

HANNANS

REWARD LIMITED

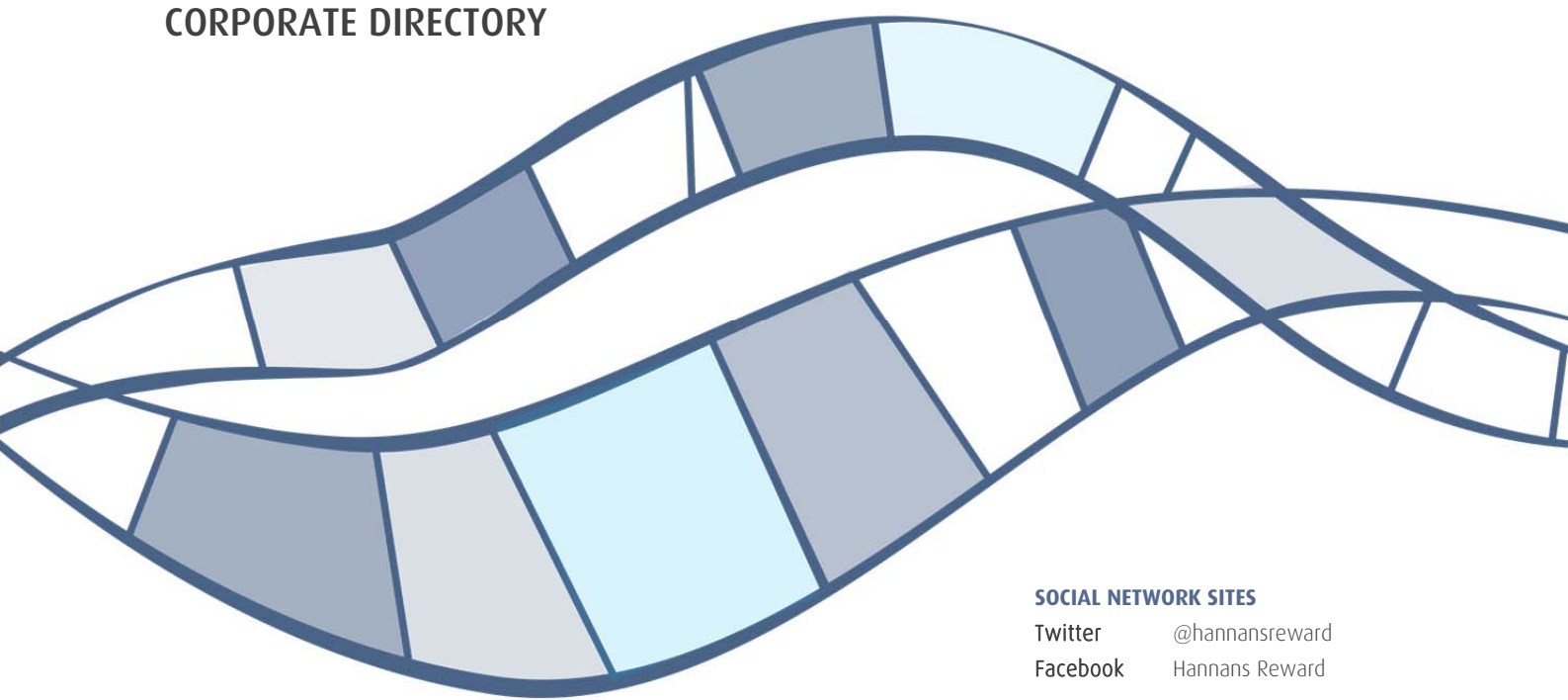
ANNUAL REPORT **2013**

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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CORPORATE DIRECTORY



BOARD OF DIRECTORS

MANAGING DIRECTOR

Mr Damian Hicks

NON-EXECUTIVE DIRECTOR

Mr Jonathan Murray

NON-EXECUTIVE DIRECTOR

Mr Markus Bachmann

NON-EXECUTIVE DIRECTOR

Mr Olof Forslund

COMPANY SECRETARY

Mr Ian Gregory

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Perth, Western Australian 6000
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DIRECTORS' REPORT

The Directors of Hannans Reward Ltd (**Hannans** or **the Company**) submit their annual financial report of the Group being the Company and its controlled entities for the financial year ended 30 June 2013.

Dear Shareholders,

The 2012/2013 period has been very challenging for Hannans; it has been characterised by encouraging progress followed by frustrating setback.

- Progress was made at the Kiruna Iron Project in Sweden with release of a positive scoping study, drill results and metallurgical test work however the setback was the very public corporate collapse of high profile iron development company in Sweden. This collapse took momentum away from investing in the Swedish iron sector. We expect investors to return in due course thereby enabling the Kiruna Iron Project to reach its full potential.
- Progress was made at the Pahtohavare copper-gold project with identification of a high grade copper-gold exploration target, very high copper-gold intercepts encountered in Hannans' drilling and the development of strong shareholder interest. The setback was the maiden RC program insofar as it was unsuccessful in testing the highly prospective deep targets. This resulted in frustration and disappointment for Hannans staff and shareholders. We anticipate that, subject to funding and approvals, the deep targets at the Southern and Central deposits will be tested this northern hemisphere winter field season.
- Progress was made with two successful capital raisings in difficult circumstances however the setback has been the difficulty in divesting our early stage exploration portfolio in Australia, Norway and Sweden. Maintaining these non-core projects has unfortunately utilised scarce available funds however we believe these projects have value and that we are making progress towards transacting on a number of these projects.
- Progress was made reaching agreement to divest a non-core project in Sweden for a significant cash sum however the setback was that the purchaser ultimately failed to make the first payment. This transaction has been ongoing for nearly twelve months and has consumed significant management time. The purchaser is currently raising capital and subject to successful completion should be in a position to pay all or part of the debt due.
- Progress was made building a highly capable Team to take the Swedish projects forward however the setback was the need to release members of the Team due to the capital crisis. Importantly the Company's external Scandinavian network continues to be developed at the project and corporate levels.

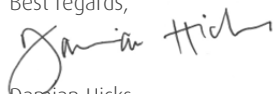
Equities markets and commodities prices have been volatile and access to capital has been very difficult. It appears that the equities markets are improving with the ASX share market reaching a five year high recently however this hasn't flowed into improved sentiment for high risk exploration companies or the resources sector generally.

Hannans has been operating without the certainty of knowing whether its asset divestment processes would be successful, whether its asset sale in Sweden would be settled or where its future funding was coming from. At the same time it has fought to maintain an aggressive and positive attitude towards its projects in an effort to provide shareholders with rewards from exploration success. Planning throughout the year has therefore been difficult and obtaining the correct balance between risk taking and capital management has been very challenging.

It has been a turbulent year for the Board, staff, contractors and shareholders alike. I would like to thank the Hannans' shareholders and staff in Australia and Sweden that have maintained their belief in the Company, its strategic plan and its people. In particular I would like to acknowledge the significant contributions made by Christina Lundmark in developing Hannans' Scandinavian business during the last two years prior to her retirement in July 2013 and Amanda Scott, Hannans' Exploration Manager. We sincerely hope that Christina will remain actively involved in the Scandinavian mining sector as all levels of Government, industry participants and stakeholder groups in Sweden would benefit greatly from having access to Christina's expertise, professionalism and high ethical standards.

At Hannans we will continue to push forward in a determined effort to make progress.

Best regards,



Damian Hicks
Managing Director

STRATEGIC PLAN

VISION

Our vision is to build a successful exploration and production company.

MISSION

Our mission is to develop a company that has a material interest in a portfolio of mineral projects that are being rapidly progressed whether they are exploration, development or production assets.

We recognise that a professional, knowledgeable and ethical team of directors, employees and consultants is the key to our business.

Our focus is to provide shareholders with a satisfactory return on investment by managing our people, projects and capital in an entrepreneurial and responsible manner.

GOALS

People

To attract and retain a professional, knowledgeable and ethical team of experts whilst empowering staff at all levels.

To continuously build an understanding of our strategic partners' needs and wants and thereafter conduct business in a fair, transparent and ethical manner.

Projects

1. To access prospective natural resource exploration opportunities both within Australia and overseas.
2. To implement an effective acquisition program that secures access to prospects with the potential to host significant natural resource deposits.
3. To add value by identifying, accessing and exploring prospects that have potential to host significant deposits and then seek partners to diversify project risk.
4. To retain a financial interest in prospects but not necessarily an operational responsibility.
5. To conduct our affairs in a responsible manner taking into account various stakeholder rights and belief.

Capital

1. To create shareholder wealth as measured by the potential of our prospects, the strength of our balance sheet and share price.
2. To maintain sufficient funding and working capital to implement exploration programs through the peaks and troughs in exploration sentiment and commodity prices fluctuations.

Ultimately, Hannans is aiming to identify a world-class gold, copper, nickel or iron deposit. It is Management's opinion that Hannans' projects have the potential to host such deposits.

Successful implementation of the strategic plan would see Hannans develop a portfolio of projects in which it is sole funding exploration, contributing funding to maintain a joint venture interest, holding a free carried interest, royalty interest and or an equity interest in the company that owns the project.

The ability to implement the strategic plan is determined by Hannans ability to access funding. Hannans needs to continually fund the development of its project pipeline through equity raisings, project sales, joint venture expenditure and royalties.

OPERATIONAL AND FINANCIAL REVIEW

Board of Directors & Executive Management

Hannans appointed Markus Bachmann and Olof Forslund as directors on 2 August 2012 following the successful takeover of Scandinavian Resources Ltd. Two of Hannans' founding directors Richard Scallan and William Hicks retired on 21 November 2012 after having served shareholders for ten years. These changes to the Board reflected the Company's focus on assets in northern Scandinavia.

Christina Lundmark, Managing Director of Scandinavian Resources AB retired from her role effective 31 July 2013 and Magnus Arnqvist, moved into the position of Non-Executive Director of Kiruna Iron AB on 31 January 2013.

The current executive management team of Damian Hicks, Managing Director and Amanda Scott, Exploration Manager is based in Malå, Sweden. Hannans' corporate office is in Perth, Australia.

A number of employees and consultants were released from Hannans during the year as the Company sought to continually manage cash flows.

Hannans has maintained very good relations with these important people even though their day-to-day relationship with the Company may have changed.

Projects – Generation, Exploration, Development and Divestment

Hannans has developed a portfolio of early stage minerals projects in Australia, Sweden and Norway.

Exploration by its nature is risky. The probability of identifying an economic source of mineralisation that can be mined profitably is considered low; the rewards for identifying an economic deposit can be great.

Hannans exploration process is systematic and involves combining multiple layers of data (geophysical, geochemical and geological) to identify areas that may host an economic deposit. The process for defining a drill target requires a thorough approach and focuses on area selection (by reviewing historical data and field visits), acquisition of regional survey data (such as airborne magnetics, regional geochemical data sets and regional geological maps) and focused local surveys (closed spaced geophysics surveys and geochemical sampling and detailed field mapping if the rocks are exposed at surface). This process requires a technical understanding of many disciplines.

Hannans has focused on advancing copper-gold and iron projects. By their nature these commodities are quite different, the copper and gold is a high value – low volume business and the iron ore is high volume – low value business. Economic deposits of copper and gold are difficult to discover whereas exploration for iron is relatively straight forward but requires significant capital to process the ore and then transport the final product to customers.

Hannans' Swedish copper-gold projects are considered of sufficient size and grade to advance on a standalone basis whereas the iron project will need a large partner to be closely involved with development. The Hannans business model is to generate the projects, add value through exploration (including drilling) and then seek partners to diversify project risk. At all stages through the exploration and planning process Hannans is seeking partners to share the risk and the rewards of the process. It is never too early to share risk so long as Hannans' shareholders remained exposed to success and are ultimately rewarded. Hannans has in the past aggressively drilled many of its projects and in doing so has expended significant funds. The Company believes each project justified drilling and hence exposed shareholders to the direct chance of discovery success. In the future Hannans will look to share these risks with credible well-funded companies earlier than it has in the past.

On 10 July 2012 Hannans released a presentation outlining its Copper-Gold portfolio, on 3 October 2012 a presentation on its Kiruna Iron Project and on 10 July 2013 a presentation on its Pahtohavare Copper-Gold Project.

During the second half of 2012 the main focus was preparation and completion of a scoping study for the Rakkurijoki iron deposit, being one deposit within the greater Kiruna Iron Project. A number of internal and external parties were involved with this process and the positive study was released on 13 February 2013. Unfortunately for Hannans, one of Scandinavia's highest profile iron ore development companies Northland Resources SA filed for reconstruction on 8 February 2013 shortly after first production of iron ore concentrate. This reconstruction represented one of Scandinavia's most high profile corporate failures in recent years with ramifications for all exploration and mining companies in Sweden, in particular aspirational iron ore companies. Many international institutional fund managers had invested into Northland Resources. Against the backdrop of a falling iron ore price and the failure of Northland, Hannans was not justified in spending significant additional capital on its Kiruna Iron Project until such time as the full impact of the corporate failure, and the reasons behind it, were understood. Many aspects of the Kiruna Iron Project remain partially completed (exploration, environmental and social) and are ready to resume when funding issues are resolved and confidence returns to the Swedish iron sector.

Focus quickly turned to the exploration for copper-gold in Sweden, particularly the Pahtohavare Project in Norrbotten, Sweden. For detailed information on this project please refer to the Exploration Summary on page 9.

Projects that have been advanced during the year include Sarksjön (Västerbotten, Sweden) for gold, Lake Johnston (Goldfields, Western Australia) for nickel, Skeleton Rocks (Goldfields, Western Australia) for gold, the Kiruna Iron Project (Norrbotten, Sweden) for iron ore and Pahtohavare (Norrbotten, Sweden) for copper-gold.

On 4 July 2012 the Company commenced diamond drill testing of the Sarksjön gold project. On 30 August 2012 the Company announced that it had identified nickel sulphide mineralisation in percussion drill chips at its Lake Johnston project in Western Australia. On 24 October 2012 highly encouraging metallurgical test work results were released from the Altavaara and Paljasjarvi iron deposits, part of the Kiruna Iron Project. On 21 November 2012 high-grade copper-gold results were released from Rakkurijoki.

It is an important part of Hannans' business model that it also divests projects thereby allowing those projects to be advanced using other people's money. Successful divestment of a project means that Hannans has added value to a project and that an independent third party is sufficiently encouraged to continue exploration with a view to making a discovery. Hannans seeks to retain an exposure to projects it divests because it wants shareholders to benefit from the any future discovery either by retaining a joint venture or royalty interest. It will often also consider accepting equity in the party that has acquired or joint ventured into a project.

On 25 September 2012 Hannans announced plans to divest its Nickel Projects in Australia and a presentation was released to ASX on 4 October 2012. The planned divestment included large project areas at Forrestania, Lake Johnston and Queen Victoria Rocks. A number of parties subsequently signed confidentiality agreements and reviewed the exploration and legal data. Indicative non-binding proposals have been received but no transactions have been completed. The Company continues to seek a satisfactory transaction on these projects for the benefit of shareholders.

Hannans has also decided to divest its Norwegian portfolio and a number of non-core Swedish copper, gold and iron projects. A number of parties have signed confidentiality agreements and reviewed the exploration and legal data but no transactions have been concluded.

In summary Hannans Exploration Team has this year:

- Ø Completed historical drilling data validation and interpretation at the Pahtohavare project Copper-Gold project, Sweden.
- Ø Completed an Electro Magnetic (EM) field survey at the Pahtohavare project which identified four priority conductors that require drill testing.
- Ø Completed 1,181m of an infill diamond drilling programme at the Rakkurijoki iron deposit, Sweden.
- Ø Completed and released a Scoping Study which confirmed the development potential of the Rakkurijoki Iron Project, Sweden (now known as the Rakkuri Project).
- Ø Released positive preliminary metallurgical test work results on samples from both Altavaara and Paljasjärvi iron prospects, Sweden.
- Ø Completed a diamond drilling campaign at the Särksjön gold project, Sweden.
- Ø Completed cobra geochemical sampling at Altavaara following up high-grade copper-gold drill intercepts.
- Ø Continued development and expansion of a first-class portfolio of copper-gold and base metal projects in both Sweden and Norway.
- Ø Completed summer field campaigns at various projects within the project pipeline in both Sweden and Norway.
- Ø Confirmed the presence of nickel sulphide mineralisation at the Mt Gordon nickel prospect, Western Australia.
- Ø Received a Co-Funded Drilling grant of \$40,000 for the Mt Gordon nickel prospect in Western Australia.

Please refer to the Exploration Summary on page 9 for a detailed summary of Hannans' exploration activities through the year.

Subsequent to the end of 30 June 2013 the Exploration Team has:

- Ø Completed a maiden RC drilling campaign on the Central Orebody at the Pahtohavare project.
- Ø Released a maiden JORC Inferred resource and updated exploration target for the Pahtohavare project.

Hannans aims to implement the following exploration strategy during the next twelve months:

- Ø Focus in-house copper-gold exploration on key projects located within the Kiruna IOCG District.
- Ø Actively seek joint venture partners to advance key projects within the exploration and development pipeline.

DIRECTORS' REPORT

Exploration Expenditure

In line with the Group's accounting policy, Hannans expensed \$2,896,893 on mineral exploration activities in 2013 (2012: \$5,355,852) relating to its non JORC compliant mineral resource projects and capitalised \$837,196 of expenditure in connection with Kiruna Iron project which has JORC compliant mineral resource. This excludes all administration and transaction costs.

Mineral Exploration Activities Expensed in 2013			Exploration Expended		
	\$	%	Project	\$	%
Geological activities	1,921,257	66.3%	Australia	509,254	17.6%
Geochemical activities	177,580	6.1%	Sweden & Norway	2,387,639	82.4%
Geophysical activities	71,063	2.5%	Total	2,896,893	100%
Drilling	422,976	14.6%			
Field supplies	35,018	1.2%			
Field camp and travel	246,960	8.5%			
Drafting activities	10,743	0.4%			
Environmental	21,348	0.7%			
Feasibility Studies	207,335	7.2%			
Rehabilitation	–	–0%			
Annual tenement rent	441,599	15.2%			
Annual tenement rates	107,117	3.7%			
Tenement administration	74,122	2.6%			
Tenement application fees	(3,029)	(0.1)%			
Capitalised expenses	(837,196)	(28.9)%			
Total	2,896,893	100%			

Corporate

Hannans relies on continually sourcing funding to operate the business. Sources of capital have been very difficult to access for high risk ventures such as exploration companies for a number of years.

During October 2012 the Company completed a Shareholder Share Purchase Plan and Placement priced at 1.7 cents per share which raised \$1.72 million.

On 16 October 2012 Hannans announced it had sold the Discovery Zone copper-iron deposit in Norrbotten, Sweden to Avalon Minerals Ltd (ASX:AVI) for \$4 million. It was agreed that Avalon would have until 23 November 2012 to complete due diligence. This period was subsequently extended by mutual agreement through to 21 December 2012. On 24 December 2012

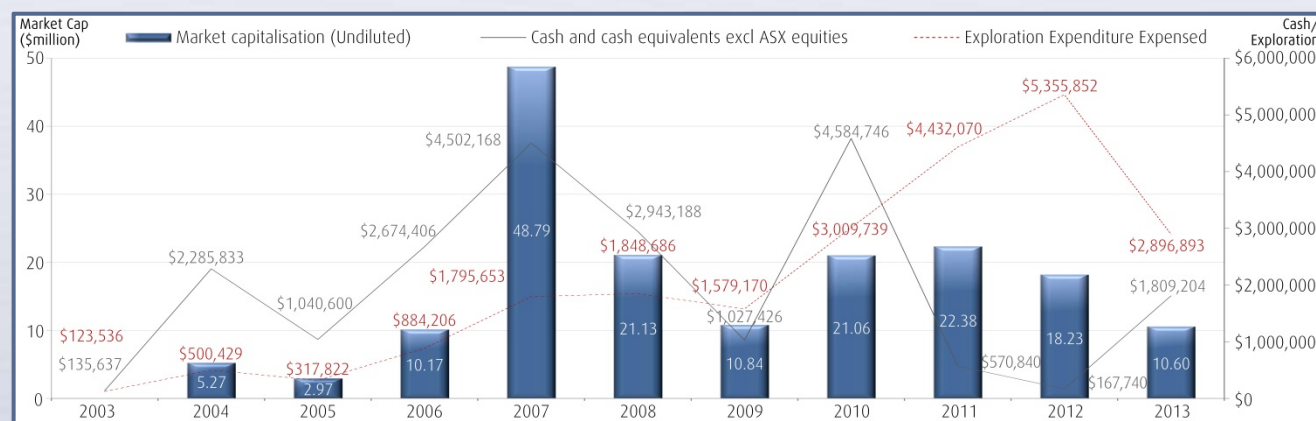
Hannans and Avalon allowed the Heads of Agreement (HOA) to lapse as it was not optimal for either company. Hannans and Avalon agreed to work towards reaching a new agreement during January 2013. On 28 February 2013 the parties announced that they could not agree terms and therefore the sale would not be proceeding.

On 6 May 2013 Hannans announced it had agreed to sell the Discovery Zone copper-iron deposit in Norrbotten, Sweden to Avalon Minerals Ltd (ASX:AVI) for \$4 million in a transaction that was binding, not subject to due diligence and had no conditions precedent. On 4 July 2013 Hannans issued Avalon with a formal demand for payment of \$2 million which was due and payable but had not been received. On 12 September 2013 Avalon

advised ASX that its rights issue, if not successfully completed, could put the Company at risk of not being able to pay its debts.

Hannans has been factoring in the sale of the Discovery Zone to Avalon for nearly twelve months and had anticipated that payment would be forthcoming at various stages throughout the year although this has not eventuated. The Hannans Board has had to balance shareholders' interests, dilution, and exploration funding in a period of significant uncertainty and this has been difficult.

During March 2013 the Company completed a \$2.8 million Placement priced at 2 cents per share.



Hannans Financial Summary 2003 – 2013

KEY PROJECTS

PAHTOHAVARE COPPER-GOLD PROJECT

The Pahtohavare Copper-Gold project provides shareholders with a unique investment opportunity – an advanced high grade copper-gold project located close to modern infrastructure and first class mining services, in a low sovereign risk, mining friendly country. The aim at Pahtohavare is to build on the existing resource base through further exploration of the multiple geological, geochemical and geophysical targets present within the area. As Pahtohavare is an existing mine site that is close to modern infrastructure and facilities, upon defining significant resources the project should be rapidly advanced through feasibility and development to achieve a timely move into production. Copper mineralisation was first discovered at Pahtohavare in 1984 by the state-owned exploration company Swedish Geological AB and later mined by Finnish mining company, Outokumpu between 1989-1994. Three deposits were defined at Pahtohavare (refer image below) namely:

- ∂ Central (oxide, carbonate and sulphide ore).
- ∂ Southern (sulphide ore).
- ∂ South-Eastern (sulphide ore).
- ∂ Mineralisation has also been identified in an area referred to as the Eastern Zone.

The compelling attributes of the project are:

- ∂ Proven high grade copper-gold mineralisation at surface and depth.
- ∂ Underground development in place at Southern and South-Eastern.
- ∂ Previously mined industrial site.
- ∂ Area of National Interest for Mining.
- ∂ Identification of significant quantity of high grade copper-gold mineralisation at Central.
- ∂ Potential to increase scope of oxide mineralisation at Central.
- ∂ Potential to process high grade oxide copper mineralisation close to surface (from surface to ~100m).
- ∂ Confirmation of ore grade mineralisation beneath Southern.
- ∂ Mining of existing copper-gold mineralisation at South-Eastern.
- ∂ Multiple geophysical targets including FLEM and Slingram anomalies.
- ∂ Multiple geochemical targets from historic bottom of till samples.
- ∂ Multiple geological targets including depth and strike extensions.

The next key milestones are:

1. Diamond drill testing of major geophysical and geological targets; including FLEM conductors and down-plunge depth extensions.
2. Assessment and reconciliation of previous underground operations at the Southern and South-Eastern Orebodies.

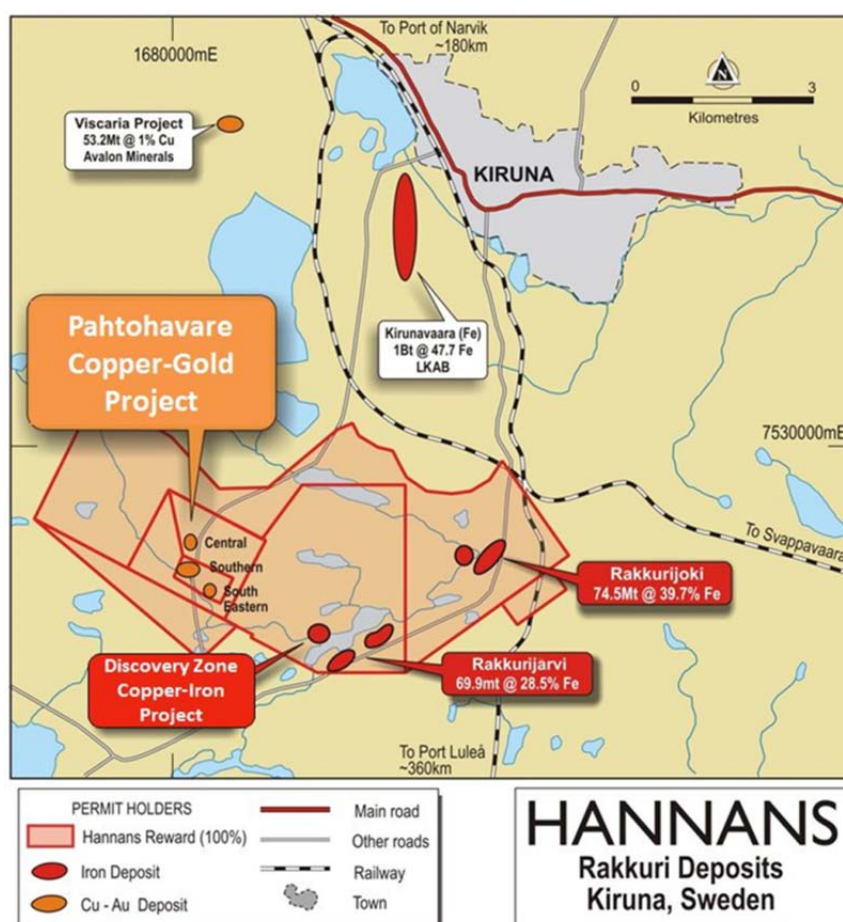


Figure 1. Pahtohavare and Rakkuri Project location map

KIRUNA IRON PROJECT

The Kiruna Iron Project represents an opportunity for Hannans and an incoming joint venture partner to establish a significant, premium grade (+68% Fe), iron concentrate operation. The Kiruna Iron Project comprises a number of different deposits, the majority within 80km of Kiruna.

Prior to the deposits being aggregated by Hannans they had not been effectively drill tested since early 1970. The initial focus was therefore to convert old deposits into JORC compliant mineral resources and assess the metallurgical characteristics of each deposit to determine if a saleable iron product could be produced from the magnetite ore.

The aim is to develop a business model whereby a number of satellite deposits, in addition to the main Rakkuri project are feeding into a central processing hub to create a long life profitable and sustainable mining and processing operation.

The initial concept is to bring the Rakkuri project into production, build a cash flow and introduce additional deposits as the business grows. Many studies and tests will need to be conducted to achieve this goal but it is considered achievable. Hannans is currently seeking a joint venture partner to assist in providing funding and expertise to progress the project.

The compelling attributes of the project are:

- Ø Multiple iron ore deposits (at surface) within close proximity to Kiruna, a full service mining town and modern open-access infrastructure.
- Ø Low political risk with favourable mining jurisdiction. Hannans' main iron deposit (open pit opportunity) is within an area of National interest for mining.
- Ø Opportunity exists for Hannans to become an independent producer of premium grade pellet feed (concentrate) or provide ore to existing mines within the area.
- Ø Low infrastructure risk with access to third party infrastructure already available with available capacity.
- Ø Low metallurgy risk with proven magnetite processing technology in existence.
- Ø Lannavaara Hub has the most potential to increase Hannans JORC resource towards 1Bt with further resource drilling.

The next key milestones are:

1. Find a joint-venture partner to fund further feasibility studies (incl. advanced metallurgical testwork and resource drilling) on the Rakkuri project.
2. Continue drilling to upgrade the JORC Iron resource at the Rakkurijoki deposit in 2014.
3. Complete a pre-feasibility study for the Rakkuri project.
4. Lodge an exploitation concession application.

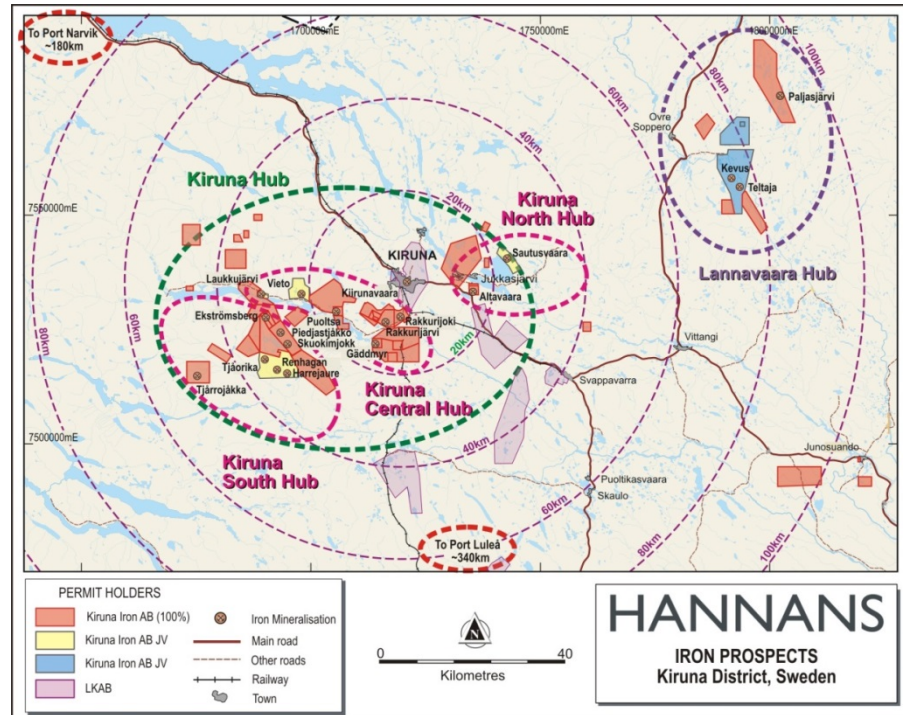


Figure 2. Location summary map of Kiruna Iron Project

EXPLORATION SUMMARY – JULY 2012 to JUNE 2013

by Amanda Scott, Exploration Manager, Hannans Reward Ltd

SWEDEN

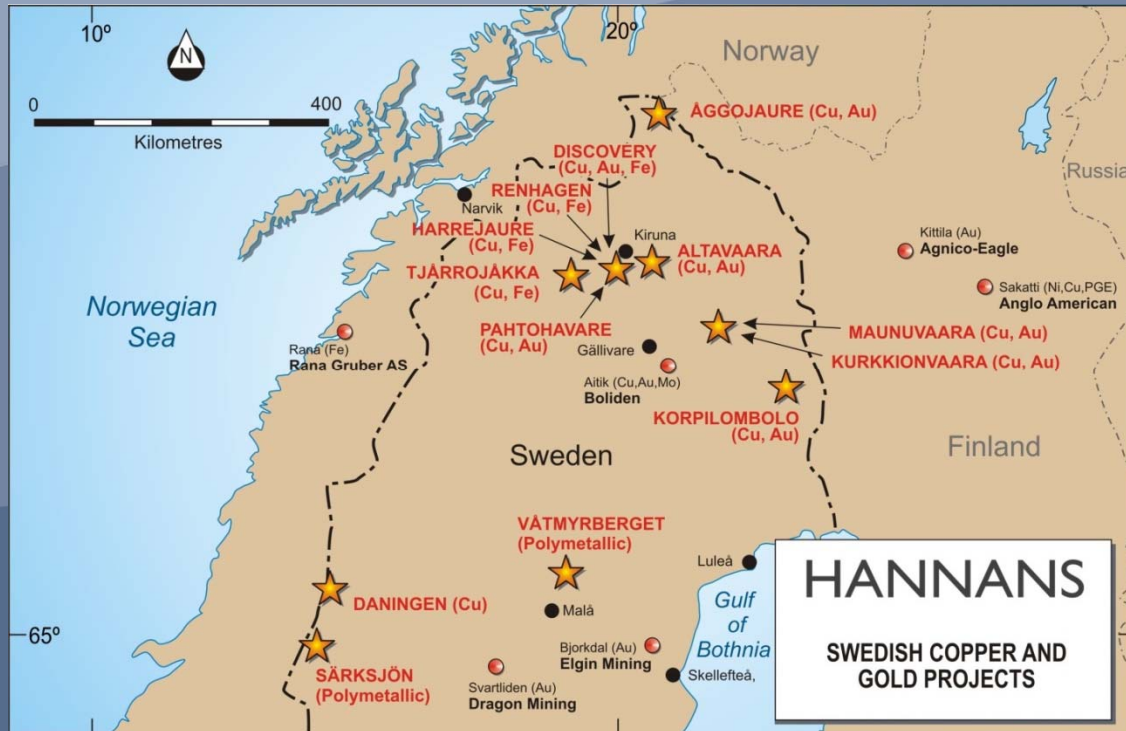


Figure 3. Hannans copper and gold projects located in Sweden

Pahtohavare Copper-Gold Project

It has been a very big year for exploration in Sweden for Hannans, namely at the flagship Pahtohavare Project where the project has been advanced from the historical data collection and validation process, through geophysical and drilling programs, to the calculation of a maiden JORC resource.

During the second quarter of the year, Hannans identified Pahtohavare as a priority project. An extensive digitisation, validation and interpretation process began of all the historical data covering the project, which included extensive drilling (>300 diamond drillholes), geophysical and geochemical datasets. This review process highlighted significant economic potential within the existing deposits and broader exploration potential within the project area.

A Fixed-Loop Electromagnetic survey was conducted over the Central Orebody at Pahtohavare which identified four priority conductors that require diamond drill testing.

Subsequent to the end of 30 June 2013

An RC drilling program commenced in June 2013 at the Central orebody, which aimed at testing high potential targets where historical drilling was in-effective and to test conceptual targets along strike from the known mineralisation. The drilling has so far returned some exciting results; including 30m @ 1.56% Cu, 1.16g/t Au, 1.12g/t Ag from 40m with a high-grade component of 4m @ 5.14% Cu, 5.54g/t Au, 1.17g/t Ag (PARC13002).

Sequentially, a maiden resource calculation was conducted on the Central, Southern and South-Eastern orebodies by SRK Consulting to reconcile the historic pre-mining resource calculations and post-mining close-out reports. The calculation was subject to whittle optimisation and does not include any drilling conducted by Hannans. A new exploration target has also been calculated for the Eastern mineralised zone at Pahtohavare. For full resource and exploration target tables, accompanying statements and competent person's statements please refer to the Annual Resource Statement on page 15.

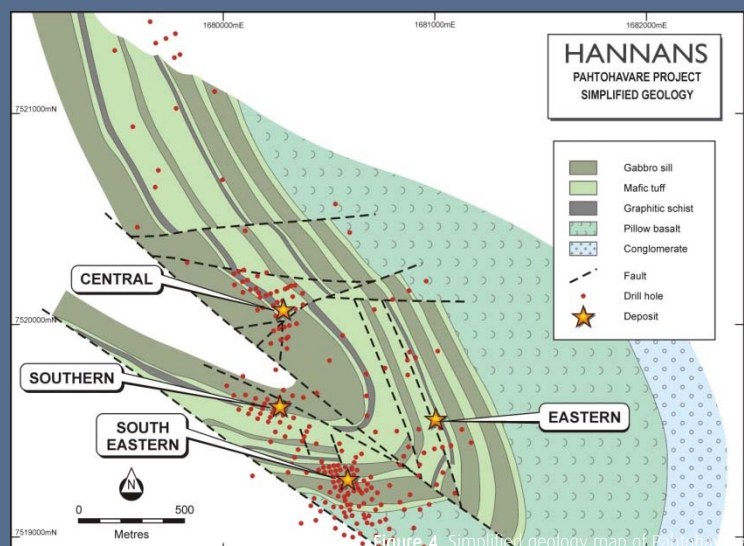


Figure 4. Simplified geology map of Pahtohavare

DIRECTORS' REPORT

Kiruna Iron Project

Located in the Kiruna District which is host to the world's largest and most modern underground iron mine.

A scoping study assessing the viability of an open-pit mining operation at the Rakkurijoki iron deposit was completed during the year with a very positive outcome. The study found the Rakkurijoki deposit has the potential to supply iron product over a 12 year mine life, at a premium price, to the European and the Middle East North African (MENA) markets (refer to Table 1 for the study highlights and future milestones).

The Rakkurijoki deposit is located less than 1km from a modern, government owned, open access heavy gauge rail line. The line connects the Rakkurijoki deposit to two modern iron ore export ports. This premium location with regard to logistics differentiates the project from other iron projects in Scandinavia and represents a significant competitive advantage.

With the scoping study now completed, Hannans is actively searching for a joint venture partner to fund the project through the remaining feasibility and resource drilling phases up to a decision to mine. The next stage of feasibility will include the Rakkurijärvi deposit, which is located ~1km away from Rakkurijoki, to expand the scope of the project. Combined the two deposits will be referred to as the Rakkuri project.

	Scoping Study	PFS	DFS
Accuracy (%)	± 30	± 15	± 5
Completion Date	January 2013	–	–
Relevant study costs	US\$250,000	~US\$10 million ¹	–
JORC Resource	Inferred	Indicated	Measured
Drilling Required	Nil	25,000m	
Expected Mine Life	12 years	>15 years	
Average Life-of-Mine OpEx (includes all mining, processing, haulage and port handling costs)	US\$54/tonne of concentrate sold		
CapEx	US\$629 million		
Long Term Iron Price (69% Fe)	US\$125/dmt		
Long Term Iron Price (62% Fe)	US\$100/dmt		

Table 1: Rakkuri Project scoping study results and further feasibility studies plan

More than 1,000m of infill diamond drilling was also completed at the Rakkurijoki iron deposit during the year. The infill drilling returned some excellent drill intersections; including 51.03m @ 46.6% Fe from 190m in RJO12015. Approximately 5,000m of drilling remains to complete the 100m infill programme.

Preliminary metallurgical test work was carried out on drill core samples from the Altavaara and Paljasjärvi iron prospects during the year. The DTR results confirm that a high grade (>70% and >66% Fe, respectively) magnetite concentrate can be produced from ore at both prospects.

The global resource for the Kiruna iron project as a whole currently stands at 395.5Mt @ 40.1% Fe. For full resource and exploration target tables, accompanying statements and competent person's statements please refer to the Annual Resource Statement on page 15.

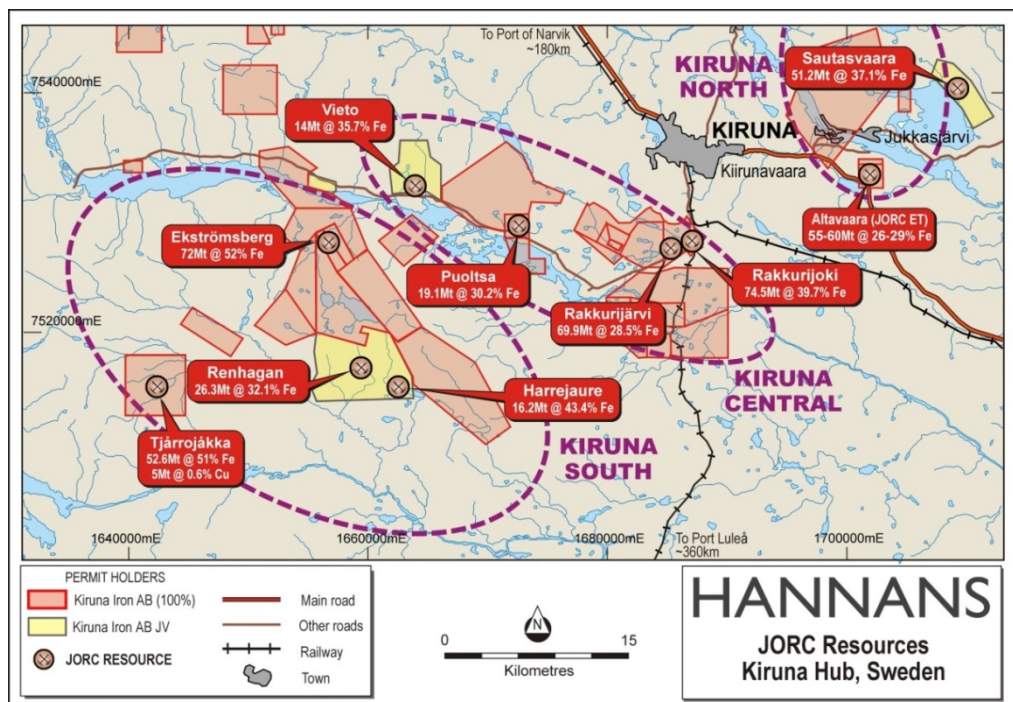


Figure 5. JORC Inferred Iron Resources, Kiruna Iron Project

¹ Inclusive of drilling, assay and metallurgical test work.

Altavaara Project

A 100-sample Cobra geochemistry programme was initiated in early January 2013 at Altavaara. The geochemistry programme was designed to follow up on the shallow (<20m) high-grade copper-gold intercept made in January 2012; 3m @ 1.3% Cu, 5.2g/t Au. Results indicated a discrete copper anomaly and a weak gold anomaly; a small RC drilling programme has been planned to follow up the initial intercept and the geochemistry anomaly.

Särksjön Project

The Särksjön Project is located in Caledonide stratigraphy which is host to multiple precious and base metal sulphide mines, deposits and mineral occurrences. A drilling program was completed during the year to test a geophysical (IP and EM) anomaly that co-incided with highly anomalous mineralised outcrop, including 42.5g/t Au, 45.2g/t Ag, 1.35% Cu, 4.17% Pb and 4.18% Zn (SAR10005).

Diamond drilling of three holes along a single profile, for a total of 652m, was completed with a low-grade, contiguous gold-mineralised zone being intercepted in all three holes. The best mineralised intercept returned was 7m @ 1.0g/t Au from 74m. The mineralisation is characterised by strong silicification and intense arsenopyrite mineralisation within a wider marginal zone of weakly disseminated pyrite, pyrrhotite, and arsenopyrite. Lead, zinc and molybdenum values were anomalous but not economic.

The host rocks at Särksjön are intensely deformed which is consistent with rocks located in the Caledonides, despite this; the low-grade gold-arsenic mineralisation can be traced between the three diamond drillholes and appears to be undeformed. Locally, high-grade gold (>10g/t Au) mineralisation as seen in outcrop and historic drill core, appears to be located within small scale (cm) fold hinges.

Våtmyrberget Project

During the year a ground magnetic survey was initiated at the Våtmyrberget Project, located in the northern Skellefte District, Sweden. The survey was focused on an area of outcropping poly-metallic mineralisation with magnetic profiles covering a strike length of 13km.

The poly-metallic mineralisation at Våtmyrberget is hosted in felsic volcanics (rhyolite-trachyte) and is associated with magnetite mineralisation. Previously reported sampling by Hannans returned the following results:

- Ø 4.56% Cu, 32.5g/t Ag, 1,540 ppm W and 0.1g/t Au (KS08105).
- Ø 2.47% Cu, 29.8g/t Ag, 370ppm W and 0.39g/t Au (KS08106).
- Ø 0.9% Cu, 8.7g/t Ag, 2,470ppm W and 0.1g/t Au (KS08204).

It is anticipated that the detailed ground magnetic survey will assist in targeting areas of magnetite and accompanying poly-metallic mineralisation.



Figure 6.
Copper and gold mineralisation in ALT11006; 3m @ 1.3% Cu, 5.2g/t Au from 15m

DIRECTORS' REPORT

NORWAY

In January 2011 Hannans identified the Finnmark and Troms counties of northern Norway as having significant prospectivity, primarily for copper-gold mineralisation and both counties are largely unexplored. As 'first-mover' in this unexplored terrain Hannans was able to put together a first-class copper-gold exploration portfolio. Hannans currently has six projects located in northern-most Norway and all are at the Target Generation Phase of the Exploration Pathway. Since applying for the projects in early 2011, the Norwegian government has allocated 100MNOK (over four years) in funding for exploration to help promote northern Norway as a place to explore.

During the 2012 field season, Hannans continued to build on the previous year's exploration success with further mapping and geophysical programs conducted at the priority Norwegian projects. New areas of high-tenor mineralisation were discovered at Fiskarfjellet and Njivlojávri, which has significantly added to the size and scale potential of both the projects.

A number of projects have been rationalised from the Norwegian project portfolio during the year, as they have been evaluated and do not meet the quality criteria required for them to be progressed along the exploration pathway.

Hannans has recently initiated a divestment process for its Norwegian Projects; including Fiskarfjellet and Njivlojávri.



Figure 7: Hannans copper and gold projects located in Norway.

Fiskarfjellet Project

The Fiskarfjellet Project is located in the Alta-Kvænangen tectonic window, approximately 20km southwest of the town of Alta and is prospective for Nussir-type copper mineralisation. During the 2011 summer field season a sediment hosted copper discovery was made by Hannans at Fiskarfjellet. Mapping at the project has revealed several kilometres of copper-mineralised dolomitic limestone across three separate dolomite horizons namely at Fiskarvatnet, Flomvatnet and Kvartpäättevatnet. High-grade copper mineralisation was also discovered at the Flintfjellet prospect located a further 10-15km southwest of Fiskarfjellet.

During the 2012 field season further mapping and sampling of the dolomite horizons has occurred in addition to sampling of the wall-rock siltstone. Minor chalcopyrite mineralisation has been identified in the wall-rock siltstones at both Fiskarvatnet and Kvartpäättevatnet.

At the Flintfjellet prospect all samples collected to date have come from an extensive dolomite boulder field/train. During the field season mapping of the dolomite boulder train (approximately 1km) located additional dolomite boulders with high-grade Cu-Ag mineralisation and up to 1.26 g/t Au. The mineralised boulders are found in a limited area within the dolomite boulder field:

- ♾ 26% Cu, 218g/t Ag (AL12004, Boulder).
- ♾ >40 Cu, 314g/t Ag (AL12005, Boulder).
- ♾ 26.20% Cu, 226g/t Ag and 1.26g/t Au (AL12006, Boulder).
- ♾ >40% Cu, 435g/t Ag (AL11090, Boulder).
- ♾ >40% Cu, 484 g/t Ag (AL11091, Boulder).
- ♾ 27.40% Cu, 151g/t Ag (AL12008, Outcrop).

Five kilometres to the southwest of the Flintfjellet boulder train, stratabound Cu-Ag mineralisation of the Fiskar-type was discovered along the contacts of two extensive dolomite layers of the Storviknes Formation.

The Norwegian Geological Survey (NGU) completed airborne electromagnetic, magnetic and radiometric surveys over the Fiskarfjellet Project in late 2012 as part of a larger government-funded study of the Alta-Kvænangen tectonic window. Hannans has since processed, modelled and interpreted the NGU airborne data which has identified numerous anomalies that require drill testing.

Kautokeino Project

Njivlojávri

The Njivlojávri Project is located in the Kautokeino Greenstone Belt and just 8km northeast of the past-producing Bidjovagge copper-gold mine. Swedish exploration company Arctic Gold AB is currently trying to bring the old mine back into production.

During the 2011 summer field season Hannans identified a >2km long copper-gold anomaly generated through C-Horizon soil sampling (50 x 200m spacing) at the Njivlojávri Project. The anomaly appears to be bound to a mineralised shear zone. Hannans also discovered copper-gold mineralisation in float samples at the Suovrrajávri Prospect which sits between known mineralisation to both the north and south.

Additional rock sampling of quartz-carbonate-chalcopyrite veins and prospecting in the eastern part of the licenses was completed during the 2012 summer field season. A total of 8 samples were collected with the most significant below:

- ♾ 17.05% Cu, 1.37g/t Au and 0.5g/t Ag (KA12002 - Bedrock).
- ♾ 12.45% Cu, 0.07g/t Au (KA12005 - Bedrock).
- ♾ 15.05% Cu, 0.29g/t Au and 0.8g/t Ag (KA12008 - Bedrock).

Ringvassøya Project

There are three known gold occurrences at the Ringvassøya Project; Sördalshøgda, Holmvasshøgda and Hårskoltan all located within the Archaean Ringvassøya Greenstone Belt. Previous outcrop sampling by Hannans returned the following results:

- ♾ 1.7g/t Au, 11.6g/t Ag, 3960ppm Zn (RI11016).
- ♾ 1.36g/t Au, 10.9g/t Ag, 6460ppm Zn (RI11017).

In September 2012, Hannans completed a ground-based magnetic survey covering the Holmvasshøgda and Sördalshøgda prospects.

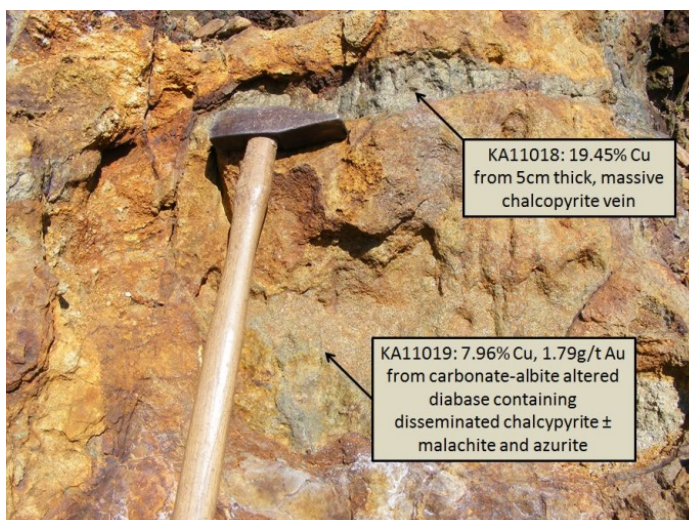


Figure 8.
Copper mineralised diabase from the Njivlojávri Prospect

DIRECTORS' REPORT

AUSTRALIA

As Hannans has primarily been focused on its advanced exploration and development assets in Sweden, only minor exploration activities have been carried out during the year on the Australian project portfolio. These activities have included field reconnaissance and various desktop studies.

The key exploration highlight for the year was the confirmation of nickel sulphides in the only drillhole (RC) ever completed at the Mt Gordon nickel prospect, Lake Johnston. This is a very exciting development for Hannans which confirms the presence of a fertile, high-MgO, reduced komatiite at Mt Gordon that has the potential to host high-tenor nickel sulphides. During the year Hannans received a co-funded EIS drilling grant of \$40,000 to drill five RC exploration holes at Mt Gordon.

All project areas have undergone a significant tenure rationalisation process, which has resulted in a number of tenements that are considered to be 'non-core' either being reduced in size or wholly surrendered. This process has allowed Hannans to reduce the associated holding costs and enables the core tenure within the packages to remain in good standing.

Hannans remains focussed on the divestment of the Australian project portfolio. The divestment process is consistent with Hannans' business strategy of moving away from pure high-risk greenfields exploration projects to a balanced mix of exploration and development assets. A number of parties have expressed interest in the projects and are reviewing data packages; however no transaction has yet been completed. Hannans will update the market accordingly upon any material agreements being reached.



ANNUAL RESOURCE STATEMENTS (JULY 2012 – JUNE 2013)

Kiruna Iron Project

The global resource estimate for the Kiruna Iron Project currently stands at 395.5Mt @ 40.1%Fe, this is a reduction from the figure (473Mt @ 40% Fe) reported in the 2012 annual report. The figure has reduced due to the sale (refer to ASX Announcement dated 6 May 2013) of the Discovery and Tributary resources to Avalon Minerals Ltd. The figure was further reduced by the relinquishment of the Pattok permit; renewal of the permit was not completed by the Company due to the location of the resource inside a national park where mining is forbidden.

JORC Compliant **Indicated** Mineral Resource Table

Prospect	Mt	Fe (%)	P (%)	S (%)
Sautusvaara South	32.0	37.4	0.06	1.63
Sautusvaara North	11.4	39.7	0.09	0.44
Ekströmsberg	30.4	52.0	Unavailable	Unavailable
TOTAL	73.8	43.0	-	-

JORC Compliant **Inferred** Mineral Resource Table

Prospect	Mt	Fe (%)	P (%)	S (%)
Rakkurijärvi	69.6	28.5	0.07	0.93
Rakkurijoki	74.5	39.7	0.28	0.89
Sautusvaara South	6.8	26.6	0.09	1.82
Sautusvaara North	1.0	44.8	0.05	0.46
Vieto	14.0	35.7	0.14	1.46
Puoltsa	19.1	30.2	Unavailable	Unavailable
Renhagen	26.3	32.1	0.21	0.03
Harrejaure	16.2	43.4	0.04	0.01
Ekströmsberg	41.6	52.0	Unavailable	Unavailable
Tjärrojåkka	52.6	51.0	Unavailable	Unavailable
TOTAL	321.7	39.3	-	-

TOTAL	Mt	Fe (%)
Indicated & Inferred	395.5	40.1

JORC Compliant **Exploration Target²** Tables

Hub 1 – Kiruna Hub

Prospect	Tonnage Range (Mt)	Grade Range (Fe%)
Åkosjegge	10-15	23-30
Altavaara	55-60	26-29
Laukkujärvi	4-8	30-35
Leppäjoki	5-8	35-45
Tjåorika	15-30	45-55
Total Hub 1	89-121	31.8-38.8

Hub 2 – Lannavaara Hub

Prospect	Tonnage Range (Mt)	Grade Range (Fe%)
Kevus	35-45	28-35
Paljasjärvi	40-60	30-40
Teltaja	39-47	40-48
Total Hub 2	114-152	32-41

TOTAL	Mt	Fe (%)
Hub 1 & 2	203-273	32.1-39.6

² The JORC Exploration Targets have been subjected to diamond drill testing, ground geophysics and interpretation by the Geological Survey of Sweden, reviewed by Mr Thomas Lindholm, of GeoVista AB. The potential quantity and grade of the exploration targets is conceptual in nature, there has been insufficient interpretation to define a JORC Mineral Resource and it is uncertain if further interpretation will result in the determination of a JORC Mineral Resource.

DIRECTORS' REPORT

Competent Person's Statements-Kiruna Iron Project

- ⌚ The mineral resource estimate for Rakkurijoki and Rakkurijärvi is effective from 13th January 2012 and has been prepared by Mr Thomas Lindholm, MSc of GeoVista AB, Luleå, Sweden acting as an independent "Competent Person". Mr Lindholm is a Fellow of the Australasian Institute of Mining and Metallurgy (Membership No. 230476). Mineral resources for Rakkurijoki and Rakkurijärvi have been prepared and categorised for reporting purposes by Mr Lindholm, following the guidelines of the JORC Code. Mr Lindholm is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold, base metal and iron deposits. Mr Lindholm consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.
- ⌚ The mineral resource estimate for Puoltsa is effective from 13 January 2012 and has been prepared by Mr Thomas Lindholm, MSc of GeoVista AB, Luleå, Sweden acting as an independent "Competent Person". Mr Lindholm is a Fellow of the Australasian Institute of Mining and Metallurgy (Membership No. 230476). Mineral resources of Puoltsa has been prepared and categorised for reporting purposes by Mr Lindholm, following the guidelines of the JORC Code. Mr Lindholm is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold, base metal and iron deposits. Mr Lindholm consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.
- ⌚ The mineral resource estimate for Ekströmsberg and Tjärrojäkka is effective from 22 July 2011 and has been prepared by Dr Christopher Wheatley of Behre Dolbear International Ltd, UK, acting as an independent "Competent Person". Dr Wheatley is a member of the Institute of Materials Minerals and Mining (Membership No. 450553). Mineral resources of Ekströmsberg and Tjärrojäkka have been prepared and categorised for reporting purposes by Dr Wheatley, following the guidelines of the JORC Code. Dr Wheatley is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold, base metal and iron deposits. Dr Wheatley consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.
- ⌚ The mineral resource estimate for Vieto and Sautusvaara is effective from 26 July 2011 and has been prepared by Mr Geoffrey Reed of Minarco-MineConsult acting as an independent "Competent Person". Mr Geoffrey Reed is a Member of the Australasian Institute of Mining and Metallurgy (CP) (Membership No. 205422). Mineral resources of Vieto and Sautusvaara have been prepared and categorised for reporting purposes by Mr Reed, following the guidelines of the JORC Code. Mr Reed is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold, base metal and iron deposits. Mr Reed consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.
- ⌚ The mineral resource estimate for Renhagen and Harrejaure is effective from 13 January 2012 and has been prepared by Mr Geoffrey Reed of Minarco-MineConsult acting as an independent "Competent Person". Mr Geoffrey Reed is a Member of the Australasian Institute of Mining and Metallurgy (CP) (Membership No. 205422). Mineral resources of Renhagen and Harrejaure have been prepared and categorised for reporting purposes by Mr Reed, following the guidelines of the JORC Code. Mr Reed is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold, base metal and iron deposits. Mr Reed consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.
- ⌚ The information in this document that relates to JORC Exploration Targets is based on information reviewed by Mr Thomas Lindholm of GeoVista AB, Luleå, Sweden acting as an independent "Competent Person". Mr Lindholm is a member of the Australasian Institute of Mining and Metallurgy (Membership No. 230476). Mr Lindholm is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold, base metal and iron deposits. Mr Lindholm consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.
- ⌚ The information in this document that relates to exploration results for the Kiruna Iron Project is based on information compiled by Amanda Scott, a Competent Person who is a Member of the Australian Institute of Mining and Metallurgy (Membership No. 990895). Amanda Scott is a full-time employee of Hannans Reward Ltd. Amanda Scott has sufficient experience, which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which has been undertaken to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Amanda Scott consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.
- ⌚ **Note all Kiruna Iron Project Resource Estimates and Exploration Target Estimates have been prepared and reported under the 2004 JORC Code. Exploration Results within this report pertaining to the Kiruna Iron Project have been prepared and reported under the 2012 JORC Code.**

Pahtohavare

The Pahtohavare Inferred Mineral Resource Estimate and Exploration Target Estimate were reported subsequent to 30 June 2013. Please refer to the ASX Announcement dated 20 August 2013, titled 'Maiden JORC Resource for Pahtohavare' for a comprehensive summary of the estimates and technical information including Table 1 (2012 JORC Code-Sections 18 & 19).

Area	Resource Category	Mt	Cu (%)	Au (g/t)	Cu Eq (%)	Mining Scenario	Material
Central	Inferred	1.4	1.8	0.6	2.4	Open Cut	Oxide
Southeast	Inferred	0.8	1.7	0.5	2.1	Open Cut + Underground	Sulphide
South	Inferred	0.1	1.3	0.6	1.9	Underground	Sulphide
COMBINED	Inferred	2.3	1.7	0.6	2.3		

Table 1. JORC Inferred Resource-Pahtohavare Project. (Open pit resources calculated using a Whittle optimised cut-off grade of 0.56% CuEq³ for oxide material and 0.43% CuEq for sulphide material. Underground resources calculated using a 1.48% CuEq)

Area	Category	Mt	Cu (%)
Eastern	JORC Exploration Target	2-4	0.3-0.7

Table 2: JORC Exploration Target for Eastern Zone, Pahtohavare

³ Copper equivalent (CuEq) has been calculated using metal selling prices of USD\$3.56 / lb for Cu and USD\$1,510 / Oz for Au, along with metal recoveries of 90% for Au and 65% for Cu in sulphide material and 80% for Au and 50% of Cu in oxide material. The following equations were used:

• Oxide: CuEq = (1.12 x Au (ppm) grade) + (0.98 x Cu% grade)
Sulphide: CuEq = (0.97 x Au (ppm) grade) + (0.99 x Cu% grade)

Accompanying Statements: JORC Inferred Resource-Pahtohavare

1. The effective date of the Mineral Resource is 12 July 2013.
2. Mineral Resources are reported in relation to a conceptual pit shell. Mineral Resources are not Ore Reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate.
3. The quantity and grade of reported Inferred Mineral Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Mineral Resources as an Indicated or Measured Mineral Resource; and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
4. Copper equivalent (CuEq) grades were calculated using metal prices of USD\$3.56 per pound of copper (Cu), and USD\$1,510 per troy ounce of gold (Au), along with metal recoveries of 90% for Au and 65% for Cu in sulphide material and 80% for Au and 50% of Cu in oxide material.
5. Open pit Mineral Resources are reported above the Whittle pit shell and above a cut-off grade of 0.56% CuEq for oxide material and 0.43% CuEq for sulphide material.
6. Underground Mineral Resources are reported below the Whittle pit shell, and above a cut-off grade of 1.48% CuEq for sulphide material.
7. Mineral Resources for the Pahtohavare project has been classified according to the JORC Code (2012) by Ben Parsons (MAusIMM (CP)), an independent Competent Person as defined by JORC.
8. The Mineral Resource estimate has not been affected by any known environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.

Accompanying Statement JORC Exploration Target-Pahtohavare

1. The Eastern area of Pahtohavare has not been classified as a Mineral Resource, but is considered by SRK Consulting to be an Exploration Target. This is a result of the historic drilling being on a sparse and variable grid, and due to lack of historic drill core re-assaying.
2. SRK Consulting estimated grades and tonnages to provide an analysis of the potential. As a result, SRK Consulting has delineated an Exploration Target of between 2-4 Mt of material grading between 0.3-0.7% Cu (with negligible Au grades) for the Eastern area, based on blocks within the digitised mineralisation wireframes, but not reported above a cut-off grade.
3. The potential quantity and grade is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.
4. Based on the copper equivalent cut-off grades used to report the Resources in the Resource statement, only a minor portion of the currently outlined Eastern area would be above the cut-off grade used for Resource reporting. However, this material may have elevated Zn and Pb grades, which were not taken into account during the Resource estimation process.

Competent Person's Statements-Pahtohavare

- Ø The information in this document that relates to exploration results for the Pahtohavare Project is based on information compiled by Amanda Scott, a Competent Person who is a Member of the Australian Institute of Mining and Metallurgy (Membership No. 990895). Amanda Scott is a full-time employee of Hannans Reward Ltd. Amanda Scott has sufficient experience, which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which has been undertaken to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Amanda Scott consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.
- Ø The information in this document that relates to the Pahtohavare Mineral Resource and Exploration Target is based on information compiled by Mr Benjamin Parsons, a Competent Person who is a Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy (Membership No. 222568). Benjamin Parsons is a full time employee of SRK Consulting, and has no interest in, and is entirely independent of Hannans Reward Limited. Benjamin Parsons has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in JORC 2012. Benjamin Parsons consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
- Ø The information in this document that relates to the Pahtohavare Mineral Resource and Exploration Target is based on information compiled by Mr Johan Bradley, a Competent Person who is a Chartered Geologist with the Geological Society of London (Membership No. 1014008), and a European Geologist (EurGeol). Johan Bradley is a full time employee of SRK Consulting, and has no interest in, and is entirely independent of Hannans Reward Limited. Johan Bradley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in JORC 2012. Johan Bradley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
- Ø **Note all Resource Estimates, Exploration Target Estimates and Exploration Results within this report pertaining to the Pahtohavare Project have been prepared and reported under the 2012 JORC Code.**

Competent Person's Statement-Särksjön, Vätmyrberget Altavaara, Fiskarfjellet, Kautokeino and Ringvassøya Projects

- Ø The information in this document that relates to exploration results for the Särksjön, Vätmyrberget, Altavaara, Fiskarfjellet, Kautokeino and Ringvassøya Projects is based on information compiled by Amanda Scott, a Competent Person who is a Member of the Australian Institute of Mining and Metallurgy (Membership No. 990895). Amanda Scott is a full-time employee of Hannans Reward Ltd. Amanda Scott has sufficient experience, which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which has been undertaken to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Amanda Scott consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

MINING IN SWEDEN AND NORWAY

SWEDEN

Political attributes

Sweden hosts an excellent infrastructure; extensive public investment ensures a nationwide network of roads, railroads, waterways, harbours, airports, and wireless and mobile networks. Sweden is a net exporter of electric power to its neighbours in the Nordic region and through inter-connectors to continental Europe; 90% of power generation comes from hydro power plants and nuclear power plants. Expansion of power generation in later years has come from wind power and upgrading the existing nuclear reactors. The grid covers all populated areas and expansions of the grid to new consumers (industrial or domestic) are readily done.

The Government has in its budget from 2011 reserved 5 billion SEK (approx. 750 million) for infrastructure improvements in the coming years. Within this effort is a proposed upgrade of railroads which is important for the mining industry because rail transport is currently a bottleneck for increased production of iron ore.

Economic attributes

The current economic situation in the European Union is turbulent for most of the countries involved, but the Swedish economy is very stable, as is Norway's - a country outside EU. The sovereign risk is considered low in Sweden and Norway.

Sweden is one of the most competitive locations for corporate taxation in Europe; Sweden's corporate tax system is transparent and enables easy access to information. The national tax authority is efficient and service-minded although the taxes associated with employing people in Sweden is relatively high.

Industrialisation and urbanisation, mainly in Asia, are increasing the world's need for iron ore and other metals. This trend contributed to continued high investments in exploration and there has been a growing focus on iron ore in Sweden. Totally almost USD 110 million (approx. A\$117 million) was invested in exploration in Sweden during 2012.

Social attributes

Exploration and mining companies have to work very closely with Local and National Saami organisations, municipalities and local residents.

Hannans has an ongoing dialogue in Sweden and Norway with the Saami villages about their reindeer migration trails, winter grazing areas and how we can diminish the disturbance the exploration causes on their activities. Hannans has signed an agreement with one of the Saami villages in Kiruna which outlines how KIAB and the Saami village will cooperate during the social impact assessment which will also include an in-depth analysis of reindeer husbandry. Hannans also keep the affected landowners and the house owners informed.

SveMin is the Swedish association for mining, metal and mineral producers and exploration; it has approximately 40 members and focusses on issues associated with land access, exploration, environment, health and safety, energy and climate, competence and treaties with unions.

Within the SveMin Exploration Committee a special Reindeer Husbandry Sub-Committee has been formed with members from both mining and exploration companies. The workgroup has had several contacts and a meeting with the Swedish Saami Association. Contact has also been taken with the Saami Parliament in Sweden and the intention is to develop guidelines for work in Sápmi⁴.

Technological attributes

Sweden is highly advanced with respect to technology within mining and metallurgy contributing to both profitable and ecological underground mining; LKAB is currently mining iron ore at almost 1,400 meters depth at Kiirunavaara and is said to be the most cost efficient underground iron mine in the world.

Sweden and Finland are home to some of the largest mine equipment suppliers in the world including Atlas Copco, Sandvik, Metso, Volvo Construction Equipment and Outotec. Likewise there are a number of domestic contractors that service the mining sector in both underground and surface mining operations; Bergteamet, NCC, PEAB, Orica and Cliffon as well as internationally recognised mining consultants including SRK Consulting and Golder Associates.

Sweden's science infrastructure is world-class; large investments into higher education and basic research has propelled Sweden into a prime position among European economies in terms of university enrolment, workforce skills and research and development (R&D). Synergies generated by the close connection between Swedish universities, research institutes and the private sector further leverage the R&D output.

Innovation is also an important engine of growth and new jobs and for the second year in a row Sweden, Switzerland and Singapore lead in overall innovation performance according to the Global Innovation Index 2012. The report ranks 141 countries and takes into consideration institutions, human capital and research, infrastructure, market and business sophistication as well as the results of innovation such as patents and software.

Environmental attributes

10% of Sweden's land area consists of national parks, nature reserves and other types of protected land. Exploration in a national park is strictly forbidden but is allowed in areas of lower protection.

Early exploration activities do not have any significant impact on the environment but as it advances to drilling and more systematic sampling and surveying environmental permission from the County Administration Board (Länsstyrelsen) is often required (even in areas of unprotected land) and typically involves specific guidelines to minimise damage. Once exploration in an area has been completed the area must be rehabilitated. In order to begin mining, two separate permits must be obtained; a Mining Concession issued by the Mines Department (Bergsstaten) and an Environmental Permit issued by the Environmental Court (Miljöödomstolen). A comprehensive Environmental Impact Assessment is compulsory for a Mining Concession to be approved and although not legally required a Social Impact Assessment is recommended.

⁴ Sápmi is the area traditionally inhabited by the Saami people.

Minerals attributes

There are four classic ore/mineral districts in Sweden:

- Ø Norrbotten District with iron ore and porphyry copper (Kiruna, Malmberget, Aitik) in northernmost Sweden.
- Ø Skellefte District with volcanic hosted sulphide (VMS) deposits (Kristineberg, Renström, the closed Boliden mine) in north-central Sweden.
- Ø Bergslagen District with VMS deposits (Garpenberg, Zinkgruvan, the closed Falu mine) and iron mines (Dannemora) in south-central Sweden.

- Ø Caledonian Front with VMS and sediment hosted base metals deposits (the closed Stekenjokk and Laisvall mines) along the Swedish-Norwegian border.

In Sweden, Hannans has several projects located in the Swedish Caledonian Front which hosts volcanic massive sulphide deposits and sediment hosted base metal deposits although the Company's primary focus during 2012-2013 has been in the Kiruna IOCG district exploring magnetite and copper-gold mineralisation across several prospects and deposits. The Swedish Caledonian front has not been actively explored for the last 40 years and certainly modern exploration techniques

have not been utilised before. The other key areas for focussing copper-gold and base metal exploration within Hannans are areas which have not traditionally been seen as prospective and where little to no previous exploration has been performed e.g. north of the Skellefte VMS district where the volcanic terrain is now considered prospective for large mineralized copper-gold systems, the area north of Kiruna where Archaean rocks are considered prospective for shear hosted gold, and the eastern part of Norrbotten where major crustal scale, north-south trending, shear zones in Proterozoic rocks are also considered highly prospective for gold mineralisation.

NORWAY

The new Minerals Act in Norway came into force in January 2010. According to the Minerals Act, the state is the owner of the metals and minerals but there are a few exceptions including graphite and alluvial gold which are owned by the landowner and a private agreement with the landowner is required rather than a state-issued permit.

An exploration permit is granted initially for 7 years (but can be extended beyond if an extension is sought) as a right to a specific area and not as a right to a particular metal. A permit can have a maximum area of 10 km² but no less than 1 km². Multiple exploration permits, adjoining each other, is allowed. Whilst there are no minimum annual expenditure commitments in Norway permit fees are quite high; the application fee for each permit is set at 1000NOK and the annual fee for an exploration permit is 10 NOK/ha for the second and third calendar year, 30 NOK/ha for the fourth and fifth calendar year and 50 NOK/ha for the sixth, seventh and any years beyond.

In Finnmark, an exploration permit does not confer a right to undertake exploration or extraction until the Directorate of Mining has granted a special permit for such activities. A special permit may be refused if granting the application would be contrary to Saami interests. In the assessment, special consideration shall be given to the interests of Saami culture, reindeer management, commercial activity, and social life. If the application is granted, conditions may be imposed to safeguard these interests.

In order to begin mining in Norway, firstly an extraction permit must be obtained and secondly an operating licence. As with Sweden, Norway also requires substantive environmental, social and financial studies to be completed as part of the extraction permit application. Once mining, the extraction permit holder

must pay an *annual landowner fee*⁵ of 0.5% of the sales value of that which is extracted. In the case of land owned by Finnmarkseiendommen⁶, an increased landowner fee of 0.25% shall be paid in addition to the ordinary landowner fee of 0.5%.

Although both Sweden and Norway have long histories of mining they are still considered under-explored from a modern exploration point of view. The former mineral legislations of both Sweden and Norway made it difficult for foreign companies to explore but new mineral legislations (Sweden 1991 and Norway 2010) have opened up both countries to exploration by foreign explorers in recent years.

In Norway, some of the more important metal deposits are:

- Ø VMS deposits along the Caledonian Front (Løkken, Grong, and Sulitjelma).
- Ø Sediment-hosted copper deposits (Repparfjord, Nussir) in Finnmark.
- Ø Shear-hosted copper-gold deposits (Bidjovagge) in Finnmark.

This year, Hannans focus has been on its Finnmark projects where exploration ceased approximately 20 years ago after the closure of the Bidjovagge mine although the Finnmark region is now the focus of intense exploration once more with the aid of a 100MNOK funding injection by the Norwegian Government. The unique programme, Mineral Resources in North Norway (MINN), designed to find new mineral deposits in northern Norway, will be managed by the Norwegian Geological Survey (NGU) over a period of four years and include geophysical measurements, regional geochemical sampling and regional geological mapping. The newly collected data is periodically released for public use, free of charge.

⁵ The basis for the calculation of the fee shall, as a general rule, be the extracting party's sales revenue (excluding VAT), from the sale of extracted volumes and volumes with a potential sales value which the extracting party produces itself or otherwise utilises without selling. If further processing beyond normal enrichment takes place, the sales value prior to the processing shall be used.

⁶ Finnmarkseiendommen (FeFo) is a separate legal entity (landowner body) in Finnmark which administers the land and natural resources under its control (95% of Finnmark or 46,000km²) in accordance with the Finnmark Act.

DIRECTORS

The names and particulars of the Directors of the Company during the financial year and until the date of the report are:

Mr Damian Hicks, Managing Director (Appointed 11 March 2002)



Mr Hicks was a founding Director of Hannans Reward Ltd and appointed to the position of Managing Director on 5 April 2007. He formerly held the position of Executive Director and Company Secretary.

Mr Hicks holds a Bachelor of Commerce (Accounting and Finance) from the University of Western Australia, is admitted as a Barrister and Solicitor of the Supreme Court of Western Australia, holds a Graduate Diploma in Applied Finance & Investment from FINSIA, a Graduate Diploma in Company Secretarial Practice from Chartered Secretaries Australia and is a Graduate Member of the Australian Institute of Company Directors.

Mr Hicks is a Non-Executive Director of funds management company, Growth Equities Pty Ltd.

During the past 3 years Mr Hicks was a Director of Scandinavian Resources Ltd from 19 April 2010 to the date the company ceased to be a listed public company on 12 June 2013.

Mr Jonathan Murray, Non-Executive Director (Appointed 22 January 2010)



Mr Murray is a partner at law firm Steinepreis Paganin, based in Perth, Western Australia. Since joining the firm in 1997, he has gained significant experience in advising on initial public offers and secondary market capital raisings, all forms of commercial acquisitions and divestments and providing general corporate and strategic advice.

Mr Murray graduated from Murdoch University in 1996 with a Bachelor of Laws and Commerce (majoring in Accounting). He is also a member of FINSIA (formerly the Securities Institute of Australia).

During the past 3 years Mr Murray has also served as a director of the following other listed companies:

* Denotes current directorship

- Ø Peak Resources Limited* (appointed 22 February 2011)
- Ø Highfield Resources Ltd (appointed 25 October 2011; resigned 14 August 2013)
- Ø Laguna Resources Ltd (appointed 16 October 2009; resigned 20 February 2012)
- Ø Kalgoorlie Mining Company Ltd (appointed 4 June 2010; resigned 5 October 2012) *previously US Nickel Ltd*

Mr Markus Bachmann, Non-Executive Director (Appointed 2 August 2012)



Mr Bachmann graduated with Honours ("cum laude") from the University of Berne, Switzerland and began his corporate finance career in 1993.

In 2001, Mr Bachmann was Senior Portfolio Manager with Coronation Fund Managers in Cape Town when it was awarded the Standard & Poor's Award for Manager of the Best Performing Large Cap Equity Unit Trust in South Africa.

In 2003, Mr Bachmann was founding partner of Craton Capital and is the Chief Executive Officer. Craton Capital was awarded Fund Manager of the Year at the Mining Journal's "Outstanding Achievement Awards" announced in London during December 2010 for the Craton Capital Precious Metal Fund. The award is the most prestigious fund award in the mining industry.

Craton Capital has offices in Johannesburg, South Africa and in Zurich, Switzerland.

Mr Bachmann brings an extensive network of contacts in Europe and Africa to the Board which will assist with rapidly growing the Company's minerals portfolio including its flagship Kiruna Iron Project.

During the past 3 years Mr Bachmann was a Director of Scandinavian Resources Ltd from 19 January 2011 to the date the company ceased to be a listed public company on 12 June 2013.

Mr Olof Forslund, Non-Executive Director (Appointed 2 August 2012)



Mr Forslund is a geophysicist and has extensive international experience in the mineral exploration industry, particularly in the development and application of geophysical instruments and radar technology. His assignments have covered activities in Sweden, Japan, South Korea, Germany, Belgium, Italy, France, Canada and the USA.

Mr Forslund commenced with SGU in 1966 and during the period 2003 – 2007 Mr Forslund was Regional Manager of the Geological Survey of Sweden's Mineral Resources Information Office in Mala, Sweden (www.sgu.se). SGU's branch office Mala serves as a 'one-stop' information office for all those conducting exploration in Sweden.

Mr Forslund was a founding shareholder and President of MALÅ GeoScience (www.malags.com) between 1994 and 1998. MALÅ is currently the global leader in the design and manufacture of Ground Penetrating Radar (GPR) systems.

From 1999-2003 Mr Forslund was also project manager for Georange (www.georange.se), a non-profit organization whose main task is to expand the concept of "development" in the mining and minerals industry in Sweden. Georange has today about 50 members from municipalities, organizations, universities and private companies. Whilst involved with the Georange project, Mr Forslund was responsible for the raising of approximately SEK100 million from various organisation and governments including the European Union to fund Georange activities.

DIRECTORS (cont'd)

Mr Forslund has an extensive network of contacts through Scandinavia covering geophysicists, geologists, drilling companies, government and industry. He was responsible for the Sweden Geological Survey's active participation at the Prospectors and Developer's Conference (otherwise known as PDAC) in Toronto, Canada.

During the past 3 years Mr Forslund was a Director of Scandinavian Resources Ltd from 19 April 2010 to the date the company ceased to be a listed public company on 12 June 2013.

Mr Richard Scallan, Independent Non-Executive Chairman (Appointed 23 May 2002, retired 21 November 2012)



Mr Scallan is a Mining Engineer with 49 years experience in underground and open cut mining in both Southern Africa and Australia. Mr Scallan was employed by the Anglo American Corporation of South Africa Limited for 26 years before immigrating to Australia and joining Goldfields Limited in 1981.

Mr Scallan held positions as General Manager, Kundana Gold Pty Ltd and Paddington Gold Pty Ltd (both owned by Goldfields Limited) in Kalgoorlie, Western Australia and General Manager, RGC Limited – Renison Tin Division in Zeehan, Tasmania.

Mr Scallan has managed deep level gold, uranium, nickel, copper, chrome, platinum, mineral sands and tin mines. He is a Fellow of the Australian Institute of Mining and Metallurgy.

During the past 3 years Mr Scallan has not served as a Director of any other ASX listed companies.

Mr William Hicks, Non-Executive Director (Appointed 11 March 2002, retired 21 November 2012)



Mr Hicks was a founding Director of Hannans Reward Ltd and has been actively involved in the progress and development of a number of well-known exploration companies. He was a director and secretary of Spargo's Reward Gold Mines NL and was instrumental in the listing on the ASX of both Central Kalgoorlie Gold Mines NL and Maritana Gold NL.

Mr Hicks is a Fellow of the Australian Institute of Company Directors and a Pharmaceutical Chemist.

During the past 3 years Mr Hicks has not served as a Director of any other ASX listed companies.

COMPANY SECRETARIES

Mr Ian Gregory (Appointed 5 April 2007)



Mr Gregory holds a Bachelor of Business from Curtin University. Prior to founding his own business in 2005 Mr Gregory was the Company Secretary of Iluka Resources Ltd (6 years), IBJ Australia Bank Ltd Group (12 years) and the Griffin Group of Companies (4 years). Mr Gregory is a past Chairman of the Western Australian branch of the Chartered Secretaries Australia.

Mr Michael Craig (Appointed 11 March 2010, resigned 30 June 2013)



Mr Craig holds a Bachelor of Commerce from Curtin University and is a Chartered Accountant. Prior to joining Hannans as Finance and Compliance Manager in 2008 Mr Craig worked for a mid-tier accounting firm for 4 years.

At the date of this report the following table sets out the current Directors' relevant interests in shares and options of Hannans Reward Ltd and the changes since the 2012 Annual Report.

Director	Ordinary Shares		Options over Ordinary Shares	
	Current Holding	Net Increase/(decrease)	Current Holding	Net Increase/(decrease)
Damian Hicks	5,000,001	4,000,000	–	–
Jonathan Murray	5,249,129	3,382,353	–	–
Markus Bachmann (i)	58,582,353	10,882,353	–	–
Olof Forslund	–	–	–	–

(i) These shares are held by Craton Capital Funds of which Mr Bachmann is a founding partner and Chief Executive Officer.

During and since the end of the financial year no share options were granted to directors as part of their remuneration by Hannans Reward Ltd.

REMUNERATION REPORT (AUDITED)

The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Share-based compensation
- E. Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A. Principles used to determine the nature and amount of remuneration

The whole Board forms the Remuneration Committee. The remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component with the flexibility to offer specific long term incentives based on key performance areas affecting the Group's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors and executives to manage the Group.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives is as follows:

- Ø The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually and determines policy recommendations by reference to executive performance and comparable information from industry sectors and other listed companies in similar industries.
- Ø The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.
- Ø The Managing Director and executives receive a superannuation guarantee contribution required by the government, which is currently 9% of base salary and do not receive any other retirement benefits.
- Ø All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Options are valued using the Black-Scholes methodology.
- Ø The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews the remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. However none was sought in the current year. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. The 2012 remuneration report was approved at the last Annual General Meeting held on 21 November 2012.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors and executive performance. Currently, this is facilitated through the issue of options to the directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. The Company currently has no performance based remuneration component built into director and executive remuneration packages.

The Board does not consider earnings during the current and previous financial years when determining, and in relation to, the nature and amount of directors' remuneration. Refer to page 29 for a summary of the Group's earnings for the past 5 years.

B. Details of remuneration

Details of remuneration of the Directors and key management personnel (as defined in *AASB 124 Related Party Disclosures*) of Hannans Reward Ltd are set out in the table on page 23.

The key management personnel of Hannans Reward Ltd and the Group are the Directors and the joint company secretary as listed on page 20 and 21.

Given the size and nature of operations of Hannans Reward Ltd, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

REMUNERATION REPORT (AUDITED) (cont'd)

B. Details of remuneration (cont'd)

2013	Short Term			Post-employment		Equity	Long service leave (ii)	Other benefits (D&O Insurance) (iii)	Total
	Salary & fees \$	Bonus \$	Other benefits (i) \$	Super-annuation \$	Pre-scribed benefits \$	Options \$			
Directors									
Damian Hicks (iv)	258,648	–	8,475	23,278	–	–	4,769	2,393	297,563
Jonathan Murray	35,613	–	–	–	–	–	–	2,393	38,006
Markus Bachmann (v)	35,613	–	–	–	–	–	–	2,182	37,795
Olof Forslund (v)	35,613	–	–	–	–	–	–	2,182	37,795
Richard Scallan (vi)	14,851	–	–	–	–	–	–	944	15,795
William Hicks (vii)	16,188	–	–	–	–	–	–	944	17,132
Executives									
Michael Craig (viii) (Company Secretary)	157,069	–	13,240	15,378	–	–	–	2,393	188,080
Total	553,595	–	21,715	38,656	–	–	4,769	13,431	632,166

	Short Term			Post-employment		Equity	Long service leave (ii)	Other benefits (D&O Insurance) (iii)	Total
	Salary & fees	Bonus	Other benefits (i)	Super-annua-tion	Pre-scribed benefits	Options			
2012	\$	\$	\$	\$	\$	\$	\$	\$	\$
Directors									
Richard Scallan	35,642	–	–	3,208	–	–	–	2,448	41,298
Damian Hicks	253,575	–	9,053	22,599	–	–	7,035	2,448	294,710
William Hicks	–	–	–	38,850	–	–	–	2,448	41,298
Jonathan Murray	38,850	–	–	–	–	–	–	2,448	41,298
Executives									
Michael Craig (Company Secretary)	136,931	–	2,508	12,324	–	–	–	2,448	154,211
Total	464,998	–	11,561	76,981	–	–	7,035	12,240	572,815

- (i) Short Term Other benefits include increment for the year in unpaid annual leave of \$4,805 for Damian Hicks and payment of annual leave of \$13,240 to Michael Craig (2012: increment of \$11,561 for the year). Damian Hicks and his family relocated to Malā on 10 March 2013 and have been provided with personal accommodation amounting to \$3,670 from 10 March 2013 to 30 June 2013.
- (ii) Long service leave benefits include increment for the year in unpaid long service leave of \$4,769 (2012: \$7,035).
- (iii) For accounting purposes Directors & Officers Indemnity Insurance is required to be recorded as remuneration. No director receives any cash benefits, simply the benefit of the insurance coverage.
- (iv) In an effort to assist the Company with managing its cash flow and to enable tax planning for the Group, Mr Hicks has deferred a part of his salary and the full superannuation entitlement since 1 April 2013. The deferred payment of \$44,255, comprising of \$38,435 salary and \$5,820 superannuation, is included in the above remuneration.
- (v) Mr Bachmann and Mr Forslund were appointed as Non-Executive Directors on 2 August 2012.
- (vi) Mr Scallan retired as Independent Non-Executive Chairman on 21 November 2012.
- (vii) Mr Hicks retired as Non-Executive Director on 21 November 2012.
- (viii) Mr Craig resigned as Company Secretary on 30 June 2013.

REMUNERATION REPORT (AUDITED) (cont'd)

C. Service agreements

Mr Hicks commenced employment with Hannans Reward on 3 December 2003.

Mr Hicks entered into an employment agreement as Managing Director of the Company on 21 December 2009. The remuneration package comprised \$230,000 per annum (exclusive of statutory superannuation entitlements), reimbursement of work related expenses, provision of motor vehicle and provision for a performance based bonus as determined by the Board. Either party may terminate the arrangement with three months written notice and payment by the Company of all statutory annual and long service leave entitlement. Mr Hicks' salary was increased to \$258,648 per annum from 1 July 2012.

The Board considered it prudent the Managing Director relocate to Malå, Västerbotten County, Sweden to fulfil the role of Managing Director. Mr Hicks and his family relocated to Malå on 10 March 2013 and have been provided with accommodation and one return economy class airfare on their final return to Australia for his wife and two children. Mr Hicks entered into an employment agreement with Hannans subsidiary Scandinavian Resources AB in accordance with visa requirements to work and reside in Sweden.

In an effort to assist the Company with managing its cash flow and to enable tax planning for the Group, Mr Hicks has deferred a part of his salary and the full superannuation entitlement since 1 April 2013. The deferred payment of \$44,255 comprises of \$38,435 (87%) salary and \$5,820 (13%) superannuation. This provision for the deferred payment is included in note 15 on page 55.

The Board will finalise the salary arrangements as soon as practical on the basis that Mr Hicks will receive the same (no less and no more) remuneration as if he had remained residing in Australia. As a consequence of Mr Hicks residing in Sweden Hannans will be liable for higher employment tax obligations than if Mr Hicks remained in Australia.

Mr Hicks has a total accrued annual leave of \$65,296 and a total accrued long service leave of \$44,710 as at 30 June 2013.

Mr Hicks was provided with a loan to purchase Hannans shares on 31 March 2010. Refer to note 28(e) on page 62.

D. Share-based compensation

No options were granted to directors or executives, or expired, or were exercised or vested during the year.

E. Additional information

Performance income as a proportion of total compensation

No performance based bonuses have been paid to directors or executives during the financial year.

End of Remuneration Report

Directors Meetings

The following tables set information in relation to Board meetings held during the financial year.

Board Member	Board Meetings		Circular Resolutions Passed	Total
	Held while Director	Attended		
Damian Hicks	7	7	5	12
Jonathan Murray	7	7	5	12
Markus Bachmann	6	6	5	11
Olof Forslund	6	6	5	11
Richard Scallan	3	2	2	4
William Hicks	3	2	2	4

PROJECTS

The Projects are constituted by the following tenements:

Tenement Number	Tenement Interest %	Note	Tenement Number	Tenement Interest %	Note	Tenement Number	Tenement Interest %	Note
SWEDEN								
Project: Kiruna Iron			Project: Kiruna Iron			Project: Iron other		
<i>Kiruna North Prospect</i>			<i>Kiruna Central Prospect</i>			Salvotjåkka 100		
Altavaara	100		Rakkurijärvi nr 2-3	100		Staggotjåkka	100	
Altavaara Norra	100		Vieto nr 1	75	1	Tervakoski nr 3	100	
Honkavaara	100		<i>Kiruna South Prospect</i>			Tornefors nr 1	100	
Saivo nr 2	100		Ekströmsberg nr 4	100		Project: Lannavaara		
Sautusvaara nr 1	75	1	Ekströmsberg nr 5	100		Lainiojärvi nr 1	100	
Villenjävi nr 1	100		Harrejaure nr 1	75	1	Lannavaara nr 7-8	100	
<i>Kiruna Central Prospect</i>			Kajpak nr 1	100		Paljasjärvi nr 2	100	
Ärosjokk nr 1	100		Luppovare nr 1	100		Project: Daningen		
Gäddmyr nr 1	100		Piedjastjåkko nr 4	100		Daningen nr 1	100	
Gäddmyr nr 2			Piedjastjåkko nr 5	100		Daningen nr 3	100	
Gäddmyr nr 3			Piedjastjåkko nr 6	100		Unna Gaisartjåkko nr 2	100	
Gäddmyr nr 4			Pirttivuopio nr 1	100		Project: Korpilombolo		
Holmajärvi nr 1	100		Ratek nr 1	100		Korpilombolo nr 1	100	
Holmajärvi Södra	100		Tjärrojåkka nr 104	100		Project: Särksjön		
Kaalasjärvi nr 1	100		Project: Iron other			Särksjön nr 2	100	
Laukujärvi nr 3	75	1	Äkosjegge nr 1	100		Särksjön nr 3	100	
Pahtohavare nr 2	100		Eustiljakk nr 1	100		Project: Våtmyrberget		
Pahtohavare nr 4	100		Eustillako	100		Våtmyrberget nr 1	100	
Piedjastjåkko nr 1	100		Eustilvaras	100		Våtmyrberget nr 2	100	
Puoltsa nr 4	100		Masugnsbyn	100		Våtmyrberget nr 4	100	
Puoltsa nr 6	100		Salmijärvi nr 1	100		Våtmyrberget nr 6	100	
NORWAY								
Project: Famnvatnet			Project: Famnvatnet			Project: Kautokeino		
Famnvatnet 25-29	100		Gjetarfjellet	100		Geassámaras 1	100	
Famnvatnet 34-41	100		Project: Fiskarfjellet			Gorvvesjávri 1	100	
Famnvatnet 48-55	100		Fiskarfjellet 1-9	100		Njivlojávri 1-5	100	
Famnvatnet 174-175	100		Flintfjellet 1-7	100		Ragatmaras 1-2	100	
Famnvatnet 187-188	100		Kålfjord 1-7	100		Rietnjajávri 1-3	100	
Famnvatnet 210-211	100		Luovosvárri 1	100		Uhcavuovddás 1-3	100	
Famnvatnet 224-225	100		Raipas 1	100		Project: Ringvassøya		
Famnvatnet 443-444	100		Raipas 2	100		Ringvassøja 1-4	100	
Famnvatnet 447-449	100		Raipas 3	100		Project: Vaddas		
Famnvatnet 462-463	100		Project: Gjeddevann			Birtavarre 9-10	100	
Famnvatnet 466-468	100		Gjeddevann 1	100		Vaddas 1-11	100	
Famnvatnet 479-480	100		Gjeddevann 4-11	100		Brennfjellmyra	100	

NOTE:

- 1 Tasmet AB holds 25% interest.
- 2 Partner free-carried by Hannans to BFS.
- 3 Hannans has 85% gold rights and 100% on all other mineral rights.
- 4 Hannans has 100% gold rights only.
- 5 Hannans has 100% mineral rights other than gold.
- 6 Hannans has 100% mineral rights other than iron and manganese.
- I Tenement approved for iron exploration.

PROJECTS (cont'd)

Tenement Number	Tenement Interest %	Note	Tenement Number	Tenement Interest %	Note	Tenement Number	Tenement Interest %	Note
AUSTRALIA								
Project: Forrestania			Project: Forrestania			Project: Forrestania		
<i>Skeleton Rocks Prospect</i>			<i>Stormbreaker Prospect</i>			<i>Stormbreaker Prospect</i>		
E77/1705	100		E77/1764	100		P77/4002	100	
E77/1715	100		M77/544	Nil	4	P77/4003	100	
E77/1718	100		M77/693	100	2,5	P77/4004	100	
E77/1719	100		M77/812-I	100	2,5	P77/4005	100	
E77/1724	100		P77/3582	80	2	P77/4006	100	
E77/1725	100		P77/3583	80	2	P77/4007	100	
E77/1783	100		P77/3584	80	2	P77/4008	100	
E77/1784	100		P77/3585	80	2	P77/4009	100	
E77/1785	100		P77/3586	80	2	P77/4010	100	
E77/1846	100		P77/3587	80	2	P77/4011	100	
E77/1919	100		P77/3588	80	2	P77/4012	100	
E77/1935	100		P77/3607-I	80	2	P77/4013	100	
E77/1950	100		P77/3613	80	2	P77/4014	100	
E77/1951	100		P77/3762	80	2	<i>Lucy Rocks Prospect</i>		
E77/1960	100		P77/3763-I	80	2	E77/1568	100	
P77/4048	100		P77/3848-I	100	2,3	Project: Lake Johnston		
P77/4049	100		P77/3849-I	100	2,3	E63/1091	100	
P77/4050	100		P77/3850	100	2,3	E63/1327	100	
P77/4051	100		P77/3851-I	100	2,3	E63/1365	100	
P77/4155	100		P77/3852	100	2,3	E63/1429	100	
P77/4156	100		P77/3853	100	2,3	Project: Queen Victoria Rocks		
<i>Stormbreaker Prospect</i>			P77/3854-I	100	2,3	E15/0755	100	
E77/1327	80	2	P77/3855-I	100	2,3	E15/0971	100	
E77/1354-I	80	2	P77/3856	100	2,3	P15/4964	100	
E77/1406-I	80	2	P77/3943	100		P15/4965	100	
E77/1430-I	100	2,3	P77/3944	100		P15/4966	100	
E77/1431	100	2,3	P77/3945	100		P15/4967	100	
E77/1655	100		P77/3998	100		Project: East Pilbara		
E77/1696	100		P77/3999	100		E52/1812-I	Nil	6
E77/1707	100		P77/4000	100		E52/1813-I	Nil	6
E77/1716	100		P77/4001	100		E52/1819-I	Nil	6

No applications for tenements have been submitted.

CAPITAL

The Hannans Reward Ltd issued capital is as follows:

Ordinary Fully Paid Shares

At the date of this report there are the following number of Ordinary fully paid shares

	Number of shares
Ordinary fully paid shares	721,966,133

Shares Under Option

At the date of this report there are no unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	31,210,017
Movements of share options during the year and to the date of this report	
Expired at 7 cents, 31 October 2012	(21,910,017)
Expired at 13 cents, 1 February 2013	(3,000,000)
Expired at 8 cents, 30 June 2013	(1,200,000)
Expired at 17 cents, 30 June 2013	(900,000)
Expired at 20 cents, 30 June 2013	(2,000,000)
Expired at 25 cents, 30 June 2013	(900,000)
Expired at 80 cents, 30 June 2013	(1,000,000)
Expired at 7 cents, 15 September 2013	(300,000)
Total number of options outstanding at the date of this report	-

Substantial Shareholders

Hannans Reward Ltd has the following substantial shareholders as at 25 September 2013:

Name	Number of shares	Percentage of issued capital
Equity & Royalty Investments Ltd	120,000,003	16.62
JP Morgan Nominees Australia Limited <Cash Income A/C>	64,055,221	8.87

Range of Shares as at 25 September 2013

Range	Total Holders	Units	% Issued Capital
1 – 1,000	81	26,609	0.00
1,001 – 5,000	249	863,946	0.12
5,001 – 10,000	241	2,042,175	0.28
10,001 – 100,000	896	40,654,328	5.63
100,001 – 9,999,999	611	678,379,075	93.97
Total	2,078	721,966,133	100.00

CAPITAL (cont'd)

Unmarketable Parcels as at 25 September 2013

	Minimum parcel size	Holders	Units
Minimum \$500.00 parcel at \$0.009 per unit	55,556	1,180	20,134,334

Top 20 holders of Ordinary Shares as at 25 September 2013

Rank	Name	Units	% of Issued Capital
1	quity & Royalty Investments Ltd	120,000,003	16.62
2	P Morgan Nominees Australia Limited <Cash Income A/C>	64,055,221	8.87
3	SBC Custody Nominees (Australia) Limited	29,000,472	4.02
4	abral Investments Pty Ltd	23,809,372	3.30
5	rrawarra Pty Ltd	16,000,000	2.22
6	P Morgan Nominees Australia Limited	12,775,000	1.77
7	etosea Pty Ltd	12,039,412	1.67
8	Marfield Pty Limited	11,406,896	1.58
9	Lossisberg Pty Ltd	10,292,939	1.43
10	ric Preston Pty Ltd	10,000,000	1.39
11	SBC Custody Nominees (Australia) Limited - A/C 2	8,453,484	1.17
12	Anglo American Exploration BV	7,389,162	1.02
13	Lucia Investments Pty Ltd	7,157,168	0.99
14	Navigator Australia Ltd <MLC Investment Sett A/C>	5,466,158	0.76
15	Mrs Andrea Murray <Murray Family Fund No 2 A/C>	4,732,354	0.66
16	yspo Pty Ltd <Henty Super Fund A/C>	4,600,000	0.64
17	SG Holdings (WA) Pty Ltd <Saunders Super Fund A/C>	4,500,000	0.62
18	oric & Co Pty Ltd	4,000,000	0.55
19	rofessional & Sophisticated Investors Pty Ltd <Prof & Soph Invest A/C>	3,975,000	0.55
20	ust Global Resources Pty Ltd	3,636,363	0.50
Total of Top 20 Holders of ORDINARY SHARES		363,289,004	50.33

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the exploration and evaluation of mining tenements with the objectives of identifying economic mineral deposits.

FINANCIAL REVIEW

The Group began the financial year with cash reserves of \$167,740.

During the year total exploration expenditure incurred by the Group amounted to \$2,896,893 (2012: \$5,355,852). The exploration expenditures relate to non JORC compliant mineral resource projects and this has been expensed in accordance with the Group's accounting policy. In addition, exploration expenditure relating to expenditure on JORC compliant mineral resource project amounted to \$837,196 was capitalised in accordance with the Group's accounting policy. Net administration expenditure incurred amounted to \$2,287,061 (2012: \$3,511,606). This has resulted in an operating loss after income tax for the year ended 30 June 2013 of \$2,544,386 (2012: \$627,640 loss).

The substantial decrease in exploration expenditure is a direct result of a decrease in exploration activities due to the Company's decision that its Australian portfolio of exploration licences and mining leases were best advanced by way of either a joint venture or sale and a reduced level of exploration in Sweden and Norway.

Hannans also achieved notable savings in administration expenses following a review of all corporate and operating costs during the year which saw the Group securing fixed cost arrangements to reduce the office rent.

The Group's net asset position decreased from \$32,071,828 to \$30,363,102 is primarily due to the sale of the Atlas Iron shares during the financial year. The proceeds of the Atlas Iron shares sale were used mainly to fund the Group's exploration program and repay the margin lending facility.

As at 30 June 2013 cash and cash equivalents totalled \$1,809,204.

Summary of 5 Year Financial Information as at 30 June

	2013	2012	2011	2010	2009
Cash and cash equivalents (\$)	1,809,204	167,740	570,840	4,584,746	1,027,426
Net assets/equity (\$)	30,363,102	32,071,828	25,103,565	20,790,825	1,248,559
Exploration expenditure expensed (\$)	(2,896,893)	(5,355,852)	(4,432,070)	(3,009,739)	(1,579,170)
No of issued shares	706,966,133	479,772,810	131,648,715	131,648,715	90,324,979
No of options	300,000	31,210,017	5,000,000	8,567,867	9,967,867
Share price (\$)	0.015	0.038	0.17	0.16	0.12
Market capitalisation (Undiluted) (\$)	10,604,492	18,231,367	22,380,282	21,063,794	10,838,997

Summary of Share Price Movement for Year ended 30 June 2013

	Price	Date
Highest	\$0.057	9 July 2012
Lowest	\$0.014	28 May, 21, 25, 26, 27 June 2013
Latest	\$0.009	25 September 2013

ANNOUNCEMENTS

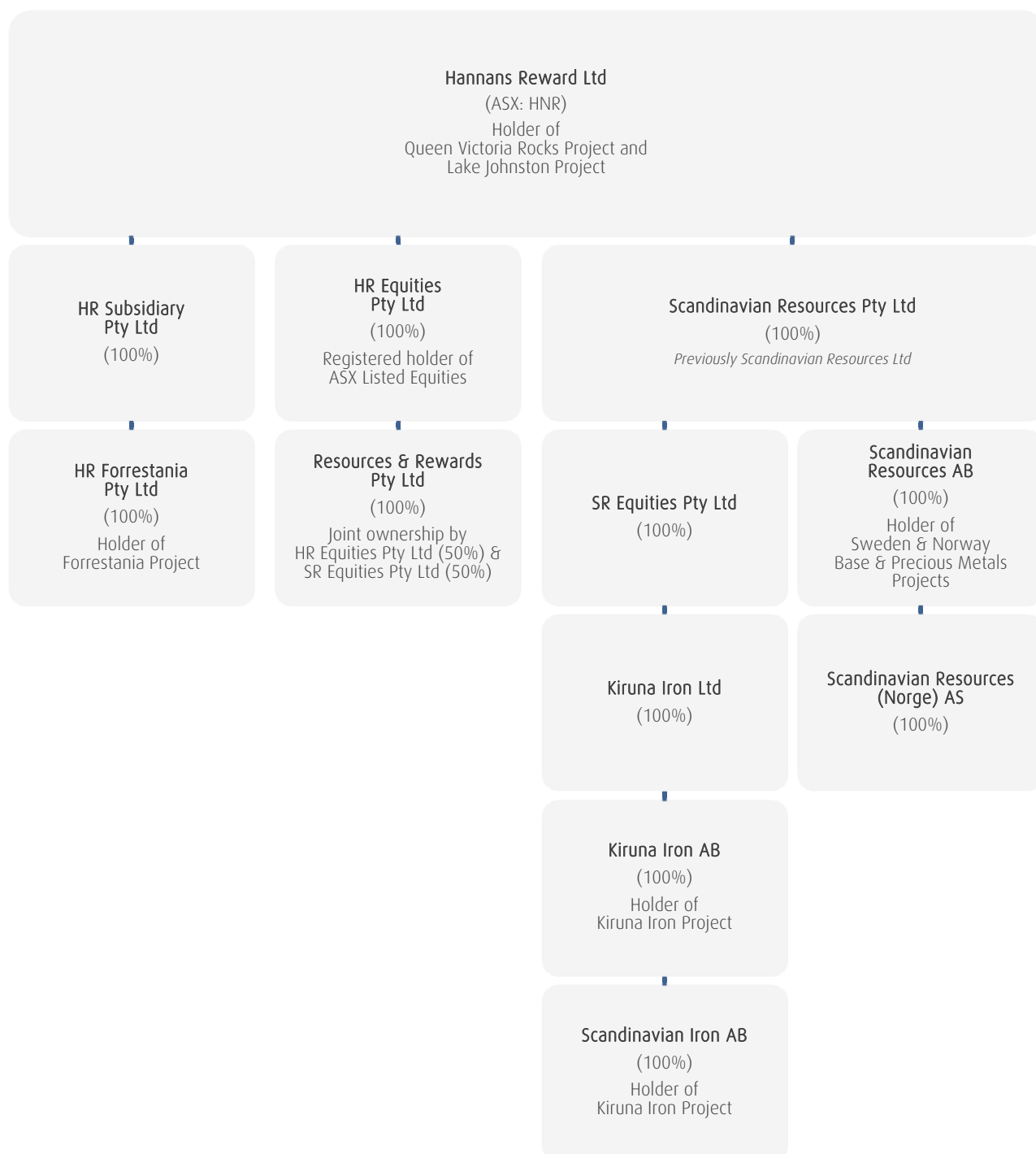
ASX Announcements for the year

Date	Announcement Title
16/09/2013	57m Copper-gold Intersection
16/09/2013	Updated Capital Structure
20/08/2013	Maiden JORC Resources at Pahtohavare
15/08/2013	High Grade Copper-Gold Split Assays
13/08/2013	Change in substantial holding
01/08/2013	4th Quarter Activities Report
01/08/2013	4th Quarter Cashflow Report
17/07/2013	High Grade Copper-Gold Assays
10/07/2013	Pahtohavare Copper-Gold Update
04/07/2013	Amended Appendix 3B
04/07/2013	Visible Copper Mineralisation Intersected
04/07/2013	Formal Demand Issued to Avalon
04/07/2013	Updated Capital Structure
01/07/2013	Management Change
17/06/2013	Further Significant Historic Copper-Gold Results
06/06/2013	Results of General Meeting
29/05/2013	Copper-Gold Drilling Starts Today
06/05/2013	Sale of Discovery Zone Prospect for \$4M
01/05/2013	3rd Quarter Activities Report
30/04/2013	3rd Quarter Cashflow Report
30/04/2013	Notice of General Meeting
24/04/2013	Disclosure under ASX LR 7.1A
18/04/2013	Copper-Gold Drilling
10/04/2013	Spectacular Historic Copper-Gold Results
03/04/2013	Appendix 3B
25/03/2013	Oversubscribed \$2.8M Placement
21/03/2013	Trading Halt
20/03/2013	Multiple EM Conductors Down-Dip of Copper-Gold
18/03/2013	Further Outstanding Historic Copper-Gold Results
15/03/2013	Financial Report for Half Year
14/03/2013	Outstanding Historic Copper-Gold Results
12/03/2013	Significant Copper-Gold JORC Exploration Target
11/03/2013	Appendix 3Y
28/02/2013	Discovery Zone Copper-Gold-Iron
13/02/2013	Rakkurijoki Scoping Study
04/02/2013	Updated capital structure
04/02/2013	2nd Quarter Activities Report (Amended)
31/01/2013	2nd Quarter Activities Report
31/01/2013	2nd Quarter Cashflow Report
24/12/2012	Update on Sale of Swedish Copper Prospect
18/12/2012	Rakkurijoki Iron Deposit, Exploration Update

Date	Announcement Title
04/12/2012	Mines & Money London Presentation
29/11/2012	Appendix 3Y
27/11/2012	Ceasing to be a substantial holder
26/11/2012	Extension of Due Diligence
21/11/2012	Results from Annual General Meeting
21/11/2012	AGM Presentation 2012
21/11/2012	Scandinavia Copper-Gold Exploration Update
21/11/2012	Retirement of Directors
16/11/2012	Updated Appendix 3Y
09/11/2012	ERI Change in substantial holding
06/11/2012	Change in Director Interest Notices x3
02/11/2012	Appendix 3B
01/11/2012	Updated capital structure
31/10/2012	1st Quarter Cashflow Report
31/10/2012	Share Purchase Plan Successfully Completed
26/10/2012	Change in substantial holding - Replacement
25/10/2012	1st Quarter Activities Report
24/10/2012	Positive Metallurgical Results for Swedish Assets
23/10/2012	Change of Director's Interest Notice
19/10/2012	Notice of Annual General Meeting
16/10/2012	Agreement to Sell Copper Prospect for \$4M
16/10/2012	Avalon signs binding HOA to acquire Swedish prospect
11/10/2012	SPP Presentation
09/10/2012	Share Purchase Plan Presentation
08/10/2012	Share Purchase Plan Offer Documentation
05/10/2012	Share Purchase Plan Cleansing Notice
04/10/2012	Nickel Project Divestment
03/10/2012	Kiruna Iron Project
02/10/2012	Share Purchase Plan Announcement
28/09/2012	2012 Annual Report
25/09/2012	Divestment of Nickel Projects
30/08/2012	Nickel Sulphides confirmed at Lake Johnston Project
02/08/2012	Change in substantial holding
02/08/2012	Appointment of New Directors
01/08/2012	4th Quarter Cashflow Report
01/08/2012	4th Quarter Activities Report
10/07/2012	Copper Gold Portfolio
04/07/2012	Copper-Gold Drill Testing Commences
02/07/2012	Appointment of Exploration Manager
02/07/2012	Change of Director's Interest Notice

CORPORATE STRUCTURE

The corporate structure of Hannans Reward Limited group is as follows:



CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the corporate governance of the Company. The Board guides and monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The ASX document '*Corporate Governance Principles and Recommendations 2nd Edition*' published by the ASX Corporate Governance Council applies to listed entities with the aim of enhancing the credibility and transparency of Australia's capital markets. The Principles and Recommendations can be viewed at www.asx.com.au.

The Board has assessed the Group's current practice against the Principles and Recommendations and other than the matters specified below under "*If Not, Why Not*" Disclosure, all the best practice recommendations of the ASX Corporate Governance Council have been applied.

In relation to departures by the Company from the best practice recommendations, Hannans makes the following comments:

Principle 1: Lay solid foundations for management and oversight

1.2 *Companies should disclose the process for evaluating the performance of senior executives*

Evaluation of the Board and Managing Director is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it.

Principle 2: Structure the Board to add value

2.1 *The majority of the Board should be independent directors*

The Board consists of a Non-Executive Chairman, two Non-Executive Directors and a Managing Director. The Chairman Mr Jonathan Murray is not an Independent Director. The Board considers that the composition of the existing Board is appropriate given the scope and size of the Group's operations and the skills matrix of the existing Board members.

2.4 *The Board should establish a nomination committee*

Given the Company's size and the complexity of its affairs, it is not considered necessary to have a separate Nomination Committee. The Board as a whole will identify candidates and assess their skills in deciding whether an individual has the potential to add value to the Company. The Board may also seek independent advice to assist with the identification process.

2.5 *Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors*

Evaluation of the Board is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it.

Principle 3: Promote ethical and responsible decision-making

3.2 *Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them*

The Company's diversity policy does not include measurable objectives for achieving gender diversity as the Board believes that the Company will not be able to successfully meet these given the size and stage of development of the Company.

3.3 *Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them*

The Board is responsible for establishing and monitoring on an annual basis the achievement against gender diversity objectives and strategies, including the representation of women at all levels of the organisation.

The proportion of women within the whole organisation as at 30 June 2013 was as follows:

Women employees in the whole organisation	27%
Women in senior management positions	13%
Women in the Board of Directors	0%

The Board acknowledges the absence of female participation on the Board of Directors. However, the Board has determined that the composition of the current Board represents the best mix of Directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management.

The Company has not set or disclosed measurable objectives for achieving gender diversity. Due to the size of the Company, the Board does not deem it practical to limit the Company to specific targets for gender diversity as it operates in a very competitive labour market where positions are sometimes difficult to fill. However, every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.

CORPORATE GOVERNANCE STATEMENT (cont'd)

Principle 4: Safeguard integrity of financial reporting

4.1 *The Board should establish an Audit Committee*

4.2 *The audit committee should be structured so that it: consists of only non-executive directors, consists of a majority of independent directors, is chaired by an independent chair who is not chair of the Board and has at least three members*

4.3 *The audit committee should have a formal charter*

The Board considers that due to the size and complexity of the Group's affairs it does not merit the establishment of a separate audit committee. Until the situation changes the Board of Hannans will carry out any necessary audit committee functions.

Principle 8: Remunerate fairly and responsibly

8.2 *The Board should establish a remuneration committee*

The Board considers that due to the size and complexity of the Group's affairs it does not merit the establishment of a separate remuneration committee. Until the situation changes the Board of Hannans will carry out any necessary remuneration committee functions.

Independent Professional Advice

Directors of the Company are expected to exercise considered and independent judgement on matters before them and may need to seek independent professional advice. A director with prior written approval from the Chairman may, at the Group's expense obtain independent professional advice to properly discharge their responsibilities.

Board Composition

The Board consists of a Non-Executive Chairman, two Non-Executive Directors and a Managing Director. Details of their skills, experience and expertise and the period of office held by each Director have been included in the Directors' Report. The number of Board meetings and the attendance of the Directors are set out in the Directors' Report.

The Board will decide on the choice of any new director upon the creation of any new Board position and if any casual vacancy arises. Decisions to appoint new directors will be minuted. The Board considers that due to the size and complexity of the Group's affairs it does not merit the establishment of a separate nomination committee. Until the situation changes the Board of Hannans will carry out any necessary nomination committee functions.

Share Trading Policy

Directors, officers and employees are prohibited from dealing in Hannans shares when they possess inside information or during a restricted trading period. The Board is to be notified promptly of any trading of shares in the Company by any Director or officer of the Company.

COMPLIANCE

Risk Management

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure management's objectives and activities are aligned by the Board. These include the following:

- Ø Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- Ø Implementation of Board approved operating plans and Board monitoring of the progress against budgets.

Significant Changes in State of Affairs

Other than those disclosed in this annual report no significant changes in the state of affairs of the Group occurred during the financial year.

COMPLIANCE (cont'd)

Significant Events after the Balance Date

On 1 July 2013, the Group repaid in full the loan outstanding with Mathew Walker. The total repayment of \$101,624 included the principal and interest of the loan.

Hannans announced on 6 May 2013 that it had entered into a Binding Heads of Agreement to sell its Discovery Zone Prospect to Avalon Minerals Limited (**Avalon**) for \$4 million. The first \$2 million of consideration has become due and payable but has not been received. On 4 July 2013, Hannans considered the failure by Avalon to pay the debt a serious matter and has issued a Statutory Demand to Avalon. Avalon has disputed the validity of the Statutory Demand. Avalon has applied to the Supreme Court of Western Australia to set aside the Statutory Demand. No amount has been recognised in the financial statements at 30 June 2013 in connection with this transaction.

No other matters or circumstances besides those disclosed in note 29, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or state of affairs of the Group in future financial years.

Likely developments and Expected Results

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the Group's operations.

Environmental Regulation and Performance

The Group is subject to significant environmental regulation in respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it's aware of and is in compliance with all environmental legislation. The Directors of the Group are not aware of any breach of environmental legislation for the year under review.

Insurance of Directors and Officers

During or since the end of the financial year, the Company has paid premiums insuring all the Directors of Hannans Reward Ltd against costs incurred in defending conduct involving:

- (a) A wilful breach of duty,
- (b) A contravention of sections 182 or 183 of the *Corporations Act 2001*,

as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid is \$13,431.

Dividends

No dividends were paid or declared during the financial year and no recommendation for payment of dividends has been made.

Non-Audit Services

During the year Ernst & Young or any of its associated entities, the Group auditor, has performed other non-audit services in addition to its statutory duties. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

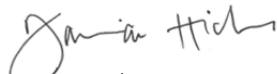
Ernst & Young or any of its associated entities received or are due to receive \$23,656 for the provision of tax compliance services.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 35.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Damian Hicks

Managing Director

Perth, Western Australia this 27th day of September 2013

INDEPENDENCE DECLARATION TO THE DIRECTORS OF HANNANS REWARD LTD



Ernst & Young
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Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

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Fax: +61 8 9429 2436
ey.com/au

Auditor's Independence Declaration to the Directors of Hannans Reward Limited

In relation to our audit of the financial report of Hannans Reward Limited for the year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Gavin Buckingham
Partner
Perth
27 September 2013

DIRECTORS' DECLARATION

The Directors declare that:

- (a) in the Directors' opinion, subject to achieving the matters set out in note 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;
- (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 Standards and International Financial Reporting Standards as disclosed in note 2 and giving a true and fair view of the financial position and performance of the consolidated entity for the financial year ended 30 June 2013;
- (c) the audited remuneration disclosures set out in the Directors' Report comply with Accounting Standard AASB 124 *Related Party Disclosures* and the Corporations Act and Regulations 2001; and
- (d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001 for the financial year ended 30 June 2013.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Damian Hicks

Managing Director

Perth, Western Australia this 27th day of September 2013

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF HANNANS REWARD LTD



Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
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Independent audit report to the members of Hannans Reward Limited

Report on the financial report

We have audited the accompanying financial report of Hannans Reward Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



Opinion

In our opinion:

- a. the financial report of Hannans Reward Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date;
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter:

As a result of the matter described in Note 2 "Going Concern" of the financial report, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the Year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Hannans Reward Limited for the Year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
27 September 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2013

	Note	2013 \$	RESTATED 2012 \$
Revenue	4(a)	56,191	577,925
Other income			
Other income	4(b)	202,522	650,787
Gain on disposal of shares	4(c)	4,088,415	7,011,106
Recognised loss on investment transferred from reserves		–	(1,406,741)
Employee and contractors expenses		(1,091,881)	(916,124)
Depreciation expense	4(d)	(77,051)	(71,631)
Consultants expenses		(272,271)	(732,446)
Interest expense		(81,592)	(6,980)
Occupancy expenses	4(e)	(300,584)	(160,894)
Marketing expenses		(59,647)	(46,869)
Exploration and evaluation expenses		(2,896,893)	(5,355,852)
Other expenses		(404,035)	(169,921)
Loss before income tax expense		(836,826)	(627,640)
Income tax expense	5	(1,707,560)	(4,519,157)
Net loss		(2,544,386)	(5,146,797)
Other comprehensive income for the year			
Foreign currency translation differences for foreign operations	20	238,041	(302,362)
Net change in fair value of available-for-sale financial assets		(1,180,658)	(5,360,048)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		(2,506,996)	(2,491,949)
Total items that may be reclassified subsequently to profit or loss		(3,449,613)	(8,154,359)
Items that will not be reclassified to profit or loss		–	–
Total other comprehensive loss for the year		(3,449,613)	(8,154,359)
Total comprehensive loss for the year		(5,993,999)	(13,301,156)
Net loss attributable to the parent entity		(2,544,386)	(5,146,797)
Total comprehensive loss attributable to the parent entity		(5,993,999)	(13,301,156)
Loss per share:			
Basic (cents per share)	22	(0.44)	(3.37)
Diluted (cents per share)	22	(0.44)	(3.37)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2013

	Note	2013 \$	RESTATED 2012 \$
Current assets			
Cash and cash equivalents	30(a)	1,809,204	167,740
Trade and other receivables	9	179,570	339,532
Other financial assets	10	20,096	7,277,652
Total current assets		2,008,870	7,784,924
Non-current assets			
Other receivables	11	268,737	262,232
Property, plant and equipment	12	99,395	210,910
Other financial assets	13	221,052	300,000
Exploration and evaluation expenditure	14	29,201,181	28,275,372
Total non-current assets		29,790,365	29,048,514
TOTAL ASSETS		31,799,235	36,833,438
Current liabilities			
Trade and other payables	15	978,872	1,794,290
Provisions	16	173,147	184,822
Borrowings	17	–	1,373,930
Income tax payable		126,141	–
Other financial liabilities	18	105,786	1,302,365
Total current liabilities		1,383,946	4,655,407
Non-current liabilities			
Provisions	16	44,710	39,941
Other financial liabilities	18	7,477	66,262
Total non-current liabilities		52,187	106,203
TOTAL LIABILITIES		1,436,133	4,761,610
NET ASSETS		30,363,102	32,071,828
Equity			
Issued capital	19	44,579,980	40,294,707
Reserves	20	1,282,183	4,731,796
Accumulated losses	21	(15,499,061)	(12,954,675)
TOTAL EQUITY		30,363,102	32,071,828

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2013

For the year ended 30 June 2013	Attributable to equity holders			Total Equity \$
	Ordinary Shares \$	Reserves \$	Accumulated Losses \$	
Balance as at 1 July 2012	40,294,707	4,731,796	(12,954,675)	32,071,828
Total comprehensive income				
Loss for the year	–	–	(2,544,386)	(2,544,386)
Other comprehensive loss for the year	–	(3,449,613)	–	(3,449,613)
Total comprehensive loss for the year	–	(3,449,613)	(2,544,386)	(5,993,999)
Transactions with owners recorded direct to equity				
Issue of shares	4,241,288	–	–	4,241,288
Equity pending issue of shares (i)	300,000	–	–	300,000
Share issue expense	(256,015)	–	–	(256,015)
Total transactions with owners	4,285,273	–	–	4,285,273
Balance as at 30 June 2013	44,579,980	1,282,183	(15,499,061)	30,363,102

- (i) On 28 June 2013 equity funds of \$300,000 were received from Hannans' Directors and employees for a share placement. In compliance with the Company's policy, issue of shares are processed only when funds are cleared in the bank. As of 30 June 2013, the funds were not cleared and therefore no ordinary shares were issued. The issue of the placement shares was completed on 4 July 2013.

RESTATEd For the year ended 30 June 2012	Attributable to equity holders			Total Equity \$
	Ordinary Shares \$	Other Reserves \$	Accumulated Losses \$	
Balance as at 1 July 2011	20,135,891	18,876,128	(13,908,454)	25,103,565
Impact of correction of error	–	(6,100,576)	6,100,576	–
Balance as at 1 July 2011 (Restated)	20,135,891	12,775,552	(7,807,878)	25,103,565
Total comprehensive income				
Loss for the year	–	–	(5,146,797)	(5,146,797)
Other comprehensive loss for the year	–	(8,154,359)	–	(8,154,359)
Total comprehensive loss for the year	–	(8,154,359)	(5,146,797)	(13,301,156)
Transactions with owners recorded direct to equity				
Issue of shares	20,887,446	–	–	20,887,446
In-specie distribution	(728,630)	–	–	(728,630)
Issue of options	–	110,603	–	110,603
Total transactions with owners	20,158,816	110,603	–	20,269,419
Balance as at 30 June 2012	40,294,707	4,731,796	(12,954,675)	32,071,828

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2013

	Note	2013 \$	2012 \$
Cash flows from operating activities			
Receipts from customers		127,437	476,787
Payments for exploration and evaluation		(3,219,097)	(5,278,480)
Payments to suppliers and employees		(2,267,093)	(1,884,554)
Interest received		56,344	137,002
Interest on loan paid		(79,407)	-
Net cash used in operating activities	30(b)	(5,381,816)	(6,549,245)
Cash flows from investing activities			
Payments for exploration and evaluation		(837,196)	-
Payment for investment securities		-	(4,451,734)
Proceeds on sale of investment securities		6,076,897	8,541,253
Proceeds on sale of fixed assets		67,726	-
Payment for security bonds		-	(102,386)
Amounts received from related parties		154,500	-
Amounts advanced to outside entities		(81,512)	(1,946,747)
Payment for property, plant and equipment		(14,006)	(30,702)
Repayment of loans from outside entities		-	1,163,361
Repayment of loans to outside entities		(477,415)	-
Net cash inflow on acquisition of subsidiary		-	1,796,047
Dividends received		-	169,281
Net cash provided by investing activities		4,888,994	5,138,373
Cash flows from financing activities			
Proceeds from issues of equity securities		4,541,288	-
Payment for share issue costs		(256,015)	-
Proceeds from borrowings		1,800,000	5,050,981
Repayment of borrowings/finance leases		(3,955,099)	(4,043,209)
Net cash provided by financing activities		2,130,174	1,007,772
Net increase/(decrease) in cash and cash equivalents		1,637,352	(403,100)
Cash and cash equivalents at the beginning of the financial year		167,740	570,840
Effects of exchange rate fluctuations on cash held		4,112	-
Cash and cash equivalents at the end of the financial year	30(a)	1,809,204	167,740

The accompanying notes form part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

1. General Information

The Financial Report of Hannans Reward Ltd ('the Company') and its controlled entities ('the Group') for the year ended 30 June 2013 were authorised for issue by the Directors on 27th September 2013.

Hannans Reward Ltd is a Company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Consolidated Entity are mineral exploration and project development which is further described in the Directors' Report.

2. Summary of significant accounting policies

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the financial statements of the Hannans Reward Ltd and its subsidiaries (collectively, the Group).

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated and parent financial statements and notes of the consolidated entity and parent entity comply with International Financial Reporting Standards ('IFRS').

(a) Basis of preparation

The financial report has been prepared on an accruals basis and is based on historical cost, except for certain financial assets and liabilities which are carried at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Separate financial statements for Hannans Reward Ltd as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, required financial information for Hannans Reward Ltd as an individual entity is included in note 33.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented in these financial statements for the year ended 30 June 2012.

Going concern basis of preparation

The consolidated entity recorded a loss of \$2,544,386 (2012: loss \$627,640) for the year ended 30 June 2013 and had a cash outflow from operating and investing activities of \$492,822 (2012: \$1,410,872 outflow) during the twelve month period. The consolidated entity had cash and cash equivalents at 30 June 2013 of \$1,809,204 (2012: \$167,740) and cash on hand at 31 August 2013 of \$1,117,144.

The Group's cashflow forecast for the period ended 31 December 2014 reflects that the Group will need to raise additional working capital during the quarter ending 30 June 2014 to enable them to meet their current committed administration and exploration expenditure.

The Directors are satisfied they will be able to raise additional working capital as required and thus it is appropriate to prepare the financial statements on a going concern basis.

In the event that the Group is unable to raise additional funds to meet the Group's ongoing working capital requirements when required, there is a significant uncertainty as to whether the Group will be able to meet its debts as and when they fall due and thus continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

(b) New Accounting Standards for Application in the Current Financial Year and Future Periods

New standards adopted during the financial year

The following new and revised Accounting Standards and Interpretations have, where applicable, been adopted in the current year but have had no significant effect on the amounts reported or disclosed.

Ø AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income.

New standards issued but not yet effective

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group.

At the date of the authorisation of the financial statements, the standards and Interpretations listed below were in issue but not yet effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

2. Statement of significant accounting policies (cont'd)

(b) New Accounting Standards for Application in the Current Financial Year and Future Periods (cont'd)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', and AASB 2012-6 'Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures'	1 January 2015	30 June 2015
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2013
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2013
AASB 12 'Disclosure of Interests in other Entities'	1 January 2013	30 June 2013
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2013
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 19 (2011)'	1 January 2013	30 June 2013
AASB 127 'Separate Financial Statements (2011)', AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2013
AASB 128 'Investments in Associates and Joint Ventures' (2011), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2013
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 7)	1 January 2013	30 June 2013
AASB 2012-3 'Amendments to Australian Accounting Standards-Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 132)	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements cycle'	1 January 2013	30 June 2013

The Group has decided not to early adopt any of the new and amended pronouncements. Of the above new and amended Standards and Interpretations the Group's assessment of those new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out in the next page:

- a** AASB 9: Financial Instruments (December 2010) and AASB 2010-7 and AASB 2012-6: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010). These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

2. Statement of significant accounting policies (cont'd)

(b) New Accounting Standards for Application in the Current Financial Year and Future Periods (cont'd)

- Ø AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (applicable for annual reporting periods commencing on or after 1 January 2013).
- Ø AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or 'joint ventures' (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).
- Ø AASB 12: Disclosure of Interests in Other Entities. AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

- Ø AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting periods commencing on or after 1 January 2013).
AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurements. AASB 13 requires:
 - inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
 - enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value.

These Standards are not expected to significantly impact the Group.

- Ø AASB 2011-4: Amendments to Australian Accounting Standards to remove the individual key management Personnel Disclosure Requirements (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard makes amendments to AASB 124: Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus 29.1 to Aus 29.9.3). These amendments serve a number of purposes, including furthering the trans-Tasman conversion, removing differences from IFRSs, and avoiding any potential confusion with the equivalent Corporations Act 2001 disclosure requirements.

These standards are not expected to significantly impact the Group.

- Ø AASB 119 (September 2011) includes changes to the accounting for termination benefits. The main change introduced by this Standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

This Standard is not expected to significantly impact the Group's financial report as a whole.

- Ø AASB 2012-2 'Amendments to Australian Accounting Standards-Offsetting Financial Assets and Liabilities' (Amendments to AASB 7); AASB 2012-3 'Amendments to Australian Accounting Standards-Offsetting Financial Assets and Liabilities' (Amendments to AASB 132); AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements cycle'; AASB 2012-6 'Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures'; and Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'.
- Ø AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities. AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.
- Ø AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle. AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following:
 - repeat application of AASB 1 is permitted (AASB 1); and
 - clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

2. Statement of significant accounting policies (cont'd)

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments with original maturity of less than 3 months, net of outstanding bank overdrafts.

(d) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

(e) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

The consolidated entity classifies certain shares as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Available-for-sale financial assets

Shares and options held by the consolidated entity are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

Loans and receivables

Subsequent to initial recognition, trade receivables, loans, and other receivables are recorded at amortised cost using the effective interest rate method less impairment.

(f) Financial instruments issued by the Company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

2. Statement of significant accounting policies (cont'd)

(h) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Company and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation on 1 July 2008 with Hannans Reward Ltd as the head entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

2. Statement of significant accounting policies (cont'd)

(j) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is expensed immediately to the profit and loss where the applicable area of interest does not contain a JORC compliant mineral resource. Where the area of interest contains a JORC compliant mineral resource exploration and evaluation expenditure is capitalised. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- i. such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- ii. exploration and evaluation activities in the area have not, at balance date, reached a stage which permit a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit or loss in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Notwithstanding the fact that a decision not to abandon an area of interest has been made, based on the above, the exploration and evaluation expenditure in relation to an area may still be written off if considered appropriate to do so.

(k) Joint ventures

Jointly controlled assets and operations

Interests in jointly controlled assets and operations are reported in the financial statements by including the entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

Jointly controlled entities

Interests in jointly controlled entities are accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements.

(l) Payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

(m) Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian Dollars, which is Hannans Reward Ltd's functional and presentation currency.

Transactions and balance

Transactions in foreign currencies are initially recorded in the functional currency (Australian Dollars (AUD), Swedish Krona (SEK), Norwegian Krona (NOK) and Great Britain Pound (GBP)) by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(n) Principles of consolidation

The consolidated financial statements comprise the financial statements of Hannans Reward Ltd and its subsidiaries as at and for the period ended 30 June 2013 (the Group). A list of subsidiaries appears in note 27 to the financial statements.

Subsidiaries are all those entities over which the Group 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 group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

2. Statement of significant accounting policies (cont'd)

(n) Principles of consolidation (cont'd)

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(o) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line or diminishing value basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

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

Class of fixed asset	Depreciation rate (%)
• Office furniture	10.00 – 20.00
• Building	2.50
• Office equipment	7.50 – 66.67
• Motor vehicles	16.67 – 25.00

(p) Provisions

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation as a result of a past event at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(q) Revenue recognition

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(r) Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black and Scholes model or binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(s) Segment reporting policy

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of comprehensive income and statement of financial position.

for the financial year ended 30 June 2013

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. No impairment has been recognised in respect of exploration and evaluation for the year ended 30 June 2013. Exploration, evaluation and development expenditure incurred may either be expensed immediately to the profit and loss or be accumulated in respect of each identifiable area of interest.

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

	2013 \$	RESTATED 2012 \$
5. Income taxes		
Income tax recognised in profit or loss		
Current income tax		
Current income tax charge	(126,141)	–
Deferred tax		
Release of deferred tax assets previously recognised to offset a deferred tax liability arising on unrealised gains on available-for-sale investments	(1,581,419)	(4,519,157)
Total tax expense	(1,707,560)	(4,519,157)

The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

Loss from operations	(836,826)	(627,640)
Income tax benefit calculated at 30%	(251,048)	(188,292)
Effect of tax rates in foreign jurisdictions	55,562	–
Effect of expenses that are not deductible in determining taxable profit	600,859	733,624
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	(531,514)	(545,332)
Release of deferred tax assets previously recognised to offset a deferred tax liability arising on the group available-for-sale investments	(1,581,419)	(4,519,157)
Income tax attributable to operating loss	(1,707,560)	(4,519,157)

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.

Deferred tax related to items charged or credited directly to Other Comprehensive Income during the year:

Unrealised loss on available-for-sale investments	(1,581,419)	(4,519,157)
	(1,581,419)	(4,519,157)

	Statement of Financial Position		Statement of Comprehensive Income	
	2013 \$	2012 \$	2013 \$	2012 \$
Deferred Income Tax				
Deferred income tax at 30 June relates to the following				
Deferred tax liabilities				
Prepayments	(8,860)	6,688	(15,548)	8,855
Unearned income	(2,708)	(2,382)	(326)	1,205
Deferred tax assets				
Accruals	73,143	183,947	(110,804)	123,619
Provision for employee entitlements	40,671	67,429	(26,758)	35,300
Provision for non-recoverability	–	8,968	(8,968)	4,323
Capital raising costs	80,990	42,215	38,775	(30,736)
Revenue tax losses	–	585,921	(585,921)	585,921
Deferred tax assets not brought to account as realisation is not probable	(183,236)	(892,786)		
	–	–		
Deferred tax assets not recognised			709,550	(728,486)
Deferred tax (income)/expense			–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

5. Income taxes (cont'd)

Tax consolidation

Relevance of tax consolidation to the consolidated entity

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Company and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation.

6. Key management personnel disclosures

(a) Details of key management personnel

The Directors and Executives of Hannans Reward Ltd during the year were:

Directors

- Damian Hicks
- Jonathan Murray
- Markus Bachmann (*Appointed 2 August 2012*)
- Olof Forslund (*Appointed 2 August 2012*)
- Richard Scallan (*Retired 21 November 2012*)
- William Hicks (*Retired 21 November 2012*)

Executives

- Michael Craig
(Company Secretary)
(*Resigned 30 June 2013*)

(b) Key management personnel compensation

The aggregate compensation made to key management personnel of the Company and the Group is set out below.

Short-term employee benefits

Post-employment benefits

Other benefits

	2013 \$	2012 \$
Short-term employee benefits	580,079	476,559
Post-employment benefits	38,656	76,981
Other benefits	13,431	19,275
	<u>632,166</u>	<u>572,815</u>

The compensation of each member of the key management personnel of the Group is set out in the Directors Remuneration report on pages 22 to 24.

7. Share-based payments

The Company has an ownership-based compensation arrangement for employees of the Group.

Each option issued under the arrangement converts into one ordinary share of Hannans Reward Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options neither carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is at the sole discretion of the Directors.

Incentive options issued to Directors (executive and non-executive) are subject to approval by shareholders and attach vesting conditions as appropriate.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Options series	Number	Grant date	Expiry date	Exercise price \$
30 June 2013	1,000,000	1 November 2007	30 June 2013	0.80
30 June 2013	2,000,000	1 July 2011	30 June 2013	0.20
31 October 2012	21,910,017	29 June 2012	31 October 2012	0.07
1 February 2013	3,000,000	29 June 2012	1 February 2013	0.13
30 June 2013	1,200,000	29 June 2012	30 June 2013	0.08
30 June 2013	900,000	29 June 2012	30 June 2013	0.17
30 June 2013	900,000	29 June 2012	30 June 2013	0.25
15 September 2013	300,000	29 June 2012	15 September 2013	0.07

No options over ordinary shares in the Company were provided as remuneration to Hannans' directors and employees during the year. Further information on remuneration to Hannans' directors are set out in note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

7. Share-based payments (cont'd)

The following reconciles the outstanding share options granted at the beginning and end of the financial year:

	2013		2012	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the financial year	31,210,017	0.12	5,000,000	0.53
Granted during the financial year	–	–	30,210,017	0.09
Expired during the financial year (i)	(30,910,017)	0.12	(3,100,000)	0.40
Cancelled during the financial year	–	–	(900,000)	0.65
Balance at end of the financial year (ii)	300,000	0.07	31,210,017	0.12
Exercisable at end of the financial year	300,000	0.07	31,210,017	0.12

(i) Expired during the financial year

During the year a total of 30,910,017 options over ordinary shares expired, comprised of the following:

- 21,910,017 7 cent options expired on 31 October 2012;
- 3,000,000 13 cent options expired on 1 February 2013;
- 1,200,000 8 cent options expired on 30 June 2013;
- 900,000 17 cent options expired on 30 June 2013;
- 2,000,000 20 cent options expired on 30 June 2013;
- 900,000 25 cent options expired on 30 June 2013; and
- 1,000,000 80 cent options expired on 30 June 2013.

(ii) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average exercise price of \$0.07 (2012: \$0.12) and a weighted average remaining contractual life of 0.21 years (2012: 0.50 years). No options were exercised in the current year.

8. Remuneration of auditors

Audit or review of the financial report of the Group (i)

Tax compliance services in relation to the Group

	2013 \$	2012 \$
Audit or review of the financial report of the Group (i)	111,760	102,123
Tax compliance services in relation to the Group	23,116	–
	134,876	102,123

(i) The auditor of the Group for the year ended 30 June 2013 is Ernst & Young and for the year ended 30 June 2012 was Stantons International. The auditor of the subsidiary Scandinavian Resources Ltd was KPMG Australia and of Scandinavian Resources AB, Kiruna Iron AB and Scandinavian Iron AB was KPMG AB, Skellefteå Sweden for the year ended 30 June 2012.

A total of \$43,492 included in the 2013 audit amount was paid to the previous year's auditors for an under provision of the 2012 audit fee.

9. Current trade and other receivables

Accounts receivable

Net goods and services tax (GST) receivable

Other

Accounts receivable	101,384	25,968
Net goods and services tax (GST) receivable	28,559	251,572
Other	49,627	61,992
	179,570	339,532

As of 30 June 2013, current trade and other receivables of \$84,995 were past due but not impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

	2013 \$	2012 \$
10. Current other financial assets		
Investment in Equity & Royalty Investments Ltd (i)	1	1
Investments in listed entities (ii)	20,095	7,277,651
	<u>20,096</u>	<u>7,277,652</u>

- (i) HR Subsidiary Pty Ltd (a wholly owned subsidiary of Hannans Reward Ltd) holds 1 share at \$1 in Equity & Royalty Investments Ltd. Equity & Royalty Investments Ltd has 100 million ordinary shares on issue. The principal activity of the Company is the investment in equity and royalties in other companies with the objective of realising gains through equity and generating an income stream through the royalties.
- (ii) Investments in listed entities include the following:
 (a) 20,000 ordinary fully paid shares in Brighton Mining Group Ltd;
 (b) 50,000 ordinary fully paid shares in Highfield Resources Ltd;
 (c) 20,000 ordinary fully paid shares in Lithex Resources Ltd; and
 (d) 125,000 ordinary fully paid shares in Naracoota Resources Ltd.

11. Non-current other receivables

Other receivables – bonds	268,737	262,232
	<u>268,737</u>	<u>262,232</u>

12. Property, plant and equipment

	Motor Vehicles at cost \$	Office furniture and equipment at cost \$	Building at cost \$	Total \$
Cost				
Balance at 1 July 2011	103,866	166,835	9,102	279,803
Additions	52,448	109,179	3,326	164,953
Balance at 1 July 2012	156,314	276,014	12,428	444,756
Additions	–	14,006	–	14,006
Disposals	(103,866)	(2,580)	–	(106,446)
Exchange differences	8,791	13,000	–	21,791
Balance at 30 June 2013	61,239	300,440	12,428	374,107
Accumulated depreciation and impairment				
Balance at 1 July 2011	18,774	98,613	394	117,781
Depreciation expense	23,565	47,813	253	71,631
Additions from asset acquisition	11,609	37,434	–	49,043
Disposals on deconsolidation	–	(2,921)	–	(2,921)
Exchange differences	814	(2,502)	–	(1,688)
Balance at 1 July 2012	54,762	178,437	647	233,846
Depreciation expense	22,574	45,906	8,571	77,051
Disposals	(48,489)	(2,305)	–	(50,794)
Exchange differences	4,124	10,485	–	14,609
Balance at 30 June 2013	32,971	232,523	9,218	274,712
Net book value				
As at 30 June 2012	101,552	97,577	11,781	210,910
As at 30 June 2013	<u>28,268</u>	<u>67,917</u>	<u>3,210</u>	<u>99,395</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

	2013 \$	2012 \$
12. Property, plant and equipment (cont'd)		
Aggregate depreciation allocated during the year:		
Motor vehicles	22,574	23,565
Office furniture and equipment	45,906	47,813
Building	8,571	253
	<u>77,051</u>	<u>71,631</u>
Office equipment is pledged as security for related finance lease liabilities as disclosed in note 18.		
13. Non-current other financial assets		
Loans to director (i)	139,541	300,000
Loan to outside entity (ii)	81,511	–
	<u>221,052</u>	<u>300,000</u>
(i) Details of the loan are provided in note 28(e).		
(ii) Further details of this loan are provided in note 18.		
14. Exploration and evaluation expenditure		
Balance at beginning of financial year	28,275,372	–
Exploration expenditure during the period	837,196	–
Foreign currency translation movement during the period	88,613	–
Capitalised acquisition costs	–	28,275,372
Balance at end of financial year	<u>29,201,181</u>	<u>28,275,372</u>
The recoverability of the carrying amount of the capitalised acquisition costs and the exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.		
15. Current trade and other payables		
Trade payables (i)	428,631	1,143,928
Other (ii)	550,241	650,362
	<u>978,872</u>	<u>1,794,290</u>
(i) The average credit period on purchases of goods and services is 30 days. No interest is charged on the trade payables for the first 30 to 60 days from the date of the invoice. Thereafter, interest is charged at various penalty rates. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.		
(ii) Mr Damian Hicks' total deferred salary entitlement from 1 April 2013 to 30 June 2013 of \$44,255 is included in the above amount.		
16. Provisions		
Current		
Employee benefits	173,147	184,822
	<u>173,147</u>	<u>184,822</u>
Non-current		
Employee benefits	44,710	39,941
	<u>44,710</u>	<u>39,941</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

	2013 \$	2012 \$
17. Borrowings		
Margin lending facility	–	1,373,930
	–	1,373,930

A wholly owned subsidiary, HR Equities Pty Ltd, opened a margin lending facility in 2012. The loan was fully repaid on 30 August 2012 and the margin lending facility was closed.

18. Other financial liabilities

Current

Convertible notes (i)

Amounts outstanding – beginning of financial year	799,364	–
Liability taken on with asset acquisition	–	992,744
Amounts repaid	(765,318)	(221,392)
Accrued and imputed interest	67,543	28,012
Carrying amount of liability at 30 June	101,589	799,364
Finance lease liabilities	4,197	25,586
Loan from Errawarra Resources Ltd (ii)	–	477,415
	105,786	1,302,365

Non-current

Finance lease liabilities	7,477	66,262
	7,477	66,262

(i) In 2009 a convertible note was entered into between Scandinavian Resources Ltd (SCR) and Mathew Walker (lender) which allows \$1.25 million to be drawn down as and when required with interest payable at the rate of 12.5% per annum. The lender has a second mortgage over the assets of SCR. 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 for every dollar drawn down. The lender was issued with options in SCR as a fee for the loan. The options were replaced by options in Hannans Reward Ltd on 29 June 2012. Excluding interest associated with the convertible note, a total of \$100,000 (2012: \$1,217,614) of the convertible note is outstanding at 30 June 2013. During the year \$765,318 (2012: \$504,081) of the convertible note was repaid. The balance of the convertible note and interest of \$101,624 were subsequently fully repaid on 1 July 2013.

(ii) The loan arose on the deconsolidation of Errawarra Pty Ltd (Errawarra). The loan is unsecured, non-interest bearing and has no fixed terms of repayment. However during the year Hannans continued to provide working capital to Errawarra, resulting in the liability of \$477,415 being fully settled and a further amount of \$81,511 being owed to Hannans by 30 June 2013. Refer to note 13 for further details regarding this loan.

19. Issued capital

706,966,133 fully paid ordinary shares (2012: 479,772,810)	44,279,980	40,294,707
Equity pending issue of shares of 15 million ordinary shares	300,000	–
	44,579,980	40,294,707

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

19. Issued capital (cont'd)

	2013		2012	
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of financial year	479,772,810	40,294,707	131,648,715	20,135,891
Issue of shares – 2 November 2012 (i)	100,858,920	1,714,600		
Issue of shares – 3 April 2013 (ii)	126,334,403	2,526,688		
Issue of shares (iii)	–	–	348,124,095	20,887,446
In specie distribution (iv)	–	–	–	(728,630)
Equity pending issue of shares (v)		300,000	–	–
Share issue costs	–	(256,015)	–	–
Balance at end of financial year	706,966,133	44,579,980	479,772,810	40,294,707

- (i) On 2 November 2012 Hannans completed a \$1.72 million capital raising comprised of \$1.46 million through a Share Purchase Plan and \$0.26 million through a placement to sophisticated investors.
- (ii) On 3 April 2013 Hannans raised approximately \$2.8 million through the placement of 141 million shares at \$0.02 each. The placement was made in two tranches. The first tranche of \$2.5 million was issued to institutional and sophisticated investors and the second tranche of \$0.3 million was issued to Directors and employees of Hannans following shareholder approval. A general meeting was called on 6 June 2013 where shareholders approved the placement to Directors. The placement to Directors (Tranche 2) was successfully completed on 4 July 2013 with 15,000,000 ordinary shares issued to raise \$300,000.
- (iii) Shares issued pursuant to Hannans' off market takeover offer to acquire the remaining shares in Scandinavian Resources Ltd.
- (iv) On 13 February 2012 Hannans issued 131,648,715 ordinary shares in Errawarra Resources Ltd to its shareholders through an in-specie distribution amounting to \$728,630.
- (v) On 28 June 2013 equity funds of \$300,000 were received from Hannans' Directors and employees for Placement Tranche 2. In compliance with the Company's policy, issue of shares are processed only when funds are cleared in the bank. As of 30 June 2013, the funds were not cleared and therefore no ordinary shares were issued. The issue of the placement shares was completed on 4 July 2013.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

20. Reserves

	2013 \$	RESTATED 2012 \$
Balance at the beginning of the financial year	4,731,796	12,775,552
Option reserve	–	110,603
Available for sale revaluation reserve	(3,687,654)	(7,851,997)
Foreign currency translation differences	238,041	(302,362)
Balance at the end of the financial year	1,282,183	4,731,796

The balance of reserves is made up as follows:

Option reserve	1,368,809	1,368,809
Revaluation reserve	(22,305)	3,665,349
Foreign currency translation reserve	(64,321)	(302,362)
	1,282,183	4,731,796

Nature and purpose of reserves

Option reserve

The option reserve recognises the fair value of options issued and valued using the Black-Scholes model.

Revaluation reserve

The asset revaluation reserve is used to record increases and decreases in the fair value of ordinary shares held in listed entities to the extent that they offset one another.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

20. Reserves (cont'd)

Share options

As at 30 June 2013, options over 300,000 ordinary shares in aggregate are as follows:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Hannans Reward Ltd	300,000	Ordinary	7 cents each	15 September 2013

Share options are all unlisted, carry no rights to dividends and no voting rights. No options were exercised during the year.

21. Accumulated losses

Balance at beginning of financial year

(12,954,675) (7,807,878)

Loss attributable to members of the parent entity

(2,544,386) (5,146,797)

Balance at end of financial year

(15,499,061) (12,954,675)

22. Loss per share

Basic and diluted loss per share:

2013 Cents per share	RESTATED 2012 Cents per share
(0.44)	(3.37)

Basic loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	2013 \$	RESTATED 2012 \$
Loss for the year	(2,544,386)	(5,146,797)

Weighted average number of ordinary shares for the purposes of basic loss per share

2013 No.	2012 No.
577,019,846	152,574,207

The rights of options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted loss per share as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The rights of options are non-dilutive as the exercise prices are higher than the Company's share price at 30 June 2013 and the Company has also incurred a loss for the year. There were 300,000 unlisted options as of 30 June 2013.

23. Commitments for expenditure

Exploration, evaluation & development (expenditure commitments) (i)

Not longer than 1 year

174,350 3,524,828

Longer than 1 year and not longer than 5 years (ii)

2,236,809 8,318,460

Longer than 5 years

– –

2,411,159 11,843,288

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2013 are as follows: (iii)

Not longer than 1 year

246,959 227,101

Longer than 1 year and not longer than 5 years

630,680 854,069

Longer than 5 years

– –

877,639 1,081,170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

23. Commitments for expenditure (cont'd)

- (i) In Sweden an exploration permit is valid for a period of three years from date of issue and following that may be extended for another maximum three year period if it can be shown suitable exploration has been carried out within the area. In Norway exploration permits are granted for 1 year with rights to extend one year at a time for a period of seven years. There are no minimum exploration commitments required, apart from permit renewal fees, by the relevant Swedish and Norwegian authorities to be spent on the permits.
- (ii) On 31 August 2011 Hannans' subsidiary, Kiruna Iron AB (KIAB), entered into a cooperation agreement with Boliden Mineral AB (Boliden) through which Boliden granted KIAB the right to explore the Lannavaara Permits in Sweden. In terms of the agreement, KIAB is required to spend a minimum of USD\$1.5 million in exploration expenditure within 5 years of the agreement date (i.e. by 30 August 2016). This expenditure commitment is included in the amount disclosed above. No expenditure has been spent as of 30 June 2013.
- (iii) The Group has a non-cancellable office lease, expiring within 3.5 years and with rent payable monthly in advance.

24. Contingent liabilities and contingent assets

In May 2013, Hannans entered into a Heads of Agreement ("HOA") with Avalon Minerals Limited for the sale of the Discovery Zone copper-iron prospect in Sweden for \$4 million.

Under the HOA, Avalon is required to make the following payments to Hannans:

- ⌘ \$2 million when written notification from the Mining Inspectorate of Sweden ('Inspectorate') is received, noting that the Inspectorate has formally registered Avalon as the holder of the Rakkurijavi Exploration Permit and the Discovery Zone Exploitation Concession application; and
- ⌘ \$2 million when the Mining Inspectorate of Sweden has formally granted the Discovery Zone Exploitation Concession to Avalon.

If the Discovery Zone exploration concession is not granted within 2 years or a later date to be agreed by the parties, Hannans is required to refund the first \$2 million received from Avalon and Avalon will be required to transfer title in the Discovery Zone back to Hannans. In addition, on receipt of the first \$2 million, Hannans is required to provide Avalon with security over its other assets until the Discovery Zone exploration concession is granted or the first \$2 million is repaid.

On 10 May 2013, Hannans made an application with the Inspectorate to transfer the tenements to Avalon which was granted on 23 May 2013. Based on this transfer, the Company believes that Avalon owe \$2 million to Hannans, however no payment has been received by Hannans to the date of this report.

Hannans has issued to Avalon a Statutory Demand for the initial \$2 million. Avalon has disputed the validity of the Statutory Demand and has applied to the Supreme Court of Western Australia to set aside the Statutory Demand. Hannans and Avalon are currently working towards a variation to the HOA but nothing was finalised at the date of this report.

In the opinion of the Directors, there are no contingent liabilities or contingent assets except as disclosed above as at 30 June 2013.

25. Segment reporting

The Group operates predominantly in the mineral exploration industry in the Scandinavian countries of Sweden and Norway. For management purposes, the Group is organised into one main operating segment which involves the exploration of minerals in Scandinavia and Australia. All of the Group's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

Revenue analysis by geographic area

	Revenue		Total revenue and other income	
	2013 \$	2012 \$	2013 \$	2012 \$
Australia	55,956	577,867	4,340,247	8,239,051
Scandinavia	235	58	6,881	767
Consolidated	56,191	577,925	4,347,128	8,239,818

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

	2013 \$	2012 \$
25. Segment reporting (cont'd)		
Result analysis by geographic area		
Australia	1,982,277	1,026
Scandinavia	(2,819,103)	(628,666)
	(836,826)	(627,640)
Loss before income tax benefit	(836,826)	(627,640)
Income tax expenses	(1,707,560)	(4,519,157)
Loss for the year	(2,544,386)	(5,146,797)

Assets and liabilities analysis by geographic area

	Assets		Liabilities	
	2013 \$	2012 \$	2013 \$	2012 \$
Australia	562,668	7,802,788	753,088	540,363
Scandinavia	31,236,567	29,030,650	683,045	4,221,247
Consolidated	31,799,235	36,833,438	1,436,133	4,761,610

26. Jointly controlled operations and assets

Name of project	Principal activity	Interest	
		2013 %	2012 %
Forrestania	Exploration	80	80
Sunday (i)	Exploration	–	90
Lake Johnston	Exploration	90	90
Tasman Metals JV (ii)	Exploration	75	75

The Company agreed to free-carry the joint venture parties to a decision to mine based on completion of a bankable feasibility study. The consolidated entity's interest in assets employed in the above jointly controlled operation is included in the consolidated financial statements but do not form part of the total assets as the expenditure exploration and evaluation is expensed.

- (i) During the year the joint venture was mutually terminated by all parties and no further exploration work was carried out.
- (ii) On the 28 June 2010 Scandinavian Resources Ltd announced a Joint Venture with Tasman Metals Ltd (TSXV: TAS) over four of its exploration claims in Northern Sweden. The terms of the joint venture are as follows:

Consideration:

- Initial payment of AU\$33,333 and \$100,000 in SCR shares. (Initial payment was made and 588,235 ordinary shares at \$0.17 were issued on 28 June 2010).
- On renewal of the Sautusvaara permit, payment of AU\$16,667 and \$50,000 in SCR shares. (Payment was made and 294,118 ordinary shares at \$0.17 were issued on 22 September 2010).
- Spend AU\$175,000 within 12 months of the agreement.

Stage Funding:

- Stage 1 Spend AU\$750,000 by 30 June 2013 to earn 51% in permits.
- Stage 2 Spend AU\$500,000 by 30 June 2014 to earn further 24% interest in permits.
- Stage 3 Spend AU\$400,000 by 30 June 2018 and fund feasibility study to earn further 15% in permits.
- Stage 4 Completion of Stage 3 Tasman can contribute 10% of future funding or convert to 1.5% net royalty.

On 21 July 2011 Scandinavian Resources Ltd confirmed with Tasman Metals Ltd that it had met Stage 1 and Stage 2 of the stage funding requirements and has earned 75% interest in the permits.

Contingent liabilities and capital commitments

The capital commitments and contingent liabilities arising from the consolidated entity's interests in joint ventures are disclosed in notes 23 and 24 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2013 %	2012 %
Parent entity:			
Hannans Reward Ltd (i)	Australia		
Subsidiaries:			
HR Subsidiary Pty Ltd	Australia	100	100
HR Forrestania Pty Ltd (ii)	Australia	100	100
HR Equities Pty Ltd (iii)	Australia	100	100
Scandinavian Resources Ltd	Australia	100	100
SR Equities Pty Ltd (iv)	Australia	100	100
Resources & Rewards Pty Ltd (v)	Australia	100	100
Kiruna Iron Plc (vi)	United Kingdom	100	100
Kiruna Iron AB (vii)	Sweden	100	100
Scandinavian Iron AB (viii)	Sweden	100	100
Scandinavian Resources AB (ix)	Sweden	100	100
Scandinavian Resources (Norge) AS (x)	Norway	100	100

- (i) Hannans Reward Ltd is the ultimate parent entity. All the companies are members of the group.
- (ii) The 100% interest in HR Forrestania Pty Ltd is held via HR Subsidiary Pty Ltd.
- (iii) The 100% interest in HR Equities Pty Ltd is held by the parent entity.
- (iv) The 100% interest in SR Equities Pty Ltd is held via Scandinavian Resources Ltd.
- (v) The 100% interest in Resources & Rewards Pty Ltd is held via HR Equities Pty Ltd (50%) and SR Equities Pty Ltd (50%).
- (vi) The 100% interest in Kiruna Iron Plc is held via SR Equities Pty Ltd.
- (vii) The 100% interest in Kiruna Iron AB is held via Kiruna Iron Plc.
- (viii) The 100% interest in Scandinavian Iron AB is held via Kiruna Iron AB.
- (ix) The 100% interest in Scandinavian Resources AB is held via Scandinavian Resources Ltd.
- (x) The 100% interest in Scandinavian Resources (Norge) AS is held via Scandinavian Resources AB.
- Refer to the Corporate Structure on page 31.

28. Related party disclosures

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 27 to the financial statements.

Equity interests in associates and joint ventures

Details of interests in associates and joint ventures are disclosed in note 26 to the financial statements.

(b) Key management personnel (KMP) remuneration

Details of key management personnel remuneration are disclosed in note 6 to the financial statements.

(c) Key management personnel equity holdings

Fully paid ordinary shares of Hannans Reward Ltd

	Balance at 1 July	Granted as remuneration	Received on exercise of options	Net other change	Balance at 30 June
Key management personnel	No.	No.	No.	No.	No.
2013					
Damian Hicks	1,000,001	–	–	2,000,000	3,000,001
Jonathan Murray	1,866,776	–	–	882,353	2,749,129
Markus Bachmann (i)	–	–	–	47,700,000	47,700,000
Olof Forslund (i)	–	–	–	–	–
Richard Scallan (ii)	–	–	–	–	N/A
William Hicks (iii)	18,436,788	–	–	(18,436,788)	N/A
Michael Craig (iv)	390,131	–	–	58,824	448,955
	21,693,696	–	–	32,204,389	53,898,085

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

28. Related party disclosures (cont'd)

(c) Key management personnel equity holdings (cont'd)

	Balance at 1 July	Granted as remuneration	Received on exercise of options	Net other change	Balance at 30 June
Key management personnel	No.	No.	No.	No.	No.
2012					
Richard Scallan	–	–	–	–	–
Damian Hicks	4,165,310	–	–	(3,165,309)	1,000,001
William Hicks	12,058,086	–	–	6,378,702	18,436,788
Jonathan Murray	391,775	–	–	1,475,001	1,866,776
Michael Craig	40,130	–	–	350,001	390,131
	16,655,301	–	–	5,038,395	21,693,696

- (i) Mr Bachmann and Mr Forslund were appointed as Non-Executive Directors on 2 August 2012.
- (ii) Mr Scallan retired as Independent Non-Executive Chairman on 21 November 2012. Mr Scallan ceased to be a KMP during the year due to his retirement. No end of year balance has therefore been recorded.
- (iii) Mr Hicks retired as Non-Executive Director on 21 November 2012. Mr Hicks ceased to be a KMP during the year due to his retirement. No end of year balance has therefore been recorded.
- (iv) Mr Craig resigned as Company Secretary on 30 June 2013.

(d) Share options of Hannans Reward Ltd

	Bal at 1 Jul	Granted as remuneration	Exer- cised	Net other change	Bal at 30 Jun	Bal vested at 30 Jun	Vested but not exerci- sable	Vested and exerci- sable	Options vested during year
Directors	No.	No.	No.	No.	No.	No.	No.	No.	No.
2013									
Damian Hicks	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
2012									
Damian Hicks	2,000,000	–	–	(2,000,000)	–	–	–	–	–
	2,000,000	–	–	(2,000,000)	–	–	–	–	–

Mr R Scallan, Mr W Hicks, Mr J Murray, Mr M Bachmann and Mr O Forslund and Mr M Craig did not hold options in the Company in either 2013 or 2012.

(e) Loans to key management personnel and their related parties

Details regarding loans outstanding at the reporting date to key management personnel and their related parties, where the individual's aggregate loan balance exceeded \$100,000 at any time in the reporting period, are as follows:

	Balance 1 July 2012 \$	Balance 30 June 2013 \$	Interest charged \$	Highest balance in period \$
Director				
Damian Hicks (i)	300,000	139,541	11,148	300,000
	300,000	139,541	11,148	300,000

- (i) The Board approved a loan 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 is repaid monthly. The interest charged for the year amounted to \$11,292 (2012:\$17,848). Mr Hicks has repaid \$160,059 in principal from after tax income. The loan funds were used to exercise 1,500,000 options in Hannans at an exercise price of \$0.20 per option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

28. Related party disclosures (cont'd)

(e) Loans to key management personnel and their related parties (cont'd)

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Group to key management personnel and their related parties, and the number of individuals in each group, are as follows:

	Opening Balance \$	Closing Balance \$	Interest charged \$	Number in group at 30 June
Total for key management personnel 2013	300,000	139,541	11,148	1
Total for key management personnel 2012	300,000	300,000	17,848	1
Total for other related parties 2013	29,888	29,888	–	1
Total for other related parties 2012	2,435,355	29,888	451,916	1
Total for key management personnel and their related parties 2013	329,888	169,429	11,148	2
Total for key management personnel and their related parties 2012	2,735,355	329,888	469,764	2

(f) Transactions with other related parties

Director transactions

Steinepreis Paganin, of which Mr Jonathan Murray is a partner, provided legal services amounting to \$58,981 to the Group during the year. The amounts paid were on arms length commercial terms. Mr Murray's director's fees are also paid to Steinepreis Paganin. At 30 June 2013 \$24,495 was owing to Steinepreis Paganin.

(g) Parent entity

The ultimate parent entity in the consolidated entity is Hannans Reward Ltd.

29. Subsequent events

The following matters or circumstances have arisen since 30 June 2013 that may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

- On 1 July 2013, the Group repaid in full the loan outstanding with Mathew Walker. The total repayment of \$101,624 included the principal and interest of the loan.
- Hannans announced on 6 May 2013 that it had entered into a Binding Heads of Agreement to sell its Discovery Zone Prospect to Avalon Minerals Limited (Avalon) for \$4 million. The first \$2 million of consideration has become due and payable but has not been received. On 4 July 2013, Hannans considered the failure by Avalon to pay the debt a serious matter and has issued a Statutory Demand to Avalon. Avalon has disputed the validity of the Statutory Demand. Avalon has applied to the Supreme Court of Western Australia to set aside the Statutory Demand. No amount has been recognised in the financial statements at 30 June 2013 in connection with this transaction. Refer to note 24 for details.
- The Office of State Revenue (OSR) has informed the Company that it has raised a Duties Investigation regarding the restructure involving the Mineral Rights Deed between the Company and Errawarra Resources Ltd. OSR has requested preliminary supporting information to assess the duty on the transaction.

30. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2013 \$	2012 \$
Cash and cash at bank	602,342	167,684
Term deposit	1,206,862	56
	1,809,204	167,740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

	2013 \$	2012 \$
30. Notes to the statement of cash flows		
(b) Reconciliation of loss for the year to net cash flows from operating activities		
Loss for the year	(2,544,386)	(5,146,797)
Loss on investment transferred from reserves	–	1,406,741
Depreciation of non-current assets	77,051	71,631
Gain on disposal of shares	(4,088,415)	(6,988,015)
Gain on sale or disposal of assets	(6,167)	–
Equity settled share-based payments	–	110,603
Equity settled share-based received	–	(49,441)
Provision against loan recoverability	–	296
Interest on loan to outside entities	–	(416,071)
Interest on loan to related parties	5,959	–
Interest on borrowings	2,226	115,151
Finance charges on leased assets	994	7,472
Foreign exchange differences	140,061	(304,139)
Dividends received	–	(169,281)
Release of deferred tax assets previously recognised to offset a deferred tax liability arising on the sale of shares	1,581,419	4,519,157
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
Decrease in assets:		
Trade and other receivables	146,589	152,484
(Decrease)/Increase in liabilities:		
Trade and other payables and provisions	(697,147)	140,964
Net cash from operating activities	(5,381,816)	(6,549,245)

Non-cash financing and investing activities

During the current year, the Group did not enter into the any non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows.

31. Financial risk management objectives and policies

(a) Financial risk management objectives

The consolidated entity manages the financial risks relating to the operations of the consolidated entity.

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes although it holds, at 30 June 2013, shares in various other listed mining companies. The use of financial derivatives is governed by the consolidated entity's Board of Directors.

The consolidated entity's activities expose it primarily to the financial risks of changes in interest rates, but at 30 June 2013 it is also exposed to market price risk. The consolidated entity does not enter into derivative financial instruments to manage its exposure to interest rate.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

(c) Foreign currency risk management

The Group is not exposed to currency risk on borrowings. All loans are denominated in the Group's functional currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

31. Financial risk management objectives and policies (cont'd)

(d) Interest rate risk management

The consolidated entity is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate products which also facilitate access to money.

Cash flow sensitivity analysis for variable rate instruments

A change of 1 per cent in interest rates at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2012:

	Profit or Loss		Equity	
	1% increase	1% decrease	1% increase	1% decrease
30 June 2013				
Variable rate instruments	18,092	(18,092)	18,092	(18,092)
Cash flow sensitivity	18,092	(18,092)	18,092	(18,092)
30 June 2012				
Variable rate instruments	1,677	(1,677)	1,677	(1,677)
Cash flow sensitivity	1,677	(1,677)	1,677	(1,677)

Maturity profile of financial instruments

The following table details the consolidated entity's exposure to interest rate risk.

	Weighted average effective interest rate	Variable interest rate	Fixed maturity dates			Non interest bearing	Total
			Less than 1 year	1-5 years	5+ years		
Consolidated	%	\$	\$	\$	\$	\$	\$
2013							
Financial assets:							
Cash and cash equivalents	2.2%	1,808,998	–	–	–	206	1,809,204
Trade and other receivables		–	–	–	–	179,570	179,570
Other receivables – non-current	4.4%	–	263,950	–	–	4,787	268,737
Loans	4.0%	–	–	221,052	–	–	221,052
		1,808,998	263,950	221,052	–	184,563	2,478,563
Financial liabilities:							
Trade and other payables		–	–	–	–	978,872	978,872
Borrowings	–0%	–	–	–	–	–	–
Other financial liabilities	13.4%	–	101,589	11,673	–	–	113,262
		–	101,589	11,673	–	978,872	1,092,134
2012							
Financial assets:							
Cash and cash equivalents	1.8%	167,534	–	–	–	206	167,740
Trade and other receivables		–	–	–	–	339,532	339,532
Other receivables – non-current	4.5%	–	259,232	–	–	3,000	262,232
Loans	6%	–	–	300,000	–	–	300,000
		167,534	259,232	300,000	–	342,738	1,069,504
Financial liabilities:							
Trade and other payables		–	–	–	–	1,794,290	1,794,290
Borrowings	8.7%	1,373,930	–	–	–	–	1,373,930
Other financial liabilities	8.0%	–	824,950	66,262	–	477,415	1,368,627
		1,373,930	824,950	66,262	–	2,271,705	4,536,847

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

31. Financial risk management objectives and policies (cont'd)

(e) Liquidity risk

The consolidated entity manages liquidity risk by maintaining sufficient cash to meet the operating requirements of the business and investing excess funds in highly liquid, high security short term investments. The consolidated entity's liquidity needs can be met through a variety of sources, including cash generated from operations and issue of equity instruments.

The following table details the consolidated entity's non-derivative financial instruments according to their contractual maturities. The amounts disclosed are based on contractual undiscounted cash flows.

	Less than 6 months \$	6 months to 12 months \$	1 to 2 years \$	Greater than 2 years \$	Total \$
2013					
Trade and other payables	978,872	126,141	–	–	1,105,013
Other financial liabilities	101,589	4,196	7,477	–	113,262
	1,080,461	130,337	7,477	–	1,218,275
2012					
Trade and other payables	1,794,290	–	–	–	1,794,290
Borrowings	–	1,373,930	–	–	1,373,930
Other financial liabilities	477,415	824,950	66,262	–	1,368,627
	2,271,705	2,198,880	66,262	–	4,536,847

(f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity's exposure and the credit ratings of its counterparties are continuously monitored. The consolidated entity measures credit risk on a fair value basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The consolidated entity currently doesn't have any material debtors apart from GST receivable which is claimed at the end of each quarter during the year.

It is a policy of the consolidated entity that creditors are paid within 30 days.

(g) Market price risk

Market risk is the potential for loss arising from adverse movements in the level and volatility of equity prices.

The Group's investments subject to price risk are listed on the Australian Securities Exchange as detailed in note 10. A 1 per cent increase at reporting date in the equity prices would increase the market value of the securities by \$201 (2012: \$727,765), and an equal change in the opposite direction would decrease the value by the same amount. The increase/decrease would be reflected in equity as these financial instruments are classified as available-for-sale. The increase/decrease net of deferred tax would be \$140 (2012: \$ 509,436).

32. Fair value hierarchy

The fair value of financial assets and liabilities of the consolidated Group approximated their carrying amount.

The consolidated Group has no financial assets and liabilities where the carrying amount exceeds the net fair value at balance date.

The table below analyses financial instruments carried at fair value, by valuation method. Included within Level 1 are listed investments. The fair values of the Level 1 assets are based on the closing quoted bid prices at reporting date, excluding transaction costs. Fair value is measured by use of the Black and Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

	Level 1 2013 \$	Level 1 2012 \$
Financial Assets		
Available-for-sale financial assets:	–	–
– listed investments	20,095	7,277,650
	20,095	7,277,650

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

33. Parent entity disclosures

The following details information related to the parent entity, Hannans Reward Ltd, at 30 June 2013.
The information presented here has been prepared using consistent accounting policies as presented in note 2.

	2013 \$	2012 \$
Results of the parent entity		
Loss for the year	(2,275,962)	(5,234,095)
Other comprehensive income	–	–
Total comprehensive loss for the year	(2,275,962)	(5,234,095)
Financial position of parent entity at year end		
Current assets	1,786,167	237,013
Non-current assets	18,291,198	25,063,119
Total Assets	20,077,365	25,300,132
Current liabilities	625,350	1,299,858
Non-current liabilities	7,477	6,564,997
Total Liabilities	632,827	7,864,855
Total equity of the parent entity comprising of:		
Share capital	45,308,510	41,023,287
Reserves	1,368,809	1,368,809
Accumulated losses	(27,232,781)	(24,956,819)
Total Equity	19,444,538	17,435,277

(a) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had not entered into any guarantees in relation to the debts of its subsidiaries as at 30 June 2013 and 30 June 2012.

(b) Parent entity contingencies

The parent entity had no contingent liabilities as at 30 June 2013 and 30 June 2012.

(c) Commitments for the acquisition of property, plant and equipment by the parent entity

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2013 and 30 June 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

34. Prior year restatement

In prior periods the deferred tax liability arising on the Group's unrealised gains on available-for-sale investments has been offset fully or in part by the Group's previously unrecognised carried forward tax losses.

The recognition of the Group's tax losses to reduce the deferred tax liability has been recorded through the reserve in equity rather than through the profit and loss account in the tax expense.

The impact of the correction of the error on the 30 June 2012 comparatives is summarised as follows:

	30 June 2012 \$	Impact of correction of prior period error \$	Restated 30 June 2012 \$
Statement of Comprehensive Income (Extract)			
<i>(Loss) from continuing operations before income tax expense</i>	(627,640)	–	(627,640)
Income tax expense	–	(4,519,157)	(4,519,157)
<i>(Loss) from continuing operations attributable to members of the parent entity</i>	(627,640)	(4,519,157)	(5,146,797)
<i>Other comprehensive income/(loss) for the period</i>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in fair value of available-for-sale financial assets	(5,099,949)	(260,099)	(5,360,048)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	(7,271,205)	4,779,256	(2,491,949)
<i>Total items that may be reclassified subsequently to profit or loss</i>	(12,371,154)	4,519,157	(7,851,997)
 Basic and Diluted Earnings per share (cents per share)	 (0.41)	 (2.96)	 (3.37)

The impact of the correction of the error on the 30 June 2012 comparatives is summarised as follows:

Statement of Financial Position (Extract)

Reserves	6,313,215	(1,581,419)	4,731,796
Accumulated losses	(14,536,094)	1,581,419	(12,954,675)
TOTAL EQUITY	(8,222,879)	–	(8,222,879)

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