Hannans Reward Ltd

Annual Financial Report 2005

Corporate Directory

Independent Non-Executive Chairman
Richard Scallan

Executive Directors
William Hicks
Damian Hicks

Non-Executive Director
Ernest Dechow

Company Secretary
Damian Hicks

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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.

During the past 3 years Mr Scallan has not served as a Director of any other listed companies.

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.

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.

During the past 3 years Dr Dechow has not served as a Director of any other listed companies.

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.

During the past 3 years Mr Hicks has not served as a Director of any other listed companies.

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.

During the past 3 years Mr Hicks has not served as a Director of any other listed companies.

Review of Operations & Results

Below is a summary of the status of the Company's four exploration projects. Further detail can be obtained by visiting www.hannansreward.com or by reviewing the Company's announcement lodged with the Australian Stock Exchange (www.asx.com.au).

Sunday – gold and nickel project

Exploration results during the year have significantly improved the prospectivity of Sunday for gold and nickel.

Best gold results included 1 meter at 26.33 g/t gold from within 4 meters @ 7.59 g/t at 64 m. The original composite sample returned 4 meters @ 20.87 g/t gold. This result was from the lower saprolite and saprock (weathered bedrock) part of the regolith profile.

This intercept is only 250 meters away from a previous high grade intercept of 1 meter @ 20.87 g/t gold. The gold anomaly identified in the Mt Stewart portion of the prospect now has a strike length of approximately 3km at the 50 ppb contour level. Further aircore drilling is planned for August to be followed by reverse circulation drilling in October 2005. The purpose of this program is to test for extensions of the anomalous zone and to in-fill around the most recent high grade gold hits.

During the year the Company acquired further ground in the Malcolm Creek portion of the prospect. Hannans Reward now plans to follow up encouraging nickel results with a soil geochemistry programme, a ground geophysical survey to identify whether any conductors exist at depth (i.e. that may represent sulphides) and thereafter test conductors with reverse circulation drilling and down-hole geophysics. All of this exploration is scheduled to take place before December 2005.

Queen Victoria Rocks – nickel sulphide project

The Queen Victoria Rocks nickel sulphide project contains nickel sulphide mineralisation. The Company and its partners carried out exploration during the year that included diamond drilling and downhole geophysics within a small portion of the project area. This exploration further confirmed that nickel sulphides exist with the project.

The search for massive nickel sulphide mineralisation will continue following the grant of the remaining 90% of the project area by the Department of Industry & Resources during September 2005. The next phase of exploration will include ground geophysical surveys over extensions of the QVR komatiite sequence, a previously identified ground conductor (C2) and a magnetic anomaly identified by previous explorers, plus drilling to test a significant geochemical nickel (3,100ppm) copper (850ppm) anomaly.

Maggie Hays South – nickel sulphide project

The Maggie Hays South nickel sulphide project was explored by joint venture partner Nickel Australia Ltd (NKL) during the year. Exploration consisted of air core drilling, ground geophysics, diamond drilling and down-hole geophysics. A number of targets were identified some of which were tested. Nickel targets in the south of the project remain to be tested by deep drilling and down-hole geophysics. Hannans Reward is not required to contribute to exploration expenditure at MHS until NKL make a decision to mine. If NKL make a decision they will have earned a 55% interest in the nickel minerals. The location of this project relative to LionOre Australia Pty Ltd's Maggie Hays and Emily Ann mines make this project of particular interest.

Capital Structure

The number of fully paid ordinary shares on issue is currently 33,016,503 (of which 9,166,000 are restricted until December 2005).

The number of 31 March 2006, 20 cent options on issue are 17,248,494 (of which 4,983,000 are restricted until December 2005).

The number of 31 March 2008, 20 cent options on issue is 1,000,000. All of these options are unquoted.

Directors Table

Name	Date Appointed	No of Meetings Eligible to Attend	Attendance at Board Meetings
Richard Scallan	23 May 2002	5	5
Ernest Dechow	11 March 2002	5	5
William Hicks	11 March 2002	5	4
Damian Hicks	11 March 2002	5	5

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	6,196,249	3,062,770
Damian Hicks	1,906,001	1,953,000

Securities Issued as part of Remuneration

Name	Shares issued as part of remuneration	Options issued as part of remuneration
Richard Scallan	-	-
Ernest Dechow	-	-
William Hicks	-	-
Damian Hicks	-	1,000,000

Review of Financial Condition

As at the date of this report, the Company has sufficient funds to meet the minimum expenditure commitments, prescribed by the Mining Act 1978 & Regulations, on its tenements. While the Company has sufficient funds to explore its existing known targets the Company will seek to raise additional capital during the next twelve months.

Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for the payment of dividends has been made.

Significant Changes in the State of Affairs

The Company changed its status from a "No Liability" company to a "Limited" company during the year ended 30 June 2005.

No other significant change in the Company's state of affairs has taken place during the year.

Significant Events after the Balance Date

No significant events have taken place after 30 June 2005.

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.

Share Options

At a general meeting of shareholders held in May 2005 shareholders voted in favour of allocating 1,000,000 options to subscribe for shares at $0.20 on or before 31 March 2008 to Damian Hicks, Executive Director. Refer to Capital Structure under this report for all options over shares on issue.

Indemnification and Insurance of Directors and Other

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 $28,575 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.

Auditor's Independence Declaration & Non-Audit Services

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 39. The auditor has not provided any non-audit services to the Company during the year.

DIRECTORS REMUNERATION REPORT

This report outlines the remuneration arrangements in place for Directors and executives of Hannans Reward.

Name	Base Salary	Non Monetary	Super-annuation	Fees & Allowances	Shares	Options	Total
	$	$	$	$	$	$	$
Richard Scallan	24,000	Nil	2,160	2,400	Nil	Nil	28,560
Ernest Dechow	24,000	Nil	Nil	2,400	Nil	Nil	26,400
William Hicks	69,000	Nil	6,210	Nil	Nil	Nil	75,210
Damian Hicks	125,000	Nil	11,250	Nil	Nil	15,000	151,250
Total	242,000	Nil	19,620	4,800	Nil	15,000	281,420

Options Granted As Remuneration

Director	Vested No.	Granted Number	Grant Date	Value per Option at Grant Date	First Exercise Price	Exercise Date	Last Exercise Date
Damian Hicks	1,000,000	1,000,000	16 June 2005	$0.02	$0.20	-	31 March 2008

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 has 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
16/06/05	31/03/08	$0.02	$0.20	$0.165	25%	5.25%	0%

Estimated volatility approximates historic volatility.

Remuneration Policy - Directors

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 and in consultation with external consultants. 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.

Executive Director Remuneration

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

Remuneration Committee

Please refer to Corporate Governance section of this Annual Report.

Employment Contracts

Damian Hicks has a contract of employment with the Company which is due for renewal on 31 December 2005.

William Hicks has a contract of employment with the Company which is due for renewal on 30 June 2006.

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

Damian Hicks
Director
29 September 2005

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.

Directors of the Company are expected to exercise considered and independent judgement on matters before them. To discharge this expectation Directors may, from time to time, need to seek independent, expert opinion on matters before them.

Directors may seek professional advice with the prior approval of the Chairman, which will not be unreasonably withheld. The Board has implemented a procedure for accessing professional advice.

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 the composition of the existing Board is appropriate given the scope and size of the Company's operations and the skills matrix of the existing Board members.
	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.
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. The Chairman of the Board meets at least annually with both the Auditor and the Accountant to discuss the Company's financial position and adherence to applicable standards.
	4.3	Refer to comments on Recommendation 4.2

	4.4	Refer to comments on Recommendation 4.2
Principle 5: Make timely and balanced disclosures	5.2	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.

STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended 30 June 2005

	NOTE	2005 $	2004 $
Revenues from ordinary activities	2	91,545	92,958
Employee benefits expense		(295,611)	(250,965)
Borrowing Costs		(1,003)	-
Depreciation and amortisation expense		(10,133)	(3,993)
Consultants expense		(115,658)	(79,706)
Occupancy expenses		(54,281)	(39,280)
Marketing expenses		(28,310)	(7,746)
Exploration expenditure written off		(2,067,350)	-
Other expenses from ordinary activities		(487,771)	(105,632)
Loss from ordinary activities before income tax expense/benefit	3	(2,968,572)	(394,364)
Income tax expense/benefit relating to ordinary activities	6	-	-
Net Loss attributable to members	16	(2,968,572)	(394,364)
Basic loss per share (cents per share)	20	(9.01)	(1.67)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2005

	NOTE	2005 $	2004 $
CURRENT ASSETS			
Cash assets	7	1,040,600	2,285,833
Receivables	8	44,785	61,375
Other current assets	9	-	13,880
TOTAL CURRENT ASSETS		1,085,385	2,361,088
NON CURRENT ASSETS			
Receivables	8	2,392	25,000
Property, plant and equipment	10	35,303	38,432
Exploration expenditure	11	-	1,624,528
TOTAL NON CURRENT ASSETS		37,695	1,687,960
TOTAL ASSETS		1,123,080	4,049,048
CURRENT LIABILITIES			
Payables	12	85,027	90,991
Provisions	13	6,510	4,992
TOTAL CURRENT LIABILITIES		91,537	95,983
TOTAL LIABILITIES		91,537	95,983
NET ASSETS		1,031,543	3,953,065
EQUITY			
Contributed equity	14	4,592,027	4,569,977
Option premium reserve	15	25,000	-
Accumulated losses	16	(3,585,484)	(616,912)
TOTAL EQUITY		1,031,543	3,953,065

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2005

	NOTE	2005 $	2004 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(907,999)	(405,954)
Interest received		78,295	67,214
Payments for exploration and evaluation		(417,822)	(432,732)
Borrowing costs paid		(1,003)	(50)
Payments to term deposit for bank guarantee		-	(25,000)
Net cash used in operating activities	18	(1,248,529)	(796,522)
Cash Flows From Investing Activities			
Purchase of plant and equipment		(7,004)	(41,753)
Purchase of exploration assets		-	(302,502)
Purchase of investments		(10,000)	-
Proceeds on sale of investments		13,250	-
Net cash used in investing activities		(3,754)	(344,255)
Cash Flows from Financing Activities			
Proceeds from issue of shares		-	3,500,000
Proceeds from conversion of options		-	1,300
Payments for capital raising costs		7,050	(210,327)
Net cash provided by financing activities		7,050	3,290,973
Net (decrease)/increase in cash held		(1,245,233)	2,150,196
Cash at beginning of year		2,285,833	135,637
Cash at end of year	7	1,040,600	2,285,833

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. Hannans Reward 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.

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

1. 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 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.

1. *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.

1. Statement of Significant Accounting Policies (Cont.)

(j) Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing the net loss 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

Hannans Reward is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS). Pursuant to AASB 1047 the impacts of the changes to AIFRS have been set out in note 25 to the financial statements. The figures disclosed are managements' best estimates of the quantitative impact as at the date of preparing the 30 June 2005 financial report. The actual effects of the transition to AIFRS may differ from the estimates disclosed.

	2005 $	2004 $
2. REVENUE		
Operating activities		
- interest received	78,295	92,958
- proceeds on sale of investments	13,250	-
3. LOSS FROM ORDINARY ACTIVITIES		
Loss from ordinary activities before income tax has been determined after:		
(i) Expenses		
Depreciation of non-current assets		
- office furniture and motor vehicle	10,133	3,993
Interest expense	1,003	-
Cost of investment	10,000	-
Rental expense on operating leases		
- minimum lease payments	54,281	39,280

4. *REMUNERATION OF DIRECTORS AND SPECIFIED EXECUTIVES*

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

Richard Scallan
William Leeder Hicks
Ernest Dechow
Damian Hicks

The company does not have any specified executives who are not directors of the company.

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 and in consultation with external consultants. 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.

Damian Hicks has a contract of employment with the Company which is due for renewal on 31 December 2005.

William Hicks has a contract of employment with the Company which is due for renewal on 30 June 2006.

(a) *Remuneration Disclosure*

2005	Primary Salary & Fees	Post Employment Superannuation	Equity Compensation Shares	Options	Total
	$	$	$	$	$
Richard Scallan	26,400	2,160	-	-	28,560
William Hicks	69,000	6,210	-	-	75,210
Ernest Dechow	26,400	-	-	-	26,400
Damian Hicks	125,000	11,250	-	15,000	151,250
	246,800	19,620	-	15,000	281,420

2004	Primary Salary & Fees	Post Employment Superannuation	Equity Compensation Shares	Options	Total
	$	$	$	$	$
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

2005

Options Granted As Remuneration

Directors	Vested No.	Granted Number	Grant Date	Value per Option at Grant Date	First Exercise Price	Exercise Date	Last Exercise Date
Damian Hicks	1,000,000	1,000,000	16/06/05	$0.02	$0.20	-	31/03/08

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
16/06/05	31/03/08	$0.02	$0.20	$0.165	25%	5.25%	0%

Estimated volatility approximates historic volatility.

2004

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.

(c) Shares Issued on Exercise of Remuneration Options

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

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

	Balance 1.7.04	Granted as Remuneration	Options Issued	Purchases	Balance 30.6.05	Total Vested 30.6.05	Total Exercisable	Total Unexercisable
Directors								
Richard Scallan	200,000		-	-	200,000	200,000	200,000	-
William Hicks	3,033,155	-	-	29,615	3,062,770	3,062,770	3,062,770	-
Ernest Dechow	1,300,000	-	-	-	1,300,000	1,300,000	1,300,000	-
Damian Hicks	953,000	1,000,000	-	-	1,953,000	1,953,000	1,953,000	-
	5,486,155	1,000,000	-	29,615	6,515,770	6, 515,770	6, 515,770	-

(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 1.7.04	Remuneration	Purchases	Balance held at 30.6.05
Richard Scallan	-	-	-	-
William Hicks	6,066,311	-	59,938	6,126,249
Ernest Dechow	2,600,001	-	-	2,600,001
Damian Hicks	1,906,001	-	-	1,906,001
	10,572,313	-	59,938	10,632,251

	2005 $	2004 $
5. *AUDITORS' REMUNERATION*		
Remuneration of the auditor for:		
- Auditing or reviewing the financial report	12,509	3,200
- Other services	-	22,228
	12,509	25,428
The 2004 fees for auditing and reviewing the financial report and other services relates to fees paid to previous auditors in place for the year ended 30 June 2004.		
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%	(890,572)	(118,306)
Add (Less)		
Tax effect of:		
- Permanent differences	12,775	-
- Future income tax benefit not brought to account	(877,797)	(118,306)
Income tax attributable to operating loss	-	-

Potential future income tax benefits attributable to tax losses and exploration expenditure carried forward amounting to approximately $906,389 (2004: $184,669), at 2005 corporate tax rate of 30%, have not been brought to account at 30 June 2005 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.

	2005 $	2004 $
7. CASH ASSETS		
Cash at bank	31,493	24,639
Deposits at call	1,009,107	2,261,194
	1,040,600	2,285,833
The bank short term deposits mature within 90 days, and pay interest at a weighted average rate of 4.7% per annum		
8. RECEIVABLES		
Current		
Other debtors	7,755	26,147
GST receivable	37,030	35,228
	44,785	61,375
Non Current		
Loan	2,392	-
Term deposits	-	25,000
	2,392	25,000
9. OTHER CURRENT ASSETS		
Prepayments	-	13,880
10. PROPERTY, PLANT AND EQUIPMENT		
Office Furniture & Equipment		
At cost	25,461	18,457
Accumulated depreciation	(7,996)	(1,980)
	17,465	16,477

Motor Vehicle	24,000	24,000
At cost	(6,162)	(2,045)
Depreciation	17,838	21,955
Total Property Plant & Equipment	35,303	38,432

(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

	2005 $	2004 $
Office Furniture and Equipment		
Balance at the beginning of the year	16,477	672
Additions	7,004	17,753
Depreciation expense	(6,016)	(1,948)
Carrying amount at the end of the year	17,465	16,477
Motor Vehicle		
Balance at the beginning of the year	21,955	-
Additions	-	24,000
Depreciation	(4,117)	(2,045)
	17,838	21,955
Total Property Plant & Equipment	35,303	38,432

11. *EXPLORATION EXPENDITURE*

Balance at the beginning of year	1,624,528	144,099
Exploration expenditure	317,822	500,429
Acquisitions / Options capitalised during the year	125,000	980,000
Less exploration expenditure written off	(2,067,350)	-
	-	1,624,528
Costs carried forward in respect of areas of interest in:		
- Exploration and evaluation phases – at cost	-	1,624,528

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.

Notwithstanding that there have been no relinquishments in the Company's areas of interests, the Directors consider it appropriate to write off exploration and evaluation expenditure in accordance with the transition to AIFRS and will continue to do so on an ongoing basis as and when incurred.

The Company's exploration properties may be subject 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.

	2005 $	2004 $
12. PAYABLES		
Current		
Trade creditors	73,027	80,499
Other creditors and accruals	12,000	10,492
	85,027	90,991
13. PROVISIONS		
Current		
Employee entitlements	6,510	4,992
(i) Number of employees		
Number of employees at the year end	3	1
14. CONTRIBUTED EQUITY		
33,016,503 (2004: 32,916,503) Fully paid ordinary shares	4,592,027	4,569,977

(a) Movements During the year

Fully Paid Ordinary Shares	2005 $	2005 Number	2004 $	2004 Number
Brought forward	4,569,977	32,916,503	500,003	11,350,003
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

Acquisition of prospecting licenses at deemed value of $0.15 per share on 15 March 2005	15,000	100,000	-	-
Transaction costs relating to share issue	7,050	-	(210,326)	-
Conversion of options	-	-	1,300	6,500
Carried forward	4,592,027	33,016,503	4,569,977	32,916,503

(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.

	2005 $	2004 $
15. OPTION RESERVE		
Purchase of Prospecting licences being 400,000 listed March 2006 options at $0.025 each	10,000	-
Directors remuneration being 1,000,000 March 2008 unlisted options at $0.015 each	15,000	-
	25,000	-

The number of 31 March 2006, 20 cent options on issue are 17,248,494 (of which 4,983,000 are restricted until December 2005).

The number of 31 March 2008, 20 cent options on issue is 1,000,000. All of these options are unquoted.

16. ACCUMULATED LOSSES

Accumulated losses at the beginning of the financial Year	(616,912)	(222,548)
Net loss attributable to members	(2,968,572)	(394,364)
Accumulated losses at the end of the financial Year	(3,585,484)	(616,912)

17. 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:

2005	Note	Floating Interest Rate $	Fixed Interest maturing in 1 year or less $	Non-interest bearing $	2005 total $
Financial assets					
Cash	7	31,293	1,009,107	200	1,040,600
Receivables	8	-	-	47,177	47,177
		31,293	1,009,107	47,377	1,087,777
Weighted average Interest rate		4.2%	4.7%		
Financial Liabilities					
Payables	1 2	-	-	85,027	85,027
		-	-	85,027	85,027
Weighted average interest rate		-	-		
Net financial assets		31,293	1,009,107	(37,650)	1,002,750

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
		24,194	2,286,194	61,820	2,372,208
Weighted average Interest rate		4.8 %	5.3%		
Financial Liabilities					
Payables	12	-	-	90,991	90,991
		-	-	90,991	90,991
Weighted average interest rate		-	-		
Net financial assets		24,194	2,286,194	(29,171)	2,281,217

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 conterparties 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.

	2005 $	2004 $
18. 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	(2,968,572)	(394,364)
Non-cash flows in operating loss		
- Depreciation	10,133	3,993
- (Gain) on disposal of investments	(3,250)	-
- Exploration expenditure written off	2,067,350	-
- Equity settled payments	15,000	-
Cash flows excluded from loss from ordinary activities		
- Payments for exploration expenditure	(417,822)	(432,733)
Changes in assets and liabilities		
- (Increase)/Decrease in operating receivables & prepayments	53,078	(88,639)
- Increase/(Decrease) in trade and other creditors, accruals and employee entitlements	(4,446)	115,221
Net cash inflows (outflows) from Operating Activities	(1,248,529)	(796,522)

19. 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:

	2005 $	2004 $
Not longer than one year	401,780	165,180
Longer than one year, but not longer than five years	1,607,120	495,540
	2,008,900	660,720

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the statement of financial position 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.

		2005 $	2004 $
20.	*EARNINGS PER SHARE*		
(a)	Earnings / (Loss) used in the calculation of basic and dilutive EPS	(2,968,572)	(393,364)
		Number	Number
(b)	Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share:	32,931,845	23,603,267

At balance date, the 18,248,494 options (which represent potential ordinary shares) were not considered dilutive as they would decrease the loss per share.

21. SEGMENT INFORMATION

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

22. CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

Name	Consolidated Entity Interest	
	2005 $	2004 $
Parent entity		
Hannans Reward NL	-	-
Controlled Entity		
HR Subsidiary Pty Ltd	100%	100%

(b) *Acquisition of controlled entities:*
The Company acquired 100% of the voting share capital of HR Subsidiary Pty Ltd, for $3.00 during the 2003/2004 financial year.

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

23. *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.

	2005 $	2004 $
Consultancy fees were paid to entities related to the following Directors for services during the year:		
Damian Hicks (Red Dingo Pty Ltd)	-	22,000
Roland Hill (Motzah Investments Pty Ltd)	-	12,000

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 $1,157 (2004: $810). William Leeder Hicks is a director of the company that owns The Australia Kalgoorlie.

Hannans Reward 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 totalling $25,381 have been made.

ii) *Share Transactions of Directors*

As disclosed in the Directors' Report the Board have granted Damian Hicks 1,000,000 options exercisable at 20 cents each and expiring 31 March 2008 for services performed as executive director.

24. *Events Subsequent to Reporting Date*

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.

25. Impact of Adopting Australian Equivalents to IFRS

Hannans Reward NL is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. In 2004, the Company allocated internal resources and engaged consultants to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, Hannans transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Hannans prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoptions of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net loss for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the AIFRS project teams; (b) potential amendments to AIFRSs and interpretations thereof being issued by the standard-settlers and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Notes	30 June 2005**	1 July 2004*
		$	$
Total equity under AGAAP		1,031,543	3,953,065
Adjustments to retained earnings (net of tax)			
Impairment of assets including goodwill	(i)	-	-
Recognition of share-based payment expense	(ii)	-	-
Deferred tax	(iv)	-	-
		-	-
Adjustments to other reserves (net of tax)			
Deferred tax effect	(iv)	-	-
		-	-
Total equity under AIFRS		1,031,543	3,953,065

* This column represents the adjustments as at the date of transition to AIFRS.

** This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005.

(i) Under AASB 136 *Impairment of Assets*, the recoverable amount of an asset is determined as the higher of its net selling price and value in use. The group's accounting policy under AIRFS is to determine the recoverable amount of an asset on the basis of undiscounted cash flows. The Group's assets were tested for impairment on transition and each subsequent reporting date as part of the cash generating unit to which they belong. This has not resulted in impairment losses being recognised under AIFRS.

(ii) Under AASB 2 *Share based Payments*, the company would recognise the fair value of options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. The Group has recognised equity settled transactions during the year accordingly.

(iii) Under AASB 116 *Property, Plant and Equipment*, the Group would be required to include as part of the cost of its leasehold improvements, an estimate of the costs to remove those improvements at the end of the lease terms where such an obligation exists to the lessor. These costs are not recognised under AGAAP. A corresponding liability would also be recognised under AIFRS in accordance with AASB 137 *provisions, Contingent Liabilities and Contingent Assets.*

(iv) Under AASB 112 *Income Taxes* the Group would be required as at the date of acquisition to recognise the tax effect of fair value adjustments in a business combination, which in turn would effect the amount of goodwill recognised. Such deferred taxes are not recognised under AGAAP. On transition, the recognition of deferred taxes would be required to be recognised in retained earnings and not as an adjustment to goodwill.

AASB 112 *Income Taxes* requires the Group would be required to use a balance sheet liability method, rather the current income statement method which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This would result in the recognition of a deferred tax liability in relation to the revalued assets. Under AGAAP, the tax effects of assets revaluations are not recognised.

The above changes will result in an increase in a net deferred tax asset under AIFRS as follows:

	30 June 2005 **$**		**1 July 2004** **$**
Exploration and evaluation	348,300		(176,558)
Provisions	-		3,354
Black hole expenditure	(25,239)		
Carry forward losses	906,389		360,895
Net deferred tax asset	1,229,450		187,690

No adjustments to deferred tax balances or retained earnings have been made on adoption of AASB 112 *Income Taxes* as the net asset would have to be virtually certain of recovery. The Company has yet to reach production stage and the asset would therefore appear to not be recoverable in the foreseeable future.

(v) Management has decided to apply the exemption provided in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* which permits entities not to apply the requirements of AASB 103 *Financial Instruments: Presentation and Disclosures* and AASB 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 30 June 2005. The standards will be applied from 1 July 2005. The Company is in the process of determining the impact that adopting the standards would have on the financial statements.

(b) Reconciliation of net profit under AGAAP to that under AIFRS

YEAR ENDED 30 JUNE 2005	**Notes**	
		$
Net loss as reported under AGAAP		(2,968,572)
Share-based payment expense	a(ii)	-
Impairment losses recognised	a(iii)	-
Adjustment to income tax expense	a(iv)	-
Net Profit under AIFRS		(2,968,572)

(c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 13 to 34 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 2005 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 after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2005 in accordance with a resolution of the Board of Directors.

Damian Hicks
Director
29 September 2005

STANTONS INTERNATIONAL

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INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF HANNANS REWARD LIMITED

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 Hannans Reward Limited (the Company) for the year ended 30 June 2005.

The directors of the Company 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 Company. 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 financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our 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*.

AUDIT OPINION

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

a) the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Company's financial position as at 30 June 2005 and of its 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 professional reporting requirements in Australia.

STANTONS INTERNATIONAL

Stantons International

J P Van Dieren
Partner

Perth, Western Australia
29 September 2005

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29 September 2005

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

Dear Directors

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 Partner for the audit of the financial statements of Hannans Reward Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

Yours sincerely
STANTONS INTERNATIONAL

John Van Dieren
Partner