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HANNANS
REWARD
ANNUAL REPORT
2011

HANNANS

ABN 52 099 862 129

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Page
Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	47
Directors' Declaration	48
Independent Audit Report	49
Consolidated Statement of Comprehensive Income	51
Consolidated Statement of Financial Position	52
Consolidated Statement of Changes in Equity	53
Consolidated Statement of Cash Flows	54
Notes to the Consolidated Financial Statements	55

CORPORATE DIRECTORY

BOARD OF DIRECTORS

INDEPENDANT
NON-EXECUTIVE CHAIRMAN
Mr Richard Scallan

MANAGING DIRECTOR
Mr Damian Hicks

NON-EXECUTIVE DIRECTOR
Mr William Hicks

NON-EXECUTIVE DIRECTOR
Mr Jonathan Murray

COMPANY SECRETARY

Mr Ian Gregory
Mr Michael Craig

PRINCIPAL OFFICE

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West Perth, Western Australia 6005

REGISTERED OFFICE

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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)
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AUDITORS

Stantons International
Level 1, 1 Havelock Street
West Perth, Western Australia 6005

LAWYERS

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Perth, Western Australia 6000

DIRECTORS' REPORT

The Directors of Hannans Reward Ltd (Hannans) submit their annual financial report of the Group being the Company and its controlled entities for the financial year ended 30 June 2011.

Strategic Plan

VISION

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

MISSION

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

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

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

GOALS

People

1. To attract and retain a professional, knowledgeable and ethical team of experts whilst empowering staff at all levels.
2. To continuously build an understanding of our strategic partners' needs and wants and thereafter conduct business in a fair, transparent and ethical manner.

Projects

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

Capital

1. To create shareholder wealth over the short, medium and long term as measured by the potential of our prospects, the strength of our balance sheet, profitability of the business and share price.
2. To maintain sufficient funding strategies to implement exploration programs over the long-term through the peaks and troughs in exploration sentiment and commodity prices.

STRATEGY

Ultimately, Hannans is aiming to identify a world-class gold and or base metals deposit.

It is Management's opinion that Hannans' projects have the potential to host such deposits.

In the first instance exploration strategies have been developed to identify more than 250,000 ounces of gold and or 30,000 tonnes of contained nickel metal to form the basis for potential development of mining scenarios.

DIRECTORS' REPORT

Dear Shareholders

The exploration business is based on combining optimism with systematic risk taking. The implementation of a methodical and disciplined exploration process gives you the best chance of making a significant economic discovery that can provide the substantial capital appreciation. The discipline is to apply this process consistently through the peaks and troughs of investment sentiment and that requires committed management acting in the best interests of long term shareholders. We believe Hannans ticks these boxes.

At Hannans we also continue to develop our business model to ensure we have appropriate strategies in place to meet the long term goals of the Company. As such we have divided the business into three separate units: Hannans Reward (Exploration), Hannans Investment Management (Equities, Hybrid Securities and Debt) and Corporate Board Services (Transaction Services & Corporate Management). Don Huntly is accountable for Hannans Reward and I am accountable to the Board for Hannans as a whole together with the Hannans Investment Management and Corporate Board Services business units.

The successful exploration activities of Hannans Reward is where shareholders are exposed to the greatest returns whereas Hannans Investment Management (HIM) and Corporate Board Services (CBS) are designed to reduce Hannans' cash outflows by earning revenue. This will result in more cash being available for direct exploration expenditure.

Let me first turn to Hannans Reward. Your Board of Directors is fully supportive of the progress being made by our Exploration Manager Don Huntly and his Team. Since Don joined us in 2010 he has brought a very disciplined and pragmatic approach to the exploration and development of the minerals portfolio.

In relation to the Forrestania Project, south of Southern Cross it provides serious exploration challenges. Economic accumulations of nickel sulphides are notoriously hard to discover but the Forrestania Belt is a class belt and somewhere within our Project we believe there could be such a deposit. From a corporate perspective Kagara Ltd recently announced its intention to dispose of its Lounge Lizard nickel mine (the down plunge extension of Western Areas NL's Flying Fox nickel mine). It will be fascinating to see how this asset sale progresses in terms of the potential consolidation of the belt or the introduction of a new large company into Forrestania. Once again we can only emphasise that should Hannans Reward have exploration success at Forrestania the Company will be immediately re-rated.

We have very high hopes for the next round of RC drilling for gold at Lake Johnston, west of Norseman. A large amount of exploration field work has been completed at Lake Johnston over a number of years and this could result in an important gold discovery at the Mt Gordon Prospect before the end of 2011. We have been trying to get 'on the ground' for some time now to complete this program so we're very pleased to be starting in October 2011 now that all approvals have been received. We are targeting deposits that have a minimum 250,000 ounces and with gold trading at around US\$1,600 an ounce it is a very good price from which to develop a gold operation, if that is what occurs. Don also has a number of robust nickel sulphide anomalies that will be tested during the program. You couldn't be surprised if a nickel deposit was unearthed at Lake Johnston because it is along strike from Norilsk's Maggie Hays and Emily Ann nickel mines.

We will have great satisfaction from seeing an economic discovery of manganese at the Jigalong Project. The ever expanding Jigalong Project, now approaching 3,000km² in area, is unique in that the project was introduced to us in 2003 by Mr Cedric Wyatt, the CEO of JCI. In the eight years since there has been a lot of 'activity' in the East Pilbara region of Western Australia including a major minerals boom. This surge in exploration, corporate and political activity has put a great deal of pressure on traditional landowner groups and custodians of Aboriginal Reserves. This in turn has made it difficult to make rapid progress at Jigalong. What has endured however is the relationship between Hannans management and JCI staff. Whilst the Jigalong Project has now grown substantially and covers as much ground in neighbouring lands as it does Jigalong Lands, it was the personal relationship that formed the basis for Hannans entering the East Pilbara. We are optimistic that exploration success by Hannans and our subsidiary Errawarra will ultimately result in long term benefits for Hannans shareholders (including major shareholder and optionholder JCI) and traditional owners in the East Pilbara.

At the end of 2011 we will complete a thorough review of the current exploration portfolio with a view to focussing our efforts and funding in 2012. We believe Hannans Reward has the exploration and corporate systems and processes in place to efficiently assess new exploration projects and whilst Hannans will remain an Australian focused gold and base metals company, we continue to seek out minerals opportunities for the benefit of shareholders by remaining open to exploration opportunities locally and overseas.

DIRECTORS' REPORT

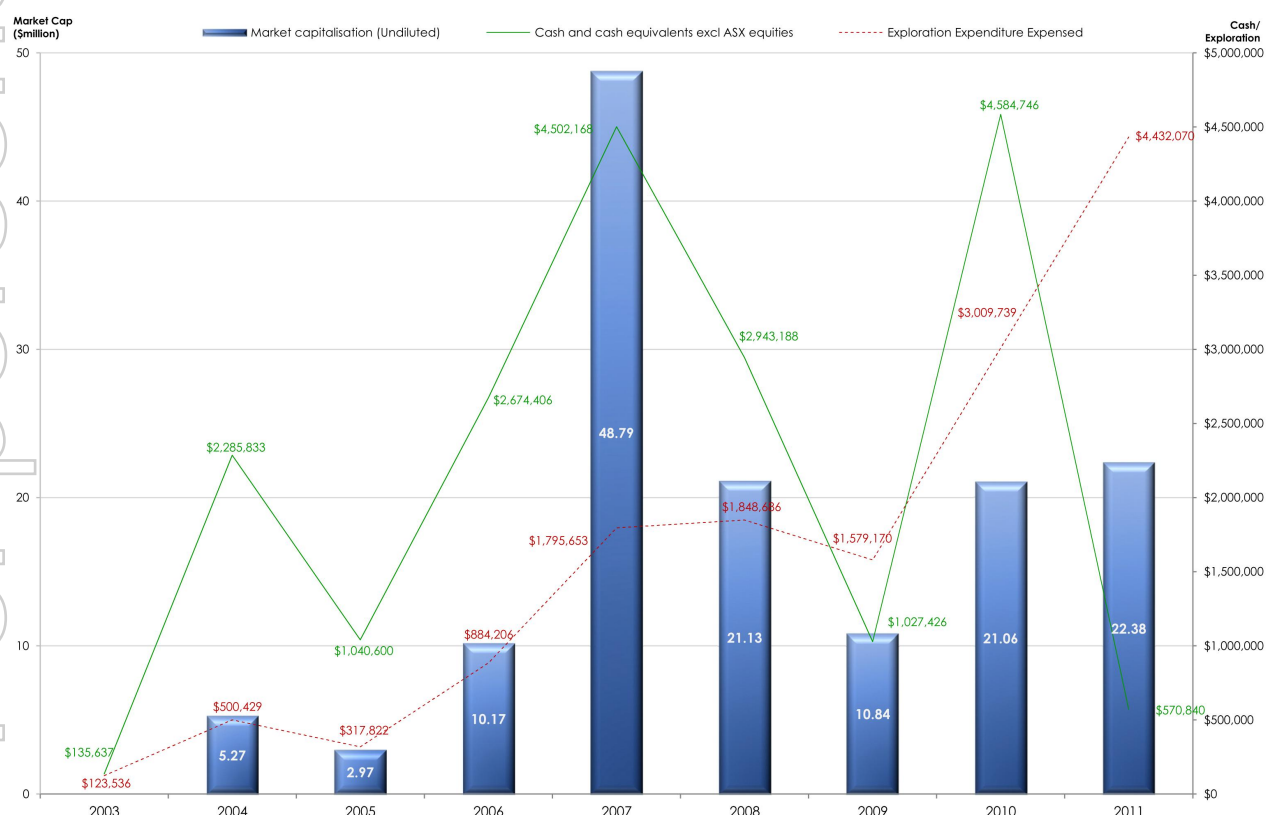
The potential flow of project related news during the next few months includes:

MONTH	NEWS
October 2011	Exploration drilling to commence at the Lake Johnston – Mt Gordon Prospect testing gold and nickel targets Assay results returned for the nickel drilling at the Forrestania Project
November 2011	Exploration drilling at the Forrestania Project – Stormbreaker Prospect testing iron targets
December 2011	Assay results from the gold and nickel drilling at the Lake Johnston Project Assay results from the manganese drilling at the Jigalong Project Completion of the Errawarra 'spin out'
January 2012	Assay results from the iron drilling at the Forrestania Project

We're all very aware that the market is not providing Hannans shareholders with full value for their minerals portfolio. For the majority of the year the market capitalisation of Hannans has been less than the value of its equities portfolio; this in effect means the Hannans Reward exploration portfolio is being attributed zero value. Maybe that is a result of third parties' focus on our core investment in Atlas Iron Ltd (6.2m shares worth \$17m); maybe some people feel that the projects have been fully explored; maybe some people don't like the mix of commodities we are exposed to. I don't think there is any basis for these 'views on Hannans'.

Hannans is a very focussed minerals company, with an excellent team of geoscientists, a knowledgeable Board, a long history of in-ground exploration expenditure, a tight capital structure (131m shares on issue) and a strong balance sheet with net liquid assets approaching \$20m. Figure 1 below sets out Hannans' market capitalisation, cash and exploration expenditure for every year since listing on ASX in 2003.

Figure 1: Hannans Financial Summary 2003 - 2011



DIRECTORS' REPORT

MINERAL EXPLORATION ACTIVITIES EXPENSED IN 2011	\$	%
Geological activities	870,211	19.6%
Geochemical activities	604,621	13.6%
Geophysical activities	530,936	12.0%
Drilling	1,336,413	30.1%
Field supplies	297,764	6.7%
Field camp and travel	184,665	4.2%
Drafting activities	20,190	0.5%
Environmental	118,875	2.7%
Rehabilitation	38,734	0.9%
Annual tenement rent	165,655	3.7%
Annual tenement rates	92,372	2.1%
Tenement administration	78,467	1.8%
Tenement application fees	81,361	1.8%
Penalties & exemption fees	11,806	0.3%
Total	4,432,070	100%

We do acknowledge that its only exploration discovery success that is going to materially change shareholders' fortunes and we're working hard to make that happen. The table above sets out the exploration expenditure expensed during 2011.

At present the world is in the middle of a financial correction. Global financial markets are volatile, share prices are falling and confidence has been eroded. It is a time to be cautious with funds until the future of the global economy is more certain but it is also a time to be on the watch out for opportunities to acquire assets at significant discounts to their more 'normal' values.

With these themes in mind Hannans announced in July 2011 it will separate its exploration portfolio into two separate corporate vehicles – the gold and base metals will remain within Hannans Reward however the bulk commodities including

Jigalong manganese and Forresteria iron will be housed in a new company (owned 100% by those Hannans shareholders on the register on the record date). Hannans will initially 'seed' fund the new company before it is required to go out and fund its own activities. In effect Hannans shareholders will remain exposed to both asset portfolios however the assets won't be 'at risk' of corporate action by being housed 100% within Hannans which is trading at a zero portfolio value.

Figure 2 highlights Hannans' performance in comparison to the ASX 300 Metals & Mining Index¹ as well as Atlas Iron during the period 1 July 2010 to 27 September 2011. Figures 2 and 3 highlight the timing of ASX releases made by Hannans in relation to each of its projects and corporate matters (excluding all compliance required releases). This shows a regular flow of meaningful project and corporate news throughout the year.

¹ S&P/ASX 300 Metals & Mining Index which is based on the S&P/ASX 300 Index and is comprised of companies that are classified as being in the Metals & Mining industry including producers of aluminium, gold, steel, precious metals and minerals, coal and diversified metals & minerals.

DIRECTORS' REPORT

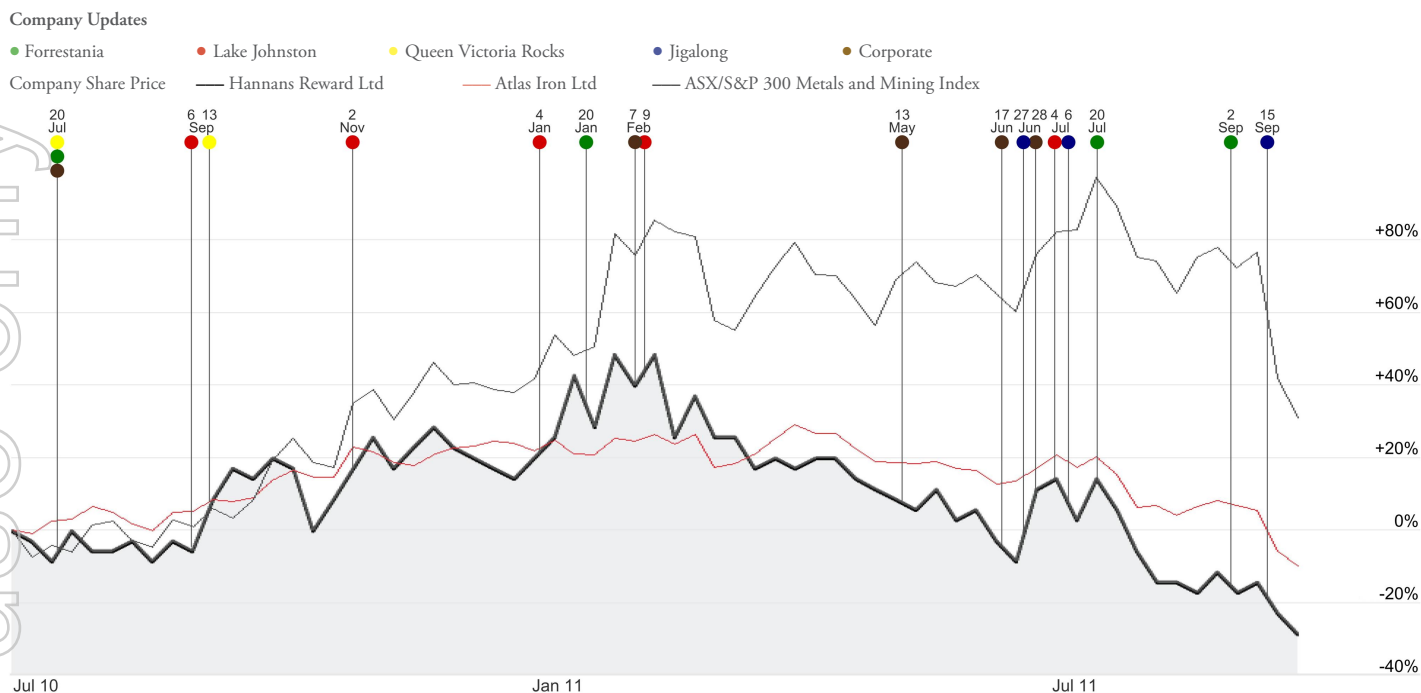


Figure 2 Hannans in comparison to ASX 300 Metals and Mining Index as well as Atlas Iron Ltd (Source: Commonwealth Securities Ltd)

Shareholders should be confident that we will keep them up to date with Company related news. You can follow Hannans through our ASX releases, web site (www.hannansreward.com), Face Book (Hannans Reward) and Twitter (hannansreward). We also recommend that you sign up to the email distribution service available on our web site. We always welcome your calls and visits to the office should you have any enquiries.

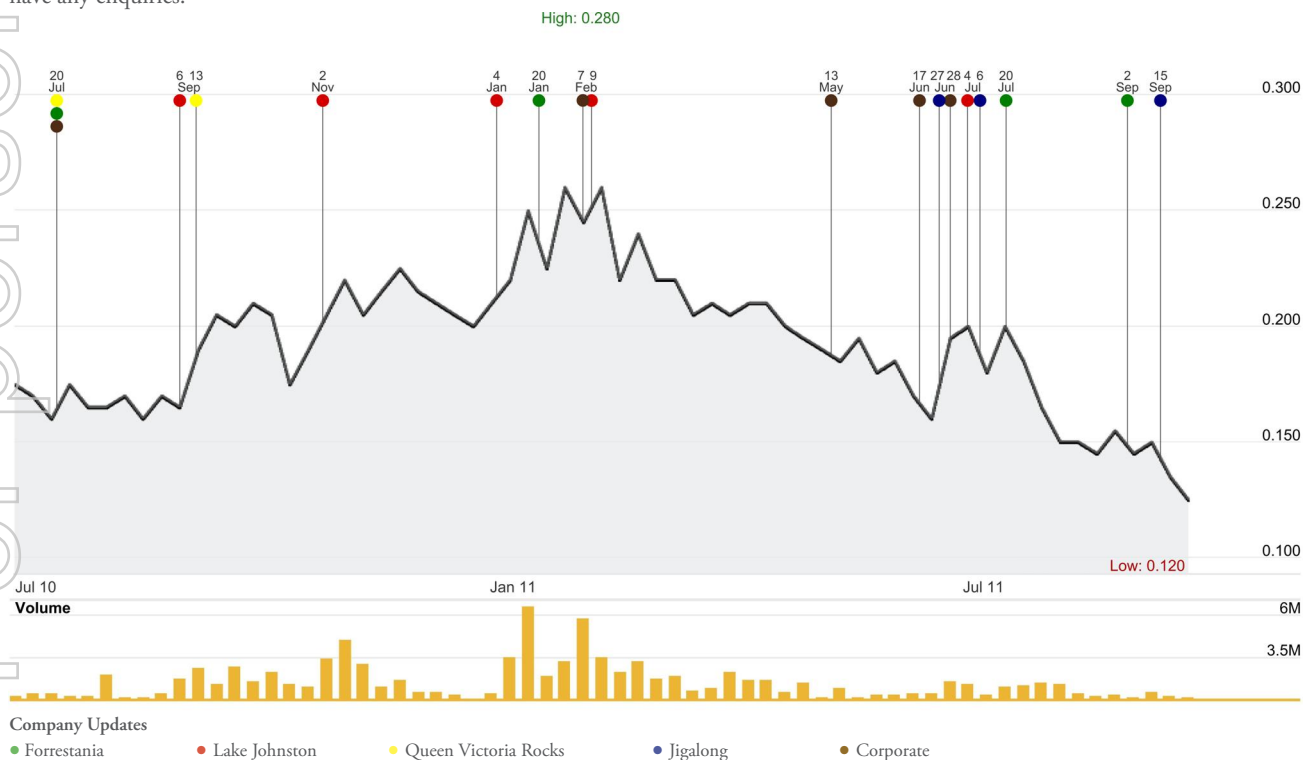


Figure 3: Hannans Volume and Price Chart for 2010-2011 (Source: Commonwealth Securities Ltd)

DIRECTORS' REPORT

Hannans Investment Management (HIM) operates by way of an Investments Committee comprising William Hicks, Jonathan Murray and myself. In due course it is expected that an independent external committee person will be appointed to provide another perspective as part of the decision making process. HIM seeks to maximise returns through its equity portfolio, convertible loans and the provision of loans; it also has a facility to borrow funds. As of 28 September 2011 the investment portfolio is as follows:

VALUATION OF EQUITIES				
COMPANY	TYPE	NUMBER	PRICE	VALUE
AGO	FPO	6,201,334	3.09	19,162,122
SCR	FPO	1,835,001	0.30	550,500
Other	FPO	165,000	0.09 – 0.18	27,600
SCR (i)	Options (ex. 20c)	1,250,001	0.172	214,500
SCR (ii)	Options (ex. 40c)	500,000	0.117	58,591
SCR (iii)	Con Note (33c & 66c)	9,293,257	0.30	2,787,977
Theoretical Value of Equities				22,801,290
Cash at Bank				738,750
Total Equities and Cash				23,540,040

HANNANS REWARD LTD CAPITAL STRUCTURE			
TYPE	NUMBER	EXPIRY	
FPO	131,648,715		
Options (ex. 20c)	2,000,000	31-Jul-11	
Options (ex. 80c)	1,000,000	30-Jun-12	
Options (ex. 40c)	100,000	30-Jun-12	
Options (ex. 80c)	1,000,000	30-Jun-13	
Options (ex. 20c)	300,000	20-Jul 13	
Options (ex. 75c)	300,000	20-Jul 13	
Options (ex. 100c)	300,000	20-Jul 13	
Fully diluted FPO	136,648,715		

Notes:

- (i) Theoretical value calculated using BSOPM with 4.74% risk free rate, 100% volatility & 489 days to maturity as of 30 June 2011.
- (ii) Theoretical value calculated using BSOPM with 4.74% risk free rate, 100% volatility & 534 days to maturity as of 30 June 2011.
- (iii) The number of shares assumes 100% of amount currently drawn is converted into SCR at 33c and 66c.



CORPORATE BOARD SERVICES

Corporate Board Services (CBS) offers Boards of listed and unlisted companies the opportunity to focus on important strategic decisions by outsourcing the day-to-day corporate services and compliance management. We have three highly capable financial professionals operating within CBS that can cost effectively manage all company financial, corporate, compliance and governance obligations. Michael Craig, Mindy Ong and Annalette Wilbers have significant experience in these matters and are building a professional services business which is owned 100% by Hannans.

The range of services provided by CBS this year included assisting with an IPO and listing on ASX, preparation of Annual, Half Year and Quarterly Reports, preparation of loan documents, preparation of detailed board packs for board meetings, arranging shareholder meetings, preparation of Notices of Meeting and providing full accounting and financial management support. CBS clients include the

Hannans Group of Companies, Scandinavian Resources Ltd (ASX: SCR), Equity & Royalty Resources Ltd, Naracoota Resources Ltd (ASX: NRR) and Swedish incorporated entities Scandinavian Resources AB and Kiruna Iron AB.

Hannans benefits from the income generated by CBS as it goes directly to reducing staff, administration and shared office costs which allows these funds to be allocated to minerals exploration.

We're pushing on to better outcomes in 2012 and look forward to you benefiting from that success.

Kind regards,

Damian Hicks
Managing Director

DIRECTORS' REPORT

EXPLORATION STRATEGY

By Don Huntly, Exploration Manager

Hannans has developed a strategically positioned package of grass-roots exploration projects within corridors which are endowed with nickel sulphides, gold, base metals and bulk commodities.

The company's objective is to realise value for the shareholders through exploration success within these projects. Our aim is to find an economic resource through the application of rigorous, methodical and multidisciplinary exploration processes.

Hannans will continue to look for opportunities to secure additional land holdings through incremental tenement applications or third party opportunities that can significantly add to the prospectivity of the current portfolio.

PROJECTS

Hannans has built up a diverse portfolio of tenements and target commodities which includes nickel, gold, base metals, iron, and manganese.

Hannans is of the opinion that the following project portfolio has the potential to deliver an economic mineral deposit:

- § Forrestania (east of Hyden, Western Australia); Nickel, Gold and Iron
- § Queen Victoria Rocks (south-west of Coolgardie, Western Australia); Nickel and Gold
- § Lake Johnston (west of Norseman, Western Australia); Nickel and Gold
- § Jigalong (south-east of Newman, Western Australia); Manganese and Base Metals

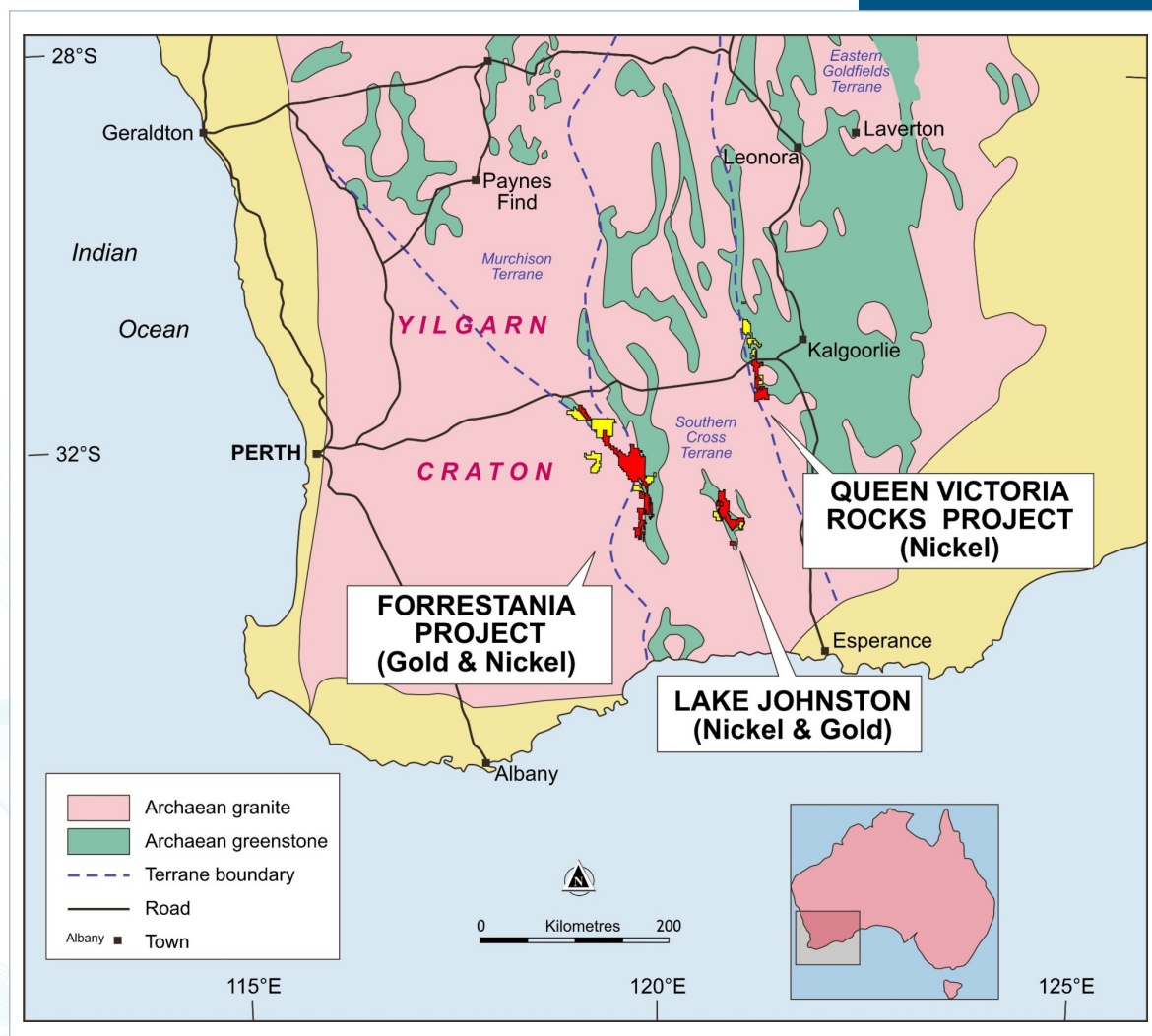


Figure 4. Yilgarn tenement location diagram

DIRECTORS' REPORT

FORRESTANIA - 1,155 KM²

Hannans' Forrestania project, comprising ground in joint venture and wholly owned tenements, is located within the world-class Forrestania nickel belt and adjoins ground owned by major mining companies Western Areas (ASX:WSA) and Kagara (ASX:KZL). Over the past twelve months Hannans has continued to increase its tenement holding over the northern extension of the prospective stratigraphy in the region (*Figure 5*).

The exploration success by Western Areas NL in the region together with the limited historical exploration for nickel sulphides further north within the Hannans tenements highlights the fact that opportunity remains for the discovery of high grade nickel sulphide deposits within the Forrestania region.

As a micro-cap company with an active exploration programme in one of the richest nickel belts in Australia, an exploration discovery by Hannans will likely lead to an immediate re-rating of the stock.

Exploration conducted by Hannans during the year has confirmed that the northern extensions of the Forrestania greenstone belt includes a number of ultramafic or komatiitic units which have the potential to host nickel sulphides. The exploration has primarily involved ground based geophysical surveys (fixed loop and moving loop TEM), soil sampling and reverse circulation drilling. These activities have helped to develop high quality exploration targets as well as advance the geological understanding in the area.

The following is a list of ASX announcements made from 1st July 2010 that relate to the work completed at Forrestania by Hannans.

DATE	ANNOUNCEMENT TITLE
07/09/2011	Drilling commenced on Two Projects
02/09/2011	Forrestania Project Commencement of Drilling
20/07/2011	Forrestania Project Exploration Update
20/01/2011	Forrestania Project Update
20/07/2010	Forrestania Project Update

Skeleton Rocks Prospect

Exploration efforts at Skeleton Rocks to the north has continued to be focused on data collation, field reconnaissance and consolidating the geological interpretation. It is anticipated that geochemical sampling will commence in the area during the next few months.

The area has also been assessed for hematite rich iron mineralisation with two small prospects identified during the year (*Figure 6*).

Stormbreaker Prospect

Exploration drilling continued during the year at the Stormbreaker Prospect testing a number of geophysical and geochemical anomalies. This prospect includes our joint venture partners Cullen Resources Ltd (ASX:CUL) who has a free carry interest of 20% and St Barbara Ltd (ASX:SBM) who has a free carry interest of 15%.

Fifteen RC percussion holes were completed for a total of 3,524 metres; the drilling to date has intersected a number of sub parallel ultramafic units, however no nickel sulphides have been intersected to date.

More recent exploration in the form of geochemical sampling has helped to identify additional ultramafic units at Stormbreaker West. These prospective lithologies have not been adequately explored for nickel sulphides to date and will be drill tested in the near future. In particular a surface TEM anomaly in the area has not been drilled to date; the anomaly will be tested during the next round of drilling (*Figure 7*).

In addition to the nickel exploration work Hannans has also advanced exploration for hematite rich iron mineralisation within the prospect area. One RC percussion drill hole intersected 35m @ 47.6% Fe while exploring for nickel sulphides. Subsequent rock chip sampling and XRF analysis of surface samples has identified a corridor of hematite rich iron material which covers a strike extent of ~5.4 km's. The prospect includes two sub parallel BIF units with hematite rich material on top of the units. The hematite rich iron horizons will be drill tested later in 2011 (*Figure 8*).

The iron prospect at Stormbreaker is very similar in mineralisation style and geological setting to the Cazaly Resources – Parker Range Iron project to the north (35.1 Mt @ 55.9% Fe).

Ongoing exploration within the Stormbreaker prospect area will be undertaken using geochemical sampling and surface TEM surveys along the northern extensions of the prospective stratigraphy with the aim of generating high quality drill targets.

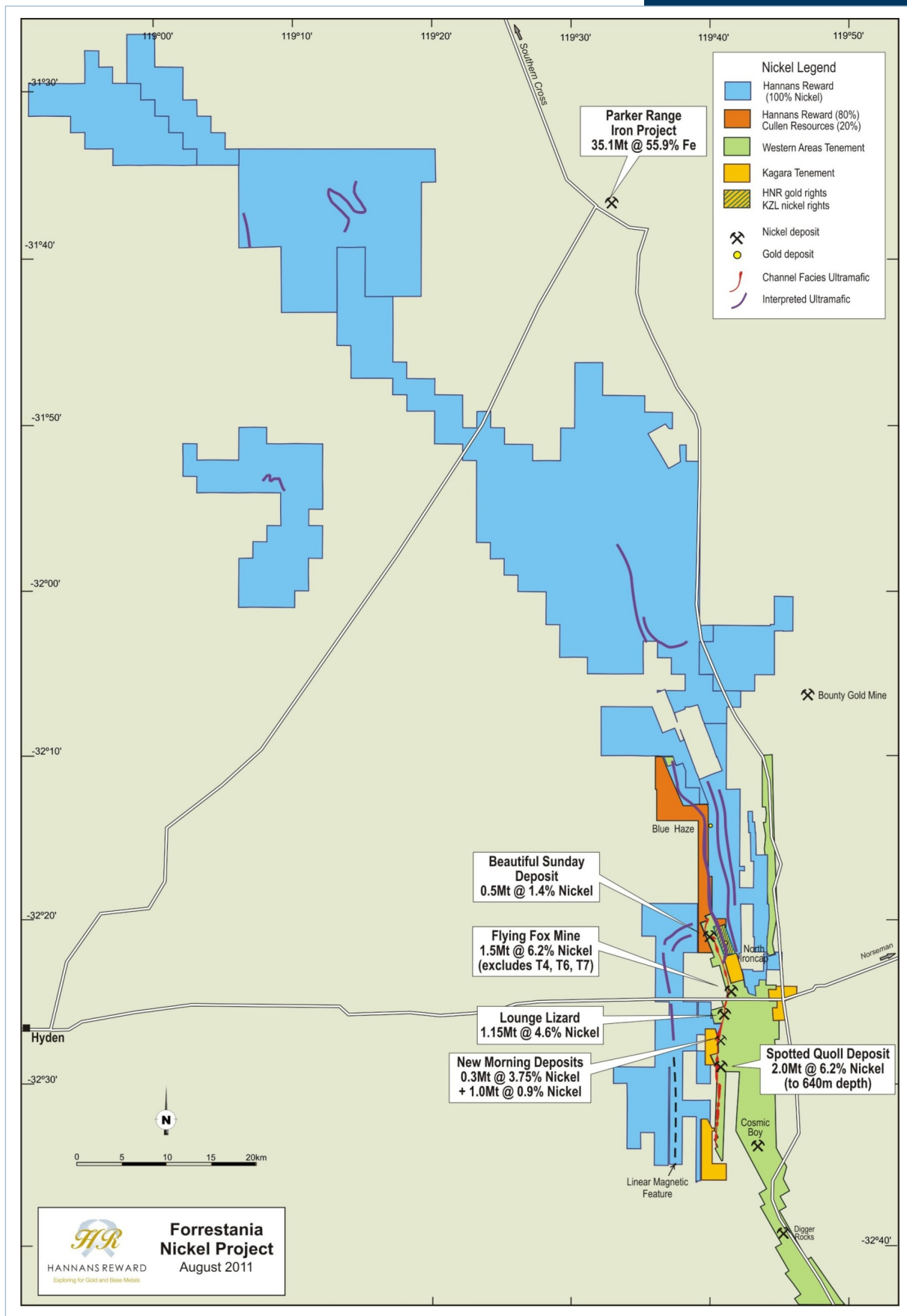


Figure 5. Forrestania tenement diagram

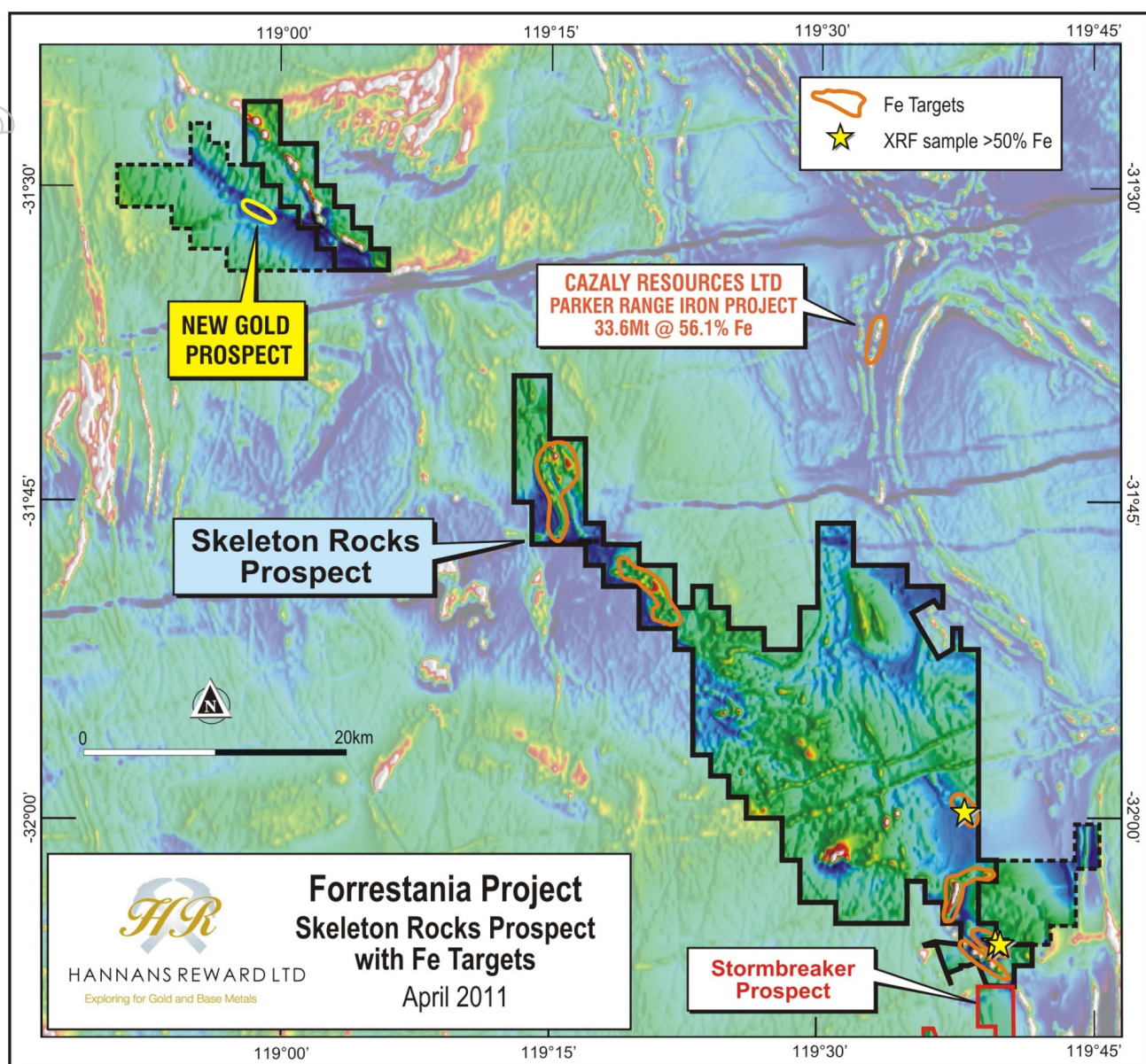


Figure 6. Forrestania Project – Skeleton Rocks Prospect showing iron targets.

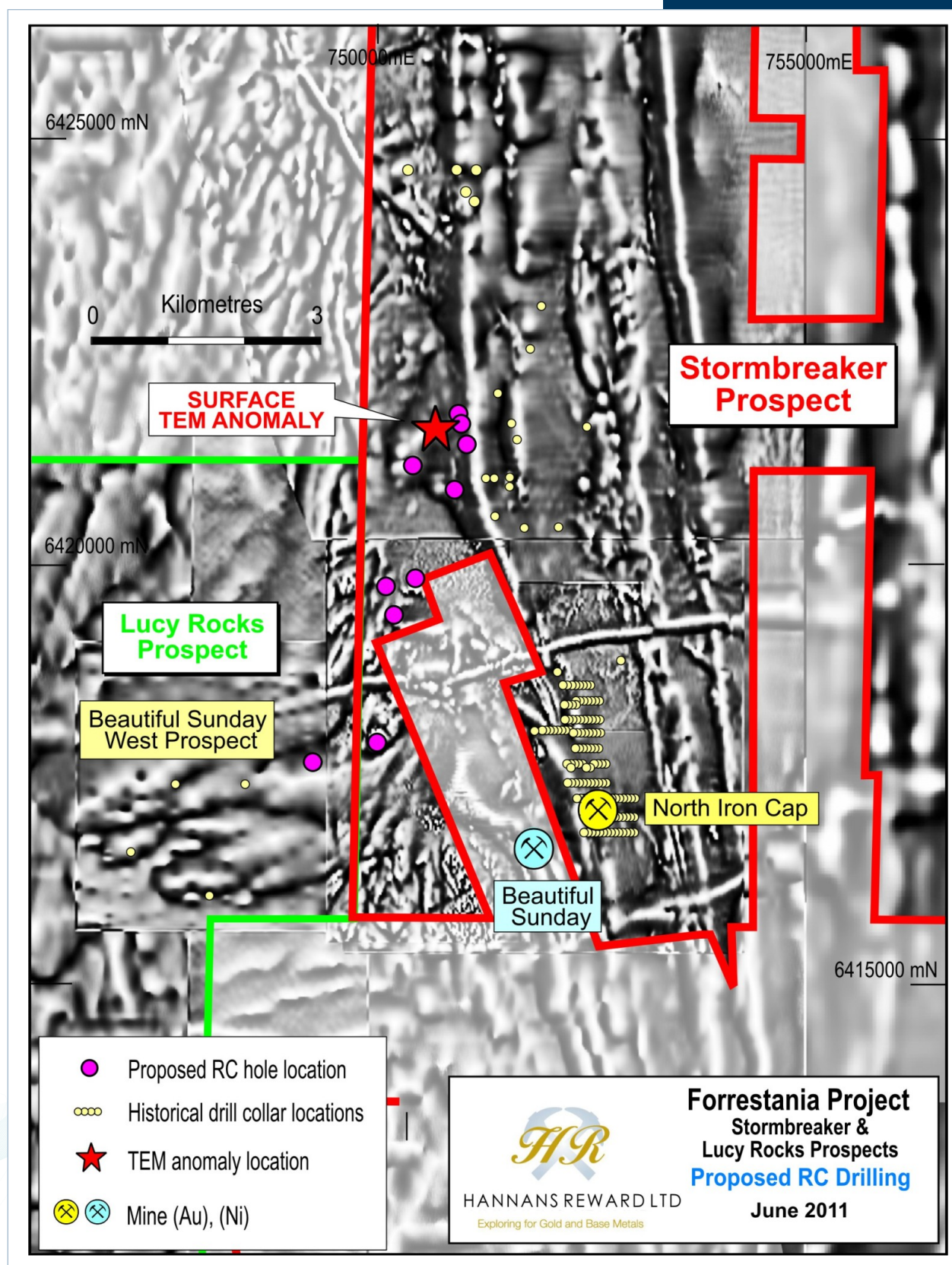


Figure 7. Forrestania Project – Stormbreaker Prospect planned nickel sulphide drilling program

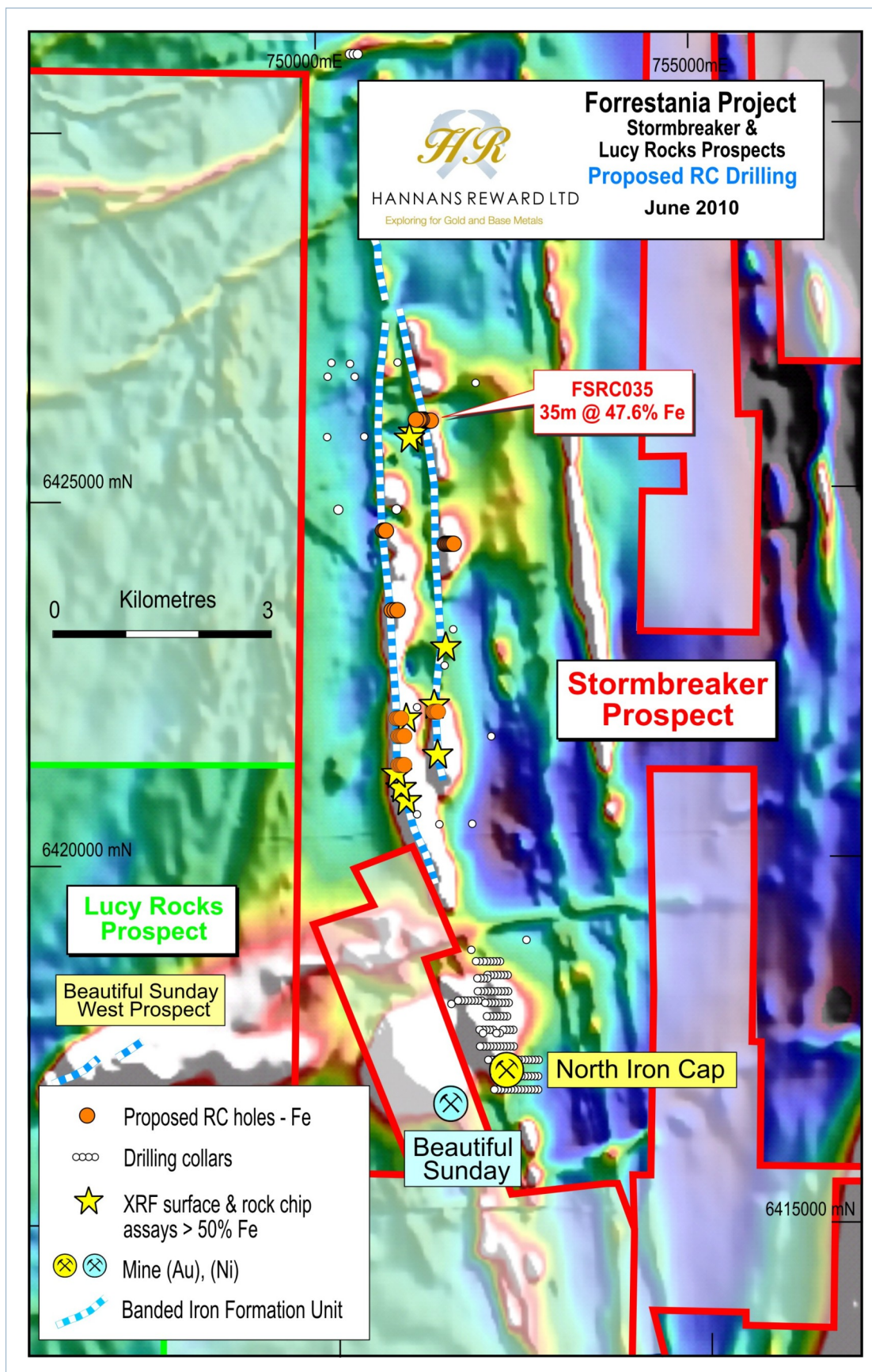


Figure 8. Forrestania Project – Stormbreaker Prospect planned iron drilling program

DIRECTORS' REPORT

Lucy Rocks Prospect

The Lucy Rocks prospect is located to the west of the Flying Fox and Beautiful Sunday Nickel deposits owned by Western Areas NL (ASX:WSA). Exploration during the year in the form of mapping and RC percussion drilling has confirmed extensive BIF units within the northern part of the prospect area and west of the Beautiful Sunday nickel

deposit. Six holes were completed for a total of 1,234 metres at Beautiful Sunday West, the drilling intersected magnetite rich BIF units and intrusive granitoid lithologies.

Recent drilling within the southern part of the prospect area was targeting magnetic high features which were interpreted to be prospective greenstone

lithologies, however the drilling intersected magnetic granodiorite lithologies and not the anticipated greenstone lithologies (Figure 9).

Ongoing exploration will be directed towards the magnetic high features in the northern portion of the prospect area and west of the Beautiful Sunday nickel deposit.

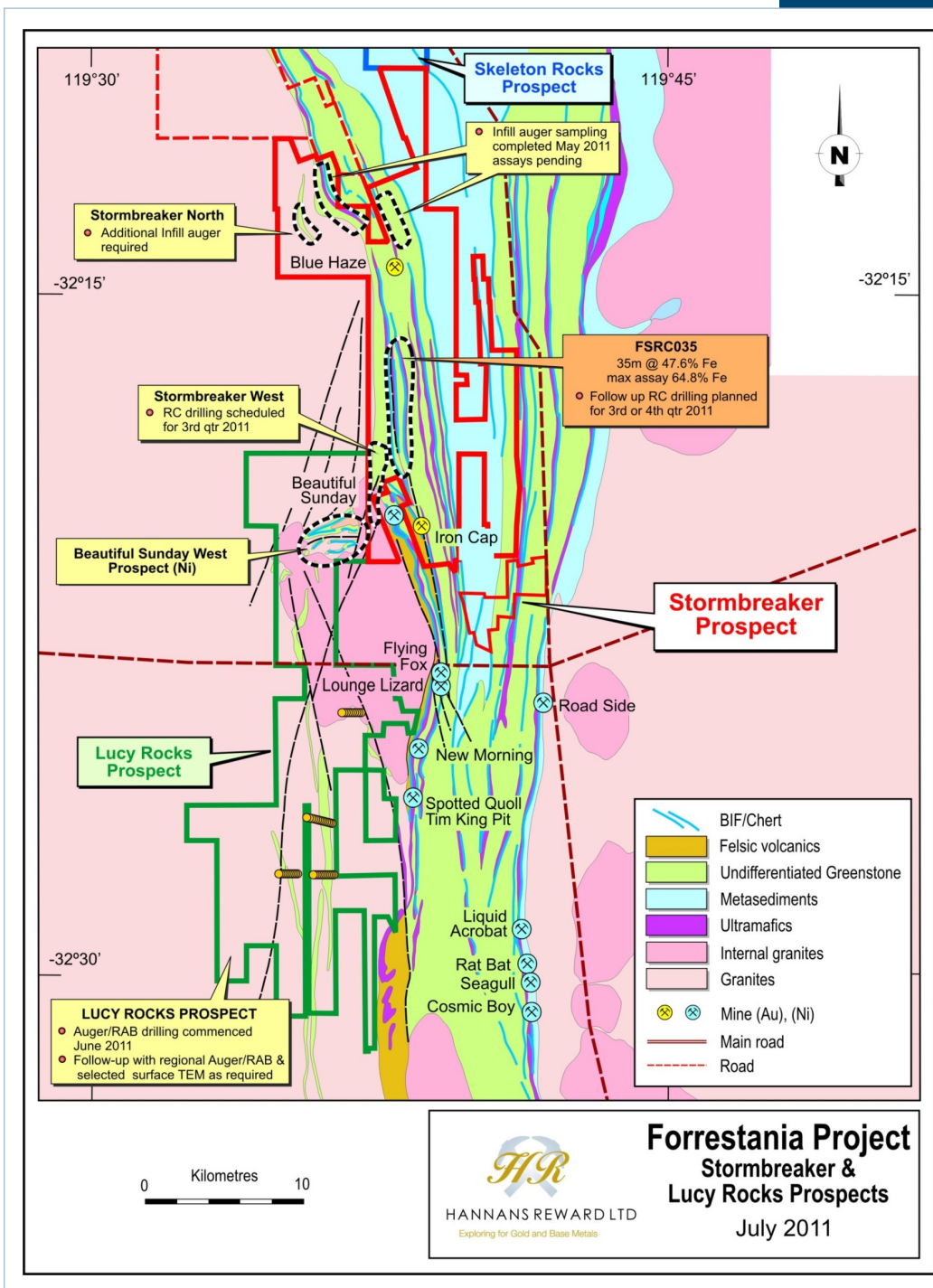


Figure 9. Forrestania Project – Lucy Rocks and Stormbreaker prospect areas

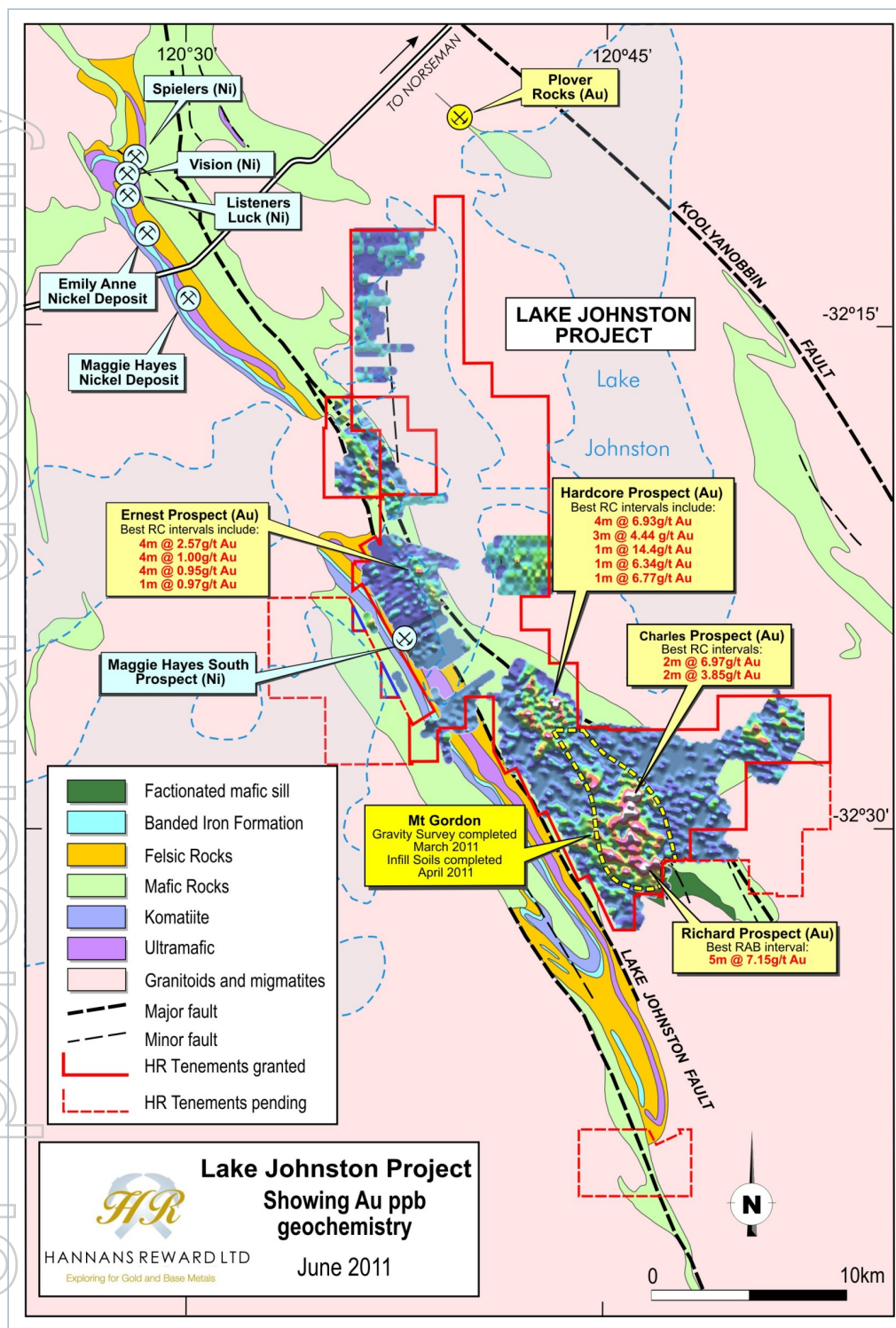


Figure 10. Lake Johnston prospect location diagram

LAKE JOHNSTON - 375 KM²

The tenements are located approximately 25km south-east of Russian mining giant Norilsk's Maggie Hays and Emily Ann nickel sulphide mines (Figure 10).

Exploration activities and a data review completed by Hannans have identified gold in soil anomalies covering a strike extent of ~20 km's. High grade gold mineralisation has been identified

in rock chip sampling at the Ernest Prospect, in RC percussion drilling at the Ernest, Hardcore and Charles Prospects and in RAB drilling at the Richard Prospect (Figure 10).

Exploration activities for gold has been focused within the eastern corridor and includes additional geochemical sampling, gravity surveys, and RC percussion drilling.

DIRECTORS' REPORT

The following is a list of ASX announcements made from 1st July 2010 that relate to the work completed at Lake Johnston by Hannans.

Date	Announcement Title
4/07/2011	Lake Johnston Project Exploration Update
9/02/2011	Lake Johnston High Grade Gold
9/12/2010	Lake Johnston Gold Project Update
2/11/2010	Drilling gold targets at Lake Johnston
6/09/2010	Gold at Lake Johnston

Nickel Sulphide Exploration

Nickel sulphide exploration will continue along the southern extension of the stratigraphy which is host to the Maggie Hayes and Emily Anne deposits. Initial exploration will include surface TEM surveys and follow up drilling over any anomalies that are generated from the surveys. The surveys are targeting an area which has not been adequately surveyed with EM to date. The corridor covers a strike extent of ~800 metres and includes a thickened portion of the high magnetic ultramafic unit which is host to the Maggie Hayes deposit to the north (*Figure 11*). It is anticipated that the survey will be completed before the end of 2011.

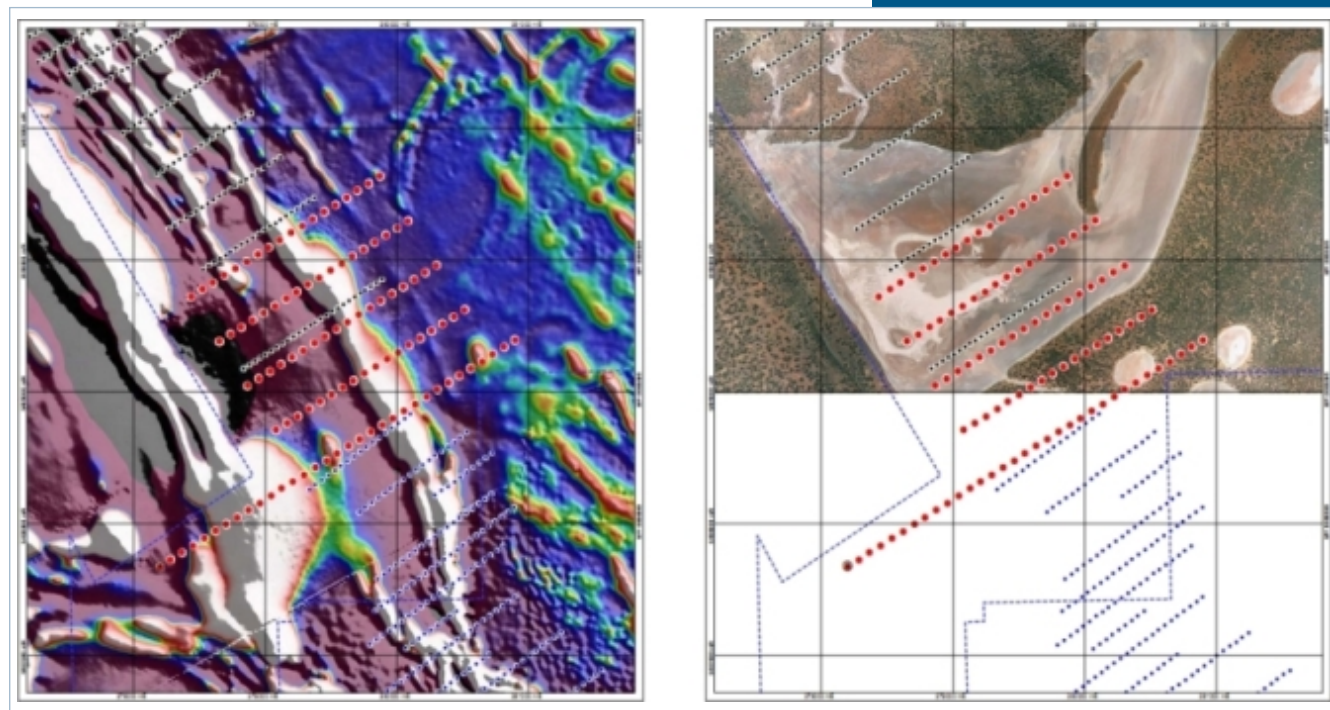


Figure 11. Maggie Hayes South Prospect showing planned Moving Loop TEM survey

DIRECTORS' REPORT

In addition to the survey at Maggie Hayes south a TEM survey is planned for the Mt Gordon prospect. The recent soil sampling in the area has outlined a significant nickel anomaly which has been

confirmed to be related to ultramafic lithologies (*Figure 12*). The survey will be completed over the next two months.

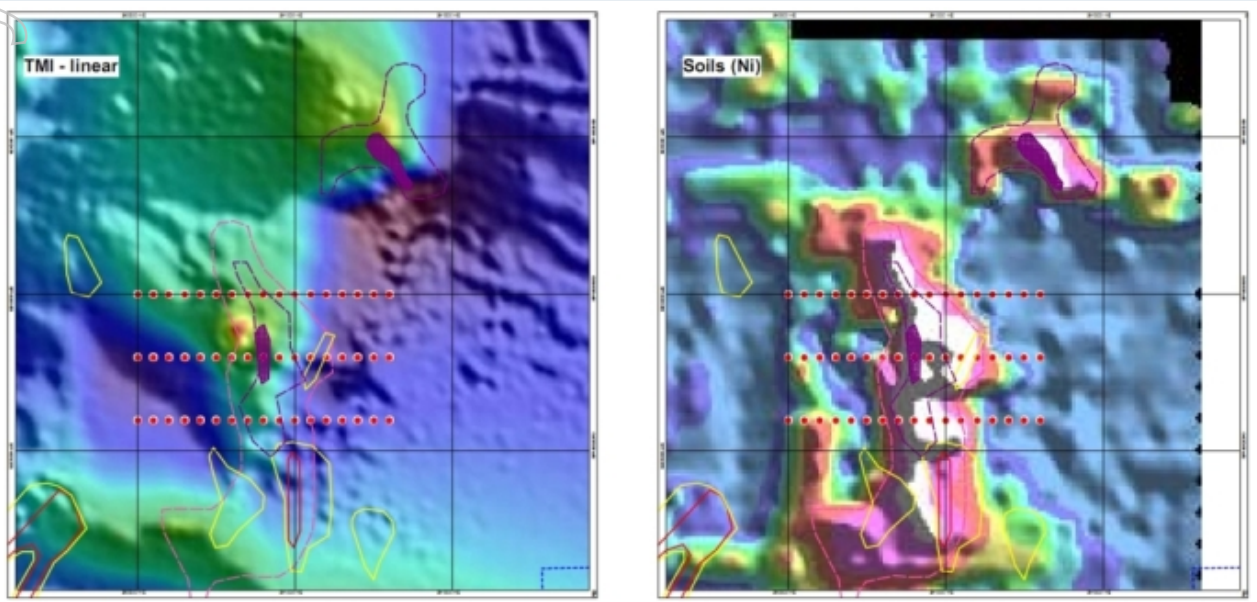


Figure 12. Mt Gordon Prospect showing planned moving loop TEM survey

Ernest Prospect

RC percussion drilling was completed at the Ernest prospect during 2010; 11 holes were completed for 2,580 metres. The drilling intersected mafic and felsic to intermediate intrusive lithologies. Minor gold mineralisation was intersected and is associated with quartz veining within mafic lithologies.

Best intervals returned are listed below:

§ LJRC025 – **1m @ 0.97 g/t Au (163m)**

§ LJRC033 – **1m @ 7.72 g/t Au (83m)**

The drilling remains very wide spaced however there is no additional exploration activity planned for the prospect in the short term.

DIRECTORS' REPORT

Hardcore Prospect

Exploration during the year at Hardcore included a gravity survey and RC percussion drilling. Hannans completed ten RC percussion drill holes at the Hardcore Prospect during January 2011, testing down dip and along strike of historical high grade gold intersections. Best drilling Au intersections includes;

- § HCRC005 – 1m @ 14.4 g/t Au (239m)
- § HCRC005 – 1m @ 1.71 g/t Au (249m)
- § HCRC007 – 1m @ 2.75 g/t Au (232m)
- § HCRC007 – 1m @ 1.04 g/t Au (237m)
- § HCRC007 – 1m @ 2.45 g/t Au (247m)
- § HCRC007 – 1m @ 1.21 g/t Au (281m)

- § HCRC007 – 1m @ 1.52 g/t Au (286m)
- § HCRC009 – 1m @ 2.31 g/t Au (190m)
- § HCRC009 – 1m @ 1.28 g/t Au (196m)
- § HCRC009 – 1m @ 1.74 g/t Au (204m)
- § HCRC009 – 4m @ 6.93 g/t Au (215m), including **1m @ 21.3 g/t Au (215m)**
- § HCRC009 - 1m @ 6.34 g/t Au (222m)
- § HCRC009 - 3m @ 4.44 g/t Au (237m), including **1m @ 11.4 g/t Au (237m)**
- § HCRC009 - 1m @ 6.77 g/t Au (261m)
- § HCRC009 - 1m @ 4.61 g/t Au (266m)
- § HCRC009 - 1m @ 1.24 g/t Au (286m)
- § HCRC009 - 1m @ 1.28 g/t Au (297m))

Table 1. Summary of Hardcore drilling assay results

HoleID	MGA_North	MGA_East	Dip	Azi	From (m)	To (m)	Int	Au g/t
HCRC001	6407706	285777	-75	030	NSA			
HCRC002	6408057	285561	-75	030	NSA			
HCRC003	6408711	284881	-75	030	NSA			
HCRC004	6408656	284849	-75	030	NSA			
HCRC005	6408516	285017	-75	030	239	240	1	14.4
HCRC005	6408516	285017	-75	030	249	250	1	1.71
HCRC006	6408410	285100	-65	030	NSA			
HCRC007	6408416	285102	-60	030	232	233	1	2.75
HCRC007	6408416	285102	-60	030	237	238	1	1.04
HCRC007	6408416	285102	-60	030	247	248	1	2.45
HCRC007	6408416	285102	-60	030	281	282	1	1.21
HCRC007	6408416	285102	-60	030	286	287	1	1.52
HCRC008	6408402	285213	-65	030	NSA			
HCRC009	6408517	285024	-60	030	190	191	1	2.31
HCRC009	6408517	285024	-60	030	196	197	1	1.28
HCRC009	6408517	285024	-60	030	203	204	1	1.74
HCRC009	6408517	285024	-60	030	215	219	4	6.93
HCRC009	6408517	285024	-60	030	222	223	1	6.34
HCRC009	6408517	285024	-60	030	229	230	1	1.56
HCRC009	6408517	285024	-60	030	237	240	3	4.44
HCRC009	6408517	285024	-60	030	261	262	1	6.77
HCRC009	6408517	285024	-60	030	266	267	1	4.61
HCRC009	6408517	285024	-60	030	286	287	1	1.24
HCRC009	6408517	285024	-60	030	297	298	1	1.28
HCRC010	6408396	285213	-55	030	NSA			

The high grade gold intercepts are summarised in *Table 1*. The gold mineralisation has been intersected within a felsic intrusive unit and is associated with quartz veining, minor pyrite and intense silica alteration.

The drilling remains wide spaced however the high grade shoot is interpreted to have a strike length of ~100 metres and a steep plunge to the north-west (*Figure 13*).

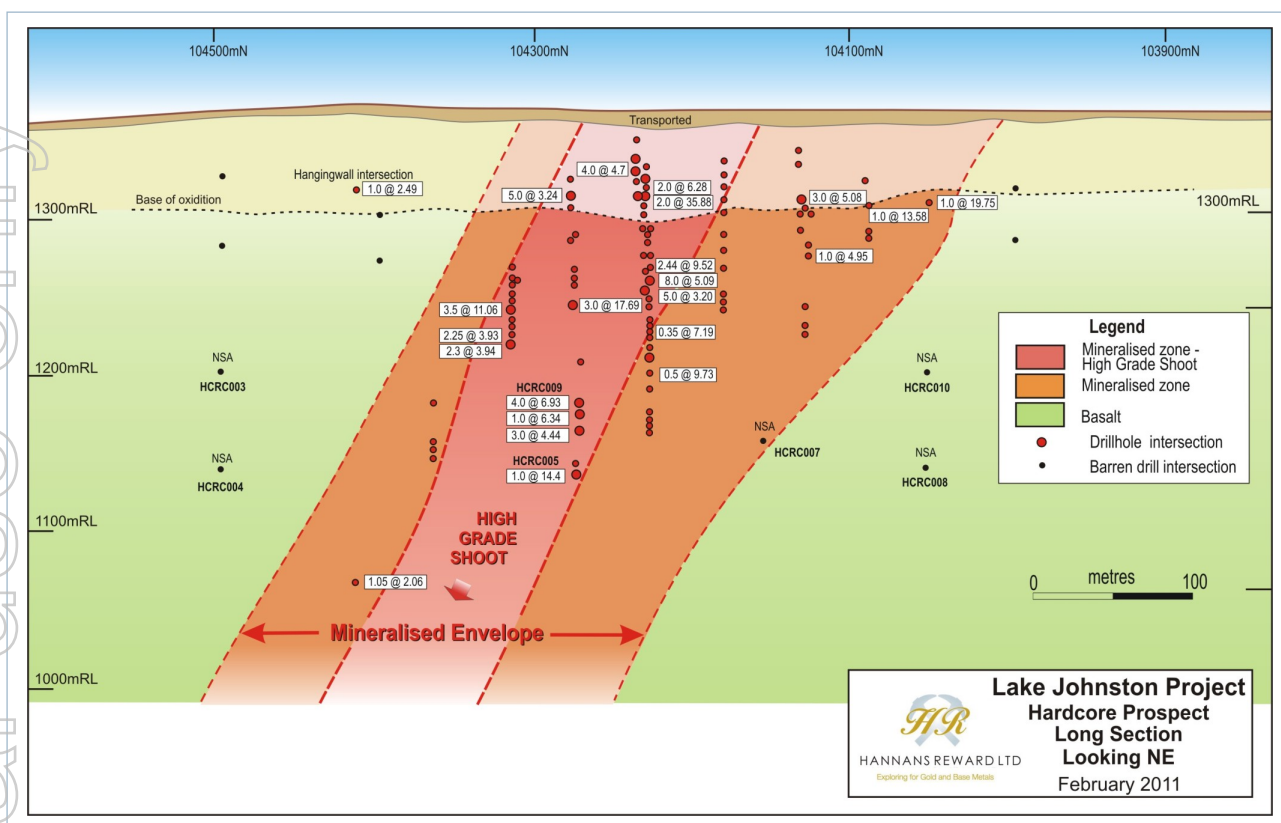


Figure 13. Hardcore diagrammatic long-section looking north-east

Mt Gordon Prospect

The Mt Gordon prospect area is considered to be a stand out target for gold mineralisation. The prospect includes a large gold anomaly generated from surface auger sampling which covers an area of ~2.5 x 0.5 km's. The anomaly is significantly larger than the geochemical anomaly associated with the Hardcore gold mineralisation (Figure 12).

Hannans have completed a gravity survey and an extensive infill soil sampling program over the area. The results from

the sampling are very encouraging and have delineated numerous zones of **anomalous gold and nickel** with soil samples grading as high as **266 ppb Au and 613 ppm Ni**. Bedrock drilling in the area to date is very limited and includes only eight RC percussion holes over the entire prospect area. The best anomaly (Edward Prospect) extends for ~600 metres along strike and has not been drill tested.

RC drilling has been planned to test the highest priority target areas which

includes the Edward, William, Richard and Charles anomalies. RC drilling has also been planned to test the highest priority nickel anomaly to the south-east (Figure 12). A total of 6,500 metres of RC drilling has been planned to test these new targets and it is anticipated that the drilling will commence in late August or September 2011 once all approvals have been received.

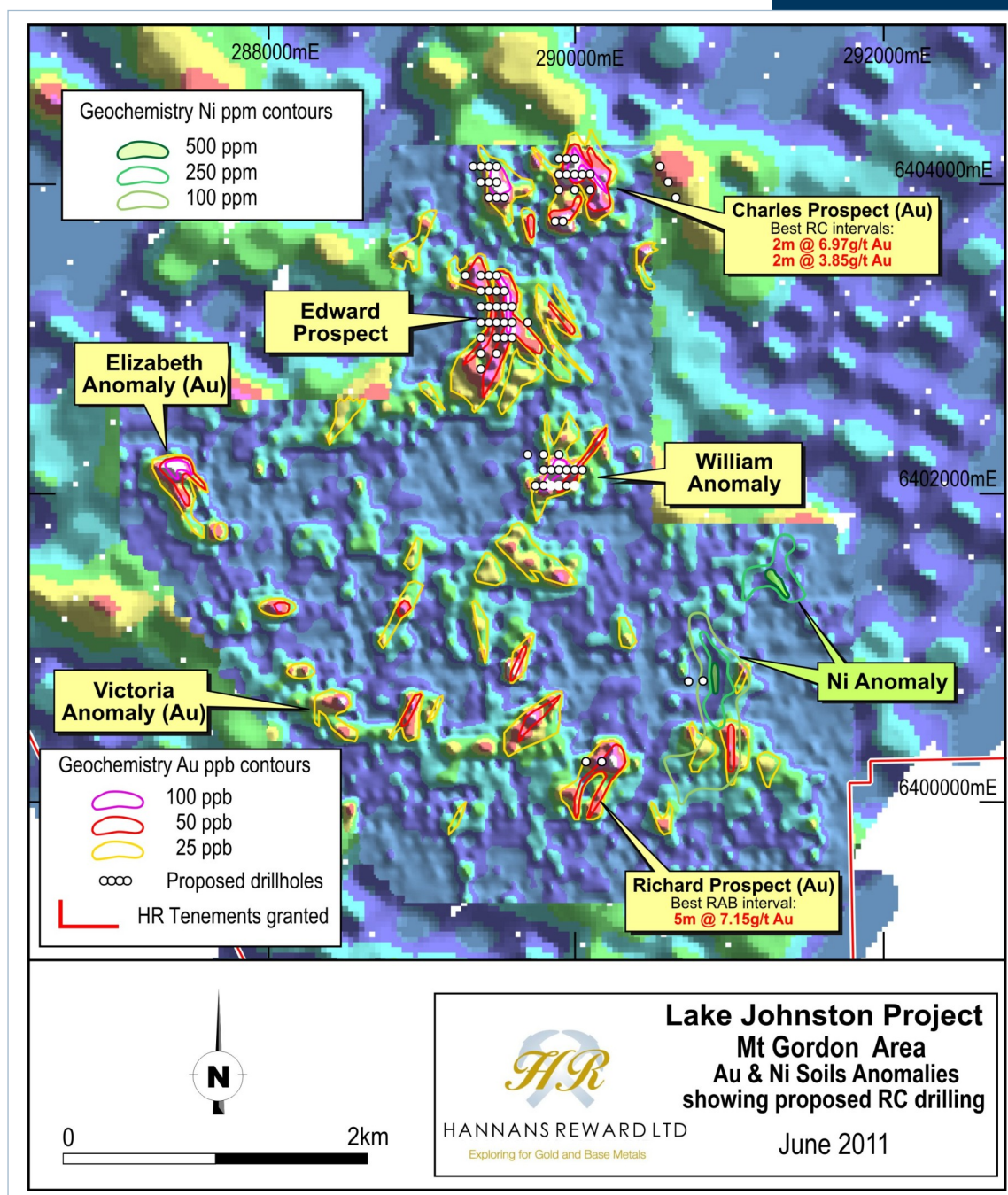


Figure 14. Mt Gordon Prospect showing Au in soil anomalies and planned drill locations

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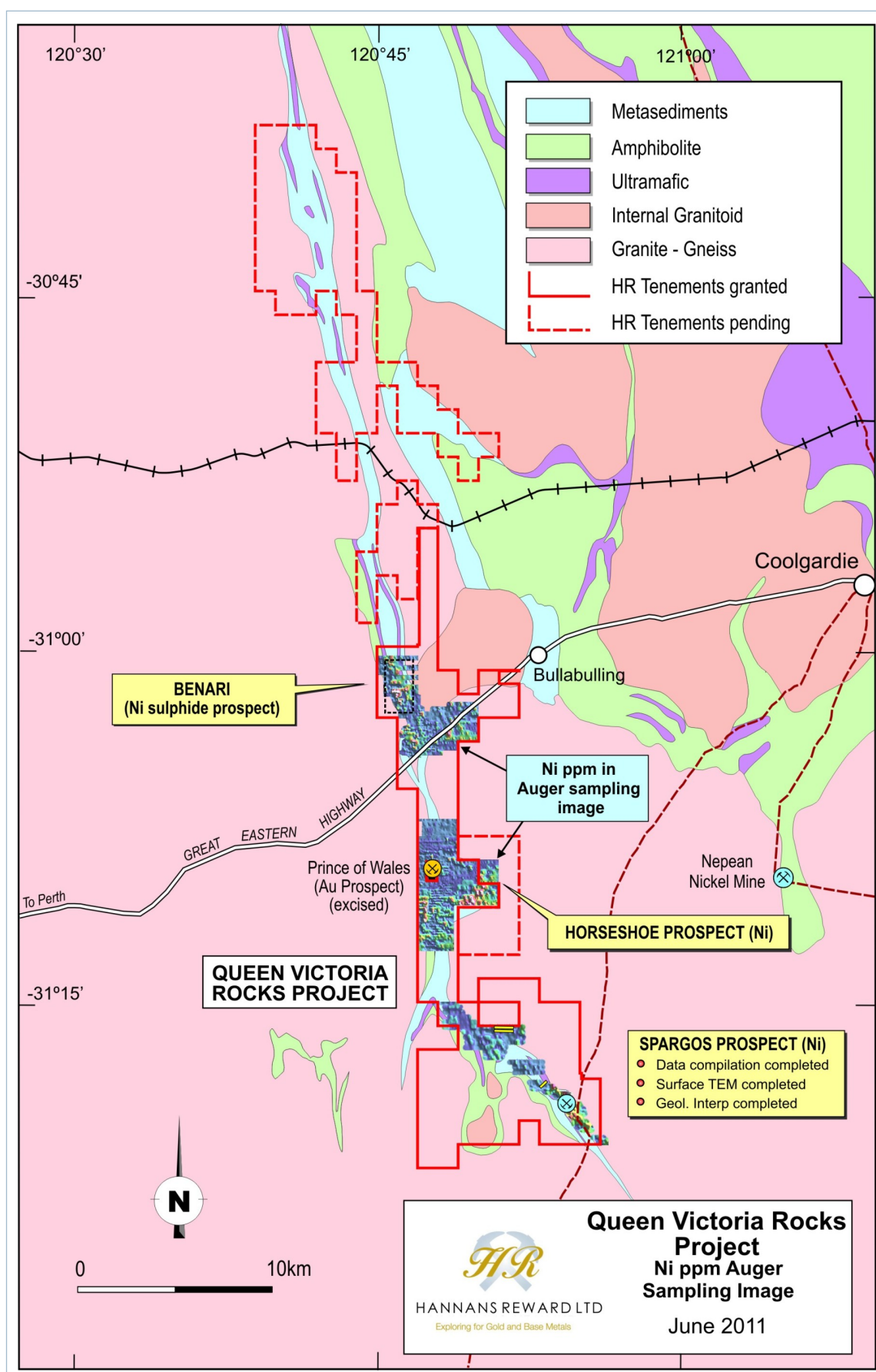


Figure 15. Queen Victoria Rocks prospect location diagram

DIRECTORS' REPORT

QUEEN VICTORIA ROCKS – 420 KM²

QVR has been owned 100% by Hannans since it listed on the ASX in 2003.

The area south-west of Coolgardie has attracted significant interest from major nickel miner Mincor Resources (ASX:MCR) through a joint venture with a junior exploration company. This ground adjoins Hannans' ground.

Hannans have completed surface TEM surveys at the Benari Prospect, as well as the Spargos North, Spargos and Spargos South Prospects which have generated a number of anomalies. A number of these anomalies are coincident with geochemical Ni and Cu anomalies. The surface geochemical data for the entire project has been processed and interpreted, and as a result a number of coincident Ni and Cu anomalies were

identified for follow up exploration activities. Soil sampling has been completed at the Horseshoe Prospect and RC percussion drilling has been completed at the Benari Prospect.

Significant effort has been put into improving the drilling database for the project as well as the geological interpretation for the Spargos Prospect area.

The Spargos Prospect exhibits a number of key criteria that are favourable indicators for nickel sulphide mineralising environments, as a result the Spargos Prospect remains a key nickel sulphide prospect within the Hannans portfolio.

The following is a list of ASX announcements made from 1st July 2010 that relate to the work completed at Queen Victoria Rocks by Hannans.

DATE	ANNOUNCEMENT TITLE
13/09/2010	RC drilling QVR Nickel Targets
20/07/2010	QVR Project Update

Benari Prospect

A total of twelve RC percussion holes were drilled at the Benari Prospect for a total of 2,933 metres. The holes were targeting TEM anomalies and geochemical anomalies which were interpreted to be derived from nickel sulphides.

The drilling intersected a thick, low to moderate MgO komatiite unit, sedimentary lithologies and late stage intrusive granitic bodies. The stratigraphy in the area appears to be dipping to the west at approximately 60 degrees.

The anomalies generated from the surface TEM surveys were intersected in the drilling and appear to be related

to sulphidic sedimentary units in each instance.

Two RC percussion holes were drilled below a regolith Ni, Cu and PGE anomaly. A thick low MgO komatiite unit was intersected, however no anomalous Ni or Cu values were intersected in the drilling.

The drilling has not adequately explained the surface and regolith nickel plus copper anomalism and additional exploration work may be required in the area.

DIRECTORS' REPORT

Spargos Prospect (P15/4964, P15/4965, P15/4966, P15/4967 and E15/971)

Significant effort was taken to review the historical data and develop the geological interpretation for the Spargos Prospect area, the significant outcomes as a result of the review are listed below:

- § Type I disseminated nickel sulphides have been confirmed in the drill core in a number of holes.
- § Type II disseminated nickel sulphides have also been confirmed in diamond drill hole QVD010.
- § The higher MgO lithologies form a thickened portion of the ultramafic sequence, this has been interpreted as a lava channel environment which has strike extent of ~1km.

§ The interpreted basal contact on the eastern side of the channel feature has been observed and validated in drill core as has a distinct basal chill or reaction zone below the contact.

§ The presence of Type I and II sulphides within the ultramafic clearly demonstrates that mineralising system is fertile and has the potential to host additional nickel sulphides within the lava pathway

The surface TEM coverage at the Spargos Prospect has been assessed as part of the review. The review determined that the coverage or effectiveness of the surveys over the priority basal contact position were inadequate.

A new survey was designed and completed during the year. Two large fixed loops were designed and completed to test the basal contact position for a total of 15 line km's.

The surveys have detected linear conductive bodies proximal to the basal contact position (*Figure 16*) the most conductive portion of the anomaly is located in the south-east part of the prospect area (*Figure 17*).

Further interpretation of the geology and TEM data is required to better define the drill targets in the area.

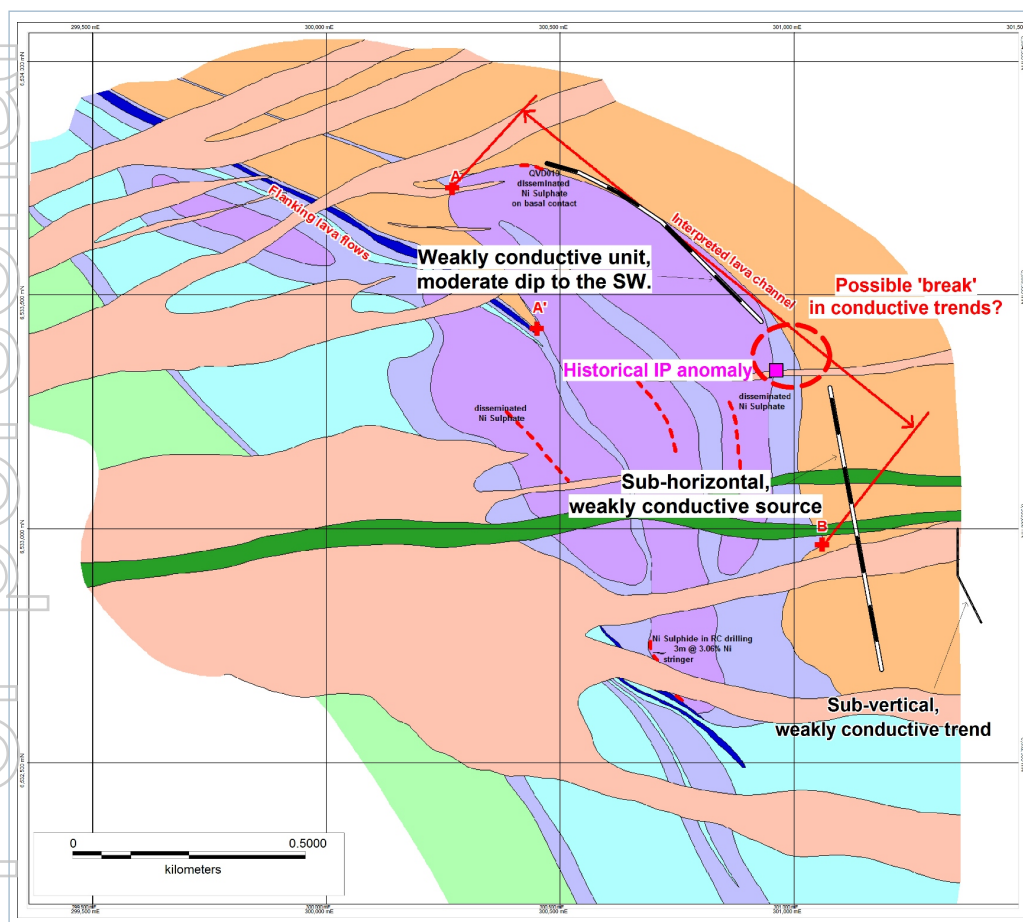


Figure 16. Queen Victoria Rocks - Spargos prospect geological interpretation

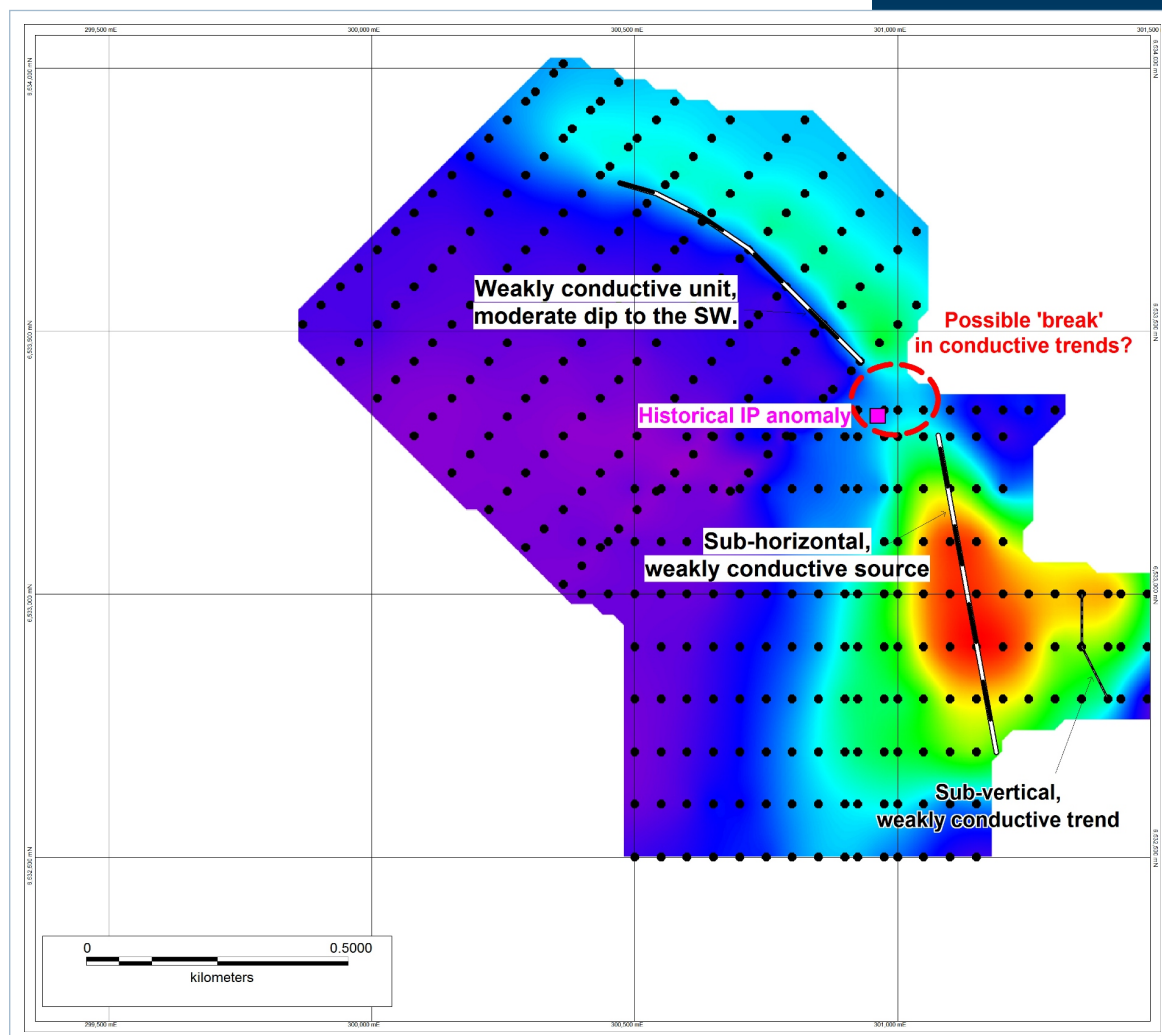


Figure 17. Queen Victoria Rocks - Spargos prospect surface TEM image



JIGALONG – 2,972 KM²

Contribution by Tom Lyons, Exploration Geologist

The Jigalong Project is located in the East Pilbara which is rapidly becoming home to major mining companies including BHP Billiton, Rio Tinto (Ausquest (ASX:AQD) equity partner), Cleveland Cliffs (Ausquest (ASX:AQD) equity partner), Fortescue Metals Group, Hancock Prospecting (Mineral Resources (ASX:MIN) partner) and Atlas iron (Warwick Resources (ASX:WRK) partner).

Hannans has retained the base metal, gold and manganese rights within the project. The project has significant potential to

include a large manganese resource at the Hill 616 prospect and further exploration and technical studies are required to evaluate and realise the economic potential of the resource. Hannans has made the strategic decision to transact the manganese rights at Jigalong. The primary reason being that manganese is a specialist bulk commodity that is captive largely to infrastructure solutions such as rail and port facilities (*Figure 18*).

Exploration activities conducted over the previous years have also outlined a number

of base metal targets within the project area which require follow up exploration; please refer to the diagrams on the following page.

The possibility of Jigalong hosting a diverse range of minerals is also considered probable when one considers that the edge of the Sylvania Dome hosts iron (BHPB, Warwick Resources, FerrAus), gold (Independence Group (ASX:IGO)) and copper-lead-zinc (Prairie Downs (ASX:PDZ)). The Jigalong project wraps around the eastern and southern edge of the Sylvania Dome.

The following is a list of ASX announcements made from 1st July 2010 that relate to the work completed at Jigalong by Hannans.

DATE	ANNOUNCEMENT TITLE
15/09/2011	Manganese Drilling Begins at Jigalong Project
6/07/2011	Jigalong Project Exploration Update
27/06/2011	New Iron and Manganese Company

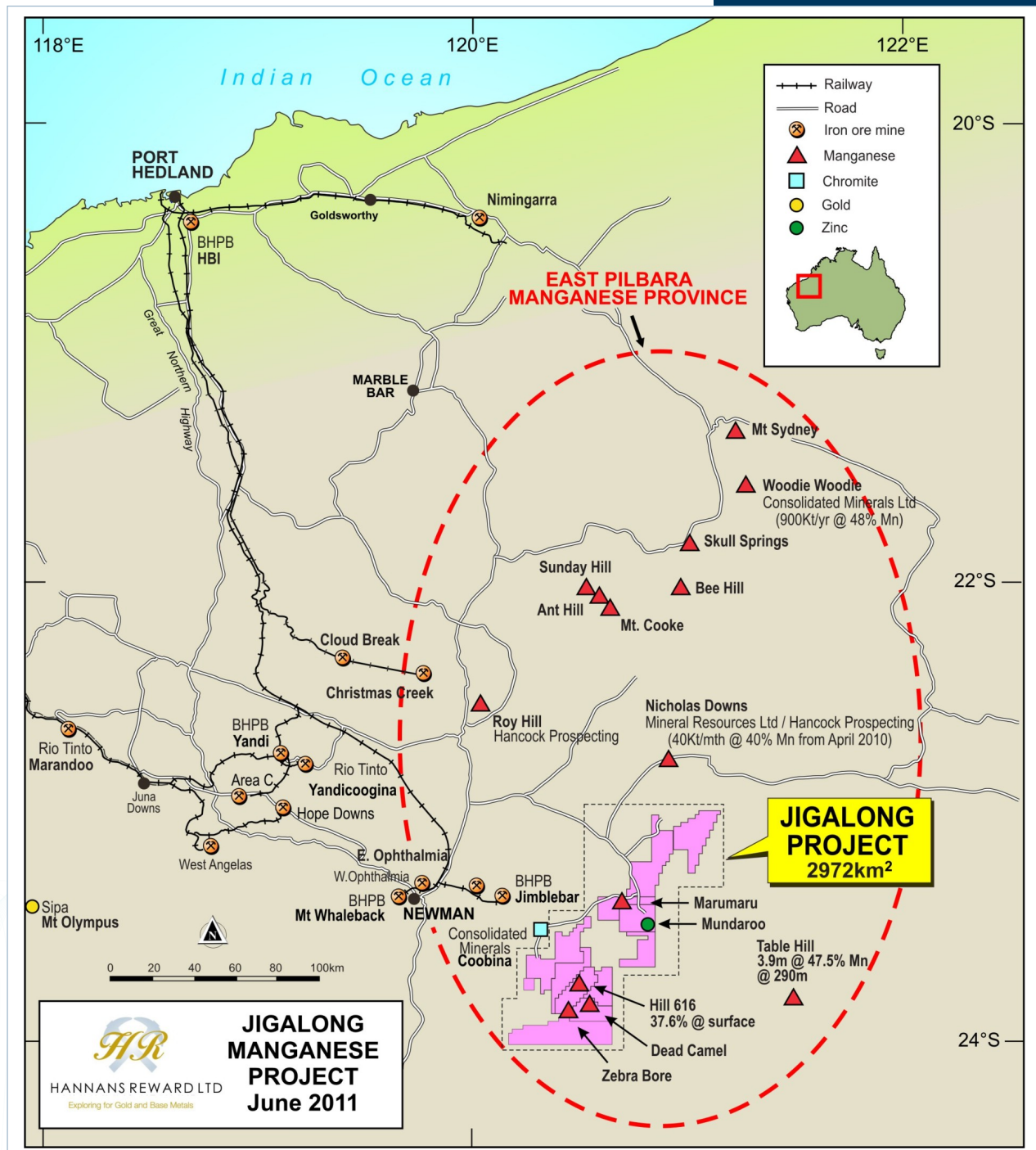


Figure 18. Jigalong project tenement location diagram

Hannans ground holding in the area has been considerably increased over the year with the *granting of tenement E52/2516* that covers a ~25km² area west of the current tenement package and is in prospective for gold. Application has also been made for tenement E45/3747 which covers a ~300km² area prospective for manganese and base metals mineralization and E52/2695 which

covers a ~360km² area of ground flanking the eastern edge of the Sylvania Dome, which is highly prospective for both gold and uranium mineralization.

Dr Joe Drake-Brockman, a highly experienced manganese geologist, joined the Hannans team in a consulting capacity during the year to help advance regional manganese targeting at the

Jigalong project. Joe brings to the team a vast wealth of knowledge in the field of manganese, having worked on numerous projects in the Pilbara region, including 8 years with Consolidated Minerals at their high grade, Woodi Woodi deposits.

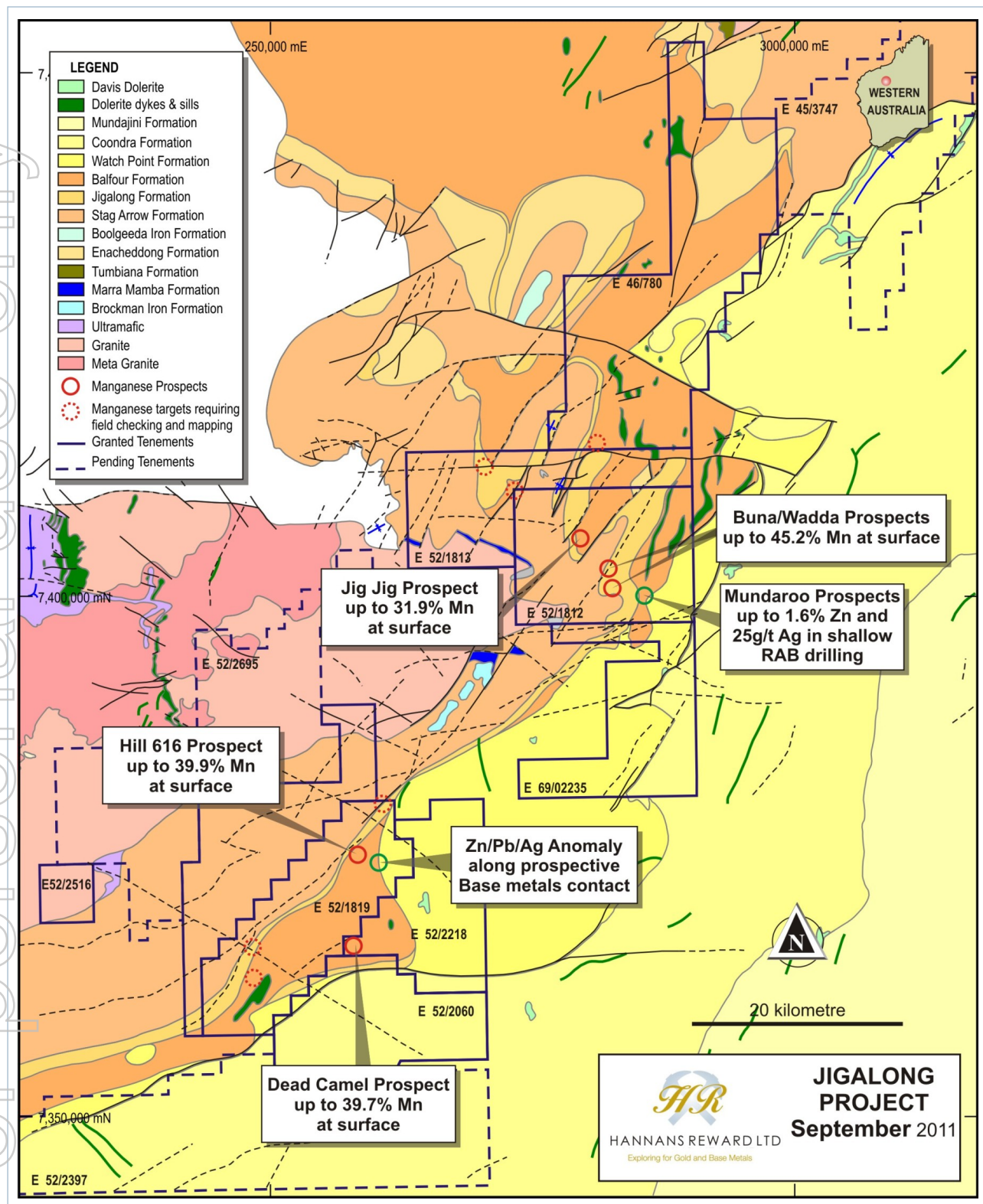


Figure 19. Manganese and Base metals prospects in the Jigalong project area

DIRECTORS' REPORT

A range of exploration activities have been conducted in the area this year as a result of a renewed focus on the Jigalong project. Earlier in the year, a comprehensive desktop review and targeting exercise was conducted for the whole project area. The review focussed on the manganese and zinc prospectivity of the project area and as a result a number of new and existing targets were developed and prioritized for field testing.

An extensive fieldwork program began in June which included a range of activities such as field checking aerial Mn targets, detailed geological mapping and rock chip sampling of surface Mn occurrences. As a result of this fieldwork, several existing and new prospects have been identified as high priority drill and follow up targets (*Figure 19*). Significant extensions to mineralization have been mapped at the existing **Hill 616 prospect** with these areas returning values up to **39.9% Mn** in rock chip sampling. The **Dead Camel prospect** has been identified as a new high priority drill target with rock chip samples returning values up to **39.7% Mn** over a ~2km strike distance. Two other high priority target areas were also identified in the northern section of the Jigalong tenements including the **Buna/Wadda prospect**, which returned values up to **45.2% Mn** at surface and the **Jig Jig prospect** with up to **31.7% Mn** at surface. Further field truthing and mapping is required prior to drill testing these two new prospects in the next field season (*Figure 19*).

An infill orientation soil sampling program was also conducted at the Mundaroo Zinc prospect as part of the recent fieldwork that was designed to cover an area highly prospective for

base metals. Shallow, broad spaced AC drilling conducted over the prospect in 2009 returned values as high as **1.6% Zn and 25g/t Ag** with many of the holes ending in mineralization. The 85 sample program returned further anomalous values up to **691ppm Zn** and **385ppm Pb**; these results are now being used in conjunction with existing project data to determine the best approach for future base metals exploration at the prospect and over the broader project area. Recent review of the historical, broad spaced geochemical data at Jigalong has also helped identify a new base metals anomaly on the southern section of the Jigalong tenements which appears to be in a very similar geological setting to the Mundaroo prospect. The anomaly will be followed up with further geochemistry and field work, early in the next field season.

A planned +6000 metre combined RC and Diamond drilling program will begin in mid-September at the Jigalong project to test Mn targets at the Hill 616 and Dead Camel prospects.



Figure 20.
Dr Joe Drake Brockman at the Hill 616 prospect

Hill 616 will be tested initially with a planned 163 RC holes and a further 12 Diamond holes. The drilling will aim to test known extensions to Mn mineralisation and the data collected will go towards calculating an initial resource estimate (non JORC compliant), so that a mineral resource report can be compiled. The Dead Camel prospect will be the next target to be tested with a planned 65 RC holes and a further 6 Diamond holes. As this will be the first drilling program at the Dead Camel prospect, the drilling will be of a more reconnaissance nature and will not aim at defining a resource. The programme is expected to run over a six to seven week period and is set to finish in line with the end of the field season beginning in November. The resulting core from the Diamond drilling at both prospects will be used for metallurgical test work to be conducted by METS Engineering in Perth.

Exploration activity will increase significantly during the coming field season of 2011. RC percussion and diamond drilling is planned for both the Hill 616 and Dead Camel Prospects. Exploration for manganese will progress within the northern tenements in form of detailed mapping and field reconnaissance.

Exploration for base metals will be advanced during 2011 in the form of additional surface geochemistry.

DIRECTORS' REPORT

DIRECTORS

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

MR RICHARD SCALLAN

Independent Non Executive Chairman
(Appointed 23 May 2002)



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

Goldfields Limited in 1981.

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

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

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

MR WILLIAM HICKS

Non-Executive Director
(Appointed 11 March 2002)



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

both Central Kalgoorlie Gold Mines NL and Maritana Gold NL.

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

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

MR DAMIAN HICKS

Managing Director
(Appointed 11 March 2002)



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

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

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

During the past 3 years Mr Hicks has been a Director of Scandinavian Resources Ltd, which listed on ASX in April 2010.

MR JONATHAN MURRAY

Non-Executive Director
(Appointed 22 January 2010)



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

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

During the last 3 years Mr Murray has been a Director of the following ASX listed companies, US Nickel Ltd and Laguna Resources Ltd.

DIRECTORS' REPORT

JOINT COMPANY SECRETARY

MR IAN GREGORY

Company Secretary
(appointed 5 April 2007)



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

MR MICHAEL CRAIG

Company Secretary
(appointed 11 March 2010)



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

EXPLORATION MANAGER

MR DONALD HUNTLY

Exploration Manager
(appointed 20 July 2010)



Mr Huntly is an experienced geologist having held senior exploration positions with major companies including Xstrata Nickel Australasia, Jubilee Mines NL, Goldfields of South Africa (Agnew Gold Operation) and WMC Resources Ltd (Leinster Nickel operation). Mr Huntly played a major role in the discovery of the Sinclair Nickel Deposit owned by Xstrata. He is a member of the Australian Institute of Geoscientists and is a Registered Professional Geoscientist.

At the date of this report the following table sets out the current Directors' relevant interests in shares and options of Hannans Reward Ltd and the changes since the 2010 Annual Report.

Director	Ordinary Shares		Options over Ordinary Shares	
	Current Holding	Net Increase / (Decrease)	Current Holding	Net Increase / (Decrease)
Richard Scallan	-	-	-	(250,000)
Damian Hicks	4,165,310	-	2,000,000	(1,000,000)
William Hicks	12,058,086	-	-	(250,000)
Jonathan Murray	391,775	-	-	-

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

Director	Number of Options Granted	Number of Ordinary Shares Under Option
Richard Scallan	-	-
Damian Hicks	-	2,000,000
William Hicks	-	-
Jonathan Murray	-	-

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HANNANS

DIRECTORS' REPORT

Remuneration Report (Audited)

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

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

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

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

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

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

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually and determines policy recommendations by reference to executive performance and comparable information from industry sectors and other listed companies in similar industries.
- The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.
- The Managing Director and executives receive a superannuation guarantee contribution required by the government, which is currently 9% of base salary and do not receive any other retirement benefits.
- All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Options are valued using the Black-Scholes methodology.
- The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews the remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company.

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

DIRECTORS' REPORT

Remuneration Report (Audited) (cont'd)

B. Details of remuneration

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

The key management personnel of Hannans Reward Ltd and the Group are the Directors as listed on page 30 and 31.

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

The tables below show the 2011 and 2010 figures for remuneration received by the directors and executives.

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

	Short Term			Post-employment		Equity	Long service leave	Other benefits (D&O Insurance) (ii)	Total
	Salary & fees	Bonus	Other benefits	Super-annuation	Pre-scribed benefits	Options			
2010	\$	\$	\$	\$	\$	\$	\$	\$	\$
Directors									
Richard Scallan	32,400	–	–	2,800	–	–	–	3,514	38,714
Damian Hicks	233,589	–	20,430	18,606	–	–	27,160	3,514	303,299
William Hicks	–	–	–	32,400	–	–	–	3,514	35,914
Jonathan Murray	13,500	–	–	–	–	–	–	1,531	15,031
Executives									
Michael Craig (iii) (Company Secretary)	33,689	–	1,278	3,032	–	–	–	1,069	39,068
Total	313,178	–	21,708	56,838	–	–	27,160	13,142	432,026

i) Damian Hicks 'Short Term Other benefits' includes \$7,252 of unpaid annual leave (2010: \$20,430).

ii) For accounting purposes Directors & Officers Indemnity Insurance is required to be recorded as remuneration. No director receives any cash benefits, simply the benefit of the insurance coverage..

iii) Appointed on 11 March 2010.

DIRECTORS' REPORT

Remuneration Report (Audited) (cont'd)

C. Service agreements

Damian Hicks

The Board negotiated an employment agreement for Damian Hicks as Managing Director commencing on 21 December 2009. The remuneration package comprised \$230,000 per annum (exclusive of statutory 9% superannuation entitlements), reimbursement of work related expenses, provision of motor vehicle and provision for a performance based bonus as determined by the Board. Either party may terminate the arrangement with three months written notice and payment by the Company of all statutory annual and long service leave entitlements. Mr Hicks' salary was increased to \$241,500 per annum from 1 July 2010.

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

D. Share-based compensation

Options are issued to directors and executives as part of their remuneration. The options are not based on performance criteria, but are issued to align the interests of directors, executives and shareholders. 1,500,000 unlisted options exercisable at 80 cents each on or before 30 June 2011 granted to directors as part of their remuneration expired at the end of the year. No options were granted to directors or executives, or were exercised, or vested during the year.

E. Additional information

Performance income as a proportion of total compensation

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

Directors Meetings

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

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

Dates of Board Meetings and Circulating Resolutions

Board Meetings	Circulating Resolutions
9 August 2010	9 September 2010
28 October 2010	29 September 2010
13 December 2010	26 June 2011
15 February 2011	
14 March 2011	

DIRECTORS' REPORT

Projects

The Projects are constituted by the following tenements:

Project	Tenement Number	Interest %	Note
FORRESTANIA Skeleton Rocks Prospect	E77/1695	100	
	E77/1705	100	
	E77/1715	100	
	E77/1718	100	
	E77/1719	100	
	E77/1724	100	
	E77/1725	100	
	E77/1783	100	
	E77/1784	100	
	E77/1785	100	
Stormbreaker Prospect	E77/1327	80	
	E77/1354-I	80	1
	E77/1406-I	80	1
	E77/1430-I	85	1
	E77/1431	85	1
	E77/1655	100	1
	E77/1696	100	
	E77/1707	100	
	E77/1716	100	
	M77/544	Nil	
	M77/693	85	2
	M77/812-I	85	1,3
	P77/3582	80	1,3
	P77/3583	80	1
	P77/3584	80	1
	P77/3585	80	1
	P77/3586	80	1
	P77/3587	80	1
	P77/3588	80	1
	P77/3607-I	80	1
	P77/3613	80	1
	P77/3762	80	1
	P77/3763-I	80	1
	P77/3848-I	85	1
	P77/3849-I	85	1
	P77/3850	85	1
	P77/3851-I	85	1
	P77/3852	85	1
	P77/3853	85	1
	P77/3854-I	85	1
	P77/3855-I	85	1
	P77/3856	85	1
	P77/3943	100	1
	P77/3944	100	
	P77/3945	100	
	P77/3998	100	
	P77/3999	100	
	P77/4000	100	
	P77/4001	100	
	P77/4002	100	
	P77/4003	100	
	P77/4004	100	
	P77/4005	100	
	P77/4006	100	
	P77/4007	100	
	P77/4008	100	
	P77/4009	100	
Lucy Rocks Prospect	E77/1512-I	100	
	E77/1568	100	

Project	Tenement Number	Interest %	Note
SUNDAY	L37/149	90	1
	M37/389	90	1
	P37/7145	90	1
	P37/7163	90	1
	P37/7164	90	1
	P37/7166	90	1
	P37/7167	90	1
LAKE JOHNSTON	E63/1091	100	
	E63/1206	100	
	E63/1207	100	
	E63/1327	100	
	E63/1354	100	
	E63/1365	100	
	E63/1423	100	
	P63/1473	90	1
	P63/1474	90	1
	P63/1475	90	1
	P63/1476	90	1
	P63/1477	90	1
	P63/1478	90	1
	P63/1479	90	1
	P63/1664	100	
	P63/1800	100	
QUEEN VICTORIA ROCKS (QVR)	E15/734	100	
	E15/755	100	
	E15/913	100	
	E15/921	100	
	E15/971	100	
	E15/1234	100	
	P15/4964	100	
	P15/4965	100	
	P15/4966	100	
	P15/4967	100	
	P16/2691	100	
	P16/2692	100	
	E52/1812-I	100	4
	E52/1813-I	100	4
JIGALONG	E52/1819-I	100	4
	E52/2060-I	100	4
	E52/2150-I	100	4
	E52/2218-I	100	4
	E69/2235-I	100	4
	E52/2516	100	
	E46/780	100	
Notes			
1. Partner free-carried by Hannans to BFS			
2. Hannans have gold rights only			
3. St Barbara Mines have 100% of gold rights only			
4. Iron rights owned by Atlas Iron Ltd			
Tenement number			
I Tenement approved for iron exploration			

DIRECTORS' REPORT

Projects (cont'd)

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

Project	Tenement Number
FORRESTANIA Skeleton Rocks Prospect	E77/1846
	E77/1919
	E77/1934
	E77/1935
	E77/1950
	E77/1951
	E77/1959
	P77/4048
	P77/4049
	P77/4050
	P77/4051
Stormbreaker Prospect	E77/1764
	E77/1867
	E77/1955
	E77/1960
	P77/4010
	P77/4011
	P77/4012
	P77/4013
	P77/4014
Lucy Rocks Prospect	P77/4062
	E77/1866
LAKE JOHNSTON	P77/4035
	E63/1422
	E63/1429
QUEEN VICTORIA ROCKS (QVR)	E63/1449
	E15/1267
	E15/1278
	E15/1303
JIGALONG	P16/2690
	E52/2397
	E45/3747
	E52/2695

DIRECTORS' REPORT

Capital

The Hannans Reward Ltd issued capital is as follows:

Ordinary Fully Paid Shares

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

	Number of shares
Ordinary fully paid shares	131,648,715

Shares Under Option

At the date of this report there are 5,000,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	8,567,867
Movements of share options during the year and to the date of this report	
Issued at 20 cents, expiring 20 July 2013	300,000
Issued at 75 cents, expiring 20 July 2013	300,000
Issued at \$1, expiring 20 July 2013	300,000
Issued at 20 cents, expiring 30 June 2013	2,000,000
Expired at 40 cents on 31 December 2010	(1,717,867)
Expired at 50 cents on 31 December 2010	(500,000)
Expired at 80 cents on 30 June 2011	(2,250,000)
Expired at 20 cents on 31 July 2011	(2,000,000)
Total number of options outstanding at the date of this report	5,000,000

The balance is comprised of the following:

Date options issued	Expiry date	Exercise price (cents)	Number of options
1 November 2007	30 June 2012	80	1,000,000
1 November 2007	30 June 2013	80	1,000,000
24 July 2009	30 June 2012	40	100,000
23 August 2010	20 July 2013	20	300,000
23 August 2010	20 July 2013	75	300,000
23 August 2010	20 July 2013	100	300,000
1 July 2011	30 June 2013	20	2,000,000
Total number of options outstanding at the date of this report			5,000,000

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

DIRECTORS' REPORT

Capital (cont'd)

Substantial Shareholders

Hannans Reward Ltd has the following substantial shareholders as at 27 September 2011:

Name	Number of shares	Percentage of issued capital
JP Morgan Nominees Australia Limited <Cash Income A/C>	11,168,023	8.48%
Marfield Pty Ltd	8,724,543	6.63%

Range of Shares as at 27 September 2011

Range	Total Holders	Units	% Issued Capital
1 - 1,000	76	28,064	0.02
1,001 - 5,000	293	1,036,540	0.79
5,001 - 10,000	310	2,661,703	2.02
10,001 - 100,000	916	34,293,744	26.05
100,001 - 9,999,999	185	93,628,664	71.12
Total	1,780	131,648,715	100.00

Unmarketable Parcels as at 27 September 2011

Minimum parcel size	Minimum parcel size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.16 per unit	3,704	232	422,082

DIRECTORS' REPORT

Capital (cont'd)

Top 20 holders of Ordinary Shares as at 27 September 2011

Rank	Name	Units	% of Issued Capital
1	JP Morgan Nominees Australia Limited <Cash Income A/C>	11,168,023	8.48
2	Marfield Pty Limited	8,724,543	6.63
3	Aust Global Resources Pty Ltd	3,636,363	2.76
4	Mr Damian Peter Hicks	3,554,697	2.70
5	Eric Preston Pty Ltd	2,600,000	1.97
6	Mossisberg Pty Ltd	2,296,296	1.74
7	Dixon International Pty Ltd	2,075,720	1.58
8	HSBC Custody Nominees (Australia) Limited	1,748,200	1.33
9	Navigator Australia Ltd <Navigator Pers Plan Sett A/C>	1,608,989	1.22
10	Kanaslex Pty Limited	1,548,296	1.18
11	Ms Susan Eileen Dechow	1,500,001	1.14
12	Bonord Pty Ltd <CW Hulls & CO S/F A/C>	1,500,000	1.14
13	Mr Terrence Ronald Grammer	1,500,000	1.14
14	Susern Holdings Pty Ltd	1,500,000	1.14
15	Mandies Meats Pty Ltd <Number 2 Account>	1,497,000	1.14
16	Ms Mara Jane Rudd	1,400,000	1.06
17	Mr Terrence Ronald Grammer	1,390,000	1.06
18	Jigalong Community Inc/C	1,306,500	0.99
19	Mr David Milorad Novac & Ms Cathy Lee Sheehan <Shevac Super Fund A/C>	1,206,346	0.92
20	Nijinsky Corporation Pty Ltd	1,200,600	0.91
Total of Top 20 Holders of ORDINARY SHARES		52,961,574	40.23

DIRECTORS' REPORT

Financial Review

The Group began the financial year with cash reserves of \$4,584,746. During the year total exploration expenditure incurred by the Group amounted to \$4,432,070. In line with the Group's accounting policies, all exploration expenditure was expensed as incurred. Net administration expenditure incurred amounted to \$1,259,430. This has resulted in an operating loss after income tax for the year ended 30 June 2011 of \$1,845,727 (2010: \$1,683,821 profit).

As at 30 June 2011 cash and cash equivalents totalled \$570,840.

Summary of 5 Year Financial Information as at 30 June

	2011	2010	2009	2008	2007
Cash and cash equivalents	570,840	4,584,74	1,027,426	2,943,188	4,502,168
Exploration expenditure expensed	(4,432,070)	(3,009,739)	(1,579,170)	(1,848,686)	(1,795,653)
No of issued shares	131,648,715	131,648,715	90,324,979	84,778,597	79,983,929
No of options	5,000,000	8,567,867	9,967,867	9,717,867	5,250,000
Share price	\$0.17	\$0.16	\$0.12	\$0.25	\$0.61
Market capitalisation (Undiluted)	22,380,282	21,063,794	10,838,997	21,132,149	48,790,197

Summary of Share Price Movement for Year ended 30 June 2011

	Price	Date
Highest	\$0.28	8 February 2011
Lowest	\$0.16	2, 5, 7, 8, 19, 21, 22, 23 July 2010 24, 27, 31 August 2010 21, 23, 24, 27, 28 June 2011
Latest	\$0.13	29 September 2011

DIRECTORS' REPORT

Announcements

ASX Announcements for the year

Date	Announcement Title
29/09/2011	Investor Presentation
15/09/2011	Manganese Drilling Begins at Jigalong Project
2/09/2011	Forrestania Project Commencement of RC Percussion Drilling
1/08/2011	Unlisted Options
29/07/2011	4th Quarter Cashflow Report
29/07/2011	4th Quarter Activities Report
20/07/2011	Forrestania Project Exploration Update
6/07/2011	Jigalong Project Exploration Update
4/07/2011	Lake Johnston Project Exploration Update
1/07/2011	Unlisted Options
28/06/2011	AMEC 2011 Presentation
27/06/2011	New Iron and Manganese Company
17/06/2011	Investor Presentation
13/05/2011	RIU Sydney Presentation
2/05/2011	3rd Quarter Reports
14/03/2011	Financial Report for the Half Year
9/02/2011	Lake Johnston High Grade Gold
7/02/2011	Investor Presentation
31/01/2011	2nd Quarter Cashflow Report
31/01/2011	2nd Quarter Activities Report
20/01/2011	Forrestania Project Update
4/01/2011	Securities Trading Policy
9/12/2010	Lake Johnston Gold Project Update
18/11/2010	2010 AGM Results
18/11/2010	2010 AGM Presentation
2/11/2010	Drilling gold targets at Lake Johnston
29/10/2010	1st Quarter Cashflow Report
13/10/2010	Annual Report 2010
13/10/2010	Notice of Meeting 2010 AGM
12/10/2010	1st Quarter Activities Report
30/09/2010	Annual Report 2010
13/09/2010	RC drilling QVR Nickel Targets
6/09/2010	Gold at Lake Johnston
23/08/2010	Appendix 3B Option issue
29/07/2010	4th Quarter Cashflow Report
29/07/2010	4th Quarter Activities Report
20/07/2010	QVR Project Update
20/07/2010	Forrestania Project Update
20/07/2010	Appointment of Exploration Manager

DIRECTORS' REPORT

Corporate Structure

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



DIRECTORS' REPORT

Compliance

Corporate Governance Statement

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

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

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

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

Principle 1: Lay solid foundations for management and oversight

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

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

Principle 2: Structure the Board to add value

2.1 The majority of the Board should be independent directors

The Board consists of a Chairman, Non-executive Directors and Managing Director. The Chairman Mr Richard Scallan is an Independent Director. The Board considers that the composition of the existing Board is appropriate given the scope and size of the Group's operations and the skills matrix of the existing Board members.

2.4 The Board should establish a nomination committee

The Board as a whole will identify candidates and assess their skills in deciding whether an individual has the potential to add value to the Company. The Board may also seek independent advice to assist with the identification process.

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

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

Principle 4: Safeguard integrity of financial reporting

4.1 The Board should establish an Audit Committee

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

4.3 The audit committee should have a formal charter

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

Principle 8: Remunerate fairly and responsibly

8.2 The Board should establish a remuneration committee

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

DIRECTORS' REPORT

Compliance (cont'd)

Independent Professional Advice

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

Board Composition

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

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

Share Trading Policy

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

Additional Compliance Statements

Risk Management

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

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

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

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

Significant Changes in State of Affairs

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

Significant Events after the Balance Date

No matters or circumstances besides those disclosed at note 27, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or state of affairs of the Group in future financial years.

Likely developments and Expected Results

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

Environmental Regulation and Performance

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

DIRECTORS' REPORT

Compliance (cont'd)

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

Insurance of Directors and Officers

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

- a) A wilful breach of duty
 - b) A contravention of sections 182 or 183 of the Corporations Act 2001,
- as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid is \$12,840.

Dividends

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

Non-Audit Services

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

Competent Person Statement

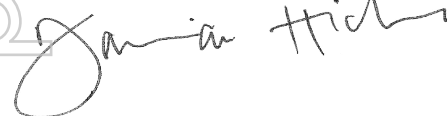
The information in this document that relates to exploration results is based on information compiled by Mr Donald Huntly, Consulting Geologist who is a Full Member of the Australian Institute of Geoscientists and a Registered Professional Geoscientist. Mr Huntly is a full-time employee of Hannans Reward Ltd. Mr Huntly has sufficient experience, which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which has been undertaken to qualify as a Competent Person as defined by the 2004 edition of the "Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Huntly consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 47.

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

On behalf of the Directors



Damian Hicks

Managing Director

Perth, Western Australia this 30th day of September 2011

Independence Declaration to the Directors of Hannans Reward Ltd

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Stantons International Audit and Consulting Pty Ltd
(ABN 84 144 581 519) trading as

Stantons International

Chartered Accountants and Consultants

30 September 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 audit of the financial statements of Hannans Reward Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

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



Martin Michalik
Director

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;
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards and International Financial Reporting Standards as disclosed in note 1 and giving a true and fair view of the financial position and performance of the consolidated entity for the financial year ended on that date; and
- (c) the audited remuneration disclosures set out in the directors' report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Act and Regulations 2001.
- (d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001 for the financial year ended 30 June 2011.

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

On behalf of the Directors



Damian Hicks

Managing Director

30th September 2011

Independent Audit Report to the Members of Hannans Reward Ltd

Level 1, 1 Havelock St
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HANNANS REWARD LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Hannans Reward Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

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

Auditor's responsibility

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

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of Hannans Reward Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the Remuneration Report

We have audited the remuneration report included in pages 33 to 35 of the directors' report for the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Auditor's opinion

In our opinion the remuneration report of Hannans Reward Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

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

Stantons International Audit & Consulting Pty Ltd



Martin Michalik
Director

West Perth, Western Australia
30 September 2011

Consolidated Statement of Comprehensive Income

for the financial year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue	4(a)	320,914	191,229
Other income	4(b)	189,772	5,292,638
Gain on disposal of shares	4(c)	3,335,087	153,180
Total revenue		3,845,773	5,637,047
Employee and contractors expenses		(513,225)	(498,352)
Depreciation expense		(47,844)	(14,044)
Consultants expenses		(113,332)	(105,249)
Occupancy expenses		(62,037)	(80,083)
Marketing expenses		(89,423)	(45,553)
Exploration and evaluation expenses		(4,432,070)	(3,009,739)
Other expenses		(433,569)	(200,206)
(Loss)/Income from continuing operations before income tax expense/ benefit		(1,845,727)	1,683,821
Income tax expense/benefit	5	-	-
(Loss)/Income from continuing operations attributable to members of the parent entity		(1,845,727)	1,683,821
Other comprehensive income for the year			
Net fair value gains on available for sale assets net of deferred taxation		8,654,619	11,638,395
Net change in fair value of available for sale assets transferred to profit and loss		(2,539,256)	(135,836)
Total comprehensive income for the year		4,269,636	13,186,380
Net (loss)/income attributable to the parent entity		(1,845,727)	1,683,821
Total (loss)/income attributable to the parent entity		4,269,636	13,186,380
(Loss)/Profit per share:			
Basic (cents per share)	20	(1.40)	1.38
Diluted (cents per share)	20	(1.40)	1.38

The accompanying notes form part of the financial statements

Consolidated Statement of Financial Position

as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	28(a)	570,840	4,584,746
Trade and other receivables	9	332,495	138,297
Other financial assets	10	27,335,464	17,218,816
Total current assets		28,238,799	21,941,859
Non-current assets			
Other receivables	11	212,225	209,225
Property, plant and equipment	12	162,022	81,724
Other financial assets	13	300,000	300,000
Total non-current assets		674,247	590,949
TOTAL ASSETS		28,913,046	22,532,808
Current liabilities			
Trade and other payables	14	332,902	718,367
Provisions	15	66,258	52,640
Other financial liabilities	16	20,086	–
Total current liabilities		419,246	771,007
Non-current liabilities			
Deferred tax liability	15	32,906	27,160
Provisions	5	3,280,989	943,816
Other financial liabilities	16	76,340	–
Total non-current liabilities		3,390,235	970,976
TOTAL LIABILITIES		3,809,481	1,741,983
NET ASSETS		25,103,565	20,790,825
Equity			
Issued capital	17	20,135,891	20,135,891
Reserves	18	18,876,128	12,717,661
Accumulated losses	19	(13,908,454)	(12,062,727)
TOTAL EQUITY		25,103,565	20,790,825

The accompanying notes form part of the financial statements

Consolidated Statement of Changes in Equity

for the financial year ended 30 June 2011

	Attributable to equity holders				
	Ordinary Shares \$	Option Reserve \$	Other Reserves \$	Accumulated Losses \$	Total Equity \$
For the year ended 30 June 2011					
Balance as at 1 July 2010	20,135,891	1,215,102	11,502,559	(12,062,727)	20,790,825
Total comprehensive income					
Loss for the year	-	-	-	(1,845,727)	(1,845,727)
Other comprehensive income for the year	-	-	6,115,363	-	6,115,363
Total comprehensive income for the year	-	-	6,115,363	(1,845,727)	4,269,636
Transactions with owners recorded direct to equity					
Issue of options	-	43,104	-	-	43,104
Total transactions with owners	-	43,104	-	-	43,104
Balance as at 30 June 2011	20,135,891	1,258,206	17,617,922	(13,908,454)	25,103,565

	Attributable to equity holders				
	Ordinary Shares \$	Option Reserve \$	Other Reserves \$	Accumulated Losses \$	Total Equity \$
For the year ended 30 June 2010					
Balance as at 1 July 2009	13,906,008	1,089,099	-	(13,746,548)	1,248,559
Total comprehensive income					
Profit for the year	-	-	-	1,683,821	1,683,821
Other comprehensive income for the year	-	-	11,502,559	-	11,502,559
Total comprehensive income for the year	-	-	11,502,559	1,683,821	13,186,380
Transactions with owners recorded direct to equity					
Issue of shares	6,555,660	-	-	-	6,555,660
Issue of options	-	126,003	-	-	126,003
Shares issue expenses	(325,777)	-	-	-	(325,777)
Total transactions with owners	6,229,883	126,003	-	-	6,355,886
Balance as at 30 June 2010	20,135,891	1,215,102	11,502,559	(12,062,727)	20,790,825

The accompanying notes form part of the financial statements

Consolidated Statement of Cash Flows

for the financial year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Receipts from customers		46,902	–
Payments for exploration and evaluation		(4,901,163)	(2,553,445)
Payments to suppliers and employees		(1,188,431)	(514,059)
Interest received		244,732	122,480
Proceeds on sale of mineral rights		–	750,000
Net cash used in operating activities	28(b)	(5,797,960)	(2,195,024)
Cash flows from investing activities			
Payment for investment securities		(32,399)	(336,875)
Proceeds on sale of investment securities		4,224,710	217,614
Amounts advanced to related parties	26(d)	–	(300,000)
Amounts advanced to outside entities		(2,360,484)	(102,171)
Payment for property, plant and equipment		(24,276)	(67,864)
Repayment of loans from outside entities		–	445,757
Net cash provided by/(used in) investing activities		1,807,551	(143,539)
Cash flows from financing activities			
Proceeds from issues of equity securities	17	–	5,521,660
Proceeds from exercise of options	17	–	700,000
Payment for share issue costs	17	–	(325,777)
Payment of finance lease liabilities		(23,497)	–
Net cash (used in)/provided by financing activities		(23,497)	5,895,883
Net (decrease)/increase in cash and cash equivalents		(4,013,906)	(3,557,320)
Cash and cash equivalents at the beginning of the financial year		4,584,746	1,027,426
Cash and cash equivalents at the end of the financial year	28(a)	570,840	4,584,746

The accompanying notes form part of the financial statements

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

1. General information

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

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

REGISTERED OFFICE
Ground Floor
28 Ord Street
West Perth WA 6005

PRINCIPAL PLACE OF BUSINESS
Ground Floor
28 Ord Street
West Perth WA 6005

2. Statement of significant accounting policies

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the financial statements of the consolidated Group. Separate financial statements for Hannans Reward Ltd as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, required financial information for Hannans Reward Ltd as an individual entity is included in note 31.

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

The financial statements were authorised for issue by the Directors on 30th September 2011.

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

(a) Basis of preparation

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented in these financial statements for the year ended 30 June 2010.

(b) Adoption of New and Revised Accounting 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 financial year.

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

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 8, 101, 107, 117, 118, 136, and 139)
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 3, 7, 121, 128, 131, 132 and 139)
- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19.

The adoption of these amendments has not resulted in any changes to the Group's accounting and is unlikely to affect future periods.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

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

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(d) Employee benefits

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

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

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

(e) Financial assets

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

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

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

Available-for-sale financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

(f) Financial instruments issued by the Company

Debt and equity instruments

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

Transaction costs on the issue of equity instruments

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

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

(g) Goods and services tax

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

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

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

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

(h) Impairment of assets

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

(i) Tax

Current tax

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

Deferred tax

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

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

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

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

(i) Tax (cont'd)

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

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

Current and deferred tax for the period

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

Tax consolidation

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

(j) Intangible assets

Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred may either be expensed immediately to the profit and loss or be accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

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

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

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

(k) Joint ventures

Jointly controlled assets and operations

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

Jointly controlled entities

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

(l) Operating cycle

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

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

(m) Payables

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

(n) Presentation currency

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

(o) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in note 25 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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

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

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

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

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

(p) Plant and equipment

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

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

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

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

(q) Provisions

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

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

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

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

(r) Revenue recognition

Dividend and interest revenue

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

(s) Share-based payments

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

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

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

(t) Segment reporting policy

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

3. Critical accounting estimates and judgements

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

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

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

Key estimates — impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. No impairment has been recognised in respect of exploration and evaluation for the year ended 30 June 2011. Exploration and evaluation expenditure is not capitalised and is expensed directly through the profit and loss.

Key estimates — share-based payments

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

Key judgments — doubtful debts provision

The Directors believe that the intercompany loans from Hannans Reward Ltd to HR Subsidiary Pty Ltd and HR Forrestania Pty Ltd, if recoverable, would only be recoverable in the long term and have therefore provided for the full amount as at 30 June 2011. All other intercompany loans are considered recoverable.

Key judgments — deferred taxation

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

	2011 \$	2010 \$
4. (Loss)/Income from operations		
(a) Revenue		
Interest revenue		
-Bank	219,274	173,112
-Loans	92,872	18,117
-Other	8,768	-
	<u>320,914</u>	<u>191,229</u>
(b) Other Income		
Service fees	68,586	42,638
Equity settled loan brokering fees	121,186	-
Sale of mineral rights	-	5,250,000
	<u>189,772</u>	<u>5,292,638</u>
(c) Gain on disposal of shares		
Proceeds on disposal of shares	4,244,431	217,614
Less: Carrying fair value of shares (net of broker fees)	(3,448,600)	(200,270)
Transfer to income the fair value reserve of shares sold	2,539,256	135,836
	<u>3,335,087</u>	<u>153,180</u>
(d) (Loss)/Income before income tax		
(Loss)/Income before income tax has been arrived at after charging the following gains and (losses) from continuing and discontinued operations		
Depreciation of non-current assets	<u>47,844</u>	<u>14,044</u>
Operating lease rental expenses:		
Minimum lease payments	<u>62,037</u>	<u>80,083</u>
Employee benefit expense includes:		
Post employment benefits:		
Defined contribution plans	<u>103,591</u>	<u>79,033</u>
Share-based payments:		
Equity settled share-based payments	<u>43,104</u>	<u>126,003</u>

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

	2011 \$	2010 \$	
5. Income taxes			
Income tax recognised in profit or loss			
Tax expense comprises:			
Current tax expense	–	–	
Deferred tax expense relating to the origination and reversal of temporary differences	–	–	
Total tax expense	–	–	
The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:			
(Loss)/Income from operations	(1,845,727)	1,683,821	
Income tax benefit calculated at 30%	(553,718)	505,146	
Effect of expenses that are not deductible in determining taxable profit	15,922	139,704	
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	537,796	(644,850)	
Income tax attributable to operating loss	–	–	
The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.			
Deferred tax recognised directly to equity			
The following deferred amounts were charged directly to equity during the year			
Deferred tax on revaluation of available for sale assets	6,490,678	3,774,663	
Less: Brought forward tax losses utilised	(3,209,689)	(2,830,847)	
	3,280,989	943,816	
Deferred tax liabilities			
Revaluations of available for sale assets	3,280,989	943,816	
	3,280,989	943,816	
Reconciliation of deferred tax assets/(liabilities)			
	Opening Balance	Charged to Equity	Closing Balance
Available for sale financial assets	(943,816)	(2,337,173)	(3,280,989)
	(943,816)	(2,337,173)	(3,280,989)
	2011 \$	2010 \$	
Unrecognised deferred tax balances			
The following deferred tax assets and (liabilities) have not been brought to account :			
Tax losses – revenue	–	–	
Tax losses – capital	–	–	
Net temporary differences	166,540	158,267	
	166,540	158,267	

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

5. Income taxes (cont'd)

Tax consolidation

Relevance of tax consolidation to the consolidated entity

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

6. Key management personnel disclosures

(a) Details of key management personnel

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

Directors

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

Executives

- Michael Craig (Company Secretary)

(b) Key management personnel compensation

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

	2011 \$	2010 \$
Short-term employee benefits	440,205	362,046
Post-employment benefits	72,328	56,838
Other long term benefits	18,585	13,142
	531,118	432,026

The compensation of each member of the key management personnel of the Group is set out in the Directors Remuneration report on pages 33 to 35.

7. Share-based payments

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

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

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

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

7. Share-based payments (cont'd)

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

Options series	Number	Grant date	Expiry date	Exercise price \$
31 July 2011	2,000,000	30 July 2009	31 July 2011	0.20
30 June 2012	1,000,000	1 November 2007	30 June 2012	0.80
30 June 2012	100,000	24 July 2009	30 June 2012	0.40
30 June 2013	1,000,000	1 November 2007	30 June 2013	0.80
20 July 2013	300,000	23 August 2010	20 July 2013	0.20
20 July 2013	300,000	23 August 2010	20 July 2013	0.75
20 July 2013	300,000	23 August 2010	20 July 2013	1.00

Details of options over ordinary shares in the Company provided as remuneration to each director during the year are set out below. When exercisable, each option is convertible into one ordinary share. Further information on the options are set out in note 26.

Name	Number of options granted during the year	Value of options at grant date	Number of options vested during the year	Number of options expired during the year
------	---	-----------------------------------	--	---

Directors

Richard Scallan	-	-	-	250,000
Damian Hicks	-	-	-	1,000,000
William Hicks	-	-	-	250,000
Jonathan Murray	-	-	-	-

The input into the model in respect of options granted this year to employees are as follows:

Inputs into the model	Option series		
	20 July 2013	20 July 2013	20 July 2013
Grant date share price	17 cents	17 cents	17 cents
Exercise price	20 cents	75 cents	\$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%

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

7. Share-based payments (cont'd)

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

	2011		2010	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average Exercise price \$
Balance at beginning of the financial year	8,567,867	0.56	9,967,867	0.51
Granted during the financial year	900,000	0.65	2,100,000	0.21
Expired during the financial year (i)	(4,467,867)	0.61	–	–
Exercised during the financial year (ii)	–	–	(3,500,000)	0.20
Balance at end of the financial year (iii)	5,000,000	0.53	8,567,867	0.56
Exercisable at end of the financial year	5,000,000	0.53	8,567,867	0.56

(i) Expired during the financial year

During the year a total of 4,467,867 options over ordinary shares expired, comprised of the following:

- 500,000 50 cent options expiring on 31 December 2010;
- 1,717,867 40 cent options expiring on 31 December 2010; and
- 2,250,000 80 cent options expiring on 30 June 2011.

(ii) Exercised during the financial year

During the previous year a total of 3,500,000 options over ordinary shares were exercised, comprising of the following:

- 3,000,000 20 cent options expiring on 31 March 2010 to raise \$600,000 of which \$300,000 relate to the loan in note 26(d); and
- 500,000 20 cent options expiring on 30 April 2010 to raise \$100,000.

No options were exercised in the current year

(iii) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average exercise price of \$0.53 (2010: \$0.56) and a weighted average remaining contractual life of 1.03 years (2010: 1.25 years).

	2011 \$	2010 \$
8. Remuneration of auditors		
Audit or review of the financial report	31,831	32,571
	31,831	32,571

The auditor of Hannans Reward Ltd is Stantons International.

9. Current trade and other receivables

Accounts receivable	15,192	–
Accounts receivable from related party (i)	258,124	46,902
Other	59,179	91,395
	332,495	138,297

(i) Details of the balance are provided in note 26(f).

As of 30 June 2011, current trade and other receivables of \$164,689 were past due but not impaired.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

	2011	2010
	\$	\$
10. Current other financial assets		
Loan to Kiruna Iron AB (i)	2,419,871	–
Loan to Resources & Rewards Pty Ltd (ii)	15,484	–
Provision against loan recoverability (ii)	(15,484)	–
Investments in listed entities (iii)	24,915,593	17,218,816
	<u>27,335,464</u>	<u>17,218,816</u>

- (i) Wholly owned subsidiary, HR Equities Pty Ltd ("lender"), 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 the lender has first mortgage over the assets of Scandinavian Resources Ltd. The lender may at any time convert the amount drawn down into fully paid ordinary shares at a rate of 3 shares for every dollar drawn down. As a fee, the lender 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 \$2,345,000 of the loan has been drawn down at 30 June 2011. Interest income recognised in the year amounted to \$74,871.

The lender entered into a second convertible note loan agreement with Scandinavian Resources Ltd to loan \$1.25 million to be drawn down as and when required with interest payable at 12.5% per annum. The loan and interest are required to be repaid on or before 1 February 2012 and the lender has first mortgage over the assets of Scandinavian Resources Ltd. The lender may at its election at any time convert the amount drawn down into fully paid ordinary shares at a rate of 1.5 shares for every dollar drawn down. As a fee the lender has been issued with 500,000 Scandinavian Resources Ltd options exercisable at 40 cents per option on or before 15 December 2012. No funds had been drawn down in respect of the second loan as at 30 June 2011.

- (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. The loan is interest free with no fixed repayment terms.
- (iii) Investments in listed entities include the following:
- 6,401,334 ordinary fully paid shares in Atlas Iron Ltd
 - 1,835,001 ordinary fully paid shares in Scandinavian Resources Ltd
 - 1,250,001 unlisted options exercisable at 20 cents on or before 31 October 2012 in Scandinavian Resources Ltd
 - 500,000 unlisted options exercisable at 40 cents on or before 15 December 2012 in Scandinavian Resources Ltd
 - 20,000 ordinary fully paid shares in Brighton Mining Group Ltd
 - 20,000 ordinary fully paid shares in Lithex Resources Ltd
 - 125,000 ordinary fully paid shares in Naracoota Resources Ltd

	2011	2010
	\$	\$
11. Non-current other receivables		
Other receivables – bonds	212,225	209,225
	<u>212,225</u>	<u>209,225</u>

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

12. Property, plant and equipment

	Motor Vehicles at cost \$	Office furniture and equipment at cost \$	Building at cost \$	Total \$
Gross carrying amount				
Balance at 1 July 2009	–	83,797	–	83,797
Additions	–	58,762	9,102	67,864
Balance at 1 July 2010	–	142,559	9,102	151,661
Additions	103,866	24,276	–	128,142
Balance at 30 June 2011	103,866	166,835	9,102	279,803
Accumulated depreciation and impairment				
Balance at 1 July 2009	–	55,893	–	55,893
Depreciation expense	–	13,874	170	14,044
Balance at 1 July 2010	–	69,767	170	69,937
Depreciation expense	18,774	28,846	224	47,844
Balance at 30 June 2011	18,774	98,613	394	117,781
Net book value				
As at 30 June 2010	–	72,792	8,932	81,724
As at 30 June 2011	85,092	68,222	8,708	162,022

	2011 \$	2010 \$
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:		
Motor vehicles	18,774	–
Office furniture and equipment	28,846	13,874
Building	224	170
	47,844	14,044

Motor vehicles are pledged as security for related finance lease liabilities as disclosed in note 16.

13. Non-current other financial assets

Loans to director (i)	300,000	300,000
	300,000	300,000

(i) Details of the loan are provided in note 26(d).

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

	2011 \$	2010 \$
14. Current trade and other payables		
Trade payables (i)	103,774	596,882
Other	229,128	121,485
	<u>332,902</u>	<u>718,367</u>
(i) The average credit period on purchases of goods and services is 30 days. No interest is charged on the trade payables for the first 30 to 60 days from the date of the invoice. Thereafter, interest is charged at various penalty rates. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.		
15. Provisions		
Current		
Employee benefits	66,258	52,640
	<u>66,258</u>	<u>52,640</u>
Non-current		
Employee benefits	32,906	27,160
	<u>32,906</u>	<u>27,160</u>
16. Other financial liabilities		
Current		
Finance lease liabilities	20,086	–
	<u>20,086</u>	<u>–</u>
Non-current		
Finance lease liabilities	76,340	–
	<u>76,340</u>	<u>–</u>
17. Issued capital		
131,648,715 fully paid ordinary shares (2010: 131,648,715)	20,135,891	20,135,891
	<u>20,135,891</u>	<u>20,135,891</u>

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

17. Issued capital (cont'd)

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

	2011		2010	
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of financial year	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
Options converted to shares – 1 April 2010	–	–	3,000,000	600,000
Options converted to shares – 30 April 2010	–	–	500,000	100,000
Share issue costs	–	–	–	(325,777)
Balance at end of financial year	131,648,715	20,135,891	131,648,715	20,135,891

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

	2011 \$	2010 \$
18. Reserves		
Balance at the beginning of the financial year	12,717,661	1,089,099
Option reserve	43,104	126,003
Available for sale revaluation reserve	8,452,536	12,446,375
Deferred tax liabilities	(2,337,173)	(943,816)
Balance at the end of the financial year	18,876,128	12,717,661

Share options

As at 30 June 2011, options over 5,000,000 ordinary shares in aggregate are as follows:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Hannans Reward Ltd	2,000,000	Ordinary	20 cents each	31 July 2011
Hannans Reward Ltd	1,000,000	Ordinary	80 cents each	30 June 2012
Hannans Reward Ltd	100,000	Ordinary	40 cents each	30 June 2012
Hannans Reward Ltd	1,000,000	Ordinary	80 cents each	30 June 2013
Hannans Reward Ltd	300,000	Ordinary	20 cents each	20 July 2013
Hannans Reward Ltd	300,000	Ordinary	75 cents each	20 July 2013
Hannans Reward Ltd	300,000	Ordinary	100 cents each	20 July 2013

Share options are all unlisted, carry no rights to dividends and no voting rights.

No options were exercised during the year.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

	2011 \$	2010 \$
19. Accumulated losses		
Balance at beginning of financial year	(12,062,727)	(13,746,548)
Income/(Loss) attributable to members of the parent entity	(1,845,727)	1,683,821
Balance at end of financial year	(13,908,454)	(12,062,727)

20. Loss per share

	2011 Cents per share	2010 Cents per share
Basic Income (loss) per share:		
From continuing operations	(1.40)	1.38
Total basic earnings per share	(1.40)	1.38

Basic earnings per share

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

	2011 \$	2010 \$
Earnings	(1,845,727)	1,683,821

	2011 No.	2010 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	131,648,715	121,770,097

The rights of options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The rights of options are non-dilutive as the exercise prices are higher than the Company's share price at 30 June 2011 and the Company has also incurred a loss for the year.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

	2011 \$	2010 \$
21. Commitments for expenditure		
<u>Exploration, evaluation & development (expenditure commitments)</u>		
Not longer than 1 year	2,559,399	1,539,067
Longer than 1 year and not longer than 5 years	5,118,798	3,078,134
Longer than 5 years	-	-
	<u>7,678,197</u>	<u>4,617,201</u>

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2011 are as follows:

Not longer than 1 year	28,714	47,340
Longer than 1 year and not longer than 5 years	-	28,196
Longer than 5 years	-	-
	<u>28,714</u>	<u>75,536</u>

The Group has a non-cancellable office lease, expiring within 0.6 years and with rent payable monthly in advance.

22. Contingent liabilities and contingent assets

In the opinion of the Directors, there are no contingent liabilities or contingent assets as at 30 June 2011 and none were incurred in the interval between the year end and the date of this financial report.

23. Segment reporting

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

24. Jointly controlled operations and assets

Name of project	Principal activity	Interest	
		2011 %	2010 %
Forrestania	Exploration	80%	80%
Sunday	Exploration	90%	90%
Lake Johnston	Exploration	90%	90%

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

Contingent liabilities and capital commitments

The capital commitments and contingent liabilities arising from the consolidated entity's interests in joint ventures are disclosed in notes 21 and 22 respectively.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

25. Subsidiaries

Name of entity	Country of Incorporation	Ownership Interest	
		2011 %	2010 %
Parent entity:			
Hannans Reward Ltd (i)	Australia		
Subsidiaries:			
HR Subsidiary Pty Ltd	Australia	100%	100%
Errawarra Pty Ltd (ii)	Australia	100%	100%
HR Forrestance Pty Ltd (ii)	Australia	100%	100%
HR Equities Pty Ltd (iii)	Australia	100%	100%

- (i) Hannans Reward Ltd is the head entity. All the companies are members of the group.
- (ii) The 100% interest in Errawarra Pty Ltd and HR Forrestance Pty Ltd is held via HR Subsidiary Pty Ltd.
- (iii) The 100% interest in HR Equities Pty Ltd is held by the parent entity. Refer note 10 for investment in Resources & Rewards Pty Ltd by HR Equities Pty Ltd.

26. Related party disclosures

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 25 to the financial statements.

Equity interests in associates and joint ventures

Details of interests in associates and joint ventures are disclosed in note 24 to the financial statements.

(b) Key management personnel remuneration

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

(c) Key management personnel equity holdings

Fully paid ordinary shares of Hannans Reward Ltd

	Balance at 1 July	Granted as remuneration	Received on exercise of options	Net other change	Balance at 30 June
Key management personnel	No.	No.	No.	No.	No.
2011					
Richard Scallan	-	-	-	-	-
Damian Hicks	4,165,310	-	-	-	4,165,310
William Hicks	12,063,086	-	-	(5,000)	12,058,086
Jonathan Murray	391,775	-	-	-	391,775
Michael Craig	40,130	-	-	-	40,130
	16,660,301	-	-	(5,000)	16,655,301

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

26. Related party disclosures (cont'd)

(c) Key management personnel equity holdings (con't)

	Balance at 1 July	Granted as remuneration	Received on exercise of options	Net other change	Balance at 30 June
Key management personnel	No.	No.	No.	No.	No.
2010					
Richard Scallan	-	-	-	-	-
Damian Hicks	2,586,755	-	1,500,000	78,555	4,165,310
William Hicks	11,987,226	-	-	75,860	12,063,086
Jonathan Murray	-	-	-	391,775	391,775
Michael Craig	-	-	-	40,130	40,130
	14,573,981	-	1,500,000	586,320	16,660,301

Share options of Hannans Reward Ltd

	Bal at 1 July	Granted as remuneration	Exercised	Net other change	Bal at 30 June	Bal vested at 30 June	Vested but not exercisable	Vested and exercisable	Options vested during year
Directors	No.	No.	No.	No.	No.	No.	No.	No.	No.
2011									
Richard Scallan	250,000	-	-	(250,000)	-	-	-	-	-
Damian Hicks	3,000,000	-	-	(1,000,000)	2,000,000	2,000,000	-	2,000,000	-
William Hicks	250,000	-	-	(250,000)	-	-	-	-	-
	3,500,000	-	-	(1,500,000)	2,000,000	2,000,000	-	2,000,000	-
2010									
Richard Scallan	250,000	-	-	-	250,000	250,000	-	250,000	-
Damian Hicks	4,500,000	-	(1,500,000)	-	3,000,000	3,000,000	-	3,000,000	-
William Hicks	250,000	-	-	-	250,000	250,000	-	250,000	-
	5,000,000	-	(1,500,000)	-	3,500,000	3,500,000	-	3,500,000	-

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

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

	Balance 1 July 2010 \$	Balance 30 June 2011 \$	Interest charged \$	Highest balance in period \$
Director				
Damian Hicks (i)	300,000	300,000	18,001	300,000
	300,000	300,000	18,001	300,000

- (i) The Board approved a loan for \$300,000 at 6% per annum repayable on or before 31 March 2015. The loan is unsecured and a salary sacrifice arrangement has been entered into whereby the interest portion of the loan will be repaid monthly. The interest charged for the year amounted to \$18,001 (2010: \$18,117)

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

26. Related party disclosures (cont'd)

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

	Opening Balance \$	Closing Balance \$	Interest charged \$	Number in group at 30 June
Total for key management personnel 2011	300,000	300,000	18,001	1
Total for key management personnel 2010	–	300,000	–	1
Total for other related parties 2011	–	2,435,355	74,871	2
Total for other related parties 2010	326,328	–	–	1
Total for key management personnel and their related parties 2011	300,000	2,735,355	92,872	3
Total for key management personnel and their related parties 2010	326,328	300,000	–	2

(f) Transactions with other related parties

Subsidiaries

All loans advanced to and payable to related parties are unsecured and subordinate to other liabilities. No interest was charged on the outstanding intercompany loan balances during the financial year. Hannans Reward Ltd received interest of nil (2010: Nil) from loans to subsidiaries, and paid interest of nil (2010: Nil) to subsidiaries.

Loans to subsidiaries	Parent	
	2011 \$	2010 \$
Beginning of the year	3,061,493	17,310
Loans advanced	4,597,240	6,200,277
Loan payments received	(4,913,365)	(4,517,258)
(Provision)/reversal of provision for non-recoverability	(1,923,406)	1,361,164
End of year	821,962	3,061,493

Director transactions

Steinepreis Paganin, of which Mr Jonathan Murray is a partner, provided legal services amounting to \$19,544 to the Group during the year. The amounts paid were on arms length commercial terms. Mr Murray's director's fees are also paid to Steinepreis Paganin. At 30 June 2011 \$15,760 was owing to Steinepreis Paganin.

Other related party transactions

Corporate Board Services, a division of Hannans Reward Limited, performed certain administrative services for Scandinavian Resources Ltd and its subsidiaries, for which a management fee of \$265,863 was charged, being an appropriate allocation of costs incurred by relevant administrative departments. Amounts billed were based on normal market rates for such services and are due and payable under normal payment terms. At 30 June 2011 \$258,124 was owing by the Scandinavian Resources group of companies. Mr Hicks is the Chairman of the Board of Scandinavian Resources Ltd and a director of its subsidiaries.

(g) Parent entity

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

27. Subsequent events

The following matters or circumstances have arisen since 30 June 2011 that may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

- (a) Since the end of the financial year HR Equities Pty Ltd opened a margin lending facility, with \$1.5m of the finance available having been drawn down as of 28 September 2011. Interest is charged at a rate of 8.74% per annum and the loan is secured by 20% of the underlying market value of shares pledged to the lender as security for the loan. The loan will be repayable should the value of the shares fall below a pre-determined price per share. Otherwise there is no fixed repayment date for the loan.
- (b) As at 28 September 2011 the fair value of shares and options held in listed equities was \$17,653,382 which is an increase of \$434,567 since 30 June 2011.
- (c) On 12 August 2011 HR Equities Pty Ltd ("lender") entered into a loan agreement with Kiruna Iron AB, a wholly owned subsidiary of Scandinavian Resources Ltd ("SCR"), which allows \$750,000 to be drawn down as and when required with interest payable at the rate of 21.3% per annum. The loan and interest is required to be repaid on or before 15 November 2011 and the lender has a continued first mortgage over the assets of Scandinavian Resources Ltd. The Board of SCR has approved the rollover of the loan into a convertible note following shareholder approval of a new convertible note with an extended repayment date of 31 March 2012 and options scheduled for a meeting of shareholders on 8th September 2011. On rollover the convertible note will include a fee to the lender of 150,000 unlisted options in SCR exercisable at A\$0.40 each on or before 1 February 2013 and, allow for conversion for every one convertible note to convert to 1.5 ordinary fully paid shares in SCR. At the date of this report the full amount of the loan has been drawn down.
- (d) Of the \$4.5m convertible loan funds available to borrowers, \$3,645,000 has been drawn down as of 28 September 2011.
- (e) Since the end of the financial year 200,000 Atlas Iron Ltd shares have been sold on the market for a total of \$796,000. Further sales may occur dependent on the parameters for sale of the shares as agreed by the Board.
- (f) On 1 August 2011, the Company issued 2 million 20 cents options exercisable on or before 30 June 2013 to the Jigalong Community Inc in recognition of the long-standing relationship between the two parties.

	2011	2010
	\$	\$

28. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

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

Cash and cash at bank	170,591	995,358
Term deposit	400,249	3,589,388
	<u>570,840</u>	<u>4,584,746</u>

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

	2011	2010
	\$	\$
28. Notes to the statement of cash flows (cont'd)		
(b) Reconciliation of loss for the year to net cash flows from operating activities		
(Loss)/Income for the year	(1,845,727)	1,683,821
Depreciation of non-current assets	47,844	14,044
Gain on disposal of shares	(3,335,087)	(153,180)
Equity settled share-based payments	43,104	460,003
Equity settled share-based received	(121,186)	(4,500,000)
Provision against loan recoverability	15,484	–
Interest on loan to outside entities	(74,871)	–
Finance charges on leased assets	6,559	–
Broker fees on disposal of shares	19,721	–
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase) in assets:		
Trade and other receivables	(187,700)	(157,322)
(Decrease)/increase in liabilities:		
Trade and other payables and provisions	(366,101)	457,610
Net cash from operating activities	(5,797,960)	(2,195,024)
(c) Non-cash financing and investing activities		
Acquisition of assets by means of finance lease (note 16)	103,866	–

29. Financial instruments

(a) Financial risk management objectives

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

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes although it holds, at 30 June 2011, 6,401,334 shares in Atlas Iron Ltd following disposal of its iron ore rights to Warwick Resources. The use of financial derivatives is governed by the consolidated entity's Board of Directors.

The consolidated entity's activities expose it primarily to the financial risks of changes in interest rates, but at 30 June 2011 it is also exposed to market price risk in particular on its holding of Atlas Iron Ltd shares. The consolidated entity does not enter into derivative financial instruments to manage its exposure to interest rate.

(b) Significant accounting policies

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

29. Financial instruments (cont'd)

(c) Foreign currency risk management

The group does not transact in foreign currencies, hence no exposure to exchange rate fluctuations arise.

(d) Interest rate risk management

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

Cash flow sensitivity analysis for variable rate instruments

A change of 1 percent in interest rates at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2010:

	Profit or Loss		Equity	
	1% Increase	1% decrease	1% Increase	1% decrease
30 June 2011				
Variable rate instruments	5,708	(5,708)	5,708	(5,708)
Cash flow sensitivity	5,708	(5,708)	5,708	(5,708)
30 June 2010				
Variable rate instruments	45,845	(45,845)	45,845	(45,845)
Cash flow sensitivity	45,845	(45,845)	45,845	(45,845)

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

29. Financial instruments (cont'd)

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

Maturity profile of financial instruments

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

Consolidated	Weighted average effective interest rate	Variable interest rate	Fixed maturity dates			Non interest bearing	Total
			Less than 1 year	1-5 years	5+ years		
	%	\$	\$	\$	\$	\$	\$
2011							
Financial assets:							
Cash and cash equivalents	4.7%	570,585	-	-	-	255	570,840
Other receivables	5.5%	-	202,794	-	-	9,431	212,225
Loans	6%	-	-	300,000	-	-	300,000
		570,585	202,794	300,000	-	9,686	1,083,065
Financial liabilities:							
Trade and other payables		-	-	-	-	332,902	332,902
		-	-	-	-	332,902	332,902
2010							
Financial assets:							
Cash and cash equivalents	4.8%	4,584,491	-	-	-	255	4,584,746
Other receivables	5.1%	-	202,794	-	-	6,431	209,225
Loans	6%	-	-	300,000	-	-	300,000
		4,584,491	202,794	300,000	-	6,686	5,093,971
Financial liabilities:							
Trade and other payables		-	-	-	-	718,367	718,367
		-	-	-	-	718,367	718,367

(e) Credit risk management

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

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

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

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

29. Financial instruments (cont'd)

(f) Fair value of financial instruments

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

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

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

(g) Liquidity risk management

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

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

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

(h) Market price risk

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

The Group's investments subject to price risk are listed on the Australian Securities Exchange as detailed in note 10. A 1 percent increase at reporting date in the equity prices would increase the market value of the securities by \$249,156 (2010: \$172,188), and an equal change in the opposite direction would decrease the value by the same amount. The increase/decrease would be reflected in equity as these financial instruments are classified as available-for-sale. The increase/decrease net of deferred tax would be \$174,409.

30. Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. Included within Level 1 are listed investments and Level 2 comprise unlisted options. The fair values of the Level 1 assets are based on the closing quoted bid prices at reporting date, excluding transaction costs. The fair values of the Level 2 assets are measured at fair value at the date of grant of the options. Fair value is measured by use of the Black and Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

	Level 1 2011 \$	Level 2 2011 \$	Level 1 2010 \$	Level 2 2010 \$
Financial Assets				
Available-for-sale financial assets:				
- listed investments	24,642,501	-	17,212,315	-
- unlisted investments	-	273,092	-	6,501
	24,642,501	273,092	17,212,315	6,501

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

31. Parent entity disclosures

The following details information related to the parent entity, Hannans Reward Ltd, at 30 June 2011. The information presented here has been prepared using consistent accounting policies as presented in note 2.

	2011 \$	2010 \$
Results of the parent entity		
Loss for the year	(5,398,356)	(442,563)
Other comprehensive income	-	-
Total comprehensive loss for the year	(5,398,356)	(442,563)
Financial position of parent entity at year end		
Current assets	828,203	4,145,552
Non-current assets	1,389,774	3,245,334
Total Assets	2,217,977	7,390,886
Current liabilities	405,166	304,909
Non-current liabilities	109,246	27,160
Total Liabilities	514,412	332,069
Total equity of the parent entity comprising of:		
Share capital	20,135,891	20,135,891
Reserves	1,258,206	1,215,102
Accumulated losses	(19,690,532)	(14,292,176)
Total Equity	1,703,565	7,058,817

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

32. New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

- (a) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013).

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard is not expected to have a significant impact on the Group's accounting for available for-sale assets. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The Group has decided not to early adopt AASB 9.

- (b) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011).

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

- (c) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013).

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Hannans Reward Ltd is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.