

# **Hannans Reward Ltd**

ABN: 52 099 862 129

Financial report for the half-year ended 31 December 2007

[www.hannansreward.com](http://www.hannansreward.com)

# **Financial report for the half-year ended 31 December 2007**

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## Company Directory

### **BOARD OF DIRECTORS**

Richard Scallan  
(Non-Executive Chairman)

Damian Hicks  
(Managing Director)

Frank Cannavo  
(Executive Director)

Ernest Dechow  
William Hicks  
Terrence Grammer  
(Non-Executive Directors)

### **COMPANY SECRETARY**

Ian Gregory

### **PRINCIPAL OFFICE**

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

### **REGISTERED OFFICE**

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

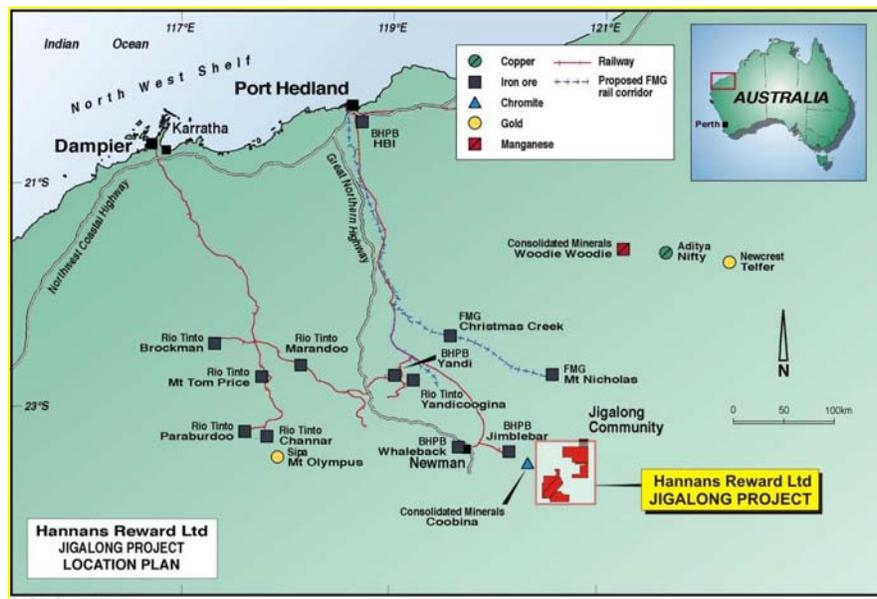
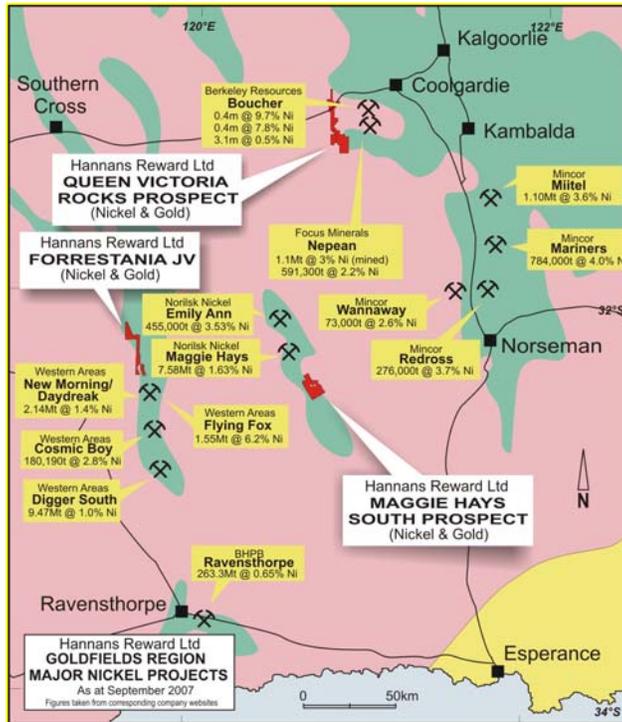
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# Directors' report

The directors of Hannans Reward Ltd submit herewith the financial report for the half-year ended 31 December 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

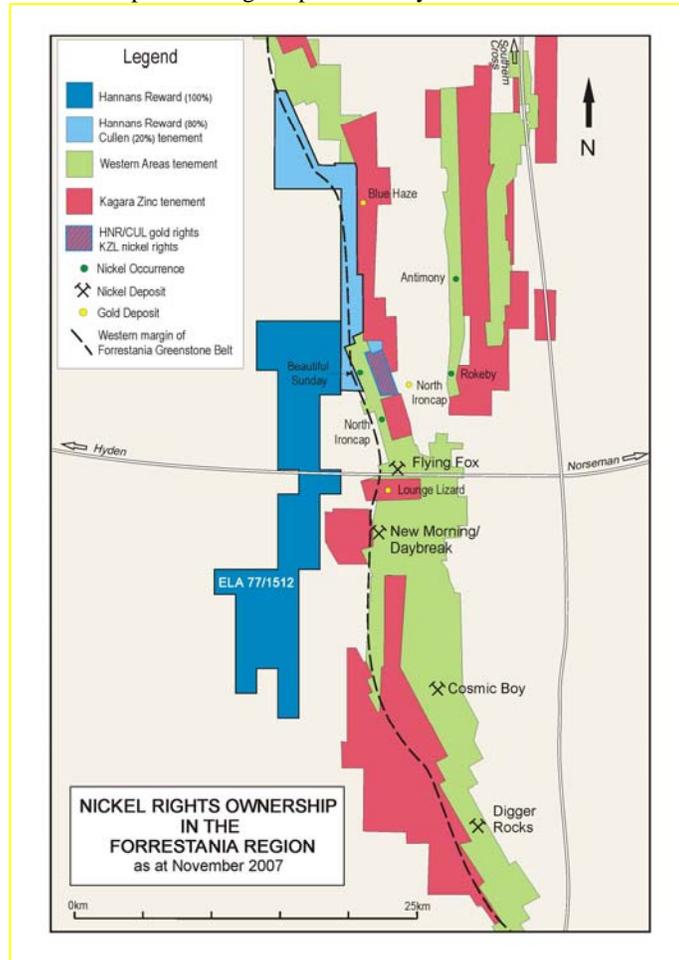
The names of the directors of the company during or since the end of the half-year are Richard Scallan, Damian Hicks, Ernest Dechow, William Hicks, Terrence Grammer & Frank Cannavo.

## Review of operations



## Projects

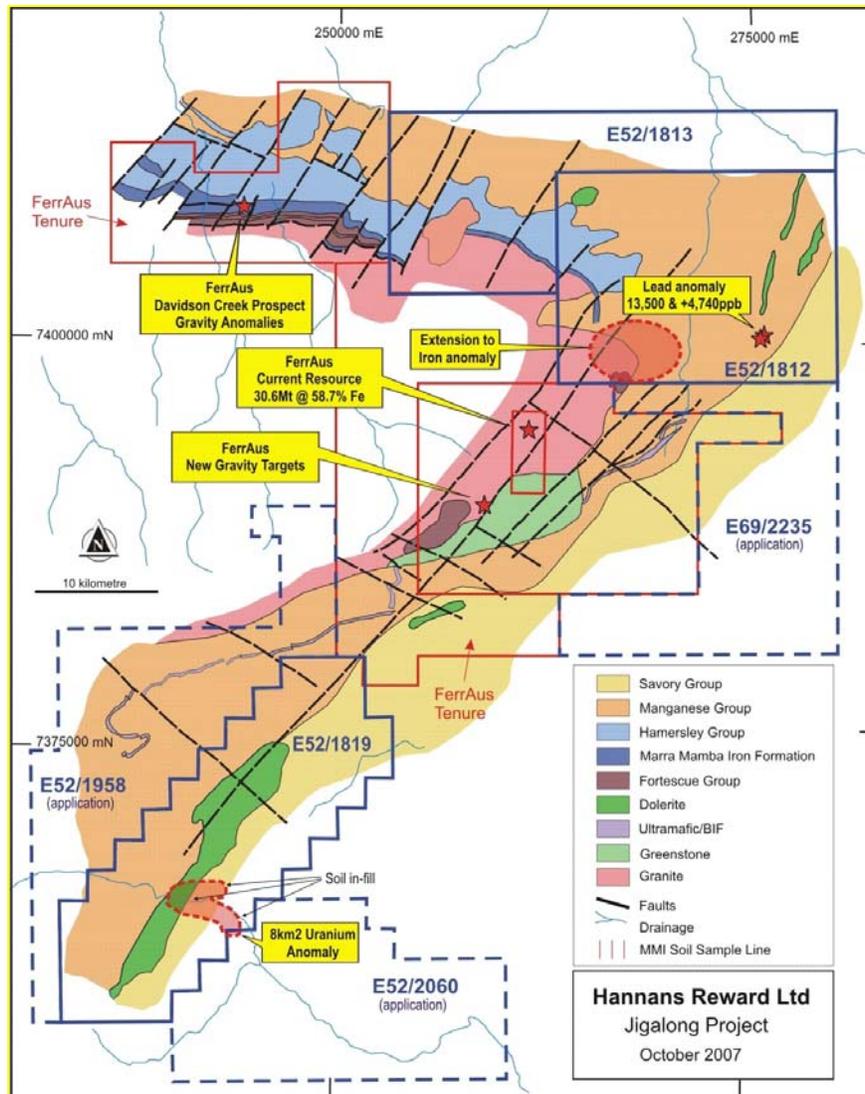
Hannans Reward Ltd is focussed on exploring for gold, nickel and iron at its Western Australian projects. For a comprehensive and up to date review of both the exploration completed and planned, please refer to the ASX release dated 3 March 2008 titled "Exploration Portfolio Presentation". The following comments are made in relation to activities that have taken place during the period 1 July 2007 to 31 December 2007.



### Forrestania (east of Hyden, Western Australia)

#### Nickel & Gold

The Forrestania Project is the company's highest priority project due to its proximity to the high grade Flying Fox nickel sulphide mine owned by Western Areas NL and the potential for the project to host similar styles of mineralisation. The focus during the period was on testing targets generated through the use of geophysical exploration techniques. These techniques have been primarily responsible for a number of nickel sulphide discoveries in recent times both in Australia and overseas. The Company completed a number of geophysical surveys (moving loop, induced polarisation & down-hole) and subsequently tested each of the targets with deep drilling. Unfortunately the drilling did not intersect significant grades of nickel mineralisation. The focus going forward will be on generating geochemical data to assist with the understanding of the underlying geology in the project. This data will be generated primarily through auger, aircore and reverse circulation drilling. The aim is to reinterpret the previously identified geophysical anomalies within the context of the known geology (to be determined by future programmes) with the hope that future drilling will have a greater probability of intersecting significant nickel and or gold mineralisation. Rotary-air-blast (RAB) drilling was completed on the North Ironcap gold mineralisation during the period but unfortunately this particular technique was not appropriate to penetrate through to the targeted horizon. Accordingly a reverse circulation programme is scheduled to test for extensions to the North Ironcap gold mineralisation shortly. One of the difficulties experienced at Forrestania is the time required to obtain all of the necessary environmental approvals for clearing and exploration activities in the project area. Delays experienced with obtaining such approvals often make it difficult to accurately schedule contractors to complete the exploration programmes as planned. The exploration potential of this project is such that any regulatory delays are an unfortunate inconvenience and not a driver to downgrade the overall priority of this project.



### Jigalong (east of Newman, Western Australia) Iron, Gold & Base Metals

The Jigalong Project is a partnership between the Jigalong Community and Hannans Reward with Hannans Reward managing the exploration on behalf of the partners. The project is located within the Jigalong Aboriginal Reserve and accordingly the custodians of the Reserve ultimately have direct control over the activities that take place within the Reserve. The terms of the partnership were outlined in a memorandum of understanding signed in 2003 the basic theme of which is that both parties initially have an equal interest in the tenements comprising the project beyond which the parties are required to contribute to exploration expenditure or dilute their interest. The substantive shareholder agreements and exploration and mining agreements have not been concluded at this stage. Jigalong is a long term early stage exploration project that has the potential to host a range of commodities including iron, gold, lead and uranium. During the period the Company completed its third soil sampling programme and a gravity survey. These programmes were combined with earlier data compiled by Hannans Reward (soil sampling, aeromagnetics, radiometrics and satellite imagery) to identify the first phase of drilling targets planned for this field season. Subject to the completion of heritage surveys, the first set of targets to be tested with reverse circulation drilling will be the iron targets. The second set of targets to be tested with aircore drilling will be the gold and base metals targets. These two separate drill programmes will be the first to comprehensively test targets within the project area. The potential for the Jigalong project to host significant iron is enhanced by the fact that it is located adjacent to the iron ore project being developed by FerrAus Limited. It should be noted that the abovementioned exploration is taking place within the northern portion of the project area. Exploration activities will be increasing in the southern portion of the project during the period.

**Maggie Hays South (west of Norseman, Western Australia)  
Nickel & Copper-Gold-Molybdenum**

The Maggie Hays South project has the potential to develop into one of the Company's priority projects over time. A review of all data and additional sampling has identified an encouraging copper-gold-molybdenum soil anomaly on the edge of Lake Johnston. This encouragement was the driver for the Company to apply for additional tenements covering the possible extension and source of the anomaly. In-fill soil sampling has been completed recently and results are pending. A heritage survey to clear the path for exploration activities on the Lake is scheduled to be complete shortly. Subject to the results of the survey, heritage clearance will enable the commencement of the difficult task of extending the sampling out onto the Lake where minimal historical exploration has taken place. If the soil anomaly becomes increasingly coherent a reverse circulation programme will be planned to test these anomalies later in the year.

**Queen Victoria Rocks (south-west of Coolgardie, Western Australia)  
Nickel & Gold**

The nickel potential at QVR was substantially improved during the period. Results from a helicopter-borne geophysical survey (VTEM) identified a number of preliminary geophysical anomalies in areas that have not previously been subject to drill testing. Previously all of Hannans Reward's nickel exploration at QVR was restricted to within a small 4km<sup>2</sup> area known as the Spargos Prospect. The VTEM survey covered a much larger area within the greater project and identified areas outside of Spargos that are considered well located when related to magnetic anomalies. A significant amount of gold exploration was also completed during the period primarily comprising auger and aircore drilling. Results provided encouragement that deep drilling may identify the source of the gold-in-soil anomalism. To assist with the targeting of future gold exploration a lithochemical study was instigated however at the time of this report results from that study have not been received. The Board is currently assessing the most appropriate strategy to rapidly advance nickel and gold exploration at QVR.

**Sunday (east of Leonora, Western Australia)  
Gold & Nickel**

Sunday has the potential to host gold and nickel mineralisation. The encouraging exploration results generated by Hannans Reward combined with the project's favourable geological position (on the Keith-Kilkenny Lineament south east of major gold and base metals mines) are the reasons this project retains its prospectivity. Due to Hannans Reward's focus on exploration activities at Forrestania and Jigalong the Board resolved during the period to seek a joint venture partner for this project that has the skills, motivation and cash resources to follow up the work completed by Hannans and in doing so increase the likelihood of a discovery at Sunday.

## Capital

The following two tables are included to assist with making an assessment of the long term development of the Company's capital structure and use of funds.

Summary of Financial Information as at 31 December (5 years):

	Six months to 31 December 2007	Six months to 31 December 2006	Six months to 31 December 2005	Six months to 31 December 2004
Cash at bank (\$)	3,646,599	1,507,404	3,692,229	1,510,253
Cash payments for exploration (\$)	865,071 (55%)	912,088 (72%)	396,627 (71%)	500,654 (60%)
Gross cash used in operating activities (\$)	1,584,522 (100%)	1,262,217 (100%)	556,073 (100%)	835,914 (100%)
Shares	80,233,929	68,014,233	67,349,705	32,916,503
Options	11,500,000	4,750,000	18,048,494	16,648,494
Loss per share (cents)	2.06	1.88	1.85	0.87
Share price (\$)	0.31	0.345	0.11	0.175
Market capitalisation (Undiluted) (\$)	24,872,517	23,464,910	7,408,467	5,760,388

Share Price Summary during the period:

Date	Last Sale Price
1 July 2007	\$0.60
Highest	\$0.65
Lowest	\$0.265
31 December 2007	\$0.31

**Auditor's independence declaration**

The auditor's independence declaration is included on page 9 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*  
Managing Director  
14 March 2008

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14 March 2008

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 Director for the review of the financial statements of Hannans Reward Limited for the period ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

**STANTONS INTERNATIONAL**  
**(Authorised Audit Company)**



**John P Van Dieren FCA**  
**Director**

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

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hannans Reward Limited, which comprises the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a condensed statement of accounting policies, other selected explanatory notes and the directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Hannans Reward Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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### *Independence*

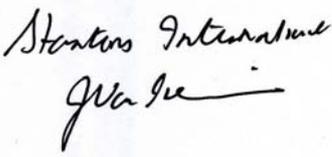
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Hannans Reward Limited on 14 March 2008.

### *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

**STANTONS INTERNATIONAL  
(An Authorised Audit Company)**

A handwritten signature in black ink, appearing to read "John P Van Dieren", is written over a light blue rectangular background.

**John P Van Dieren FCA  
Director**

West Perth, Western Australia  
14 March 2008

## 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 consolidated entity for the half year ended 31 December 2007.

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  
Managing Director

14 March 2008

## Consolidated income statement for the half-year ended 31 December 2007

	Note	Consolidated	
		Half-year ended 31 Dec 2007 \$	Half-year ended 31 Dec 2006 \$
Revenue	2	124,960	165,289
Employee and contractors expense		(376,806)	(226,203)
Depreciation expense		(7,535)	(5,834)
Consultants expense		(261,520)	(95,212)
Occupancy expense		(31,624)	(23,718)
Marketing expenses		(37,123)	(15,909)
Exploration and evaluation expenditure		(865,071)	(954,086)
Other expenses		(199,105)	(119,432)
<b>Loss before income tax expense</b>		<b>(1,653,824)</b>	<b>(1,275,105)</b>
Income tax expense		-	-
<b>Loss for the period</b>		<b>(1,653,824)</b>	<b>(1,275,105)</b>
<b>Loss per share:</b>			
Basic (cents per share)		(2.06)	(1.88)

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

Condensed notes to the financial statements are included on pages 17 to 18.

## Consolidated balance sheet as at 31 December 2007

	Note	Consolidated	
		31 Dec 2007 \$	30 June 2007 \$
<b>Current assets</b>			
Cash and cash equivalents		3,646,599	4,502,168
Trade and other receivables		85,539	69,696
<b>Total current assets</b>		<b>3,732,138</b>	<b>4,571,864</b>
<b>Non-current assets</b>			
Trade and other receivables		49,339	49,339
Property, plant and equipment		35,713	49,862
<b>Total non-current assets</b>		<b>85,052</b>	<b>99,201</b>
<b>Total assets</b>		<b>3,817,190</b>	<b>4,671,065</b>
<b>Current liabilities</b>			
Trade and other payables		100,788	158,046
Provisions		5,606	15,948
<b>Total current liabilities</b>		<b>106,394</b>	<b>173,994</b>
<b>Total liabilities</b>		<b>106,394</b>	<b>173,994</b>
<b>Net assets</b>		<b>3,710,796</b>	<b>4,497,071</b>
<b>Equity</b>			
Issued capital	5	12,308,624	12,234,874
Share application proceeds	4	600,000	-
Reserves		515,425	321,626
Accumulated losses		(9,713,253)	(8,059,429)
<b>Total equity</b>		<b>3,710,796</b>	<b>4,497,071</b>

Condensed notes to the financial statements are included on pages 17 to 18.

## Consolidated statement of changes in equity for the half year ended 31 December 2007

	Note	Consolidated	
		2007	2006
		\$	\$
<b>Total equity at the beginning of the period</b>		<b>4,497,071</b>	<b>2,660,490</b>
Exchange differences on translation of foreign operations		661	-
Loss for the half year		(1,653,824)	(1,275,105)
<b>Total recognised income and expense for the period</b>		<b>2,843,908</b>	<b>1,385,385</b>
<b>Transactions with equity holders in their capacity as equity holders</b>			
Issue of shares	5	73,750	
Share issue costs		-	42,000
Share application proceeds	4	600,000	-
Issue of options	5	193,138	-
		<b>866,888</b>	<b>42,000</b>
<b>Total equity at the end of the period</b>		<b>3,710,796</b>	<b>1,427,385</b>

Condensed notes to the financial statements are included on pages 17 to 18.

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## Consolidated cash flow statement for the half-year ended 31 December 2007

	Consolidated	
	Half-year ended 31 Dec 2007 \$	Half-year ended 31 Dec 2006 \$
<b>Cash flows from operating activities</b>		
Payments for exploration and evaluation	(865,071)	(912,088)
Payments to suppliers and employees	(719,451)	(350,129)
Interest received	123,837	71,639
Joint venture contributions	-	75,000
Net cash used in operating activities	<b>(1,460,685)</b>	<b>(1,115,578)</b>
<b>Cash flows from investing activities</b>		
Payment for plant and equipment	(4,884)	(3,732)
Proceeds from sale of plant and equipment	10,000	-
Amounts advanced to related parties	-	(1,058)
Net cash provided by / (used in) investing activities	<b>5,116</b>	<b>(4,790)</b>
<b>Cash flows from financing activities</b>		
Proceeds from share applications	600,000	-
Net cash provided by financing activities	<b>600,000</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(855,569)</b>	<b>(1,120,368)</b>
<b>Cash and cash equivalents at the beginning of the half-year</b>	<b>4,502,168</b>	<b>2,627,772</b>
<b>Cash and cash equivalents at the end of the half-year</b>	<b>3,646,599</b>	<b>1,507,404</b>
Cash and cash equivalents in the consolidated cash flow statement comprises:		
Cash and cash at banks	2,454,211	15,686
Term deposits	1,192,388	1,491,718
	<b>3,646,599</b>	<b>1,507,404</b>

Condensed notes to the financial statements are included on pages 17 to 18.

# Condensed notes to the consolidated financial statements for the half-year ended 31 December 2007

## 1. Accounting policies

### Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report. It is also recommended that the half year financial report be considered together with any public announcements made by Hannans Reward Limited during the first half of the year ended 31 December 2007 in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

### Basis of Preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2007.

### Adoption of new and revised Accounting Standards

Since 1 July 2007 the Group has adopted the following Standards and Interpretations mandatory for annual periods beginning on or after 1 January 2007. Adoption of these Standards and Interpretations did not have any effect on the financial performance or position of the Group.

- AASB 7 Financial Instruments: Disclosures
- AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023 and 1038).
- AASB 2007-04 Amendments to Australian Accounting Standards arising from ED 151 and other amendments.
- AASB 2007-7 Amendments to Australian Accounting Standards (AASB 1, 2, 4, 5, 107 and 108).

## 2. Revenue

	Consolidated	
	2007 \$	2006 \$
Interest received	124,960	165,289
Total	124,960	165,289

### 3. Segment information

The following is an analysis of the revenue and results for the period, analysed by geographical segment, Hannans Reward Limited's primary basis of segmentation. The group has two geographic segments, being Australia and Scandinavia.

Segment revenue	Revenue		Total	
	2007	2006	2007	2006
	\$	\$	\$	\$
Australia	124,956	165,289	124,956	165,289
Scandinavia	4	-	4	-
Consolidated			<b>124,960</b>	<b>165,289</b>

Segment result	2007	2006
	\$	\$
Australia	(1,634,169)	(1,275,105)
Scandinavia	(19,655)	-
	(1,653,824)	(1,275,105)
Loss before income tax benefit	(1,653,824)	(1,275,105)
Income tax benefit	-	-
Loss for the period	<b>(1,653,824)</b>	<b>(1,275,105)</b>

Segment assets and liabilities	Assets		Liabilities	
	2007	2006	2007	2006
	\$	\$	\$	\$
Australia	3,792,597	1,700,633	80,066	273,248
Scandinavia	24,593	-	26,328	-
Consolidated	3,817,190	1,700,633	106,394	273,248

### 4. Subsequent events

On 18th January 2008 the Group completed a placement via the issue of 4,294,668 shares at 30 cents per share to raise \$1,288,400 before costs of issue.

The Group received \$600,000 in December 2007 and the remaining balance in January 2008.

### 5. Issuances, repurchases and repayments of securities

During the period the Company completed the following transactions in its securities:

#### Ordinary Shares

The company issued 250,000 ordinary shares at 29.5 cents each in exchange for the pre-emptive right to acquire projects in Papua New Guinea, sourced by JLM Resources Ltd. There were no other movements in ordinary share capital in the current period.

#### Options

The company issued 6,250,000 unlisted director options exercisable at 80 cents each on, or before 30 June 2011(2,750,000), 30 June 2012 (1,750,000) and 30 June 2013 (1,750,000). These options have the following fair values at grant date, 11.86 cents (2011), 13.81 cents (2012) and 15.34 cents (2013) each and are being expensed over their vesting periods.

### 6. Related parties

Arrangements with related parties continue to be in place. For details of these arrangements, please refer to the 30 June 2007 annual financial report. Key management personnel continue to receive compensation in the form of short term employee benefits, post employment benefits and share based payments.