



## Hannans Reward Limited

ABN 52 099 862 129

Financial report for the half year ended  
31 December 2010

## CONTENTS

	Page
Corporate directory	3
Directors' report	4
Auditor's independence declaration	5
Directors' declaration	6
Independent review report	7
Condensed consolidated statement of comprehensive income	9
Condensed consolidated statement of financial position	10
Condensed consolidated statement of changes in equity	11
Condensed consolidated statement of cash flows	12
Condensed notes to the consolidated financial statements	13

## CORPORATE DIRECTORY

### BOARD OF DIRECTORS

Independent Non Executive Chairman  
Richard Scallan

Managing Director  
Damian Hicks

Non Executive Director  
William Hicks  
Jonathan Murray

### COMPANY SECRETARY

Ian Gregory  
Michael Craig

### PRINCIPAL OFFICE

Ground Floor 28 Ord Street  
West Perth WA 6005  
Telephone: (08) 9324 3388  
Facsimile: (08) 9324 3366  
Web: [www.hannansreward.com](http://www.hannansreward.com)

### REGISTERED OFFICE

Ground Floor 28 Ord Street  
West Perth WA 6005

### AUDITOR

Stantons International  
First Floor, 1 Havelock Street  
West Perth, WA, 6005

### SHARE REGISTRY

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

### STOCK EXCHANGE LISTING

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

## DIRECTORS' REPORT

The Directors of Hannans Reward Limited submit herewith the financial report for the half year ended 31 December 2010. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

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

Independent Non Executive Chairman

Mr Richard Scallan

Managing Director

Mr Damian Hicks

Non Executive Directors

Mr William Hicks

Mr Jonathan Murray

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

Principal activities

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

Results

The net profit of the Group for the interim period after income tax expense was \$719,095 (2009: \$3,200,570)

Review of operations


Other than exploration and corporate activities as detailed in the reports released to the market, there have been no other significant operations by the Group during the six months to 31 December 2010.

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 2010.

Signed in accordance with a resolution of directors:

On behalf of the Directors



Damian Hicks

Managing Director

14 March 2011

14 March 2011

Board of Directors  
Hannans Reward Limited  
Ground Floor, 28 Ord 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 review of the financial statements of Hannans Reward Limited for the six months ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

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

**Martin Michalik**  
**Director**

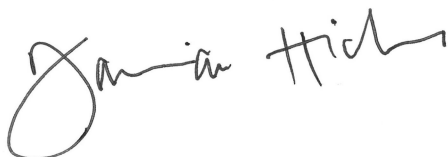
## DIRECTORS' DECLARATION

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and giving a true and fair view of the financial position and performance of the consolidated entity for the half year ended 31 December 2010.

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

On behalf of the Directors



Damian Hicks  
Managing Director

14 March 2011



## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF HANNANS REWARD LIMITED

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hannans Reward Limited, which comprises the condensed statement of financial position as at 31 December 2010, the condensed statement of comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Hannans Reward Limited (the consolidated entity). The consolidated entity comprises both Hannans Reward Limited (the company) and the entities it controlled during the half year.

#### *Directors' Responsibility for the Half-Year Financial Report*

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

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hannans Reward Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Hannans Reward Limited on 14 March 2011.

*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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

*Stantons International Audit and Consulting Pty Ltd*



**Martin Michalik**  
**Director**

West Perth, Western Australia  
14 March 2011



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Note	Consolidated	
		Half-year ended 31 Dec 2010 \$	Half-year ended 31 Dec 2009 \$
Revenue		197,588	82,026
Sale of mineral rights		-	5,250,000
Gain on sale of listed securities		3,335,087	6,894
Employee and contractors expense		(257,577)	(202,050)
Depreciation expense		(20,804)	(5,252)
Consultants expenses		(36,407)	(62,116)
Occupancy expenses		(30,175)	(36,567)
Marketing expenses		(15,075)	(11,313)
Exploration and evaluation expenditure		(2,323,737)	(1,703,897)
Provision against recoverability of loan		(14,944)	-
Other expenses		(114,861)	(117,155)
Profit before income tax expense		719,095	3,200,570
Income tax expense	10(a)	-	-
Net income for the period		719,095	3,200,570
Other comprehensive income for the period			
Net fair value gains on available for sale assets net of deferred taxation		4,387,264	10,623,152
Net change in fair value of available for sale assets transferred to profit and loss		(2,539,256)	-
Total comprehensive income for the period		2,567,103	13,823,722
Net income attributable to the parent entity		719,095	3,200,570
Total comprehensive income attributable to the parent entity		2,567,103	13,823,722
Earnings per share:			
Basic (cents per share)		0.55	2.81
Diluted (cents per share)		0.55	2.81

The accompanying condensed notes form part of the financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	Consolidated	
		31 Dec 2010 \$	30 June 2010 \$
Current assets			
Cash and cash equivalents		5,379,849	4,584,746
Trade and other receivables		263,327	138,297
Other financial assets	8	20,230,358	17,218,816
Total current assets		25,873,534	21,941,859
Non-current assets			
Trade and other receivables		212,224	209,225
Property, plant and equipment	9	169,167	81,724
Other financial assets		300,002	300,000
Total non-current assets		681,393	590,949
Total assets		26,554,927	22,532,808
Current liabilities			
Trade and other payables		637,808	718,367
Provisions		98,489	79,800
Other financial liabilities		9,459	-
Total current liabilities		745,756	798,167
Non-current liabilities			
Deferred tax liabilities	10(c)	2,311,714	943,816
Other financial liabilities		96,425	-
Total non-current liabilities		2,408,139	943,816
Total liabilities		3,153,895	1,741,983
Net assets		23,401,032	20,790,825
Equity			
Issued capital	11	20,135,891	20,135,891
Reserves	12	14,608,773	12,717,661
Accumulated losses		(11,343,632)	(12,062,727)
Total equity		23,401,032	20,790,825

The accompanying condensed notes form part of the financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2010

For the half year ended 31 December 2010

Balance at 1 July 2010  
*Total Comprehensive Income*  
 Net income for the period  
 Other comprehensive income for the period  
 Total comprehensive income for the period  
*Transactions with owners recorded direct to equity*  
 Issue of options  
 Total transactions with owners  
 Balance at 31 December 2010

Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
20,135,891	12,717,661	(12,062,727)	20,790,825
-	-	719,095	719,095
-	1,848,008	-	1,848,008
-	1,848,008	719,095	2,567,103
-	43,104	-	43,104
-	43,104	-	43,104
20,135,891	14,608,773	(11,343,632)	23,401,032

For the half year ended 31 December 2009

Balance at 1 July 2009  
*Total Comprehensive Income*  
 Net income for the period  
 Other comprehensive income for the period  
 Total comprehensive income for the period  
*Transactions with owners recorded direct to equity*  
 Issue of shares  
 Issue of options  
 Share issue expenses  
 Total transactions with owners  
 Balance at 31 December 2009

Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
13,906,008	1,089,099	(13,746,548)	1,248,559
-	-	3,200,570	3,200,570
-	10,623,152	-	10,623,152
-	10,623,152	3,200,570	13,823,722
5,855,660	-	-	5,855,660
-	126,003	-	126,003
(320,827)	-	-	(320,827)
5,534,833	126,003	-	5,660,836
19,440,841	11,838,254	(10,545,978)	20,733,117

The accompanying condensed notes form part of the financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Consolidated	
	Half-year ended 31 Dec 2010 \$	Half-year ended 31 Dec 2009 \$
Cash flows from operating activities		
Payments for exploration and evaluation	(2,323,736)	(1,247,606)
Payments to suppliers and employees	(607,366)	(528,206)
Interest received	179,788	73,625
Interest on loan paid	(2,485)	-
GST received on sale of mineral rights	-	525,000
Net cash used in operating activities	(2,753,799)	(1,177,187)
Cash flows from investing activities		
Payment for investment securities	(4,000)	(15,500)
Proceeds on sale of investment securities	4,224,710	14,894
Proceeds on sale of mineral rights	-	750,000
Payments for plant and equipment	(4,381)	(1,014)
Amounts advanced to outside entities	(659,947)	(79,813)
Net cash provided by investing activities	3,556,382	668,567
Cash flows from financing activities		
Proceeds from the issue of equity securities	-	5,521,660
Payment for share issue costs	-	(320,827)
Repayment of loan	(7,480)	-
Net cash (used in)/provided by financing activities	(7,480)	5,200,833
Net increase in cash and cash equivalents	795,103	4,692,213
Cash and cash equivalents at the beginning of the half year	4,584,746	1,027,426
Cash and cash equivalents at the end of the half year	5,379,849	5,719,639

The accompanying condensed notes form part of the financial statements.

## CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2010

### 1. Reporting Entity

Hannans Reward Ltd is a company domiciled in Australia. The consolidated interim financial report of the Group as at and for the six months ended 31 December 2010 comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2010 is available upon request from the Company's registered office at 28 Ord Street, West Perth, Western Australia, 6005 or at [www.hannansreward.com](http://www.hannansreward.com).

### 2. Statement of compliance

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

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Company as at and for the year ended 30 June 2010 and any public announcements made by the Company during its interim reporting period.

The interim financial report was approved by the board of Directors on 14 March 2011.

### 3. Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's 2010 annual financial report for the financial year ended 30 June 2010, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

- Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the classification of expenditures on unrecognised assets in the statement of cash flows.

The adoption of these amendments has not resulted in any changes to the Group's accounting.

## 4. Basis of preparation

The report has been prepared on the going concern basis. The Directors are of the opinion that the going concern basis is appropriate as the Company expects to be in a position to meet its cash requirements for the next 12 months.

## 5. Estimates

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

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial report as at and for the year ended 30 June 2010.

## 6. Financial risk management

The Company's financial risk management objective and policies are consistent with those disclosed in the financial report as at and for the year ended 30 June 2010.

## 7. Segment reporting

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

## 8. Other financial assets

	31 December 2010 \$	30 June 2010 \$
Loan to Kiruna Iron AB(i)	652,470	-
Loan to Resources & Rewards Ltd(ii)	14,944	-
Provision against loan recoverability(ii)	(14,944)	-
Investments in listed entities (iii)	19,577,888	17,218,816
	<u>20,230,358</u>	<u>17,218,816</u>

- (i) Wholly owned subsidiary, HR Equities Pty Ltd, has 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 December 2011 and HR Equities Pty Ltd has first mortgage over the assets of Scandinavian Resources Ltd. HR Equities Pty Ltd 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. As a fee, HR Equities Pty Ltd has been issued with 1 million Scandinavian Resources Ltd options exercisable at 20 cents per option on or before 31 October 2012. Excluding interest a total of \$645,000 of the loan has been drawn down at 31 December 2010.



## 8. Other financial assets (cont'd)

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

(iii) Investments in listed entities include the following:

- a) 6,401,334 ordinary fully paid shares in Atlas Iron Ltd
- b) 20,000 ordinary fully paid shares in Brighton Mining Group Ltd
- c) 1,835,001 ordinary fully paid shares in Scandinavian Resources Ltd
- d) 1,250,001 options exercisable at 20 cents on or before 31 October 2012 in Scandinavian Resources Ltd

## 9. Property, plant and equipment

During the six months ended 31 December 2010 the Group acquired assets with a cost of \$108,247 (six months ended 31 December 2009: \$1,014).

## 10. Income tax

	Consolidated	
	31	31
	December	December
	2010	2009
	\$	\$
(a) Income tax recognised in net income/(loss) for the period		
Tax expense comprises:		
Current tax expense	245,541	960,171
Brought forward Tax losses utilised	(245,541)	(960,171)
Total tax expense	-	-

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

	Consolidated	
	31	30
	December	June
	2010	2010
	\$	\$
(b) Deferred tax recognised direct in equity		
The following deferred tax amounts were debited directly to equity during the period:		
Deferred tax on revaluation of available for sale assets	4,897,020	3,774,663
Less: Brought forward tax losses utilised	(2,585,306)	(2,830,847)
	2,311,714	943,816
(c) Deferred tax liabilities		
Revaluations of available for sale assets	2,311,714	943,816
	2,311,714	943,816

## 10. Income tax (cont'd)

	Opening Balance	Charged to Equity	Closing Balance
(d) Reconciliation of deferred tax assets/(liabilities)			
Available for sale financial assets	(943,816)	(1,367,898)	(2,311,714)
	<u>(943,816)</u>	<u>(1,367,898)</u>	<u>(2,311,714)</u>
	31 December 2010 \$	30 June 2010 \$	
(e) Unrecognised deferred tax balances			
The following deferred tax assets and (liabilities) have not been brought to account			
Net temporary differences	156,323	158,267	
	<u>156,323</u>	<u>158,267</u>	

## 11. Issued Capital

During the period the Company completed the following transactions in its securities:

	31 December 2010 \$	30 June 2010 \$		
131,648,715 fully paid ordinary shares (30 June 2010: 131,648,715)	<u>20,135,891</u>	<u>20,135,891</u>		
Movement in ordinary share capital	31 December 2010		30 June 2010	
	No.	\$	No.	\$
Beginning of financial period	131,648,715	20,135,891	90,324,979	13,906,008
Issue of shares - 30 July 2009	-	-	2,000,000	300,000
Placement of shares - 18 August 2009	-	-	9,748,670	1,511,044
Issue of shares - 31 August 2009	-	-	200,000	34,000
Share purchase plan - 14 September 2009	-	-	6,526,960	1,011,660
Placement of shares - 22 September 2009	-	-	19,348,106	2,998,956
Option converted to shares - 1 April 2010	-	-	3,000,000	600,000
Option converted to shares - 30 April 2010	-	-	500,000	100,000
Share issue costs	-	-	-	(325,777)
Balance at 31 December 2010	<u>131,648,715</u>	<u>20,135,891</u>	<u>131,648,715</u>	<u>20,135,891</u>

## 12. Reserves

	31 December 2010 \$	30 June 2010 \$
At the beginning of the period	12,717,661	1,089,099
Option reserve	43,104	126,003
Available for sale revaluation reserve	3,215,906	12,446,375
Deferred tax liabilities	<u>(1,367,898)</u>	<u>(943,816)</u>
Balance at 31 December	<u>14,608,773</u>	<u>12,717,661</u>

## 13. Share based payments

## (a) Recognised share based payment expense

	31 December 2010 \$	31 December 2009 \$
Ordinary shares and Options issued to suppliers and employees as part of:		
Share based payment expense	43,104	460,003
Expense arising from equity settled share based payment transactions	43,104	460,003

## (b) Employee share options

On the 23 August 2010 the following options were issued to the exploration manager as per the terms of his employment contract:

- (i) 300,000 unlisted options exercisable at 20 cents each on or before 20 July 2013 with a fair value at grant date of 7.14 cents.
- (ii) 300,000 unlisted options exercisable at 75 cents each on or before 20 July 2013 with a fair value at grant date of 3.93 cents.
- (iii) 300,000 unlisted options exercisable at 100 cents each on or before 20 July 2013 with a fair value at grant date of 3.30 cents.

## (c) Director options

No share based payments were made to Directors during the six months ending 31 December 2010.

## (d) Option Model

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

Option Series	20 July 2013	20 July 2013	20 July 2013
Grant date share price	\$0.17	\$0.17	\$0.17
Exercise price	\$0.20	\$0.75	\$1.00
Expected volatility	100%	100%	100%
Option life	35 Months	35 Months	35 Months
Dividend yield	Nil	Nil	Nil
Risk-free interest rate	4.47%	4.47%	4.47%

## (e) Weighted average remaining contractual life

The weighted average remaining contractual life of the share options as at 31 December 2010 is 1.20 years.

## 14. Related parties

Arrangements with related parties continue to be in place. For details of these arrangements, please refer to the 30 June 2010 annual financial report.

15. Subsequent events

The following matters or circumstances have arisen since 31 December 2010 that may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

- a) On 8 February 2011 HR Equities Pty Ltd entered into a convertible note with Scandinavian Resources Ltd 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 and interest is required to be repaid on or before 1 February 2012 and the lender has a continued first mortgage over the assets of Scandinavian Resources Ltd. HR Equities Pty Ltd may at its election at any time convert the amount drawn down into fully paid ordinary shares at a rate of 1 shares for every \$0.66 drawn down. As a fee the lender has been issued with 500,000 options exercisable at 40 cents per option on or before 15 December 2012. At the date of this report no funds have been drawn down on this loan.
- b) Of the \$3.75m convertible loan funds available to borrowers, \$845,000 has been drawn down as of 14 March 2011.
- c) As of 14 March 2011 the fair value of shares in listed entities has increased by \$3,517,124 since 31 December 2010 and is now \$23,095,011.