HANNANS
REWARD LIMITED

ANNUAL REPORT **2012**

ABN: 52 099 862 129

ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

Cover by Jessica Hicks.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

INDEPENDANT
NON-EXECUTIVE CHAIRMAN
Mr Richard Scallan

MANAGING DIRECTOR
Mr Damian Hicks

NON-EXECUTIVE DIRECTOR
Mr William Hicks

NON-EXECUTIVE DIRECTOR
Mr Jonathan Murray

NON-EXECUTIVE DIRECTOR
Mr Markus Bachmann

NON-EXECUTIVE DIRECTOR
Mr Olof Forslund

COMPANY SECRETARIES

Mr Ian Gregory

Mr Michael Craig

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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 2012.

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 beliefs.

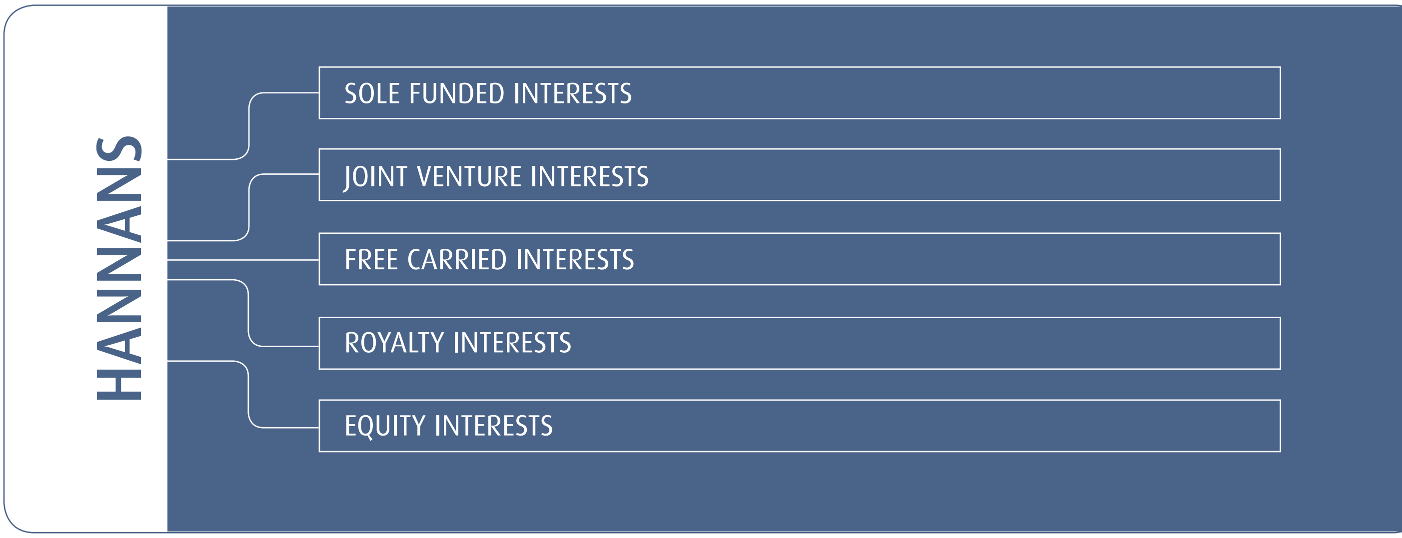
Capital

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.

PROJECT INTERESTS

Hannans is aiming to advance its high quality minerals projects in Sweden, Norway, and Australia by having a mix of projects funded by these interests.



FUNDING SOURCES

Hannans needs to continually fund the development of its projects pipeline and therefore must access funding when it becomes available through the mechanisms highlighted below.

DIRECTORS' REPORT

Dear Shareholders

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

With that vision firmly in mind Hannans made the decision to secure the Kiruna Iron Project, through the successful takeover of Scandinavian Resources Limited (**SCR**) in May 2012. The Kiruna Iron Project, located in the low sovereign risk jurisdiction of Sweden, in one of Europe's oldest iron districts, has the potential to develop into a long-life production asset. This development asset is complemented by Hannans' first-class pipeline of greenfields precious and base metals projects in Sweden, Norway and Australia. Hannans must continue to source capital to develop its pipeline of projects.

Hannans has the technical and corporate team to achieve this vision throughout the current volatile equity markets and fluctuations in commodity prices.

BUILDING THE TEAM

Hannans welcomed two new directors during the year, Mr Olof Forslund and Mr Markus Bachmann.

Olof lives in Malå, Sweden and was a founding director of SCR. He is a geophysicist with broad international experience and was previously Regional Manager of the Geological Survey of Sweden's (**SGU**) Mineral Resources Information Office in Malå, Sweden. The office is considered the 'one-stop shop' for all minerals exploration activities in Sweden and is home to all of Sweden's well organised historical data and core archives.

Markus lives in Johannesburg, South Africa, is an experienced fund manager and established the Craton Capital Fund. Markus has been a 10% shareholder of Hannans since 2005. Craton Capital provides Hannans with exposure to detailed understanding of the global equities markets and investment community.

Hannans welcomes the SCR management team which includes Mrs Christina Lundmark, Mr Magnus Arnqvist, Ms Amanda Scott and Mr Jörgen Lindsköld.

Christina is responsible for Hannans' precious and base metals projects, Magnus is responsible for Hannans' iron projects and Amanda is Hannans' Exploration Manager.

Christina is an experienced geologist, a highly regarded member of northern Sweden's mining community and was previously Head of Division Mineral Information for the SGU continuing on from Olof after his retirement in 2007.

Magnus is an experienced mining engineer, was previously managing director of Europe's largest zinc mine and managed the opening of underground operations of a copper mine in Western Australia.

Amanda is an experienced geologist and was previously Exploration Manager of Hannans and accordingly knows all of Hannans' projects very well.

Jörgen is also an experienced geologist and has been closely involved with the discovery of high grade mines in Sweden and has been working on the Scandinavian projects since 2010.

When combined with the Australian based team, Hannans has access to many years of experience and knowledge that increases the chance of identifying economic deposits which will enable these deposits to become production assets.

This year Hannans also welcomed Mr Ben Della-Vedova as Business Development Manager. Ben is a Chartered Accountant with seven years' experience. Prior to joining Hannans, Ben worked for PwC Australia in their Transaction Services and Valuation team and Deloitte in their Assurance and Advisory team.

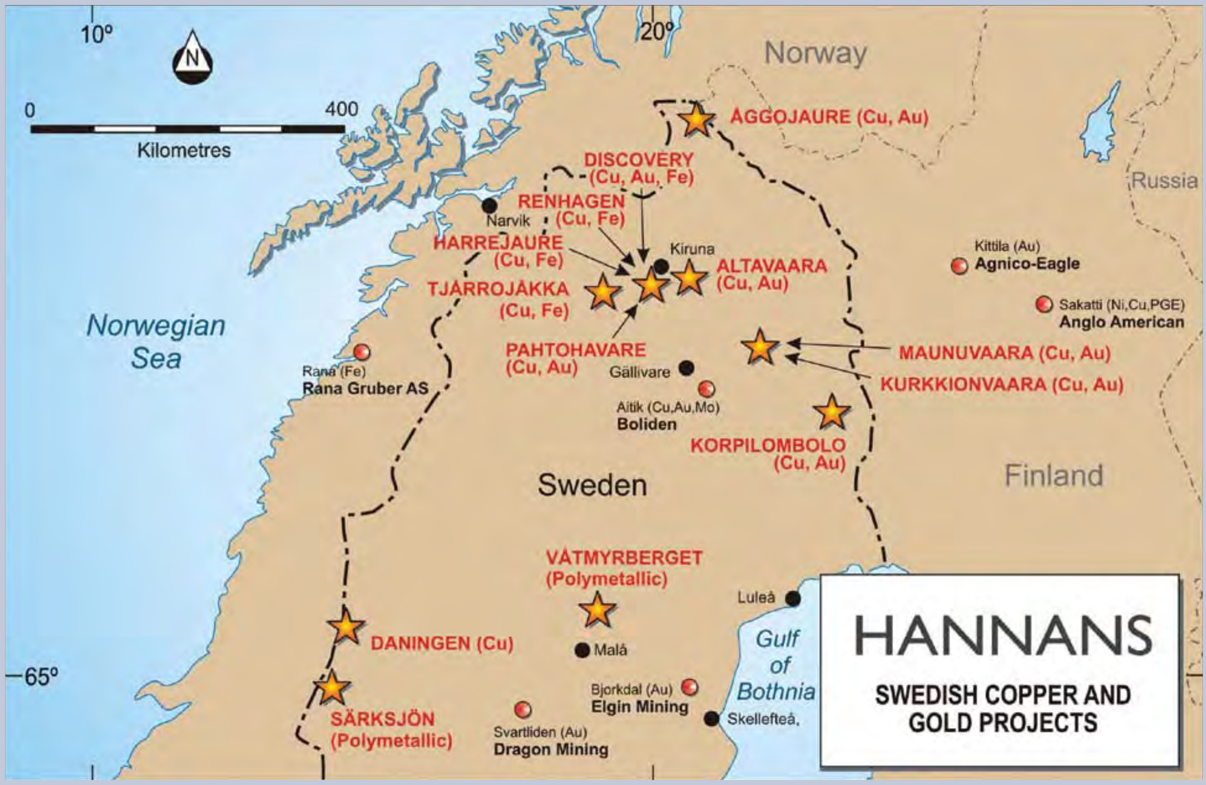
From Top:

Olof Forslund
Markus Bachmann
Christina Lundmark
Magnus Arnqvist
Amanda Scott
Jörgen Lindsköld
Ben Della-Vedova

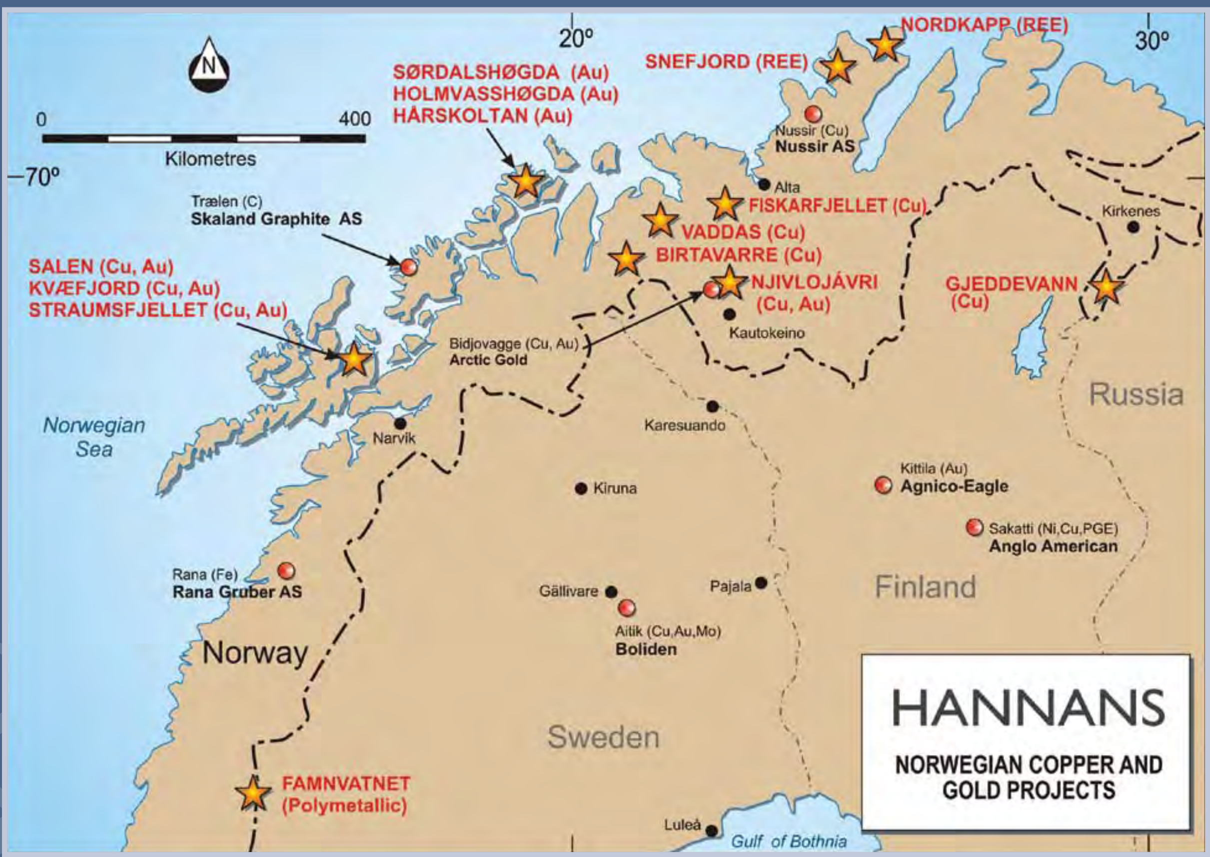
PROJECT LOCATIONS

Hannans holds a global portfolio of mineral assets in Sweden, Norway and Australia.

Hannans' iron projects located in Sweden.



Hannans' copper and gold projects located in Sweden.



Hannans' copper and gold projects located in Norway.

Hannans' gold and base metals projects located in Western Australia.

EXPLORATION

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), focussed local surveys (closed spaced geophysics and geochemistry and detailed field mapping if the rocks are exposed at surface) and then drill testing if the prospect justifies.

This is an iterative process that is part art and part science but which requires a high level of understanding, focus and persistence. At all times the exploration team is focussed on identifying mineralisation that has the potential to become an economic deposit so alongside the technical aspects of exploring the team has an eye of the commodity prices and uses of different minerals that will have any impact on potential economics.

Exploration Achievements for 2011/2012

Hannans exploration team has this year:

§ Defined a global JORC iron resource of 473Mt @ 40.5% and a JORC Exploration Target of 203-273Mt @ 32-39% Fe at the Kiruna Iron Project, Sweden.

§ Continued development and expansion of a first-class portfolio of copper-gold and base metal projects in both Sweden and Norway.

§ Greenfields discovery of copper mineralisation at the Fiskarfjellet Project, Norway.

§ Generated a >2km long copper-gold soil anomaly at the Njivlojávri Project, Norway.

§ Generated drill-ready targets at the Särksjön Project, Sweden, through a combination of geology, geochemistry and geophysical methods.

§ Identified significant gold and nickel prospectivity at Skeleton Rocks, Western Australia.

§ Identified a new sequence of nickel sulphide bearing komatiites at Lake Johnston, Western Australia.

Exploration Strategy for 2012/2013

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

§ Focus in-house copper-gold exploration on key projects located within the Kiruna IOCG District and on large copper-gold systems north of the Skellefte District.

§ Actively seek joint venture partners to advance key projects within the exploration pipeline.

§ Evaluate existing prospects and projects with the aim of 'filtering out' those which are not likely to progress further along the exploration pathway.

Exploration Expenditure for 2011/2012

Hannans expensed $5,355,852 on mineral exploration activities in 2012[2] (2011: $4,432,070[3]).

Mineral Exploration Activities Expensed in 2012	$	%
Geological activities	942,667	17.6%
Geochemical activities	614,180	11.5%
Geophysical activities	228,836	4.3%
Drilling	2,263,508	42.3%
Field supplies[4]	393,037	7.3%
Field camp and travel[5]	309,354	5.8%
Drafting activities	13,125	0.2%
Environmental	27,128	0.5%
Feasibility Studies	5,783	0.1%
Rehabilitation	48,432	0.9%
Annual tenement rent	208,118	3.9%
Annual tenement rates	156,149	2.9%
Tenement administration	145,535	2.7%
Total	**5,355,852**	**100%**

Project	Exploration Expensed $	%
Australia	4,548,527	85%
Sweden & Norway[6]	807,325	15%
Total	**5,355,852**	**100%**

2. This figure includes mineral exploration expenditure of Scandinavian Resources for the period 12 May 2012 through to 30 June 2012. For 2012 exploration expenditure expensed by Scandinavian Resources alone was $6,800,174 (2011:$18,562,689).
3. Australia only
4. Non-professional wages, equipment hire, consumables and supplies, fuel and oil
5. Helicopter support, hire vehicles, flights, camp maintenance, store shed, accommodation and food
6. This figure includes mineral exploration expenditure of Scandinavian Resources group for the period 12 May 2012 through to 30 June 2012. For 2012 exploration expenditure expensed by Scandinavian Resources alone was $6,800,174 (2011:$18,562,689).

KIRUNA IRON PROJECT

The Kiruna Iron Project represents an opportunity for Hannans to become an independent producer of premium grade (+68% Fe) pellet feed (concentrate). The Kiruna Iron Project comprises a number of different deposits (see below). Hannans main deposit is the Rakkurijoki prospect located in close proximity to the Kiruna town site.

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 Rakkurijoki prospect, 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 Rakkurijoki prospect into production, build a cash flow and introduce additional deposits as the business grows.

The compelling attributes of the project are:

§ Multiple iron ore deposits (at surface) within close proximity to Kiruna a full service mining town and modern open-access infrastructure.

§ Low political risk with favourable mining jurisdiction. Hannans' main iron deposit (open pit opportunity) is within an area of National interest for mining.

§ Opportunity exists for Hannans to become an independent producer of premium grade pellet feed (concentrate) or provide ore to existing mines within the area.

§ Low infrastructure risk with access to third party infrastructure already available with available capacity.

§ Low metallurgy risk with proven magnetite processing technology in existence in the region.

§ Lannavaara Hub has the most potential to increase Hannans JORC resource towards 1Bt with further resource drilling.

The next steps for the Rakkurijoki prospect are:

§ Complete a scoping study for the Rakkurijoki project, if a positive scoping study is returned, Hannans aims to lodge an exploitation concession application in mid-2013.

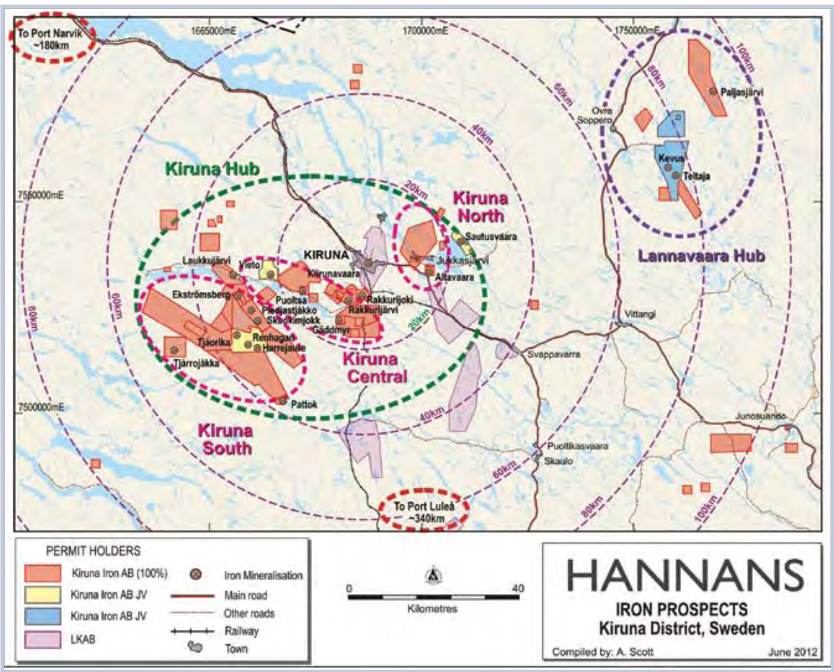
§ Continue drilling to upgrade the JORC Iron resource at the Rakkurijoki project in 2013.

Magnetite Benefits

Magnetite ore typically has much lower iron content than hematite (such as is mined in the Pilbara region of Western Australia), typically of between 25% and 40% Fe and in this form is unsuitable for steel making.

The main iron mineral in magnetite ore is the ferrous iron oxide magnetite (Fe_3O_4). Magnetite ore requires complex processing to separate magnetite minerals from other minerals in the ore to produce an almost pure magnetite concentrate with an iron content of between 68% Fe and 70% Fe.

The premium quality (high iron and low impurity iron concentrate) is highly sought after by steel makers who are prepared to pay a premium to the spot iron price based on a 62% Fe grade.



CORPORATE

Corporate achievements

Hannans corporate team has this year:

§ Completed the in-specie distribution of Errawarra Resources Limited to Hannans Shareholders.

§ Completed the off-market acquisition of SCR.

§ Managed the integration of Hannans and SCR.

Capital Management and Share Price Performance

The share price and market capitalisation of Hannans have both decreased significantly during the last twelve months principally as a result of:

§ The lack of investor confidence and volatile global equity markets caused by the European financial crisis and weak US economic data.

§ The shifting by investors away from high risk ventures (such as greenfields exploration).

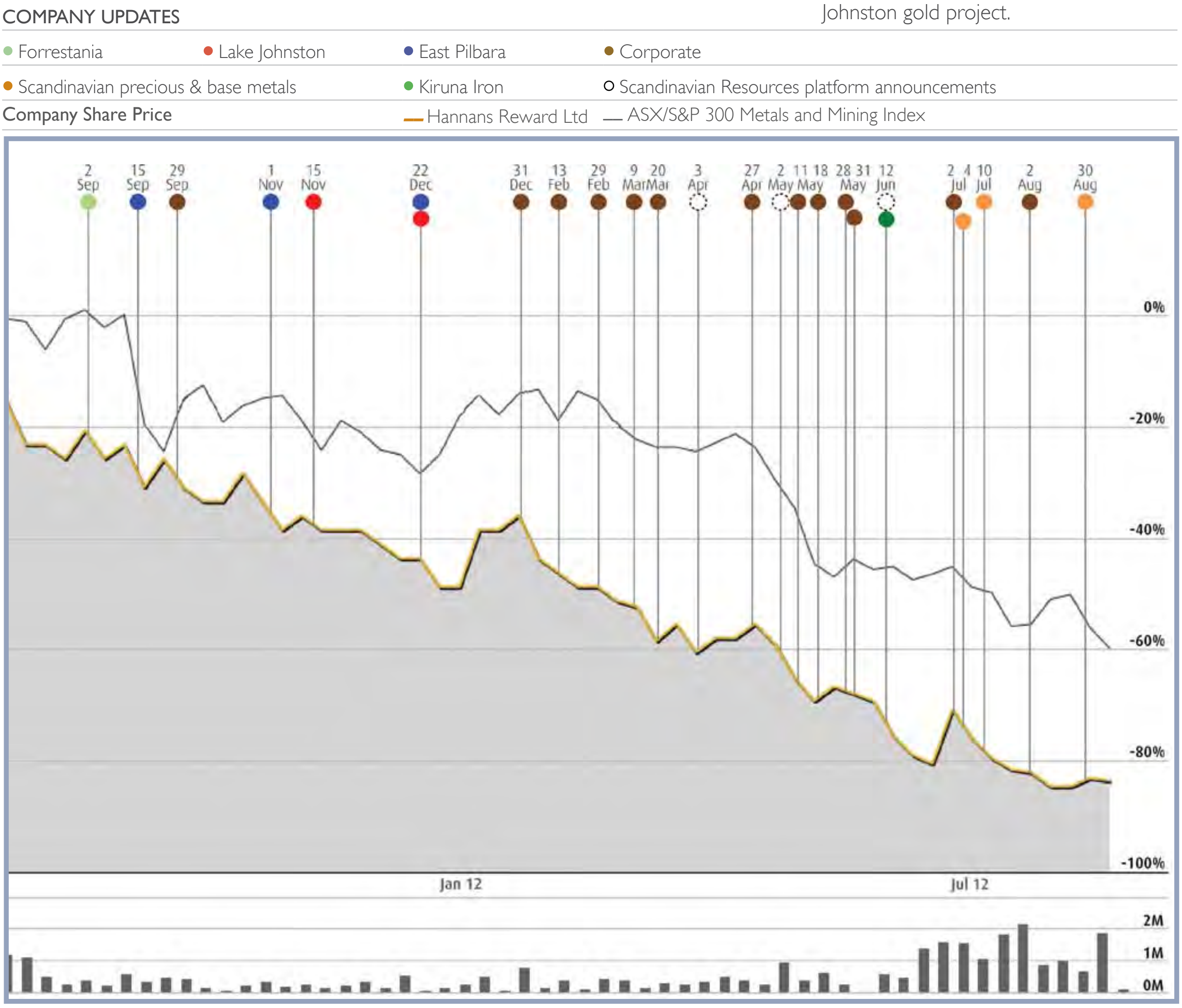
§ The requirement to sell down Atlas Iron Ltd shares to fund the high rate of exploration and provision of loans which has brought the Company closer to an equity raising.

§ A 45% decrease in the iron ore price to less than USD100/t in the last twelve months.

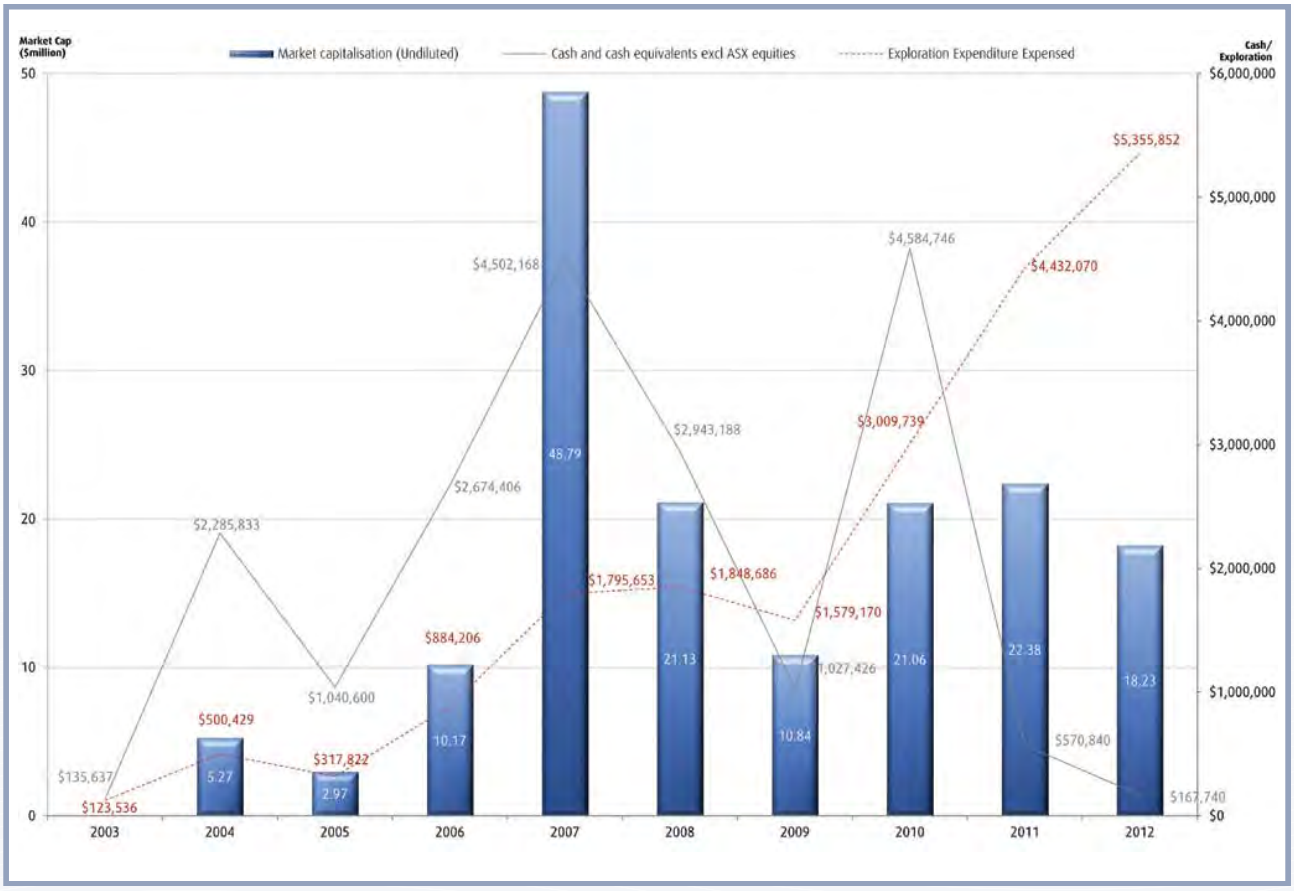
§ A 54% decrease in the price of Atlas Iron shares in the last twelve months.

§ A 27% decrease in the nickel price in the last 12 months to date.

§ The high rate of exploration expenditure on the Australian portfolio without intersecting economic mineralisation at either the flagship Forrestania nickel project or Lake Johnston gold project.



Hannans in comparison to the ASX 300 Metals and Mining Index and volume chart. Plotted against the share price are the dates of ASX announcement, colour coded according to project and activity.



Hannans Financial Summary 2003 – 2012

We appreciate the support of Shareholders during what has been a very difficult year for Hannans and equity markets generally. You can follow news flow from Hannans through our web site (www.hannansreward.com), Facebook (Hannans Reward) and Twitter (@hannansreward). We also recommend that you sign up to our email distribution service on our web site.

I would like to thank all of Hannans staff and consultants in Australia, Sweden and Norway for their professionalism and endeavour as we continue striving towards an economic minerals discovery and the successful development of the Kiruna Iron Project that will reward shareholders appropriately.

Kind regards,

Damian Hicks
Managing Director

EXPLORATION SUMMARY JULY 2011-JUNE 2012

SWEDEN

KEY ACHIEVEMENTS JULY 2011 - JUNE 2012

It has been a very big year for exploration in Sweden for Hannans, namely at the flagship Kiruna Iron Project where more than 20,000m of diamond drilling has been completed and two JORC resource updates where announced. The key exploration strategy for the year was to convert the JORC Exploration Targets into JORC Inferred Resources and to continue to add to the JORC Exploration Targets.

KIRUNA IRON PROJECT

A combination of exploration and resource drilling has been completed at various iron prospects within the Kiruna Iron Project including **Vieto, Sautusvaara, Laukkujärvi, Puoltsa, Renhagen, Harrejaure, Altavaara Rakkurijärvi** and **Rakkurijoki**. Several of the prospects were not subject to drilling but were updated to JORC standard including **Ekströmsberg, Tjårrojåkka Pattok, Discovery** and **Tributary**.

More than 20,000m of diamond drilling has produced a current global JORC Resource of 473Mt @ 40% Fe and a global JORC Exploration Target of 203-273Mt @ 32.1-39.6% Fe.

JORC Resource Tables

Kiruna Hub

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
Discovery Zone	10.9	38.7	0.05	0.95
Tributary Zone	4.9	28.6	0.05	1.08
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
Tjårrojåkka	52.6	51.0	Unavailable	Unavailable
Pattok	62.4	44.2	1.96	Unavailable
TOTAL	**399.9**	**38.1**	-	-

JORC Compliant **Indicated & Inferred** Table

TOTAL	Mt	Fe (%)
Indicated & Inferred	473.7	40.6

JORC **Exploration Target** Table

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**

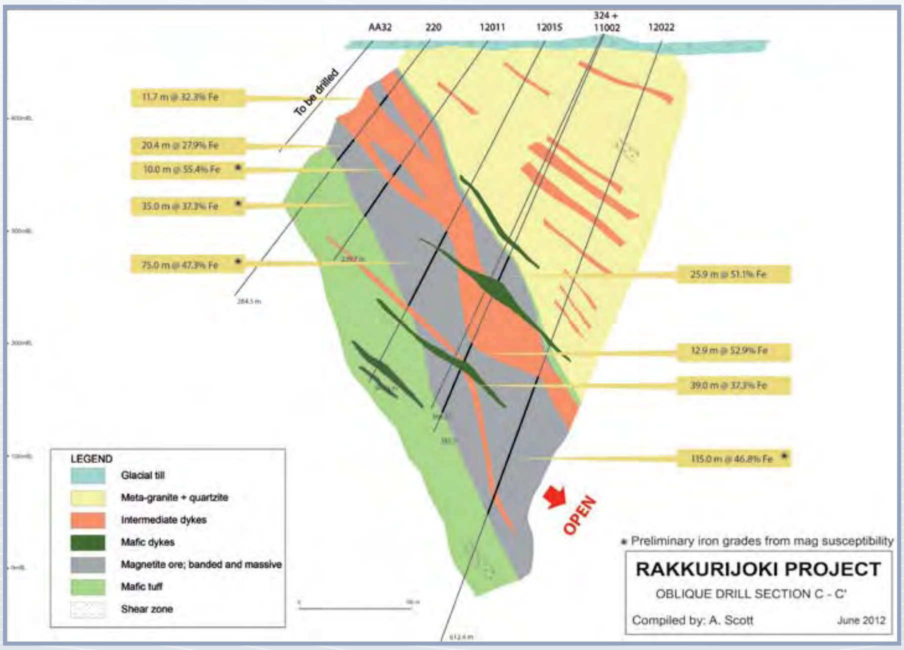
Lannavaara Hub

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

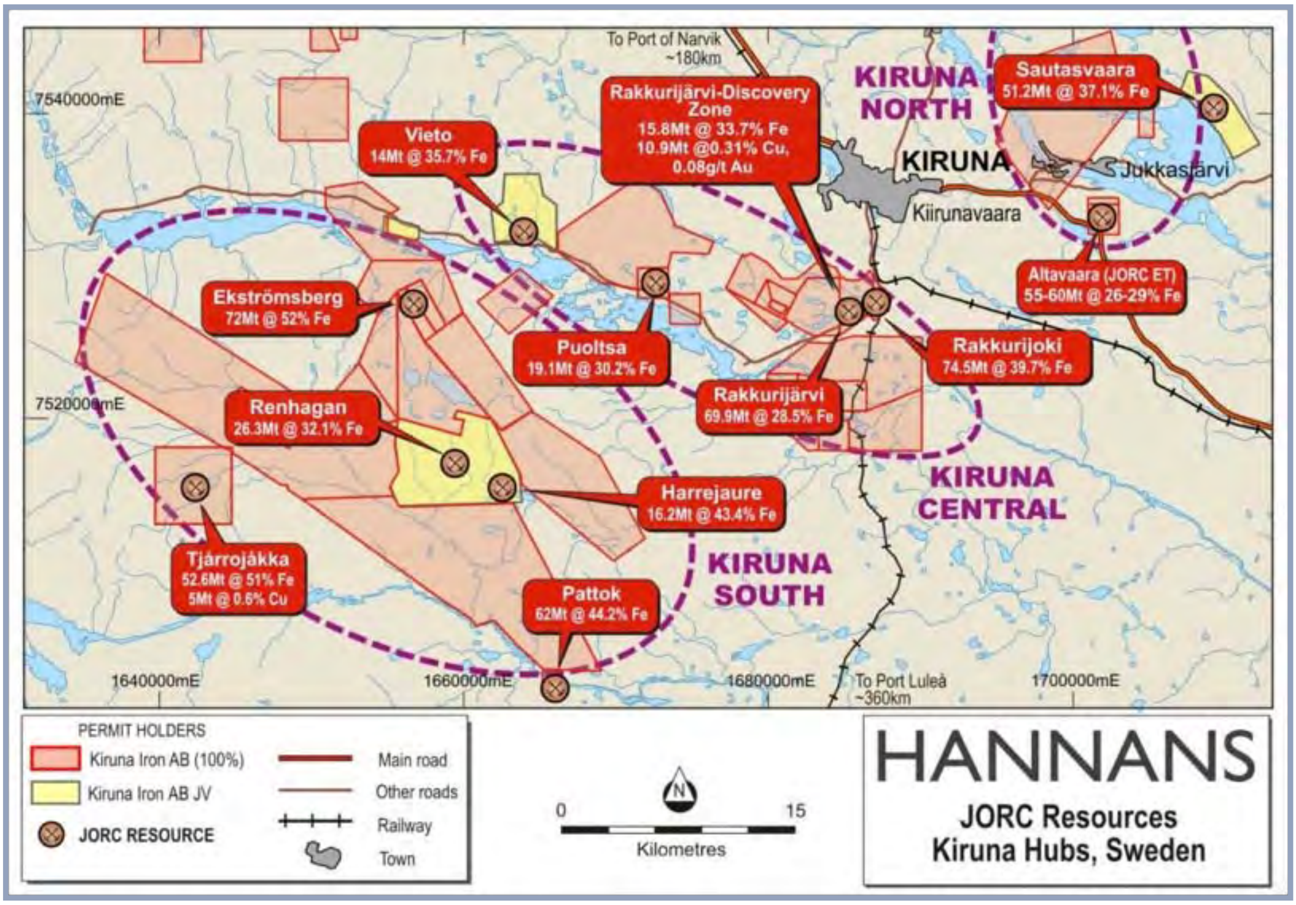
Metallurgical studies were completed on many of the iron prospects which produced excellent results across the board; at Rakkurijoki an iron concentrate grading 69.2% Fe is capable of being produced.

In late March 2012, a resource infill (100m) diamond drilling campaign commenced at the Rakkurijoki prospect which, once completed in early 2013, will assist in generating a resource update namely to convert inferred tonnes into indicated tonnes ahead of commencing formal mine studies and preliminary economic assessment. The infill drilling has returned some excellent iron intercepts including 47.59m @ 40.9% Fe from 153m (RJO12018) and has enabled Hannans' geologists to gain a much better understanding of the controls on iron mineralisation.



Several key studies, including environmental and social consequence reports, were also initiated at the Rakkurijoki and Rakkurijärvi Prospects during the year as part of a Mining Concession Application which is still in progress and expected to be completed in mid-2013.

In addition to iron mineralisation several of the prospects also returned copper-gold mineralisation including 3m @ 5.2g/t Au and 1.3% Cu from 15m at the Altavaara Prospect.



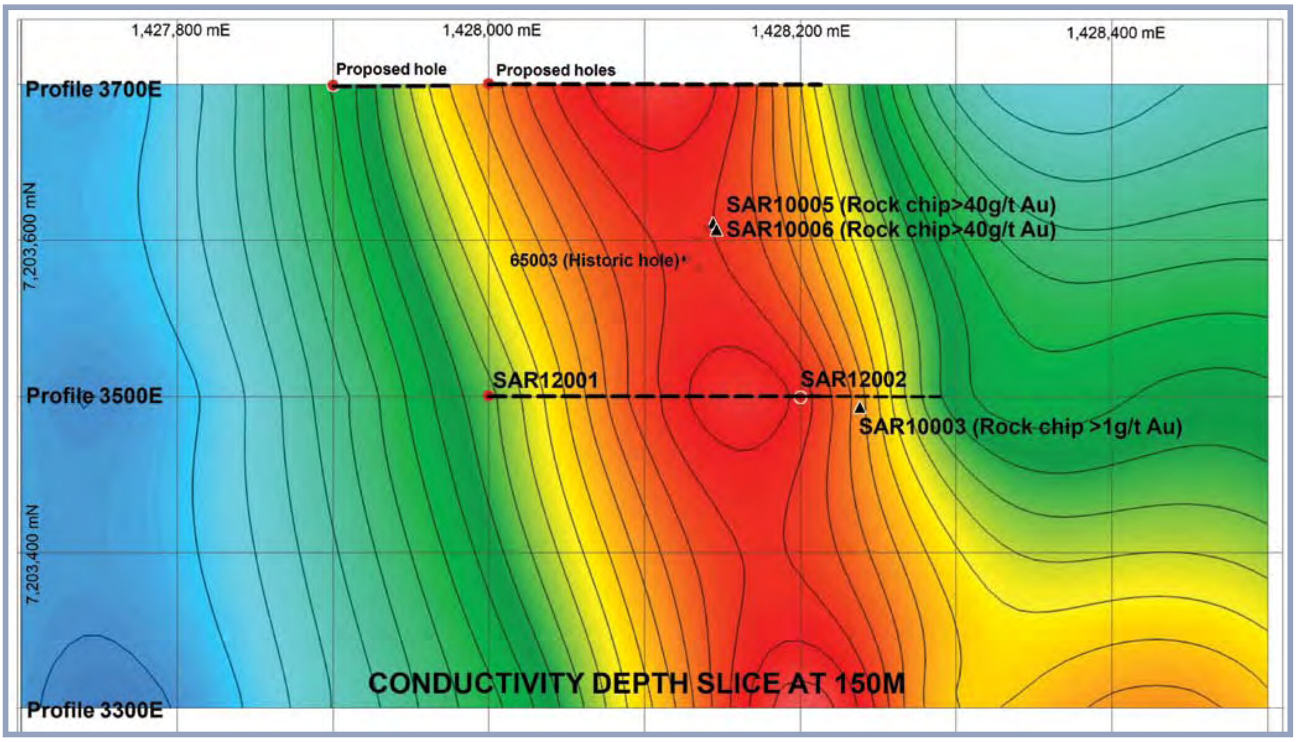
SÄRKSJÖN PROJECT

Located in the Caledonide stratigraphy which is host to multiple precious and base metal sulphide mines, deposits and mineral occurrences. A multi-faceted geophysical survey was completed during the year and identified a co-incident IP and EM anomaly. The geophysical work was initiated after outcrop sampling in the previous year returned exceptional grades including 42.5g/t Au, 45.2g/t Ag, 1.35% Cu, 4.17% Pb and 4.18% Zn (SAR10005). Re-assaying of historical (SGU, 1965) diamond drill core by Hannans during the year returned 7.09m @ 2.54g/t Au from 10.81m (LEI65003).

Diamond drilling of the geophysical anomalies is scheduled for mid-2012.

PROJECT GENERATION

Hannans continued to expand its exploration portfolio in Sweden during the year in line with its strategy of using the publically available exploration datasets in Sweden to identify areas of prospectivity at little or no cost. A single permit was applied for at Korpilombolo located in Northern Sweden. The Project area is prospective for shear-hosted gold-copper mineralisation with historical outcrop sampling returning values of up to 15.75g/t Au and 0.6% Cu.



Särksjön Project: IP condictivity at 150m

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 8 projects located in northern-most Norway and all are at the earliest Target Generation Phase of the Exploration Pathway. Since applying for the projects in early 2011, the Norwegian government has allocated 100 million NOK (over four years) in funding for exploration to help promote northern Norway as a place to explore; total permit acreage has increased by more than 1200% since 2009.

The maiden field season carried out during June-September 2011 by Hannans geologist Rune Wilberg was very successful with a copper discovery at Fiskarfjellet and the extension of copper-gold mineralisation at Njivlojávri. First-pass reconnaissance mapping was completed at all 8 projects during the year although two projects emerged as priority exploration targets namely the Njivlojávri and Fiskarfjellet Projects.

NJIVLOJÁVRI PROJECT

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.

The copper-gold mineralisation at Njivlojávri is shear-hosted and extends from the southern-most prospect (Njivlojávri) to the northern-most (Suovrravarri) prospect covering a strike length of approximately 3.5km. In July 2011 reconnaissance field mapping by Hannans identified a new area of copper-gold mineralisation between Njivlojávri and Suovrravarri, the newly discovered mineralisation (Suovrrajávri) has to date been mapped over a strike length of 330m. The mapping identified a north/south striking, bedding-parallel mineralised zone of pervasively carbonate-albite altered diabase. The north/south structure is weakly mineralised (disseminated and veined chalcopyrite) over a width of 30-35m with copper-gold values of between 0.1-0.6% Cu and up to 0.11g/t Au. However scattered along the length of this north/south zone is fist-sized float of semi-massive to massive chalcopyrite which appears locally derived (i.e. not glacially derived) and very similar to the mineralisation at Suovrravarri to the north and at Njivlojávri to the south. These rich float samples returned values of:

- KA11029- 32.1 % Cu, 3.75 g/t Au (Suovrrajávri)
- KA11030- 7.46 % Cu, 5.93 g/t Au (Suovrrajávri)

A C-Horizon soil sampling program was then completed to follow up the discovery which highlighted a distinct gold anomaly bound to the north-south trending fault or shear zone. Early mapping and interpretation by Hannans indicates that the mineralisation (Njivlojávri to Suovrravarri) is probably at the same stratigraphic level as the Bidjovagge mineralisation.

Infill C-Horizon soil sampling and a ground magnetic survey is planned for the 2012 summer field season at the Njivlojávri Project.

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. A grassroots copper discovery was made by Hannans at the Fiskarfjellet Project as a result of reconnaissance field mapping completed during the 2011 summer field season. The field mapping revealed several kilometres of copper-mineralised dolomite across three separate dolomite horizons namely at Fiskarvatnet, Flomvatnet and Kvartpååttevatnet. The main copper mineralisation at Fiskarvatnet has to date been traced over a strike length of more than 6km through both outcrop and boulder fields.

The copper mineralisation at Kvartpååttevatnet, located in the western part of the Fiskarfjellet Project, has to date been traced over a strike length of more than 3km with consistent copper and silver grades of:

§ 2.09% Cu, 7.6g/t Ag (AL11058)

§ 1.61% Cu, 7.4g/t Ag (AL11059)

§ 1.47% Cu, 6.0g/t Ag (AL11060)

§ 1.03%Cu, 6.3g/t Ag (AL11061)


Copper mineralised (chalcocite, chalcopyrite and malachite) dolomite from Kvartpååttevatnet Prospect, Fiskarfjellet Project.

PROJECT GENERATION

The Ringvassøya Project is located within the Ringvassøy Greenstone Belt, an Archaean supracrustal belt within the West Troms Basement Complex, 80km north of the city of Tromsø. Hannans has permits covering three known gold occurrences namely the Sørdalshøgda, Holmvasshøgda and Hårskoltan. Reconnaissance field mapping and outcrop and boulder sampling of all three prospects was completed during the 2011 summer field season; the highlight being the discovery of a new zone of stratabound Au-Zn-As-Ag mineralisation at Sørdalshøgda within an iron formation. Sampling of locally derived, up-heaved boulders containing sphalerite, arsenopyrite, pyrite and minor chalcopyrite. Stratabound Au-Zn-As-Ag mineralisation was already known to occur at the Sørdalshøgda South prospect approximately 1km to the south where sampling by Hannans returned:

§ 1.7g/t Au, 11.6g/t Ag, 3960ppm Zn (RI11016)

§ 1.36g/t Au, 10.9g/t Ag, 6460ppm Zn (RI11017)

This style of mineralisation is considered to be a high priority at the Ringvassøya Project as it is more likely to reach the necessary dimensions and grades for a viable gold deposit rather than the narrow vein hosted high-grade mineralisation at Hårskoltan. Follow-up work includes additional mapping, deep-till sampling and ground geophysics (magnetics and IP).

New claims were applied for at Nordkapp and Snefjord (Nordkapp Project) located at the northern-most tip of Finnmark and are considered prospective for REE mineralisation after the NGU released a new geochemical dataset to the public late in 2011.

Additionally three new claims were applied for at Salen, Straumsfjellet and Kvæfjord (Kvæfjord Project) located in south-western Troms. The prospects are prospective for copper-gold-silver ± PGEs in amphibolite grade rocks. The prospects have been sampled historically by the NGU:

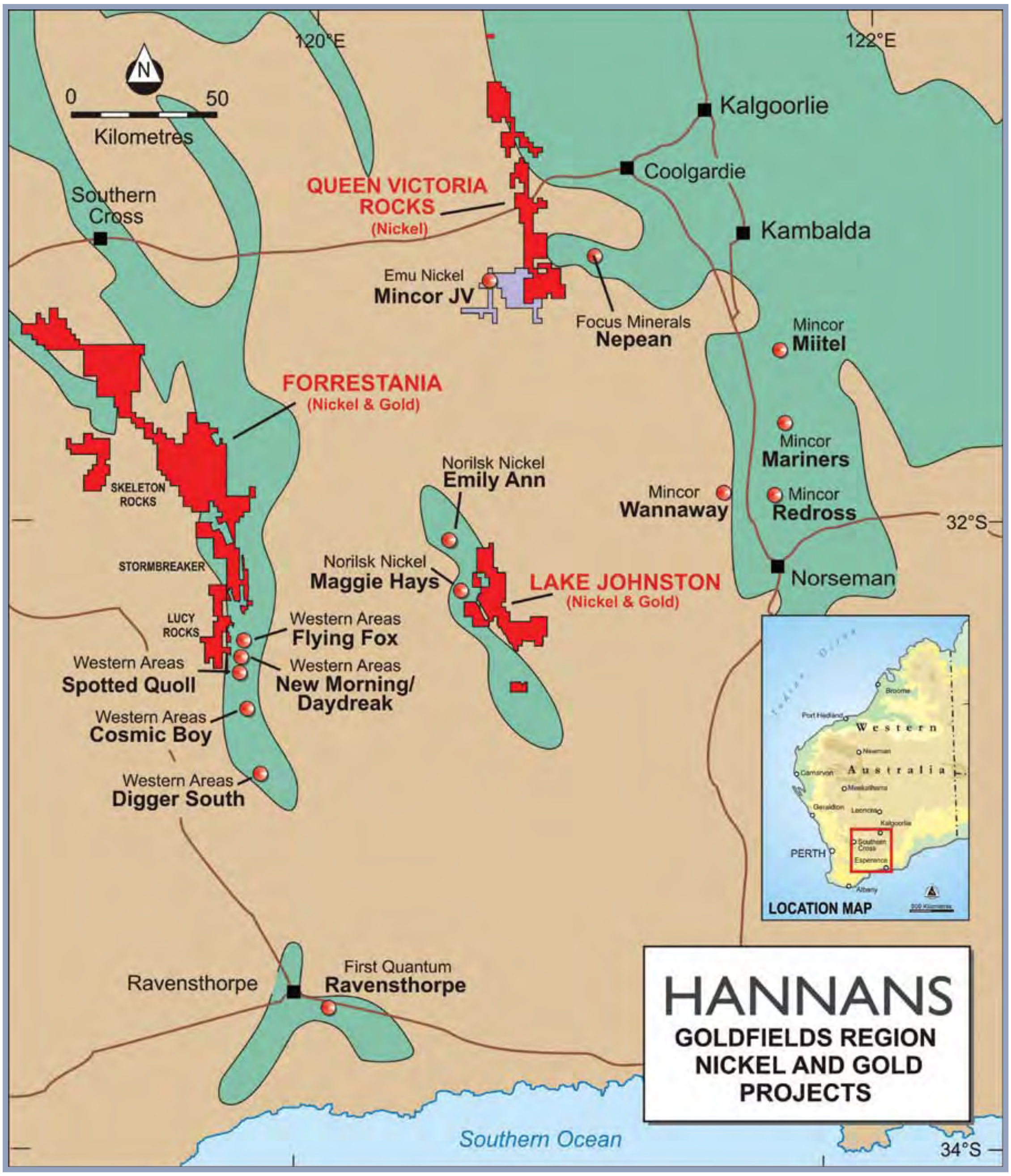
§ >10% Cu, 211g/t Ag, 940ppb Au, 4ppb Pd (TR0398.01)

§ 7.3% Cu, 126g/t Ag, 1304ppb Au, 91ppb Pd, 91 Pt (TR0398.04)

A 600m long unexplained, weak VLF anomaly extends east-northeast away from the historic mine workings of Berg; 81 C-Horizon soil samples have been collected by Hannans during the year with results still pending.

AUSTRALIA

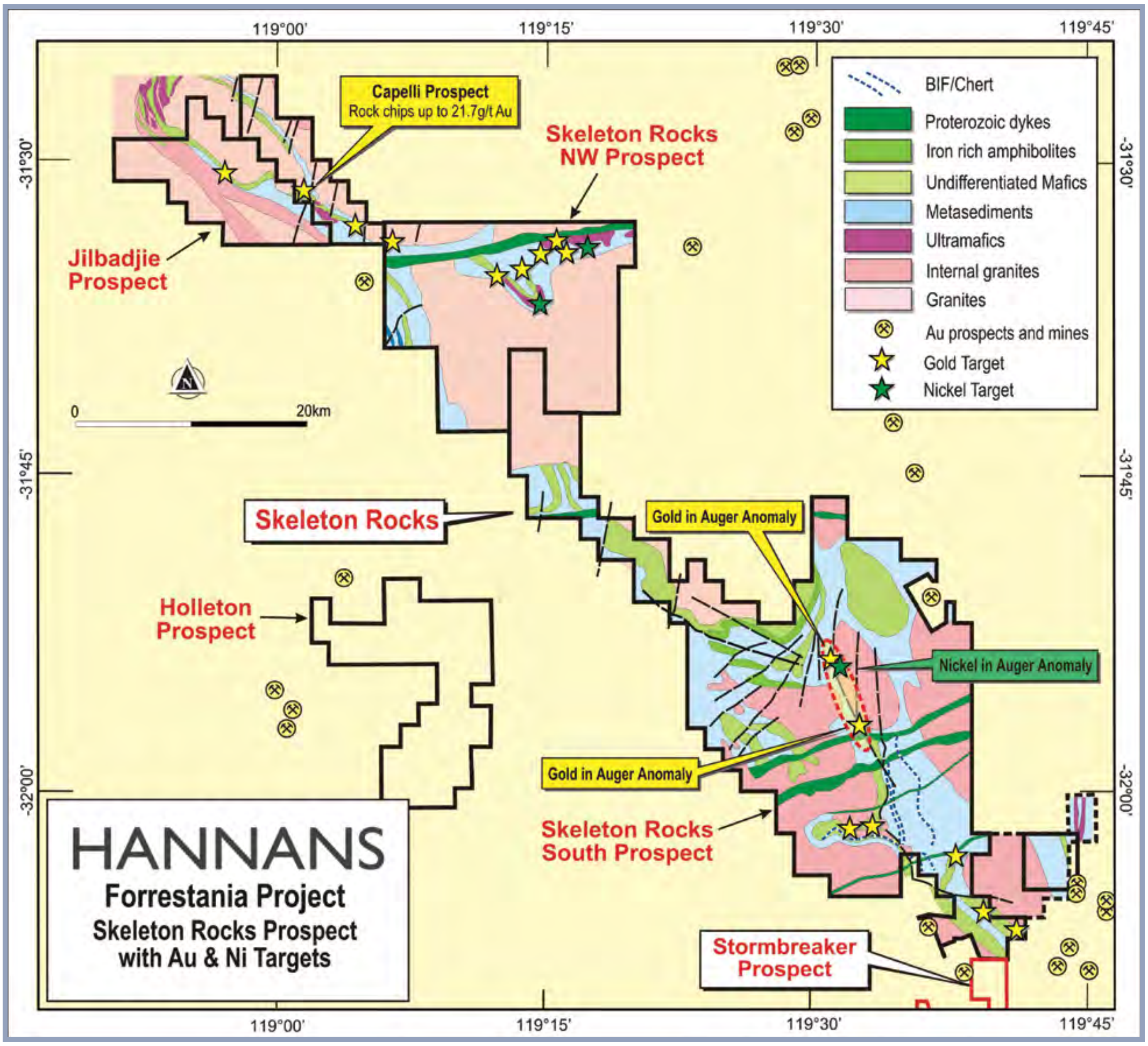
The primary focus for exploration during the year has been on defining gold and nickel targets at both the Forrestania and Lake Johnston Projects. Only limited work was completed at the Queen Victoria Rocks and East Pilbara Projects. Auger soil sampling proved to be an excellent exploration tool identifying multiple gold and nickel anomalies throughout the year and will continue to be used in future exploration campaigns. The key exploration highlights for the year were the discovery of a new nickel-bearing komatiite at Mt Gordon, Lake Johnston and the identification of several significant gold and nickel soil anomalies at Skeleton Rocks, Forrestania.



FORRESTANIA PROJECT

A total of 24 RC drillholes were completed at the Forrestania Project for a total of 3,367m. The RC drilling was located at both Lucy Rocks and Stormbreaker West. At Stormbreaker West the drilling was testing surface TEM anomalies although no significant nickel or gold assays were received. At Lucy Rocks the RC drilling was trying to confirm the presence of greenstone lithologies interpreted from airborne magnetics; the drilling intercepted magnetite-bearing granodiorite lithologies in all but one hole which did intercept mafic lithologies but no significant nickel or gold assays were received.

In the latter half of the year several campaigns of soil sampling were initiated in the northern Stormbreaker and Skeleton Rocks areas after a comprehensive desk-top study of historic exploration material identified nickel-copper anomalies from historical RAB drilling, anomalous gold intercepts in historical regolith drilling and multiple gold soil anomalies. More than 4,000 auger soil samples were collected across both prospect areas. A co-incident nickel-gold anomaly, with a strike extent of 1.2km and a peak gold value of 1.05g/t Au, was identified at the northern extent of Skeleton Rocks which was quickly followed up by two lines of MLTEM producing a co-incident conductive anomaly. During the third quarter the balance of assay results for the auger sampling were received producing a second strong gold anomaly with a strike extent of approximately 900m and is favourably located on an interpreted granite-greenstone contact. Further north at the Capelli prospect rock chip sampling returned peak gold values of 21.7g/t Au and 5.6g/t Au from locally sourced rocks (disturbed by agricultural ploughing).



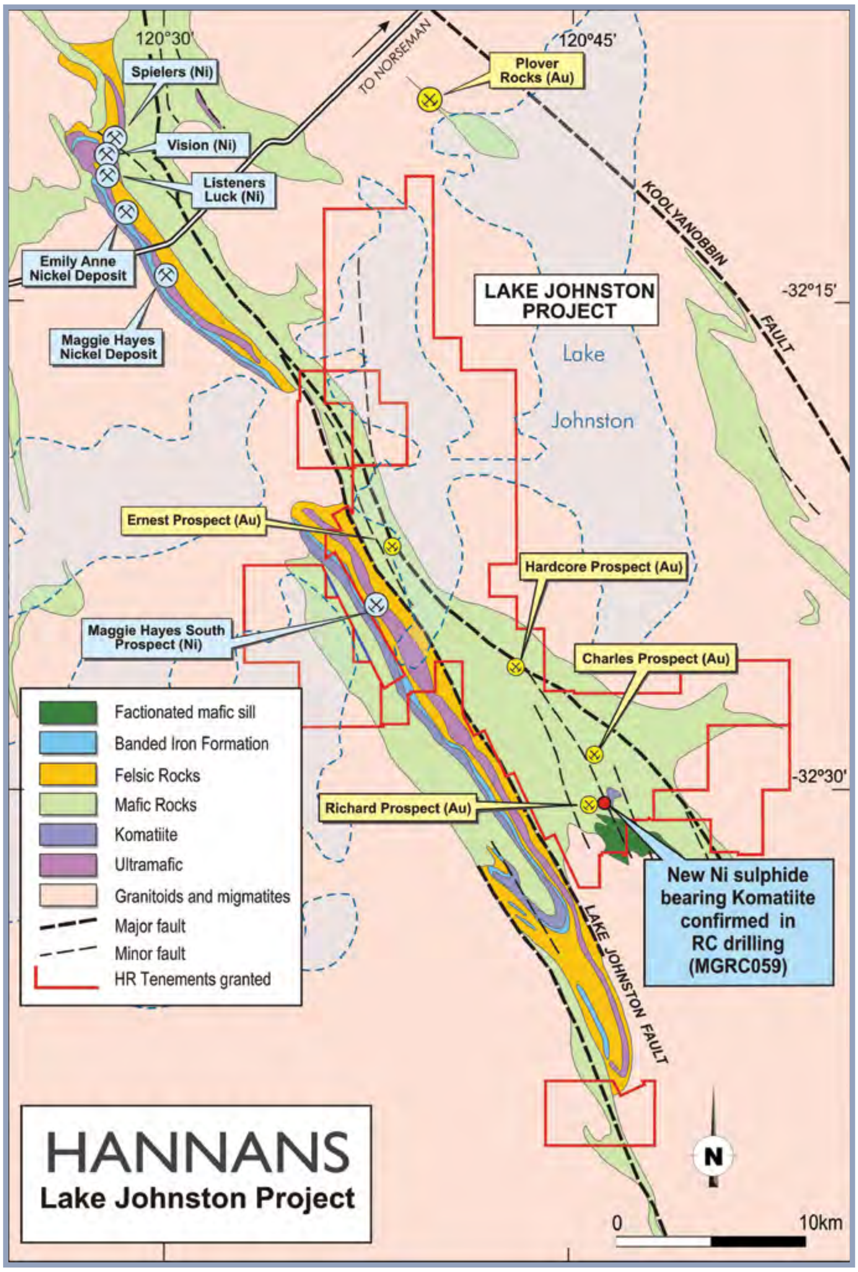
LAKE JOHNSTON PROJECT

A total of 52 RC drillholes were completed at the Lake Johnston Project for a total of 8,048m. The percussion drilling was designed to test soil anomalies generated last year at the Mt Gordon prospect; 51 of the 52 holes were testing gold soil anomalies and a single hole was drilled to test a co-incident nickel-copper anomaly. The results of the gold drilling were disappointing with peak intercept of 2m @ 5.75g/t Au from 136m (MGRC049) associated with narrow, brittle quartz veining and weak silica alteration.

The single RC drillhole testing a co-incident nickel-copper soil (auger) anomaly, also located at Mt Gordon, intercepted:

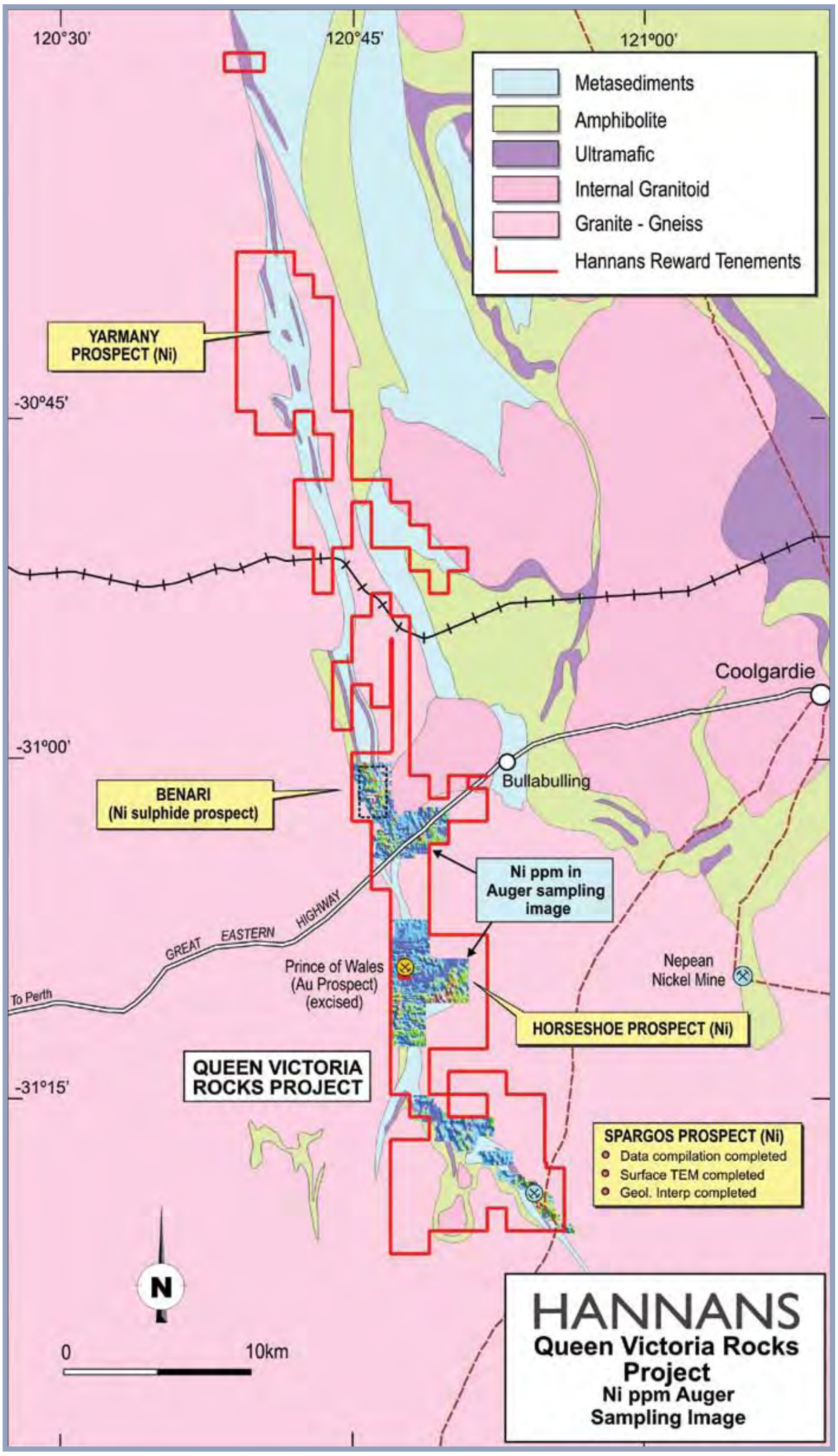
- 4m @0.3% Ni from 16m
- 2m @ 0.56% Ni from 96m
- 16m @ 0.26% Ni from 118m
- 28m @ 0.28% Ni from 140m

Geochemical analysis of drill samples, completed by Dr. Nigel Brand, showed that the drilling had intercepted fertile, high-MgO, reduced komatiites with the potential to host high-tenor nickel sulphides. Further petrographic analysis, completed by Dr. Craig Rugless, confirmed the presence of pentlandite and violarite (after pentlandite). The presence of nickel sulphides in MGRC059 has confirmed this as a genuine greenfields nickel sulphide discovery. Several similar nickel-copper soil and magnetic anomalies exist along strike to the north of the discovery hole MGRC059 and remain to be drill tested. A MLTEM survey was completed over the nickel-copper soil anomalies ahead of the RC drilling but did not return any anomalies and was deemed ineffective due to the highly resistive nature of the ground.



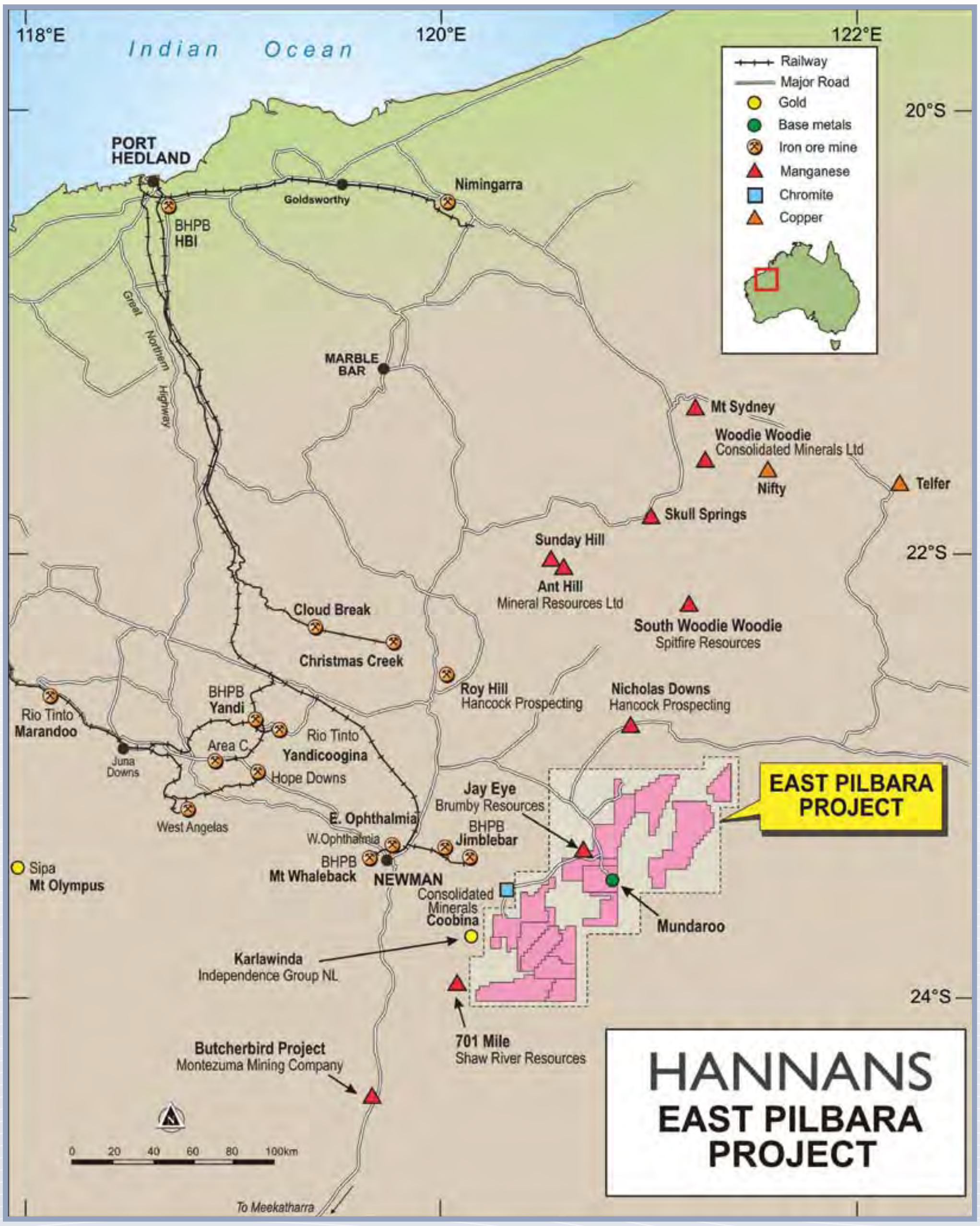
QUEEN VICTORIA PROJECT

A detailed airborne magnetics survey was flown over the Spargos nickel prospect during the year and aided in developing a new geological interpretation at Spargos. The new interpretation included identifying a lava channel and subsequent prospective basal contact which was surveyed using a fixed-loop TEM configuration although the survey was deemed ineffective due to mid-channel noise. Follow-up drilling of the basal contact followed by downhole TEM was recommended but to date no such drilling as occurred.



EAST PILBARA PROJECT

During the year the manganese and remaining iron rights were successfully spun-out of Hannans into a public, unlisted company called Errawarra Resources Ltd. As such Hannans now only holds the precious and base metal rights within the 1,758km² East Pilbara Project. Only minor work was completed at the Project exploring for precious and base metals but included the collection of 27 rock chip samples with the best sample returning 423ppm Zn, 248ppm Pb and 0.82g/t Ag. As part of an evaluation of the base metal mineralisation at the Mindaroo prospect, 6 samples were also sent for petrographical analysis. The results confirmed the presence of sphalerite and galena in weakly hydrothermally altered argillite.



PIPELINE OF PROJECTS

GOLD AND BASE METALS PROSPECTS

Location	Commodity	Target Generation Phase[1]	Target Testing Phase[2]	Advanced Exploration[3]	JORC RESOURCES		
					Inferred	Indicated	Measured
Norrbotten, Sweden	Cu-Au	Renhagen					
	Cu-Au	Harrejaure					
	Cu-Au	Altavaara					
	Cu-Au	Maunuvaara					
	Cu-Au	Korpilombolo					
	Cu-Au	Åggojaure		Pahtohavare	Discovery		
	Cu				Tjårrojåkka		
Västerbotten, Sweden	Cu	Daningen					
	Poly-Metallic	Våtmyrberget		Särksjön			
Finnmark, Norway	Cu-Au	Njivlojávri					
	Cu	Fiskarfjellet					
	Cu	Vaddas					
	Cu	Birtavarre					
	Au	Gjeddevann					
	REE	Nordkapp					
	REE	Snefjord					
Troms, Norway	Au	Sørdalshøgda					
	Au	Holmvasshøgda					
	Au	Hårskoltan					
	Cu-Au	Salen					
	Cu-Au	Straumsfjellet					
	Cu-Au	Kvæfjord					
Nordland, Norway	Poly-Metallic			Famnvatnet			
Lake Johnston, Australia	Ni		Mt Gordon				
	Au		Mt Gordon				
Forrestania, Australia	Ni			Stormbreaker			
	Cu-Au-Ni	Skeleton Rocks					
	Fe	Stormbreaker					
Queen Victoria Rocks, Australia	Ni			Spargos			
East Pilbara, Australia	Pd-Zn-Ag	Mundaroo					

Note:
[1] Target generation includes compiling geological, geophysical and geochemical datasets through historical data research and field activities to generate targets to be tested with diamond drilling.
[2] Target testing includes diamond drilling of targets with the aim of intersection economic grades and widths of mineralisation.
[3] Advanced exploration includes follow up drill testing and preliminary metallurgical test work.

IRON PROSPECTS

Location	Commodity	Target Generation Phase[1]	Target Testing Phase[2]	JORC Exploration Target[3]*	JORC RESOURCES Inferred*	JORC RESOURCES Indicated*	JORC RESOURCES Measured
Kiruna – South **Sweden**	Fe	Hotnjos/Leavka		Tjåorika (15-30/45-55)	Ekströmsberg (41.6/52)	Ekströmsberg (30.4/52.0)	
	Fe	Luppovare			Tjårrojåkka (52.6/51.0)		
	Fe	Kajpak			Pattok (62.4/44.2)		
	Fe				Renhagen (26.3/32.1)		
	Fe				Harrejaure (16.2/43.4)		
Kiruna – Central **Sweden**	Fe	Piedjastjåkka		Laukkujärvi (4-8/30-35)	Rakkurijoki (74.5/39.7)		
	Fe	Gäddmyr		Åkosjegge (10-15/22-30)	Rakkurijärvi (69.6/28.5)		
	Fe	Holmajärvi			Rakkurijärvi-Discovery (10.9/38.7)		
	Fe	Staggotjåkka			Rakkurijärvi-Tributary (4.9/28.6)		
	Fe	Eustillako			Vieto (14.0/35.7)		
	Fe	Eustiljåkk + Eustilvaras			Puoltsa (19.1/30.2)		
	Fe	Årosjokk					
	Fe	Pirttivuopio					
	Fe	Karanisvare					
	Fe	Salvotjåkka					
	Fe	Holmajärvi					
Kiruna – North **Sweden**	Fe	Saivo		Altavaara (55-60/26-29)	Sautusvaara South (6.8/26.6)	Sautusvaara South (32.0/37.4)	
	Fe	Rapakkojärvi			Sautusvaara North (1.0/44.8)	Sautusvaara North (11.4/39.7)	
	Fe	Honkavaara					
	Fe	Villenjärvi					
Lannavaara **Sweden**	Fe			Kevus (35-45/28-35)			
	Fe			Paljasjärvi (40-60/30-40)			
	Fe			Teltaja (39-47/40-48)			
Iron – Other **Sweden and Norway**	Fe	Masugnsbyn 2		Leppäjoki (5-8/35-45)			
	Fe	Lainiojärvi					
	Fe	Tervakoski					
	Fe	Ratek					
	Fe	Salmijärvi					

Note:
* Example: 41.6/52 represents 41.6Mt @52% Fe and 35-45/28-35 represents 35-45Mt @28-35% Fe
[1] Target generation includes compiling geological, geophysical and geochemical datasets through historical data research and field activities to generate targets to be tested with diamond drilling.
[2] Target testing includes diamond drilling of targets with the aim of intersection economic grades and widths of mineralisation.
[3] Exploration target includes follow up drill testing and preliminary metallurgical test work

MINING IN SWEDEN AND NORWAY

SWEDEN

In 2012, the Swedish Government is working on the development of a strategy for the long-term and sustainable use of Sweden's mineral resources. This work is being led by the Ministry of Enterprise, Energy and Communications and is taking place in cooperation with the other Ministries. The SGU is assisting the Government in developing the mineral strategy. Regions, educational institutions, county administrative boards, the mining industry and relevant parties are invited to provide input for this work and the strategy will be presented before the end of 2012.

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 interconnectors to continental Europe; 90% of power generation comes from hydro power plants and nuclear power plants. Expansion of power generation in later years have 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. A$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 800 million SEK (approx. A$120 million) was invested in exploration in Sweden during 2011.

SOCIAL ATTRIBUTES

Exploration and mining companies have to work very closely with Local and National

Kiruna Town, Sweden

Freight train at Port of Narvik, Norway

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. Mrs Christina Lundmark is Chairperson of this Sub-Committee. 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 Sápmi[18].

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 is 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 Cliffton as well as internationally recognised mining consultants including SRK 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

[18] Sápmi is the area traditionally inhabited by the Saami people.

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 (Miljödomstolen). 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.

Narvik, Norway

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*[19] of 0.5% of the sales value of that which is extracted. In the case of land owned by Finnmarkseiendommen[20], 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. There are four classic ore/mineral districts in Sweden:

- Norrbotten District with iron ore and porphyry copper (Kiruna, Malmberget, Aitik) in northernmost Sweden;
- Skellefte District with volcanic hosted sulphide (VMS) deposits (Kristineberg, Renström, the closed Boliden mine) in north-central Sweden;
- Bergslagen District with VMS deposits (Garpenberg, Zinkgruvan, the closed Falu mine) and iron mines (Dannemora) in south-central Sweden; and
- 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 focused primarily on the Caledonian Front which hosts volcanic massive sulphide deposits and sediment hosted base metal deposits.

19. 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.

20. 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.

This part of Sweden 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.

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

§ VMS deposits along the Caledonian Front (Løkken, Grong, and Sulitjelma).

§ Sediment-hosted copper deposits (Repparfjord, Nussir) in Finnmark.

§ 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 100 million NOK 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.

Port of Narvik, Norway

DIRECTORS

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Mr Richard Scallan, Independent Non-Executive Chairman (Appointed 23 May 2002)

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 Damian Hicks, Managing Director (Appointed 11 March 2002)

Mr Hicks was a founding Director of Hannans Reward Limited 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 has been a Director of Scandinavian Resources Ltd, which listed on the ASX in April 2010.

Mr William Hicks, Non-Executive Director (Appointed 11 March 2002)

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.

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 last 3 years Mr Murray has been a Director of the following ASX listed companies, US Nickel Ltd and Laguna Resources Ltd. Mr Murray is currently a Director of Peak Resources Ltd, Highfield Resources Ltd and Kalgoorlie Mining Company 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 also served as a Non-executive Director of Scandinavian Resources Ltd.

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.

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 also served as a Non-executive Director of Scandinavian Resources Ltd.

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)

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 2011 Annual Report.

Director	Ordinary Shares		Options over Ordinary Shares	
	Current Holding	Net Increase/ (decrease)	Current Holding	Net Increase/ (decrease)
Richard Scallan	–	–	–	–
Damian Hicks	1,000,001	(3,165,309)	–	(2,000,000)
William Hicks	18,436,788	6,378,702	–	–
Jonathan Murray	1,866,776	1,475,001	–	–
Markus Bachmann (i)	47,700,000	47,700,000	–	–
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.

Director	Number of Options Granted	Number of Ordinary Shares Under Option
Richard Scallan	–	–
Damian Hicks	–	–
William Hicks	–	–
Jonathan Murray	–	–
Markus Bachmann	–	–
Olof Forslund	–	–

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 form 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:

- 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.

- 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.

- 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.

- 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.

- 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. 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 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.

REMUNERATION REPORT (AUDITED) (cont'd)

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 following table.

The key management personnel of Hannans Reward Ltd and the Group are the Directors as listed on page 28 and 29 and the joint company secretary.

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.

The tables below show the 2012 and 2011 figures for remuneration received by the directors and executives.

	Short Term			Post-employment		Equity			
2012	Salary & fees $	Bonus $	Other benefits (i) $	Super-annua-tion $	Pre-scribed benefits $	Options $	Long service leave $	Other benefits (D&O Insurance) (ii) $	Total $
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

	Short Term			Post-employment		Equity			
2011	Salary & fees $	Bonus $	Other benefits (i) $	Super-annua-tion $	Pre-scribed benefits $	Options $	Long service leave $	Other benefits (D&O Insurance) (ii) $	Total $
Directors									
Richard Scallan	34,709	–	–	3,124	–	–	–	2,568	40,401
Damian Hicks	241,500	–	7,252	21,735	–	–	5,745	2,568	278,800
William Hicks	–	–	–	37,000	–	–	–	2,568	39,568
Jonathan Murray	37,025	–	–	–	–	–	–	2,568	39,593
Executives									
Michael Craig (Company Secretary)	116,319	–	3,400	10,469	–	–	–	2,568	132,756
Total	429,553	–	10,652	72,328	–	–	5,745	12,840	531,118

(i) Short Term Other benefits includes unpaid annual leave of $11,561 (2011: $10,652).

(ii) 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.

REMUNERATION REPORT (AUDITED) (cont'd)

C. Service agreements

Damian Hicks

The Board negotiated an employment agreement for Damian Hicks as Managing Director commencing on 21 December 2009. The remuneration package comprised $230,000 per annum (exclusive of statutory 9% 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 entitlements. Mr Hicks' salary was increased to $253,575 per annum from 1 July 2011.

At the 2007 AGM shareholders approved the issue to Mr Hicks of 3,000,000 unlisted options exercisable at 80 cents each on or before 30 June 2011 (1,000,000), 30 June 2012 (1,000,000) and 30 June 2013 (1,000,000). All the options vested on grant date.

D. Share-based compensation

Options are issued to directors and executives as part of their remuneration. The options are not based on performance criteria, but are issued to align the interests of directors, executives and shareholders. No options were granted to directors or executives, or expired, 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.

Directors Meetings

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

Board Member	Board Meetings held while Director	Attended	Circular Resolutions Passed	Total
Richard Scallan	3	3	6	9
William Hicks	3	3	5	8
Damian Hicks	3	3	6	9
Jonathan Murray	3	2	6	8

Dates of Board Meetings and Circulating Resolutions

Board Meetings	Circulating Resolutions
26 July 2011	29 August 2011
19 March 2012	26 October 2011
12 June 2012	12 March 2012
	27 April 2012
	12 June 2012
	29 June 2012

PROJECTS

The Projects are constituted by the following tenements:

Tenement Number	Interest %	Note
SWEDEN		
Project: Kiruna Iron		
Kiruna North Prospect		
Altavaara	100	
Altavaara Norra	100	
Honkavaara	100	
Saivo nr 2	100	
Sautusvaara nr 1	75	1
Villenjävi nr 1	100	
Kiruna Central Prospect		
Årosjokk nr 1	100	
Gäddmyr nr 1-4	100	
Holmajärvi nr 1	100	
Holmajärvi Södra	100	
Kaalasjärvi nr 1	100	
Kalixfors nr 2	100	
Laukujärvi nr 3	75	1
Pahtohavare nr 2, 4	100	
Piedjastjåkko nr 1	100	
Puoltsa nr 4-6	100	
Rakkurijärvi nr 1-3	100	
Vieto nr 1	75	1
Kiruna South Prospect		
Eksträmsberg nr 4-5	100	

Tenement Number	Interest %	Note
Project: Kiruna Iron		
Kiruna South Prospect		
Harrejaure nr 1	75	1
Kajpak nr 1	100	
Luppovare nr 1-3	100	
Pattok nr 1010	100	
Piedjastjåkko nr 4-6	100	
Pirttivuopio nr 1	100	
Ratek nr 1	100	
Tjårrojåkka nr 104	100	
Project: Iron other		
Åkosjegge nr 1	100	
Eustiljåkk nr 1	100	
Eustillako	100	
Eustilvaras	100	
Gordon-Kitchener nr 1-2	100	
Masugnsbyn	100	
Maunuvaara nr 2-3	100	
Salmijärvi nr 1	100	
Salvotjåkka	100	
Staggotjåkka	100	
Tervakoski nr 3	100	
Tornefors nr 1	100	

Tenement Number	Interest %	Note
Project: Lannavaara		
Lainiojärvi nr 1	100	
Lannavaara nr 7-8	100	
Paljasjärvi nr 2	100	
Project: Daningen		
Daningen nr 2-3	100	
Ropen nr 2	100	
Unna Gaisartjåkko nr 2	100	
Project: Korpilombolo		
Korpilombolo nr 1	100	
Project: Maunuvaara		
Maunuvaara nr 2-3	100	
Project: Särksjön		
Särksjön nr 2	100	
Särksjön nr 3	100	
Project: Tjårrojåkka		
Tjårrojåkka nr 104	100	
Project: Våtmyrberget		
Våtmyrberget nr 1	100	
Våtmyrberget nr 2	100	
Våtmyrberget nr 4	100	
Project: Other		
Marmere nr 1	100	

Tenement Number	Interest %	Note
NORWAY		
Project: Birtavaare		
Birtavarre 1-10	100	
Project: Famnvatnet		
Famnvatnet 1-58	100	
Famnvatnet 60-73	100	
Famnvatnet 79-83	100	
Famnvatnet 107-108	100	
Famnvatnet 120-121	100	
Famnvatnet 131-263	100	
Famnvatnet 272-277	100	
Famnvatnet 287-293	100	
Famnvatnet 299-303	100	
Famnvatnet 349-360	100	
Famnvatnet 398-407	100	
Famnvatnet 419-429	100	
Famnvatnet 436-533	100	
Project: Fiskarfjellet		
Fiskarfjellet 1-6	100	
Flintfjellet 1-3	100	
Project: Gjeddevann		
Gjeddevann 1-11	100	

Tenement Number	Interest %	Note
Project: Kvæfjord		
Kvæfjord	100	
Salen	100	
Straumsfjellet	100	
Project: Njivlojávri		
Eappergielas 1	100	
Geassámaras 1	100	
Gorvvesjávri 1-2	100	
Njivlojávri 1-5	100	
Ragatmaras 2	100	
Ragatmaras 2	100	
Rietnjajávri 1-3	100	
Uhcavuovddás 1-3	100	
Project: Nordkapp		
Nordkapp 1-7	100	
Project: Ringvassøya		
Ringvassøja 1-4	100	
Project: Snefjord		
Snefjord 1-6	100	
Project: Vaddas		
Vaddas 1-11	100	

Tenement Number	Interest %	Note
Project: Copper-Gold Other		
Brennfjellmyra		
Gjetarfjellet		
Kåfjord 1-7		
Luovosvárri 1		
Raipas 1-3		
Vilgesrassa 1-2		
Project: Iron Other		
Neiden 1-7		
Notsynene 1-8		
Project: Other		
Bleikvassli 10-47		
Husvika 1-2		
Øvre Elsvatnet 1-17		
Ravnåsen		

NOTE:

1 Tasmet AB holds 25% interest.
2 Partner free-carried by Hannans to BFS.
3 Hannans have gold rights only.
4 St Barbara Mines have 100% of gold rights only.
5 Excludes iron and manganese rights.
I Tenement approved for iron exploration.

PROJECTS (cont'd)

Tenement Number	Interest %	Note
AUSTRALIA		
Project: Forrestania		
Skeleton Rocks Prospect		
E77/1695	100	
E77/1705	100	
E77/1715	100	
E77/1718	100	
E77/1719	100	
E77/1724	100	
E77/1725	100	
E77/1783	100	
E77/1784	100	
E77/1785	100	
E77/1846	100	
E77/1919	100	
E77/1935	100	
E77/1950	100	
E77/1951	100	
E77/1959	100	
E77/1960	100	
Stormbreaker Prospect		
E77/1327	80	2
E77/1354-I	80	2
E77/1406-I	80	2
E77/1430-I	85	2
E77/1431	85	2
E77/1655	100	
E77/1696	100	
E77/1707	100	
E77/1716	100	
E77/1764	100	
E77/1955	100	
M77/544	Nil	3
M77/693	85	2,4
M77/812-I	85	2,4
P77/3582	80	2
P77/3583	80	2
P77/3584	80	2
P77/3585	80	2

Tenement Number	Interest %	Note
Project: Forrestania		
Stormbreaker Prospect		
P77/3586	80	2
P77/3587	80	2
P77/3588	80	2
P77/3607-I	80	2
P77/3613	80	2
P77/3762	80	2
P77/3763-I	80	2
P77/3848-I	85	2
P77/3849-I	85	2
P77/3850	85	2
P77/3851-I	85	2
P77/3852	85	2
P77/3853	85	2
P77/3854-I	85	2
P77/3855-I	85	2
P77/3856	85	2
P77/3943	100	
P77/3944	100	
P77/3945	100	
P77/3998	100	
P77/3999	100	
P77/4000	100	
P77/4001	100	
P77/4002	100	
P77/4003	100	
P77/4004	100	
P77/4005	100	
P77/4006	100	
P77/4007	100	
P77/4008	100	
P77/4009	100	
Lucy Rocks Prospect		
E77/1512-I	100	
E77/1568	100	
Project: Lake Johnston		
E63/1091	100	

Tenement Number	Interest %	Note
Project: Lake Johnston		
E63/1206	100	
E63/1207	100	
E63/1327	100	
E63/1354	100	
E63/1365	100	
E63/1423	100	
E63/1429	100	
E63/1449	100	
P63/1473	90	2
P63/1474	90	2
P63/1475	90	2
P63/1476	90	2
P63/1477	90	2
P63/1478	90	2
P63/1479	90	2
P63/1664	100	
Project: Queen Victoria Rocks		
E15/0734	100	
E15/0755	100	
E15/0913	100	
E15/0921	100	
E15/0971	100	
P15/4964	100	
P15/4965	100	
P15/4966	100	
P15/4967	100	
Project: East Pilbara		
E52/2516	100	5
E45/3747	Nil	5
E46/780	Nil	5
E52/1812-I	Nil	5
E52/1813-I	Nil	5
E52/1819-I	Nil	5
E52/2060-I	Nil	5
E52/2150-I	Nil	5
E52/2218-I	Nil	5
E69/2235-I	Nil	5

Applications for tenements controlled by Hannans Reward Ltd are as follows:

Tenement Number
AUSTRALIA
Project: Forrestania
Skeleton Rocks Prospect
E77/1934
P77/4048
P77/4049
P77/4050
P77/4051
P77/4155
P77/4156

Tenement Number
AUSTRALIA
Project: Forrestania
Stormbreaker Prospect
P77/4010
P77/4011
P77/4012
P77/4013
P77/4014
Project: East Pilbara
E52/2695

Tenement Number
SWEDEN
Project: Våtmyrberget
Våtmyrberget nr 6
Project: Åggojaure
Åggojaure nr 1
Åggojaure nr 2

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	479,772,810

Shares Under Option

At the date of this report there are 31,210,017 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	5,000,000
Movements of share options during the year and to the date of this report	
Issued at 7 cents, expiring 31 October 2012	21,910,017
Issued at 13 cents, expiring 1 February 2013	3,000,000
Issued at 20 cents, expiring 30 June 2013	2,000,000
Issued at 8 cents, expiring 30 June 2013	1,200,000
Issued at 17 cents, expiring 30 June 2013	900,000
Issued at 25 cents, expiring 30 June 2013	900,000
Issued at 7 cents, expiring 15 September 2013	300,000
Expired at 20 cents, 31 July 2011	(2,000,000)
Expired at 40 cents, 30 June 2012	(100,000)
Expired at 80 cents, 30 June 2012	(1,000,000)
Cancelled at 20 cents, expiring 20 July 2012	(300,000)
Cancelled at 75 cents, expiring 20 July 2012	(300,000)
Cancelled at 100 cents, expiring 20 July 2012	(300,000)
Total number of options outstanding at the date of this report	31,210,017

CAPITAL (cont'd)

Shares Under Option (cont'd)

The balance is comprised of the following:

Date options issued	Expiry date	Exercise price (cents)	Number of options
1 November 2007	30 June 2013	80	1,000,000
1 July2011	30 June 2013	20	2,000,000
29 June 2012	31 October 2012	7	21,910,017
29 June 2012	1 February 2013	13	3,000,000
29 June 2012	30 June 2013	8	1,200,000
29 June 2012	30 June 2013	17	900,000
29 June 2012	30 June 2013	25	900,000
29 June 2012	15 September 2013	7	300,000
Total number of options outstanding at the date of this report			31,210,017

No person entitled to exercise any option referred to above has had, by virtue of the option, a right to participate in any share issue of any other body corporate.

Substantial Shareholders

Hannans Reward Ltd has the following substantial shareholders as at 26 September 2012:

Name	Number of shares	Percentage of issued capital
Equity & Royalty Investments Ltd	120,000,003	25.01
JP Morgan Nominees Australia Limited <Cash Income A/C>	51,563,324	10.75
Grangesberg Iron AB	24,600,000	5.13

Range of Shares as at 26 September 2012

Range	Total Holders	Units	% Issued Capital
1 – 1,000	77	27,380	0.02
1,001 – 5,000	263	915,085	0.79
5,001 – 10,000	281	2,419,650	2.02
10,001 – 100,000	937	37,136,688	26.05
100,001 – 9,999,999	344	439,274,007	71.12
Total	1,902	479,772,810	100.00

Unmarketable Parcels as at 26 September 2012

	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $0.03 per unit	16,667	781	5,522,434

CAPITAL (cont'd)

Top 20 holders of Ordinary Shares as at 26 September 2012

Rank	Name	Units	% of Issued Capital
1	Equity & Royalty Investments Ltd	120,000,003	25.01
2	JP Morgan Nominees Australia Limited <Cash Income A/C>	51,563,324	10.75
3	Grangesberg Iron AB	24,600,000	5.13
4	HSBC Custody Nominees (Australia) Limited	17,047,550	3.55
5	Rio Tinto Mining and Exploration Limited	11,083,743	2.31
6	National Nominees Limited	10,841,063	2.26
7	Marfield Pty Limited	10,524,543	2.19
8	HSBC Custody Nominees (Australia) Limited - A/C 2	8,453,484	1.76
9	Mossisberg Pty Ltd	7,640,947	1.59
10	Anglo American Exploration BB	7,389,162	1.54
11	Acacia Investments Pty Ltd	6,863,050	1.43
12	BNP Paribas Noms Pty Ltd <DRP>	6,030,000	1.26
13	Eric Preston Pty Ltd	5,000,000	1.04
14	Aust Global Resources Pty Ltd	3,636,363	0.76
15	Jetosea Pty Ltd	3,515,000	0.73
16	Scandinavian Resources Limited <Dissenting Shareholders A/C>	3,437,307	0.72
17	Upsky Equity Pty Ltd <Upsky Investment A/C>	3,400,000	0.71
18	Braveheart Australia Pty Ltd	3,165,135	0.66
19	Bond Street Custodians Limited <CPCPL - TU0022 A/C>	3,000,000	0.63
20	Dyspo Pty Ltd <Henty Super Fund A/C>	3,000,000	0.63
Total of Top 20 Holders of ORDINARY SHARES		310,190,674	64.65

FINANCIAL REVIEW

The Group began the financial year with cash reserves of $570,840. During the year total exploration expenditure incurred by the Group amounted to $5,355,852. In line with the Group's accounting policies, all exploration expenditure was expensed as incurred. Net administration expenditure incurred amounted to $3,511,606. This has resulted in an operating loss after income tax for the year ended 30 June 2012 of $627,640 (2011: $1,845,727 loss).

As at 30 June 2012 cash and cash equivalents totalled $167,740.

Summary of 5 Year Financial Information as at 30 June

	2012	2011	2010	2009	2008
Cash and cash equivalents	167,740	570,840	4,584,746	1,027,426	2,943,188
Exploration expenditure expensed	(5,355,852)	(4,432,070)	(3,009,739)	(1,579,170)	(1,848,686)
No of issued shares	479,772,810	131,648,715	131,648,715	90,324,979	84,778,597
No of options	31,210,017	5,000,000	8,567,867	9,967,867	9,717,867
Share price	$0.038	$0.17	$0.16	$0.12	$0.25
Market capitalisation (Undiluted)	18,231,367	22,380,282	21,063,794	10,838,997	21,132,149

Summary of Share Price Movement for Year ended 30 June 2012

	Price	Date
Highest	$0.199	5,7,8,21,22,25 July 2011
Lowest	$0.036	26 June 2012
Latest	$0.029	27 September 2012

ANNOUNCEMENTS

ASX Announcements for the year

Date	Announcement Title
25 Sep 2012	Divestment of Nickel Projects
30 Aug 2012	Nickel Sulphides confirmed at Lake Johnston Project
02 Aug 2012	Change in substantial holding
02 Aug 2012	Appointment of New Directors
01 Aug 2012	4th Quarter Cashflow Report
01 Aug 2012	4th Quarter Cashflow Report
10 Jul 2012	Copper Gold Portfolio
04 Jul 2012	Copper-Gold Drill Testing Commences
02 Jul 2012	Appointment of Exploration Manager
02 Jul 2012	Change of Director's Interest Notice
29 Jun 2012	Appendix 3B
28 Jun 2012	Change of Director's Interest Notice
20 Jun 2012	Becoming a substantial holder
15 Jun 2012	Appendix 3Y x 2 and Form 605
13 Jun 2012	Becoming a substantial holder
12 Jun 2012	ERI Initial Substantial Shareholder Notice
12 Jun 2012	Updated Top 20 Shareholders and Distribution Sched
12 Jun 2012	Kiruna Iron Drilling Success
12 Jun 2012	SCR: Delist from ASX
12 Jun 2012	Top 20 Shareholders and Distribution Schedule
08 Jun 2012	Appendix 3B
31 May 2012	SCR Compulsory Acquisition Notices
29 May 2012	Close of Off-Market Takeover Offer
28 May 2012	Change in substantial holding for SCR
21 May 2012	Change in substantial holding for SCR
18 May 2012	Extension of Off-Market Takeover Offer Period
18 May 2012	Change in substantial holding for SCR
17 May 2012	Change in substantial holding for SCR
15 May 2012	Change in substantial holding for SCR
14 May 2012	Change in substantial holding for SCR
11 May 2012	Takeover offer for SCR declared unconditional
11 May 2012	Change in substantial holding for SCR
08 May 2012	Change in substantial holding for SCR
07 May 2012	Change in substantial holding from Hannans for SCR
04 May 2012	Change in substantial holding for SCR
03 May 2012	Change in substantial holding for SCR
02 May 2012	SCR: Supplementary Target Statement
02 May 2012	Change in substantial holding for SCR
01 May 2012	Change in substantial holding for SCR
01 May 2012	3rd Quarter Activities Report
30 Apr 2012	3rd Quarter Cashflow Report
27 Apr 2012	Extension of Off-Market Takeover Offer Period
27 Apr 2012	Change in substantial holding for SCR
26 Apr 2012	SCR: Change in Substantial Holding for SCR
19 Apr 2012	SCR: Target's Statement
10 Apr 2012	Appendix 3B
04 Apr 2012	Notice that Bidders Statement Sent

Date	Announcement Title
03 Apr 2012	Bidders Statement Dispatched to SCR shareholders
03 Apr 2012	SCR: Takeover Offer Comments
27 Mar 2012	Date for determining holders of securities
21 Mar 2012	SCR: Bidder's Statement Received
20 Mar 2012	Hannans Bidders Statement for Scandinavian Resources Ltd
20 Mar 2012	Takeover offer supported by ScanRes shareholders
15 Mar 2012	Financial Report for Half Year
15 Mar 2012	Appendix 3Y
12 Mar 2012	Updated Capital Structure
09 Mar 2012	SCR: Take No Action
09 Mar 2012	Letter to Hannans Shareholders
06 Mar 2012	Shareholder Audio Broadcast
29 Feb 2012	SCR: Response to Takeover Offer
29 Feb 2012	Proposal to Acquire Scandinavian Resources
28 Feb 2012	Request for Trading Halt
28 Feb 2012	Trading Halt
13 Feb 2012	Errawarra Resources (Manganese) Spin Out
03 Feb 2012	Resignation of Exploration Manager
01 Feb 2012	2nd Quarter Activities Report
01 Feb 2012	2nd Quarter Cashflow Report
31 Jan 2012	2011 AGM Results
31 Jan 2012	AGM Presentation
10 Jan 2012	Change of Address
28 Dec 2011	Annual General Meeting
22 Dec 2011	Encouraging Results at Jigalong Project
22 Dec 2011	Drilling Update at Lake Johnston Project
17 Nov 2011	2011 AGM Update
14 Nov 2011	Drilling Commences at Lake Johnston Project
11 Nov 2011	Completion of Option Underwriting
01 Nov 2011	1st Quarter Activities Report
01 Nov 2011	Manganese at Jigalong
31 Oct 2011	1st Quarter Cashflow Report
27 Oct 2011	SCR: Underwriting of Options
27 Oct 2011	Underwriting of Options
30 Sep 2011	2011 Annual Report
29 Sep 2011	Investor Presentation
15 Sep 2011	Manganese Drilling Begins at Jigalong Project
07 Sep 2011	CUL: Drilling commenced on two projects
02 Sep 2011	Forrestania Project Commencement of Drilling
01 Aug 2011	Unlisted Options
29 Jul 2011	4th Quarter Cashflow Report
29 Jul 2011	4th Quarter Activities Report
20 Jul 2011	Forrestania Project Exploration Update
06 Jul 2011	Jigalong Project Exploration Update
04 Jul 2011	Lake Johnston Project Exploration Update
01 Jul 2011	Unlisted Options

CORPORATE STRUCTURE

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

- **Hannans Reward Ltd** (ASX: HNR) — Holder of Queen Victoria Rocks Project and Lake Johnston Project
  - **HR Subsidiary Pty Ltd** (100%)
    - **HR Forrestania Pty Ltd** (100%) — Holder of Forrestania Project
  - **HR Equities Pty Ltd** (100%) — Registered holder of ASX Listed Equities
    - **Resources & Rewards Pty Ltd** (100%) — Joint ownership by HR Equities Pty Ltd (50%) & SR Equities Pty Ltd (50%)
  - **Scandinavian Resources Ltd** (100%)
    - **SR Equities Pty Ltd** (100%)
      - **Kiruna Iron Plc** (100%)
        - **Kiruna Iron AB** (100%) — Holder of Kiruna Iron Project
          - **Scandinavian Iron AB** (100%) — Holder of Kiruna Iron Project
    - **Scandinavian Resources AB** (100%) — Holder of Sweden & Norway Base & Precious Metals Projects
      - **Scandinavian Resources (Norge) AS** (100%)

COMPLIANCE

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 Guidelines can be viewed at www.asx.com.au.

The Board has assessed the Group's current practice against the Guidelines 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 is carried out on a continuing and informal basis. The Company will put a formal process in place as an 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 Chairman, Non–executive Directors and Managing Director. The Chairman Mr Richard Scallan is 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*

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.

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 2012 was as follows:

Women employees in the whole organisation	36%
Women in senior management positions	9%
Women in the Board of Directors	0%

COMPLIANCE (cont'd)

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.

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 Reward 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 Reward 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 an Independent Chairman, Non–executive Directors and 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 Reward will carry out any necessary nomination committee functions.

Share Trading Policy

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

Additional Compliance Statements

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.

COMPLIANCE (cont'd)

Risk Management (cont'd)

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:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.

- 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.

Significant Events after the Balance Date

On 29th February 2012 Hannans Reward announced to the ASX an off-market takeover bid for all the shares it didn't own in Scandinavian Resources Ltd (SCR). On 11 May 2012 Hannans Reward declared the offer unconditional from any defeating conditions with a relevant interest of 83.99%.

The Group completed the takeover bid of SCR on 28 June 2012, with Hannans Reward acquiring all of the issued securities in SCR. In accordance with the Bidder's Statement issued by Hannans Reward, SCR shareholders received 3 Hannans Reward shares for every SCR share they held. As a result, Hannans Reward issued 348,124,095 fully paid ordinary shares at the closing price which Hannans Reward shares traded on the day it issued the shares to SCR shareholders.

No other matters or circumstances besides those disclosed at 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 financial year, the Company has had 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 $12,240.

Dividends

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

COMPLIANCE (cont'd)

Non–Audit Services

During the year Stantons International or any of its associated entities did not provide any non–audit services to the Group.

Competent Person Statement – General

The information in this document that relates to exploration results is based on information compiled by Ms Amanda Scott, Exploration Manager, Scandinavian Resources Ltd, who is a Member of the Australian Institute of Mining and Metallurgy. Scandinavian Resources is a subsidiary of Hannans Reward Ltd and Ms Scott is a full-time employee of Scandinavian Resources Ltd. Ms 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 by the 2004 edition of the "Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms Scott consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

Competent Persons Statement – Rakkurijärvi, Rakkurijoki, Discovery, Tributary Zone, and Puoltsa Mineral Resources

The mineral resource estimate for Rakkurijärvi, Rakkurijoki, Discovery, Tributary Zone and 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 member of the Australasian Institute of Mining and Metallurgy (Member 230476). Mineral resources of the Rakkuri iron deposits 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.

Competent Persons Statement – Ekströmsberg, Tjårrojåkka and Pattok Mineral Resources

The mineral resource estimate for Ekströmsberg, Tjårrojåkka, and Pattok 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 (Member 450553). Mineral resources of the Ekströmsberg, Tjårrojåkka, and Pattok 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.

Competent Persons Statement – Vieto, Sautusvaara, Renhagen and Harrejaure Mineral Resources

The mineral resource estimate for Vieto and Sautusvaara is effective from 26 July 2011 and 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)(Member 205422). Mineral resources of Vieto, Sautusvaara, 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.

Competent Persons Statement – Exploration Targets

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 (Member 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.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 46.

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 28th day of September 2012

INDEPENDENCE DECLARATION TO THE DIRECTORS OF HANNANS REWARD LTD

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

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

28 September 2012

Board of Directors
Hannans Reward Limited
6 Outram Street,
WEST PERTH WA 6005

Dear Sirs

RE: HANNANS REWARD LIMITED

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

As Audit Director for the audit of the financial statements of Hannans Reward Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

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

Martin Michalik
Director

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The Directors declare that:

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

(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 on that date; and

(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.

(d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

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

Damian Hicks
Managing Director
Perth, Western Australia this 28th day of September 2012

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INDEPENDENT AUDITOR'S 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 2012, 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 and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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*.

Auditor's 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 2012 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Emphasis of Matter Regarding Going Concern

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

As referred to in Note 2 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis. At 30 June 2012 the consolidated entity had cash and cash equivalents totalling $167,740, working capital of $3,129,517, had incurred a loss before tax for the year of $627,640 and a total comprehensive loss for the year of $13,301,156. The consolidated entity held shares in listed entities which are valued at $7,277,649 at the 30 June 2012. The ability of the parent company and consolidated entity to continue as going concerns is subject to the successful recapitalisation of the parent company and consolidated entity. In the event that the Board is not successful in recapitalising the parent and consolidated entity and in raising further funds, the company and its subsidiaries may not be able to meet their liabilities as they fall due and the realisable value of the company's and its subsidiaries assets may be significantly less than book values.

Report on the Remuneration Report

We have audited the remuneration report included in pages 31 to 33 of the directors' report for the year ended 30 June 2012. 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

Auditor's opinion
In our opinion the remuneration report of Hannans Reward Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

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

Martin Michalik

Martin Michalik
Director

West Perth, Western Australia
28 September 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	4(a)	577,925	320,914
Other income	4(b)	650,787	189,772
Gain on disposal of shares	4(c)	7,011,106	3,335,087
Total revenue		8,239,818	3,845,773
Recognised loss on investment transferred from reserves	14(ii)	(1,406,741)	–
Employee and contractors expenses		(916,124)	(513,225)
Depreciation expense	4(d)	(71,631)	(47,844)
Consultants expenses		(732,446)	(113,332)
Occupancy expenses	4(d)	(160,894)	(62,037)
Marketing expenses		(46,869)	(89,423)
Exploration and evaluation expenses		(5,355,852)	(4,432,070)
Other expenses		(176,901)	(433,569)
(Loss) from continuing operations before income tax expense/benefit	4(d)	(627,640)	(1,845,727)
Income tax expense/benefit	5	–	–
(Loss) from continuing operations attributable to members of the parent entity		(627,640)	(1,845,727)
Other comprehensive income for the year			
Net fair value (losses)/gains on available for sale assets net of deferred taxation		(5,099,949)	8,654,619
Net change in fair value of available for sale assets transferred to profit and loss		(7,271,205)	(2,539,256)
Foreign currency translation differences for foreign operations	20	(302,362)	–
Total comprehensive (loss)/income for the year		(13,301,156)	4,269,636
Net (loss) attributable to the parent entity		(627,640)	(1,845,727)
Total comprehensive (loss)/income attributable to the parent entity		(13,301,156)	4,269,636
(Loss) per share:			
Basic (cents per share)	22	(0.41)	(1.40)
Diluted (cents per share)	22	(0.41)	(1.40)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

	Note	2012 $	2011 $
Current assets			
Cash and cash equivalents	30(a)	167,740	570,840
Trade and other receivables	9	339,532	332,495
Other financial assets	10	7,277,652	27,335,466
Total current assets		7,784,924	28,238,801
Non-current assets			
Other receivables	11	262,232	212,225
Property, plant and equipment	12	210,910	162,022
Other financial assets	13	300,000	300,000
Capitalised tenement acquisitions	14	28,275,372	–
Total non-current assets		29,048,514	674,247
TOTAL ASSETS		36,833,438	28,913,048
Current liabilities			
Trade and other payables	15	1,794,290	332,904
Provisions	16	184,822	66,258
Borrowings	17	1,373,930	–
Other financial liabilities	18	1,302,365	20,086
Total current liabilities		4,655,407	419,248
Non-current liabilities			
Provisions	16	39,941	32,906
Deferred tax liability	5	–	3,280,989
Other financial liabilities	18	66,262	76,340
Total non-current liabilities		106,203	3,390,235
TOTAL LIABILITIES		4,761,610	3,809,483
NET ASSETS		32,071,828	25,103,565
Equity			
Issued capital	19	40,294,707	20,135,891
Reserves	20	6,313,215	18,876,128
Accumulated losses	21	(14,536,094)	(13,908,454)
TOTAL EQUITY		32,071,828	25,103,565

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2012

	Attributable to equity holders			
For the year ended 30 June 2012	Ordinary Shares $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2011	20,135,891	18,876,128	(13,908,454)	25,103,565
Total comprehensive income				
Loss for the year	–	–	(627,640)	(627,640)
Other comprehensive (loss)/income for the year	–	(12,673,516)	–	(12,673,516)
Total comprehensive (loss)/income for the year	–	(12,673,516)	(627,640)	(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**	**6,313,215**	**(14,536,094)**	**32,071,828**

	Attributable to equity holders			
For the year ended 30 June 2011	Ordinary Shares $	Other Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2010	20,135,891	12,717,661	(12,062,727)	20,790,825
Total comprehensive income				
Loss for the year	–	–	(1,845,727)	(1,845,727)
Other comprehensive (loss)/income for the year	–	6,115,363	–	6,115,363
Total comprehensive (loss)/income for the year	–	6,115,363	(1,845,727)	4,269,636
Transactions with owners recorded direct to equity				
Issue of options	–	43,104	–	43,104
Total transactions with owners	–	43,104	–	43,104
Balance as at 30 June 2011	**20,135,891**	**18,876,128**	**(13,908,454)**	**25,103,565**

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Receipts from customers		476,787	46,902
Payments for exploration and evaluation		(5,278,480)	(4,901,163)
Payments to suppliers and employees		(1,884,554)	(1,188,431)
Interest received		137,002	244,732
Net cash used in operating activities	30(b)	(6,549,245)	(5,797,960)
Cash flows from investing activities			
Payment for investment securities		(4,451,734)	(32,399)
Proceeds on sale of investment securities		8,541,253	4,224,710
Payment for security bonds		(102,386)	–
Amounts advanced to outside entities		(1,946,747)	(2,360,484)
Payment for property, plant and equipment		(30,702)	(24,276)
Repayment of loans from outside entities		1,163,361	–
Net cash inflow on acquisition of subsidiary	14	1,796,047	–
Dividends received		169,281	–
Net cash provided by investing activities		5,138,373	1,807,551
Cash flows from financing activities			
Proceeds from borrowings		5,050,981	–
Repayment of borrowings/finance leases		(4,043,209)	(23,497)
Net cash provided by/(used in) financing activities		1,007,772	(23,497)
Net decrease in cash and cash equivalents		(403,100)	(4,013,906)
Cash and cash equivalents at the beginning of the financial year		570,840	4,584,746
Cash and cash equivalents at the end of the financial year	30(a)	167,740	570,840

The accompanying notes form part of the financial statements.

1. General Information

Hannans Reward Ltd (the Company) is a listed public Company, incorporated in Australia.

The Group's registered office and its principal place of business are as follows:

Registered office	Principal place of business
6 Outram Street	6 Outram Street
West Perth WA 6005	West Perth WA 6005

2. Statement 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 consolidated Group. 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.

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').

The financial statements were authorised for issue by the Directors on 28th September 2012.

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.

<u>Standards affecting presentation and disclosure</u>

Amendments to AASB 7 'Financial Instruments" Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards.
AASB 124 'Related Party Disclosures' (revised December 2009)	AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities.
AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement'	Interpretation 114 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119.
AASB 2009-12 'Amendments to Australian Accounting Standards'	The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures (2009).
AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations.
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets.

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

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, except as noted below.

(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.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2012 and the comparative information presented in these financial statements for the year ended 30 June 2011.

Going concern basis of preparation

The consolidated financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation and extinguishment of liabilities in the ordinary courses of business.

For the year ended 30 June 2012 the Group incurred a loss of $627,640 (2011:loss $1,845,727) and had working capital of $3,129,517 (2011:$27,819,553).Based upon the Group's existing cash resources of $167,740 (2011: $570,840) and current financial assets of $7,277,652 as at 30 June 2012 (2011: $27,335,466), the ability to modify expenditure outlays if required, and the Directors' confidence of sourcing additional funds, the Directors consider there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, and therefore the going concern basis of preparation is considered to be appropriate for the Group's 2012 financial report.

The Board of Directors is aware, having prepared a cashflow forecast, of the Group's working capital requirements and the need to access additional equity/loan funding if required within the next 12 months.

In the event that the Group is not able to continue as a going concern, it may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in its financial report.

(b) New Accounting Standards for Application in Future Periods

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.

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 200911 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014

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

(b) New Accounting Standards for Application in 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 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 19 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
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'.	1 January 2013	30 June 2014

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 below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2. 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

  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

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

(b) New Accounting Standards for Application in Future Periods (cont'd)

- 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.

- 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 [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation - Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

  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).

  AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the 'special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will only affect disclosures and is not expected to significantly impact the Group.

  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.

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (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.

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

(b) New Accounting Standards for Application in Future Periods (cont'd)

- AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

  The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

  This Standard affects presentation only and is not expected to significantly impact the Group.

- AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

  (i) for an offer that may be withdrawn – when the employee accepts;

  (ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and

  (iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

  The Group has not yet been able to reasonably estimate the impact of these changes.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, 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.

<u>Available–for–sale financial assets</u>

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.

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

(e) Financial assets (cont'd)

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.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost 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.

(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.

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

(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.

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

(j) Intangible assets

Exploration and Evaluation Expenditure

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. 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 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) Operating cycle

The operating cycle of the entity coincides with the annual reporting cycle.

(m) 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.

(n) Presentation currency

The entity operates entirely within Australia and the presentation currency is Australian dollars.

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

(o) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in note 27 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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 interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

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.

(p) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. 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 or other revalued amount 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

(q) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation 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.

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

(r) 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.

(s) 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.

(t) 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.

3. Critical accounting estimates and judgements

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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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:

Key estimates — impairment
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 2012. Exploration and evaluation expenditure is not capitalised and is expensed directly through the profit and loss.

Key estimates — share–based payments
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.

Key judgments — doubtful debts provision
The Directors believe that the intercompany loans from Hannans Reward Ltd to HR Subsidiary Pty Ltd and HR Forrestania Pty Ltd, if recoverable, would only be recoverable in the long term and have therefore provided for the full amount as at 30 June 2012. All other intercompany loans are considered recoverable.

Key judgments — deferred taxation
Deferred tax liabilities are recognised for all taxable temporary differences in accordance with accounting policies. The major component of deferred tax liabilities are the ASX listed equities which are subject to market changes and as a result deferred tax liabilities will change accordingly in future reporting periods. Deferred tax assets are recognised in respect of tax losses only where the tax losses are expected to be recovered.

	2012 $	2011 $
4. (Loss)/Income from operations		
(a) Revenue		
Interest revenue		
Bank	42,063	219,274
Loans	528,397	92,872
Other	7,465	8,768
	577,925	320,914
(b) Other Income		
Service fees	196,313	68,586
Equity settled loan brokering fees	49,441	121,186
Dividends received	186,040	–
Underwriting fee	218,284	–
Other	709	–
	650,787	189,772
(c) Gain on disposal of shares		
Proceeds on disposal of shares (net of broker fees)	8,564,344	4,244,431
Less: Carrying fair value of shares disposed	(9,744,176)	(3,448,600)
Transfer to income the fair value reserve of shares sold	8,190,938	2,539,256
	7,011,106	3,335,087
(d) (Loss)/Income before income tax		
(Loss)/Income before income tax has been arrived at after charging the following gains and (losses) from continuing and discontinued operations		
Depreciation of non-current assets	71,631	47,844
Operating lease rental expenses:		
Minimum lease payments	160,894	62,037
Employee benefit expense includes:		
Post employment benefits:		
Defined contribution plans	121,894	103,591
Share-based payments:		
Equity settled share-based payments	110,603	43,104

	2012 $	2011 $
5. Income taxes		
Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense	–	–
Deferred tax expense relating to the origination and reversal of temporary differences	–	–
Total tax expense	–	–
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)/Income from operations	(627,640)	(1,845,727)
Income tax benefit calculated at 30%	(188,292)	(553,718)
Effect of expenses that are not deductible in determining taxable profit	733,624	15,922
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	(545,332)	537,796
Income tax attributable to operating loss	–	–

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.

	2012 $	2011 $
Deferred tax recognised directly to equity		
The following deferred amounts were charged directly to equity during the year		
Deferred tax on revaluation of available for sale assets	1,685,385	6,490,678
Less: Brought forward tax losses utilised	(1,685,385)	(3,209,689)
	–	3,280,989
Deferred tax liabilities		
Revaluations of available for sale assets	–	3,280,989
	–	3,280,989

Reconciliation of deferred tax assets/(liabilities)

Opening Balance	Charged to Equity	Closing Balance
(3,280,989)	3,280,989	–
(3,280,989)	3,280,989	–

5. Income taxes (cont'd)

Unrecognised deferred tax balances

The following deferred tax assets and (liabilities) have not been brought to account :

	2012 $	2011 $
Tax losses – revenue	585,921	–
Tax losses – capital	–	–
Net temporary differences	306,865	166,540
	892,786	166,540

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

- Richard Scallan
- Damian Hicks
- William Hicks
- Jonathan Murray

Executives

- Michael Craig (Company Secretary)

(b) Key management personnel compensation

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

	2012 $	2011 $
Short-term employee benefits	476,559	440,205
Post-employment benefits	76,981	72,328
Other benefits	19,275	18,585
	572,815	531,118

The compensation of each member of the key management personnel of the Group is set out in the Directors Remuneration report on pages 31 to 33.

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 (i)	31 October 2012	0.07
1 February 2013	3,000,000	29 June 2012 (i)	1 February 2013	0.13
30 June 2013	1,200,000	29 June 2012 (i)	30 June 2013	0.08
30 June 2013	900,000	29 June 2012 (i)	30 June 2013	0.17
30 June 2013	900,000	29 June 2012 (i)	30 June 2013	0.25
15 September 2013	300,000	29 June 2012 (i)	15 September 2013	0.07

(i) On 29 June 2012 all unlisted, unexpired options held in Scandinavian Resources Ltd (SCR)were cancelled pursuant to its compulsory acquisition by Hannans Reward Ltd. Options in Hannans Reward Ltd were issued to replace the cancelled options in accordance with the 'Deed of Assignment of Options' entered into by Hannans Reward Ltd with SCR Option Holders as part of the Hannans Reward Ltd off market takeover bid to acquire SCR. The fair value of the replacement options decreased compared to the fair value of the cancelled options. The decrease in fair value is not required to be accounted for. Further information on the acquisition of SCR is set out in note 14.

Details of options over ordinary shares in the Company provided as remuneration to each director during the year are set out below. When exercisable, each option is convertible into one ordinary share. Further information on the options are set out in note 28.

Name	Number of options granted during the year	Value of options at grant date	Number of options vested during the year	Number of options expired during the year
Directors				
Richard Scallan	–	–	–	–
Damian Hicks	–	–	–	–
William Hicks	–	–	–	–
Jonathan Murray	–	–	–	–

7. Share-based payments (cont'd)

The input into the model in respect of options granted for this year, being 2,000,000 unlisted options with a fair value at grant date of 5.5 cents each issued to the Jigalong Community Inc, are as follows:

Inputs into the model	Option series 30 June 2013
Grant date share price	19 cents
Exercise price	20 cents
Expected volatility	74.6%
Option life	24 months
Dividend yield	Nil
Risk-free interest rate	4.82%

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

	2012		2011	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	5,000,000	0.53	8,567,867	0.56
Granted during the financial year	30,210,017	0.09	900,000	0.65
Expired during the financial year (i)	(3,100,000)	0.40	(4,467,867)	0.61
Cancelled during the financial year (ii)	(900,000)	0.65	–	–
Balance at end of the financial year (iii)	31,210,017	0.12	5,000,000	0.53
Exercisable at end of the financial year	31,210,017	0.12	5,000,000	0.53

(i) Expired during the financial year

During the year a total of 3,100,000 options over ordinary shares expired, comprised of the following:

- 2,000,000 20 cent options expiring on 31 July 2011;
- 100,000 40 cent options expiring on 30 June 2012; and
- 1,000,000 80 cent options expiring on 30 June 2012.

(ii) Cancelled during the financial year

During the year a total of 900,000 options over ordinary shares were cancelled, comprising of the following:

- 300,000 20 cent options expiring on 20July 2013;
- 300,000 75 cent options expiring on 20July 2013; and
- 300,000 100 cent options expiring on 20July 2013.

(iii) 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 $0.12(2011: $0.53) and a weighted average remaining contractual life of 0.50years (2011: 1.03 years).

No options were exercised in the current year.

		2012 $	2011 $
8.	**Remuneration of auditors**		
	Audit or review of the financial report	40,033	31,831
	Audit or review of subsidiaries' accounts		
	• KPMG Australia	55,000	–
	• KPMG Sweden	7,090	–
		102,123	31,831

The auditor of the Group is Stantons International.

The auditor of the subsidiary Scandinavian Resources Ltd is KPMG Australia and of Scandinavian Resources AB, Kiruna Iron AB and Scandinavian Iron AB is KPMG AB, Skellefteå Sweden.

9. Current trade and other receivables

	2012 $	2011 $
Accounts receivable	25,968	15,192
Accounts receivable from related party	–	258,124
Net goods and services tax (GST) receivable	251,572	47,223
Other	61,992	11,956
	339,532	332,495

As of 30 June 2012, current trade and other receivables of $11,114 were past due but not impaired.

10. Current other financial assets

	2012 $	2011 $
Loan to Kiruna Iron AB (i)	–	2,419,871
Investment in Equity & Royalty Investments Ltd (i)	1	1
Investment in Resources & Rewards Pty Ltd (iii)	2	1
Loan to Resources & Rewards Pty Ltd (iii)	29,888	15,484
Provision against loan recoverability (iii)	(29,888)	(15,484)
Investments in listed entities (iv)	7,277,649	24,915,593
	7,277,652	27,335,466

(i) In the previous year wholly owned subsidiary, HR Equities Pty Ltd ("lender"), entered into a convertible note loan agreement with Kiruna Iron AB (a wholly owned subsidiary of Scandinavian Resources Ltd) to loan $2.5 million to be drawn down as and when required with interest payable at 12.5% per annum. The loan and interest is required to be repaid on or before 15 September 2012. The lender may at any time convert the amount drawn down into fully paid ordinary shares at a rate of 3 shares for every dollar drawn down. 100% of Scandinavian Resources Ltd was acquired by Hannans Reward in the current year (refer to note 14) and the loan is eliminated on consolidation at 30 June 2012.

(ii) HR Subsidiary Pty Ltd (a wholly owned subsidiary of Hannans Reward Ltd) holds 1 share at $1 in Equity & Royalty Investments Ltd. 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.

(iii) On the 13 December 2010 HR Equities Pty Ltd along with SR Equities Pty Ltd (a wholly owned subsidiary of Scandinavian Resources Ltd) incorporated Resources & Rewards Pty Ltd, each being issued 1 share at $1 each. The purpose of the company is to investigate potential new mineral fields with funding coming equally from its shareholders. The loan is interest free with no fixed repayment terms.

(iv) Investments in listed entities include the following:
  a) 3,594,000 ordinary fully paid shares in Atlas Iron Ltd
  b) 20,000 ordinary fully paid shares in Brighton Mining Group Ltd
  c) 50,000 ordinary fully paid shares in Highfield Resources Ltd
  d) 20,000 ordinary fully paid shares in Lithex Resources Ltd
  e) 125,000 ordinary fully paid shares in Naracoota Resources Ltd

	2012 $	2011 $
11. Non-current other receivables		
Other receivables –bonds	262,232	212,225
	262,232	212,225

12. Property, plant and equipment

	Motor Vehicles at cost $	Office furniture and equipment at cost $	Building at cost $	Total $
Gross carrying amount				
Balance at 1 July 2010	–	142,559	9,102	151,661
Additions	103,866	24,276	–	128,142
Balance at 1 July 2011	103,866	166,835	9,102	279,803
Additions	–	42,661	3,326	45,987
Additions from asset acquisition (note 14)	53,913	73,728	–	127,641
Disposals on deconsolidation (note 27(iii))	–	(5,206)	–	(5,206)
Exchange differences	(1,465)	(2,004)	–	(3,469)
Balance at 30 June 2012	156,314	276,014	12,428	444,756
Accumulated depreciation and impairment				
Balance at 1 July 2010	–	69,767	170	69,937
Depreciation expense	18,774	28,846	224	47,844
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 (note 14)	11,609	37,434	–	49,043
Disposals on deconsolidation (note 27(iii))	–	(2,921)	–	(2,921)
Exchange differences	814	(2,502)	–	(1,688)
Balance at 30 June 2012	54,762	178,437	647	233,846
Net book value				
As at 30 June 2011	85,092	68,222	8,708	162,022
As at 30 June 2012	101,552	97,577	11,781	210,910

	2012 $	2011 $
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:		
Motor vehicles	23,565	18,774
Office furniture and equipment	47,813	28,846
Building	253	224
	71,631	47,844

Motor vehicles and office equipment are pledged as security for related finance lease liabilities as disclosed in note 18.

	2012 $	2011 $

13. Non–current other financial assets

	2012 $	2011 $
Loans to director (i)	300,000	300,000
	300,000	300,000

(i) Details of the loan are provided in note 28(e).

14. Capitalised tenement acquisitions

	2012 $	2011 $
Balance at beginning of financial year	–	–
Capitalised acquisition costs (i)	28,275,372	–
Balance at end of financial year	28,275,372	–

(i) On 29th February 2012 Hannans Reward announced to the ASX an off-market takeover bid for all the shares it didn't own in Scandinavian Resources Ltd (SCR). On 11 May 2012 Hannans Reward declared the offer unconditional from any defeating conditions with a relevant interest of 83.99%.

The Group completed the takeover bid of SCR on 28 June 2012, with Hannans Reward acquiring all of the issued securities in SCR. In accordance with the Bidder's Statement issued by Hannans Reward, SCR shareholders received 3 Hannans Reward shares for every SCR share they held. As a result, Hannans Reward issued 348,124,095 fully paid ordinary shares at the closing price which Hannans Reward shares traded on the day it issued the shares to SCR shareholders.

The transaction is not a business combination as SCR's acquired assets did not meet the definition of a business as defined in the Australian Accounting Standards. The substance and intent was for the Group to acquire the exploration and evaluation assets of SCR for the purpose of expanding the Group's overall resources base. The fair values of net assets acquired at the date of acquisition were:

	2012 $
Cash and cash equivalents	1,796,047
Other receivables	203,254
Property, plant & equipment	78,598
Trade and other payables	(1,376,118)
Provisions	(74,429)
Borrowings	(4,486,336)
Value of net assets acquired	(3,858,984)
Consideration	
Equity consideration	20,887,446
Total consideration	20,887,446

The recoverability of the carrying amount of the capitalised acquisition costs is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(ii) Prior to the takeover bid for all the shares in Scandinavian Resources Ltd, the company held 19,605,235 shares at a book value of $4,935,683.A loss of $1,406,741 was recognised on valuing these shares at fair value of $3,528,942 at date of the acquisition of the remaining Scandinavian Resources Ltd shares.

(iii) The difference between the carrying value of tenements in the Scandinavian Resources Ltd which were carried at nil value and the cost of acquisition has been allocated to capitalised tenements acquisition costs of $28,275,372.

15. Current trade and other payables

	2012 $	2011 $
Trade payables (i)	1,143,928	103,774
Other	650,362	229,130
	1,794,290	332,904

(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.

16. Provisions

	2012 $	2011 $
Current		
Employee benefits	184,822	66,258
	184,822	66,258
Non-current		
Employee benefits	39,941	32,906
	39,941	32,906

17. Borrowings

	2012 $	2011 $
Margin lending facility	1,373,930	–
	1,373,930	–

A wholly owned subsidiary, HR Equities Pty Ltd, has opened a margin lending facility which is secured by 20% of the underlying market value of shares pledged to the lender as security for the loan. At 30 June 2012 the number of shares pledged as security is 3,594,000 Atlas Iron Limited (ASX: AGO) shares. Interest is charged at a rate of 8.74% per annum and 50% of the loan will be repayable should the value of the pledged shares fall below a pre-determined price per share of $2.40 and the full loan will be repayable should the price fall below $1.50 per share. Otherwise there is no fixed repayment date for the loan.

The loan was fully repaid on 30 August 2012.

	2012 $	2011 $
18. Other financial liabilities		
Current		
Convertible notes (i)		
Amounts outstanding – beginning of financial year	–	–
Liability taken on with asset acquisition	992,744	–
Amounts repaid	(221,392)	–
Accrued and imputed interest	28,012	–
Carrying amount of liability at 30 June	799,364	–
Finance lease liabilities	25,586	20,086
Loan from Errawarra Resources Ltd (ii)	477,415	–
	1,302,365	20,086
Non-current		
Finance lease liabilities	66,262	76,340
	66,262	76,340

(i) In the previous year a convertible note was entered in to 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 loan is required to be repaid on or before 15 October 2012 and interest is payable monthly. The lender has 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 (refer note 7).Excluding interest and borrowing costs associated with the value of the options, a total of $1,217,614 of the convertible note has been drawn down at 30 June 2012. During the year $504,081 of the convertible note was repaid

(ii) The loan arises on the deconsolidation of Errawarra Pty Ltd (also refer note 27(iii)). The loan is unsecured, non-interest bearing and has no fixed terms of repayment.

	2012 $	2011 $
19. Issued capital		
479,772,810 fully paid ordinary shares (2011: 131,648,715)	40,294,707	20,135,891
	40,294,707	20,135,891

19. Issued capital (cont'd)

	2012		2011	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at beginning of financial year	131,648,715	20,135,891	131,648,715	20,135,891
Issue of shares (i)	348,124,095	20,887,446	–	–
In specie distribution (ii)	–	(728,630)	–	–
Share issue costs	–	–	–	–
Balance at end of financial year	479,772,810	40,294,707	131,648,715	20,135,891

(i) Shares issued pursuant to Hannans Reward's off market takeover offer to acquire the remaining shares in Scandinavian Resources Ltd (refer note 14).

(ii) On 13 February 2012 Hannans Reward issued 131,648,715 ordinary shares in Errawarra Resources Ltd to its shareholders through an in-specie distribution amounting to $728,630. (also refer note 27(iii)).

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

20. Reserves

	2012 $	2011 $
Balance at the beginning of the financial year	18,876,128	12,717,661
Option reserve	110,603	43,104
Available for sale revaluation reserve	(15,652,143)	8,452,536
Deferred tax liabilities	3,280,989	(2,337,173)
Foreign currency translation differences	(302,362)	–
Balance at the end of the financial year	6,313,215	18,876,128
The balance of reserves is made up as follows:		
Option reserve	1,368,809	1,258,206
Revaluation reserve	5,246,768	20,898,911
Foreign currency translation reserve	(302,362)	–
Deferred tax reserve	–	(3,280,989)
	6,313,215	18,876,128

20. Reserves (cont'd)

Share options

As at 30 June 2012, options over 31,210,017 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	1,000,000	Ordinary	80 cents each	30 June 2013
Hannans Reward Ltd	2,000,000	Ordinary	20 cents each	30 June 2013
Hannans Reward Ltd	21,910,017	Ordinary	7 cents each	31 October 2012
Hannans Reward Ltd	3,000,000	Ordinary	13 cents each	1 February 2013
Hannans Reward Ltd	1,200,000	Ordinary	8 cents each	30 June 2013
Hannans Reward Ltd	900,000	Ordinary	17 cents each	30 June 2013
Hannans Reward Ltd	900,000	Ordinary	25 cents each	30 June 2013
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

	2012 $	2011 $
Balance at beginning of financial year	(13,908,454)	(12,062,727)
Loss attributable to members of the parent entity	(627,640)	(1,845,727)
Balance at end of financial year	(14,536,094)	(13,908,454)

22. Loss per share

	2012 Cents per share	2011 Cents per share
Basic Income (loss) per share:		
From continuing operations	(0.41)	(1.40)
Total basic loss per share	(0.41)	(1.40)

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:

	2012 $	2011 $
Loss for the year	(627,640)	(1,845,727)

	2012 No.	2011 No.
Weighted average number of ordinary shares for the purposes of basic loss per share	152,574,207	131,648,715

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 EPS 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 2012 and the Company has also incurred a loss for the year.

23. Commitments for expenditure

	2012 $	2011 $
Exploration, evaluation & development (expenditure commitments) (i)		
Not longer than 1 year	3,524,828	2,559,399
Longer than 1 year and not longer than 5 years	8,318,460	5,118,798
Longer than 5 years	–	–
	11,843,288	7,678,197
Future minimum rentals payable under non-cancellable operating leases as at 30 June 2012 are as follows: (ii)		
Not longer than 1 year	227,101	28,714
Longer than 1 year and not longer than 5 years	854,069	–
Longer than 5 years	–	–
	1,081,170	28,714

(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 by the relevant Swedish and Norwegian authorities to be spent on the permits.

(ii) The Group has a non-cancellable office lease, expiring within 4.5 years and with rent payable monthly in advance.

24. Contingent liabilities and contingent assets

In the opinion of the Directors, there are no contingent liabilities or contingent assets as at 30 June 2012 and none were incurred in the interval between the year end and the date of this financial report.

25. Segment reporting

The Group operates predominantly in the mineral exploration industry, both in Australia and overseas. For management purposes, the Group is organised into one main operating segment which involves the exploration of minerals in 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.

Segment revenue

	Revenue		Total revenue	
	2012 $	2011 $	2012 $	2011 $
Australia	577,867	320,914	8,239,051	3,845,773
Scandinavia	58	–	767	–
Consolidated	577,925	320,914	8,239,818	3,845,773

25. Segment reporting (cont'd)

	2012 $	2011 $
Segment result		
Australia	1,026	(1,845,727)
Scandinavia	(628,666)	–
	(627,640)	(1,845,727)
Loss before income tax benefit	(627,640)	(1,845,727)
Income tax benefit	–	–
Loss for the year	(627,640)	(1,845,727)

Segment assets and liabilities

	Assets		Liabilities	
	2012 $	2011 $	2012 $	2011 $
Australia	7,802,788	28,913,048	540,363	3,809,483
Scandinavia	29,030,650	–	4,221,247	–
Consolidated	36,833,438	28,913,048	4,761,610	3,809,483

26. Jointly controlled operations and assets

		Interest	
Name of project	Principal activity	2012 %	2011 %
Forrestania	Exploration	80	80
Sunday	Exploration	90	90
Lake Johnston	Exploration	90	90
Tasman Metals JV (i)	Exploration	75	0

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) 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.

26. Jointly controlled operations and assets (cont'd)

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.

27. Subsidiaries

Name of entity	Country of incorporation	Ownership interest 2012 %	Ownership interest 2011 %
Parent entity:			
Hannans Reward Ltd (i)	Australia		
Subsidiaries:			
HR Subsidiary Pty Ltd	Australia	100	100
HR Forrestania Pty Ltd (ii)	Australia	100	100
Errawarra Pty Ltd (iii)	Australia	–	100
HR Equities Pty Ltd (iv) (v)	Australia	100	100
Scandinavian Resources Ltd	Australia	100	–
SR Equities Pty Ltd (vi) (v)	Australia	100	–
Kiruna Iron Plc (vii)	United Kingdom	100	–
Kiruna Iron AB (viii)	Sweden	100	–
Scandinavian Iron AB (ix)	Sweden	100	–
Scandinavian Resources AB (x)	Sweden	100	–
Scandinavian Resources (Norge) AS (xi)	Norway	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) As approved at the Hannans Reward Annual General Meeting held on 31 January 2012, all shares held by Hannans Reward Ltd in Errawarra Pty Ltd were sold to Errawarra Resources Ltd in return for 131,648,715 shares in Errawarra Resources Ltd. On 13 February 2012 Hannans Reward issued 131,648,715 ordinary shares in Errawarra Resources Ltd to its shareholders through an in-specie distribution amounting to $728,630.Hannans Reward Ltd no longer holds any interest in Errawarra Resources Ltd or its subsidiary, Errawarra Pty Ltd. There was no gain/loss to be recognised by the Group on deconsolidation of Errawarra Pty Ltd.

(iv) The 100% interest in HR Equities Pty Ltd is held by the parent entity.

(v) Refer note 10 for investment in Resources & Rewards Pty Ltd by HR Equities Pty Ltd and SR Equities Pty Ltd.

(vi) The 100% interest in SR Equities Pty Ltd is held via Scandinavian Resources Ltd.

(vii) The 100% interest in Kiruna Iron Plc is held via SR Equities Pty Ltd.

(viii) The 100% interest in Kiruna Iron AB is held via Kiruna Iron Plc.

(ix) The 100% interest in Scandinavian Iron AB is held via Kiruna Iron AB.

(x) The 100% interest in Scandinavian Resources AB is held via Scandinavian Resources Ltd.

(xi) The 100% interest in Scandinavian Resources (Norge) AS is held via Scandinavian Resources AB.

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 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

Key management personnel	Balance at 1 July	Granted as remuneration	Received on exercise of options	Net other change	Balance at 30 June
	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
2011					
Richard Scallan	–	–	–	–	–
Damian Hicks	4,165,310	–	–	–	4,165,310
William Hicks	12,058,086	–	–	–	12,058,086
Jonathan Murray	391,775	–	–	–	391,775
Michael Craig	40,130	–	–	–	40,130
	16,655,301	–	–	–	16,655,301

28. Related party disclosures (cont'd)

(d) Share options of Hannans Reward Ltd

Directors	Bal at 1 Jul	Granted as remu-neration	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
	No.	No.	No.	No.	No.	No.	No.	No.	No.
2012									
Richard Scallan	–	–	–	–	–	–	–	–	–
Damian Hicks	2,000,000	–	–	(2,000,000)	–	–	–	–	–
William Hicks	–	–	–	–	–	–	–	–	–
	2,000,000	–	–	(2,000,000)	–	–	–	–	–
2011									
Richard Scallan	250,000	–	–	(250,000)	–	–	–	–	–
Damian Hicks	3,000,000	–	–	(1,000,000)	2,000,000	2,000,000	–	2,000,000	–
William Hicks	250,000	–	–	(250,000)	–	–	–	–	–
	3,500,000	–	–	(1,500,000)	2,000,000	2,000,000	–	2,000,000	–

Mr J Murray and Mr M Craig did not hold options in the Company in either 2012 or 2011.

(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 2011 $	Balance 30 June 2012 $	Interest charged $	Highest balance in period $
Director				
Damian Hicks (i)	300,000	300,000	17,848	300,000
	300,000	300,000	17,848	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 will be repaid monthly. The interest charged for the year amounted to $17,848 (2011:$18,001).

On 28 August 2011 a second loan agreement was entered into with Mr Hicks, for $200,000 at 20% per annum repayable on or before 30 April 2012. The loan was unsecured and a salary sacrifice arrangement was entered into whereby the interest portion of the loan was repaid monthly. The interest charged for the period of the loan amounted to $26,956. There was no balance outstanding on the loan at 30 June 2012.

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:

28. Related party disclosures (cont'd)

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

	Opening Balance $	Closing Balance $	Interest charged $	Number in group at 30 June
Total for key management personnel 2012	300,000	300,000	17,848	1
Total for key management personnel 2011	300,000	300,000	18,001	1
Total for other related parties 2012	2,435,355	29,888	451,916	1
Total for other related parties 2011	–	2,435,355	74,871	2
Total for key management personnel and their related parties 2012	2,735,355	329,888	469,764	2
Total for key management personnel and their related parties 2011	300,000	2,735,355	92,872	3

(f) Transactions with other related parties

Subsidiaries

Wholly owned subsidiary, HR Equities Pty Ltd, has entered into two separate convertible note loan agreements with Scandinavian Resources Ltd and Kiruna Iron AB (a wholly owned subsidiary of Scandinavian Resources Ltd). The agreements allow $1.75 million and $2.5 million to be drawn down respectively as and when required with interest payable at a rate of 12.5% per annum. The loans and interest are required to be repaid on or before 15 September 2012. The loans are disclosed as transactions with related parties following the compulsory take-over of Scandinavian Resources Ltd by Hannans Reward (refer note 14).

Excluding interest and repayments made, a total of $3,717,614 (2011: $2,345,000) has been drawn down at 30 June 2012 in respect of the loans and interest to the amount of $382,176 (2011: $74,781) has been received.

	2012 $	2011 $
Convertible note loans to subsidiaries		
Beginning of the year	–	–
Balance at date of asset acquisition	3,493,592	–
Amounts advanced	329,614	–
Payments received	(570,000)	–
Interest charged	62,712	–
End of year	3,315,918	–

All other loans advanced to and payable to related parties are unsecured and subordinate to other liabilities. No interest was charged on the outstanding intercompany loan balances during the financial year. Hannans Reward Ltd received interest of nil (2011: Nil) from loans to subsidiaries, and paid interest of nil (2011: Nil) to subsidiaries.

28. Related party disclosures (cont'd)

(f) Transactions with other related parties (cont'd)

Loans to subsidiaries	Parent 2012 $	Parent 2011 $
Beginning of the year	821,962	3,061,493
Loan deconsolidated	1,807,331	–
Loans advanced	2,178,442	4,597,240
Loan payments received/transfer of assets	(10,237,878)	(4,913,365)
(Provision)/reversal of provision for non-recoverability	(1,284,672)	(1,923,406)
End of year	(6,714,815)	821,962

Director transactions

Steinepreis Paganin, of which Mr Jonathan Murray is a partner, provided legal services amounting to $284,111 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 2012 $82,933 was owing to Steinepreis Paganin.

Other related party transactions

Corporate Board Services, a division of Hannans Reward Ltd, performed certain administrative services for Scandinavian Resources Ltd and its subsidiaries, for which a management fee of $272,764 (2011: $265,863) was charged, being an appropriate allocation of costs incurred by relevant administrative departments. Amounts billed were based on normal market rates for such services and are due and payable under normal payment terms. No fees have been charged since the acquisition of Scandinavian Resources Ltd by Hannans Reward (refer to note 14).At 30 June 2012 $Nil (2011: $258,124) was owing by the Scandinavian Resources group of companies. Mr Hicks is the Chairman of the Board of Scandinavian Resources Ltd and a director of its subsidiaries.

(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 2012 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.

(a) Since the end of the financial year the margin lending facility has been settled in full.

(b) As at 27 September 2012 the fair value of shares and options held in listed equities was $2,293,950 which is a decrease of $4,983,700 since 30 June 2012.

(c) Since the end of the financial year 2,030,000 Atlas Iron Ltd shares have been sold on the market for a total of $3,720,025. Further sales may occur dependent on the parameters for sale of the shares as agreed by the Board.

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:

	2012 $	2011 $
Cash and cash at bank	167,684	170,591
Term deposit	56	400,249
	167,740	570,840

(b) Reconciliation of loss for the year to net cash flows from operating activities

	2012 $	2011 $
(Loss)/Income for the year	(627,640)	(1,845,727)
Loss on investment transferred from reserves	1,406,741	–
Depreciation of non-current assets	71,631	47,844
Gain on disposal of shares	(7,011,106)	(3,335,087)
Equity settled share-based payments	110,603	43,104
Equity settled share-based received	(49,441)	(121,186)
Provision against loan recoverability	296	15,484
Interest on loan to outside entities	(416,071)	(74,871)
Interest on borrowings	115,151	–
Finance charges on leased assets	7,472	6,559
Broker fees on disposal of shares	23,091	19,721
Foreign exchange differences	(304,139)	–
Dividends received	(169,281)	–
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
Decrease/increase in assets:		
Trade and other receivables	152,484	(187,700)
Increase/decrease in liabilities:		
Trade and other payables and provisions	140,964	(366,101)
Net cash from operating activities	(6,549,245)	(5,797,960)

30. Notes to the statement of cash flows (cont'd)

(c) Non–cash financing and investing activities

During the current year, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

(a) The Company issued 348,124,095 fully paid ordinary shares, valued at $20,887,446, to acquire all of the issued securities in Scandinavian Resources Ltd as set out in note 14;

(b) The Group acquired $15,285 of equipment under a finance lease. In the previous year the Group had acquired $103,866 of motor vehicles under finance leases. Also refer to note 18; and

(c) The Company issued 131,648,715 fully paid ordinary shares in Errawarra Resources Ltd to its shareholders through an in-specie distribution amounting to $728,630 as set out in note 27(iii).

31. Financial instruments

(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 2012,3,594,000 shares in Atlas Iron Ltd and shares is 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 2012 it is also exposed to market price risk in particular on its holding of Atlas Iron Ltd shares. 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 exposed to currency risk on borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The Group's exposure to foreign currency risk was as follows based on notional amounts:

	2012		2011	
	AUD	SEK	AUD	SEK
Other financial liabilities	3,384,892	26,437,288	–	–

Sensitivity analysis

A strengthening of the AUD, as indicated below, against the SEK at 30 June would have increased/(decreased) equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Strengthening	Weakening
2012		
SEK (10 per cent movement)	335,513	410,072
2011		
SEK (10 per cent movement)	–	–

31. Financial instruments (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 2012				
Variable rate instruments	1,677	(1,677)	1,677	(1,677)
Cash flow sensitivity	1,677	(1,677)	1,677	(1,677)
30 June 2011				
Variable rate instruments	5,708	(5,708)	5,708	(5,708)
Cash flow sensitivity	5,708	(5,708)	5,708	(5,708)

Maturity profile of financial instruments

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

			Fixed maturity dates				
	Weighted average effective interest rate	Variable interest rate	Less than 1 year	1–5 years	5+ years	Non interest bearing	Total
Consolidated	%	$	$	$	$	$	$
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

31. Financial instruments (cont'd)

(d) Interest rate risk management (cont'd)

Maturity profile of financial instruments (cont'd)

Consolidated	Weighted average effective interest rate %	Variable interest rate $	Fixed maturity dates: Less than 1 year $	1–5 years $	5+ years $	Non interest bearing $	Total $
2011							
Financial assets:							
Cash and cash equivalents	4.7%	570,585	–	–	–	255	570,840
Trade and other receivables						332,495	332,495
Other receivables – non-current	5.5%	–	202,794	–	–	9,431	212,225
Loans	6%	–	–	300,000	–	–	300,000
		570,585	202,794	300,000	–	342,181	1,415,560
Financial liabilities:							
Trade and other payables		–	–	–	–	332,904	332,904
		–	–	–	–	332,904	332,904

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.

(e) Fair value of financial instruments

The net 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 aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and notes to the financial statements.

31. Financial instruments (cont'd)

(f) Liquidity risk management

The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company does not perform any sensitivity analysis and none is disclosed in the financial statements as the impact would not be material.

(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 $727,765(2011: $2,491,559), 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 $509,436 (2011:$1,744,091).

32. Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. Included within Level 1 are listed investments and Level 2 comprise unlisted options. The fair values of the Level 1 assets are based on the closing quoted bid prices at reporting date, excluding transaction costs. The fair values of the Level 2 assets are measured at fair value at the date of grant of the options and revalued at each balance date. 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 2012 $	Level 2 2012 $	Level 1 2011 $	Level 2 2011 $
Financial Assets				
Available–for–sale financial assets:	–	–	–	–
– listed investments	7,277,650	–	24,642,501	–
– unlisted investments	–	–	–	273,092
	7,277,650	–	24,642,501	273,092

33. Parent entity disclosures

The following details information related to the parent entity, Hannans Reward Ltd, at 30 June 2012. The information presented here has been prepared using consistent accounting policies as presented in note 2.

	2012 $	2011 $
Results of the parent entity		
Loss for the year	(5,234,095)	(5,398,356)
Other comprehensive income	–	–
Total comprehensive loss for the year	(5,234,095)	(5,398,356)

33. Parent entity disclosures (cont'd)

	2012 $	2011 $
Financial position of parent entity at year end		
Current assets	237,013	828,203
Non-current assets	25,080,054	1,389,774
Total Assets	**25,317,067**	**2,217,977**
Current liabilities	1,284,601	405,166
Non-current liabilities	6,564,997	109,246
Total Liabilities	**7,849,598**	**514,412**
Total equity of the parent entity comprising of:		
Share capital	41,023,287	20,135,891
Reserves	1,368,809	1,258,206
Accumulated losses	(24,924,627)	(19,690,532)
Total Equity	**17,467,469**	**1,703,565**

(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 2012 and 30 June 2011.

(b) Parent entity contingencies

The parent entity had no contingent liabilities as at 30 June 2012 and 30 June 2011.

(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 2012 and 30 June 2011.

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