ERRAWARRA Resources LIMITED

ABN 95 155 472 834

Annual Report for the financial period ended 30 June 2012

www.errawarra.com

ANNUAL REPORT
for the financial period ended 30 June 2012

CORPORATE DIRECTORY

Board of Directors

Chairman:	Mr Damian Hicks
Directors:	Mr Jonathan Murray Mr Marcus Bachmann
Company Secretaries:	Mr Michael Craig Mr Benjamin Della-Vedova

Principal Office

6 Outram Street
West Perth
Western Australia 6005

Registered Office

6 Outram Street
West Perth
Western Australia 6005

Postal Address

PO Box 1227
West Perth
Western Australia 6875

Contact Details

+61 8 9322 3383 (Telephone)
+61 8 9324 3366 (Facsimile)
admin@errawarra.com

Auditors

Stantons International
Level 2
1 Walker Avenue
West Perth
Western Australia 6005

DIRECTORS' REPORT

Chairman's Letter

Dear Shareholder

On 27 June 2011, Hannans Reward Ltd (**Hannans**) announced to ASX the proposed restructure of its assets through the sale of its subsidiary Errawarra Pty Ltd to Errawarra Resources Ltd (**Errawarra**) in consideration for the issue of 131,648,715 Errawarra shares to Hannans (**Restructure**). On 31 January 2012, Hannans shareholders voted in favour of the Restructure. After the Restructure was approved, Hannans completed the in-specie distribution of Errawarra shares to Hannans shareholders. Errawarra has a specific manganese focus and will now attempt to extract value for its Shareholders through the consolidation of manganese projects in the East Pilbara region of Western Australia.

EXPLORATION UPDATE

Exploration activities at the East Pilbara project have been steadily progressed since the inception of Errawarra Resources in January 2012. The highlights of this work are summarised below:

- Field reconnaissance, prospect mapping and rock chip sampling has continued across numerous manganese prospects within the project area. As a result the Levian, Edwards Hill, Burranbar and Jig Jig prospects have been classified as high priority targets for drill testing.
- Metallurgical test work continues to be undertaken on core samples from the Hill 616 prospect to test potential beneficiation pathways. This work is being undertaken in conjunction with CSIRO.
- Errawarra has received approval for $8,000 in government funding for the development of operational procedures to process ore from the Hill 616 Manganese prospect. This grant is recognition that, whilst early stage, the Errawarra manganese project warrants investigations into the metallurgical processes required to produce a saleable manganese product.
- Heritage Surveys have recently been conducted at the Edwards Hill, Burranbar, Zebra Bore and Jig Jig prospects as part of the approvals process for future drilling campaigns.
- Supporting documentation is currently being prepared for a mining lease application which will be lodged over the Hill 616 prospect. The successful grant of a mining lease at Hill 616 will secure the ground for a 21 year period.

CORPORATE UPDATE

Corporate activities at the East Pilbara project have progressed throughout the period with the following occurring:

- A detailed Information Memorandum has been prepared with the aim of seeking out potential investors to inject capital to progress exploration activity in the East Pilbara.
- The Information Memorandum has been circulated to a select group of potential investors and this process is ongoing.
- The Annual General Meeting for Errawarra Resources will be held on Thursday, 29 November 2012. A Notice of Meeting and Audited Financial Statements will be distributed to all shareholders on or before Friday, 2 November 2012.

Please consider the Errawarra audited financial statements and should you have any questions please don't hesitate to contact me or visit Errawarra website (www.errawarra.com).

Kind regards,

Damian Hicks

Damian Hicks
Chairman

BOARD OF DIRECTORS

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

Mr Damian Hicks, Managing Director (Appointed 2 February 2012)

Mr Hicks was a founding Director of Errawarra Reward Limited and appointed to the position of Chairman on 2 February 2012.

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 the Managing Director of Hannans Reward Ltd, an ASX listed minerals exploration company since July 2007. He is also a Non-Executive Director of funds management company, Growth Equities Pty Ltd.

Mr Jonathan Murray, Non-Executive Director (Appointed 2 February 2012)

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).

Mr Markus Bachmann, Non-Executive Director (Appointed 2 February 2012)

Mr Bachmann graduated with Honours ("cum laude") from the University of Berne, Switzerland and began his corporate finance career in 1993.

In 2001, Mr Bachmann was Senior Portfolio Manager with Coronation Fund Managers in Cape Town when it was awarded the Standard & Poor's Award for Manager of the Best Performing Large Cap Equity Unit Trust in South Africa.

In 2003, Mr Bachmann was founding partner of Craton Capital and is the Chief Executive Officer. Craton Capital was awarded Fund Manager of the Year at the Mining Journal's "Outstanding Achievement Awards" announced in London during December 2010 for the Craton Capital Precious Metal Fund. The award is the most prestigious fund award in the mining industry.

Craton Capital has offices in Johannesburg, South Africa and in Zurich, Switzerland.

Mr. Bachmann brings an extensive network of contacts in Europe and Africa to the Board which will assist with rapidly growing the Company's minerals portfolio including its flagship Kiruna Iron Project.

At the date of this report the following table sets out the current Directors' relevant interests in shares and options of Errawarra Resources Limited.

Director	Ordinary Shares	
	Current Holding	Net Increase/ (decrease)
Damian Hicks	302,260	–
Jonathan Murray	391,775	–
Markus Bachmann (i)	11,120,733	–

(i) These shares are held by Craton Capital Funds of which Mr Bachmann is a founding partner and Chief Executive Officer.

During and since the end of the financial period no share options were granted to directors as part of their remuneration by Errawarra Resources Limited.

Remuneration Report

A. Details of key management personnel

The Directors of Errawarra Resources Limited during the period were:

- Damian Hicks
- Jonathan Murray
- Markus Bachmann

There were no other key management personnel during the period.

B. Key management personnel contracts

Damian Hicks (Chairman)

Mr Hicks has not entered into an employment contract with the Company. It is envisaged that subject to completion of key milestones, including future capital raisings, Mr Hicks will seek Board and if necessary shareholder approval for an employment contract that will reflect past and future services to the Company.

Jonathan Murray (Non-Executive Director)

Mr Murray has not entered into an employment contract with the Company. It is envisaged that subject to completion of key milestones, including future capital raisings, Mr Murray will seek Board and if necessary shareholder approval for an employment contract that will reflect past and future services to the Company.

Markus Bachmann (Non-Executive Director)

Mr Bachmann has not entered into an employment contract with the Company. It is envisaged that subject to completion of key milestones, including future capital raisings, Mr Bachmann will seek Board and if necessary shareholder approval for an employment contract that will reflect past and future services to the Company.

C. Key management personnel compensation

The key management personnel of the Company did not receive any compensation during the period under review.

D. Additional information

Performance income as a proportion of total compensation

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

Directors Meetings

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

Board Member	Board Meetings held while Director	Attended	Circular Resolutions Passed	Total
Damian Hicks	3	3	2	5
Jonathan Murray	3	3	2	5
Markus Bachmann	3	3	2	5

PRINCIPAL ACTIVITIES

The principal activity of the Group during the period was mineral exploration.

CHANGE IN STATE OF AFFAIRS

At Hannans Reward Ltd (**Hannans**) Annual General Meeting held on 31 January 2012 Hannans shareholders voted in favour of a restructure to separate Hannans assets and incorporate a new company, subsequently called Errawarra Resources Ltd (**Errawarra**), and the sale of Hannans subsidiary Errawarra Pty Ltd to Errawarra. Following the AGM Errawarra was incorporated on 2 February 2012 with an initial share capital of $2 and 131,648,715 shares owned by Hannans Reward Ltd. The Errawarra shares were then in-specie distributed to the Hannans shareholders.

PROJECT

The East Pilbara Project is constituted by the following tenements:

Tenement Number	Interest %	Note
E45/3747	100	1
E46/780	100	1
E52/1812-I	100	1
E52/2516	Nil	1

Tenement Number	Interest %	Note
E52/1813-I	100	1
E52/1819-I	100	1
E52/2060-I	100	1

Tenement Number	Interest %	Note
E52/2150-I	100	1
E52/2218-I	100	1
E69/2235-I	100	1

Note: 1 Manganese rights only.

Applications for tenements controlled by Errawarra Resources Limited are as follows:

Tenement Number	Tenement Number	Tenement Number	Tenement Number
E45/3990	E45/3991	E52/2746	E69/3050

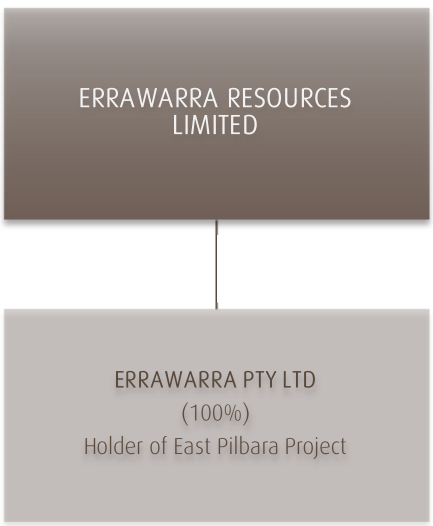
FINANCIAL REVIEW

During the period total exploration expenditure incurred by the Group amounted to $204,351. In line with the Group's accounting policies, all exploration expenditure was expensed as incurred. Net administration expenditure incurred amounted to $57,614. This has resulted in an operating loss after income tax for the period ended 30 June 2012 of $261,965.

As at 30 June 2012 cash and cash equivalents totalled $6,726.

CORPORATE STRUCTURE

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



COMPLIANCE

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

Significant Events after the Balance Date

No other matters or circumstances besides those disclosed at note 23 have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or state of affairs of the Group in future financial years.

Likely developments and Expected Results

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

Environmental Regulation and Performance

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

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

Insurance of Directors and Officers

During or since the financial period, the Company has had premiums insuring all the directors of Errawarra Resources Limited 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 $2,317.

Dividends

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

Options

There are no potential shares to be issued under options outstanding at the date of this report.

Non–Audit Services

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

COMPLIANCE (cont'd)

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not party to any such proceedings during the period.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 9.

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
Chairman
Perth, Western Australia this 31st day of October 2012

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

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

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

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

31 October 2012

Board of Directors
Errawarra Resources Limited
6 Outram Street
WEST PERTH WA 6005

Dear Directors

RE: ERRAWARRA RESOURCES 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 Errawarra Resources Limited.

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

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

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

Yours faithfully

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

Martin Michalik

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 2 and giving a true and fair view of the financial position and performance of the consolidated entity for the financial period 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 period ended 30 June 2012.

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

On behalf of the Directors

Damian Hicks
Chairman
Perth, Western Australia this 31st day of October 2012

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

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERRAWARRA RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Errawarra Resources Limited, which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cashflows for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Company, 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 Errawarra Resources Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the period ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

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

Emphasis of Matter Regarding Going Concern

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

As referred to in Note 2 (a) to the consolidated financial statements, the financial statements have been prepared on a going concern basis. At 30 June 2012 the entity had cash and cash equivalents totalling $6,726 and had incurred a loss before tax for the period of $261,965.The ability of the entity to continue as a going concern is subject to the successful recapitalisation of the entity. In the event that the Board is not successful in recapitalising the entity and in raising further funds, the company may not be able to meet their liabilities as they fall due and the realisable value of the company's assets may be significantly less than book values

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

Martin Michalik

Martin Michalik
Director

West Perth, Western Australia
31 October 2012

12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial period ended 30 June 2012

	Note	2 February 2012 to 30 June 2012 $
Revenue	4(a)	67
Total revenue		67
Depreciation expense	4(b)	(247)
Consultants expenses		(53,265)
Marketing expenses		(540)
Exploration and evaluation expenses		(204,351)
Other expenses		(3,629)
(Loss) from continuing operations before income tax expense/benefit		(261,965)
Income tax expense/benefit	5	–
(Loss) from continuing operations attributable to members of the parent entity		(261,965)
Other comprehensive income for the period		-
Total comprehensive (loss)/income for the period		(261,965)
Net (loss) attributable to the parent entity		(261,965)
Total comprehensive (loss)/income attributable to the parent entity		(261,965)
(Loss) per share:		
Basic (cents per share)	17	(0.20)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

	Note	30 June 2012 $
Current assets		
Cash and cash equivalents	24(a)	6,726
Trade and other receivables	8	11,612
Prepayments	9	5,318
Total current assets		**23,656**
Non–current assets		
Other receivables	10	63,000
Property, plant and equipment	11	1,979
Other financial assets	12	477,368
Total non–current assets		**542,347**
TOTAL ASSETS		**566,003**
Current liabilities		
Trade and other payables	13	99,386
Total current liabilities		**99,386**
TOTAL LIABILITIES		**99,386**
NET ASSETS		**466,617**
Equity		
Issued capital	14	2
Reserves	15	728,580
Accumulated losses	16	(261,965)
TOTAL EQUITY		**466,617**

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial period ended 30 June 2012

	Attributable to equity holders			
For the period 2 February 2012 to 30 June 2012	Ordinary Shares $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at beginning of period	–	–	–	–
Total comprehensive income				
Loss for the period	–	–	(261,965)	(261,965)
Other comprehensive (loss) for the period	–	–	–	–
Total comprehensive (loss) for the period	–	–	(261,965)	(261,965)
Transactions with owners recorded direct to equity				
Issue of shares	2	–	–	2
In-specie distribution of shares received	–	728,580	–	728,580
Total transactions with owners	2	728,580	–	728,580
Balance as at 30 June 2012	**2**	**728,580**	**(261,965)**	**466,617**

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial period ended 30 June 2012

	Note	2 February 2012 to 30 June 2012 $
Cash flows from operating activities		
Payments for exploration and evaluation		(91,365)
Payments to suppliers and employees		(11,195)
Interest received		67
Net cash used in operating activities	24(b)	(102,493)
Cash flows from investing activities		
Repayment of loans from outside entities		95,000
Net cash provided by investing activities		95,000
Cash flows from financing activities		
Net cash provided by/(used in) financing activities		-
Net increase in cash and cash equivalents		(7,493)
Cash and cash equivalents received as part of in-specie distribution		14,219
Cash and cash equivalents at the end of the financial period	24(a)	6,726

The accompanying notes form part of the financial statements.

1. General Information

Errawarra Resources Limited (the Company) is a unlisted public Company, incorporated in Australia.

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

Registered office	Principal place of business
6 Outram Street West Perth WA 6005	6 Outram 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 entity (Group) comprising the Company and Errawarra Pty Ltd. Separate financial statements for Errawarra Resources Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, required financial information for Errawarra Resources Limited as an individual entity is included in note 26.

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 31st October 2012.

The following new and revised Accounting Standards and Interpretations have, where applicable, been adopted in the current period but have had no significant effect on the amounts reported or disclosed.

Standards affecting presentation and disclosure

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

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

The principal accounting policies adopted in the preparation of the financial report are set out below.

(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 period ended 30 June 2012.

<u>Going concern basis of preparation</u>

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

For the period ended 30 June 2012 the Group incurred a loss of $261,965 and had net assets of $466,617. Based upon the Group's existing cash resources of $6,726 and other financial assets of $477,368 as at 30 June 2012, the ability to modify expenditure outlays if required, and the Directors' confidence of sourcing additional funds, the Directors consider there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable, and therefore the going concern basis of preparation is considered to be appropriate for the Group's 2012 financial report.

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

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

(b) 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.

(c) 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.

(d) Financial assets

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

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

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

<u>Loans and receivables</u>

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

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

(e) 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.

(f) 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.

(g) 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.

(h) 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).

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

(h) Tax (cont'd)

Deferred tax

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

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

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

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

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

Current and deferred tax for the period

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

Tax consolidation

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

(i) 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.

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

(j) 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.

(k) Operating cycle

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

(l) 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.

(m) Presentation currency

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

(n) 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 21 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.

(o) 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 (%)
• Plant & equipment	20.00

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

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) Accounting period

Errawarra Resources Limited was incorporated on 2 February 2012. This is the first reporting period for the Company, being the period from incorporation to 30 June 2012, and as such, there is no comparative information included in these financial statements.

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 period ended 30 June 2012. Exploration and evaluation expenditure is not capitalised and is expensed directly through the profit and loss.

3. Critical accounting estimates and judgements (cont'd)

Key judgments — doubtful debts provision
The Directors believe that the intercompany loans from Errawarra Resources Limited to Errawarra Pty Ltd, if recoverable, would only be recoverable in the long term and have therefore provided for the full amount as at 30 June 2012.

Key judgments — deferred taxation
Deferred tax liabilities are recognised for all taxable temporary differences in accordance with accounting policies. Deferred tax assets are recognised in respect of tax losses only where the tax losses are expected to be recovered. The Company has not recognised any deferred tax assets as the Directors cannot determine with any degree of certainty the probability of using the deferred tax assets arising from tax losses and other temporary differences.

4. (Loss)/Income from operations

	2012 $
(a) Revenue	
Interest revenue	
Bank	67
	67
(b) (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	247

5. Income taxes

	2012 $
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:

	2012 $
(Loss)/Income from operations	(261,965)
Income tax benefit calculated at 30%	(78,589)
Effect of expenses that are not deductible in determining taxable profit	185
Unused tax losses and temporary differences not recognised as deferred tax assets	78,404
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.

5. Income taxes (cont'd)

	2012 $
Unrecognised deferred tax balances	
The following deferred tax assets and (liabilities) have not been brought to account :	
Tax losses – revenue	63,612
Tax losses – capital	–
Net temporary differences	14,793
	78,405

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 Errawarra Resources Limited during the period were:

Directors

- Damian Hicks
- Jonathan Murray
- Markus Bachmann

(b) Key management personnel compensation

The key management personnel of the Company did not receive any compensation during the period under review. The compensation of each member of the key management personnel of the Group is set out in the Directors Remuneration report on page 5

7. Remuneration of auditors

	2012 $
Audit or review of the financial report	8,500
	8,500

The auditor of the Group is Stantons International.

8. Current trade and other receivables

	2012 $
Net goods and services tax (GST) receivable	10,031
Other	1,581
	11,612

	2012
	$

9. Prepayments

Prepaid insurance	5,318
	5,318

10. Non–current other receivables

Other receivables – bonds	63,000
	63,000

11. Property, plant and equipment

	Equipment at cost	Total
	$	$
Gross carrying amount		
Balance at beginning of period	–	–
Additions	4,500	4,500
Balance at 30 June 2012	4,500	4,500
Accumulated depreciation and impairment		
Property, plant and equipment received as part of in-specie distribution	2,274	2,274
Depreciation expense	247	247
Balance at 30 June 2012	2,521	2,521
Net book value		
As at 30 June 2012	1,979	1,979

12. Non-current other financial assets

Loan	477,368
	477,368

The loan arises on the deconsolidation of Errawarra Pty Ltd from Hannans Reward Ltd. The loan is unsecured, non-interest bearing and has no fixed terms of repayment.

13. Current trade and other payables

Trade payables	99,386
	99,386

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.

14. Issued capital

	2012 $
131,648,715 fully paid ordinary shares	2
	2

	2 February 2012 to 30 June 2012	
	No.	$
Fully paid ordinary shares		
Balance at beginning of period	–	–
Issue of shares (i)	131,648,715	2
Share issue costs	–	–
Balance at end of financial year	131,648,715	2

(i) On 13 February 2012 Hannans Reward Ltd transfered 131,648,715 ordinary shares in Errawarra Resources Ltd to its shareholders through an in-specie distribution.

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

15. Reserves

	2012 $
Balance at beginning of period	–
In-specie distribution of shares received	728,580
Balance at end of financial period	728,580

16. Accumulated losses

Balance at beginning of period	–
Loss attributable to members of the parent entity	(261,965)
Balance at end of financial period	(261,965)

17. Loss per share

	2012 Cents per share
Basic Income (loss) per share:	
From continuing operations	(0.20)
Total basic loss per share	(0.20)

Basic loss per share

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

	2012 $
Loss for the period	(261,965)

	2012 No
Weighted average number of ordinary shares for the purposes of basic loss per share	131,648,715

18. Commitments for expenditure

	2012 $
Exploration, evaluation & development (expenditure commitments)	
Not longer than 1 year	255,625
Longer than 1 year and not longer than 5 years	1,917,500
Longer than 5 years	–
	2,173,125

19. Contingent liabilities and contingent assets

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

20. Segment reporting

The Group operates predominantly in the Australia mineral exploration industry. 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.

21. Subsidiary

Name of entity	Country of incorporation	Ownership Interest 2012 %
Parent entity:		
Errawarra Resources Limited (i)	Australia	
Subsidiary:		
Errawarra Pty Ltd (ii)	Australia	100

(i) Errawarra Resources Limited is the ultimate parent entity. All the companies are members of the group.

(ii) As approved at the Hannans Reward Annual General Meeting held on 31 January 2012, all shares held by Hannans Reward Ltd in Errawarra Pty Ltd were sold to Errawarra Resources Ltd in return for 131,648,715 shares in Errawarra Resources Ltd. On 13 February 2012 Hannans Reward issued 131,648,715 ordinary shares in Errawarra Resources Ltd to its shareholders through an in-specie distribution. Hannans Reward Ltd no longer holds any interest in Errawarra Resources Ltd or its subsidiary, Errawarra Pty Ltd.

22. Related party disclosures

(a) Equity interests in related parties

Equity interests in subsidiary

Details of the percentage of ordinary shares held in subsidiary is disclosed in note 21 to the financial statements.

(b) Key management personnel remuneration

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

22. Related party disclosures (cont'd)

(c) Key management personnel equity holdings

Fully paid ordinary shares of Errawarra Resources Limited

Key management personnel	Balance at beginning of period	Granted as remuneration	Received on exercise of options	Net other change(i)	Balance at 30 June
	No.	No.	No.	No.	No.
2012					
Damian Hicks	–	–	–	302,260	302,260
Jonathan Murray	–	–	–	391,775	391,775
Markus Bachmann	–	–	–	11,120,733	11,120,733
	–	–	–	11,814,768	11,814,768

(i) Directors received the shares as part of the in specie distribution from Hannans Reward Ltd

(d) Share options of Errawarra Resources Limited

All key management personnel did not hold options in the Company in 2012.

(e) Transactions with other related parties

Subsidiary

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 period. Errawarra Resources Limited received interest of nil from loans to subsidiary, and paid interest of nil to subsidiary.

(f) Parent entity

The ultimate parent entity in the consolidated entity is Errawarra Resources Limited.

23. Subsequent events

There are no matters or circumstances that have arisen since 30 June 2012 that may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

24. Notes to the statement of cash flows

	2012 $
(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 period as shown in the statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:	–
Cash and cash at bank	6,726
	6,726

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

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

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 period as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

	2012 $
(Loss)/Income for the period	(261,965)
Depreciation of non–current assets	247
Non-cash transactions with former parent	44,231
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:	
Decrease/(increase) in assets:	
Trade and other receivables	25,449
Prepayments	(5,318)
Increase/(decrease) in liabilities:	
Trade and other payables and provisions	94,863
Net cash from operating activities	(102,493)

(c) Non–cash financing and investing activities

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

The Company issued 131,648,715 fully paid ordinary shares in Errawarra Resources Ltd to its shareholders through an in-specie distribution.

25. Financial instruments

(a) Financial risk management objectives

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

The Group does not enter into or trade financial instruments, including derivative financial instruments , for speculative purposes. the use of financial derivatives is governed by the Group's Board of Directors.

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group 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.

25. Financial instruments (cont'd)

(c) Interest rate risk management

The consolidated entity is exposed to interest rate risk as it places funds at both fixed and floating interest rates. A 100 basis point movement in interest rates based on interest bearing financial assets and liabilities at 30 June 2012 would not have a material impact on the loss for the period or equity at 30 June 2012.

Maturity profile of financial instruments

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

			Fixed maturity dates				
	Weighted average effective interest rate	Variable interest rate	Less than 1 year	1–5 years	5+ years	Non interest bearing	Total
Consolidated	%	$	$	$	$	$	$
2012							
Financial assets:							
Cash and cash equivalents	1.35%	6,726	–	–	–	–	6,726
Trade and other receivables		–	–	–	–	11,612	11,612
Other receivables – non-current	6.2%	–	63,000	–	–	–	63,000
Loans	0%	–	–	–	–	477,368	477,368
		6,726	63,000	–	–	488,980	558,706
Financial liabilities:							
Trade and other payables		–	–	–	–	99,386	99,386
		–	–	–	–	99,386	99,386

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

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

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

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

(d) Fair value of financial instruments

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

The consolidated entity 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 consolidated statement of financial position and notes to the financial statements.

(e) 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 consolidated entity does not perform any sensitivity analysis and none is disclosed in the financial statements as the impact would not be material.

26. Parent entity disclosures

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

	2 February 2012 to 30 June 2012 $
Results of the parent entity	–
Loss for the period	(26,260)
Other comprehensive income	–
Total comprehensive loss for the period	(26,260)

	30 June 2012 $
Financial position of parent entity at period end	
Current assets	977
Non–current assets	–
Total Assets	977
Current liabilities	8,500
Non–current liabilities	18,735
Total Liabilities	27,235
Total equity of the parent entity comprising of:	
Share capital	2
Reserves	–
Accumulated losses	(26,260)
Total Equity	(26,258)

(a) Guarantees entered into by the parent entity in relation to the debts of its subsidiary

The parent entity had not entered into any guarantees in relation to the debts of its subsidiary as at 30 June 2012.

(b) Parent entity contingencies

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

(c) Commitments for the acquisition of property, plant and equipment by the parent entity

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2012.

27. New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group

At the date of the authorisation of the financial statements, the standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 200911 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 19 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'.	1 January 2013	30 June 2014

The Group has decided not to early adopt any of the new and amended pronouncements. Of the above new and amended Standards and Interpretations the Group's assessment of those new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

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

  These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

  The key changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
  - requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and

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

- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Company has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

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

  AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or 'joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

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

  To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurements.

  AASB 13 requires:

  - inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
  - enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value.

These Standards are not expected to significantly impact the Group.

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

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

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

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

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

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

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

This standard is not expected to significantly impact the Group.