Hannans Reward Ltd

ABN: 52 099 862 129

Financial report for the half-year ended 31 December 2006

www.hannansreward.com.au

Financial report for the half-year ended 31 December 2006

Company Directory

DIRECTORS

Richard Scallan
(Non-Executive Chairman)

Damian Hicks
Terry Grammer
(Executive Directors)

Ernest Dechow
William Hicks
Frank Cannavo
(Non-Executive Director)

COMPANY SECRETARY

Damian Hicks

PRINCIPAL OFFICE

Level 2, 11 Ventnor Avenue
West Perth WA 6005
Telephone: (08) 9324 3388
Facsimile: (08) 9324 3366

REGISTERED OFFICE

C/- Ord Group Pty Ltd
Level 2, Brecon House
47 Colin Street
West Perth WA 6005

AUDITORS

Stantons International
First Floor, 1 Havelock Street
Perth WA 6000

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
Perth WA 6000
Telephone: (08) 9221 7288
Facsimile: (08) 9221 7867

STOCK EXCHANGE LISTING

Australian Stock Exchange
Home Exchange: Perth, Western Australia
Code: HNR

Directors' report

The directors of Hannans Reward Ltd submit herewith the financial report for the half-year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during or since the end of the half-year are:

Name
Richard Scallan
William Hicks
Ernest Dechow
Damian Hicks
Terrence Grammer
Frank Cannavo

The above named directors held office during and since the end of the half-year except for:

- Frank Cannavo – appointed 3 October 2006

Review of operations

During the period 1 July 2006 to 31 December 2006 the following key operational milestones were achieved:

Acquisition of 80% of Forrestania Project (near Hyden, Western Australia)

Hannans Reward acquired an additional 30% interest in the Forrestania Project from Cullen Resources Ltd for $250,000.

The Forrestania Project comprises ground located proximal to Western areas Ltd (ASX: WSA) and Kagara Zinc Ltd (ASX: KZL) on the highly prospective western margin of the Forrestania Greenstone belt south of Southern Cross, Western Australia. The recent start-up of Western Area's Flying Fox nickel mine 12 km south of the project area and the $25 million tenement package acquisition by Kagara is testament to the prospectivity of the project area.

Hannans will free-carry Cullen at 20% to a decision to mine based on completion of a bankable feasibility study. If a decision to mine is made, Cullen can elect to maintain its 20% interest by contributing to expenditure or dilute to a 2.5% net smelter return royalty.

During the period Hannans carried out an initial geophysical survey and drilling programme within the Stormbreaker North area of the project. The drilling was designed to test EM conductors however no significant results were returned from the drilling. Further exploration is planned within the large project area once all government approvals have been received.

Hannans Reward acquired the additional interest in the project because it believes the package is very prospective for nickel sulphide and gold mineralisation. The majority interest gives Hannans Reward the opportunity to progress exploration as rapidly as government approvals allow whilst retaining the majority of benefits from any future discoveries.

Identification of two significant gold-in-soil anomalies and four new geophysical conductors at Queen Victoria Rocks Project (near Coolgardie, Western Australia)

Queen Victoria Rocks (QVR) has historically been considered primarily a nickel project however the company completed a substantial gold screening programme over the project with the result that two significant gold-in-soil anomalies were identified. These encouraging early stage results will be tested with approximately 13,000 metres of aircore drilling commencing in January 2007.

Additional nickel exploration was also completed. A further moving loop electromagnetic (EM) survey was completed that identified four new conductors. An induced polarisation survey is scheduled to commence in February 2007 to further refine the EM conductors. Drill testing will follow.

Commencement of exploration at the Jigalong Project (near Newman, Western Australia)

Jigalong is an exciting greenfields exploration project. The Company is in the process of compiling and acquiring the preliminary information required to focus the work it does in the field during the year. Jigalong is a large project area with little historical exploration so these are necessary steps. Exploration will consider the potential of the project to host iron, gold, base metals and uranium.

Stream sediment, soil and rock chip samples were collected from the Jigalong project and are currently being interpreted. Aeromagnetics and radiometrics are being flown on a 200m line spacing during January. This information will be aggregated with the satellite imagery acquired earlier in the year to generate drill targets for the next field season. The acquisition of digital photography and field mapping is also planned.

Review of exploration at Maggie Hays South

The Company reviewed the work completed by its previous joint venture partner. As a result of the review an induced polarisation survey is planned for this Quarter to further refine EM conductors. Drill testing will follow. A comprehensive soil sampling program for gold was also completed unfortunately no significant results were returned.

Auditor's independence declaration

The auditor's independence declaration is included on page 6 of the half-year financial report

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors,

Damian Hicks
Director
15 March 2007

Stantons International

ABN 41 103 088 697

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WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

15 March 2007

Board of Directors
Hannans Reward Limited
Level 2
11 Ventnor Avenue
WEST PERTH WA 6005

Dear Sirs

RE: HANNANS REWARD LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Hannans Reward Limited.

As Audit Director for the review of the financial statements of Hannans Reward Limited for the period ended 31 December 2006, 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 review; and

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

Yours sincerely
STANTONS INTERNATIONAL
(Authorised Audit Company)

John Van Dieren
Director

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
HANNANS REWARD LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hannans Reward Limited, which comprises the consolidated condensed balance sheet as at 31 December 2006, and the consolidated condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year 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 controls relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hannans Reward Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* has been provided to the directors of Hannans Reward Limited on 15 March 2007.

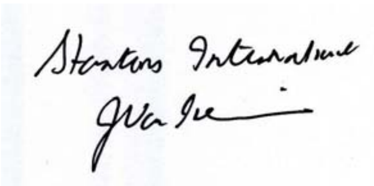
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hannans Reward Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL
(An authorised audit company)



J P Van Dieren
Director

West Perth, Western Australia
15 March 2007

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the entity for the half year ended 31 December 2006.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

Damian Hicks
Director
15 March 2007

Condensed consolidated income statement for the half-year ended 31 December 2006

	Half-year ended 31 Dec 2006 $	Half-year ended 31 Dec 2005 $
Revenue	165,289	44,528
Employee and contractors expenses	(226,203)	(182,992)
Occupancy expenses	(23,718)	(28,434)
Administration expenses	(27,255)	(15,936)
Consultants expenses	(95,212)	(46,218)
Other expenses	(113,920)	(56,028)
Exploration and evaluation expenses	(954,086)	(396,627)
Loss from continuing operations before income tax expense	(1,275,105)	(681,707)
Income tax expense	-	-
Loss from continuing operations for the period	(1,275,105)	(681,707)
Loss per share:		
Basic (cents per share)	(1.88)	(1.85)

Diluted earnings per share is not disclosed as the economic entity incurred a loss and the options are not deemed to be dilutive.

Notes to the financial statements are included on pages 14 to 18.

Condensed consolidated balance sheet as at 31 December 2006

	31 December 2006 $	30 June 2006 $
Current assets		
Cash and cash equivalents	1,507,404	2,627,772
Trade and other receivables	104,516	59,120
Other financial assets	3,688	3,875
Total current assets	1,615,608	2,690,767
Non-current assets		
Other receivables – bonds	46,634	46,634
Property, plant and equipment	38,391	40,493
Total non-current assets	85,025	87,127
Total assets	1,700,633	2,777,894
Current liabilities		
Trade and other payables	268,248	112,404
Provisions	5,000	5,000
Total current liabilities	273,248	117,404
Total liabilities	273,248	117,404
Net assets	1,427,385	2,660,490
Equity		
Issued capital	7,863,433	7,821,433
Reserve	300,192	300,192
Accumulated losses	(6,736,240)	(5,461,135)
Total equity	1,427,385	2,660,490

Notes to the financial statements are included on pages 14 to 18.

Condensed consolidated statement of changes in equity For the half-year ended 31 December 2006

For the period ended 31 December 2006	Attributable to equity holders			
	Ordinary Shares $	Option Reserve $	Accumulated Losses $	Total Equity $
At beginning of period	7,821,433	300,192	(5,461,135)	2,660,490
Loss for the period	-	-	(1,275,105)	(1,275,105)
Issue of shares	42,000	-	-	42,000
Shares issue expenses	-	-	-	-
At end of period	7,863,433	300,192	(6,736,240)	1,427,385

For the period ended 31 December 2005	Attributable to equity holders			
	Ordinary Shares $	Option Reserve $	Accumulated Losses $	Total Equity $
At beginning of period	4,592,027	25,000	(3,585,484)	1,031,543
Loss for the period	-	-	(681,707)	(681,707)
Total income/expense for the period	-	-	(681,707)	(681,707)
Issue of shares	3,433,320	-	-	3,433,320
Shares issue expenses	(258,969)	-	-	(258,969)
At end of period	7,766,778	25,000	(4,267,191)	3,524,187

Notes to the financial statements are included on pages 14 to 18.

Cash flow statement
for the half-year ended 31 December 2006

	Half-year ended 31 Dec 2006 $	Half-year ended 31 Dec 2005 $
Cash flows from operating activities		
Payments for exploration and evaluation	(912,088)	(396,627)
Payments to suppliers and employees	(350,129)	(159,446)
Joint Venture contributions	75,000	-
Interest received	71,639	43,528
Net cash provided by/(used in) operating activities	(1,115,578)	(512,545)
Cash flows from investing activities		
Payment for investment securities	-	(5,125)
Proceeds from repayment of related party loans	-	5,900
Amounts advanced to related parties	(1,058)	(7,155)
Payments for property, plant and equipment	(3,732)	(3,797)
Net cash provided by/(used in) investing activities	(4,790)	(10,177)
Cash flows from financing activities		
Proceeds from issues of equity securities	-	3,433,320
Payment for share issue costs	-	(258,969)
Net cash provided by/(used in) financing activities	-	3,174,351
Net increase in cash and cash equivalents	(1,120,368)	2,651,629
Cash and cash equivalents at the beginning of the half-year	2,627,772	1,040,600
Cash and cash equivalents at the end of the half-year	1,507,404	3,692,229

Notes to the financial statements are included on pages 14 to 18.

Notes to the condensed financial statements for the half-year ended 31 December 2006

1. Summary of accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 ‘Interim Financial Reporting’. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 ‘Interim Financial Reporting’. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

It is also recommended that the half year financial report be considered together with any public announcements made by Hannans Reward Limited during the half year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except where stated. 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 and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company’s 2006 annual financial report for the financial year ended 30 June 2006.

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the half-year financial report:

(a) 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. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(b) Employee benefits

The directors have elected under s.334(5) of the Corporations Act 2001 to apply Accounting Standard AASB 119 ‘Employee Benefits’, even though the Standard is not required to be applied until annual reporting periods beginning on or after 1 January 2006. The application of this standard has no impact on the consolidated entity.

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

Provisions made 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.

Notes to the financial statements for the half-year ended 31 December 2006 (Cont.)

1. Summary of accounting policies (cont.)

(c) Loans & Receivables

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

(d) Financial instruments issued by the company

Transaction costs on the issue of equity instruments

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

(e) Goods and services tax

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

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

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

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

(f) Impairment of assets

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

Goodwill, 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. An impairment of goodwill is not subsequently reversed.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Notes to the financial statements for the half-year ended 31 December 2006 (Cont.)

1. Summary of accounting policies (cont.)

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.

(g) Income tax

Current tax

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

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet 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 offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

Notes to the financial statements for the half-year ended 31 December 2006 (Cont.)

1. Summary of accounting policies (cont.)

(h) Intangible Assets

Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred may 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.

(i) 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.

(j) Provisions

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

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

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

(k) Revenue recognition

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(l) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of a 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.

Notes to the financial statements for the half-year ended 31 December 2006 (Cont.)

1. Summary of accounting policies (cont.)

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 Group'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. Subsequent events

On 15th November 2007, the Group completed a $2.5 million placement via the issue of 8,333,333 ordinary shares at 30cents per share. On 14 February 2007, the Company issued 500,000 options to employees with an exercise price of 50cents each and exercisable on or before 31 December 2010.

3. Issuances, repurchases and repayments of securities

During the half-year reporting period, the Group issued 200,000 (fair value $42,000) ordinary shares as consideration for the QVR North project (2005: $3,433,320).

4. Segment Reporting

The Group operates predominantly in one geographical segment, being Western Australia, and in one business segment, mineral mining and exploration and substantially all of the entity's resources are employed for this purpose.

5. Contingent Liabilities

In the opinion of the directors, there are no contingent liabilities as at 31 December 2006 and none were incurred in the interval between the period end and the date of this financial report.

6. Related parties

Transactions with key management personnel

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments. Rents payable to related party entities during the period were $13,716 (2005 : $12,000)

7. Commitments for expenditure

	Consolidated 31 December	
	2006	**2005**
	$	**$**
Exploration, evaluation & development (expenditure commitments)	578,720	334,400
	578,720	334,400