



Feature Stock Pick

BUY	HANNANS REWARD LIMITED		(ASX Code: HNR)
Price at Closing	\$ 0.620	Change +/-	+\$0.002
Our Opinion	Could be a rewarding investment.		
Risk Level	BLACK RUN	Time Frame	MEDIUM TERM

5th July 2007

Fundamental Analysis

Hannans Reward (HNR) is one another small Western-Australia based explorer, although the company has a longer history than most of the new-comers, having listed back in 2003. All of the company's five major projects are located in SE Western Australia.

The company is exploring for a wide range of minerals, but its main focus is on nickel and gold prospects.

Short flight for a fox

Much of the company's prospects are located near existing operations of other mining companies, or on previously productive regions. The company's Forrestania project is only 12km from Western Areas' (WSA) Flying Fox nickel mine and is also close to areas that Kagara Zinc (KZL) is exploring.

The link between HNR and WSA is even deeper, as Non-Executive Director Terrence Grammer was a founder and promoter of Western Areas back in 1999. HNR's Exploration Manager, Karen Lyons, has also worked as a geologist in the area of WSA's Flying Fox mine. So, the company knows the area well.

Chinese Partner

HNR's prospects were validated earlier in the year, when Chinese company Shandong Landbridge Group (Landbridge) bought 10 million shares in the company at 55 cents each. Landbridge is the largest privately owned company in China, and the deal is rare that it doesn't include an off-take or supply agreement, and is a big sign of faith in the HNR's prospects.

This capital raising has also firmed up HNR's coffers and will allow the company to pursue its exploration programs. HNR is currently sitting on healthy cash reserves of around \$8 million following the placement.

Content with Mal

HNR has also established a partnership with private Papua New Guinea mining company JLM Resources. JLM's Managing Director is AFL footballer Mal Michael. The company is hoping that JLM and Mr. Michael will bring an understanding of and access to PNG's abundant natural resources.

JLM has granted HNR a pre-emptive right to acquire all natural resource projects sourced by JLM and upon the exercising of that right will form a 50/50 joint venture with JLM to develop each project.

One to watch

We are waiting on HNR to provide some drilling results that confirm the potential of its prospects. The company certainly offers plenty of potential upside based on its proximity to existing mining operations and historical drilling results from its prospects. The stock is now back down close to the placement price of 55c, and therefore is probably back at value buying levels.

Technical Analysis



The HNR chart shows that just after the market was updated with various drilling updates, and following the successful placement in April, investors were prepared to pay as high as \$1.09 per share.

Not much has changed on the fundamental side since then, and HNR has paid the price with a bout of profit taking. It has now retraced much of the gains since the placement was announced – the initial catalyst for HNR to break above \$0.50.

The zone to buy back into this company is clearly going to be that \$0.55-\$0.60 level which is defined by both long term moving average and uptrend support.

Stochastics are oversold, and should they start to rise, we would be happy to jump back into HNR on a break of \$0.70. In the mean time, look to buy in the \$0.55-\$0.60 zone with limit orders.

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