

# HANNANS REWARD LTD

ABN 52 099 862 129

Financial Report for the half-year ended 31 December 2014

[www.hannansreward.com](http://www.hannansreward.com)

# CONTENTS

Page

Corporate Directory.....	1
Directors' Report .....	2
Directors' Declaration .....	3
Independence Declaration to the Directors of Hannans Reward Ltd.....	4
Independent Review Report to the Members of Hannans Reward Ltd .....	5
Consolidated Statement of Comprehensive Income .....	7
Consolidated Statement of Financial Position .....	8
Consolidated Statement of Changes in Equity .....	9
Consolidated Statement of Cash Flows.....	11
Notes to the Consolidated Financial Statements .....	12

---

## CORPORATE DIRECTORY

### Board of Directors

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

### Principal Office

6 Outram Street, West Perth, Western Australia, 6005

### Postal Address

PO Box 1227,  
West Perth, Western Australia, 6872

### Contact Details

+61 8 9324 3388 (Telephone)  
+61 8 9324 3366 (Facsimile)  
admin@hannansreward.com  
www.hannansreward.com  
ABN 52 099 862 129

### Auditors

Ernst & Young  
Ernst & Young Building  
11 Mounts Bay Road, Perth, Western Australia, 6005

### Registered Office

6 Outram Street, West Perth, Western Australia, 6005

### Social Network Sites

Twitter – @hannansreward  
Facebook – Hannans Reward

### Share Registry

Computershare  
Level 2, 45 St George's Terrace  
Perth, Western Australia, 6000  
1300 557 010 (Telephone)  
www.computershare.com.au

### Lawyers

Steinepreis Paganin  
Level 4, The Read Buildings  
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 2014. 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 half-year period and up to the date of this report unless stated otherwise.

## Principal activities

The principal activity of the Group during the half-year period was exploration and evaluation of mineral interests.

## Results

The consolidated net loss of the Group for the half-year period after income tax expense was \$331,353 (2013: \$1,017,151 loss). This was largely the result of the decreased exploration activities due to the Company's decision to reduce the Australian and Sweden portfolio.

## Review of operations

The Group's exploration and corporate activities during the six months ended 31 December 2014 are detailed in the reports released to the ASX. Other than the ASX announcements, there has been no other significant change in the operations of the Group.

## Subsequent events

No matters or circumstances have arisen since 31 December 2014 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.

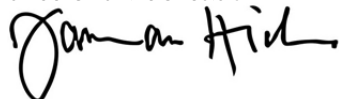
On 10 March 2015 Hannans Reward Ltd, Cullen Resources Ltd and Mine Builder Pty Ltd signed an agreement relating to the transfer of all title, rights, interest and third party obligation with respect to gold rights on mining lease M77/544 for \$1 million. The gold rights are jointly owned by Hannans Reward Ltd (80%) and Cullen Resources Ltd (20%). The cash consideration is to be paid in four instalments during the next 9 months.

## Auditor's independence declaration

The auditor's independence declaration is included on page 4 and forms part of the Directors' report for the six months ended 31 December 2014.

Signed in accordance with a resolution of directors.

On behalf of the Directors



Damian Hicks

Managing Director

16 March 2015

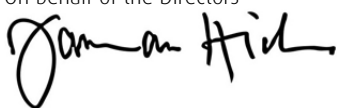
## DIRECTORS' DECLARATION

The Directors declare that:

- (a) in the Directors' opinion, subject to the achievability of the matters set out in note 2, 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 Standard 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 2014.

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

A handwritten signature in black ink that reads "Damian Hicks". The signature is written in a cursive, flowing style.

**Damian Hicks**

Managing Director

Perth, Western Australia this 16th of March 2015

# INDEPENDENCE DECLARATION TO THE DIRECTORS OF HANNANS REWARD LTD



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

Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
ey.com/au

## 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 2014, 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.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Gavin Buckingham'.

Gavin Buckingham  
Partner  
16 March 2015

# INDEPENDENT REVIEW REPORT TO THE MEMBERS OF HANNANS REWARD LTD



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

Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
ey.com/au

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 consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 2014 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.



## 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:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- ii) 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

Gavin Buckingham  
Partner  
Perth  
16 March 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half-year ended 31 December 2014

	Note	Half-year ended 31 Dec 2014 \$	Half-year ended 31 Dec 2013 \$
Other income		422,845	193,827
Employee and contractors expenses		(290,319)	(242,932)
Depreciation expense		(14,895)	(18,982)
Consultants expenses		(44,022)	(104,651)
Interest expense		(1,311)	(2,487)
Occupancy expenses		(117,229)	(151,789)
Marketing expenses		(5,065)	(9,799)
Exploration and evaluation expenses		(238,497)	(650,213)
Other expenses		(42,860)	(151,844)
<b>Loss from continuing operations before income tax benefit</b>		<b>(331,353)</b>	<b>(1,138,870)</b>
Income tax benefit		-	121,719
<b>Loss from continuing operations attributable to members of the parent entity</b>		<b>(331,353)</b>	<b>(1,017,151)</b>
<b>Other comprehensive (loss)/income for the period</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation differences – foreign operations		(24,944)	82,162
Net change in fair value of available-for-sale financial assets		130	(320)
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>(24,814)</b>	<b>81,842</b>
<b>Total comprehensive loss for the period</b>		<b>(356,167)</b>	<b>(935,309)</b>
<b>Net loss attributable to the parent entity</b>		<b>(331,353)</b>	<b>(1,017,151)</b>
<b>Total comprehensive loss attributable to the parent entity</b>		<b>(356,167)</b>	<b>(935,309)</b>
<b>Loss per share:</b>			
Basic (cents per share)		(0.05)	(0.14)
Diluted (cents per share)		(0.05)	(0.14)

The accompanying notes form part of the financial statements.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

	Note	31 Dec 2014 \$	30 Jun 2014 \$
<b>Current assets</b>			
Cash and cash equivalents		623,850	695,163
Trade and other receivables		172,845	708,297
Other financial assets	3	3,321	3,191
<b>Total current assets</b>		<b>800,016</b>	<b>1,406,651</b>
<b>Non-current assets</b>			
Other receivables		176,616	236,852
Property, plant and equipment		44,729	59,693
Other financial assets	3	208,797	255,728
Capitalised mineral exploration and evaluation expenditure	4	29,766,231	29,688,557
<b>Total non-current assets</b>		<b>30,196,373</b>	<b>30,240,830</b>
<b>TOTAL ASSETS</b>		<b>30,996,389</b>	<b>31,647,481</b>
<b>Current liabilities</b>			
Trade and other payables	5	1,676,869	1,975,709
Provisions	6	222,467	186,077
Tax payable		-	625
Other financial liabilities	7	4,811	4,596
<b>Total current liabilities</b>		<b>1,904,147</b>	<b>2,167,007</b>
<b>Non-current liabilities</b>			
Provisions	6	212,742	287,806
Other financial liabilities	7	422	2,882
<b>Total non-current liabilities</b>		<b>213,164</b>	<b>290,688</b>
<b>TOTAL LIABILITIES</b>		<b>2,117,311</b>	<b>2,457,695</b>
<b>NET ASSETS</b>		<b>28,879,078</b>	<b>29,189,786</b>
<b>Equity</b>			
Issued capital	8	44,577,512	44,577,512
Reserves	9	(221,505)	(242,150)
Accumulated losses	10	(15,476,929)	(15,145,576)
<b>TOTAL EQUITY</b>		<b>28,879,078</b>	<b>29,189,786</b>

The accompanying notes form part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2014

For the half-year ended 31 December 2014	Attributable to equity holders					
	Issued capital \$	Option Reserves \$	Revaluation Reserves \$	Foreign Currency Translation Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2014	44,577,512	-	(29,210)	(212,940)	(15,145,576)	29,189,786
<b>Total comprehensive income</b>						
Loss for the period	-	-	-	-	(331,353)	(331,353)
Other comprehensive income for the period	-	-	130	(24,944)	-	(24,814)
Total comprehensive loss for the period	-	-	130	(24,944)	(331,353)	(356,167)
<b>Transactions with owners recorded direct to equity</b>						
Issue of options	-	45,459	-	-	-	45,459
Share issue expense	-	-	-	-	-	-
Total transactions with owners	-	45,459	-	-	-	45,459
<b>Balance as at 31 December 2014</b>	<b>44,577,512</b>	<b>45,459</b>	<b>(29,080)</b>	<b>(237,884)</b>	<b>(15,476,929)</b>	<b>28,879,078</b>

## 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	Issued Capital \$	Option Reserves \$	Revaluation Reserves \$	Foreign Currency Translation Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2013	44,579,980	1,368,809	(22,305)	(64,321)	(15,499,061)	30,363,102
<b>Total comprehensive income</b>						
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)
<b>Transactions with owners recorded direct to equity</b>						
Share issue expense	(2,467)	-	-	-	-	(2,467)
Total transactions with owners	(2,467)	-	-	-	-	(2,467)
<b>Balance as at 31 December 2013</b>	<b>44,577,513</b>	<b>1,368,809</b>	<b>(22,625)</b>	<b>17,841</b>	<b>(16,516,212)</b>	<b>29,425,326</b>

The accompanying notes form part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOW

for the half-year ended 31 December 2014

	Half-year ended 31 Dec 2014 \$	Half-year ended 31 Dec 2013 \$
<b>Cash flows from operating activities</b>		
Receipts of other income	64,487	165,577
Receipt of exclusive due diligence fee	559,498	-
Payments for exploration and evaluation	(203,976)	(940,936)
Payments to suppliers and employees	(520,200)	(609,195)
Interest received	7,033	29,326
Interest paid	(1,311)	(3,694)
<b>Net cash used in operating activities</b>	<b>(94,469)</b>	<b>(1,358,922)</b>
<b>Cash flows from investing activities</b>		
Payments for exploration and evaluation	(80,504)	(140,765)
Proceeds on sale of fixed assets	-	4,270
Amounts received from/(advanced to) outside entities	46,931	(5,232)
Release of security bonds	59,000	-
Receipt of payment for first tranche for the sale of Discovery Zone exploration concession	-	1,000,000
<b>Net cash provided by investing activities</b>	<b>25,427</b>	<b>858,273</b>
<b>Cash flows from financing activities</b>		
Payment for share issue costs	-	(2,468)
Repayment of finance leases/borrowings	(2,245)	(102,086)
<b>Net cash used in financing activities</b>	<b>(2,245)</b>	<b>(104,554)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(71,287)</b>	<b>(605,203)</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>	<b>695,163</b>	<b>1,809,204</b>
Effects of exchange rate fluctuations on cash held	(26)	3,573
<b>Cash and cash equivalents at the end of the financial period</b>	<b>623,850</b>	<b>1,207,574</b>

The accompanying notes form part of the financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2014

## 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 2014 comprises the Company and its subsidiaries (together referred to as the 'Group').

The financial report of Hannans for the half-year ended 31 December 2014 was authorised for issue by the Directors on 16 March 2015.

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 2014 is available upon request from the Company's registered office at 6 Outram Street, West Perth, Western Australia, 6005 or at [www.hannansreward.com](http://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 2014 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 2014 and considered together with any public announcements made by the Company during the half-year ended 31 December 2014 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 2(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 \$331,353 (31 December 2013: \$1,017,151 loss) for the half-year ended 31 December 2014 and had a net cash outflow of \$71,287 (31 December 2013: \$605,203 net outflow) for the half year ended 31 December 2014. The consolidated entity had cash and cash equivalents at 31 December 2014 of \$623,850 (30 June 2014: \$695,163) and has a working capital deficit of \$1,104,131 (30 June 2014: \$760,356 deficit), due primarily 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.

The Group's cashflow forecast for the period ended 31 March 2016 reflects that the Group will need to raise additional working capital during the quarter ending 30 June 2015 to enable the Group to continue to meet its current committed administration and exploration expenditure.

The Directors are satisfied they will be able to raise additional working capital as required and thus it is appropriate to prepare the financial statements on a going concern basis. In arriving at this position the Directors have considered the following pertinent matters:

- o On 10 March 2015 Hannans Reward Ltd, Cullen Resources Ltd and Mine Builder Pty Ltd signed an agreement relating to the transfer of all title, rights, interest and third party obligation with respect to gold rights on mining lease M77/544 for \$1 million. The gold rights are jointly owned by Hannans Reward Ltd (80%) and Cullen Resources Ltd (20%). The cash consideration is to be paid in four instalments during the next 9 months.
- o 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.
- o 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.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2014

## 2. Basis of preparation and changes to the accounting policies (cont'd)

### (a) Basis of preparation (cont'd)

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 2014, except for the adoption of new standards and interpretations effective as of 1 July 2014 detailed below:

- ∅ AASB 132 Financial Instruments: Presentation and AASB 2012-3 Amendments to Australian Accounting Standards arising from AASB 132;
- ∅ AASB 136 Impairment of Assets and AASB 2013-3 Amendments to Australian Accounting Standards arising from AASB 136; and
- ∅ AASB 1031 Materiality and AASB 2013-9 (Part B) Amendments to Australian Accounting Standards to delete references to AASB 1031.

The adoption of these new and revised standards has not resulted in any significant changes to the Group's accounting policies or to the amounts reported for the current or prior periods. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

	31 Dec 2014 \$	30 Jun 2014 \$
<b>3. Other financial assets</b>		
<b>Current</b>		
Quoted equity shares (i)	3,320	3,190
Unquoted equity shares (ii)	1	1
	<b>3,321</b>	<b>3,191</b>
(i) Investments in listed entities include the following:		
(a) 20,000 ordinary fully paid shares in Brighton Mining Group Ltd;		
(b) 20,000 ordinary fully paid shares in Lithex Resources Ltd; and		
(c) 125,000 ordinary fully paid shares in Naracoota Resources Ltd.		
(ii) HR Subsidiary Pty Ltd (a wholly owned subsidiary of Hannans Reward Ltd) holds 1 share at \$1 in Equity & Royalty Investments Ltd. Equity & Royalty Investments Ltd has 100 million ordinary shares on issue. The principal activity of the Company is the investment in equity and royalties in other companies with the objective of realising gains through equity and generating an income stream through the royalties.		
<b>Non-current</b>		
Loan to director (i)	168,985	168,985
Loan to outside entity (ii)	39,812	86,743
	<b>208,797</b>	<b>255,728</b>
(i) The Board approved a loan for \$300,000 at 6% per annum repayable on or before 31 March 2015. The loaned funds were used to exercise 1,500,000 options in Hannans at an exercise price of \$0.20 per option. The Company has agreed to suspend interest charged, principal repayments and interest payments while Mr Hicks' salary is being deferred. The loan repayment date has been extended by two (2) years to 31 March 2017.		
(ii) The loan arose on the deconsolidation of Errawarra Pty Ltd (Errawarra). The loan is unsecured, non-interest bearing and has no fixed terms of repayment. Errawarra made a repayment of \$46,931 during the period.		

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2014

	31 Dec 2014 \$	30 Jun 2014 \$
<b>4. Capitalised mineral exploration and evaluation expenditure</b>		
Balance at beginning of financial year	29,688,557	29,201,181
Exploration expenditure during the period	80,504	577,164
Foreign currency translation movement during the period	(2,830)	(89,788)
Balance at end of period	29,766,231	29,688,557

The recoverability of the carrying amount of the capitalised 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

Trade payables (i)	88,299	101,469
Accruals (ii)	588,570	535,746
Other payable (iii)	1,000,000	1,338,494
	1,676,869	1,975,709

(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) Mr Damian Hicks' total deferred salary entitlement from 1 April 2013 to 31 December 2014 of \$165,072 (30 June 2014: \$171,064) and the Non-Executive Director's fee entitlement from 1 January 2014 to 31 December 2014 of \$106,838 (30 June 2014: \$58,275) are included in the above amount.

(iii) 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 of the first payment date (being 1 October 2015) or a later date agreed by the parties, Hannans is required to refund the first \$1 million received from Avalon.

## 6. Provisions

### Current

Employee benefits	105,759	110,856
Rent – unoccupied space (i)	116,708	75,221
	222,467	186,077

### Non-current

Employee benefits	51,926	47,205
Rent – unoccupied space (i)	160,816	240,601
	212,742	287,806

(i) The provision was recognised on the basis that Hannans currently occupies and subleases part of its Perth office premises as a portion of the space is surplus to the requirements of the Group. The provision for the unoccupied space is calculated based on the difference between the Company's full operating office lease commitment to the end of the lease term on 14 December 2016 and the current occupied and subleased space discounted at 5% to present value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2014

	31 Dec 2014 \$	30 Jun 2014 \$
<b>7. Other financial liabilities</b>		
<b>Current</b>		
Convertible notes (i)		
Amounts outstanding at the beginning of the period	-	101,589
Amounts repaid	-	(101,624)
Accrued and imputed interest	-	35
Carrying amount of liability at the end of the period	-	-
Finance lease liabilities	4,811	4,596
	4,811	4,596
<b>Non-current</b>		
Finance lease liabilities	422	2,882
	422	2,882

- (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.

## 8. Issued capital

721,966,133 fully paid ordinary shares (30 June 2014: 721,966,133)	44,577,512	44,577,512
	44,577,512	44,577,512

	31 Dec 2014		30 Jun 2014	
	No.	\$	No.	\$
<b>Fully paid ordinary shares</b>				
Balance at beginning of financial period	721,966,133	44,577,512	706,966,133	44,579,980
Issue of shares – 4 July 2013 (i)	-	-	15,000,000	-
Share issue costs	-	-	-	(2,468)
Balance at end of financial period	721,966,133	44,577,512	721,966,133	44,577,512

- (i) 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.

	31 Dec 2014 \$	30 Jun 2014 \$
<b>9. Reserves</b>		
Balance at the beginning of the financial period	(242,150)	1,282,183
Option reserve	45,459	(1,368,809)
Available-for-sale revaluation reserve	130	(6,905)
Foreign currency translation differences	(24,944)	(148,619)
<b>Balance at the end of the period</b>	<b>(221,505)</b>	<b>(242,150)</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2014

	31 Dec 2014 \$	30 Jun 2014 \$
<b>9. Reserves (cont'd)</b>		
The balance of reserves is made up as follows:		
Option reserve	45,459	-
Available-for-sale revaluation reserve	(29,080)	(29,210)
Foreign currency translation reserve	(237,884)	(212,940)
	<u>(221,505)</u>	<u>(242,150)</u>

<b>10. Accumulated losses</b>		
Balance at the beginning of the financial period	(15,145,576)	(15,499,061)
Loss attributable to members of the parent entity	(331,353)	(1,015,324)
Transfer of fair value of options expired from option reserves to accumulated losses	-	1,368,809
Balance at the end of the financial period	<u>(15,476,929)</u>	<u>(15,145,576)</u>

## 11. 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 2014 \$	31 Dec 2013 \$
<b>Segment revenue – Other income</b>		
Australia	83,587	171,562
Scandinavia	339,258	22,265
Consolidated	<u>422,845</u>	<u>193,827</u>
<b>Segment result</b>		
Australia	(315,708)	(493,243)
Scandinavia	(15,645)	(645,626)
	<u>(331,353)</u>	<u>(1,138,869)</u>
Loss before income tax benefit	(331,353)	(1,138,869)
Income tax benefit	-	121,718
Loss for the period	<u>(331,353)</u>	<u>(1,017,151)</u>

Segment assets and liabilities	Assets		Liabilities	
	31 Dec 2014 \$	30 Jun 2014 \$	31 Dec 2014 \$	30 Jun 2014 \$
Australia	664,504	1,032,688	757,916	796,431
Scandinavia	30,331,885	30,614,793	1,359,395	1,661,264
Consolidated	<u>30,996,389</u>	<u>31,647,481</u>	<u>2,117,311</u>	<u>2,457,695</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2014

## 12. 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 of the first payment date (being 1 October 2015) 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.

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) On 30 October 2012 the Office of State Revenue ('OSR') 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.

## 13. Share-based payment

On 5 December 2014, 36,050,000 share options were granted to senior executives and employees of the Group. The options terms and conditions are shown below.

Details	Tranche 1	Tranche 2	Tranche 3	TOTAL
Number of options	12,016,668	12,016,668	12,016,664	36,050,000
Exercise price	0.8 cents	(i)	(i)	
Expiry date	20 Nov 2017	20 Nov 2018	20 Nov 2019	
Vesting date (ii)	20 Nov 2014	20 Nov 2015	20 Nov 2016	

- (i) Exercise price will be calculated from the volume weighted average share price for the ten (10) trading days after the Vesting Date for each Tranche PLUS a premium of 50%. The Monte-Carlo simulation model was used for Tranche 2 and 3
- (ii) Senior executive and employees are entitled to the Options upon working for the Group to the vesting dates. Options that have vested prior to termination must be exercised within three months or they will lapse, unvested options will lapse immediately on termination.

The fair value of the options granted is issued and valued at the date of grant taking into account the terms and conditions upon which the options were granted using a Black Scholes model for Tranche 1. There is no cash settlement of the options.

The weighted average fair value of the options granted during the half-year period was 0.7 cents (year ended 30 June 2014: Nil).

For the half-year period ended 31 December 2014, the Group has recognised \$45,459 of share-based payments transactions expense in the statement of profit or loss (30 June 2014: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2014

## 14. Related party disclosures

The table below provides the share options issued to key management personnel during the half-year ended 31 December 2014. There were no options on issue as at 31 December 2013 and 30 June 2014.

	Bal at 1 Jul	Granted as remuneration	Exercised	Net other change	Bal at 31 Dec	Bal vested at 31 Dec	Vested but not exercisable	Vested and exercisable	Options vested during period
<b>Directors</b>									
Damian Hicks	-	9,500,000	-	-	9,500,000	3,166,667	-	3,166,667	3,166,667
Jonathan Murray	-	1,500,000	-	-	1,500,000	500,000	-	500,000	500,000
Markus Bachmann	-	1,500,000	-	-	1,500,000	500,000	-	500,000	500,000
Olof Forslund	-	1,500,000	-	-	1,500,000	500,000	-	500,000	500,000
<b>Executive</b>									
Amanda Scott	-	9,500,000	-	-	9,500,000	3,166,667	-	3,166,667	3,166,667
<b>Total</b>	-	23,500,000	-	-	23,500,000	7,833,334	-	7,833,334	7,833,334

## 15. Financial Instruments

The fair value of financial assets and financial liabilities of the Group approximated their carrying amount. The table below analyses financial instruments carried at fair value by value measurement hierarchy.

Quantitative disclosures fair value measurement hierarchy	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>31 Dec 2014</b>				
<b>Assets measured at fair value</b>				
<b>Available-for-sale financial assets (note 3):</b>				
Quoted equity shares (i)	3,320	3,320	-	-
<b>30 Jun 2014</b>				
<b>Assets measured at fair value</b>				
<b>Available-for-sale financial assets:</b>				
Quoted equity shares (i)	3,190	3,190	-	-

Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the financial assets is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair value:

- (i) Fair value of available-for-sale financial assets is derived from quoted market prices in active markets.

## 16. Subsequent events

No matters or circumstances have arisen since 31 December 2014 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 10 March 2015 Hannans Reward Ltd, Cullen Resources Ltd and Mine Builder Pty Ltd signed an agreement relating to the transfer of all title, rights, interest and third party obligation with respect to gold rights on mining lease M77/544 for \$1 million. The gold rights are jointly owned by Hannans Reward Ltd (80%) and Cullen Resources Ltd (20%). The cash consideration is to be paid in four instalments during the next 9 months.