



HIGHLIGHTS & UPDATE

- **\$3.4 million raised by Hartleys Limited during the 2nd Quarter**
- **Mr. Terry Grammer appointed Director – AMEC Prospector of the Year 2000**
- **Drilling for gold to recommence shortly following recent encouraging gold exploration results – Sunday Project (near Leonora, WA)**
- **New gold exploration project – South Dam Project (near Coolgardie, WA)**
- **Review completed of Jigalong Project (Pilbara Region, WA) – potential for iron ore, gold and base metals**
- **Hannans Reward to commence gold and nickel exploration at Maggie Hays South (near Norseman, WA)**

PLANS FOR 3rd QUARTER

- **Appoint Terry Grammer as Executive Director (currently Non-Executive)**
- **Sunday (near Leonora, WA) – continue aircore, auger and reverse circulation drilling for gold and complete IP program for nickel**
- **South Dam (near Coolgardie, WA) – auger drill program to test gold anomaly identified by BHP Gold Mines**
- **Jigalong (near Newman, WA) – commence initial exploration for iron ore, gold and base metals when tenements granted**
- **Queen Victoria Rocks (near Coolgardie, WA) – complete geophysics program to identify conductors that may represent nickel sulphides**
- **Maggie Hays South (near Norseman, WA) – review work completed by Nickel Australia Ltd and commence next exploration program for gold and nickel**



Summary of 2nd Quarter Activities

Successful \$3.4 million Capital Raising

Pursuant to a placement and a rights issue the Company raised approximately \$3.4 million during the Quarter. The rights issue was underwritten by Hartleys Limited. These funds enable Hannans Reward to continue its aggressive exploration program.

Appointment of Terry Grammer as Director

Hannans Reward was pleased to announce during the Quarter that Terry Grammer had been 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.

It is the Board's intention to officially appoint Mr. Terry Grammer as an executive director during the current Quarter.

Infill and extension drilling for gold to recommence shortly following recent encouraging gold exploration results – Sunday Project (near Leonora, WA)

The recently completed reverse circulation (RC) drilling 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 RC 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.

Apart from reconnaissance-style aircore drilling to test structural targets, the following prospect-scale work is also recommended:



- A large gold-in-saprolite anomaly requires further infill aircore drilling to better define the extent and the best parts of the anomalism. RC testing should then test below the best parts of the anomaly.
- The encouraging alteration zone recently identified should be further tested with RC drilling to follow the zone down-dip. Also, to the northwest, there is no aircore drilling for approximately 200m and further infill aircore, followed by RC testing is recommended for this area.
- Further RC drilling with holes oriented in the opposite direction to the existing drilling is recommended to test for any mineralisation that may be oriented sub-parallel to the existing RC holes and consequently may have been missed by the existing holes.

Auger and/or miniRAB soil sampling programs will also be planned to provide a first pass test of previously under-explored parts of the Malcolm Creek and Braemore portions of the Sunday Project.

Recent RC Program Specifications

A total of 17 angled holes for 2,226m were completed to test three targets within the Mt Stewart portion of the Sunday Project. All holes were angled at 60° towards the southwest (225° magnetic) and were designed to test for northeasterly dipping mineralisation. All samples were collected via a splitter and comprised a bagged 4m composite sample. Due to the drill rig air capacity and the use of face-sampling hammers, almost all samples were dry and of high quality. The split 4m composite samples have been assayed for gold using aqua regia digest and a solvent extraction AAS finish (0.01ppm Au detection limit) and for arsenic (10ppm As), copper (1ppm Cu), nickel (1ppm Ni), lead (1ppm Pb) and zinc (1ppm Zn) using aqua regia digest and a standard AAS finish (detection limits in brackets). All significant intercepts (>0.1ppm Au) from the program are tabled below.

Mt Stewart Nov '05 RC - All Significant (>0.1ppm Au) Results

Hole Number	MGA Easting	MGA Northing	Total Depth	4m Composite Sample Intercept	Comments
MSRCH001	357785	6802297	120m	60-68m, 8m @ 0.22ppm Au 80-84m, 4m @ 0.11ppm Au	quartz-sericite schist saprolite & saprock quartz-sericite schist saprock
MSRCH002	357801	6802315	102m	64-80m, 16m @ 0.18ppm Au	quartz-sericite schist saprock
MSRCH003	358268	6801873	120m	52-56m, 4m @ 0.12ppm Au 68-72m, 4m @ 1.88ppm Au 80-84m, 4m @ 0.12ppm Au	lower saprolite, high arsenic lower saprolite, high arsenic up to 1215ppm As mafic schist lower saprolite, high arsenic
MSRCH004	358291	6801892	120m	96-108m, 12m @ 0.31ppm Au & 4390ppm As	silica-pyrite-arsenopyrite veining & brecciation, saprock, very high arsenic up to 0.91% As
MSRCH006	358330	6801805	120m	68-72m, 4m @ 0.40ppm Au	mafic schist saprock, high arsenic
MSRCH007	358409	6801746	120m	60-64m, 4m @ 0.63ppm Au 104-108m, 4m @ 0.10ppm Au	lower saprolite fresh mafic schist
MSRCH008	358434	6801768	138m	56-60m, 4m @ 0.38ppm Au	lower saprolite after sediments
MSRCH009	358190	6801319	132m	52-56m, 4m @ 0.60ppm Au	palaeochannel sand & gravel
MSRCH011	358204	6801197	150m	72-88m, 16m @ 0.34ppm Au	mafic schist saprock, minor quartz veining
MSRCH012	358280	6801255	150m	64-68m, 4m @ 0.15ppm Au 120-124m, 4m @ 0.62ppm Au	lower saprolite fresh mafic schist, trace pyrrhotite & quartz veining
MSRCH013	358210	6801046	150m	48-56m, 8m @ 0.17ppm Au	lower saprolite
MSRCH017	358298	6800800	138m	60-68m, 8m @ 0.60ppm Au	fresh mafic schist and saprock, minor silica alt. & pyrite



New gold exploration project – South Dam Project (near Coolgardie, WA)

Hannans Reward has recently 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.

The agreement reached with a private syndicate includes an option fee (reimbursement of expenses and a commitment to meet the first year's minimum exploration commitment) and an exercise price of \$20,000 (mixture of cash and shares) plus a commitment to free carry the vendor through to completion of a bankable feasibility study. The tenement is expected to be granted during the 3rd Quarter after which native title clearance surveys and exploration will commence.

Jigalong Project Review

A recently completed review identified four distinct exploration targets coincident with magnetic anomalies in ground applied for by Hannans Reward. Initial exploration will include acquisition of detailed aeromagnetic surveys, modeling of the surveys and mapping to be followed by drilling. A number of these targets are immediately adjacent to the iron ore resource (20 million tones at 62.4% iron) recently acquired by Ferraus Limited (previously NiQuest Limited). It is anticipated that the tenements will be granted early in March 2006.

Maggie Hays South

Hannans Reward will review data from the \$500,000 exploration spend completed by Nickel Australia Ltd (NKL) and then continue exploring Maggie Hay South for gold and nickel.

NKL has commenced extensive exploration programs in Mexico and advised Hannans Reward that exploration results at Maggie Hays South did not meet its corporate criteria. They have therefore withdrawn from the Agreement without having earned any interest in the Maggie Hays South project.

Please note that the Appendix 5B cash flow statement will be released to the Australian Stock Exchange as a separate announcement.

If you have any questions in relation to this release please do not hesitate to contact Damian Hicks, Terry Grammer or me on (08) 9324 3388.

Yours sincerely,

Mr. Richard Scallan
Chairman



Hannans Reward Ltd
Exploring for Gold & Base Metals

2nd Quarter Activities Report
January 12, 2006

Technical aspects of this report that relate to Sunday exploration results are based on information compiled by Gregory Jorgensen (Consultant) who is a Member of the Australian Institute of Geoscientists. Mr. Jorgensen has sufficient experience, which is relevant to the style of mineralisation and types of deposits under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined by the JORC Code. Mr. Jorgensen consents to the inclusion of this information in this report in the context that it has been included.