



Exploration Update

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- **Queen Victoria Rocks (near Coolgardie, WA) – Nickel & Gold**
 - aircore drilling (13,000m approx.) planned for January and February to test significant gold anomalies
 - induced polarisation (IP) survey planned for February to refine previously identified electromagnetic (EM) conductors
 - reverse circulation (RC) drilling planned for this Quarter to test IP targets for nickel sulphide mineralisation, subject to approvals
 - ground EM survey completed during the 2nd Quarter that identified four new EM conductors
 - flora survey completed during the 2nd Quarter
 - auger sampling for gold completed and results received during the 2nd Quarter with new gold anomalies identified
- **Jigalong Project (near Newman, WA) – Iron, Gold & Base Metals**
 - interpretation of soil, stream sediment and rock chip assays, satellite imagery, aeromagnetics and radiometrics planned for this Quarter
 - field mapping planned for this Quarter
 - acquisition of aeromagnetics and radiometrics planned for this Quarter
 - soil, stream sediment and rock chip sampling completed 2nd Quarter
- **Forrestania Project (near Hyden, WA) – Gold & Nickel**
 - acquisition of 80% majority interest (up from 50%) in the Forrestania Project
 - IP survey planned for February to refine previously identified EM conductors at Stormbreaker North
 - EM surveys continuing this Quarter within Stormbreaker South
 - exploration and / or resource drilling at North Ironcap, subject to government approvals



Hannans Reward Ltd

Exploring for Gold & Base Metals
ASX:HNR

2nd Quarter Activities Report
15 January 2007

- assay results from initial drilling received during the 2nd Quarter
- three flora surveys completed during the 2nd Quarter
- independent review of North Ironcap gold deposit received during the 2nd Quarter
- **Maggie Hays South (near Norseman, WA) – Nickel**
 - IP surveys to refine previously identified EM conductors planned for this Quarter
 - RC drilling to test IP targets for nickel sulphide mineralisation planned for this Quarter, subject to approvals
 - soil sampling for gold completed and results received during the 2nd Quarter
- **Sunday (near Leonora, WA) – Gold and nickel**
 - Litho geochemistry report completed during the 2nd Quarter

Corporate Update

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- **Fat Prophets**
 - Independent analysts Fat Prophets commenced coverage of Hannans Reward Ltd with a BUY recommendation. The research notes can be accessed at www.hannansreward.com
- **Boardroom Radio**
 - Terry Grammer interview with boardroomradio.com can be accessed at www.hannansreward.com
- **The Hannans Reward Story**
 - A short video summarising the story behind Hannans Reward can be accessed at www.hannansreward.com
- **Annual General Meeting**
 - Shareholders voted to re-elect Damian Hicks, Frank Cannavo and William Hicks as directors, approve share issues in consideration of project acquisitions and approve the placement of up to 15,000,000 million shares to fund the company's growth plans

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Summary of 2nd Quarter Activities

Queen Victoria Rocks

Encouraging nickel and gold exploration results were announced during the Quarter.

In relation to gold exploration, a 250 hole (for approximately 13,000 metre) aircore drilling program has now been planned to test gold-in-soil anomalies at the Spargos Extended prospect and the King of Princes prospect. This is a particularly exciting time for the Company as the drilling programme will commence in late January and continue for approximately four weeks. The aim is to identify further gold anomalism that may be associated with a significant deposit.

Once all of the aircore drilling results have been received it is our intention to test targets with deeper drilling as soon as possible. It is surprising that minimal systematic gold exploration has taken place within this area over the years even though it is close to the historical gold mining town of Coolgardie. It is worth noting that the drilling at the King of Princes is in the vicinity of a small historical gold shaft.

It was originally planned to test the Spargos Extended gold anomaly with aircore drilling during the 1st Quarter. Unfortunately environmental approvals were not obtained in time for this to occur. Those approvals have now been received and therefore drilling will commence at this prospect in late January and thereafter move north to the King of Princes prospect.

In relation to nickel exploration, EM conductors were identified during December 2006 and these targets will now be refined with IP during February 2007. By way of background, EM is a broad geophysical tool that aims to identify conductive rocks. IP is a tool used to refine the EM conductors (or 'targets') to increase the probability of intersecting the conductors with drilling. Until the conductors have been drilled and the samples assayed it is not possible to determine whether the conductive material is sulphides that host nickel mineralisation.

Exploration at QVR has previously identified nickel sulphide mineralisation and therefore the continued search for a high grade nickel sulphide deposit within the project is justified.

Jigalong

Substantial progress was made at Jigalong during the Quarter.

Assay results from the recently completed sampling programme (stream sediment, rock chip and soils) and satellite imagery are currently being interpreted by external consultants. Detailed aeromagnetics and radiometrics are being flown this week and once received will also be made available to our consultants. The acquisition of digital aerial photography and the commencement of field mapping is planned for this Quarter. The aim of compiling this preliminary information is to generate targets for deeper drilling in the next field season. At this stage we are not focusing solely on the iron potential of the project but are also keeping an open mind to any gold, nickel, copper, uranium or diamond potential that may exist within the project area.



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The Jigalong project is very exciting because it is under-explored and is located in a favourable geological setting with known mineral deposits (including an iron ore resource) in the vicinity. We await the consultants' views and will then plan the first drill program.

Forrestania Joint Venture

During the Quarter the Company announced that it had increased its interest in the Forrestania Project to a majority position of 80% (up from 50%). In our opinion this was an important acquisition because it aligned Hannans Reward alongside Western Areas Ltd (ASX: WSA) and Kagara Zinc Ltd (ASX: KZL) as one of the three companies holding prospective exploration ground on the western margin of the Forrestania greenstone belt.

Stormbreaker

Stormbreaker hosts similar rock types to those that host the Flying Fox nickel mine owned by Western Areas NL, approximately 15 kilometers to the south.

Our ideal position was to have commenced exploration within proximity of the Beautiful Sunday nickel sulphide occurrence also owned by Western Areas NL. Unfortunately we were unable to do so due to environmental restrictions. Following a lengthy environmental process we anticipate that access to the ground closest to Beautiful Sunday will be granted during this Quarter. We refer to this area within the project as Stormbreaker South. The plan for Stormbreaker South is to recommence ground EM surveys and thereafter refine any conductors identified with IP surveys. As soon as possible thereafter IP targets will be tested with deep drilling.

Due to the inability to access Stormbreaker South, Hannans Reward commenced exploration (EM and RC drilling) within Stormbreaker North. Assay results from the RC drilling during the Quarter at Stormbreaker North did not return significant results. EM surveys completed by the joint venture had identified three EM conductors that were tested with drilling. Due to time constraints and rig access the joint venture did not have the opportunity to conduct IP surveys over the EM conductors prior to drilling. To ensure that each conductor was adequately tested with the drilling, IP surveys will be now be completed over the EM targets.

North Ironcap

Obtaining approvals to commence exploration at North Ironcap has proved difficult. All necessary environmental surveys and reports have now been completed and lodged with the various government departments. We are waiting on the outcome of their review however at this stage we are unable to determine when access to the ground will be granted.

During the Quarter a report was completed by independent consultants in relation to the North Ironcap gold deposit. Recommendations were made to verify the historical drilling database and gain a more robust geological and mineralisation interpretation that would thereafter enable the possibility of generating a classified resource model in line with JORC guidelines. This process has now commenced.



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Maggie Hays South

Additional nickel exploration is planned for MHS this Quarter.

Our previous joint venture partner completed substantial EM surveys over the project area that identified a number of EM conductors. Hannans Reward plans to complete IP surveys over the conductors during February. After interpretation of the results, deep drilling is planned to test the geophysical targets. The MHS is approximately 50km south of the Maggie Hays nickel sulphide mine owned by LionOre Australia. The proximity of the project to a known nickel mine and the geophysical and geochemical results returned to date suggest that MHS remains a very prospective nickel project.

A review of the gold potential at MHS was completed during the Quarter by an independent consultant. A comprehensive soil sampling for gold was thereafter conducted on the eastern boundary of the project during the Quarter but did not return any significant results.

Sunday

A report on the litho-geochemistry of the Mt Stewart region was completed during the Quarter. The report identified a number of areas that should be the focus of future exploration drilling. The Company plans to carry out the recommendations. Additional auger, aircore and EM surveys have been planned for the Sunday project as a number of gold and nickel targets have yet to be effectively tested. With the Company's current focus on QVR, Forrestania and Jigalong the next round of exploration is likely to take place at Sunday during the 3rd Quarter.

We encourage shareholders and interested persons to visit www.hannansreward.com for a comprehensive summary of the Company's projects and previous ASX releases. The Cash Flow Statement will be released as a separate announcement later in the month.

If you have any questions in relation to Hannans Rewards' activities please do not hesitate to contact us on +61 (0)8 9324 3388.

Yours sincerely,

Damian Hicks
Executive Director

Terry Grammer
Executive Director

The information in this document that relates to Exploration Results at Queen Victoria Rocks and Sunday is based on information compiled by Gregory Jorgensen, who is a Member of the Australian Institute of Geoscientists. Gregory Jorgensen is a Consulting Geologist based in Kalgoorlie, WA and is not a full time employee of Hannans Reward Ltd. Gregory Jorgensen has sufficient experience, which is relevant to the style of mineralisation and types of deposits under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined by the JORC Code. Gregory Jorgensen consents to the inclusion of the information in this document of the matters based on the information in the form and context in which it appears.