New Iron & Manganese Company

- Hannans to develop new iron and manganese company
- Foundation asset to be the 3,000km² Jigalong Manganese Project in the South East Pilbara region of Western Australia adjacent to Atlas Iron Ltd and FerrAus Ltd iron projects
- Hannans to provide Newco with funding to implement its strategy
- Hannans shareholders at the Record Date to own 100% of new company
- Hannans to maintain 100% ownership of its precious & base metals projects, investment portfolio and convertible notes valued at approximately $25 million

ASX listed resources company Hannans Reward Ltd (ASX:HNR and Hannans) will seek shareholder support to create an iron and manganese focussed company using Hannans’ existing iron and manganese projects as the foundation assets. Hannans shareholders on the register as at 5pm on Friday 24 June 2011 (Record Date) will own 100% of the soon to be incorporated company (Newco) and Hannans will provide Newco with funding to implement its strategy.

Hannans Director Damian Hicks explains the reasons behind the transaction, “The incubation of a focussed iron and manganese company is an exciting development. Importantly if you were a Hannans shareholder as at close of business last Friday you still own 100% of the Hannans assets however they will now be housed in two companies. For example, if you owned one Hannans share last Friday you will now own one Hannans share and one Newco share.

The vision is to build a major iron and manganese business initially within Australia and later through the pursuit of overseas opportunities. We believe the demand for steel input materials such as iron and manganese will remain strong over the long term. If the Newco assets are high quality and well located with regard to infrastructure Newco will perform well for shareholders. Once Newco has reached a critical scale it will likely raise additional capital through an Initial Public Offering on the ASX, TSX or AIM.
One of the foundation projects will be the 3,000km$^2$ Jigalong Manganese Project located in the South East Pilbara manganese province of Western Australia adjacent to FerrAus Ltd’s iron ore project. This morning’s announcement by Atlas Iron (ASX:AGO) that it intends to purchase FerrAus to extract additional benefits by combining their respective assets highlights the themes behind the Newco formation are correct; you need to scale up to build a meaningful presence in the iron and manganese business. It’s not that long ago that Hannans and Warwick Resources commenced this consolidation process in the SE Pilbara in June 2009 and this latest takeover by Atlas Iron a continuation of that theme. It is noted that Atlas Iron own the iron rights on the majority of the Jigalong Project tenements.

The Jigalong Manganese Project is located 5kms from Consolidated Minerals Ltd’s Coobina chromite mine, 40km south of Minerals Resources Ltd’s (ASX:MIN) Nicholas Downs manganese mine and 150km south of Consolidated Minerals Ltd’s Woodie Woodie manganese mine; a location map is attached to this announcement. It’s anticipated that the next round of drilling to test manganese targets at the Jigalong Project will take place this September.

One of the driving reasons behind this proposal is that strategies to successfully develop a precious & base metals company are quite different to those required to build a successful bulk minerals business which must have a port and rail infrastructure solution to transport a saleable product to the coast. The deals required to access that infrastructure are quite different to deals associated with exploring for high grade nickel and gold deposits so we have separated the two businesses to simplify that process.

**Hannans Undervalued**

Hannans shareholders are not receiving a sensible valuation for their portfolio of assets; as of last Friday the market was valuing Hannans’ highly prospective nickel, gold, iron and manganese projects at zero.

It is appropriate therefore the Hannans Board resolved to incubate this bulk minerals business to ensure shareholders receive a more realistic valuation for their assets in the future. I expect that Hannans shareholders on the register at the Record Date will do well from the creation of Newco in due course and they deserve to because they’ve been very patient.

Even after separation of the iron and manganese projects Hannans is expected to maintain the market capitalisation it closed with on Friday of $21 million due to the fact its liquid financial assets are currently valued at $25 million. As part of the incubation process Hannans will look to seed Newco with a cash contribution in the order of $2.5 million plus provide a convertible note facility to assist Newco with implementing its strategy.

Hannans shareholders on the register from today onwards will be part of the Company’s quest to make discoveries of economic nickel sulphide and gold deposits at Forrestania, Lake Johnston and Queen Victoria Rocks. We believe we’re on track to achieve these goals and we’re giving ourselves every opportunity to do that through implementation of a systematic exploration methodology.

Hannans also continues to build its investment management business which focuses on managing a portfolio of equities and provides convertible notes to emerging companies in the resources sector. The corporate services unit provides corporate management and transaction services to unlisted and listed resources companies. The goal of the investment
management and corporate services units is to decrease the Group’s net outflows by increasing inflows from investing and the provision of services.

Hannans currently has approximately $25 million in assets comprising cash, equities and convertible notes; it last raised capital in October 2009 and last Quarter Hannans spent $1.6 million on direct exploration expenditure. Hannans is in the middle of an RC drilling program at Forrestania which will be followed by RC drill testing of significant gold targets at Lake Johnston.

Hannans and Newco have very bright futures.”
Hannans Reward Limited Summary

Hannans Reward Ltd has developed a suite of prospective exploration projects within Australia covering nickel, gold and manganese whilst the flagship exploration is the Forrestania nickel project located in the world class Forrestania nickel belt. Hannans has joint ventures with St Barbara Ltd and Triton Gold Ltd. Hannans is a major shareholder of Atlas Iron Ltd. Hannans’ shareholders are exposed to share price appreciation through exploration success at the following projects:

- Forrestania – nickel & gold project 7km north of Western Area’s Flying Fox nickel mine, a portion of the Stormbreaker Prospect includes a Joint Venture with Cullen Resources Ltd (Hannans – 80%, Cullen – 20% free carry).
- Lake Johnston – nickel & gold project located 25km south east of Norilsk’s Maggie Hays nickel mine and 100kms west of Norseman
- Jigalong – manganese & base metals project located 150km east of Newman, WA
- Queen Victoria Rocks - nickel and gold project located 30km south-west of Coolgardie, WA

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