



**ERRAWARRA**

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**Resources**

**LIMITED**

ABN 95 155 472 834

**ANNUAL REPORT**

**30 June 2013**

# ANNUAL REPORT

for the financial year ended 30 June 2013

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# CORPORATE DIRECTORY

## Board of Directors

<b>Chairman:</b>	Mr Damian Hicks
<b>Directors:</b>	Mr Jonathan Murray Mr Marcus Bachmann
<b>Company Secretary:</b>	Ms Mindy Ong

## 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](mailto:admin@errawarra.com)

## Auditors

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

# DIRECTORS' REPORT

## Chairman's Letter

Dear Shareholder

Errawarra has maintained its manganese focus during the year while working to extract value for its Shareholders through the consolidation of manganese projects in the East Pilbara region of Western Australia.

The capital crisis being experienced in the junior resource sector has however made it difficult to successfully implement the consolidation strategy. Unfortunately our efforts have revealed that there has been minimal appetite to invest into manganese projects and or invest into the corporate consolidation of manganese projects.

This has been disappointing considering the opportunity to extract value from the manganese over time.

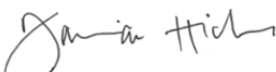
The cost of maintaining the large project is high and therefore we have been seeking to implement the consolidation strategy by merging our projects with others to achieve scale and share costs, joint venturing out the manganese and or by selling the project into a consolidation strategy.

With minimal movement on each of these fronts our current focus is on reaching an outcome that protects shareholder interests and conserves capital. As soon as we have achieved those objectives we will advise shareholders and reconsider the forward strategy.

In addition to the manganese project the Company holds an equity interest in Hannans Reward Ltd.

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](http://www.errawarra.com)).

Kind regards,



**Damian Hicks**  
Chairman

# DIRECTORS' REPORT

## BOARD OF DIRECTORS

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

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

Mr Hicks was a founding Director of Errawarra Reward Limited and was 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 year no share options were granted to directors as part of their remuneration by Errawarra Resources Limited.

# DIRECTORS' REPORT

## Remuneration Report

### A. Details of key management personnel

The Directors of Errawarra Resources Limited during the year were:

- Damian Hicks
- Jonathan Murray
- Markus Bachmann

There were no other key management personnel during the year.

### 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 year 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 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
Damian Hicks	1	1	3	4
Jonathan Murray	1	1	3	4
Markus Bachmann	1	1	3	4

# DIRECTORS' REPORT

## PROJECT

The East Pilbara Project is constituted by the following tenements:

Tenement Number	Interest %	Note	Tenement Number	Interest %	Note	Tenement Number	Interest %	Note
E52/1812-I	100	1	E52/1813-I	100	1	E52/1819-I	100	1

Note: 1 Manganese rights only.

No applications for tenements have been submitted.

## PRINCIPAL ACTIVITIES

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

## REVIEW OF OPERATIONS

Errawarra maintained its manganese focus during the year while working to extract value for its Shareholders through the consolidation of manganese projects in the East Pilbara region of Western Australia. The capital crisis being experienced in the junior resource sector has however made it difficult to successfully implement the consolidation strategy. During the reporting period there has been minimal appetite to invest into manganese projects and or invest into the corporate consolidation of manganese projects. The Company has been seeking to implement the consolidation strategy by merging the project with others to achieve scale and share costs, joint venturing out the manganese and or by selling the project into a consolidation strategy. The cost of maintaining the project is high and therefore the focus is on reaching an outcome as quickly as possible that protects shareholder interests and conserves capital.

The auditors have issued an emphasis of matter opinion on the inherent uncertainty regarding the going concern of the Group. As the Group has no internally generated cashflow, the continuity of development and exploration activities will, at some stage in the future, require access to new funding.

The Group has the ability to substantially reduce or defer actual exploration expenditure if required to better match the funds available to the Group.

The Directors have prepared the financial statements on a going concern basis which contemplates the continuity of normal business activities.

## FINANCIAL REVIEW

The Group began the financial year with cash reserves of \$6,726 with a further \$63,000 in term deposits used to cash back environmental bonds.

The Group's net asset position decreased from \$466,617 to \$178,641 primarily due to a decrease in the investment shares held in a listed company.

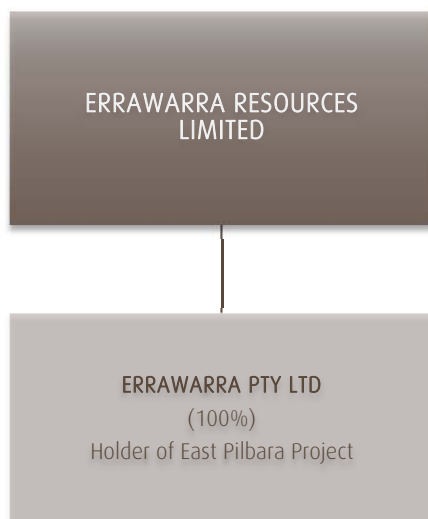
During the year total exploration expenditure incurred by the Group amounted to \$209,961 (2012: \$204,351). In line with the Group's accounting policies, all exploration expenditure was expensed as incurred. Net administration expenditure incurred amounted to \$46,015 (2012: \$57,614). This has resulted in an operating loss after income tax for the year ended 30 June 2013 of \$255,976 (2012: loss \$261,965).

As at 30 June 2013 cash and cash equivalents totalled \$37,843 (2012: \$6,726).

# DIRECTORS' REPORT

## 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 25 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.

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.



# DIRECTORS' REPORT

## COMPLIANCE (cont'd)

### Insurance of Directors and Officers

During or since the financial year, 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 \$3,268 (2012: \$2,317).

### Dividends

No dividends were paid or declared during the financial year 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 year Stantons International or any of its associated entities did not provide any non-audit services to the Group.

### 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 year.

## 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 30th day of October 2013

# INDEPENDENCE DECLARATION TO THE DIRECTORS OF ERRAWARRA RESOURCES LIMITED

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

30 October 2013

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 year ended 30 June 2013, 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)**



**Samir Tirodkar**  
**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 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 2013.

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 30th day of October 2013

# INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ERRAWARRA RESOURCES LIMITED

Stantons International Audit and Consulting Pty Ltd  
trading as

**Stantons International**  
Chartered Accountants and Consultants

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## 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 consolidated statement of financial position as at 30 June 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cashflows for the year 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 consolidated entity 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(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the consolidated entity, 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 consolidated 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 consolidated 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 consolidated entity's financial position as at 30 June 2013 and of its performance for the year 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 consolidated entity also complies with International Financial Reporting Standards as disclosed in note 2(a).

**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 2013 the consolidated entity had cash and cash equivalents totalling \$37,843 and had incurred a loss before tax for the period of \$255,976. The ability of the consolidated entity to continue as a going concern is subject to the successful recapitalisation of the consolidated entity. In the event that the Board is not successful in recapitalising the consolidated entity and in raising further funds, the consolidated entity may not be able to meet their liabilities as they fall due and the realisable value of the consolidated entity'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*

**Samir Tirodkar**  
Director



West Perth, Western Australia  
30 October 2013



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 30 June 2013

	Note	2013 \$	2 February 2012 to 30 June 2012 \$
Revenue	4(a)	5,191	67
Total revenue		5,191	67
Depreciation expense	4(b)	(396)	(247)
Consultants expenses		(32,842)	(53,265)
Marketing expenses		-	(540)
Exploration and evaluation expenses		(209,961)	(204,351)
Other expenses		(17,968)	(3,629)
<b>Loss from continuing operations before income tax expense/benefit</b>		<b>(255,976)</b>	<b>(261,965)</b>
Income tax expense/benefit	5	-	-
<b>Loss from continuing operations attributable to members of the parent entity</b>		<b>(255,976)</b>	<b>(261,965)</b>
<b>Other comprehensive loss for the period</b>			
Net change in fair value of available-for-sale financial assets		(32,000)	-
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		-	-
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>(32,000)</b>	<b>-</b>
Items that will not be reclassified to profit or loss		-	-
<b>Total other comprehensive loss for the period</b>		<b>(32,000)</b>	<b>-</b>
<b>Total comprehensive loss for the period</b>		<b>(287,976)</b>	<b>(261,965)</b>
<b>Net loss attributable to the parent entity</b>		<b>(255,976)</b>	<b>(261,965)</b>
<b>Total comprehensive loss attributable to the parent entity</b>		<b>(287,976)</b>	<b>(261,965)</b>
<b>Loss per share:</b>			
Basic (cents per share)	19	(0.19)	(0.20)

The accompanying notes form part of the financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2013

	Note	2013 \$	2012 \$
<b>Current assets</b>			
Cash and cash equivalents	26(a)	37,843	6,726
Trade and other receivables	8	21,008	11,612
Prepayments	9	4,197	5,318
Other financial assets	10	240,000	-
<b>Total current assets</b>		<b>303,048</b>	<b>23,656</b>
<b>Non-current assets</b>			
Other receivables	11	63,000	63,000
Property, plant and equipment	12	1,583	1,979
Other financial assets	13	-	477,368
<b>Total non-current assets</b>		<b>64,583</b>	<b>542,347</b>
<b>TOTAL ASSETS</b>		<b>367,631</b>	<b>566,003</b>
<b>Current liabilities</b>			
Trade and other payables	14	107,429	99,386
<b>Total current liabilities</b>		<b>107,429</b>	<b>99,386</b>
<b>Non-current liabilities</b>			
Other financial liabilities	15	81,561	-
<b>Total non-current liabilities</b>		<b>81,561</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>188,990</b>	<b>99,386</b>
<b>NET ASSETS</b>		<b>178,641</b>	<b>466,617</b>
<b>Equity</b>			
Issued capital	16	2	2
Reserves	17	696,580	728,580
Accumulated losses	18	(517,941)	(261,965)
<b>TOTAL EQUITY</b>		<b>178,641</b>	<b>466,617</b>

The accompanying notes form part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2013

For the year ended 30 June 2013	Attributable to equity holders			Total Equity \$
	Ordinary Shares \$	Reserves \$	Accumulated Losses \$	
Balance as at 1 July 2012	2	728,580	(261,965)	466,617
<b>Total comprehensive income</b>				
Loss for the year	-	-	(255,976)	(255,976)
Other comprehensive loss for the year	-	(32,000)	-	(32,000)
Total comprehensive loss for the year		(32,000)	(255,976)	(287,976)
<b>Transactions with owners recorded direct to equity</b>				
Issue of shares	-	-	-	-
In-specie distribution of shares received	-	-	-	-
Total transactions with owners	-	-	-	-
<b>Balance as at 30 June 2013</b>	<b>2</b>	<b>696,580</b>	<b>(517,941)</b>	<b>178,641</b>

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

The accompanying notes form part of the financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2013

	Note	2013 \$	2 February 2012 to 30 June 2012 \$
<b>Cash flows from operating activities</b>			
Payments for exploration and evaluation		(240,781)	(91,365)
Payments to suppliers and employees		(19,135)	(11,195)
Interest received		4,104	67
<b>Net cash used in operating activities</b>	<b>26(b)</b>	<b>(255,812)</b>	<b>(102,493)</b>
<b>Cash flows from investing activities</b>			
Payment for investment securities		(272,000)	-
Repayment of loans from outside entities		477,418	95,000
<b>Net cash provided by investing activities</b>		<b>205,418</b>	<b>95,000</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowing		81,511	-
<b>Net cash provided by financing activities</b>		<b>81,511</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>31,117</b>	<b>(7,493)</b>
Cash and cash equivalents at the beginning of the financial period		6,726	14,219
Cash and cash equivalents at the end of the financial year	<b>26(a)</b>	<b>37,843</b>	<b>6,726</b>

The accompanying notes form part of the financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

## 1. General Information

Errawarra Resources Limited (the Company) is a unlisted public company, domiciled and 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 28.

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 30 October 2013.

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

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 2013.

#### Going concern basis of preparation

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 year ended 30 June 2013 the Group incurred a loss of \$255,976 (2012: loss \$261,965) and had net assets of \$178,641 (2012: \$466,617). Based upon the Group's existing cash resources of \$37,843 (2012: \$6,726) and other financial assets of \$240,000 (2012: \$477,368) as at 30 June 2013, 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 2013 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

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

### (c) *Employee benefits (cont'd)*

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.

#### 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.

#### 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.

#### Loans and receivables

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

### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

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

### (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).

#### Deferred tax

Deferred tax is accounted for using the 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 profit or loss and other 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

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

### (h) Tax (cont'd)

#### 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.

### (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 23 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

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

### (n) Principles of consolidation (cont'd)

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

### (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 profit or loss and other comprehensive income and statement of financial position.

### (t) Comparatives

Errawarra Resources Limited was incorporated on 2 February 2012. The comparative figures are for the period from incorporation to 30 June 2012.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

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

### (u) *New accounting standards and interpretations*

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 Company.

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 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', and AASB 2012-6 'Amendments to Australian Accounting Standards- Mandatory Effective date of AASB 9 and Transition Disclosures'	1 January 2015	30 June 2016
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 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 127 'Separate Financial Statements (2011), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
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 2012-2 'Amendments to Australian Accounting Standards- Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 7)	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards- Disclosures-Offsetting Financial Assets and Liabilities' (Amendments to AASB 132)	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements cycle'	1 January 2013	30 June 2014
AASB 2012-6 'Amendments to Australian Accounting Standards- Mandatory Effective date of AASB 9 and Transition Disclosures'	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 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 (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

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

### (u) *New accounting standards and interpretations (cont'd)*

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 Group.

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 (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 2011-4: Amendments to Australian Accounting Standards to remove the individual key management Personnel Disclosure Requirements (applicable for annual reporting periods commencing on or after 1 January 2013).

This standard makes amendments to AASB 124; Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus 29.1 to Aus 29.9.3). These amendments serve a number of purposes, including furthering the trans-Tasman conversion, removing differences from IFRSs, and avoiding any potential confusion with the equivalent Corporations Act 2001 disclosure requirements.

This Standard is not expected to significantly impact the Group's financial report as a whole.

- AASB 119 (September 2011) includes changes to the accounting for termination benefits.

This Standard is not expected to significantly impact the Group's financial report as a whole.

- AASB 2012-2 'Amendments to Australian Accounting Standards-Offsetting Financial Assets and Liabilities' (Amendments to AASB 7); AASB 2012-3 'Amendments to Australian Accounting Standards-Offsetting Financial Assets and Liabilities' (Amendments to AASB 132); AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements cycle'; AASB 2012-6 'Amendments to Australian Accounting Standards-Mandatory Effective date of AASB 9 and Transition Disclosures'; and 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'.

These Standards are not expected to impact the Group.

## 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:



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

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

### *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 2013. Exploration and evaluation expenditure is not capitalised and is expensed directly through the profit and loss. No impairment has been recognised in respect to the investment in Hannans Reward Ltd.

### *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 2013.

### *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 Group 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.

	2013 \$	2012 \$
<b>4. Loss from operations</b>		
<b>(a) Revenue</b>		
Interest revenue		
Bank interest	5,191	67
	<u>5,191</u>	<u>67</u>
<b>(b) Loss before income tax</b>		
Loss before income tax has been arrived at after charging the following gains and (losses) from continuing operations		
Depreciation of non-current assets	396	247
<b>5. Income taxes</b>		
<b>Income tax recognised in profit or loss</b>		
<b>Tax benefit/(expense) comprises:</b>		
Current tax expense	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	-	-
Total tax expense	<u>-</u>	<u>-</u>
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 from operations	(255,976)	(261,965)
Income tax expense calculated at 30%	(76,793)	(78,589)
Effect of expenses that are not deductible in determining taxable profit	396	185
Unused tax losses and temporary differences not recognised as deferred tax assets	<u>76,397</u>	<u>78,404</u>
	<u>-</u>	<u>-</u>

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

	2013 \$	2012 \$
5. Income taxes (cont'd)		
<b>Deferred tax recognised in profit or loss</b>		
The following deferred amounts were charged to income during the year:		
Reversal of deferred taxation in respect of decrease in value of available-for-sale asset	-	-
	-	-
<b>Unrecognised deferred tax balances</b>		
The following deferred tax assets and (liabilities) have not been brought to account:		
Tax losses – revenue	149,095	63,612
Tax losses – capital	-	-
Net temporary differences	7,264	14,793
	156,359	78,405

In addition to the above at the 30 June 2013 the Company had unrecognised deferred tax assets of \$9,600 from net temporary differences on capital losses.

## 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 year 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 year 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.

	2013 \$	2012 \$
7. Remuneration of auditors		
Audit or review of the financial report	7,522	8,500
	7,522	8,500
The auditor of the Group is Stantons International.		
8. Current trade and other receivables		
Accounts receivable	13,166	-
Net goods and services tax (GST) receivable	5,173	10,031
Other	2,669	1,581
	21,008	11,612

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

	2013 \$	2012 \$
<b>9. Prepayments</b>		
Prepaid insurance	4,197	5,318
	4,197	5,318
<b>10. Current other financial assets</b>		
Investments in Hannans Reward Ltd (i)	240,000	-
	240,000	-
(i) Investment consists of 16,000,000 ordinary fully paid shares. This is classified as a Tier 1 financial asset carried at market value.		
<b>11. Non-current other receivables</b>		
Other receivables – bonds	63,000	63,000
	63,000	63,000
<b>12. Property, plant and equipment</b>		
	<b>Equipment at cost \$</b>	<b>Total \$</b>
<b>Gross carrying amount</b>		
Balance at 2 February 2012	-	-
Additions	4,500	4,500
<b>Balance at 1 July 2012</b>	4,500	4,500
Additions	-	-
<b>Balance at 30 June 2013</b>	4,500	4,500
<b>Accumulated depreciation and impairment</b>		
Property, plant and equipment received as part of in-specie distribution	2,274	2,274
Depreciation expense	247	247
<b>Balance at 1 July 2012</b>	2,521	2,521
Additions	396	396
<b>Balance at 30 June 2013</b>	2,917	2,917
<b>Net book value</b>		
As at 30 June 2012	1,979	1,979
As at 30 June 2013	1,583	1,583
	2013 \$	2012 \$
<b>13. Non-current other financial assets</b>		
Loan (i)	-	477,368
	-	477,368
(i) The net loan of \$477,368 consisting of \$477,418 receivable from Hannans Reward Ltd (Hannans) and \$50 payable to HR Subsidiary Pty Ltd (subsidiary of Hannans Reward Ltd) arose on the deconsolidation of Errawarra Pty Ltd (Errawarra) from Hannans. The loan is unsecured, non-interest bearing and has no fixed terms of repayment. However during the year Hannans continued to provide working capital to Errawarra, resulting in the full settlement of \$477,418 and a further amount of \$81,511 being owed to Hannans by 30 June 2013 (refer note 15).		

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

	2013 \$	2012 \$
<b>14. Current trade and other payables</b>		
Trade payables	107,429	99,386
	<u>107,429</u>	<u>99,386</u>

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.

<b>15. Other financial liabilities</b>		
Loan from outside entity (i)	81,561	-
	<u>81,561</u>	<u>-</u>

(i) Further details of this loan are provided in note 13.

<b>16. Issued capital</b>		
131,648,715 fully paid ordinary shares (2012: 131,648,715)	2	2
	<u>2</u>	<u>2</u>

	2013		2 February 2012 to 30 June 2012	
	No.	\$	No.	\$
<b>Fully paid ordinary shares</b>				
Balance at beginning of year	131,648,715	2	-	-
Issue of shares (i)	-	-	131,648,715	2
Share issue costs	-	-	-	-
Balance at end of financial year	<u>131,648,715</u>	<u>2</u>	<u>131,648,715</u>	<u>2</u>

(i) On 13 February 2012 Hannans Reward Ltd transferred 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.

	2013 \$	2012 \$
<b>17. Reserves</b>		
Balance at beginning of year	728,580	-
In-specie distribution of shares received	-	728,580
Available for sale revaluation reserve	(32,000)	-
Balance at end of financial year	<u>696,580</u>	<u>728,580</u>

<b>18. Accumulated losses</b>		
Balance at beginning of year	(261,965)	-
Loss attributable to members of the parent entity	(255,976)	(261,965)
Balance at end of financial year	<u>(517,941)</u>	<u>(261,965)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

## 19. Loss per share

	2013 Cents per share	2012 Cents per share
<b>Basic loss per share:</b>		
From continuing operations	(0.19)	(0.20)
Total basic loss per share	(0.19)	(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:

	2013 \$	2012 \$
Loss for the period	(255,976)	(261,965)
	2013 No	2012 No
Weighted average number of ordinary shares for the purposes of basic loss per share	131,648,715	131,648,715

## 20. Commitments for expenditure

### Exploration, evaluation & development (expenditure commitments)

Not longer than 1 year	97,126	255,625
Longer than 1 year and not longer than 5 years	388,504	1,917,500
Longer than 5 years	-	-
	485,630	2,173,125

## 21. Contingent liabilities and contingent assets

In the opinion of the Directors, there are no contingent liabilities or contingent assets as at 30 June 2013 and none were incurred in the interval between the year end and the date of this financial report.

## 22. 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.

## 23. Subsidiary

Name of entity	Country of incorporation	Ownership Interest	
		2013 %	2012 %
<b>Parent entity:</b>			
Errawarra Resources Limited (i)	Australia		
<b>Subsidiary:</b>			
Errawarra Pty Ltd	Australia	100	100

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

## 24. 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 23 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 Errawarra Resources Limited

Key management personnel	Balance at beginning of year	Granted as remuneration	Received on exercise of options	Net other change(i)	Balance at 30 June
	No.	No.	No.	No.	No.
<b>2013</b>					
Damian Hicks	302,260	-	-	-	-
Jonathan Murray	391,775	-	-	-	-
Markus Bachmann	11,120,733	-	-	-	-
	11,814,768	-	-	-	-
<b>2012</b>					
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 2013 or 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 year. Errawarra Resources Limited received interest of nil from loans to subsidiary, and paid interest of nil to subsidiary.

#### Director transactions

Corporate Board Services (CBS) a division of Hannans Reward Ltd, of which Mr Damian Hicks is a Managing Director, provided accounting and administrative services amounting to \$21,190 during the year. The services provided were on arms length commercial terms. At 30 June 2013 \$51,648 was owing to CBS.

### (f) Parent entity

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

## 25. Subsequent events

The following matters or circumstances have arisen since 30 June 2013 that may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

- (a) As at 29 October 2013 the fair value of shares held in listed equities (Hannans Reward Ltd) was \$96,000 which is a decrease of \$144,000 since 30 June 2013.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

	2013 \$	2012 \$
<b>26. Notes to the statement of cash flows</b>		
<b>(a) Reconciliation of cash and cash equivalents</b>		
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 consolidated statement of financial position as follows:		
Cash and cash at bank	37,843	6,726
	<u>37,843</u>	<u>6,726</u>
<b>(b) Reconciliation of loss for the year to net cash flows from operating activities</b>		
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:		
Loss for the year	(255,976)	(261,965)
Depreciation of non-current assets	396	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	(9,396)	25,449
Prepayments	1,121	(5,318)
Increase in liabilities:		
Trade and other payables and provisions	8,043	94,863
Net cash from operating activities	<u>(255,812)</u>	<u>(102,493)</u>
<b>(c) Non-cash financing and investing activities</b>		
During the current year, the Group did not enter into any non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows.		

## 27. 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 2013, shares in a listed mining company. 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 2013 it is also exposed to market price risk. 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 financial year ended 30 June 2013

## 27. 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 2013 would not have a material impact on the loss for the year or equity at 30 June 2013.

#### 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		
	%	\$	\$	\$	\$	\$	\$
<b>2013</b>							
<b>Financial assets:</b>							
Cash and cash equivalents	0.1%	37,791	-	-	-	52	37,843
Trade and other receivables		-	-	-	-	21,008	21,008
Other receivables – non-current	4.7%	-	63,000	-	-	-	63,000
Other financial assets		-	-	-	-	240,000	240,000
		37,791	63,000	-	-	261,060	361,851
<b>Financial liabilities:</b>							
Trade and other payables		-	-	-	-	107,429	107,429
Loan	0%	-	-	-	-	81,561	81,561
		-	-	-	-	188,990	188,990
<b>2012</b>							
<b>Financial assets:</b>							
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
Other receivables – non-current	0%	-	-	-	-	477,368	477,368
		6,726	63,000	-	-	488,980	558,706
<b>Financial liabilities:</b>							
Trade and other payables		-	-	-	-	99,386	99,386
		-	-	-	-	99,386	99,386

### (d) Credit risk

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 year.

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

### (e) 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year ended 30 June 2013

## 27. Financial instruments (cont'd)

### (f) 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.

## 28. Parent entity disclosures

The following details information related to the parent entity, Errawarra Resources Limited, at 30 June 2013. The information presented here has been prepared using consistent accounting policies as presented in note 2.

	2013 \$	Restated 2 February 2012 to 30 June 2012 \$
<b>Results of the parent entity</b>		
Loss for the year	(47,430)	(55,942)
Other comprehensive income	-	-
<b>Total comprehensive loss for the year</b>	<b>(47,430)</b>	<b>(55,942)</b>
	2013 \$	Restated 2012 \$
<b>Financial position of parent entity at year end</b>		
Current assets	4,825	6,295
Non-current assets	50	50
<b>Total assets</b>	<b>4,875</b>	<b>6,345</b>
Current liabilities	78,767	43,500
Non-current liabilities	29,478	18,735
<b>Total liabilities</b>	<b>108,245</b>	<b>62,235</b>
<b>Total equity of the parent entity comprising of:</b>		
Share capital	2	2
Reserves	-	-
Accumulated losses	(103,372)	(55,942)
<b>Total equity</b>	<b>(103,370)</b>	<b>(55,940)</b>

### (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 2013.

### (b) Parent entity contingencies

The parent entity had no contingent liabilities as at 30 June 2013.

### (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 2013.

