



Hannans Reward Limited 16 Jun 10

HNR

AUD \$0.19

**Better late than never with first assays due soon**

The drilling program that was originally scheduled to begin in March 2010 was delayed waiting for approvals from the WA Government. The work program started in early May. The delay was disappointing because the company was eager to drill test five new EM anomalies at the Stormbreaker prospect, plus other anomalies at the Skeleton Rocks and Lucy Rocks Prospects. The company is well funded to undertake this work.

After analysing the situation the company believes that the delay was caused by a combination of factors. The relevant government departments are under-resourced and stringent environmental regulations have to be dealt with before work can begin.

Hannans' has been very successful in defining new geophysical anomalies to explore but now it is time to test these and get some runs on the board. At the end of 1Q10 the company had A\$5.02 million in cash which is sufficient in the short to medium term.

With no drilling results yet available from the Phase One program, the company's share price has drifted lower. The worst looks over in terms of share price weakness and any good news on the drilling front will be a catalyst to re-rate the company's share price.

SHARE PRICE CHARTS AND COMMENTS:

Turning to the charts, Hannan's Reward found firm support at the 16.5 support level. Previously, this level provided a strong floor, as evident from the orange ellipse during November to December 2009. In effect, Hannans Reward surged from this level to reach a high of 29.5 cents on January 18, which represents a gain of 13 cents or 78.80% over this period. Should Hannans Reward react similarly, we would expect a surge higher towards the 22.5 cents region where initial resistance should be encountered at the 50 day SMA (green line).



From the weekly chart, resistance at the 23.6% Fibonacci retracement at 29.2 cents capped the upward move. Though, the uptrend remains in place, there are signs of weakening. A convincing break above the 29.2 cents high is required, for a continued move in the underlying uptrend. Should this result, we would anticipate a push towards the May 30, 2008 high of 35.5 cents over the longer term.



STATE OF PLAY

Unfortunately it is quite normal for significant delays in getting approvals for drilling in Western Australia. It can sometimes take many months to get permission to drill one hole. A key condition that had to be complied with before drilling started was a qualified botanist had to supervise the clearing of drill pads and access tracks.

The drilling contractor also had problems and was delayed leaving another site. Although ground work was delayed, analysis of ground geophysical surveys in 1Q10 identified 8 new EM targets at Stormbreaker.

The Phase One drilling program is underway and RC drilling will probe 13 discrete nickel sulphide targets approximately 8 kilometres north of the high grade Flying Fox nickel mine. The first assays are expected to be returned by the end of June.

We are not sure that a company loan of A\$0.3 million to the Managing Director to exercise 1.5 million options at 20 cents was the best use of funds that might be better spent on drilling as a way to add value to shareholders. The loan is over 5 years at an interest rate of 6% per annum. At least it shows that the MD is confident that the drilling programs will generate some good results.

Members might recall that the company owns 8.13 million fully paid shares in Atlas Iron. The value of this investment has dropped sharply but over recent times appears to have performed slightly better than the broad market even though Labor has announced its proposed 40% super profits tax on mining.

The price of Atlas Iron shares has fallen from a 12-month high of A\$3.05 to around A\$2.00, making Hannan's stake in Atlas worth around A\$16 million. The market is valuing the exploration assets at less than A\$1.5 million which is a pittance for high quality exploration assets for nickel.

At this point in time the potential rewards for exploration success far out weigh the risks of failure.

At the company's current share price, we are recommending Hannans Reward Limited as a BUY for Members that do not already have an exposure.

Snapshot HNR

Hannans Reward

The company is as an aggressive explorer focused on Western Australian. The company has a number of exploration projects that are being ignored by investors. At this point in time, the key asset is a major stake in Atlas Iron, which accounts for most of the company's market capitalisation. Atlas Iron will generate considerable medium- to long-term value for shareholders. There are four exploration projects, all in WA. The Forrestania Ni-Au project is perhaps the most interesting, although JV partner Triton Resources is having success at the Sunday Project (gold). The other projects are Queen Victoria Rocks, and Jigalong which hosts zinc and manganese mineralisation.

Market Capitalisation	A\$24.36m
------------------------------	------------------

DISCLAIMER

Fat Prophets has made every effort to ensure the reliability of the views and recommendations expressed in the reports published on its websites. Fat Prophets research is based upon information known to us or which was obtained from sources which we believed to be reliable and accurate at time of publication. However, like the markets, we are not perfect. This report is prepared for general information only, and as such, the specific needs, investment objectives or financial situation of any particular user have not been taken into consideration. Individuals should therefore discuss, with their financial planner or advisor, the merits of each recommendation for their own specific circumstances and realise that not all investments will be appropriate for all subscribers. To the extent permitted by law, Fat Prophets and its employees, agents and authorised representatives exclude all liability for any loss or damage (including indirect, special or consequential loss or damage) arising from the use of, or reliance on, any information within the report whether or not caused by any negligent act or omission. If the law prohibits the exclusion of such liability, Fat Prophets hereby limits its liability, to the extent permitted by law, to the resupply of the said information or the cost of the said resupply. As at the date at the top of this page, Directors and/or associates of the Fat Prophets Group of Companies currently hold positions in ABB Grain (ABB), Aurora Minerals (ARM), Austal (ASB), Australian Wealth Management (AUW), Avoca Resources (AVO), Avexa (AVX), Argo Exploration (AXT), BHP Billiton (BHP), Babcock & Brown Japan Property Trust (BJT), Boart Longyear (BLY), Biota Holdings (BTA), Catalpa Resources (CAH), Catalpa Resource Options (CAHO), Coeur D'Alene Mines (CXC), Fat Prophets (FAT), Fat Prophets Options (FATO), Fosters Group (FGL), Global Mining Investments (GMI), Lihir Gold (LGL), Lion Selection (LST), Macarthur Coal (MCC), Maryborough Sugar Factory (MSF), Mundo Minerals (MUN), Mineral Securities (MXX), Mineral Securities Options (MXXO), Newmont Mining (NEM), Oil Search (OSH), Oz Minerals (OZL), Progen Options (PGLO), Platinum Australia (PLA), QBE Insurance (QBE), Rio Tinto (RIO), Roc Oil (ROC), St Barbara (SBM), Sirtex Medical (SRX), Territory Iron Ord (TFE), Telstra Corporation (TLS), Tox Free Solutions (TOX), View Resources (VRE), View Resources Options (VREO), Walter Diversified (WDS), Woodside Petroleum (WPL), Merrill Lynch Gold Fund, Platinum Japan Fund, Gold Bullion. These may change without notice and should not be taken as recommendations. The above disclaimer does not apply to investments held by the Fat Prophets Australia Fund Limited ACN 111 772 359 (FPAFL).