

Hannans Reward NL

Annual Report for the Year Ended 30 June 2004

Corporate Directory

Independent Non-Executive Chairman

Richard Scallan

Executive Directors

William Hicks

Damian Hicks

Non-Executive Director

Ernest Dechow

Company Secretary

Damian Hicks

Principal Office

Level 2, 11 Ventnor Street
West Perth, WA 6005

Registered Office

Level 2, 47 Colin Street
West Perth, WA 6005
(08) 9321 3514

Contact Details

(08) 9324 3388 (Telephone)

(08) 9324 3366 (Facsimile)

admin@hannansreward.com (E-mail)

www.hannansreward.com (Web)

ABN 52 099 862 129

Contents

	Page
Letter from the Chairman	2
Director's Report	3
- Board of Directors	3 – 5
- Consultants	6
- Review of Operations	7 – 10
- Capital Structure	11 – 14
- Corporate Governance	15 – 17
Financial Report	18
- Statement of Financial Performance	18
- Statement of Financial Position	19
- Statement of Cash Flows	20
- Notes	21
Audit Report	40

Letter from the Chairman

28 September 2004

To All Shareholders

Successful exploration has been the hallmark of Hannans Rewards activities during this past year. Your Board remains intent on converting this success into improved shareholder value in the forth-coming twelve months.

Hannans Rewards' immediate goal is to discover a world-class gold and base metal deposit. Our portfolio of nickel, gold and diversified metals projects are highly prospective and may well contain a world class deposit. Queen Victoria Rocks, Maggie Hays South, Poona (nickel), Sunday (gold) and Jigalong (diversified metals) all hold significant exploration potential.

Your Board is very excited about our suite of projects and is pleased to report that since listing we have added value to each of these projects.

The Boards' strategy has been to obtain the services of the best technical people available. We form them into teams and focus on the nominated project. We then provide these teams with the leadership, working environment and resources necessary to find the deposit we are after.

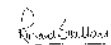
Hannans Reward is lean, focused and determined to add value to its projects as expeditiously as possible. However, this will be made within a framework of socially responsible processes and sound coordinated exploration. We have and will continue to seek out partnerships with larger players that have greater resources to advance our projects to the mutual benefit of both parties.

Your Board will ensure that with our lean resources, we do not spread ourselves too thin over our projects at any one time. We believe that with this approach, Hannans Reward will optimize the shareholder returns on every dollar spent whilst always looking for the next initiative to take. For the record, Hannans Rewards' exploration spending since Listing in December 2003 is 65% of total operational expenditure to date. I believe this mix compares very favourably with junior explorers in the industry.

I would like to take this opportunity to thank my fellow Non-executive Directors, Mr. Damian Hicks and his staff, our team of consultants, particularly, Mr. Greg Jorgensen and Newexco Services Pty Ltd, for their diligent approach to developing our assets. I also would like to thank you, our shareholders, for your loyalty and support as we continue the search for the next major gold and base metals discovery in Western Australia.

Please refer to the Directors' Report and Financial Report that follows for a review of the Company's activities since July 2003. If you have any questions please don't hesitate to contact me on 9324 3388.

Yours sincerely,



Richard Scallan
Chairman

Directors' Report

Board of Directors

Your Board of Directors currently comprises:

Mr Richard Scallan, Independent Non-Executive Chairman

Mr Scallan is a Mining Engineer with 46 years experience in underground and open cut mining in both Southern Africa and Australia. Mr. Scallan was employed by the Anglo American Corporation of South Africa Limited for 26 years before immigrating to Australia and joining Goldfields Limited in 1981 and has managed deep level gold, uranium, nickel, copper, chrome, platinum, mineral sands and tin mines.

Within the last 10 years Mr Scallan has held positions as General Manager, Kundana Gold Pty Ltd and Paddington Gold Pty Ltd (both owned by Goldfields Limited) in Kalgoorlie, Western Australia and General Manager, RGC Limited – Renison Tin Division in Zeehan, Tasmania.

Mr Scallan is Emeritus Chairman of the Australian Prospectors & Miners Hall of Fame, Kalgoorlie, Western Australia is a Fellow of the Institute of Mining and Metallurgy and a Chartered Professional (Mining). Mr Scallan holds the De Norske Veritas (ISRS) World Record for continuous improvement in System Management and two Gold medals for Excellence in Executive Leadership.

Dr Ernest Dechow, Non-Executive Director

Dr. Ernest Dechow has over forty years of experience in the mining and mineral exploration industry. In the late fifties and early sixties he was engaged in base metal exploration in Zambia, the United States and Canada before arriving in Australia to manage a joint venture of overseas companies exploring in Eastern Australia. In 1968 he formed E. Dechow and Co Pty Ltd, Consulting Geologists and since that time has been consulting and contracting out of Kalgoorlie and Perth for Australian and overseas companies in Australia, Southern Africa and Brazil and for the United Nations in Brazil as well as exploring on a personal basis for potential mines in Indonesia, Vietnam and Namibia.

Dr. Dechow has a PhD from Yale University in the United States, is a Life Member of the Society of Economic Geologists and a Member of the Australian Institute of Mining and Metallurgy.

Mr William Hicks, Executive Director (Appointed as an Executive from 1 July 2004)

Mr Hicks has been actively involved in the progress and development of a number of well-known exploration companies. He was a director and secretary of Spargo's Reward Gold Mines NL and was instrumental in the Listing on the ASX of both Central Kalgoorlie Gold Mines NL and Maritana Gold NL.

Mr Hicks is a Fellow of the Australian Institute of Company Directors and a Pharmaceutical Chemist.

Mr Damian Hicks, Executive Director & Company Secretary

Mr Hicks was engaged as a business analyst for three years in London and Perth prior to jointly founding Hannans Reward NL in early 2002. Before that he worked for five years with law firms and one year with a chartered accounting firm.

Mr Hicks holds a Bachelor of Commerce (Accounting and Finance) from the University of Western Australia, has been admitted as a Barrister and Solicitor of the Supreme Court of Western Australia, and holds a Graduate Diploma in Applied Finance & Investment from the Securities Institute of Australia.

Directors Table

Name	Date Appointed	Date Resigned	Period Director
Richard Scallan	23 May 2002	-	
Ernest Dechow	11 March 2002	-	
William Hicks	11 March 2002	-	
Damian Hicks	11 March 2002	-	
Roland Hill	25 September 2002	25 September 2003	12 months

Directors Attendance at Board Meetings

Name	Number Eligible To Attend	Attended	Absent
Richard Scallan	8	8	Nil
Ernest Dechow	8	7	1
William Hicks	8	8	Nil
Damian Hicks	8	8	Nil
Roland Hill	2	2	Nil

Directors Relevant Interests Table

The table below includes securities held directly, indirectly or beneficially by each specified director or their personally related entities.

Name	Shares	Options
Richard Scallan	Nil	200,000
Ernest Dechow	2,600,001	1,300,000*
William Hicks	6,066,311	3,062,770*
Damian Hicks	1,906,001	953,000*
Roland Hill	330,000	398,968*

* Options were issued pursuant to a non-renounceable rights issue made to all shareholders as at 3 March 2004 on the basis of one option for every two shares held. In addition Directors may have acquired additional options in the market since the rights issue and any such acquisitions are also included in the above table.

Securities Issued as part of Remuneration

Name	Shares issued as part of remuneration	Options issued as part of remuneration
Richard Scallan	Nil	200,000*
Ernest Dechow	Nil	Nil
William Hicks	Nil	Nil
Damian Hicks	330,000*	Nil
Roland Hill	330,000*	Nil

* For services rendered prior to Listing on ASX

Directors Remuneration Table

Name	Base Salary	Superannuation	Fees & Allowances	Shares	Options	Total
	\$	\$	\$	\$	\$	\$
Richard Scallan	Nil	1,260	17,200	Nil	3,000*	21,460
Ernest Dechow	Nil	Nil	14,200	Nil	Nil	14,200
William Hicks	Nil	1,260	14,200	Nil	Nil	15,460
Damian Hicks	62,496	5,625	22,800	49,500*	Nil	140,421
Roland Hill	Nil	1,080	12,000	49,500*	Nil	62,580
Total	62,496	9,225	80,400	99,000	3,000	254,121

**Securities issued are escrowed until 5 December 2005. The deemed issue price for the shares was 15 cents and options 1.5 cents. The fair value of the options is calculated at the date of grant using the Black-Scholes model. The value of the options has been discounted by 50% based upon their illiquidity and non-transferability. The value disclosed above is the portion of the fair value of the options allocated to this reporting period. The following factors and assumptions were used in determining the fair value of options at grant date: grant date 1 December 2003; expiry date 31 March 2006; fair value of option 2 cents; price of shares on date of grant 16.5 cents; estimated volatility 50%; risk free interest rate 5.25%; dividend yield 0%.*

The Board policy for determining emoluments is based on the principle of remunerating Directors and senior executives on their ability to add value to the Company (taking into account the Company's strategic plan and operations) whilst also considering market emolument packages for similar positions within the industry. The Board appreciates the interrelationship between this policy and Company performance. It acknowledges that it is in the best interests of shareholders to provide challenging but achievable incentives to reward senior executives for reaching the Company's stated goals. The Board will discuss these issues internally and with candidates prior to engaging additional directors or senior executives in the future.

Hannans Reward does not have any specified executives who are not directors of the Company.

Consultants

During the year the Company utilised the services of the following consultant and consulting firm both of whom have added value to our operations:

Mr. Gregory Jorgensen, Geologist, Consultant

Mr Jorgensen's previous positions include Senior Exploration Geologist – Kalgoorlie for AngloGold Australia Limited and Acacia Resources Limited; Senior Exploration Geologist, Eastern Goldfields for Newcrest Mining Limited; base metals and gold exploration for BHP Minerals Limited and BHP Gold Mines Limited. Mr Jorgensen resides in Kalgoorlie and obtained a Bachelor of Science (Honours) degree in Geology & Mineralogy from the University of Queensland and is a Member of the Australian Institute of Geoscientists and the Geological Society of Australia.

Newexco Services Pty Ltd, Geologists & Geophysicists, Consultants

Newexco's core staff comprises Outokumpu's former Australian exploration team. They currently manage the exploration programme at Forrestania for Western Areas NL (www.westernareas.com.au) and are directly responsible for the discovery of two new massive nickel sulphide deposits - Daybreak and Flying Fox Deeps discovered in 2002 and 2003. Newexco's clients include Western Areas, Lion Ore, MPI, Outokumpu and Sally Malay.

Review of Operations & Results

Hannans Reward's principal activities during the year were exploring for gold and base metals. The Company's projects are:

<i>Project</i>	<i>Commodity</i>	<i>Interest</i>
Queen Victoria Rocks	Nickel	100%
Maggie Hays South	Nickel	90% (NKL may earn up to 55% of nickel rights)
Sunday	Gold	90%
Poona	Nickel	100%
Jigalong	Diversified	50%

Since December 2003 Hannans Reward has conducted the following exploration:

<i>Technique</i>	<i>Details</i>
Ground electromagnetic survey	20 line kilometres of data and interpretation
Down hole electromagnetic survey	One
Aircore drilling	11,037 metres
RC/diamond drilling	204 metres
Auger drilling	125 samples
Aeromagnetic data	Acquisition and interpretation

Furthermore the Company has completed a comprehensive flora and fauna survey (QVR), reviewed a number of exploration acquisition/joint venture opportunities, entered into a memorandum of understanding (Jigalong), concluded one joint venture negotiation (MHS), made a presentation at the Association of Mining and Explorations Companies Investor Seminar during September and is scheduled to present at the Australian Nickel Conference during October.

The Company currently has a RC/diamond drill and EM program in progress at QVR and has scheduled to commence a further air core drilling program at its Sunday gold project near Leonora in early October 2004.

We are pleased to say that the exploration programs implemented have upgraded all of the Company's prospects. A detailed review of each exploration program and their results can be obtained by visiting either www.hannansreward.com or www.asx.com.au. A brief overview of the operations and results of these programs follows:

Queen Victoria Rock – nickel sulphide project – 100% HNR

A moving loop EM survey with a follow-up fixed loop EM survey was conducted at the QVR nickel sulphide prospect between 26 February and 14 April 2004. Three anomalies were identified. Anomaly QVR_C2 is interpreted as having a conductive bedrock source 500m to the west of the known Queen Victoria Ultramafic sequence, in the hanging wall. It is open to the west and north, with a possible strike length in excess of 600m. Anomaly QVR_C3 is in the south east corner of the survey area and remains open by this survey to the south. It is interpreted to have a highly conductive bedrock source dipping and located some 200m below the ultramafic sequence. Its strike length is open for at least 200m.

Subsequent to the end of the financial year 2003-2004, a diamond drill hole QVD03 was completed on the QVR Prospect (21 July 2004) close to QVR_C1. The purpose of the hole was to test an intersection obtained by previous explorers and proceed deeper to carry out a down-hole EM survey to ascertain the location of significant adjacent conductors. The hole was stopped at a depth of 204 metres. Disseminated sulphides assaying from 0.23% to 0.43% nickel were present from a depth of 140 metres to the end of the hole with best results being 19.4 metres @ 0.34% nickel from 150.6 metres. Although no significant conductors were outlined, the presence of widespread disseminated sulphides is considered to be extremely encouraging.

Maggie Hays South – nickel sulphide prospect – 90% HNR

Subsequent to the end of the financial year 2003-2004, Hannans Reward joint ventured the Maggie Hays South nickel mineral rights with Nickel Australia Ltd (NKL). NKL has agreed to free carry Hannans Reward through to completion of a bankable feasibility study that must be delivered within five years from commencing exploration. Once NKL makes a decision to mine it will have earned a 55% interest in the nickel mineral rights. NKL is required to spend not less than \$500,000 on exploration within eighteen months of commencement before they can withdraw. Exploration is expected to commence in November 2004.

Sunday – gold prospect – 90% HNR

Overall the air core drilling programs in the Mt Stewart portion of the Sunday project have resulted in the identification of four distinct gold targets, being the Palaeochannel Target (HNR drilling returned 1 m@ 11.19 g/t gold with a duplicate sample assay returning 21.66 g/t gold), the Sundat Pit Target (where historical production has been 1,200 ounces of gold), Target 3 (HNR drilling returned 2 metres @ 3.66 g/t gold) and Target 4 (HNR drilling returned 7 metres @ 1.12 g/t gold). Drilling during October will focus on the Palaeochannel Target.

Poona – nickel prospect – 100% HNR

An air core drilling program was completed during May to test the nickel potential of three targets. Several encouraging results were returned, the best of which was a four metre composite result in excess of 1% nickel (1.05% nickel), from within a slightly broader zone of 8 metres @ 1.02% nickel, possibly from a lateritic enrichment, which is significant and encouraging. This intercept was located within weathered ultramafic lithologies. The Company is currently seeking a joint venture partner to develop this prospect.

Jigalong Joint Venture – MOU to explore in the Pilbara

The Company entered into a memorandum of understanding with Jigalong Community Inc. (JCI) to form a joint venture exploration company for the purpose of discovering economic mineral deposits in the Pilbara. JCI has granted the joint venture access to prospect, explore and mine within the Jigalong Lands – an area comprising 4,584km². The Jigalong Lands are prospective for gold and a suite of base metals and have largely been under explored utilising modern evaluation techniques. JCI and Hannans Reward have been working towards completing the substantive agreements required to enable exploration to commence.

Technical aspects of this report that relate to QVR exploration results is based on information compiled by Adrian Black and William Amann (Directors of Newexo Services Pty Ltd) who are Members of the Australian Institute of Geoscientists. Technical aspects of this report that relate to Sunday and Poona exploration results are based on information compiled by Gregory Jorgensen (Consultant) who is also a Member of the Australian Institute of Geoscientists. All gentlemen have sufficient experience, which is relevant to the style of mineralisation and types of deposits under consideration and to the activity, which has been undertaken to qualify as a Competent Person as defined by the JORC Code.

Likely Developments, Future Operations and Expected Results

Hannans Reward will continue to explore its projects in the search for economic gold and base metal deposits. The Company will simultaneously seek joint venture opportunities for those projects in an effort to balance the risks and rewards associated with exploration thereby maximizing returns to shareholders.

Performance in Relation to Environmental Obligations

The Company is aware of its environmental obligations and acts to ensure its environmental commitments are met.

Tenement Schedule

Tenement	Interest (%)	Tenement	Interest (%)
<i>Sunday Project</i>		<i>Maggie Hays South</i>	
M37/389	90	PLA 63/1203	90 (NKL may earn 55% of nickel rights)
MLA 37/1195	90	PLA 63/1204	90 (NKL may earn 55% of nickel rights)
MLA 37/1187	90	PLA 63/1205	90 (NKL may earn 55% of nickel rights)
MLA 37/1188	90	PLA 63/1206	90 (NKL may earn 55% of nickel rights)
P37/5909	90	PLA 63/1207	90 (NKL may earn 55% of nickel rights)
P37/5910	90	PLA 63/1208	90 (NKL may earn 55% of nickel rights)
P37/5912	90	PLA 63/1209	90 (NKL may earn 55% of nickel rights)
P37/5917	90		
P37/5903	90	<i>Queen Victoria Rock</i>	
P37/5922	90	P15/4065	100
P37/5923	90	P15/4066	100
P37/5924	90	P15/4096	100
P37/5926	90	P15/4097	100
P37/5927	90	ELA 15/734	100
P37/5928	90	ELA 15/755	100
P37/5929	90		
P37/5930	90	<i>Poona</i>	
P37/5931	90	E20/424	100
P37/6149	90	E20/448	100
P37/6299	90		
P37/6300	90	<i>Jigalong</i>	
P37/6301	90	ELA 52/1732	50
P37/6302	90		
P37/6035	90		
P37/6036	90		
PLA 37/6708	90		

Capital Structure

The Company raised \$3.5 million (including \$1.0 million in oversubscriptions) through the issue of 17,500,000 ordinary shares at 20 cents during an initial public offering conducted in October and November 2003.

During March 2004, the Company issued and allotted to shareholders 16,454,994 free options to acquire ordinary shares at 20 cents on or before 31 March 2006. The options are exercisable on or before 31 March 2004 at 20 cents each.

During the year, 6,500 options were exercised and thereafter the directors resolved to issue and allot 6,500 ordinary shares. At the end of the financial year the Company had 32,916,503 fully paid ordinary shares on issue and 16,648,494 options on issue.

The Company has used its cash and liquid assets in a way consistent with its business objectives.

Issued Securities

	Shares	Options
Quoted	21,656,503	10,818,494
Escrowed to 5/12/04	2,094,000	1,047,000
Escrowed to 5/12/05	9,166,000	4,783,000
Total	32,916,503	16,648,494

Substantial Holders

The table below includes securities held directly, indirectly or beneficially by each specified individual or their personally related entities.

Name	Shares	Interest (%)	Options	Interest (%)
William Hicks	6,066,311	18.4	3,062,770	18.4
Ernest Dechow	2,600,001	7.9	1,300,000	7.8
Damian Hicks	1,906,001	5.8	953,000	5.7
Total	10,572,313	32.1	5,315,770	31.9

Quoted Securities as at 31 August 2004

	Class of Quoted Securities	
	Ordinary Shares	Options
Number of Holders	573	541
Voting Rights	All shares rank equally with one vote per share	Nil
Distribution Schedule		
1 – 1,000	6	9
1,001 – 5,000	54	164
5,001 – 10,000	116	109
10,001 – 100,000	368	243
100,001 – and over	29	16
Number of holders holding less than a marketable parcel	41	403

Top 20 Shareholders as at 28 September 2004

Rank	Name	Units	%
1	Marfield Pty Ltd	4,000,000	12.15
2	Susern Holdings Pty Ltd	2,000,000	6.08
3	Acacia Investments Pty Ltd <Dph Fund A/C>	1,636,000	4.97
4	Mossisberg Pty Ltd	1,250,000	3.80
5	Mr James Laurence Berry	650,000	1.97
6	Mr Glen Baker	520,000	1.58
7	Mr Ernest Dechow	500,001	1.52
8	E H & P Investments Ag	500,000	1.52
9	Goldbell Investments Pty Ltd	500,000	1.52
10	Volute Pty Ltd	500,000	1.52
11	Marfield Pty Ltd	441,310	1.34
12	Westpac Custodian Nominees Limited	400,000	1.22
13	Tower Trust Limited	345,000	1.05
14	Mrs Lecia Laurance <Ljl Investment A/C>	330,000	1.00
15	Lyndhouse Pty Ltd	300,000	0.91
16	Ms Patricia Rogers <Angelo Street A/C>	300,000	0.91
17	Sancoast Pty Ltd	300,000	0.91
18	Mr Randall Swick	294,000	0.89
19	Bonord Pty Ltd <C W Hulls & Co Super A/C>	250,000	0.76
20	Bonord Pty Ltd <C W Hulls & Co Super A/C>	250,000	0.76
Totals:		15,266,311	46.38

*Top 20 Option Holders as at 28 September 2004
Exercisable at 20 cents on or before 31 March 2006*

Rank	Name	Units	%
1	Marfield Pty Ltd	2,000,000	12.01
2	Susem Holdings Pty Ltd	1,000,000	6.01
3	Acacia Investments Pty Ltd <DPH Fund A/C>	818,000	4.91
4	Mossisberg Pty Ltd	625,000	3.75
5	Aphrodite Holdings Pty Ltd <The Aphrodite Unit A/C>	500,000	3.00
6	Mr James Laurence Berry	325,000	1.95
7	Mr Glen Baker	260,000	1.56
8	Marfield Pty Ltd	250,270	1.50
9	Dr Ernest Dechow	250,000	1.50
10	E H & P Investments Ag	250,000	1.50
11	Goldbell Investments Pty Ltd	250,000	1.50
12	Volute Pty Ltd	250,000	1.50
13	Mrs Lecia Laurance <Ljl Investment A/C>	233,968	1.41
14	Jenny Scallan	200,000	1.20
15	Tower Trust Limited	197,500	1.19
16	Mrs Lecia Laurance <Ljl Investment A/C>	165,000	0.99
17	Lyndhouse Pty Ltd	150,000	0.90
18	Ms Patricia Rogers <Angelo Street A/C>	150,000	0.90
19	Mr Randall Swick	147,000	0.88
20	Bonord Pty Ltd <C W Hulls & Co Super A/C>	125,000	0.75
Totals:		8,146,738	48.91

Dividends & Distributions

No dividends or distributions were paid, recommended or declared during the year.

Corporate Governance

The Company has adopted a Code of Conduct for its Board members which is available to be viewed on the Company's web site, www.hannansreward.com.

The Company complies with the *Principles of Good Corporate Governance and Best Practice Recommendations* other than in the matters set out below:

ASX Principle	Recommendation	Reference/Comment
Principle 2: Structure the board to add value	2.1	The Board considers that due to the scope and size of the Company's operations and the skills matrix of the existing Board members it is not appropriate to amend the Board composition.
	2.4	The Board as a whole will identify candidates and assess their skills in deciding whether an individual has the potential to add value to the Company. The Board may also seek independent advice to assist with the identification process.
	2.5	The Board aims to maximize the funds available for exploration in order to implement the Company's strategy and therefore has not gone to the expense of meeting this recommendation.
Principal 3: Promote ethical and responsible decision making	3.2	The Board is aware of its legal obligations with respect to trading in securities and is aware of the potential damage to the Company's reputation should a Board member trade in shares prior to release of all material information into the public domain.
	3.3	Refer to comments on Recommendation 2.5 but will move towards meeting this recommendation during the next financial year.
Principal 4: Safeguard integrity of financial reporting	4.1	Whilst the Company does not have a CFO, the Executive Director prepares the financial statements utilising external professional assistance from a chartered accounting firm and signs the accounts in full knowledge of his legal responsibilities.
	4.2	The Board considers that due to the scope and size of the Company's operations it is not appropriate to establish an audit committee. Board members have access to independent professional advice should they wish to review the internal accounting systems and procedures of the Company.
	4.3	Refer to comments on Recommendation 4.2
	4.4	Refer to comments on Recommendation 4.2

	4.5	Refer to comments on Recommendation 2.5 but will move towards meeting this recommendation during the next financial year.
Principle 5: Make timely and balanced disclosures	5.1	The Board is aware of its obligations with respect to ASX Listing Rules and is aware of the potential damage to the Company's reputation should a Board member or senior executive fail to fully comply.
	5.2	Refer to comments on Recommendation 2.5 but will move towards meeting this recommendation during the next financial year.
Principle 6: Respect the rights of shareholders	6.1	The Board is focused on improving communication with shareholders, media and stakeholders because it is essential to the Company's long term survival and are constantly refining its communication strategy incorporating electronic and print media together with personal presentations.
Principle 7: Recognise and manage risk	7.1	The Board implements a meeting procedure to ensure risk management issues are continuously addressed but are also aware that such systems and procedures are constantly requiring review to ensure compliance.
	7.2	Given the scope and size of the Company's operations and the skills matrix of the Board the Board recognises its responsibility with respect to risk management and that it is not solely the domain of the Executive.
	7.3	Refer to comments on Recommendation 2.5 but will move towards meeting this recommendation during the next financial year.
Principle 9: Remunerate fairly and responsibly	9.2	The Board considers that due to the scope and size of the Company's operations it is not appropriate to establish a remuneration committee.
	9.5	Refer to comments on Recommendation 2.5 but will move towards meeting this recommendation during the next financial year.
Principle 10: Recognise legitimate interests of stakeholders	10.1	The Board is aware of the complex environment in which it operates and uses its experience and judgment to ensure that it addresses the legitimate concerns and issues of stakeholder organizations and that such an approach is good business practice.

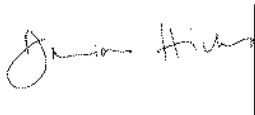
Indemnifying Officers or Auditor

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- except as may be prohibited by the Corporations Act 2001 every Officer, auditor or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal;
- since the beginning of the financial year the Company has paid insurance premiums of \$23,353 in respect of directors and officers liability and corporate reimbursement, for directors and officers in the Company. The insurance premiums relate to:
 - any loss for which the directors and officers may not be legally indemnified by the Company arising out of any claim, by reason of any wrongful act committed by them in their capacity as a director or officer of the Company or any related corporation, first made against them jointly or severally during the year of insurance; and
 - indemnifying the Company against any payment which it has made and was legally permitted to make arising out of any claim, by reason of any wrongful act, committed by any director or officer in their capacity as a director or officer of the Company or any related corporation, first made against the director or officer during the period of insurance.

The insurance policy outlined above does not allocate the premium paid to each individual officer of the Company.

This Directors' Report is made in accordance with a resolution of the Board of Directors.



Damian Hicks
Director
Kalgoorlie, 28 September 2004

Financial Report

*STATEMENT OF FINANCIAL PERFORMANCE
For the Year Ended 30 June 2004*

	NOTE	2004 \$	2003 \$
Revenues from ordinary activities	2	92,958	12,286
Employee benefits expense		(250,965)	(61,800)
Depreciation and amortisation expense		(3,993)	(32)
Consultants expense		(79,706)	(13,827)
Occupancy expenses		(39,280)	(15,250)
Marketing expenses		(7,746)	(8,828)
Exploration expenditure written off		-	(95,437)
Other expenses from ordinary activities		(105,632)	(39,660)
Loss from ordinary activities before income tax expense/benefit	3	(394,364)	(222,548)
Income tax expense/benefit relating to ordinary activities	6	-	-
Net Loss attributable to members		(394,364)	(222,548)
Basic loss per share (cents per share)	19	(1.67)	-
Diluted loss per share (cents per share)		(1.41)	-

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2004

	NOTE	2004 \$	2003 \$
CURRENT ASSETS			
Cash assets	7	2,285,833	135,637
Receivables	8	61,375	2,258
Other current assets	9	13,880	9,358
TOTAL CURRENT ASSETS		2,361,088	147,253
NON CURRENT ASSETS			
Receivables	8	25,000	-
Plant and equipment	10	38,432	672
Exploration expenditure	11	1,624,528	144,099
TOTAL NON CURRENT ASSETS		1,687,960	144,771
TOTAL ASSETS		4,049,048	292,024
CURRENT LIABILITIES			
Payables	12	90,991	14,569
Provisions	13	4,992	-
TOTAL CURRENT LIABILITIES		95,983	14,569
TOTAL LIABILITIES		95,983	14,569
NET ASSETS		3,953,065	277,455
EQUITY			
Contributed equity	14	4,569,977	500,003
Accumulated losses	15	(616,912)	(222,548)
TOTAL EQUITY		3,953,065	277,455

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2004

	NOTE	2004 \$	2003 \$
Cash Flows from Operating Activities			
Payments to suppliers and employees		(405,954)	(134,584)
Interest received		67,214	12,286
Payments for exploration and evaluation		(432,732)	(143,535)
Borrowing Costs Paid		(50)	-
Payments to term deposit for bank guarantee		(25,000)	-
<i>Net cash used in operating activities</i>	17	(796,522)	(265,833)
Cash Flows From Investing Activities			
Purchase of plant and equipment		(41,753)	(704)
Purchase of exploration assets		(302,502)	(76,000)
Purchase of investments		-	(1,826)
<i>Net cash used in investing activities</i>		(344,255)	(78,530)
Cash Flows from Financing Activities			
Proceeds from issue of shares		3,500,000	480,000
Proceeds from conversion of options		1,300	-
Payments for capital raising costs		(210,327)	-
<i>Net cash provided by financing activities</i>		3,290,973	480,000
Net increase in cash held		2,150,196	135,637
Cash at beginning of year		135,637	-
Cash at end of year	7	2,285,833	135,637

The accompanying notes form part of these financial statements

Notes to the Financial Statements

1. Statement of Significant Accounting Policies

(a) Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Hannans Reward NL. Hannans Reward NL is a public company listed on the Australian Stock Exchange and is incorporated and domiciled in Australia. HR Subsidiary Pty Ltd is a wholly owned subsidiary of Hannans Reward NL.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Company commencing from the time the asset is held ready for use.

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

Class of Fixed Asset	Depreciation Rate (%)
Office Furniture	11.25
Office Equipment	37.50
Motor Vehicle	18.75

I. *Statement Of Significant Accounting Policies (Cont.)*

(c) *Income tax*

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the loss from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) *Exploration, evaluation and development expenditure*

Exploration, evaluation and development expenditure incurred is 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.

I. *Statement of Significant Accounting Policies (Cont.)*

(e) *Leases*

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Company are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a diminishing value basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the years in which they are incurred.

(f) *Revenue*

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

(g) *Cash*

For the purpose of the Statements of Cash Flows, cash includes cash on hand and other funds held at call net of bank overdrafts.

(h) *Employee Entitlements*

Provision is made for the Company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year have been measured at their nominal amount.

(i) *Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

I. *Statement of Significant Accounting Policies (Cont.)*

(j) *Earnings Per Share*

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on net revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus issue.

(k) *International Financial Reporting Standards*

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year. The economic entity's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised. The directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of IFRS are:

i) Impairment of Assets

The company currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of pending AASB 136: *Impairment of Assets*, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

ii) Income Tax

Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the Company will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

iii) Exploration Expenditure

AASB was informed by the International Accounting Standards Board (IASB) that at a recent meeting, the IASB decided to fully grandfather national GAAP, such as Australia's existing area of interest method of accounting for exploration costs, for both producers and exporters, until such time as the IASB produces a comprehensive extractive industry IFRS.

1. *Statement of Significant Accounting Policies (Cont.)*

iii) Exploration Expenditure (Cont)

As soon as the IASB has incorporated this decision into its standards, the AASB will produce an Australian equivalent so as to allow extractive industry companies to take advantage of the grandfathering in their 2005 transition to Australian equivalents of IFRSs.

Hence under AASB 1047 requirements, it would be reasonable for companies in the extractive industries to disclose at 30 June 2004 that the impact of changes from the current AASB 1022 are not yet determinable due to the above issues.

	2004 \$	2003 \$
2. <i>REVENUE</i>		
Operating activities		
- interest received	<u>92,958</u>	<u>12,286</u>
3. <i>LOSS FROM ORDINARY ACTIVITIES</i>		
<i>Loss from ordinary activities before income tax has been determined after:</i>		
<i>(i) Expenses</i>		
Depreciation of non-current assets		
- office furniture and motor vehicle	<u>3,993</u>	<u>32</u>
Rental expense on operating leases		
- minimum lease payments	<u>39,280</u>	<u>15,050</u>
4. <i>REMUNERATION OF DIRECTORS AND SPECIFIED EXECUTIVES</i>		

The names of directors who have held office during the financial period were :

Richard Scallan, William Leeder Hicks, Ernest Dechow, Damian Hicks and Roland Hill (Resigned 25 September 2003). The company does not have any specified executives who are not directors of the company. Please refer to the Director's Report for a summary of the directors' remuneration.

(a) *Remuneration Disclosure*

2004	Primary Salary & Fees	Post Employment Superannuation	Equity Compensation		Total
	\$	\$	Shares	Options	
Richard Scallan	17,200	1,260	-	3,000	21,460
William Hicks	14,200	1,260	-	-	15,460
Ernest Dechow	14,200	-	-	-	14,200
Damian Hicks	85,296	5,625	49,500	-	140,421
Roland Hill	12,000	1,080	49,500	-	62,580
	142,896	9,225	99,000	3,000	254,121

(b) *Remuneration Options*

Options Granted As Remuneration

	Vested No.	Granted Number	Grant Date	Value per Option at Grant Date	First Exercise Price	Exercise Date	Last Exercise Date
Directors							
Richard Scallan	200,000	200,000	31.12.03	\$0.015	-	-	31.03.06

All grants of options vest at the grant date.

The fair value of the options is calculated at the date of grant using the Black-Scholes model. The value of options have been discounted by 25% based upon their illiquidity and non-transferability. The value disclosed above is the portion of the fair value of the options allocated to this reporting period.

The following factors and assumptions were used in determining the fair value of options of grant date:

Grant Date	Expiry Date	Fair Value Per Option	Exercise Price	Price of Shares on Grant Date	Estimated Volatility	Risk Free Interest Rate	Dividend Yield
01/12/03	31/03/06	\$0.02	\$0.20	\$0.165	50%	5.25%	0%

Estimated volatility approximates historic volatility. The estimated life of all options granted is 3 years.

(c) *Shares Issued on Exercise of Remuneration Options*

Options Granted As Remuneration

During the year there were no options exercised for options previously granted as remuneration to directors.

(d) Options and Rights Holdings

Number of options held by Specified Directors and Specified Executives

The movement during the year of the number of options over ordinary shares in Hannans Reward NL held directly, indirectly or beneficially, by each specified director, including their personally related entities, is as follows:

	Balance 1.7.03	Granted as Remuneration	Options Issued *	Purchases	Balance 30.6.04	Total Vested 30.6.04	Total Exercisable	Unexercisable
Directors								
Richard Scallan	-	200,000	-	-	200,000	200,000	200,000	-
William Hicks	-	-	3,033,155	-	3,033,155	3,033,155	3,033,155	-
Ernest Dechow	-	-	1,300,000	-	1,300,000	1,300,000	1,300,000	-
Damian Hicks	-	-	953,000	-	953,000	953,000	953,000	-
Roland Hill (Resigned 25/9/03)	-	-	165,000	144,468	309,468	309,468	309,468	-
	-	200,000	5,451,155	144,468	5,795,623	5,795,623	5,795,623	-

* Options were issued pursuant to non-renounceable rights issue made to all shareholders at 3 March 2004 on the basis of one option for every two shares held.

(e) Shareholdings

Number of Shares held by Specified Directors

The movement during the year in the number of ordinary shares of Hannans Reward Limited held directly, indirectly or beneficially, by each specified director including their personally related entities is as follows:

	Balance held at 1.7.03	Issues Pursuant to Listing – Consideration for Tenements	Remuneration	Purchases	Balance held at 30.6.04
Richard Scallan	-	-	-	-	-
William Hicks	4,750,001	625,000	-	691,310	6,066,311
Ernest Dechow	2,000,001	500,000	-	100,000	2,600,001
Damian Hicks	1,250,001	306,000	330,000	20,000	1,906,001
Roland Hill (Resigned 25/9/03)	-	-	330,000	-	330,000
	8,000,003	1,431,000	660,000	811,310	10,902,313

	2004 \$	2003 \$
5. AUDITORS' REMUNERATION		
Remuneration of the auditor for:		
- Auditing or reviewing the financial report	3,200	3,000
- Other services	22,228	-
	<u>25,428</u>	<u>3,000</u>

6. INCOME TAX

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax benefit on loss from ordinary activities before income tax at 30%	<u>(118,306)</u>	<u>(66,764)</u>
Add (Less)		
Tax effect of:		
- Permanent Differences	-	401
- Future income tax benefit not brought to account	<u>(118,306)</u>	<u>(66,363)</u>
Income tax attributable to operating loss	<u>-</u>	<u>-</u>

Potential future income tax benefits attributable to tax losses and exploration expenditure carried forward amounting to approximately \$184,669 (2003: 66,363), at 2004 corporate tax rate of 30%, have not been brought to account at 30 June 2004 because the directors do not believe it is appropriate to regard realisation of the future income tax benefits as virtually certain. These benefits will only be obtained if:

- (a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
- (b) the company continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the loss and exploration expenditure.

	2004 \$	2003 \$
7. CASH ASSETS		
Cash at bank	24,639	(129)
Deposits at call	2,261,194	135,766
	<u>2,285,833</u>	<u>135,637</u>
The bank short term deposits mature within 90 days, and pay interest at a weighted average rate of 5.3% per annum		
8. RECEIVABLES		
Current		
Other debtors	26,147	1,150
GST receivable	35,228	1,108
	<u>61,375</u>	<u>2,258</u>
NonCurrent		
Term deposits	25,000	-
The term deposit represents an environmental bond secured by way of a bank guarantee over a tenement interest held by Hannans Reward NL.		
9. OTHER CURRENT ASSETS		
Prepayments	13,880	9,358
10. PLANT AND EQUIPMENT		
Office Furniture & Equipment		
At cost	42,457	704
Accumulated depreciation	(4,025)	(32)
	<u>38,432</u>	<u>672</u>

(i) *Movements in Carrying Amounts*

Movement in the carrying amounts for each class of plant and equipment between the beginning and end of the current financial year

	2004	2003
	\$	\$
Balance at the beginning of the year	672	-
Additions	41,753	704
Depreciation expense	(3,993)	(32)
Carrying amount at the end of the year	38,432	672
11. OTHER ASSETS		
	2004	2003
	\$	\$
Non-Current		
Balance at the beginning of year	144,099	-
Exploration Expenditure	500,429	123,536
Acquisitions / Options capitalised during the year	980,000	116,000
Less exploration expenditure written off	-	(95,437)
	1,624,528	144,099
Costs carried forward in respect of areas of interest in:		
- Exploration and evaluation phases – at cost	1,624,528	144,099

The value of the Company's interest in exploration expenditure is dependent upon:

- the continuance of the Company's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Company's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

12. PAYABLES

Current		
Trade creditors	80,499	-
Other creditors and accruals	10,492	14,569
	90,991	14,569

		2004	2003	
		\$	\$	
13. PROVISIONS				
Current				
Employee entitlements		4,992	-	
<i>(i) Number of employees</i>				
Number of employees at the year end		1	-	
14. CONTRIBUTED EQUITY				
32,916,503 (2003: 11,350,003)				
Fully paid ordinary shares		4,569,977	500,003	
<i>(a) Movements During the period</i>				
	2004	2004	2003	2003
	\$	Number	\$	Number
Fully Paid Ordinary Shares				
Brought forward	500,003	11,350,003	-	
11 March 2002 - subscriber share capital	-	-	3	3
Shares issued at \$0.05 each on 2 May 2002	-	-	25,000	500,000
Seed capital issued at \$0.10 per share between 13 June – 5 July 2002	-	-	240,000	2,400,000
Debt to equity conversion on 17 August 2002	-	-	155,000	7,750,000
Shares issued for vendor consideration at \$0.20 each on 13 June 2003	-	-	20,000	100,000
Seed capital issued at \$0.10 each on 26 August 2002	-	-	60,000	600,000
IPO pursuant to prospectus on 5 December 2003	3,500,000	17,500,000	-	-
Vendor acquisition pursuant to prospectus on 5 December 2003	680,000	3,400,000	-	-
Directors shares at deemed value of \$0.15 each on 5 December 2003	99,000	660,000	-	-
Transaction costs relating to share issue	(210,326)	-	-	-
Conversion of options	1,300	6,500	-	-
Carried forward	4,569,977	32,916,503	500,003	11,350,003

On 5 December 2003, the Company issued 17,500,000 fully paid ordinary shares at \$0.20 each pursuant to an Initial Public Offering detailed in a prospectus lodged with the ASX on 5 November 2003.

On 5 December 2003, the Company issued a further 3,400,000 fully paid ordinary shares at \$0.20 each, as detailed within the prospectus, to various vendors for the acquisition of additional tenements and interests in the following projects: Maggie Hays South; Sunday; Poona; and Queen Victoria Rocks.

On 5 December 2003, the Company issued 660,000 fully paid ordinary shares to the executive directors at a deemed value of \$0.15 each for their services performed since October 2002. The shares issued were conditional to the Company being admitted to the Official List of the ASX.

(b) *Terms of Ordinary Shares*

Ordinary shareholders participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held.

At shareholders meetings each ordinary shareholder is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

	2004 \$	2003 \$
15. ACCUMULATED LOSSES		
Accumulated losses at the beginning of the financial Year	222,548	-
Net loss attributable to members	394,364	222,548
Accumulated losses at the end of the financial Year	<u>616,912</u>	<u>222,548</u>

16. FINANCIAL INSTRUMENTS

(a) *Interest Rate Risk*

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

2004	Note	Floating Interest Rate \$	Fixed Interest maturing in 1 year or less \$	Non-interest bearing \$	2004 total \$
Financial assets					
Cash	7	24,194	2,261,194	445	2,285,833
Receivables	8	-	25,000	61,375	86,375
		<u>24,194</u>	<u>2,286,194</u>	<u>61,820</u>	<u>2,372,208</u>
Weighted average Interest rate		4.3 %	5.3%		
Financial Liabilities					
Payables	12	-	-	90,991	90,991
		<u>-</u>	<u>-</u>	<u>90,991</u>	<u>90,991</u>
Weighted average interest rate		-	-		
Net financial assets		<u>24,194</u>	<u>2,286,194</u>	<u>(29,171)</u>	<u>2,281,217</u>
2003		Fixed Interest maturing in 1 year or less \$	Non-interest bearing \$	2003 total \$	
Financial assets					
Cash		135,766	(129)	135,637	
Receivables		-	2,258	2,258	
		<u>135,766</u>	<u>2,129</u>	<u>137,895</u>	
Weighted average Interest rate		4.40%			
Financial Liabilities					
Payables		-	14,569	14,569	
Interest bearing liabilities		<u>-</u>	<u>14,569</u>	<u>14,569</u>	
Weighted average interest rate		-			
Net financial assets		<u>135,766</u>	<u>(12,440)</u>	<u>123,326</u>	

The net fair value of all financial assets and liabilities at balance date are approximate to their carrying value:

(b) *Credit Risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk.

(c) *Net Fair Value of Financial Assets and Liabilities*

The net fair value of the financial assets and financial liabilities approximates their carrying value.

	2004 \$	2003 \$
17. CASH FLOW INFORMATION		
(i) Reconciliation of cash flows from operating activities with loss from ordinary activities after income tax		
- (Loss) from ordinary activities after income tax	(394,364)	(222,548)
Non-cash flows in operating loss		
- Depreciation	3,993	32
- Loss on disposal of investments	-	1,080
- Exploration expenditure written off	-	95,437
Cash flows excluded from loss from ordinary activities		
- Payments for exploration expenditure	(432,733)	(143,535)
Changes in assets and liabilities		
- Increase in operating receivables & prepayments	(88,639)	(10,868)
- Increase/(Decrease) in trade and other creditors, accruals and employee entitlements	115,221	14,569
	<u>115,221</u>	<u>14,569</u>
Net cash inflows (outflows) from Operating Activities	<u>(796,522)</u>	<u>(265,833)</u>

18. *COMMITMENTS*

In order to maintain current rights of tenure to mining tenements, the Company has the following discretionary exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable:

	2004 \$	2003 \$
Not longer than one year	165,180	86,380
Longer than one year, but not longer than five years	495,540	345,520
	<u>660,720</u>	<u>431,900</u>

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

19. *EARNINGS PER SHARE*

	\$
(a) Earnings / (Loss) used in the calculation of basic and dilutive EPS	(393,364)
	Number
(b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share:	<u>23,603,267</u>
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive earnings per share	<u>27,984,454</u>

20. *SEGMENT INFORMATION*

The Company operates predominantly in one geographical segment, being Western Australia, and in one industry, mineral mining and exploration.

21. *CONTROLLED ENTITIES*

(a) *Particulars in relation to controlled entities*

Name	Consolidated Entity Interest	
	2004	2003
<i>Parent entity</i>	\$	\$
Hannans Reward NL	-	-
<i>Controlled Entity</i>		
HR Subsidiary Pty Ltd	100%	-

(b) *Acquisition of controlled entities:*

During the financial year, the Company acquired 100% of the voting share capital of HR Subsidiary Pty Ltd, for \$3.00.

Consolidated accounts have not been prepared as HR Subsidiary Pty Ltd is dormant and has no assets or liabilities.

22. *RELATED PARTY INFORMATION*

Transactions with related entities:

(i) *Director related Entities*

Transactions between related parties are on normal commercial terms and conditions which are no more favourable than that available to other parties unless otherwise stated

	2004	2003
	\$	\$
Consultancy fees were paid to entities related to the following Directors for services during the year:		
Damian Hicks (Red Dingo Pty Ltd)	22,000	39,000
Roland Hill (Motzah Investments Pty Ltd)	12,000	18,000

During the year the non-executive directors (Richard Scallan, William Hicks and Ernest Dechow) were reimbursed the sum of \$200 per month on account of incidentals incurred in carrying out the company's business.

All directors have been reimbursed for disbursements paid in the ordinary course of business. Outstanding reimbursements for expenses paid for by Directors will be paid on presentation of Tax Invoices.

The Company has paid invoices relating to accommodation provided to the directors, consultants and other parties at The Australia Kalgoorlie totalling \$810 (2003:\$1,595). William Leeder Hicks is a director of the company that owns The Australia Kalgoorlie.

The original three directors and shareholders, William Hicks, Ernest Dechow and Damian Hicks provided the Company with a convertible note up to \$200,000 for working capital purposes. The amount drawn down was \$155,000. This amount was converted into ordinary shares on 15 August 2003 in accordance with the terms of the facility.

Hannans Reward NL has occupied offices at 85 Maritana Street, Kalgoorlie since July 2003, such offices being owned by a company related to William Leeder Hicks. Rental payments for the year totaling \$26,000 have been made.

ii) *Share Transactions of Directors*

As disclosed in the Directors' Report the Board agreed to issue Roland Hill and Damian Hicks 30,000 fully paid ordinary shares each per month, commencing October 2002, for services performed as executive directors, these shares were issued on 6 October 2003.

iii) *Acquisition of Assets*

The Company entered into an option to purchase agreement with Dr Ernest Dechow on 17 March 2004 ("Cue Project") whereby for the payment of \$10, it was entitled to obtain a 100% interest in the Poona Project for the following consideration:

- a) Issuing 500,000 shares at 20 cents per share upon successful listing to the ASX;
- b) Paying the Vendor \$50,000 upon listing

The Company entered into a purchase agreement with Acacia Investments Pty Ltd ("Acacia") as trustee for RTS Pty Ltd (49%) and the DPH Trust (51%) on 27 March 2003, whereby it agreed to earn an 80% participating interest in the Queens Victoria Rocks Joint Venture ("QVR") by:

- a) Paying Acacia \$7,500 upon listing on the ASX;
- b) Issuing 600,000 ordinary shares at 20 cents each upon listing;
- c) Free carrying the Vendors 20% interest to the completion of a bankable feasibility study.

Damian Hicks is a director of Acacia and beneficiary of the DPH Trust.

The Company entered into separate letter agreements with RTS Pty Ltd and Acacia on 19 April 2003 and 2 October 2003 respectively, whereby it agreed to acquire the remaining 20% interest for a nominal \$1.

The Company signed an agreement with Goldbell Investments Pty Ltd (Goldbell) on 4 March 2003 to acquire a portion of the Queen Victoria Rocks nickel prospect. William Hicks is a shareholder of Goldbell. The Company agreed to purchase Goldbell's interest in the applications for prospecting licences P15/4096 - 4097, P15/4065 - 4066, and the application for exploration license E15/734 (Queen Victoria Rocks). The consideration for the purchase was the issue of 500,000 ordinary shares in Hannans Reward NL and \$75,000 cash, payable to Goldbell at the time the Company was granted quotation to ASX. A \$15,000 non-refundable cash payment was made to Goldbell at the time of entering into the agreement.

The Company signed an agreement with Marfield Pty Ltd on 7 October 2003 to acquire a portion of the Queen Victoria Rocks nickel prospect. The Company agreed to purchase Marfield's 50% interest in the applications for prospecting licenses P15/4096 - 4097, P15/4065 - 4066. The consideration for the purchase included the issue of 500,000 ordinary shares in Hannans Reward NL, payable at the time the Company was granted quotation to ASX. William Leeder Hicks is a director of Marfield Pty Ltd.

23. *EVENTS SUBSEQUENT TO REPORTING DATE*

Subsequent to the end of the 2003-2004 financial year Hannans Reward joint ventured the Maggie Hays South nickel mineral rights with Nickel Australia Ltd (NKL). NKL has agreed to free carry Hannans Reward through to completion of a bankable feasibility study that must be delivered within five years from commencing exploration. Once NKL makes a decision to mine it will have earned a 55% interest in the nickel mineral rights. NKL is required to spend not less than \$500,000 on exploration within eighteen months of commencement before they can withdraw. Exploration is expected to commence in November 2004.

Mr William Hicks was appointed as an Executive Director from 1 July 2004.

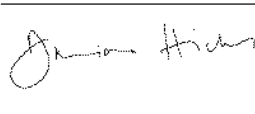
Other than that stated in the Directors' Report, no matters or circumstances have arisen since the end of the financial Year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 18 to 38, are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2004 and of the performance for the Year ended on that date of the Company; and
2. 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.

This declaration is made in accordance with a resolution of the Board of Directors.



Damian Hicks
Director
Kalgoorlie, 28 September 2004

INDEPENDENT AUDIT REPORT

To members of Hannans Reward NL

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Hannans Reward NL ("the company") and Hannans Reward NL ("the consolidated entity"), for the year ended 30 June 2004 as set out on pages 18 to 39. The consolidated entity comprises both the company and the entities it controlled during the year.

The directors of the consolidated entity are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the consolidated entity. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Ian K Macpherson CA

Robert W Parker CA

Craig A Vivian CA

Level 2, 47 Colin Street
West Perth WA 6005

PO Box 359
West Perth WA 6872

+61 8 9321 3514

+61 8 9321 3523

ord@ordgroup.com.au

www.ordgroup.com.au

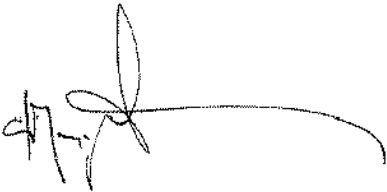


Audit Opinion

In our opinion, the financial report of Hannans Reward NL is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

ORD PARTNERS
Chartered Accountants

A handwritten signature in black ink, appearing to read 'I Macpherson', with a long horizontal flourish extending to the right.

Ian Macpherson
Partner

Dated this 30th day of September, 2004

Perth, WA