HANNANS REWARD LTD

ACN 099 862 129

Annual report for the financial year ended 30 June 2006

www.hannansreward.com

Corporate Directory

Independent Non-Executive Chairman

Mr Richard Scallan

Executive Directors

Mr Terrence Grammer
Mr Damian Hicks

Non-Executive Directors

Dr Ernest Dechow
Mr William Hicks

Company Secretary

Mr Damian Hicks

Principal Office

Level 2, 11 Ventnor Avenue
West Perth, Western Australia

Registered Office

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ABN 52 099 862 129

Share Registry

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Perth, Western Australia
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Annual report
for the financial year ended 30 June 2006

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Corporate governance statement

The Company has adopted a Code of Conduct for its Board members which is available to be viewed on the Company's web site, www.hannansreward.com. Directors of the Company are expected to exercise considered and independent judgement on matters before them. To discharge this expectation Directors may, from time to time, need to seek independent, expert opinion on matters before them. Directors may seek professional advice with the prior approval of the Chairman, which will not be unreasonably withheld. The Board has implemented a procedure for accessing professional advice. The Company complies with the *Principles of Good Corporate Governance and Best Practice Recommendations* (available from www.asx.com.au) other than in the matters set out below:

ASX Principle	Recommendation	Reference/Comment
Principle 2: Structure the Board to add value	2.1	The Board considers that the composition of the existing Board is appropriate given the scope and size of the Company's operations and the skills matrix of the existing Board members.
	2.4	The Board as a whole will identify candidates and assess their skills in deciding whether an individual has the potential to add value to the Company. The Board may also seek independent advice to assist with the identification process.
	2.5	The Board aims to maximize the funds available for exploration in order to implement the Company's strategy and therefore has not gone to the expense of meeting this recommendation.
Principal 3: Promote ethical and responsible decision making	3.2	The Board is aware of its legal obligations with respect to trading in securities and is aware of the potential damage to the Company's reputation should a Board member trade in shares prior to release of all material information into the public domain.
Principal 4: Safeguard integrity of financial reporting	4.1	Whilst the Company does not have a CFO, the Executive Directors oversee preparation of the financial statements utilising external professional assistance from a chartered accounting firm and the Executive Directors sign the accounts in full knowledge of his legal responsibilities.
	4.2	The Board considers that due to the scope and size of the Company's operations it is not appropriate to establish an audit committee. The Chairman of the Board meets at least annually with both the Auditor and the Accountant to discuss the Company's financial position and adherence to applicable standards.
	4.3	Refer to comments on Recommendation 4.2
	4.4	Refer to comments on Recommendation 4.2
Principle 5: Make timely and balanced disclosures	5.2	Refer to comments on Recommendation 2.5.
Principle 9: Remunerate fairly and responsibly	9.2	The Board considers that due to the scope and size of the Company's operations it is not appropriate to establish a remuneration committee.
	9.5	Refer to comments on Recommendation 2.5.
Principle 10: Recognise legitimate interests of stakeholders	10.1	The Board is aware of the complex environment in which it operates and uses its experience and judgment to ensure that it addresses the legitimate concerns and issues of stakeholder organizations and that such an approach is good business practice.

Directors' report

The directors of Hannans Reward Ltd submit herewith the annual financial report of the company for the financial year ended 30 June 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the company during or since the end of the financial year are:

Directors

Mr Richard Scallan, Independent Non-Executive Chairman (Appointed 23 May 2002)

Mr Scallan is a Mining Engineer with 46 years experience in underground and open cut mining in both Southern Africa and Australia and has at various times managed deep level gold, uranium, nickel, copper, chrome, platinum, mineral sands and tin mines. Mr Scallan was employed by the Anglo American Corporation of South Africa Limited for 26 years before immigrating to Australia and was thereafter employed by Goldfields Limited for 21 years during which time he held positions as General Manager, Kundana Gold Pty Ltd and Paddington Gold Pty Ltd (both owned by Goldfields Limited) in Kalgoorlie, Western Australia and General Manager, RGC Limited – Renison Tin Division in Zeehan, Tasmania.

Mr Scallan is a Fellow of the Australian Institute of Mining and Metallurgy and is a recipient of the Australian Centenary Medal.

During the past 3 years Mr Scallan has not served as a Director of any other listed companies.

Dr Ernest Dechow, Non-Executive Director (Appointed 11 March 2002)

Dr Ernest Dechow has over 40 years of experience in the mining and mineral exploration industry. In the late fifties and early sixties he was engaged in base metal exploration in Zambia, the United States and Canada before arriving in Australia to manage a joint venture of overseas companies exploring in Eastern Australia. In 1968 he formed E. Dechow and Co Pty Ltd, Consulting Geologists and since that time has been consulting and contracting out of Kalgoorlie and Perth for Australian and overseas companies in Australia, Southern Africa and Brazil and for the United Nations in Brazil as well as exploring on a personal basis for potential mines in Indonesia, Vietnam and Namibia.

Dr Dechow has a PhD from Yale University in the United States, is a Life Member of the Society of Economic Geologists and a Member of the Australian Institute of Mining and Metallurgy.

During the past 3 years Dr Dechow has not served as a Director of any other listed companies.

Mr William Hicks, Non-Executive Director (Appointed 11 March 2002)

Mr Hicks has been actively involved in the progress and development of a number of well-known exploration companies. He was a director and secretary of Spargo's Reward Gold Mines NL and was instrumental in the Listing on the ASX of both Central Kalgoorlie Gold Mines NL and Maritana Gold NL.

Mr Hicks is a Fellow of the Australian Institute of Company Directors and a Pharmaceutical Chemist.

During the past 3 years Mr Hicks has not served as a Director of any other listed companies.

Mr Terrence Grammer, Executive Director – Exploration (Appointed 10 October 2005)

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 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. The initial Cosmos discovery defined a resource of approximately 400,000t @ 8.2% Ni. The project has grown significantly since then.

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.

During the past 3 years Mr Grammer has not served as a Director of any other listed companies.

Mr Damian Hicks, Executive Director & Company Secretary (Appointed 11 March 2002)

Mr Hicks co-founded Hannans Reward NL in early 2002 along with Dr Dechow and Mr William Hicks prior to which he was engaged as a business analyst, spent five years with law firms and one year with a chartered accounting firm.

Mr Hicks holds a Bachelor of Commerce (Accounting and Finance) from the University of Western Australia, is admitted as a Barrister and Solicitor of the Supreme Court of Western Australia, holds a Graduate Diploma in Applied Finance & Investment from FINSIA (formerly the Securities Institute of Australia) and also a Graduate Diploma in Company Secretarial Practice from Chartered Secretaries Australia.

Mr Hicks is a Member of the Australian Institute of Company Directors.

During the past 3 years Mr Hicks has not served as a Director of any other listed companies.

Principal activities

The principal activity of Hannans Reward Ltd is exploring for gold and base metals.

Review of operations

for a comprehensive review of the Company's activities.

Forrestania Joint Venture (Hannans Reward Ltd 50%)
Targets: Nickel & Gold

Hannans Reward Ltd and Cullen Resources Limited (ASX:CUL) jointly acquired the Stormbreaker Project and the North Ironcap Gold Project, located in the Forrestania region of Western Australia, approx. 12km north of Western Area's Flying Fox nickel sulphide deposit.

The Stormbreaker Project (comprising 14.3 sq km) is interpreted to contain over an 8 km strike length of the same ultramafic units that host Western Areas NL's Flying Fox, New Morning and Daybreak Nickel Deposits, approx. 12 kms to the south. All previous nickel exploration on this Project area is pre 1975 and prior to the Joint Venture's activity no modern nickel exploration methods or concepts had been applied. Modern exploration up until late 2001 has focused on the gold potential of the Project with numerous unexplained surface gold anomalies.

The North Ironcap Project (comprising 4.43 sq km) contains four occurrences of gold mineralisation in the southern portion of the Project area that underwent considerable drilling, metallurgical test work and pit design work in the late 1990's. Best intersections from previous RC drilling in this area included: 13m @3.88g/t Au from 26m; 23m @ 2.17 g/t Au from16m and 13m @ 4.89 g/t Au from surface. A detailed review of the current status of this gold mineralization is underway. There are further untested surface gold anomalies in the northern portion of this Project. The acquisition agreement provided for the Joint Venture to acquire 100% of the Gold Rights at the North Ironcap Project.

The total consideration payable for the Forrestania Joint Venture was $150,000, comprising $40,000 cash and the balance in shares. Hannans and Cullen each contributed half of the consideration.

The Joint Venture recently completed a second ground geophysical (EM) survey at the Stormbreaker Project which identified a third EM conductor. The conductor lies just west of the previously mined Blue Haze gold deposit and is coincident with a previously determined gold-in-soil anomaly. Modeling of this new conductor suggests that the EM response is due to a confined conductor as opposed to stratigraphy, and it may indicate the presence of sulphides at depth.

The Joint Venture has now completed two EM surveys covering approximately 20% of the Project Area and further EM surveying is planned once approvals have been obtained. The recently completed EM survey and reverse circulation drill program represents the first phases of a significant exploration program planned for the next twelve months at the Forrestania Project, targeting both nickel and gold. Results from the drill program are pending.

Jigalong (Hannans Reward Ltd 100%)
Targets: Iron, Gold & Base Metals

Exploration licences covering an area of 617 km2, were granted during the year. They are adjacent to the advanced stage near surface iron ore resource of 16.3 million tonnes owned by FerrAus Limited (ASX:FRS) and also adjacent to tenements owned by Rio Tinto Exploration Pty Ltd and FMG Pilbara Pty Ltd.

Hannans Reward has also recently applied for two additional exploration licences at Jigalong covering ground previously the subject of tenement applications by Rio Tinto Exploration Pty Ltd and WMC Resources Limited. Hannans' activities will focus on exploring for iron, gold and base metals within the Jigalong Project. The existing iron ore deposit located immediately adjacent to the recently granted tenements together with historical exploration results indicate that the Jigalong Project also has potential to host iron mineralisation.

The Jigalong Project is located close to the Jigalong Community. The Community is located in the East Pilbara Shire approximately 520 km south east of Port Hedland or 165 km east of Newman on an Aboriginal reserve at the western edge of the Western Desert. Jigalong is part of the Martu country and the Jigalong area has been home to the Martu people for over 20,000 years.

The Jigalong Project remains largely unexplored due to its remoteness and its location within Aboriginal Reserve 41265 which historically has made access difficult. Permits to enter the Reserve to conduct exploration activities have recently been granted to a subsidiary company of Hannans Reward by the Minister for Indigenous Affairs. Hannans Reward looks forward to working with the Jigalong Community and to commencing greenfields exploration at the Jigalong Project. Initial exploration will involve field mapping, acquisition of airborne magnetic and radiometric data, electromagnetic surveys and thereafter drilling.

The Jigalong Project is registered in the name of Errawarra Pty Ltd, which has only one shareholder; HR Subsidiary Pty Ltd. HR Subsidiary is a wholly owned subsidiary of Hannans Reward Ltd. The Directors of Errawarra Pty Ltd are Richard Scallan (Chairman, Hannans Reward Ltd), Terry Grammer (Executive Director, Hannans Reward Ltd) and Damian Hicks (Executive Director, Hannans Reward Ltd).

On 5 December 2003 Hannans Reward announced to the Australian Stock Exchange that it had signed a memorandum of understanding with Jigalong Community Inc to form a joint venture exploration company for the purpose of discovering economic mineral deposits in the Pilbara. A substantive agreement as contemplated by the memorandum of understanding has yet to be concluded.

Entry permits authorising Errawarra Pty Ltd, its employees and contractors to enter Reserve 41265 for the purpose of carrying out exploration activities on the Jigalong Project were granted by the Minister for Indigenous Affairs after consultation with the Jigalong Community Inc and the Nyiyparli Native Title Claimant Group. The tenements were granted by the Minister for Resources after consultation with the Minister for Indigenous Affairs. The granting of the tenements was supported by both the Jigalong Community and the Nyiyparli Native Title Claimant Group.

The first field program is currently in progress and involves collection of rock chip and stream sediment samples. The results generated will be compiled with all existing exploration information in an effort to identify drill targets for testing as soon as practically possible.

Sunday (Hannans Reward Ltd 90%)
Targets: Gold & Nickel

Mt Stewart
The reverse circulation (RC) drilling completed late in 2005 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.

The February 2006 aircore programme was conducted to continue testing the Mt Stewart gold mineralised corridor. The continuation of the main gold trend into P37/5923 and its possible intersection with a late north – south structure was tested with three traverses spaced 200m apart. The results show that the main gold trend does indeed continue into P37/5923 and here it is also anomalous in arsenic. There is no drilling to the northwest of these holes indicating that the system remains open in this direction. Infill drilling and further drilling to the northwest to close off the system is warranted. Infill drilling along the main gold trend identified further anomalism at or near the bottom of the hole, suggesting that a source may be proximal. This target will require RC testing.

While infill drilling was successful at closing off the anomalism at the main gold/arsenic anomaly, it also highlighted a new gold-arsenic anomaly (>100ppb Au & >50ppm As), where significant gold anomalism appears to be associated with a zone of silica alteration and quartz veining. The anomaly is open to the north-northwest and will require further aircore to define its strike extent. This anomaly is also significant because it appears to lie on a north – south trend, which hosts several other significant gold anomalies. This particular intersection of a late north – south structure and the earlier, more regional northwest – southeast structure (Keith-Kilkenny trend) appears to be well mineralised and requires further drill testing.

Four holes were also completed to test a prominent aeromagnetic high. Previous drilling had intersected anomalous nickel in transported saprolite which suggested that ultramafic lithologies might be close by. The likely source was this aeromagnetic high and the recent program has confirmed that the aeromagnetic high does indeed lie over ultramafic rocks.

A further aircore program was completed during March 2006 to continue testing parts of the Mt Stewart gold-mineralised corridor and to complete a reconnaissance traverse. Results from this program confirmed the prospectivity of the Mt Stewart portion of the Sunday project to host economic accumulations of gold. A chemical study of all previous drill samples is currently in progress that may assist with the identification of significant gold accumulations within the Mt Stewart prospect. Following receipt of results from this study, further aircore and / or reverse circulation drilling programs will be planned to follow-up all anomalous gold intercepts.

Braemore
Results from the auger soil sampling programme completed during February 2006 over the entire Braemore Project area confirmed the gold anomalies previously generated by surface soil sampling; but in general the auger soil sampling has provided higher tenor, more obvious anomalies, highlighting that auger soil sampling is considered to be a more appropriate sampling technique for this area. Several other previously unrecognised anomalies were also generated as were north - south trends that may indicate the position of controlling structures at the various prospects. This may have implications at both of the main prospects at Emu Egg and Southern prospects, which have been previously tested with southwest - northeast oriented traverses. This orientation may not be the optimum drill orientation, particularly if further (infill) auger sampling indicates a more north - south orientation to the anomalies. This is particularly possible at the Emu Egg prospect. Infill auger soil sampling (100x50m), to provide better definition of the various anomalies is planned for late 2006.

Queen Victoria Rocks (Hannans Reward Ltd 100%)
Targets: Nickel & Gold

A review of the gold potential of the Queen Victoria Rocks (QVR) involved an assessment of the previous gold exploration conducted within the region. This review highlighted two significant gold-in-auger soil anomalies, which are located within the Spargos nickel prospect area. The individual anomalies (at the >20ppb Au contour) are approximately 2km and 600m in strike length and have peak gold values of 51ppb Au and 65ppb Au respectively. The two anomalies lie within an overall anomalous corridor which is over 5km long (at the 10ppb Au contour level) and this area has been predominantly previously explored for nickel with few gold analyses. Only one previous aircore traverse has specifically tested the anomalous gold trend and returned a 4m composite sample result of 179ppb Au from below the southern-most gold-in auger soil anomaly. This indicates that this gold-in-auger soil anomaly is likely to be associated with further gold anomalism with the regolith profile. While these prospects are at a very early stage of exploration, this is a highly encouraging result given that the gold-in-auger anomalies have only been defined by wide-spaced, 400x100m, sampling and there is only one previous drill traverse that has tested the anomalism. The northern and larger gold-in-auger soil anomaly has not been previously targeted by any drilling.

A comprehensive auger drill program is in progress to test a significant gold in soil anomaly within close proximity to the historical Prince of Wales gold workings (excised) and the Spargos Prospect. Initial results from this program has identified a previously unrecognised anomalous (>10ppb Au) gold trend within the QVR Project area, adjacent to the Spargos nickel prospect. The largest and at this stage, most significant anomaly, is located at the southeastern end of the trend and is approximately 1km long at the 30ppb Au contour level and approximately 600m long at the 50ppb Au contour level. Limited drilling (one aircore traverse) by previous explorers indicates that the anomaly identified by Hannans Reward is associated with gold anomalism (>100ppb Au in saprolite) within the deeper parts of the regolith profile.

The encouraging result from this early stage gold exploration confirms that QVR is highly prospective for both gold and nickel sulphides. Additional gold exploration results are expected in the coming weeks and drill testing of these targets is scheduled for October/November 2006.

Maggie Hays South (Hannans Reward Ltd 90%)
Targets: Nickel & Gold

A review of exploration data from the Maggie Hays South (MHS) Project area from recent and historical data was completed by an independent consultant. The MHS Project was previously subject to a nickel joint venture between Nickel Australia Ltd (NKL) and Hannans Reward Ltd in 2004 and 2005. NKL did not consider the gold potential of the Project because the joint venture only covered the nickel rights with most of their work focused on the central and western portions of the Project. A number of coincident geophysical and geochemical anomalies identified by NKL remain to be tested. Pulp samples from the 5,000 metres (approx) of drilling completed by NKL were submitted to the laboratory for gold and precious metals analysis. No significant gold results were returned. These same samples are currently being analysed for a particular suite of nickel pathfinder elements.

Gold workings are known on the eastern edge of the Project and the western edge of Lake Johnson. Exploration completed by Mt Youle Exploration NL in 1987 included soil and rock chip sampling for gold. A well defined gold anomaly has been defined on the edge of Lake Johnson over a quartz feldspar porphyry unit. Gold grades up to 18 g/t from old dumps and pits have been recorded. This work needs to be validated in the field and the rock types verified. Old 1970 Union Miniere soil geochemistry data was compiled by the Project vendors and outlined a +3,000 ppm nickel and +1% chrome soil anomaly in the southern part of P63/1207. The regolith has not been confirmed in the area and the correlation between the recent RAB drilling and old soil data does not appear to have been tested. A soil sampling program for gold, focused on the Western edge of Lake Johnson, has now been planned and is expected to be carried out during October 2006.

South Dam (Hannans Reward Ltd option to acquire 85%)
Target: Gold

Hannans Reward 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.
At the time of writing an auger program is underway to test the main area of interest.

Poona (Hannans Reward Ltd 100%)
Target: Nickel

The Company has withdrawn its two exploration licences at Poona.

Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future developments

Hannans Reward will continue to explore its projects in the search for economic gold and base metal deposits. The

Company will simultaneously seek joint venture opportunities for those projects in an effort to balance the risks and rewards associated with exploration in an effort to maximize returns to shareholders.

Environmental regulations

The Company is aware of its environmental obligations and acts to ensure its environmental commitments are met.

Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for the payment of dividends has been made.

Share options

Share options granted to directors and executives

During and since the end of the financial year an aggregate of share options were granted to the following directors and executives of the company:

Directors and executives	Number of options granted	Issuing entity	Number of ordinary shares under option
Terrence Grammer	1,500,000	Hannans Reward Ltd	1,500,000
Damian Hicks	1,500,000	Hannans Reward Ltd	1,500,000

Share options that expired/lapsed during the year

Details of options that expired are:

Issuing entity	Number of options expiring	Class of shares	Exercise price of option	Expiry date of options
Hannans Reward Ltd	17,048,494	Ordinary	20 cents	31 March 2006

The holders of such options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

Share options on issue at year end or exercised during the year

Details of unissued shares or interests under option are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Hannans Reward Ltd	1,000,000	Ordinary	20 cents	31 March 2008
Hannans Reward Ltd	250,000	Ordinary	20 cents	2 May 2008
Hannans Reward Ltd	3,000,000	Ordinary	20 cents	31 March 2010
Hannans Reward Ltd	500,000	Ordinary	20 cents	30 April 2010

The holders of such options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

Details of shares or interests issued during and since the end of the financial year as a result of exercise of an option are:

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares	Amount unpaid on shares
Nil				

Indemnification of officers and auditors

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- except as may be prohibited by the Corporations Act 2001 every Director and Officer of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as director or officer of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal;

- since the beginning of the financial year the Company has paid insurance premiums of $12,900 in respect of directors and officers liability and corporate reimbursement, for directors and officers in the Company. The insurance premiums relate to:

  - any loss for which the directors and officers may not be legally indemnified by the Company arising out of any claim, by reason of any wrongful act committed by them in their capacity as a director or officer of the Company or any related corporation, first made against them jointly or severally during the year of insurance; and

  - indemnifying the Company against any payment which it has made and was legally permitted to make arising out of any claim, by reason of any wrongful act, committed by any director or officer in their capacity as a director or officer of the Company or any related corporation, first made against the director or officer during the period of insurance.

The insurance policy outlined above does not allocate the premium paid to each individual officer of the Company.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, eight board meetings were held (including circulating resolutions passed by Directors).

	Board of directors	
Directors	Held	Attended
Richard Scallan	8	8
Ernest Dechow	8	8
William Hicks	8	8
Terrence Grammer	5	5
Damian Hicks	8	8

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the company or a related body corporate as at the date of this report.

Directors	Ordinary Shares	Option over Shares
Richard Scallan	-	-
Ernest Dechow	3,100,001	-
William Hicks	11,153,249	-
Damian Hicks	2,278,401	2,500,000
Terrence Grammer	3,675,000	1,500,000

Remuneration report

Remuneration policy for directors and executives

The Board policy for determining emoluments is based on the principle of remunerating directors and senior executives on their ability to add value to the Company (taking into account the Company's strategic plan and operations) whilst also considering market emolument packages for similar positions within the industry and in consultation with external consultants. The Board appreciates the interrelationship between this policy and Company performance. It acknowledges that it is in the best interests of shareholders to provide challenging but achievable incentives to reward senior executives for reaching the Company's stated goals. The Board will discuss these issues internally and with candidates prior to engaging additional directors or senior executives in the future.

Director and executive details

The directors of Hannans Reward Ltd during the year were:

- Richard Scallan
- Ernest Dechow
- William Hicks
- Damian Hicks
- Terrence Grammer

There were no group executives employed by Hannans Reward Ltd during the year.

Elements of director and executive remuneration

Terrence Grammer and Damian Hicks are the Company's Executive Directors. The Board has approved two year (expiring 31 December 2007) remuneration packages for each Executive Director, of equal value, generally comprising $150,000 per annum (inclusive of superannuation entitlements) and reimbursement of work related expenses.

The following table discloses the remuneration of the directors of the company:

	Primary			Post-employment			Equity	Other benefits	Total
	Salary & fees	Bonus	Non-monetary	Super-annuation	Prescribed benefits	Other	Options		
2006	$	$	$	$	$	$	$	$	$
Richard Scallan	26,400	-	-	2,160	-	-	-		28,560
Ernest Dechow	26,400	-	-	-	-	-	-		26,400
William Hicks	-	-	-	69,000	-	-	-		69,000
Damian Hicks	131,306	-	-	11,818	-	-	110,040		253,164
Terrence Grammer	91,841	-	-	8,248	-	-	110,040		210,129

Elements of remuneration related to performance

During the year the Board and Shareholders approved the issue to each of Terrence Grammer and Damian Hicks, 1,500,000 options exercisable into 1,500,000 ordinary shares in Hannans Reward Ltd at an exercise price of 20 cents per ordinary share. The options can be exercised on or before 31 March 2010.

Value of options issued to directors and executives

The following table discloses the value of options granted, exercised or lapsed during the year:

	Options Granted	Options Exercised	Options Lapsed	Total value of options granted, exercised and lapsed	Value of options included in remuneration for the year	Percentage of total remuneration for the year that consists of options
	Value at grant date	Value at exercise date	Value at time of lapse			
	$	$	$	$	$	%
Damian Hicks	110,040	-	-	110,040	110,040	43
Terrence Grammer	110,040	-	-	110,040	110,040	53

Value of options - basis of calculation

The following factors and assumptions were used in determining the fair value of options of grant date:

Grant Date	Expiry Date	Fair Value per Option (cents)	Exercise Price (cents)	Share Price on Grant Date (cents)	Estimated Volatility %	Risk Free Interest Rate %
31 March 2006	31 March 2010	7.34	20	12	96.4	5.34

Proceedings on behalf of the company

No persons have applied for leave pursuant to section 237 of the Corporation Act 2001 to bring, or intervene in, proceedings on behalf of Hannans Reward Ltd.

Non-audit services

There was no non-audit services performed during the year, by the auditor (or by another person or firm on the auditor's behalf).

Auditor's independence declaration

The auditor's independence declaration is included on page 11 of the financial report.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Damian Hicks
Executive Director

Perth, 27 September 2006

Terrence Grammer
Executive Director

Perth, 27 September 2006

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27 September 2006

Board of Directors
Hannans Reward Limited
Level 2
11 Ventnour 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 audit of the financial statements of Hannans Reward Limited for the year ended 30 June 2006, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely
STANTONS INTERNATIONAL
(Authorised Audit Company)

John Van Dieren
Director

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INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF HANNANS REWARD LIMITED

SCOPE

The financial report and directors' responsibility
The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements, and the director's declaration for Hannans Reward Limited (the Company) and the consolidated entity for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during the year. The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach
We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

AUDIT OPINION

In our opinion, the financial report of Hannans Reward Limited is in accordance with:

a) the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

STANTONS INTERNATIONAL
(Authorised Audit Company)

John Van Dieren
Director

Perth, Western Australia
27 September 2006

Directors' declaration

The directors declare that:

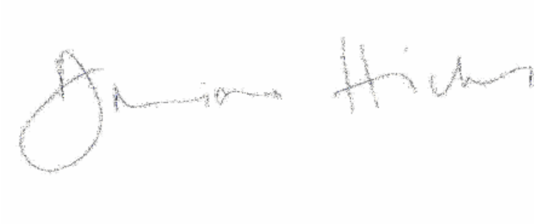
(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

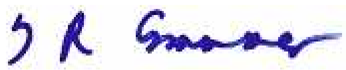
(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and consolidated entity; and

(c) the directors have been given the declarations required by s.295A of the Corporations Act for the financial period ending 30 June 2006.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors





Damian Hicks
Executive Director

Perth, 27 September 2006

Terrence Grammer
Executive Director

Perth, 27 September 2006

Income statement for the financial year ended 30 June 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Revenue	2	99,695	81,545	99,695	81,545
Employee benefits expense		(667,882)	(295,611)	(667,882)	(295,611)
Finance costs		(166)	(1,003)	(166)	(1,003)
Depreciation and amortisation expense		(10,210)	(10,133)	(10,210)	(10,133)
Consulting expense		(190,140)	(115,658)	(190,140)	(115,658)
Occupancy expense		(54,106)	(54,281)	(54,106)	(54,281)
Marketing expense		(3,797)	(28,310)	(3,797)	(28,310)
Exploration expenditure written off		-	(2,067,350)	-	(2,067,350)
Exploration expense		(884,206)	(312,023)	(866,260)	(312,023)
Other expenses		(164,839)	(165,748)	(184,580)	(165,748)
Loss before income tax expense/benefit	2	(1,875,651)	(2,968,572)	(1,877,446)	(2,968,572)
Income tax expense/benefit relating to ordinary activities	3	-	-		-
Loss attributable to members		(1,875,651)	(2,968,572)	(1,877,446)	(2,968,572)
Loss per share:					
Basic (cents per share)	16	(3.60)	(9.01)	(3.60)	(9.01)

Diluted earnings per share have not been included as it results in a more favourable earnings per share figure than basic earnings per share.

Notes to the financial statements are included on pages 20 to 39.

Balance sheet
as at 30 June 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Current assets					
Cash and cash equivalents	24(a)	2,674,406	1,040,600	2,674,353	1,040,600
Trade and other receivables	6	59,120	44,785	57,325	44,785
Other financial assets	7	3,875	-	3,875	-
Total current assets		2,737,401	1,085,385	2,735,553	1,085,385
Non-current assets					
Trade and other receivables	8	-	2,392	50	2,392
Property, plant and equipment	9	40,493	35,303	40,493	35,303
Other financial assets	10	-	-	3	-
Total non-current assets		40,493	37,695	40,546	37,695
Total assets		2,777,894	1,123,080	2,776,099	1,123,080
Current liabilities					
Trade and other payables	11	112,404	85,027	112,404	85,027
Provisions	12	5,000	6,510	5,000	6,510
Total current liabilities		117,404	91,537	117,404	91,537
Total liabilities		117,404	91,537	117,404	91,537
Net assets		2,660,490	1,031,543	2,658,695	1,031,543
Equity					
Issued capital	13	7,821,433	4,592,027	7,821,433	4,592,027
Reserves	14	300,192	25,000	300,192	25,000
Accumulated losses	15	(5,461,135)	(3,585,484)	(5,462,930)	(3,585,484)
Total equity		2,660,490	1,031,543	2,658,695	1,031,543

Notes to the financial statements are included on pages 20 to 39.

Statement of Changes in Equity for the financial year ended 30 June 2006

Consolidated

For the year ended 30 June 2006	Attributable to equity holders Ordinary Shares $	Option Reserve $	Accumulated Losses $	Total Equity $
At beginning of year	4,592,027	25,000	(3,585,484)	1,031,543
Loss for the year	-	-	(1,875,651)	(1,875,651)
Issue of shares	3,488,320	-	-	3,488,320
Issue of options	-	275,192	-	275,192
Shares issue expenses	(258,914)	-	-	(258,914)
At end of year	7,821,433	300,192	(5,461,135)	2,660,490

For the year ended 30 June 2005	Attributable to equity holders Ordinary Shares $	Option Reserve $	Accumulated Losses $	Total Equity $
At beginning of year	4,569,977	-	(616,912)	3,953,065
Loss for the year	-	-	(2,968,572)	(2,968,572)
Issue of shares	15,000	-	-	15,000
Shares issue expenses	7,050	-	-	7,050
Equity settled payments	-	25,000	-	25,000
At end of year	4,592,027	25,000	(3,585,484)	1,031,543

Notes to the financial statements are included on pages 20 to 39.

Statement of Changes in Equity for the financial year ended 30 June 2006

Company

For the year ended 30 June 2006	Attributable to equity holders			
	Ordinary Shares $	Option Reserve $	Accumulated Losses $	Total Equity $
At beginning of year	4,592,027	25,000	(3,585,484)	1,031,543
Loss for the year	-	-	(1,877,446)	(1,877,446)
Issue of shares	3,488,320	-	-	3,488,320
Issue of options	-	275,192	-	275,192
Shares issue expenses	(258,914)	-	-	(258,914)
At end of year	7,821,433	300,192	(5,462,930)	2,658,695

For the year ended 30 June 2005	Attributable to equity holders			
	Ordinary Shares $	Option Reserve $	Accumulated Losses $	Total Equity $
At beginning of year	4,569,977	-	(616,912)	3,953,065
Loss for the year	-	-	(2,968,572)	(2,968,572)
Issue of shares	15,000	-	-	15,000
Shares issue expenses	7,050	-	-	7,050
Equity settled payments	-	25,000	-	25,000
At end of year	4,592,027	25,000	(3,585,484)	1,031,543

Notes to the financial statements are included on pages 20 to 39.

Cash flow statement
for the financial year ended 30 June 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Cash flows from operating activities					
Receipts from customers		-	-	-	-
Payments to suppliers and employees		(792,950)	(907,999)	(791,155)	(907,999)
Interest received		99,695	78,295	99,695	78,295
Payments for exploration and evaluation		(829,046)	(417,822)	(811,103)	(417,822)
Interest and other costs of finance paid		(166)	(1,003)	(166)	(1,003)
Net cash provided by/(used in) operating activities	24(c)	(1,522,467)	(1,248,529)	(1,502,729)	(1,248,529)
Cash flows from investing activities					
Payment for investment securities		(5,125)	(10,000)	(5,125)	(10,000)
Proceeds on sale of investment securities			13,250	-	13,250
Amounts advanced to related parties		-	-	(19,791)	-
Payment for property, plant and equipment		(15,400)	(7,004)	(15,400)	(7,004)
Net cash (used in)/provided by investing activities		(20,525)	(3,754)	(40,316)	(3,754)
Cash flows from financing activities					
Proceeds from issues of equity securities		3,433,320	-	3,433,320	-
Payment for share issue costs		(258,914)	7,050	(258,914)	7,050
Proceeds from borrowings		2,392	-	2,392	-
Net cash provided by/(used in) financing activities		3,176,798	7,050	3,176,798	7,050
Net increase/(decrease) in cash and cash equivalents		1,633,806	(1,245,233)	1,633,753	(1,245,233)
Cash and cash equivalents at the beginning of the financial year		1,040,600	2,285,833	1,040,600	2,285,833
Cash and cash equivalents at the end of the financial year	24(a)	2,674,406	1,040,600	2,674,353	1,040,600

Notes to the financial statements are included on pages 20 to 39.

1. Summary of accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 22 September 2006.

Basis of preparation

The financial report has 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.

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the company's financial position, financial performance and cash flows is discussed in note 26.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in note 26, the entity's date of transition, except for the accounting policies in respect of financial instruments.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(b) Employee benefits
Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

1. Summary of accounting policies (cont'd)

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

(c) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets

Shares and options held by the consolidated entity are classified as being available-for-sale and are stated at fair value less impairment. Fair value is determined in the manner described in note 25. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

Financial assets at fair value through profit or loss

The consolidated entity classifies certain shares as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss. Fair value is determined in the manner described in note 25.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

(d) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

1. Summary of accounting policies (cont'd)

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

1. Summary of accounting policies (cont'd)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Hannans Reward Ltd is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group as and when they arise.

(h) Intangible assets

Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred may be accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

(i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
(ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permit a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Notwithstanding the fact that a decision not to abandon an area of interest has been made, based on the above, the exploration and evaluation expenditure in relation to an area may still be written off if considered appropriate to do so.

1. Summary of accounting policies (cont'd)

(i) Joint ventures

Jointly controlled assets and operations

Interests in jointly controlled assets and operations are reported in the financial statements by including the entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

Jointly controlled entities

Interests in jointly controlled entities are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

(j) Operating cycle

The operating cycle of the entity coincides with the annual reporting cycle.

(k) Payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

(l) Presentation currency

The entity operates entirely within Australia and the presentation currency is Australian dollars.

(m) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in note 20 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(n) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on plant and equipment. Depreciation is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate (%)
• Office furniture	11.25
• Office equipment	7.50 – 50.00
• Motor vehicle	18.75

1. Summary of accounting policies (cont'd)

(o) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(p) Revenue recognition

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(q) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the Black and Scholes model or binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(r) Comparative information – financial instruments

The entity has elected not to restate comparative information for financial instruments within the scope of Accounting Standards AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement', as permitted on the first-time adoption of A-IFRS.

The accounting policies applied to accounting for financial instruments in the current financial year are detailed above. The following accounting policies were applied to accounting for financial instruments in the comparative financial year:

(a) Accounts payable

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

(b) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

1. Summary of accounting policies (cont'd)

(c) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

Effect of changing the accounting policies for financial instruments

There was no effect as a result of changes in the accounting policies for financial instruments on the balance sheet as at 1 July 2005.

(s) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates — impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. No impairment has been recognised in respect of exploration and evaluation for the year ended 30 June 2006. Exploration and evaluation expenditure is not capitalised and is put through the profit and loss.

— share based payments

One of the inputs into the option valuation model is volatility of the underlying share price which is estimated on the two year history of the share price and has been estimated at approximately 100%.

Vesting terms for options have also been estimated by Directors as being a two year period for options granted but subject to a conditional event, being the share price reaching 25 cents per share.

Key judgments — doubtful debts provision

The directors believe that the intercompany loan from Hannans Reward Ltd to Errawarra Pty Ltd, if recoverable, would only be recoverable in the long term and have therefore provided for the full amount as at 30 June 2006.

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
2. Loss from operations				
(a) Revenue				
Interest revenue:	99,695	78,295	99,695	78,295
(b) Loss before income tax				
Profit/(loss) before income tax has been arrived at after crediting/ (charging) the following gains and losses from continuing and discontinued operations:				
Gain/(loss) on disposal of investments	-	3,250	-	3,250

2. Loss from operations (cont'd)

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Profit/(loss) before income tax has been arrived at after charging the following expenses. The line items below combine amounts attributable to both continuing operations and discontinued operations:				
Provision for recoverability of loan to subsidiary	-	-	19,741	-
Finance costs:				
Other interest expense	166	1,003	166	1,003
Depreciation of non-current assets	10,210	10,133	10,210	10,133
Operating lease rental expenses:				
Minimum lease payments	54,106	54,281	54,106	54,281
Employee benefit expense includes:				
Post employment benefits:				
Defined contribution plans	26,545	21,777	26,545	21,777
Share-based payments:				
Equity settled share-based payments	275,192	15,000	275,192	15,000

3. Income taxes

(a) Income tax recognised in profit or loss

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Tax expense/(income) comprises:				
Current tax expense/(income)	-	-	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-	-	-
Total tax expense/(income)	-	-	-	-
The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:				
Loss from operations	(1,875,651)	(2,968,572)	(1,877,446)	(2,968,572)
Income tax benefit calculated at 30%	(562,695)	(890,572)	(563,234)	(890,572)
Non-deductible expenses	16,404	12,775	16,404	12,775
Unused tax losses and temporary differences not recognised as deferred tax assets	546,291	877,797	546,830	877,797
Income tax attributable to operating loss	-	-	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

3. Income taxes (cont'd)

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Unrecognised deferred tax balances				
The following deferred tax assets and (liabilities) have not been brought to account :				
Tax losses – revenue	1,302,727	906,389	1,297,343	906,389
Tax losses – capital	1,871	-	1,871	-
Net temporary differences	387,992	323,061	387,992	323,061
	1,692,590	1,229,450	1,687,206	1,229,450

Tax consolidation

Relevance of tax consolidation to the consolidated entity

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Hannans Reward Ltd. The members of the tax-consolidated group are identified at note 20.

4. Key management personnel remuneration

The directors of Hannans Reward Ltd during the year were:

- Richard Scallan
- Ernest Dechow
- William Hicks
- Damian Hicks
- Terrence Grammer

There were no executives of Hannans Reward Ltd during the year.

(a) Key management personnel remuneration

The Board policy for determining emoluments is based on the principle of remunerating directors and senior executives on their ability to add value to the Company (taking into account the Company's strategic plan and operations) whilst also considering market emolument packages for similar positions within the industry and in consultation with external consultants. The Board appreciates the interrelationship between this policy and Company performance. It acknowledges that it is in the best interests of shareholders to provide challenging but achievable incentives to reward senior executives for reaching the Company's stated goals. The Board will discuss these issues internally and with candidates prior to engaging additional directors or senior executives in the future.

Directors' remuneration

	Short Term			Post-employment			Equity*	Other	Total
2006	Salary & fees $	Bonus $	Non-monetary $	Super-annuation $	Pre-scribed benefits $	Other $	Options $	bene-fits* $	$
Richard Scallan	26,400	-	-	2,160	-	-	-	-	28,560
Ernest Dechow	26,400	-	-	-	-	-	-	-	26,400
William Hicks	-	-	-	69,000	-	-	-	-	69,000
Damian Hicks	131,306	-	-	11,818	-	-	110,040	-	253,164
Terrence Grammer	91,841	-	-	8,248	-	-	110,040	-	210,129
Total	275,947	-	-	91,226	-	-	220,080	-	587,253

Terrence Grammer and Damian Hicks are the Company's Executive Directors. The Board has approved two year (expiring 31 December 2007) remuneration packages for each Executive Director, of equal value, generally comprising $150,000 per annum (inclusive of superannuation entitlements) and reimbursement of work related expenses.

4. Key management personnel remuneration (cont'd)

Elements of remuneration related to performance

During the year the Board approved the issue to each of Terrence Grammer and Damian Hicks, 1,500,000 options exercisable into 1,500,000 ordinary shares in Hannans Reward Ltd at an exercise price of 20 cents per ordinary share. The options can be exercised on or before 31 March 2010.

	Short Term			Post-employment			Equity*	Other	Total
	Salary & fees	Bonus	Non-monetary	Super-annua-tion	Pre-scribed benefits	Other	Options	bene-fits*	
2005	$	$	$	$	$	$	$	$	$
Richard Scallan	26,400	-	-	2,160	-	-	-	-	28,560
Ernest Dechow	26,400	-	-	-	-	-	-	-	26,400
William Hicks	-	-	-	75,210	-	-	-	-	75,210
Damian Hicks	125,000	-	-	11,250	-	-	15,000	-	151,250
Total	246,800	-	-	19,620	-	-	15,000	-	281,240

The following share-based payment arrangements were in existence during the period:

Options series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
31 March 2010	3,000,000	31 March 2006	31 March 2010	0.20	0.0734

The fair value of the share options granted during the financial year is $220,080 (2005: $15,000). Options were priced using a Black and Scholes model. The expected life used in the model has not been adjusted. Expected volatility is based on the movement of the underlying share price around its average price over the previous 12 months. No allowance has been made for the effects of early exercise.

Inputs into the model	Option series 31 March 2010
Grant date share price	12 cents
Exercise price	20 cents
Expected volatility	96.4
Option life	4 years
Dividend yield	Nil
Risk-free interest rate	5.34

The following reconciles the outstanding share options granted at the beginning and end of the financial year:

	2006		2005	
	Number of options	Exercise price $	Number of options	Exercise price $
Balance at beginning of the financial year	1,000,000	0.20	-	-
Granted during the financial year	3,000,000	0.20	1,000,000	0.20
Balance at end of the financial year (ii)	4,000,000	0.20	1,000,000	0.20
Exercisable at end of the financial year	4,000,000	0.20	1,000,000	0.20

(ii) Balance at end of the financial year

The share options outstanding at the end of the financial year had an exercise price of $0.20 and a weighted average remaining contractual life of 3.75 years.

5. Remuneration of auditors

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Audit or review of the financial report	18,795	12,509	18,795	12,509
	18,795	12,509	18,795	12,509

The auditor of Hannans Reward Ltd is Stantons International.

6. Current trade and other receivables

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Other debtors	36,338	7,755	36,338	7,755
Goods and services tax (GST) recoverable	22,782	37,030	20,987	37,030
	59,120	44,785	57,325	44,785

7. Other current financial assets

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Investments in quoted companies	3,875	-	3,875	-
	3,875	-	3,875	-

8. Non-current trade and other receivables

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Loans to subsidiaries	-	-	19,791	-
Provision for non recoverability	-	-	(19,741)	-
Loans to third parties	-	2,392	-	2,392
	-	2,392	50	2,392

9. Property, plant and equipment

	Consolidated		
	Office furniture and equipment at cost $	Motor Vehicle $	Total $
Gross carrying amount			
Balance at 1 July 2004	18,457	24,000	42,457
Additions	7,004	-	7,004
Disposals	-	-	-
Balance at 1 July 2005	25,461	24,000	49,461
Additions	15,400	-	15,400
Disposals	-	-	-
Balance at 30 June 2006	40,861	24,000	64,861
Accumulated depreciation/ amortisation and impairment			
Balance at 1 July 2004	1,980	2,045	4,025
Depreciation expense	6,016	4,117	10,133
Balance at 1 July 2005	7,996	6,162	14,158
Depreciation expense	6,865	3,345	10,210
Balance at 30 June 2006	14,861	9,507	24,368
Net book value			
As at 30 June 2005	17,465	17,838	35,303
As at 30 June 2006	26,000	14,493	40,493

9. Property, plant and equipment (cont'd)

	Company		
	Office furniture and equipment at cost $	Motor Vehicle $	Total $
Gross carrying amount			
Balance at 1 July 2004	18,457	24,000	42,457
Additions	7,004	-	7,004
Disposals	-	-	-
Balance at 1 July 2005	25,461	24,000	49,461
Additions	15,400	-	15,400
Disposals	-	-	-
Balance at 30 June 2006	40,861	24,000	64,861
Accumulated depreciation/ amortisation and impairment			
Balance at 1 July 2004	1,980	2,045	4,025
Depreciation expense	6,016	4,117	10,133
Balance at 1 July 2005	7,996	6,162	14,158
Depreciation expense	6,865	3,345	10,210
Balance at 30 June 2006	14,861	9,507	24,368
Net book value			
As at 30 June 2005	17,465	17,838	35,303
As at 30 June 2006	26,000	14,493	40,493

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
Office furniture and equipment	6,865	6,016	6,865	6,016
Motor vehicle	3,345	4,117	3,345	4,117
	10,210	10,133	10,210	10,133

10. Other non-current financial assets

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Shares in controlled entities	-	-	3	-

11. Current trade and other payables

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Trade payables (i)	82,398	73,027	82,398	73,027
Other	30,006	12,000	30,006	12,000
	112,404	85,027	112,404	85,027

(i) The average credit period on purchases of goods and services is 30 days. No interest is charged on the trade payables for the first 30 to 60 days from the date of the invoice. Thereafter, interest is charged at various penalty rates. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

12. Current provisions

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Employee benefits	5,000	6,510	5,000	6,510
	5,000	6,510	5,000	6,510

13. Issued capital

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
67,814,233 fully paid ordinary shares (2005: 33,016,503)	7,821,433	4,592,027	7,821,433	4,592,027
	7,821,433	4,592,027	7,821,433	4,592,027

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2006 No.	2006 $	2005 No.	2005 $
Fully paid ordinary shares				
Balance at beginning of financial year	33,016,503	4,592,027	32,916,503	4,569,977
Acquisition of licenses - 15 March 2005			100,000	15,000
Placement of shares – 8 November 2005	4,400,000	440,000	-	-
Rights issue prospectus – 15 December 2005	29,933,202	2,993,320	-	-
Interest acquired in JV tenements – 10 April 2006 (i)	464,528	55,000	-	-
Share issue costs	-	(258,914)	-	7,050
Balance at end of financial year	67,814,233	7,821,433	33,016,503	4,592,027

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(i) The fair value was determined by reference to the trading price of the shares at the time of negotiating the acquisition.

14. Reserves

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Option reserve	300,192	25,000	300,192	25,000
	300,192	25,000	300,192	25,000
Option reserve				
Balance at beginning of financial year	25,000	-	25,000	-
Acquisition of licences - 15 March 2005	-	10,000	-	10,000
Directors remuneration - 3 April 2006 (2005: 16 June 2005)	220,080	15,000	220,080	15,000
Payment for services rendered – May 2006	34,862	-	34,862	-
Pursuant to an employee incentive scheme – May 2006	20,250	-	20,250	-
Balance at end of financial year	300,192	25,000	300,192	25,000

Share options

As at 30 June 2006, options over 4,750,000 ordinary shares in aggregate are as follows:

Share options on issue at year end or exercised during the year

Details of unissued shares or interests under option are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Hannans Reward Ltd	1,000,000	Ordinary	20 cents each	31 March 2008
Hannans Reward Ltd	250,000	Ordinary	20 cents each	2 May 2008
Hannans Reward Ltd	3,000,000	Ordinary	20 cents each	31 March 2010
Hannans Reward Ltd	500,000	Ordinary	20 cents each	30 April 2010

Share options are all unlisted, carry no rights to dividends and no voting rights.

During the year 17,048,494 listed options with an exercise price of 20 cents each and exercisable on or before 31 March 2006 expired.

15. Accumulated losses

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Balance at beginning of financial year	(3,585,484)	(616,912)	(3,585,484)	(616,912)
(Loss) attributable to members of the parent entity	(1,875,651)	(2,968,572)	(1,877,446)	(2,968,572)
Balance at end of financial year	(5,461,135)	(3,585,484)	(5,462,930)	(3,585,484)

16. Loss per share

	Consolidated 2006 Cents per share	Consolidated 2005 Cents per share
Basic loss per share:		
From continuing operations	(3.60)	(9.01)
Total basic earnings per share	(3.60)	(9.01)

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2006 $	2005 $
Earnings (a)	(1,875,651)	(2,968,572)

	2006 No.	2005 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	52,096,140	32,931,845

(a) Earnings used in the calculation of total basic earnings per share and basic earnings per share from continuing operations reconciles to net loss in the income statement as follows:

	Consolidated 2006 $	Consolidated 2005 $
Net loss	(1,875,651)	(2,968,572)
Other	-	-
Earnings used in the calculation of basic EPS	(1,875,651)	(2,968,572)

17. Commitments for expenditure

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Exploration, evaluation & development (expenditure commitments)				
Not longer than 1 year	474,056	401,780	474,056	401,780
Longer than 1 year and not longer than 5 years	455,422	1,607,120	455,422	1,607,120
Longer than 5 years	32,396	-	32,396	-
	961,874	2,008,900	961,874	2,008,900
Exploration, evaluation & Development (Joint Venture expenditure commitments 50%)				
Not longer than 1 year	24,612	-	24,612	-
Longer than 1 year and not longer than 5 years	73,836	-	73,836	-
Longer than 5 years	61,530	-	61,530	-
	159,978	-	159,978	-

18. Contingent liabilities and contingent assets

In the opinion of the directors, there are no contingent liabilities as at 30 June 2006 and none were incurred in the interval between the year end and the date of this financial report.

19. Jointly controlled operations and assets

Name of entity	Principal activity	Output interest 2006 %	Output interest 2005 %
Forrestania	Exploration	50%	-

The consolidated entity's interest in assets employed in the above jointly controlled operation is included in the Company and consolidated financial statements but do not form part of the total assets as the expenditure exploration, evaluation and development is expensed.

Contingent liabilities and capital commitments

The contingent liabilities and capital commitments arising from the consolidated entity's interests in joint ventures are disclosed in notes 17 and 18 respectively.

20. Subsidiaries

Name of entity	Country of Incorporation	Ownership Interest 2006 %	Ownership Interest 2005 %
Parent entity:			
Hannans Reward Ltd (i)	Australia		
Subsidiaries:			
HR Subsidiary Pty Ltd	Australia	100%	100%
Errawarra Pty Ltd (ii)	Australia	100%	100%

(i) Hannans Reward Ltd is the head entity within the tax consolidated group. All the companies are members of the tax consolidation group.

(ii) The 100% interest in Errawarra Pty Ltd is held via HR Subsidiary Pty Ltd.

21. Segment information

The Company operates predominantly in one geographical segment, being Western Australia, and in one industry, mineral mining and exploration.

22. Related party disclosures

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 20 to the financial statements.

Equity interests in associates and joint ventures

Details of interests in associates and joint ventures are disclosed in note 19 to the financial statements.

(b) Key management personnel remuneration

Details of key management personnel remuneration are disclosed in note 4 to the financial statements.

(c) Key management personnel equity holdings

Fully paid ordinary shares of Hannans Reward Ltd

	Balance@ 1/7/05	Granted as remuneration	Received on exercise of options	Net other change	Balance@ 30/6/06
	No.	No.	No.	No.	No.
Directors					
Richard Scallan	-	-	-	-	-
Ernest Dechow	2,600,001	-	-	500,000	3,100,001
William Hicks	6,126,249	-	-	5,027,000	11,153,249
Damian Hicks	1,906,001	-	-	372,400	2,278,401
Terrence Grammer	-	-	-	3,675,000	3,675,000
	10,632,251	-	-	9,574,400	20,206,651

Share options of Hannans Reward Ltd

	Bal @ 1/7/05	Granted as remu-neration	Exer-cised	Net other change	Bal @ 30/06/06	Bal vested @ 30/06/06	Vested but not exerci-sable	Vested and exerci-sable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Directors									
Richard Scallan	200,000	-	-	(200,000)	-	-	-	-	-
Ernest Dechow	1,300,000	-	-	(1,300,000)	-	-	-	-	-
William Hicks	3,602,770	-	-	(3,602,770)	-	-	-	-	-
Damian Hicks	1,953,000	1,500,000	-	(953,000)	2,500,000	2,500,000	-	2,500,000	1,500,000
Terrence Grammer	-	1,500,000	-	-	1,500,000	1,500,000	-	1,500,000	1,500,000
	7,055,770	3,000,000	-	(6,055,770)	4,000,000	4,000,000	-	4,000,000	3,000,000

During the financial year, no options were exercised by specified directors for ordinary shares in Hannans Reward Ltd.

Further details of the share options granted during the financial year is contained in note 4 to the financial statements.

22. Related party disclosures (cont'd)

	Consolidated 2006 $	Consolidated 2005 $

(d) Other transactions with specified directors

The loss from operations includes the following items of revenue and expense that resulted from transactions other than remuneration, loans or equity holdings, with specified directors or their personally-related entities:

	2006 $	2005 $
Rental expense (85 Maritana Street, Kalgoorlie)	25,221	25,381
Total recognised as expenses	25,221	25,381

(e) Transactions with other related parties

Other related parties include:

- the parent entity;
- entities with joint control or significant influence over the consolidated entity;
- associates;
- joint ventures in which the entity is a venturer;
- subsidiaries;
- former key management personnel; and
- other related parties.

Amounts receivable from and payable to these related parties are disclosed in notes 6 to 8 to the financial statements. All loans advanced to and payable to related parties are unsecured and subordinate to other liabilities. No interest is charged on the outstanding intercompany loan balance during the financial year, Hannans Reward Ltd received interest of nil (2005: Nil) from loans to subsidiaries, and paid interest of nil (2005: Nil) to subsidiaries.

(f) Parent entities

The ultimate parent entity in the consolidated entity is Hannans Reward Ltd.

23. Subsequent events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

24. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Cash and cash at bank	85,871	31,493	85,818	31,493
Term deposit	2,588,535	1,009,107	2,588,535	1,009,107
	2,674,406	1,040,600	2,674,353	1,040,600

24. Notes to the cash flow statement (cont'd)

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
(b) Non-cash financing and investing activities				
Acquisition of tenement interests	55,000	15,000	55,000	15,000
(c) Reconciliation of loss for the year to net cash flows from operating activities				
Loss for the year	(1,875,651)	(2,968,572)	(1,877,446)	(2,968,572)
(Gain)/loss on sale or disposal of non-current assets	-	(3,250)	-	(3,250)
(Gain)/loss on revaluation of fair value through profit or loss financial assets	1,250	-	1,250	-
Depreciation and amortisation of non-current assets	10,210	10,133	10,210	10,133
Equity settled share-based payment	275,192	15,000	275,192	15,000
Exploration expenditure written off	55,000	2,067,350	55,000	2,067,350
Exploration expenditure incurred	-	(417,822)	-	(417,822)
Provision for loan to subsidiary	-	-	19,741	-
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Trade and other receivables	(14,335)	53,078	(12,543)	53,078
Increase/(decrease) in liabilities:				
Trade and other payables and provisions	25,867	(4,446)	25,867	(4,446)
Net cash from operating activities	(1,522,467)	(1,248,529)	(1,502,729)	(1,248,529)

25. Financial instruments

(a) Financial risk management objectives

The consolidated entity's manages the financial risks relating to the operations of the consolidated entity.

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the consolidated entity's board of directors.

The consolidated entity's activities expose it primarily to the financial risks of changes in interest rates. The consolidated entity does not enter into derivative financial instruments to manage its exposure to interest rate.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(c) Foreign currency risk management

The group does not transact in foreign currencies, hence no exposure to exchange rate fluctuations arise.

25. Financial instruments (cont'd)

(d) Interest rate risk management

The consolidated entity is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate products which also facilitate access to money.

Maturity profile of financial instruments

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2006:

	Weighted average effective interest rate	Variable interest rate	Fixed maturity dates			Non interest bearing	Total
			Less than 1 year	1-5 years	5+ years		
2006	%	$	$	$	$	$	$
Financial assets:							
Cash and cash equivalents	4.5%	85,619	2,588,534	-	-	253	2,674,406
Trade and other receivables		-	-	-	-	59,120	59,120
Shares and options		-	-	-	-	3,875	3,875
		85,619	2,588,534	-	-	63,248	2,737,401
Financial liabilities:							
Trade and other payables		-	-	-	-	112,404	112,404
Employee benefits		-	-	-	-	5,000	5,000
		-	-	-	-	117,404	117,404

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2005:

	Weighted average effective interest rate	Variable interest rate	Maturity dates			Non interest bearing	Total
			Less than 1 year	1-5 years	More than 5 years		
2005	%	$	$	$	$	$	$
Financial assets:							
Cash and cash equivalents		31,293	1,009,107	-		200	1,040,600
Trade and other receivables		-	-	-		47,177	47,177
		31,293	1,009,107	-		47,377	1,087,777
Financial liabilities:							
Trade and other payables		-	-	-		85,027	82,027
		-	-	-		85,027	85,027

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity exposure and the credit ratings of its counterparties are continuously monitored. The consolidated entity measures credit risk on a fair value basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(e) Fair value of financial instruments

Except as detailed in the following table, the directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values (2005: net fair value).

25. Financial instruments (cont'd)

The fair values and net fair values of financial assets and financial liabilities are determined as follows :

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

(f) Liquidity risk management

The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

26. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition, except for financial instruments, where the date of transition is 1 July 2005 (refer note 1).

The transition from superseded policies to A-IFRS has not impacted the company and consolidated entity's financial position as at 1 July 2004 and 30 June 2005 and, financial performance and cash flows for the year ended 30 June 2005.

Capital Structure

Substantial holders

Hannans Reward Ltd has received substantial shareholders notices from:

Name	*Number of shares*	*Percentage of issued capital*
William Hicks	11,153,249	16.4%
Craton Capital	5,946,000	8.7%
Terrence Grammer	3,675,000	5.4%

Issued Capital

The Hannans Reward Ltd issued capital is as follows:

Security Description	*Number*	*Holders*	*Voting Rights*
Ordinary fully paid shares	68,014,233	588	Full
Options expiring 31 March 2008, exercisable at 20 cents	1,000,000	1	Nil
Options expiring 31 March 2010, exercisable at 20 cents	3,000,000	2	Nil
Options expiring 2 May 2008, exercisable at 20 cents	250,000	1	Nil
Options expiring 30 April 2010, exercisable at 20 cents	500,000	2	Nil

Distribution Schedule

Range of Shares as at 31 August 2006

Range	**Total Holders**	**Units**	**% Issued Capital**
1 - 1,000	6	3,080	0.00
1,001 - 5,000	41	154,619	0.23
5,001 - 10,000	100	902,984	1.33
10,001 - 100,000	345	14,207,578	20.95
100,001 - 9,999,999,999	76	52,545,972	77.49
Rounding			0.00
Total	568	67,814,233	100.00

Unmarketable Parcels

Unmarketable Parcels as at 31 Aug 2006

	Minimum parcel size	**Holders**	**Units**
Minimum $ 500.00 parcel at $ 0.21 per unit	2,381	8	6,180

Top 20 Shareholders

As at 28 September 2006

Rank	Name	Units	% of Issued Capital
1	Anz Nominees Limited Cash Income A/C	8,686,451	12.77
2	Marfield Pty Limited	8,678,247	12.76
3	Mr Terrence Ronald Grammer	3,675,000	5.40
4	Susern Holdings Pty Ltd	2,600,000	3.82
5	Mossisberg Pty Ltd	2,250,000	3.31
6	Mr Damian Peter Hicks	2,008,401	2.95
7	Mandies Meats Pty Ltd Number 2 A/C	2,000,000	2.94
8	Kanaslex Pty Limited	1,400,000	2.06
9	Mr Frank Cannavo	1,270,720	1.87
10	Mr James Laurence Berry	1,170,000	1.72
11	Avania Nominees Pty Ltd	1,000,000	1.47
12	Perth Select Seafoods Pty Ltd	1,000,000	1.47
13	Bonord Pty Ltd C W Hulls & Co Super Fund	900,000	1.32
14	Planet Capital Pty Ltd	850,000	1.25
15	Mr Trevor Frederick Wills Mrs June Kelly Wills The Wills Super Fund A/C	587,109	0.86
16	Mr Anthony Cannavo Mr Frank Cannavo	550,000	0.81
17	Australian Executor Trustees Limited No 1 Account	544,000	0.80
18	Mr Glenn Baker	520,000	0.76
19	Mr Ernest Dechow	500,001	0.74
20	E H & P Investments Ag	500,000	0.74
	Top 20 holders of ordinary shares as at 28 Sep 2006	40,689,929	59.82

Tenement List

Tenement Type & No.	Interest	Project
M77/544	50% of gold rights only – Joint venture with Cullen Resources Ltd	Forrestania
E77/514	50% - Joint venture with Cullen Resources Ltd	Forrestania
P77/3055	As above	Forrestania
M77/875	As above	Forrestania
M77/1029	As above	Forrestania
M77/1030	As above	Forrestania
E77/1327	As above	Forrestania
P77/3582	As above	Forrestania
P77/3583	As above	Forrestania
P77/3584	As above	Forrestania
P77/3588	As above	Forrestania
P77/3585	As above	Forrestania
P77/3586	As above	Forrestania
P77/3587	As above	Forrestania
E77/1354	As above	Forrestania
P77/3608	As above	Forrestania
P77/3609	As above	Forrestania
P77/3610	As above	Forrestania
P77/3611	As above	Forrestania
P77/3612	As above	Forrestania
P77/3613	As above	Forrestania
P77/3607	As above	Forrestania
E52/1813	100%	Jigalong
E52/1812	100%	Jigalong
E52/1819	100%	Jigalong
E69/2235	100%	Jigalong
E52/1958	100%	Jigalong
P63/01206	90%	Lake Johnston
P63/01203	90%	Lake Johnston
P63/01204	90%	Lake Johnston
P63/01205	90%	Lake Johnston
P63/01209	90%	Lake Johnston
P63/01207	90%	Lake Johnston
P63/01208	90%	Lake Johnston
M63/623	90%	Lake Johnston
M63/624	90%	Lake Johnston
P37/4206	100	Leonora
M37/389	90	Leonora
P37/5148	100	Leonora
P37/5149	100	Leonora
P37/5150	100	Leonora
P37/5151	100	Leonora
M37/597	100	Leonora
P37/5750	Option to acquire 90%	Leonora
P37/5751	Option to acquire 90%	Leonora
P37/5749	Option to acquire 90%	Leonora
P37/5752	Option to acquire 90%	Leonora
P37/5753	Option to acquire 90%	Leonora
P37/5903	90	Leonora
P37/5909	90	Leonora
P37/5910	90	Leonora
P37/5912	90	Leonora
P37/5917	90	Leonora
P37/5924	90	Leonora
P37/5922	90	Leonora
P37/5923	90	Leonora

P37/5926	90	Leonora
P37/5927	90	Leonora
P37/5928	90	Leonora
P37/5929	90	Leonora
P37/5930	90	Leonora
P37/5931	90	Leonora
M37/1015	100	Leonora
P37/6035	90	Leonora
P37/6036	90	Leonora
P37/6149	90	Leonora
P37/6299	90	Leonora
P37/6300	90	Leonora
P37/6301	90	Leonora
P37/6302	90	Leonora
P37/6426	100	Leonora
P37/6427	100	Leonora
P37/6428	100	Leonora
P37/6431	100	Leonora
P37/6433	100	Leonora
M37/1187	90	Leonora
M37/1188	90	Leonora
M37/1195	90	Leonora
P37/6708	90	Leonora
P37/6785	90	Leonora
P37/6786	90	Leonora
M37/1236	90	Leonora
P37/6429	100	Leonora
P37/6430	100	Leonora
P37/6432	100	Leonora
L37/149	90	Leonora
M37/1262	90	Leonora
M37/1263	100	Leonora
M37/1264	100	Leonora
M37/1265	100	Leonora
M37/1266	90	Leonora
M37/1267	90	Leonora
M37/1268	90	Leonora
M37/1269	90	Leonora
P15/4065	100	Queen Victoria Rocks
P15/4066	100	Queen Victoria Rocks
P15/4096	100	Queen Victoria Rocks
P15/4097	100	Queen Victoria Rocks
E15/734	100	Queen Victoria Rocks
E15/755	100	Queen Victoria Rocks
M15/1766	100	Queen Victoria Rocks
M15/1767	100	Queen Victoria Rocks
E15/921	100	Queen Victoria Rocks
E15/913	100	Queen Victoria Rocks
E15/788	Option to acquire 85%	South Dam