Hannans Reward Ltd

ABN: 52 099 862 129

Financial report for the half-year ended 31 December 2005

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Company Directory

DIRECTORS

Richard Scallan
(Non-Executive Chairman)

Damian Hicks
Terry Grammer
William Hicks
(Executive Directors)

Ernest Dechow
(Non-Executive Director)

COMPANY SECRETARY

Damian Hicks

PRINCIPAL OFFICE

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

REGISTERED OFFICE

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

AUDITORS

Stantons International
First Floor, 1 Havelock Street
Perth WA 6000

SHARE REGISTRY

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

STOCK EXCHANGE LISTING

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

Directors' report

The directors of Hannans Reward Ltd submit herewith the financial report for the half-year ended 31 December 2005. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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

Name
Richard Scallan
William Hicks
Ernest Dechow
Damian Hicks

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

- Terry Grammer – appointed 10 October 2005

Review of operations

Appointment of Terry Grammer as Director

Terry Grammer was appointed a Non-Executive Director. Mr. Grammer was awarded The Association of Mining and Exploration Companies (AMEC) joint Prospector of the Year Award in 2000 for the Discovery of Jubilee Mines NL's Cosmos Nickel Deposit.

He was also a founder and promoter in 1999 of the successful nickel explorer Western Areas NL where he was the Exploration Manager from 2000 until retiring in 2004.

Mr. Grammer is a geologist with over 30 years experience in mining and mineral exploration with extensive experience in Australia, Southern Africa, East Asia & New Zealand and has operated in Western Australia since 1988. He has extensive experience in exploring for gold and base metals.

Mr. Grammer has acquired approximately 5% of the Company's issued capital since his appointment.

Successful $3.4 million Capital Raising

Pursuant to a placement and a rights issue the Company raised approximately $3.4 million during the period. The rights issue was underwritten by Hartleys Limited.

Sunday Project (near Leonora, Western Australia)

Results achieved during the half year provided further encouragement to continue drilling the Mt Stewart portion of the Sunday Project with the aim of identifying a significant mineralised gold system.

The presence of a gold-mineralised silica-pyrite-arsenopyrite alteration/breccia zone within the most recent reverse circulation drill program indicates the possibility of significant mineralised systems within the Mt Stewart gold-anomalous corridor. Additional drilling is required to continue testing the strong anomalies identified so far.

It has therefore been recommended that further exploration within the Mt Stewart corridor is carried out and is focused on testing structural targets within the corridor (with aircore drilling). Structural targets, most likely to be within the corridor, can be identified using the available detailed aeromagnetic data. Additional drill programs have commenced.

A total of 54 aircore holes for 3,104m and 17 angled reverse circulation holes for 2,226m were completed during the six months to 31 December 2005.

A near-surface geochemical sampling programme and a ground electromagnetic (EM) survey were also completed within the Malcolm Creek portion of the project. Two geochemically anomalous nickel zones were identified along strike from each other and coincident with aeromagnetic highs. The EM survey identified weak anomalies that will be followed up by an induced polarization (IP) survey.

South Dam Project (near Coolgardie, Western Australia) - new gold exploration project

Hannans Reward entered into a twelve month option agreement to purchase an 85% interest in ELA 15/788, known as South Dam, located some 40 kms north west of Coolgardie. South Dam is prospective for gold mineralisation.

The most significant exploration results over the tenement area were returned by BHP Gold Mines Limited during 1987 – 89 during which time they carried out a bulk leach extractable gold sampling program over the eastern portion of the tenement. Four anomalies were identified of which Anomaly B was the most significant with a peak of 37.9 ppb gold. Anomaly B is located in a structurally favourable location and will be effectively tested by an auger drilling program.

Jigalong (near Newman, Western Australia)

The Company signed a Regional Standard Heritage Agreement in relation to the Jigalong tenement applications.

Queen Victoria Rocks (near Coolgardie, Western Australia)

Exploration licences 15/734 & 15/755 were granted during the period.

Maggie Hays South (near Norseman, Western Australia)

Nickel Australia Ltd (NKL) withdrew from the joint venture agreement without having earned any interest in the Maggie Hays South project. Hannans Reward is reviewing data from the $500,000 spent by NKL exploring the project before planning the Company's next exploration program.

Auditor's independence declaration

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

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

On behalf of the Directors

Damian Hicks
Director
9 *March 2006*

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9 March 2006

Board of Directors
Hannans Reward Limited
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 review of the financial statements of Hannans Reward Limited for the half year ended 31 December 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 review; and

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

Yours sincerely
STANTONS INTERNATIONAL

J Van Dieren

John Van Dieren
Director

Stantons International

ABN 41 103 088 697

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INDEPENDENT REVIEW REPORT TO THE MEMBERS OF HANNANS REWARD LIMITED

Scope

We have reviewed the financial report comprising of the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements and the director's declaration of Hannans Reward Limited (the Company) for the half-year ended 31 December 2005. The directors of the Company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Company, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting" 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 report.

Review Approach

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the disclosing entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the Company a written Auditor's Independence Declaration.

Statement

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

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the Hannans Reward Limited's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and

  (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

STANTONS INTERNATIONAL

Stantons International

J P Van Dieren
Director

West Perth, Western Australia
13 March 2006

Directors' declaration

The directors declare that:

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

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

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

On behalf of the Directors

Damian Hicks

(Signature)
Damian Hicks
Director

[date] 9 March 2006

Income statement for the half-year ended 31 December 2005

	Half-year ended 31 Dec 2005 $	Half-year ended 31 Dec 2004 $
Revenue	44,528	54,376
Interest expense	-	(517)
Employee and contractors expenses	(182,992)	(141,741)
Insurance expenses	(494)	(14,605)
Occupancy expenses	(28,434)	(28,251)
Administration expenses	(15,442)	(17,199)
Consultants expenses	(46,218)	(45,731)
Other expenses	(56,028)	(91,668)
Exploration and evaluation expenses	(396,627)	-
Loss before income tax expense	(681,707)	(285,336)
Income tax expense	-	-
Loss for the period	(681,707)	(285,336)
Loss per share:		
Basic (cents per share)	(1.85)	(0.87)

Notes to the financial statements are included on pages 13 to 18.

Balance sheet as at 31 December 2005

	31 December 2005 $	30 June 2005 $
Current assets		
Cash and cash equivalents	3,692,229	1,040,600
Trade and other receivables	55,715	44,785
Other financial assets	4,625	-
Total current assets	3,752,569	1,085,385
Non-current assets		
Trade and other receivables	-	2,392
Property, plant and equipment	34,924	35,303
Exploration and evaluation expenditure	-	-
Total non-current assets	34,924	37,695
Total assets	3,787,493	1,231,080
Current liabilities		
Trade and other payables	262,332	88,379
Interest bearing liabilities	974	3,158
Total current liabilities	263,306	91,537
Total liabilities	263,306	91,537
Net assets	3,524,187	1,031,543
Equity		
Issued capital	7,766,378	4,592,027
Option premium reserve	25,000	25,000
Accumulated losses	(4,267,191)	(3,585,484)
Total equity	3,524,187	1,031,543

Notes to the financial statements are included on pages 13 to 18.

Statement of changes in equity
For the half-year ended 31 December 2005

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

For the period ended 31 December 2004	Attributable to equity holders			
	Ordinary Shares $	Option Reserve $	Accumulated Losses $	Total Equity $
At beginning of period	4,569,977	-	(616,912)	3,953,065
Loss for the period	-	-	(285,336)	(285,336)
Total income/expense for the period	-	-	(285,336)	(285,336)
At end of period	4,569,977	-	(902,248)	3,667,729

Notes to the financial statements are included on pages 13 to 18.

Cash flow statement
for the half-year ended 31 December 2005

	Note	Half-year ended 31 Dec 2005 $	Half-year ended 31 Dec 2004 $
Cash flows from operating activities			
Payments for exploration and evaluation		(396,627)	(500,654)
Payments to suppliers and employees		(159,446)	(334,743)
Interest and other costs of finance paid		-	(517)
Interest received		43,528	61,273
Net cash provided by/(used in) operating activities		(512,545)	(774,641)
Cash flows from investing activities			
Payment for investment securities		(5,125)	-
Proceeds from repayment of related party loans		5,900	-
Amounts advanced to related parties		(7,155)	-
Payments for property, plant and equipment		(3,797)	(939)
Net cash provided by/(used in) investing activities		(10,177)	(939)
Cash flows from financing activities			
Proceeds from issues of equity securities		3,433,320	-
Payment for share issue costs		(258,969)	-
Net cash provided by/(used in) financing activities		3,174,351	-
Net increase in cash and cash equivalents		2,651,629	(775,580)
Cash and cash equivalents at the beginning of the half-year		1,040,600	2,285,833
Cash and cash equivalents at the end of the half-year		3,692,229	1,510,253

Notes to the financial statements are included on pages 13 to 18.

Notes to the financial statements for the half-year ended 31 December 2005

1. Summary of accounting policies

Basis of preparation

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

The entity changed its accounting policies on 1 January 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the entity's financial position, financial performance and cash flows is discussed in note 6.

The accounting policies set out below have been applied in preparing the financial statements for the half-year ended 31 December 2005, the comparative information presented in these financial statements, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in note 6), the entity's date of transition.

Significant accounting policies

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

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(b) Employee benefits

The directors have elected under s.334(5) of the Corporations Act 2001 to apply Accounting Standard AASB 119 'Employee Benefits', even though the Standard is not required to be applied until annual reporting periods beginning on or after 1 January 2006.

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

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

Notes to the financial statements for the half-year ended 31 December 2005 (Cont.)

1. Summary of accounting policies

(c) Loans & Receivables

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

(d) Financial instruments issued by the company

Transaction costs on the issue of equity instruments

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

(e) Goods and services tax

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

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

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

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

(f) Impairment of assets

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

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

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

Notes to the financial statements for the half-year ended 31 December 2005 (Cont.)

1. Summary of accounting policies

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

(g) Income tax

Current tax

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

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

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

Notes to the financial statements for the half-year ended 31 December 2005 (Cont.)

1. Summary of accounting policies

(h) Intangible Assets

Exploration and Evaluation Expenditure

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

(i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
(ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permit a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

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

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

(i) Payables

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

(j) Provisions

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

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

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

(k) Revenue recognition

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

(l) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Notes to the financial statements for the half-year ended 31 December 2005 (Cont.)

1. Summary of accounting policies

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

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

2. Subsequent events

No matters or circumstances have arisen since the end of the half year period 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 periods.

3. Issuances, repurchases and repayments of securities

During the half-year reporting period, the Company issued 34,333,202 ordinary shares for $3,433,320 (2004: nil).

4. Segment Reporting

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

5. Contingent Liabilities

In the opinion of the directors, there are no contingent liabilities as at 31 December 2005 and none were incurred in the interval between the period end and the date of this financial report.

6. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards

The entity changed its accounting policies on 1 January 2005 to comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition.

There has been no impact on equity as at 1 July 2004, 31 December 2004 or 30 June 2005 as a result of the change of accounting policies on implementing AIFRS.

Effect of A-IFRS on the cash flow statement for the financial year ended 30 June 2005

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.