HANNANS REWARD LTD

ABN 52 099 862 129

Financial Report for the half-year ended 31 December 2013

www.hannansreward.com

CONTENTS

CORPORATE DIRECTORY

Board of Directors

Managing Director	Mr Damian Hicks	Company Secretary	Mr Ian Gregory
Non-Executive Director	Mr Jonathan Murray		
Non-Executive Director	Mr Markus Bachmann		
Non-Executive Director	Mr Olof Forslund		

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Registered Office
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Social Network Sites
Twitter – @hannansreward
Facebook – Hannans Reward

Share Registry
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16 Milligan Street, Perth, Western Australia, 6000

DIRECTORS' REPORT

The Directors of Hannans Reward Limited submit the financial report for the half-year ended 31 December 2013. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

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

Managing Director
Mr Damian Hicks

Non Executive Directors
Mr Jonathan Murray
Mr Olof Forslund
Mr Markus Bachmann

The directors held their position throughout the entire financial interim period and up to the date of this report unless stated otherwise.

Principal activities

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

Results

The net loss of the Group for the interim period after income tax expense was $1,017,151 (2012: $270,703 loss).

Review of operations

The Group's exploration and corporate activities during the six months ended 31 December 2013 are detailed in the reports released to the ASX. Other than the ASX annoucements, there has been no other significant change in the operations of the Group.

Subsequent events

No matters or circumstances have arisen since 31 December 2013 that may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years except as stated below.

On 27 February 2014 the Company announced that its wholly owned subsidiary, Kiruna Iron AB ('Kiruna Iron'), has granted a Third Party the exclusive right to complete due diligence on its Rakkuri Iron Project with exclusivity ending on 1 September 2014. In consideration for the grant of the exclusive right, the Third Party will pay Kiruna Iron a non-refundable signing bonus of USD 1 million, half on or before 15 March 2014 and the remaining half on or before 1 September 2014. Kiruna Iron is not permitted to disclose the identity of the Third Party. On 13 March 2014, the Company received the first half of the non-refundable signing bonus of USD 500,000.

An application for the closure of Scandinavian Resources (Norge) AS ('SRAS'), a subsidiary of the Company, was submitted on 24 January 2014 to the Government of Norway. SRAS does not have any outstanding obligation and liabilities at the date of application. The Government of Norway will publish a notice of the closing for 6 weeks and if no objections were submitted at the end of the notice period the Government of Norway will send a company closure confirmation letter to SRAS.

Auditor's independence declaration

The auditor's independence declaration is included on page 5 and forms part of the Directors' report for the six months ended 31 December 2013.

Signed in accordance with a resolution of directors.

On behalf of the Directors

Damian Hicks

Damian Hicks
Managing Director
14 March 2014

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, subject to the achievability of the matters set out in note 1, Going Concern, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Australian Accounting Standards AASB 134 and the *Corporations Regulations 2001* as disclosed in note 2 and giving a true and fair view of the financial position and performance of the consolidated entity for the half-year ended 31 December 2013.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Damian Hicks
Managing Director
Perth, Western Australia this 14th of March 2014

Building a better working world

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

In relation to our review of the financial report of Hannans Reward Ltd for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
14 March 2014

GB:EH:HNR:021

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To the members of Hannans Reward Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hannans Reward Ltd, which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hannans Reward Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

GB:EH:HNR:020

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

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

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 2(a) in the financial report. The matters as set forth in Note 2(a) indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
14 March 2014

GB:EH:HNR:020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half-year ended 31 December 2013

	Note	Half-year ended 31 Dec 2013 $	Half-year ended 31 Dec 2012 $
Other income		193,827	102,396
Gain on disposal of available for sale financial assets		–	4,088,415
Employee and contractors expenses		(242,932)	(611,022)
Depreciation expense		(18,982)	(35,623)
Consultants expenses		(104,651)	(61,682)
Interest expense		(2,487)	(58,278)
Occupancy expenses		(151,789)	(158,006)
Marketing expenses		(9,799)	(41,752)
Exploration and evaluation expenses		(650,213)	(1,681,900)
Other expenses		(151,844)	(231,832)
(Loss)/Profit from continuing operations before income tax expense/benefit		**(1,138,870)**	**1,310,716**
Income tax benefit/(expense)		121,719	(1,581,419)
Loss from continuing operations attributable to members of the parent entity		**(1,017,151)**	**(270,703)**
Other comprehensive income/(loss) for the period			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences – foreign operations		82,162	106,767
Net change in fair value of available-for-sale financial assets		(320)	(1,182,787)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		–	(2,506,996)
Total items that may be reclassified subsequently to profit or loss		**81,842**	**(3,583,016)**
Total comprehensive loss for the period		**(935,309)**	**(3,853,719)**
Net loss attributable to the parent entity		**(1,017,151)**	**(270,703)**
Total comprehensive loss attributable to the parent entity		**(935,309)**	**(3,853,719)**
Loss per share:			
Basic (cents per share)		**(0.14)**	(0.05)
Diluted (cents per share)		**(0.14)**	(0.05)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	Note	31 Dec 2013 $	30 Jun 2013 $
Current assets			
Cash and cash equivalents		1,207,574	1,809,204
Trade and other receivables		176,482	179,570
Other financial assets	3	19,776	20,096
Total current assets		1,403,832	2,008,870
Non-current assets			
Other receivables		242,462	268,737
Property, plant and equipment		80,024	99,395
Other financial assets		226,284	221,052
Capitalised mineral exploration and evaluation expenditure	4	29,445,723	29,201,181
Total non-current assets		29,994,493	29,790,365
TOTAL ASSETS		31,398,325	31,799,235
Current liabilities			
Trade and other payables	5	1,791,261	978,872
Provisions		113,386	173,147
Income tax payable		6,922	126,141
Other financial liabilities	6	4,391	105,786
Total current liabilities		1,915,960	1,383,946
Non-current liabilities			
Provisions		51,807	44,710
Other financial liabilities	6	5,232	7,477
Total non-current liabilities		57,039	52,187
TOTAL LIABILITIES		1,972,999	1,436,133
NET ASSETS		29,425,326	30,363,102
Equity			
Issued capital	7	44,577,513	44,579,980
Reserves	8	1,364,025	1,282,183
Accumulated losses	9	(16,516,212)	(15,499,061)
TOTAL EQUITY		29,425,326	30,363,102

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2013

		Attributable to equity holders					
For the half-year ended 31 December 2013	Note	Ordinary Shares $	Option Reserves $	Revaluation Reserves $	Foreign Currency Translation Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2013	8	44,579,980	1,368,809	(22,305)	(64,321)	(15,499,061)	30,363,102
Total comprehensive income							
Loss for the period		–	–	–	–	(1,017,151)	(1,017,151)
Other comprehensive income for the period		–	–	(320)	82,162		81,842
Total comprehensive loss for the period			–	(320)	82,162	(1,017,151)	(935,309)
Transactions with owners recorded direct to equity							
Share issue expense		(2,467)	–	–	–	–	(2,467)
Total transactions with owners		(2,467)	–	–	–	–	(2,467)
Balance as at 31 December 2013		**44,577,513**	**1,368,809**	**(22,625)**	**17,841**	**(16,516,212)**	**29,425,326**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2013

		Attributable to equity holders					
For the half-year ended 31 December 2012	Note	Ordinary Shares $	Option Reserves $	Revaluation Reserves $	Foreign Currency Translation Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2012		40,294,707	1,368,809	3,665,349	(302,362)	(12,954,675)	32,071,828
Total comprehensive income							
Loss for the period		–	–	–	–	(270,703)	(270,703)
Other comprehensive loss for the period		–	–	(3,689,783)	106,767	–	(3,583,016)
Total comprehensive loss for the period		–	–	(3,689,783)	106,767	(270,703)	(3,853,719)
Transactions with owners recorded direct to equity							
Issue of shares		1,714,600	–	–	–	–	1,714,600
Share issue expense		(58,019)	–	–	–	–	(58,019)
Total transactions with owners		1,656,581	–	–	–	–	1,656,581
Balance as at 31 December 2012		41,951,288	1,368,809	(24,434)	(195,595)	(13,225,378)	29,874,690

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

for the half-year ended 31 December 2013

	Half-year ended 31 Dec 2013 $	Half-year ended 31 Dec 2012 $
Cash flows from operating activities		
Receipts of other income	165,577	56,944
Payments for exploration and evaluation	(940,936)	(2,284,592)
Payments to suppliers and employees	(609,195)	(1,224,898)
Interest received	29,326	30,771
Interest on loan paid	(3,694)	(57,765)
Net cash used in operating activities	(1,358,922)	(3,479,540)
Cash flows from investing activities		
Payments for exploration and evaluation	(140,765)	(594,262)
Proceeds on sale of fixed assets	4,270	–
Proceeds on sale of investment securities	–	6,076,898
Amounts received from/(advanced to) related parties	–	154,500
Amounts advanced to outside entities	(5,232)	–
Payment for property, plant and equipment	–	(9,620)
Receipt of payment for first tranche for the sale of Discovery Zone exploration concession (Note 11)	1,000,000	–
Net cash provided by investing activities	858,273	5,627,516
Cash flows from financing activities		
Proceeds from issues of equity securities	–	1,714,600
Payment for share issue costs	(2,468)	(58,019)
Proceeds from borrowings	–	1,800,000
Repayment of borrowings/finance leases	(102,086)	(3,642,148)
Net cash (used in)/ provided by financing activities	(104,554)	(185,567)
Net (decrease)/ increase in cash and cash equivalents	(605,203)	1,962,409
Cash and cash equivalents at the beginning of the financial period	1,809,204	167,740
Effects of exchange rate fluctuations on cash held	3,573	1,443
Cash and cash equivalents at the end of the financial period	1,207,574	2,131,592

The accompanying notes form part of the financial statements.

1. Reporting Entity

Hannans Reward Ltd ('Hannans' or the 'Company') is a company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Securities Exchange. The consolidated half-year financial report of the Group as at and for the six months ended 31 December 2013 comprises the Company and its subsidiaries (together referred to as the 'Group').

The financial report of Hannans for the half-year ended 31 December 2013 was authorised for issue in accordance with a resolution of the Directors on 14 March 2014.

The nature of the operations and principal activities of the consolidated entity are described in the Directors' Report.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2013 is available upon request from the Company's registered office at 6 Outram Street, West Perth, Western Australia, 6005 or at www.hannansreward.com.

2. Basis of preparation and changes to the accounting policies

(a) Basis of preparation

This condensed general purpose financial report for the half-year ended 31 December 2013 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2013 and considered together with any public announcements made by the Company during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The half-year financial report has been prepared on a historical cost basis except for available for sale financial assets which are measured at fair value.

Apart from the changes in accounting policy in note 1(b), the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Going concern

The consolidated entity recorded a loss of $1,017,151 (31 December 2012: $270,703 loss) for the half-year ended 31 December 2013 and had a net cash outflow of $605,203 (31 December 2012: $1,962,409 net inflow) for the half year ended 31 December 2013. The consolidated entity had cash and cash equivalents at 31 December 2013 of $1,207,574 (30 June 2013: $1,809,204) and has a working capital deficit of $512,128 (30 June 2013: $624,924 surplus), due to the $1 million received from Avalon Minerals Limited ('Avalon') being accounted for as a current liability as under certain circumstances, the $1 million is repayable to Avalon.

Further, based on the 2014/15 financial year budget the Group's minimum non-discretionary commitments for the 15 months ended 31 March 2015 is approximately $1,480,000 in corporate and administration expenses and $1,090,000 in exploration expenditure.

Notwithstanding the above, the financial report has been prepared on the basis that the consolidated entity can continue to meet their commitments as and when they fall due and can therefore continue normal activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

In arriving at this position the directors have considered the following pertinent matters:

- Subsequent to period end the Directors have entered into an agreement with a third party providing them with an exclusive right to undertake due diligence on the Rakkuri deposits. As part of the agreement, the Company will receive a non-refundable US$1 million signing bonus with US$0.5 million receivable by 15 March 2014 and the remaining US$0.5 million receivable no later than 1 September 2014. On 13 March 2014, the Company received the first half of the non-refundable signing bonus of USD 500,000.
- The Directors have a reasonable expectation that the grant of the Discovery Zone Prospect to Avalon will be approved by the Mining Inspectorate of Sweden in due course, which will result in an additional $3 million being receivable from Avalon and remove the liability for the Group to potentially repay the $1 million already received from Avalon.
- Should it be required the Directors are satisfied that they will be able to raise additional funds by either selling existing assets, implementation of strategic joint ventures or via a form of equity raising.

(a) Basis of preparation (cont'd)

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

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

(b) Changes in accounting policies

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2013, except for the adoption of new standards and interpretations effective as of 1 July 2013 detailed below:

- AASB 119 (Revised 2011) Employee Benefits;
- AASB 10 Consolidated Financial Statements;
- AASB 11 Joint Arrangements;
- AASB 12 Disclosure of Interest in Other Entities; and
- AASB 13 Fair Value Measurement

The nature and the impact of each new standard or amendment is described below:

<u>AASB 119 (Revised 2011) Employee Benefits,</u>
The revised standard changes the definition of short term employee benefit. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

The change in distinction between short-term and other long-term employee benefits did not have any impact on the Group.

<u>AASB 10 Consolidated Financial Statements</u>
AASB 10 establishes a single control model that applies to all entities including special purpose entities. AASB 10 replaces the parts of previously existing AASB 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. AASB 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in AASB 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

AASB 10 had no impact on the consolidation of investments held by the Group.

<u>AASB 11 Joint Arrangements</u>
AASB 11 replaces AASB 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under AASB 11 must be accounted for using the equity method.

Adoption of AASB 11 did not impact on the Group financial statements.

<u>AASB 12 Disclosure of Interests in Other Entities</u>
AASB 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

<u>AASB 13 Fair Value Measurement</u>
AASB 13 establishes a single source of guidance under AASB for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under AASB when fair value is required or permitted. AASB 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 Financial Instruments: Disclosures.

AASB 13 did not have a significant impact as the Group does to have significant assets or liabilities carried at fair value. Additional disclosure requirements are detailed in Note 12 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the half-year ended 31 December 2013

	31 Dec 2013 $	30 Jun 2013 $
3. Current other financial assets		
Investment in Equity & Royalty Investments Ltd (i)	1	1
Investments in listed entities (ii)	19,775	20,095
	19,776	20,096

(i) HR Subsidiary Pty Ltd (a wholly owned subsidiary of Hannans Reward Ltd) holds 1 ordinary share at $1 in Equity & Royalty Investments Ltd. Equity & Royalty Investments Ltd has 100,000,000 ordinary shares on issue. The principal activity of Equity & Royalty Investments Ltd 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. Equity & Royalty Investments Ltd is carried at cost since the fair value of the investment in Equity & Royalty Investments Ltd cannot be reliably measured.

(ii) Investments in listed entities include the following:

a) 20,000 ordinary fully paid shares in Brighton Mining Group Ltd;

b) 50,000 ordinary fully paid shares in Highfield Resources Ltd;

c) 20,000 ordinary fully paid shares in Lithex Resources Ltd; and

d) 125,000 ordinary fully paid shares in Naracoota Resources Ltd.

4. Exploration and evaluation expenditure

	31 Dec 2013 $	30 Jun 2013 $
Balance at beginning of financial year	29,201,181	28,275,372
Exploration expenditure during the period	140,765	837,196
Foreign currency translation movement during the period	103,777	88,613
Balance at end of period	29,445,723	29,201,181

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

5. Current trade and other payables

	31 Dec 2013 $	30 Jun 2013 $
Trade payables (i)	134,993	428,631
Accruals	656,268	550,241
Other payable (ii)	1,000,000	–
	1,791,261	978,872

(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 invoice. Thereafter, interest is charged at various penalty rates. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

(ii) Hannans received the first payment of $1 million from Avalon on 8 October 2013. If the Discovery Zone exploration concession is not granted or not granted within 2 years or a later date agreed by the parties, Hannans is required to refund the first $1 million received from Avalon.

	31 Dec 2013 $	30 Jun 2013 $
6. Other financial liabilities		
Current		
Convertible notes (i)		
Amounts outstanding at the beginning of the period	101,589	799,364
Amounts repaid	(101,624)	(765,318)
Accrued and imputed interest	35	67,543
Carrying amount of liability at the end of the period	–	101,589
Finance lease liabilities	4,391	4,197
	4,391	105,786
Non-current		
Finance lease liabilities	5,232	7,477
	5,232	7,477

(i) In 2009 a convertible note was entered into between Scandinavian Resources Ltd (a wholly owned subsidiary of Hannans Reward Ltd) and Mathew Walker (lender, an unrelated party) which allowed for $1.25 million to be drawn down as and when required with interest payable at the rate of 12.5% per annum. The final balance of the convertible note and interest of $101,624 were fully repaid on 1 July 2013.

7. Issued capital

	31 Dec 2013 $	30 Jun 2013 $
721,966,133 fully paid ordinary shares (30 June 2013: 706,966,133)	44,577,513	44,279,980
Equity pending the issue of 15 million ordinary shares	–	300,000
	44,577,513	44,579,980

	31 Dec 2013		30 Jun 2013	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at beginning of financial period	706,966,133	44,579,980	479,772,810	40,294,707
Issue of shares – 2 November 2012 (i)	–	–	100,858,920	1,714,600
Issue of shares – 3 April 2013 (ii)	–	–	126,334,403	2,526,688
Issue of shares – 4 July 2013 (iii)	15,000,000	–	–	300,000
Share issue costs	–	(2,467)	–	(256,015)
Balance at end of financial period	721,966,133	44,577,513	706,966,133	44,579,980

(i) On 2 November 2012 Hannans completed a $1.72 million capital raising comprised of $1.46 million through a Share Purchase Plan and $0.26 million through a placement to sophisticated investors.

(ii) On 3 April 2013 Hannans raised approximately $2.8 million through the placement of 141 million shares of $0.02 each. The placement was made in two tranches. The first tranche of $2.5 million was issued to institutional and sophisticated investors and the second tranche of $0.3 million was issued to Directors and employees of Hannans following shareholder approval. A general meeting was called on 6 June 2013 where shareholders approved the placement to Directors. The placement to Directors (Tranche 2) was successfully completed on 4 July 2013 with 15,000,000 ordinary shares issued to raise $300,000.

(iii) On 28 June 2013 equity funds of $300,000 were received from Hannans' Directors and employees for Placement Tranche 2. In compliance with the Company's policy, issue of shares are processed only when funds are cleared in the bank. As of 30 June 2013, the funds were not cleared and therefore no ordinary shares were issued. The issue of the placement shares was completed on 4 July 2013.

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

8. Reserves

	31 Dec 2013 $	30 Jun 2013 $
Balance at the beginning of the financial period	1,282,183	4,731,796
Option reserve	–	–
Available for sale revaluation reserve	(320)	(3,687,654)
Foreign currency translation differences	82,162	238,041
Balance at the end of the period	1,364,025	1,282,183
The balance of reserves is made up as follows:		
Option reserve	1,368,809	1,368,809
Available for sale revaluation reserve	(22,625)	(22,305)
Foreign currency translation reserve	17,841	(64,321)
	1,364,025	1,282,183

9. Accumulated losses

	31 Dec 2013 $	30 Jun 2013 $
Balance at the beginning of the financial period	(15,499,061)	(12,954,675)
Loss attributable to members of the parent entity	(1,017,151)	(2,544,386)
Balance at the end of the financial period	(16,516,212)	(15,499,061)

10. Segment reporting

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. The Group operates in the mineral exploration industry, both in Australia and overseas. The segment information provided to the Board for the reportable segments is as follows and the financial results from these segments are equivalent to the financial statements of the Group as a whole:

	31 Dec 2013 $	31 Dec 2012 $
Segment revenue – Other income		
Australia	171,562	97,953
Scandinavia	22,265	4,443
Consolidated	193,827	102,396
Segment result		
Australia	(493,243)	2,882,190
Scandinavia	(645,626)	(1,571,474)
	(1,138,869)	1,310,716
Profit before income tax benefit	(1,138,869)	1,310,716
Income tax expense	121,718	(1,581,419)
(Loss)/Profit for the period	(1,017,151)	(270,703)

10. Segment reporting (cont'd)

Segment assets and liabilities	Assets		Liabilities	
	31 Dec 2013 $	30 Jun 2013 $	31 Dec 2013 $	30 Jun 2013 $
Australia	1,885,153	562,668	1,494,952	753,088
Scandinavia	29,513,172	31,236,567	478,047	683,045
Consolidated	31,398,325	31,799,235	1,972,999	1,436,133

11. Contingencies and commitments

(i) In May 2013, Hannans entered into a Heads of Agreement ('HOA') with Avalon Minerals Limited ('Avalon') for the sale of the Discovery Zone copper-iron prospect in Sweden for $4 million. On 10 May 2013, Hannans made an application with the Inspectorate to transfer the tenements to Avalon which was granted on 23 May 2013.

On 1 October 2013, Hannans reached an agreement with Avalon that varies the HOA. The variation deleted and replaced clause 3 of the original HOA with the following:

- $1 million upon successful completion of a rights issue by Avalon or no later than 31 October 2013; and
- $3 million when the Mining Inspectorate of Sweden has formally granted the Discovery Zone Exploitation Concession to Avalon.

On 8 October 2013 Hannans confirmed that Avalon has paid $1 million pursuant to the varied HOA.

If the Discovery Zone exploration concession is not granted or not granted within 2 years or a later date to be agreed by the parties, Hannans is required to refund the first $1 million received from Avalon and Avalon will be required to transfer title in the Discovery Zone back to Hannans. In addition, on receipt of the first $1 million, Hannans is required to provide Avalon with security over its other assets until the Discovery Zone exploration concession is granted or the first $1 million is repaid.

If the Discovery Zone exploration concession is granted, Hannans will receive a further $3 million within five business days of the exploitation concession being granted. The $3 million receivable from Avalon has not been recognised in the financial report as it is subject to the satisfaction of a condition that cannot be regarded as virtually certain. When the realisation of the receivable is virtually certain, i.e. when the Discovery Zone exploration concession has been granted, the receivable will be recognised in the financial report.

(ii) The Office of State Revenue ('OSR') has informed the Company that it has raised a Duties Investigation regarding the restructure involving the Mineral Rights Deed between the Company and Errawarra Resources Ltd. OSR has requested preliminary supporting information to assess the duty on the transaction. The Company does not consider it probable a stamp duty liability will arise.

There has been no significant change in contingent liabilities and commitments since 30 June 2013 except as disclosed above as at 31 December 2013.

12. Financial Instruments

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

The table below analyses financial instruments carried at fair value, by valuation method.

Included within Level 1 are listed investments. The fair values of the Level 1 assets are based on the closing quoted bid prices at reporting date, excluding transaction costs.

Financial assets classified as Level 3 are carried at cost since the fair value of the investment in Equity & Royalty Investments Ltd cannot be reliably measured.

	31 Dec 2013 $	30 Jun 2013 $
Financial Assets – Level 1		
Available–for–sale financial assets:		
– listed investments	19,775	20,096
	19,775	20,096
Financial Assets – Level 3		
Available–for–sale financial assets:		
– Investment in Equity & Royalty Investments Ltd (unlisted)	1	1
	1	1

13. Subsequent events

No matters or circumstances have arisen since 31 December 2013 that may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years except as stated below.

(a) On 27 February 2014 the Company announced that its wholly owned subsidiary, Kiruna Iron AB ('Kiruna Iron'), has granted a Third Party the exclusive right to complete due diligence on its Rakkuri Iron Project with exclusivity ending on 1 September 2014. In consideration for the grant of the exclusive right, the Third Party will pay Kiruna Iron a non-refundable signing bonus of USD 1 million, half on or before 15 March 2014 and the remaining half on or before 1 September 2014. Kiruna Iron is not permitted to disclose the identity of the Third Party. On 13 March 2014, the Company received the first half of the non-refundable signing bonus of USD 500,000.

(b) An application for the closure of Scandinavian Resources (Norge) AS ('SRAS'), a subsidiary of the Company, was submitted on 24 January 2014 to the Government of Norway. SRAS does not have any outstanding obligation and liabilities at the date of application. The Government of Norway will publish a notice of the closing for 6 weeks and if no objections were submitted at the end of the notice period the Government of Norway will send a company closure confirmation letter to SRAS.