ERRAWARRA

Resources

LIMITED

ABN 95 155 472 834

# ANNUAL REPORT

## 30 June 2014

# ANNUAL REPORT
for the financial year ended 30 June 2014


| | Page |
|---|---|
| Corporate directory | 2 |
| Chairman's letter | 3 |
| Auditor's independence declaration | 9 |
| Directors' declaration | 10 |
| Independent auditor's report | 11 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 13 |
| Consolidated Statement of Financial Position | 14 |
| Consolidated Statement of Changes in Equity | 15 |
| Consolidated Statement of Cash Flows | 16 |
| Notes to the financial statements | 17 |

# CORPORATE DIRECTORY

## Board of Directors

| | |
|---|---|
| Chairman: | Mr Damian Hicks |
| Directors: | Mr Jonathan Murray<br>Mr Markus Bachmann |
| Company Secretary: | Mrs Mindy Ku |

## 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

## Chairman's Letter

Dear Shareholder

After an extensive sale process that lasted approximately eighteen months the Directors made the decision to sell the Jigalong manganese project in the East Pilbara region of Western Australia to Atlas Iron Limited (ASX:AVI) for:

- $119,000 (plus GST); plus a
- 1% gross sales revenue royalty from manganese sourced from within the tenements.

These funds have predominantly been allocated to rehabilitation of the exploration sites within the Jigalong Project and compliance costs.

In addition to the manganese royalty Errawarra owns 16 million shares in Hannans Reward Ltd (ASX:HNR).

The Directors will now seek new opportunities in the resources sector with a view to creating value for shareholders.

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
Chairman

## 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.

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

| | Ordinary Shares | |
|---|---|---|
| | Current Holding | Net Increase/ (decrease) |
| Damian Hicks | 302,260 | – |
| Jonathan Murray | 391,775 | – |
| Markus Bachmann (i) | 11,000,000 | – |

(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.

# Remuneration Report

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

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

B. Details of remuneration

C. Service agreements

D. Share-based compensation

E. Directors' equity holdings

F. Additional information

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

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

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

The Directors of the Company have not entered into an employment contract with the Company. It is envisaged that subject to completion of key milestones, including future capital raisings, the Directors will if necessary seek shareholder approval for individual Director's employment contract that will reflect past and future services to the Company.

## B. Details of remuneration

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

The key management personnel of Errawarra Resources Ltd are the directors as listed on page 4.

The table below shows the 2014 and 2013 figures for remuneration received by the Company's directors.

| | Short Term | | | Post-employment | | Equity | | Other benefits (D&O Insurance) (ii) | |
|---|---|---|---|---|---|---|---|---|---|
| | Salary & fees $ | Bonus $ | Other benefits $ | Super-annua-tion $ | Pre-scribed benefits $ | Shares $ | Options (i) | $ | Total $ |
| **2014** | | | | | | | | | |
| **Directors** | | | | | | | | | |
| Damian Hicks | – | – | – | – | – | – | – | 854 | 854 |
| Jonathan Murray | – | – | – | – | – | – | – | 853 | 853 |
| Markus Bachmann | – | – | – | – | – | – | – | 853 | 853 |
| **Total** | – | – | – | – | – | – | – | 2,560 | 2,560 |
| **2013** | | | | | | | | | |
| **Directors** | | | | | | | | | |
| Damian Hicks | – | – | – | – | – | – | – | 1,090 | 1,090 |
| Jonathan Murray | – | – | – | – | – | – | – | 1,089 | 1,089 |
| Markus Bachmann | – | – | – | – | – | – | – | 1,089 | 1,089 |
| **Total** | – | – | – | – | – | – | – | 3,268 | 3,268 |

(i) These amounts are accounting valuations of options issued as remuneration and are not cash payments.

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

## C. Service agreements

The Group has a corporate service agreement with Corporate Board Services Pty Ltd (CBS) to provide management, financial, company secretary and administrative services from 10 February 2012. Mr Damian Hicks is a director of CBS. There are no monthly fees payable to CBS. One month notice of termination is required.

## D. Share-based compensation

Options can be issued to directors and executives as part of their remuneration. The options are not based on performance criteria, but are issued to align the interests of directors, executives and shareholders.

There were no options granted or other share-based compensation issued to directors or executives during the year or in prior year.

## E. Directors' equity holdings

(a) Fully paid ordinary shares of Errawarra Resources Ltd

| Key management personnel | Balance at beginning of year | Granted as remuneration | Received on exercise of options | Net other change | Balance at 30 June |
|---|---|---|---|---|---|
| | No. | No. | No. | No. | No. |
| 2014 | | | | | |
| Damian Hicks | 302,260 | – | – | – | 302,260 |
| Jonathan Murray | 391,775 | – | – | – | 391,775 |
| Markus Bachmann | 11,000,000 | – | – | – | 11,000,000 |
| | 11,694,035 | – | – | – | 11,694,035 |
| 2013 | | | | | |
| Damian Hicks | 302,260 | – | – | – | 302,260 |
| Jonathan Murray | 391,775 | – | – | – | 391,775 |
| Markus Bachmann | 11,000,000 | – | – | – | 11,000,000 |
| | 11,694,035 | – | – | – | 11,694,035 |

(b) Share options of Errawarra Resources Ltd

All key management personnel did not hold options in the Company in 2014 or 2013.

## F. 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.

## End of Remuneration Report

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 | 1 | 2 |
| Jonathan Murray | 1 | 1 | 1 | 2 |
| Markus Bachmann | 1 | 1 | 1 | 2 |

## PROJECT

The Group did not hold any projects at the end of 30 June 2014.

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 Group sold all its tenements in the East Pilbara Project to Atlas Iron during the year. The Company will look for future opportunities to further generate shareholder's wealth.

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 $37,843 with a further $63,000 in term deposits used to cash back environmental bonds.

During the year total exploration expenditure incurred by the Group amounted to $29,772 (2013: $209,961). In line with the Group's accounting policies, all exploration expenditure was expensed as incurred. Net administration expenditure incurred amounted to $243,109 (2013: $46,015), which included impairing investments securities of $192,000 and loan to a related party of $10,000. The Group has also successfully received a Research and Development rebate of $9,877 (2013: Nil) for work conducted during the 2013 financial year. This has resulted in an operating loss after income tax for the year ended 30 June 2014 of $140,789 (2013: loss $255,976).

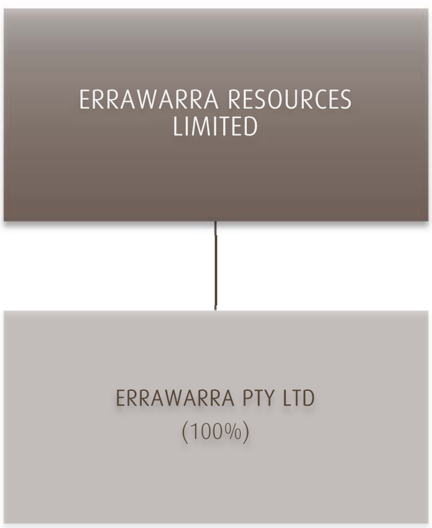
The substantial decrease in exploration expenditure is a direct result of the sale of tenements as noted above.

The Group's net asset position decreased from $178,641 to $69,852 primarily due to a decrease in the investment shares held in a listed company. The sale of tenements and release of cash back environmental bonds have resulted in an increase in cash and cash equivalents of $114,019 compared to the prior year.

As at 30 June 2014 cash and cash equivalents totalled $151,862 with a further $16,000 in term deposits used to cash back environmental bonds. In August 2014, the Group was advised that the cash back environmental bond was released.

## 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 review potential projects to generate shareholder wealth. The present status and level of operations has reduced significantly due to the sale of all tenements.

#### Environmental Regulation and Performance

The Group is no longer subject to environmental regulation in respect to its exploration activities as the Group has sold all its tenements during the year.

#### 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 $2,560 (2013: $3,268).

#### 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
Malå, Sweden this 21st day of October 2014

# 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

21 October 2014

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 2014, 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 2014.

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
Malå, Sweden this 21st day of October 2014

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 consolidated statement of financial position as at 30 June 2014, 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, 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.

Stantons International

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 2014 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.

*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 2014 the consolidated entity had cash and cash equivalents totalling $151,862 and had incurred a loss before tax for the year of $150,666. 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
21 October 2014

12

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 30 June 2014

| | Note | 2014 $ | 2013 $ |
|---|---|---|---|
| Revenue | 4(a) | 122,215 | 5,191 |
| Total revenue | | 122,215 | 5,191 |
| | | | |
| Depreciation expense | 4(b) | (317) | (396) |
| Consultants expenses | | (26,801) | (32,842) |
| Exploration and evaluation expenses | | (29,772) | (209,961) |
| Impairment expenses | 4(c) | (202,000) | – |
| Other expenses | | (13,991) | (17,968) |
| Loss from continuing operations before income tax benefit | | (150,666) | (255,976) |
| Income tax benefit | 5 | 9,877 | – |
| Loss from continuing operations attributable to members of the parent entity | | (140,789) | (255,976) |
| | | | |
| Other comprehensive loss for the period | | | |
| Items that are or may be reclassified to profit or loss | | | |
| 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 | | 32,000 | – |
| Total items that may be reclassified subsequently to profit or loss | | 32,000 | (32,000) |
| Items that will not be reclassified to profit or loss | | – | – |
| Total other comprehensive gain/(loss) for the year | | 32,000 | (32,000) |
| Total comprehensive loss for the year | | (108,789) | (287,976) |
| | | | |
| Net loss attributable to the parent entity | | (140,789) | (255,976) |
| Total comprehensive loss attributable to the parent entity | | (108,789) | (287,976) |
| | | | |
| Loss per share: | | | |
| Basic (cents per share) | 19 | (0.11) | (0.19) |

The accompanying notes form part of the financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2014

| | Note | 2014 $ | 2013 $ |
|---|---|---|---|
| Current assets | | | |
| Cash and cash equivalents | 26(a) | 151,862 | 37,843 |
| Trade and other receivables | 8 | 21,430 | 21,008 |
| Prepayments | 9 | – | 4,197 |
| Other financial assets | 10 | 80,000 | 240,000 |
| Total current assets | | 253,292 | 303,048 |
| Non–current assets | | | |
| Other receivables | 11 | – | 63,000 |
| Property, plant and equipment | 12 | 1,266 | 1,583 |
| Other financial assets | 13 | – | – |
| Total non–current assets | | 1,266 | 64,583 |
| TOTAL ASSETS | | 254,558 | 367,631 |
| Current liabilities | | | |
| Trade and other payables | 14 | 97,964 | 107,429 |
| Other financial liabilities | 15 | 86,742 | – |
| Total current liabilities | | 184,706 | 107,429 |
| Non–current liabilities | | | |
| Other financial liabilities | 15 | – | 81,561 |
| Total non–current liabilities | | – | 81,561 |
| TOTAL LIABILITIES | | 184,706 | 188,990 |
| NET ASSETS | | 69,852 | 178,641 |
| Equity | | | |
| Issued capital | 16 | 2 | 2 |
| Reserves | 17 | 728,580 | 696,580 |
| Accumulated losses | 18 | (658,730) | (517,941) |
| TOTAL EQUITY | | 69,852 | 178,641 |

The accompanying notes form part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2014

| | Attributable to equity holders | | | |
|---|---|---|---|---|
| For the year ended 30 June 2014 | Ordinary Shares $ | Reserves $ | Accumulated Losses $ | Total Equity $ |
| Balance as at 1 July 2013 | 2 | 696,580 | (517,941) | 178,641 |
| **Total comprehensive income** | | | | |
| Loss for the year | – | – | (140,789) | (140,789) |
| Other comprehensive income for the year | – | 32,000 | – | 32,000 |
| Total comprehensive loss for the year | – | 32,000 | (140,789) | (108,789) |
| **Transactions with owners recorded direct to equity** | | | | |
| Issue of shares | – | – | – | – |
| Share issue costs | – | – | – | – |
| Total transactions with owners | – | – | – | – |
| **Balance as at 30 June 2014** | **2** | **728,580** | **(658,730)** | **69,852** |

| | Attributable to equity holders | | | |
|---|---|---|---|---|
| For the year ended 30 June 2013 | Ordinary Shares $ | Reserves $ | Accumulated Losses $ | Total Equity $ |
| Balance as at 1 July 2012 | 2 | 728,580 | (261,965) | 466,617 |
| **Total comprehensive income** | | | | |
| 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) |
| **Transactions with owners recorded direct to equity** | | | | |
| Issue of shares | – | – | – | – |
| Share issue costs | – | – | – | – |
| Total transactions with owners | – | – | – | – |
| **Balance as at 30 June 2013** | **2** | **696,580** | **(517,941)** | **178,641** |

The accompanying notes form part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS
for the financial year ended 30 June 2014

| | Note | 2014 $ | 2013 $ |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Payments for exploration and evaluation | | (23,384) | (240,781) |
| Payments to suppliers and employees | | (46,296) | (19,135) |
| Interest received | | 740 | 4,104 |
| Receipt from sale of tenements (including GST) | | 130,900 | – |
| Research and Development rebate received | | 9,877 | – |
| Net cash provided by/(used in) operating activities | 26(b) | 71,837 | (255,812) |
| | | | |
| Cash flows from investing activities | | | |
| Payment for investment securities | | – | (272,000) |
| Repayment of loans from outside entities | | – | 477,418 |
| Amounts advanced to related entities | | (10,000) | – |
| Release of environmental bonds | | 47,000 | – |
| Net cash provided by investing activities | | 37,000 | 205,418 |
| | | | |
| Cash flows from financing activities | | | |
| Proceeds from borrowing | | 5,182 | 81,511 |
| Net cash provided by financing activities | | 5,182 | 81,511 |
| | | | |
| Net increase in cash and cash equivalents | | 114,019 | 31,117 |
| Cash and cash equivalents at the beginning of the financial year | | 37,843 | 6,726 |
| Cash and cash equivalents at the end of the financial year | 26(a) | 151,862 | 37,843 |

The accompanying notes form part of the financial statements.

## 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 | 6 Outram Street |
| West Perth WA 6005 | 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 29.

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 Group and parent entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 21 October 2014.

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 2014.

<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 year ended 30 June 2014 the Group incurred a loss of $140,789 (2013: loss $255,976) and had net assets of $69,852 (2013: $178,641). Based upon the Group's existing cash resources of $151,862 (2013: $37,843) and other financial assets of $80,000 (2013: $240,000) as at 30 June 2014, 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 2014 financial report.

The Board of Directors is aware, having prepared a cashflow forecast, of the Group's working capital requirements and the Group has sufficient funds to continue minimal operations for the next 12 months. However the Directors are aware that access to additional equity and/or loan funding will be required should the Group decides to expand its operations.

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) New Accounting Standards for Application in the Current Financial Year and Future Periods*

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

- AASB 10: Consolidated Financial Statements;
- AASB 11: Joint Arrangements;
- AASB 12: Disclosure of Interests in Other Entities;
- AASB 13: Fair Value Measurement;
- AASB 119: Employee Benefits; and
- AASB 127: Separate Financial Statements

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

*(b) New Accounting Standards for Application in the Current Financial Year and Future Periods (cont'd)*

Accounting Standard and Interpretation

*AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'*

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and provides a revised definition of "control" such that an investor controls an investee when:

a) it has power over an investee;

b) it is exposed, or has rights, to variable returns from its involvement with the investee; and

c) has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee. This may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

There have been no changes to the treatment of investees compared to prior year.

*AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'*

AASB 11 replaces AASB 131 'Interests in Joint Ventures. AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances.

Application of this standard has not impacted on the financial statements of the Group.

*AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'*

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.

*AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'*

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

*AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'*

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of AASB 119 and accelerate the recognition of past service costs.

All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Application of AASB 119 Employee Benefits has not impacted on the financial statements for the year ended 30 June 2014.

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

*(c) Cash and cash equivalents*

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

*(d) Employee benefits*

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

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

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

*(e) Financial assets*

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

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

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

<u>Financial assets at fair value through profit or loss</u>

The Group 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.

<u>Available–for–sale financial assets</u>

Shares and options held by the Group 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.

<u>Loans and receivables</u>

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

*(f) Financial instruments issued by the Company*

<u>Debt and equity instruments</u>

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

<u>Transaction costs on the issue of equity instruments</u>

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.

*(g) Goods and services tax*

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

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

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

*(g) Goods and services tax (cont'd)*

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

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

*(h) Impairment of assets*

At each reporting date, the Group 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 Group estimates the recoverable amount of the cash–generating unit to which the asset belongs.

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

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

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

*(i) Tax*

Current tax

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

Deferred tax

Deferred tax is accounted for using the 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.

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

*(i) Tax (cont'd)*

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.

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 in February 2012 with Errawarra Resources Limited as the head entity.

*(j) Intangible assets*

Exploration and Evaluation Expenditure

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

i. such costs are expected to be recouped through successful development and exploitation or from sale of the area; or

ii. exploration and evaluation activities in the area have not, at balance date, reached a stage which permit a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

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

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

*(k) Joint arrangements*

Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a "joint venture" and accounted for using the equity method.

Joint venture operations

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

*(l) Operating cycle*

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

*(m) Payables*

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

*(n) Presentation currency*

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

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

*(o) Principles of consolidation*

The consolidated financial statements incorporate all of the assets, liabilities and results of the Company (the parent entity) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in note 23.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

*(p) Plant and equipment*

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

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

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

| Class of fixed asset | Depreciation rate (%) |
|---|---|
| Plant & equipment | 20.00 |

*(q) Provisions*

Provisions are recognised when the Group 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.

*(r) Revenue recognition*

<u>Dividend and interest revenue</u>

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

*(s) Share–based payments*

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

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

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

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

*(t) Fair value measurement*

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

<u>Valuation techniques</u>

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability, The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

<u>Fair value hierarchy</u>

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1: Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Measurements based on unobservable inputs for the asset or liability.

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

*(t) Fair value measurement (cont'd)*

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

*(u) 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.

*(v) New accounting standards and interpretations*

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2017)*

  AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The 2010 revisions introduce additional changes relating to financial liabilities.

  The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

  Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impractical at this stage to provide a reasonable estimate of such impact.

- *Other standards not yet applicable*

  The standards in the following page are not expected to have a material impact on the entity in the current or future reporting periods.

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

*(v) New accounting standards and interpretations (cont'd)*

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| AASB 1031 'Materiality' (2013) | 1 January 2014 | 30 June 2015 |
| AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities' | 1 January 2014 | 30 June 2015 |
| AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets' | 1 January 2014 | 30 June 2015 |
| AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting | 1 January 2014 | 30 June 2015 |
| AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities | 1 January 2014 | 30 June 2015 |
| AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' | 1 January 2014 | 30 June 2015 |

3. Critical accounting estimates and judgements

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

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

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

*Key estimates – impairment*

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. No impairment has been recognised in respect of exploration and evaluation for the year ended 30 June 2013. Exploration and evaluation expenditure is not capitalised and is expensed directly through the profit and loss.

Impairment has been recognised in respect to the investment in Hannans Reward Ltd. The Group believes that the recoverable amount of the asset cannot be determined and has fully impaired the investment for the year ended 30 June 2014.

*Key judgments — doubtful debts provision*

The Directors believe that the intercompany loans from Errawarra Pty Ltd to Errawarra Resources Limited and the related party loan to Equity & Royalty Investments Ltd, if recoverable, would only be recoverable in the long term and have therefore provided for the full amount as at 30 June 2014.

*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.

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **4. Loss from operations** | | |
| **(a) Revenue** | | |
| Interest revenue | | |
| Bank interest | 3,211 | 5,191 |
| Other interest | 4 | – |
| Sale of tenements | 119,000 | – |
| | 122,215 | 5,191 |
| **(b) Loss before income tax** | | |
| Loss before income tax has been arrived at after charging the following gains and (losses) from continuing operations | | |
| Depreciation of non–current assets | 317 | 396 |
| **(c) Impairment expenses** | | |
| Impairment of loan to a related party (i) | 10,000 | – |
| Impairment of available-for-sale shares in Hannans Reward Ltd (ii) | 160,000 | – |
| Transfer of available-for-sale revaluation reserve for shares in Hannans Reward Ltd from other comprehensive loss to profit & loss | 32,000 | – |
| | 202,000 | – |

(i) Refer note 13 for further details.

(ii) Refer note 10 for further details.

## 5. Income taxes

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Income tax recognised in profit or loss** | | |
| **Tax benefit/(expense) comprises:** | | |
| Current tax expense | – | – |
| Research and Development rebate received | 9,877 | – |
| Deferred tax expense relating to the origination and reversal of temporary differences | – | – |
| Total tax benefit | 9,877 | – |
| 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 | (150,666) | (255,976) |
| Income tax expense calculated at 30% | (45,200) | (76,793) |
| Research and Development rebate received | 9,877 | – |
| Effect of expenses that are not deductible in determining taxable loss | 60,695 | 396 |
| Net effect of unused tax losses and temporary differences (recognised)/ not recognised as deferred tax assets | (15,495) | 76,397 |
| Income tax benefit | 9,877 | – |

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.

| | 2014 $ | 2013 $ |
|---|---|---|
| **5. Income taxes (cont'd)** | | |
| **Unrecognised deferred tax balances** | | |
| The following deferred tax assets and (liabilities) have not been brought to account: | | |
| Tax losses – revenue | 119,004 | 149,095 |
| Tax losses – capital | – | – |
| Net temporary differences | (6,980) | 7,264 |
| | 112,024 | 156,359 |

In addition to the above at the 30 June 2014 the Company had unrecognised deferred tax assets of $57,600 from net temporary differences on capital losses.

**Tax consolidation**

**Relevance of tax consolidation to the Group**

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 aggregate compensation made to key management personnel of the Group is set out below. Detailed compensation of each member of the key management personnel of the Group is set out in the Directors Remuneration report on page 5.

| | 2014 $ | 2013 $ |
|---|---|---|
| Short-term employee benefits | – | – |
| Post-employment benefits | – | – |
| Share-based payments | – | – |
| Other benefits | 2,560 | 3,268 |
| | 2,560 | 3,268 |

## 7. Remuneration of auditors

| | | |
|---|---|---|
| Audit or review of the financial report | 8,022 | 7,522 |
| | 8,022 | 7,522 |

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 | 286 | 5,173 |
| Environmental bond (refer note 11) | 16,000 | – |
| Other | 5,144 | 2,669 |
| | 21,430 | 21,008 |

| | 2014 $ | 2013 $ |
|---|---|---|
| **9. Prepayments** | | |
| Prepaid insurance | – | 4,197 |
| | – | 4,197 |
| **10. Current other financial assets** | | |
| Investments in Hannans Reward Ltd (i) | 80,000 | 240,000 |
| | 80,000 | 240,000 |

(i) Investment consists of 16,000,000 ordinary fully paid shares. This is classified as a Level 1 financial asset carried at market value.

| | 2014 $ | 2013 $ |
|---|---|---|
| **11. Non–current other receivables** | | |
| Other receivables – bonds (i) | – | 63,000 |
| | – | 63,000 |

(i) In April 2014, the Group was advised that the cash back environmental bond of $47,000 was released. In August 2014, the Group was further advised that the remaining $16,000 was released.

## 12. Property, plant and equipment

| | Equipment at cost $ | Total $ |
|---|---|---|
| **Gross carrying amount** | | |
| Balance at 1 July 2012 | 4,500 | 4,500 |
| Additions | – | – |
| Balance at 1 July 2013 | 4,500 | 4,500 |
| Additions | – | – |
| Balance at 30 June 2014 | 4,500 | 4,500 |
| **Accumulated depreciation and impairment** | | |
| Balance at 1 July 2012 | 2,521 | 2,521 |
| Depreciation expense | 396 | 396 |
| Balance at 1 July 2013 | 2,917 | 2,917 |
| Additions | 317 | 317 |
| Balance at 30 June 2014 | 3,234 | 3,234 |
| **Net book value** | | |
| As at 30 June 2013 | 1,583 | 1,583 |
| As at 30 June 2014 | 1,266 | 1,266 |

| | 2014 $ | 2013 $ |
|---|---|---|
| **13. Non-current other financial assets** | | |
| Loan (i) | 10,000 | – |
| Provision (i) | (10,000) | – |
| | – | – |

| | | 2014 $ | 2013 $ |
|---|---|---|---|
| 13. | Non-current other financial assets (cont'd) | | |

(i) On 20 January 2014 a related party loan was provided to Equity & Royalty Investments Ltd. The loan is unsecured, non-interest bearing and has no fixed terms of repayment. The loan, if recoverable, would only be recoverable in the long term and therefore the full amount has been provided for.

## 14. Current trade and other payables

| | 2014 $ | 2013 $ |
|---|---|---|
| Trade payables (i) | 90 | 35,116 |
| Payables to related party (ii) | 59,088 | 56,813 |
| Accruals | 38,786 | 15,500 |
| | 97,964 | 107,429 |

(i) The average credit period on purchases of goods and services is 30 days. No interest is charged on the trade payables for the first 30 to 60 days from the date of the invoice. Thereafter, interest is charged at various penalty rates. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

(ii) Refer to note 24(d) for further details.

## 15. Other financial liabilities

| | 2014 $ | 2013 $ |
|---|---|---|
| **Current** | | |
| Loan from outside entity (i) | 86,742 | – |
| | 86,742 | – |
| **Non-current** | | |
| Loan from outside entity (i) | – | 81,561 |
| | – | 81,561 |

(i) The loan arose on the deconsolidation of Errawarra Pty Ltd (Errawarra) from Hannans Reward Ltd (Hannans). The loan is unsecured, non-interest bearing and has no fixed terms of repayment. On 24 September 2014, $41,547 was repaid to Hannans.

## 16. Issued capital

| | 2014 $ | 2013 $ |
|---|---|---|
| 131,648,715 fully paid ordinary shares (2013: 131,648,715) | 2 | 2 |
| | 2 | 2 |

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | No. | $ | No. | $ |
| **Fully paid ordinary shares** | | | | |
| Balance at beginning of year | 131,648,715 | 2 | 131,648,715 | 2 |
| Issue of shares | – | – | – | – |
| Share issue costs | – | – | – | – |
| Balance at end of financial year | 131,648,715 | 2 | 131,648,715 | 2 |

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

| | 2014 $ | 2013 $ |
|---|---|---|
| **17. Reserves** | | |
| Balance at beginning of year | 696,580 | 728,580 |
| Available-for-sale revaluation reserve movement for the year | 32,000 | (32,000) |
| Balance at end of financial year (i) | 728,580 | 696,580 |

(i) This reserve relates to the in-specie distribution of shares received from Hannans Reward Ltd in February 2012.

## 18. Accumulated losses

| | 2014 $ | 2013 $ |
|---|---|---|
| Balance at beginning of year | (517,941) | (261,965) |
| Loss attributable to members of the parent entity | (140,789) | (255,976) |
| Balance at end of financial year | (658,730) | (517,941) |

## 19. Loss per share

| | 2014 Cents per share | 2013 Cents per share |
|---|---|---|
| Basic loss per share: | | |
| From continuing operations | (0.11) | (0.19) |
| Total basic loss per share | (0.11) | (0.19) |

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:

| | 2014 $ | 2013 $ |
|---|---|---|
| Loss for the year | (140,789) | (255,976) |

| | 2014 No | 2013 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) | 2014 $ | 2013 $ |
|---|---|---|
| Not longer than 1 year | – | 97,126 |
| Longer than 1 year and not longer than 5 years | – | 388,504 |
| Longer than 5 years | – | – |
| | – | 485,630 |

## 21. Contingent liabilities and contingent assets

The Office of State Revenue ('OSR') has informed the Company that it has raised a Duties Investigation regarding the restructure involving the Mineral Rights Deed between the Company and Hannans Reward Ltd. OSR has requested preliminary supporting information to assess the duty on the transaction. The Company does not consider it probable a stamp duty liability will arise.

After an extensive sale process that lasted approximately eighteen months the Directors made the decision to sell the Jigalong manganese project in the East Pilbara region of Western Australia to Atlas Iron Limited (ASX:AVI). As part of the sale agreement, Atlas Iron agreed to pay the Company a 1% gross sales revenue royalty from manganese sourced from within the tenements.

## 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 2014 % | Ownership Interest 2013 % |
|---|---|---|---|
| Parent entity: | | | |
| Errawarra Resources Limited (i) | Australia | | |
| Subsidiary: | | | |
| Errawarra Pty Ltd | Australia | 100 | 100 |

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

## 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 24 to the financial statements.

### (b) Key management personnel remuneration

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

### (c) Loans to key management personnel and their related parties

Equity & Royalty Investments Ltd, of which Mr Damian Hicks is the Chairman, received a loan amounting to $10,000 (2013: nil) during the year. The loan is unsecured, non-interest bearing and has no fixed terms of repayment. Details of loan is disclosed in note 13 to the financial statements.

### (d) Transactions with other related parties

Subsidiary

All loans advanced to and payable to related parties are unsecured. 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. The amount owned to its subsidiary at year end is $56,380 (2013: $18,687).

Director transactions

Corporate Board Services (CBS), of which Mr Damian Hicks is a Director, provided management, financial, company secretary and administrative services amounting to $15,779 (2013: $21,190) during the year. The services provided were on arms length commercial terms. At 30 June 2014 $59,088 (2013: $56,813) was owing to CBS.

Mr William Hicks, a relative of Mr Damian Hicks, was engaged to provide rehabilitation services amounting to $5,485 (2013: Nil). The services provided were on arms length commercial terms. The work commenced in July 2014.

### (e) Parent entity

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

## 25. Subsequent events

The following matters or circumstances have arisen since 30 June 2014 that may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Group in future financial years.

(a) On 29 September 2014, the Group made a repayment on the loan outstanding with Hannans Reward Ltd (Hannans). The repayment of $41,547 was made for the principal of the loan. No interest was charged to the loan.

(b) As at 20 October 2014 the fair value of shares held in listed equities (Hannans Reward Ltd) was $96,000 which is an increase of $16,000 since 30 June 2014.

| | 2014 $ | 2013 $ |
|---|---|---|
| **26. Notes to the statement of cash flows** | | |
| **(a) Reconciliation of cash and cash equivalents** | | |
| For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows: | | |
| Cash and cash at bank | 151,862 | 37,843 |
| | 151,862 | 37,843 |
| **(b) Reconciliation of loss for the year 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: | | |
| Loss for the year | (140,789) | (255,976) |
| Depreciation of non–current assets | 317 | 396 |
| Impairment of available-for-sale investments | 192,000 | – |
| Impairment of related party loan | 10,000 | – |
| *Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:* | | |
| Decrease/(increase) in assets: | | |
| Trade and other receivables | 15,577 | (9,396) |
| Prepayments | 4,197 | 1,121 |
| (Decrease)/increase in liabilities: | | |
| Trade and other payables and provisions | (9,465) | 8,043 |
| Net cash from/(used in) operating activities | 71,837 | (255,812) |

### (c) Non–cash financing and investing activities

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 Group manages the financial risks relating to the operations of the Group.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes although it holds, at 30 June 2014, shares in a listed mining company. 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, but at 30 June 2014 it is also exposed to market price risk. The Group does not enter into derivative financial instruments to manage its exposure to interest rate.

27. Financial instruments (cont'd)

## (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.

## (c) Interest rate risk management

The Group 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 2014 would not have a material impact on the loss for the year or equity at 30 June 2014.

### Maturity profile of financial instruments

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

| | Weighted average effective interest rate | Variable interest rate | Fixed maturity dates | | | Non interest bearing | Total |
|---|---|---|---|---|---|---|---|
| | | | Less than 1 year | 1–5 years | 5+ Years | | |
| Consolidated | % | $ | $ | $ | $ | $ | $ |
| 2014 | | | | | | | |
| Financial assets: | | | | | | | |
| Cash and cash equivalents | 1.26% | 104,860 | 47,000 | – | – | 2 | 151,862 |
| Trade and other receivables | 3.85% | – | 16,000 | – | – | 5,430 | 21,430 |
| Other financial assets | – | – | – | – | – | 80,000 | 80,000 |
| | | 104,860 | 63,000 | – | – | 85,432 | 253,292 |
| Financial liabilities: | | | | | | | |
| Trade and other payables | – | – | – | – | – | 97,964 | 97,964 |
| Loan | 0% | – | – | – | – | 86,742 | 86,742 |
| | | – | – | – | – | 184,706 | 184,706 |
| 2013 | | | | | | | |
| Financial assets: | | | | | | | |
| 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 |
| Financial liabilities: | | | | | | | |
| Trade and other payables | – | – | – | – | – | 107,429 | 107,429 |
| Loan | 0% | – | – | – | – | 81,561 | 81,561 |
| | | – | – | – | – | 188,990 | 188,990 |

28. Financial instruments (cont'd)

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group 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 Group's exposure and the credit ratings of its counterparties are continuously monitored. The Group measures credit risk on a fair value basis.

The Group 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.

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

(e) Liquidity risk management

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

(f) Market price risk

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

The Group's investment subject to price risk is listed on the Australian Securities Exchange as detailed in note 10. A 10 per cent increase at reporting date in the equity price would increase the market value of the securities by $8,000, and an equal change in the opposite direction would decrease the value by the same amount. The increase/decrease would be reflected in equity as these financial instruments are classified as available-for-sale. The increase/decrease net of deferred tax would be $5,600.

(g) Fair value of financial instruments

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

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

| | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| 2014 | | | | |
| Financial assets at fair value through profit and loss | | | | |
| – held for trading Australian listed shares (note 10) | 80,000 | – | – | 80,000 |
| Total financial assets recognised at fair value | 80,000 | – | – | 80,000 |
| 2013 | | | | |
| Financial assets at fair value through profit and loss | | | | |
| – held for trading Australian listed shares (note 10) | 240,000 | – | – | 240,000 |
| Total financial assets recognised at fair value | 240,000 | – | – | 240,000 |

## 28. Parent entity disclosures

The following details information related to the parent entity, Errawarra Resources Limited, at 30 June 2014. The information presented here has been prepared using consistent accounting policies as presented in note 2.

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Results of the parent entity** | | |
| Loss for the year | (39,509) | (47,430) |
| Other comprehensive income | – | – |
| Total comprehensive loss for the year | (39,509) | (47,430) |

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Financial position of parent entity at year end** | | |
| Current assets | 281 | 4,825 |
| Non–current assets | 50 | 50 |
| Total assets | 331 | 4,875 |
| | | |
| Current liabilities | 86,829 | 78,767 |
| Non–current liabilities | 56,381 | 29,478 |
| Total liabilities | 143,210 | 108,245 |
| | | |
| Total equity of the parent entity comprising of: | | |
| Share capital | 2 | 2 |
| Reserves | – | – |
| Accumulated losses | (142,881) | (103,372) |
| Total equity | (142,879) | (103,370) |

(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 2014.

(b) Parent entity contingencies

The parent entity had no contingent liabilities as at 30 June 2014.

(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 2014.

ERRAWARRA RESOURCES LIMITED
+61 8 9322 3383
admin@errawarra.com
www.errawarra.com