484
Provision against loan recoverability(ii)	(15,484)	(15,484)
Investments in listed entities (iii)	15,618,578	24,915,593
Loan to director (iv)	200,000	-
	19,563,345	**27,335,464**

(i) Wholly owned subsidiary, HR Equities Pty Ltd, has entered into three separate convertible note loan agreements with Kiruna Iron AB (a wholly owned subsidiary of Scandinavian Resources Ltd). The agreements allow $2.5 million, $1.25 million and $750,000 to be drawn down respectively as and when required with interest payable at rates of 12.5% to 21.3% per annum. The loans and interest were required to be repaid on or before 15 December 2011, 1 February 2012 and 15 November 2011 respectively. Repayment of all three loans was extended subsequent to 31 December 2011 (refer note 16).

The lender has first mortgage over the assets of Scandinavian Resources Ltd. The lender may at its election at any time convert the amount drawn down into fully paid ordinary shares at a rate of 3 shares, 1.5 shares and 1.5 shares respectively for every dollar drawn down.

As a fee the lender has been issued with 1 million options exercisable at 20 cents per option on or before 31 October 2012, 500,000 options exercisable at 40 cents per option on or before 15 December 2012 and a further 150,000 options exercisable at 40 cents per option on or before 1 February 2013. Further options were issued to the lender as a fee for the extension of the loans (refer note 16).

Excluding interest, a total of $3,645,000 has been drawn down at 31 December 2011 in respect of the loans and interest to the amount of $226,536 has been received.

(ii) On the 13 December 2010 HR Equities Pty Ltd along with SR Equities Pty Ltd (a wholly owned subsidiary of Scandinavian Resources Ltd) incorporated Resources & Rewards Pty Ltd, each being issued 1 share at $1 each. The purpose of the company is to investigate potential new mineral fields with funding coming equally from its shareholders.

(iii) Investments in listed entities as at 31 December 2011 include the following:

a) 4,300,333 ordinary fully paid shares in Atlas Iron Ltd
b) 20,000 ordinary fully paid shares in Brighton Mining Group Ltd
c) 50,000 ordinary fully paid shares in Highfield Resources Ltd
d) 20,000 ordinary fully paid shares in Lithex Resources Ltd
e) 125,000 ordinary fully paid shares in Naracoota Resources Ltd
f) 19,585,235 ordinary fully paid shares in Scandinavian Resources Ltd
g) 1,250,001 options exercisable at 20 cents on or before 31 October 2012 in Scandinavian Resources Ltd
h) 500,000 options exercisable at 40 cents on or before 31 October 2012 in Scandinavian Resources Ltd
i) 150,000 options exercisable at 40 cents on or before 1 February 2013 in Scandinavian Resources Ltd

8. Current other financial assets (cont'd)

(iv) On 28 August 2011 a loan agreement was entered into with the Managing Director, Mr Damian Hicks, for $200,000 at 20% per annum repayable on or before 30 April 2012. The loan is unsecured and a salary sacrifice arrangement has been entered into whereby the interest portion of the loan will be repaid monthly. The interest charged for the period amounted to $13,478.

On 31 March 2010 a loan agreement was entered into with Mr Hicks for $300,000 at 6% per annum repayable on or before 31 March 2015. The loan is unsecured and a salary sacrifice arrangement has been entered into whereby the interest portion of the loan will be repaid monthly. The interest charged on this loan for the period amounted to $8,924.

9. Property, plant and equipment

During the six months ended 31 December 2011 the Group acquired assets with a cost of $7,559 (six months ended 31 December 2010: $108,247).

10. Borrowings

	Consolidated	
	31 December 2011	**30 June 2011**
	$	**$**
Margin lending facility	1,050,134	-
	1,050,134	**-**

A wholly owned subsidiary, HR Equities Pty Ltd, has opened a margin lending facility which is secured by 20% of the underlying market value of shares pledged to the lender as security for the loan. At 31 December 2011 the number of shares pledged as security is 3,730,000 Atlas Iron Limited (ASX: AGO) shares. Interest is charged at a rate of 8.74% per annum and 50% of the loan will be repayable should the value of the pledged shares fall below a pre-determined price per share of $2.40 and the full loan will be repayable should the price fall below $1.50 per share. Otherwise there is no fixed repayment date for the loan.

11. Income tax

	Consolidated	
	31 December 2011	**31 December 2010**
	$	**$**
(a) Income tax recognised in net income/(loss) for the period		
Tax expense comprises:		
Current tax expense	796,112	245,541
Brought forward Tax losses utilised	(796,112)	(245,541)
Total tax expense	**-**	**-**

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

11. Income tax (cont'd)

	Consolidated 31 December 2011 $	Consolidated 30 June 2011 $
(b) Deferred tax recognised direct in equity		
The following deferred tax amounts were debited directly to equity during the period:		
Deferred tax on revaluation of available for sale assets as at 31 December	2,664,621	6,490,678
Less: Brought forward tax losses utilised	(2,413,576)	(3,209,689)
	251,045	**3,280,989**
(c) Deferred tax liabilities		
On revaluation of available for sale assets	251,045	3,280,989
	251,045	**3,280,989**

	Opening Balance	Charged to Equity	Closing Balance
(d) Reconciliation of deferred tax assets/(liabilities)			
Available for sale financial assets	(3,280,989)	3,029,944	(251,045)
	(3,280,989)	**3,029,944**	**(251,045)**

	Consolidated 31 December 2011 $	Consolidated 30 June 2011 $
(e) Unrecognised deferred tax balances		
The following deferred tax assets and (liabilities) have not been brought to account		
Net temporary differences	191,007	166,540
	191,007	**166,540**

12. Issued Capital

	Consolidated 31 December 2011 $	Consolidated 30 June 2011 $
131,648,715 fully paid ordinary shares (30 June 2011: 131,648,715)	**20,135,891**	**20,135,891**

13. Reserves

	Consolidated 31 December 2011 $	Consolidated 30 June 2011 $
At the beginning of the period	18,876,128	12,717,661
Option reserve movement	110,603	43,104
(Decrease)/increase in available for sale revaluation reserve	(12,596,240)	8,452,536
Decrease/(increase) in deferred tax liabilities on available for sale investments	3,029,944	(2,337,173)
Balance at 31 December	**9,420,435**	**18,876,128**

14. Share based payments

(a) Recognised share based payment expense

	Consolidated	
	31 December 2011 $	31 December 2010 $
Ordinary shares and options issued to suppliers, employees or third parties as part of:		
Share based payment expense	110,603	43,104
Expense arising from equity settled share based payment transactions	**110,603**	**43,104**

(b) Employee share options

No share based payments were made to employees during the six months ending 31 December 2011.

(c) Director options

No share based payments were made to Directors during the six months ending 31 December 2011.

(d) Other options

On 1 July 2011, the Company issued 2,000,000 unlisted options exercisable at 20 cents each on or before 30 June 2013 with a fair value at grant date of 5.5 cents each to the Jigalong Community Inc.

(e) Option Model

The value of options granted during the period was calculated using the Black-Scholes Option Pricing Model. The values and inputs were as follows:

Option Series	1 July 2011
Grant date share price	$0.19
Exercise price	$0.20
Expected volatility	75%
Option life	24 Months
Dividend yield	Nil
Risk-free interest rate	4.82%

(f) Weighted average remaining contractual life

The weighted average remaining contractual life of the share options as at 31 December 2011 is 1.29 years (six months ended 31 December 2010: 1.20 years).

15. Related parties

Arrangements with related parties continue to be in place. For details of these arrangements, please refer to the 30 June 2011 annual financial report.

16. Subsequent events

The following matters or circumstances have arisen since 31 December 2011 that may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

a) On 13 January 2012, HR Equities Pty Ltd made a further draw down of $800,000 through its margin lending facility (refer note 10).

16. Subsequent events (cont'd)

b) During January 2012 the repayment dates of the convertible notes were extended to 31 March 2012 (refer note 8(i)). On 13 March 2012, the Company extended the repayment date for the outstanding loan portfolio and the interest payment date to 15 September 2012. The total loan facility (i.e. the funds available to be drawn down by Scandinavian Resources Ltd) was increased by a further $500,000.

c) On 27 June 2011, the Company announced to the ASX the proposed restructure of its assets through the sale of its subsidiary Errawarra Pty Ltd (Errawarra) to NewCo (subsequently named Errawarra Resources Ltd) in consideration for the issue of 131,648,715 shares to Hannans (the Restructure).

   On 31 January 2012, Shareholders voted in favour of the Restructure. After the vote, Errawarra Resources Ltd, an unlisted public company, was incorporated to implement the changes. Hannans has subsequently distributed in-specie Errawarra Resources Ltd shares to eligible Hannans Shareholders.

   Under the Restructure, Errawarra has transferred 100% of its ownership in non-manganese and non-iron rights to Hannans and Hannans has transferred manganese and iron rights to Errawarra.

d) On 31 January 2012, HR Equities Pty Ltd was issued with 487,495 options exercisable at 20 cents per option on or before 15 September 2013 as a fee for the extension of the loans made to Kiruna Iron AB to 31 March 2012.

e) On 29 February 2012, the Company released to the ASX an announcement that it had made a proposed takeover offer for Scandinavian Resources Ltd. Hannans Reward currently holds approximately 17% of Scandinavian Resources' ordinary shares. Mr Hicks, Hannans Reward's Managing Director, is also the Non-Executive Chairman of Scandinavian Resources.

   Under the offer Scandinavian Resources shareholders are to receive 3 Hannans Reward shares for every 1 Scandinavian Resources share. Group ownership post-merger is to be split, with Scandinavian Resources shareholders holding 68% and Hannans Reward shareholders holding 32% on an undiluted basis. Full details of the offer will be set out in Hannans Reward's bidder's statement, which it anticipates will be lodged on or about 19 March 2012.

f) Since 31 December 2011, 300,000 Atlas Iron Ltd shares have been sold on the market for a total of $929,500. Further sales may occur dependent on the parameters for sale of the shares as agreed by the Board.

g) Since 31 December 2011, 20,000 Scandinavian Resources Ltd shares have been purchased at a cost of $4,000.

h) As of 14 March 2012 the fair value of shares in listed entities has increased by $1,616,029 since 31 December 2011 and is now $17,234,607.