



HANNANS REWARD

Exploring for Gold and Base Metals

ANNUAL REPORT 2010

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Independent Non-Executive Chairman

Mr Richard Scallan

Managing Director

Mr Damian Hicks

Non-Executive Director

Mr William Hicks

Non-Executive Director

Mr Jonathan Murray

Company Secretary

Mr Ian Gregory

Mr Michael Craig

Principal Office

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West Perth, Western Australia 6005

Registered Office

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Social Network Sites

Twitter – hannansreward

Facebook – Hannans Reward

Share Registry

Computershare

Level 2, 45 St George's Terrace

Perth, Western Australia, 6000

1300 557 010 (Telephone)

Auditors

Stantons International

Level 1, 1 Havelock Street

West Perth, Western Australia 6005

Lawyers

Steinepreis Paganin

Level 4, The Read Buildings

16 Milligan Street

Perth, Western Australia 6000

The Directors of Hannans Reward Ltd (Hannans) submit their annual financial report of the Group being the Company and its controlled entities for the financial year ended 30 June 2010.

STRATEGIC PLAN

VISION

Our vision is to build a successful exploration and production company.

MISSION

Our mission is to develop a company that has a material interest in a portfolio of mineral projects that are being rapidly progressed whether they are exploration, development or production assets.

We recognise that a professional, knowledgeable and ethical team of directors, employees and consultants is the key to our business.

Our focus is to provide shareholders with a satisfactory return on investment by managing our people, projects and capital in an entrepreneurial and responsible manner.

GOALS

People

1. To attract and retain a professional, knowledgeable and ethical team of experts whilst empowering staff at all levels.
2. To continuously build an understanding of our strategic partners' needs and wants and thereafter conduct business in a fair, transparent and ethical manner.

Capital

1. To create shareholder wealth over the short, medium and long term as measured by the potential of our prospects, the strength of our balance sheet, profitability of the business and share price.
2. To maintain sufficient funding strategies to implement exploration programs over the long-term through the peaks and troughs in exploration sentiment and commodity prices.

Projects

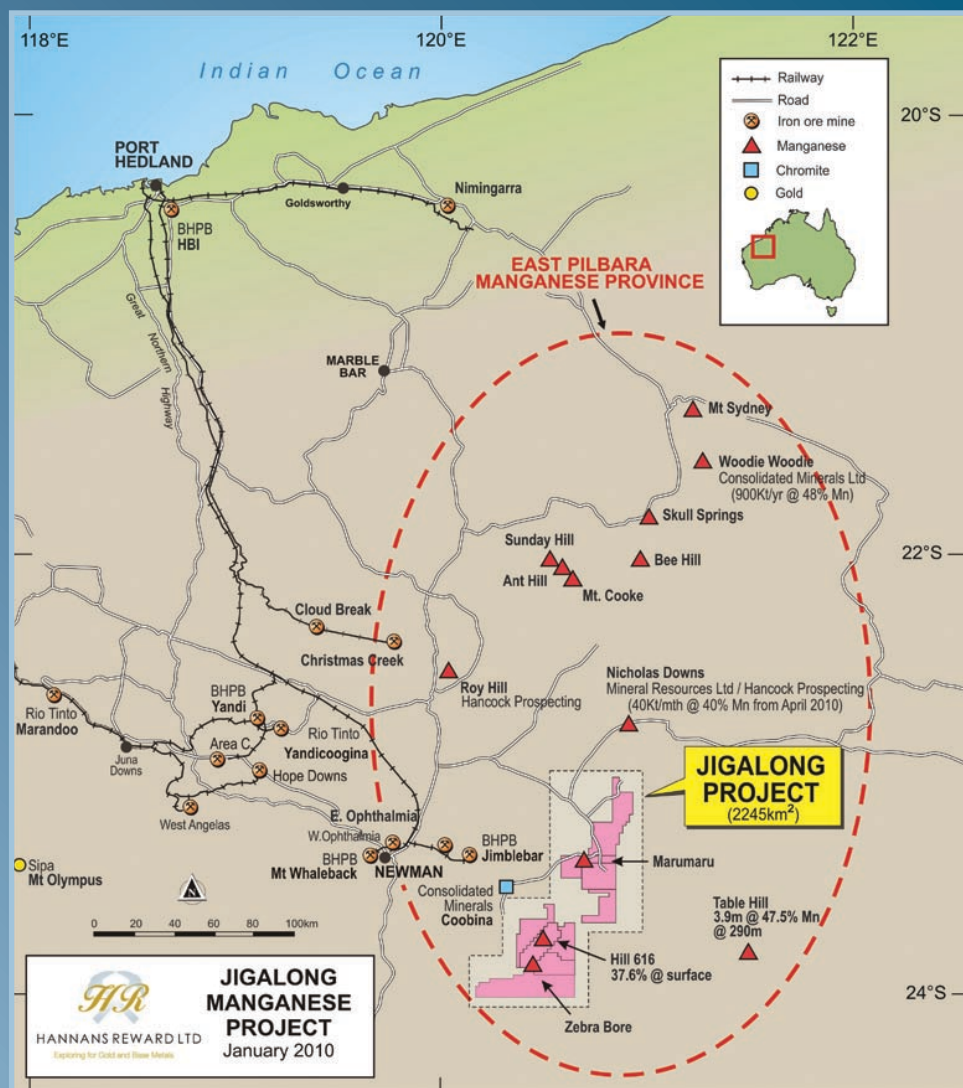
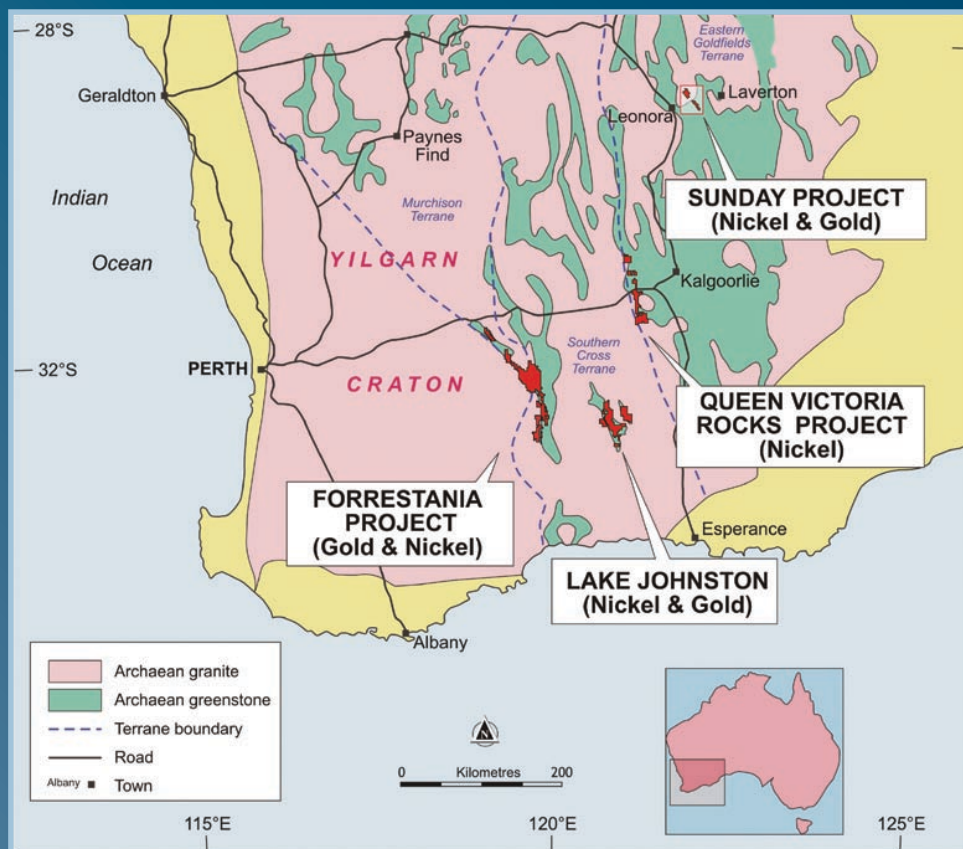
1. To access highly prospective natural resource exploration opportunities both within Australia and overseas.
2. To implement an effective acquisition program that secures access to prospects with the potential to host significant natural resource deposits.
3. To add value by identifying, accessing and exploring prospects that have potential to host significant deposits and then seek partners to diversify project risk.
4. To retain a material financial interest in prospects but not necessarily an operational responsibility.
5. To conduct our affairs in a responsible manner taking into account various stakeholder rights and beliefs.

STRATEGY

Ultimately, Hannans is aiming to identify a world-class gold and or base metals deposit.

It is Management's opinion that Hannans' projects have the potential to host such deposits.

In the first instance exploration strategies have been developed to identify more than 250,000 ounces of gold and or 30,000 tonnes of contained nickel metal to form the basis for potential development of mining scenarios.



MANAGING DIRECTORS' REPORT



Thank you for supporting Hannans Reward.

Hannans has built a very strong foundation from which to become a successful exploration and production company and we're focused on extracting the maximum from our people, projects and capital to achieve this vision.

PEOPLE

We continued to develop a professional team of employees and consultants during 2010. Importantly we welcomed Mr. Jonathan Murray to the Board of Directors and Mr. Don Huntly to the role of Exploration Manager. Both Jonathan and Don are experts in their respective fields of Law and Geoscience and Shareholders can expect big contributions from both of them.

Exploration strategies are now being developed and managed by Don Huntly. Prior to joining Hannans in July 2010, Don consulted to Hannans for 6 months, was Exploration Manager for Xstrata Nickel Australasia for 1 year and District Exploration Manager, Jubilee Mines Ltd for 4 years. Don's career as a geologist has included mining and exploration for gold and nickel in Western Australia and the Northern Territory. He has been continually employed in the mining industry for over 20 years and was actively involved with the discovery of a number of nickel deposits in the Leinster nickel camp as well as playing a principal role in the discovery of the Sinclair nickel sulphide deposit.



It's great to be working with Don and we welcome shareholders to contact Don to discuss any aspects of his exploration activities for Hannans.

PROJECTS

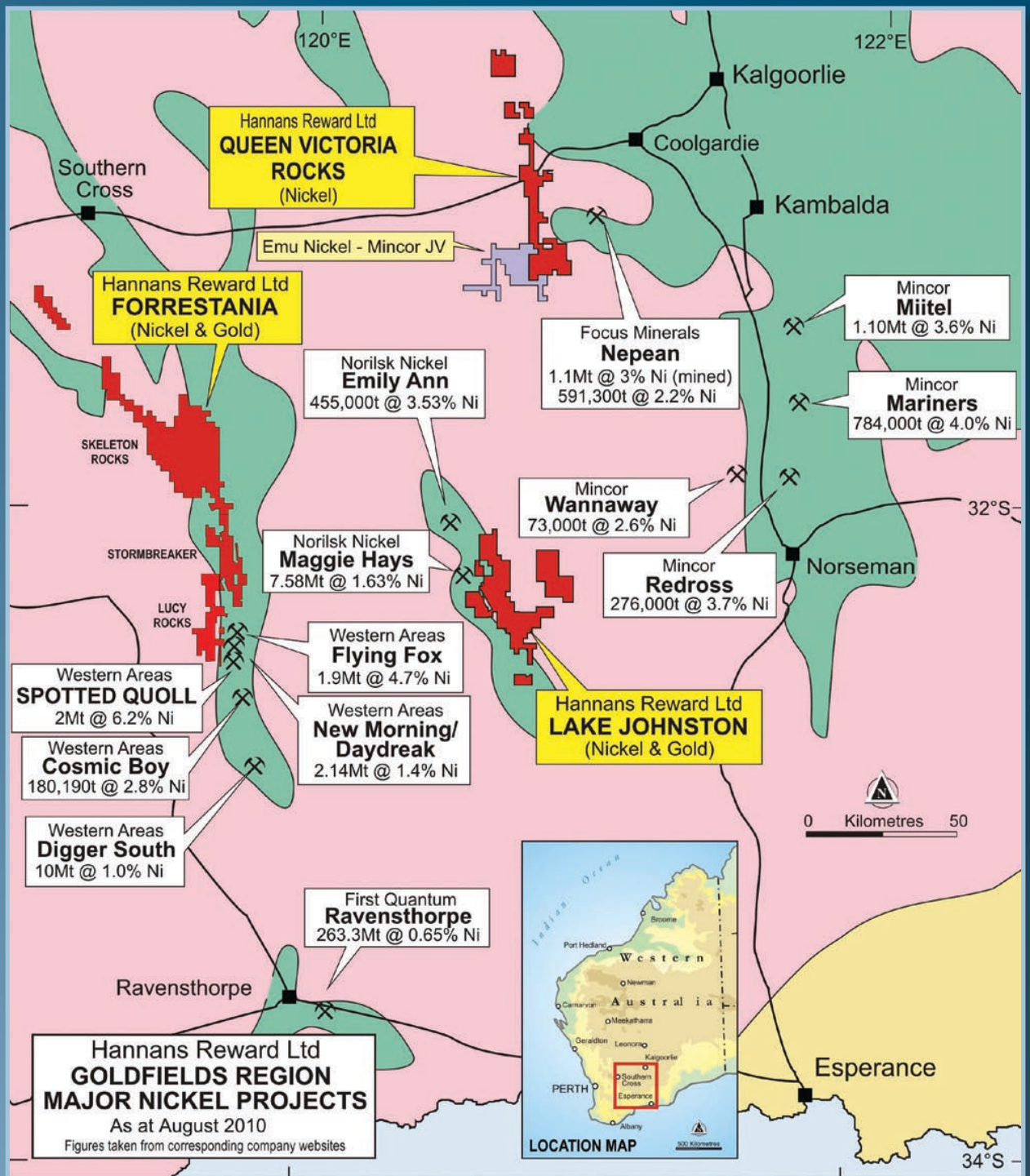
Hannans has three major nickel and gold exploration projects, namely the Forrestania Project (located south of Southern Cross Western Australia), the Lake Johnston project (located west of Norseman, Western Australia) and the Queen Victoria Rocks Project (located west of Kalgoorlie-Boulder, Western Australia).

Hannans' projects continue to be advanced as rapidly as possible taking into account the tension between systematic exploration strategies and shareholder expectations. We are all focused on achieving exploration success as soon as possible. As a Board we support the Exploration Team's strategies and we'll take the necessary risks to achieve the returns we expect.

The portfolio focus is gold and nickel in Western Australia. In the first instance our goals are to identify a 250,000 ounce gold deposit and or a nickel sulphide deposit with at least 30,000 tonnes of contained nickel metal. The purpose of establishing these thresholds is to enable the planning of appropriate exploration programs. These are not our end goals but represent a targeting criteria for deposits that have potential to develop into mines.

Hannans has a really strong ground position in the Yilgarn, with all of the projects having the potential to host nickel and gold deposits. The flow of project related news during the next few months is set to include:

MONTH	NEWS
September	<ul style="list-style-type: none">• Update on the Hardcore Prospect and gold prospectivity at Lake Johnston• Exploration drilling to commence at the Queen Victoria Rocks Project – Benari Prospect
October	<ul style="list-style-type: none">• Exploration drilling to commence at the Lake Johnston Project – Hardcore Prospect
November	<ul style="list-style-type: none">• Exploration drilling to commence at the Forrestania Project
December	<ul style="list-style-type: none">• Results from the Benari Prospect at QVR
January	<ul style="list-style-type: none">• Results from the Hardcore Prospect at Lake Johnston
February	<ul style="list-style-type: none">• Results from the Forrestania Project



Hannans has over time substantially increased the size of its Forresteria, Lake Johnston, Queen Victoria Rocks and Jigalong projects. As our knowledge of each project increases Hannans has sought to leverage off that to secure a meaningful ground position for both technical and corporate reasons.

FORRESTANIA PROJECT (1,155 km²)

This project retains the potential to be a company maker for Hannans.

Hannans' flagship Forrestania Project, comprising ground in joint venture and wholly owned tenements, is located within the world-class Forrestania nickel belt and adjoins ground owned by major mining companies Western Areas (ASX:WSA) and Kagara (ASX:KZL).

Over the past twelve months Hannans has significantly increased its tenement holding over the northern extension of the prospective stratigraphy which is host to the Flying Fox and Spotted Quoll deposits owned by Western Areas. We have divided the project into the three different prospects, being Stormbreaker (180km²), Skeleton Rocks (820km²) and Lucy Rocks (155km²) as shown on the next page.

The Stormbreaker, Lucy Rocks and Skeleton Rocks are all at different stages in the exploration lifecycle. Stormbreaker is the most advanced in terms of the geochemical and geophysical data sets that have been collected and our resulting understanding of the geology. Stormbreaker is also immediately along strike from existing high grade nickel sulphide mines and therefore the focus of our efforts has been in this corridor. The Lucy Rocks prospect contains the conceptual target referred to as Beautiful Sunday West. The aim of the

current exploration activities is to determine whether the unit hosting Western Area's Beautiful Sunday nickel deposit folds to the west and continues in a southern direction through the Lucy Rocks prospect. The Skeleton Rocks prospect trends north north-west towards the Edna May gold project. This may be important because the gold project is known to having nickel sulphide mineralisation in the ultramafic units proximal to the gold.

The commissioning of the Spotted Quoll nickel deposit and the discovery of extensions to the New Morning nickel deposit by Western Areas highlights the opportunity that remains for the discovery of high grade nickel sulphide deposits within the Forrestania region.

Exploration conducted during the year has confirmed that the northern extensions of the Forrestania greenstone belt include a number of ultramafic units which have the potential to host nickel sulphides. The exploration activities have primarily involved ground based geophysical surveys (fixed loop and moving loop TEM), soil sampling and reverse circulation drilling. These activities have advanced the geological understanding in the area and have helped to resolve a number of technical challenges encountered as part of the exploration process. This primarily involves exploring

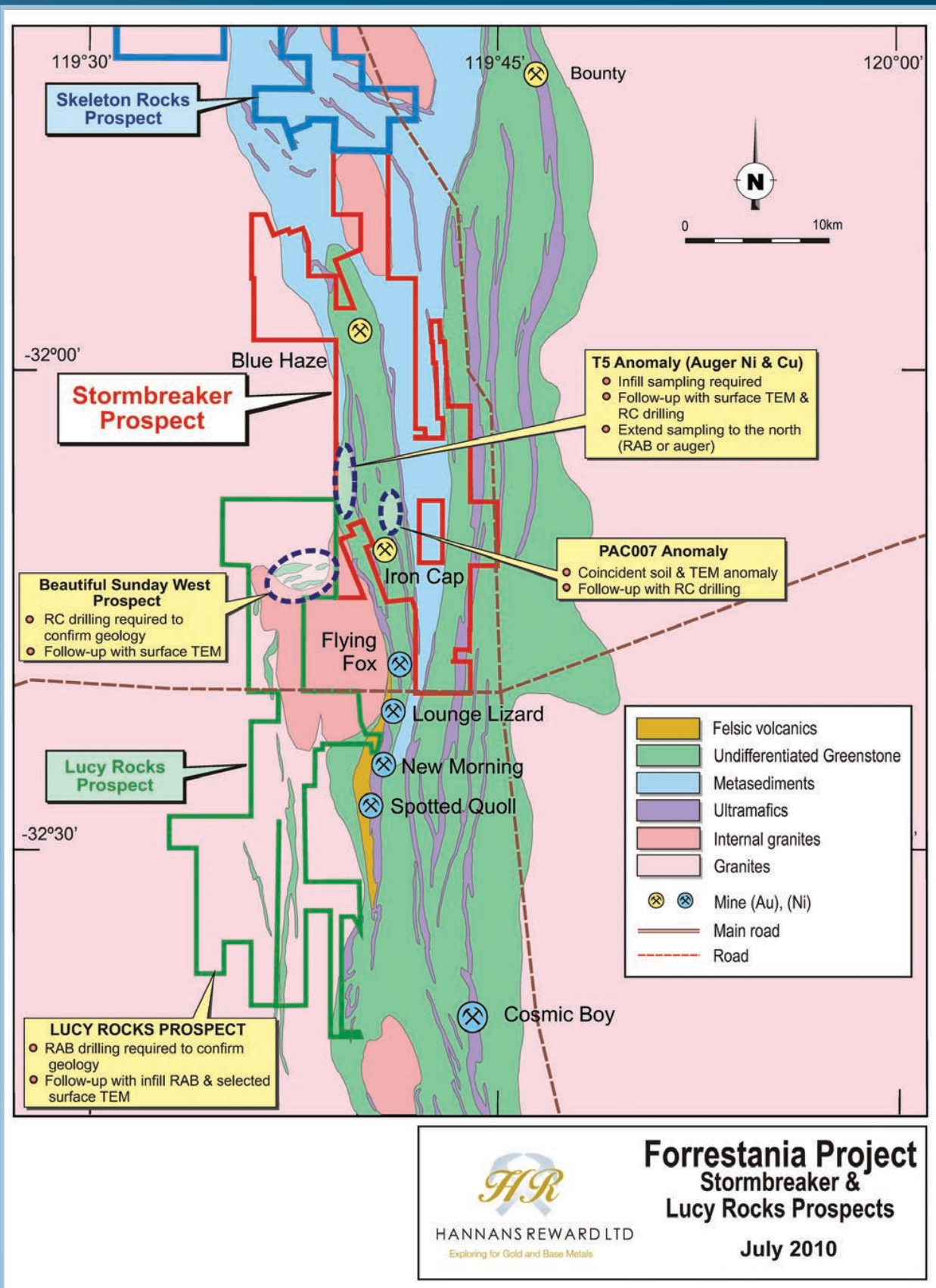
for nickel sulphides within a highly conductive sequence of rock types.

Exploration drilling continued during the year at the Stormbreaker Prospect testing a number of geophysical anomalies. This prospect straddles ground in joint venture with Cullen Resources Ltd (ASX:CUL) who has a free carry interest and St Barbara Ltd (ASX:SBM) who has a free carry interest on gold rights only. The recent RC percussion drilling was successful in explaining the source of the geophysical anomalies which were all confirmed as BIF units. Exploration efforts at Skeleton Rocks to the north and Lucy Rocks to the west (both 100% Hannans), has been focused on data collation, field reconnaissance and consolidating the geological interpretation.

Additional geochemical sampling as well as a new surface TEM technique will be undertaken during the remainder of 2010 to generate new drill targets. Ongoing drilling will be directed towards geochemical, geophysical and geological or conceptual targets. It is anticipated that the next round of drilling at Forrestania will commence towards the end the year.

The following is a list of ASX announcements made from 1 July 2009 that relate to the work completed at Forrestania by Hannans.

DATE	ANNOUNCEMENT TITLE
20/07/2010	Forrestania Project Update
11/06/2010	Forrestania Exploration Update
7/05/2010	Forrestania Nickel Project Update
18/03/2010	Forrestania Project Update
11/03/2010	CUL: Exploration Update - Nickel
4/03/2010	Forrestania Project Update
25/02/2010	Forrestania Project Update
8/12/2009	Ground EM surveys commence at Forrestania Project
27/11/2009	Forrestania Project Multiple EM Anomalies
25/11/2009	Secures prospective ground at Forrestania Project
29/10/2009	Forrestania Nickel and Gold Project Update
30/07/2009	Hannans Kagara St Barbara Forrestania Agreement



LAKE JOHNSTON PROJECT (Formerly Maggie Hays South) (375 km²)

The Lake Johnston Project is located approximately 25km south-east of Russian mining giant Norilsk's Maggie Hays and Emily Ann nickel sulphide mines as shown on the adjacent page. Recently granted tenement applications in the area have significantly extended the strike extent of prospective stratigraphy for both gold and nickel sulphides.

It is our view that the Lake Johnston project is shaping up to become a very exciting gold exploration project.

There are no historical high grade gold operations in the Lake Johnston belt however there is significant gold in drilling. One reason for this lack of development is the fragmented nature of ownership historically and the focus on nickel sulphide exploration in the belt. Hannans has consolidated the ground position most prospective for gold mineralisation and is now taking forward systematic exploration programs to generate sizeable gold targets.

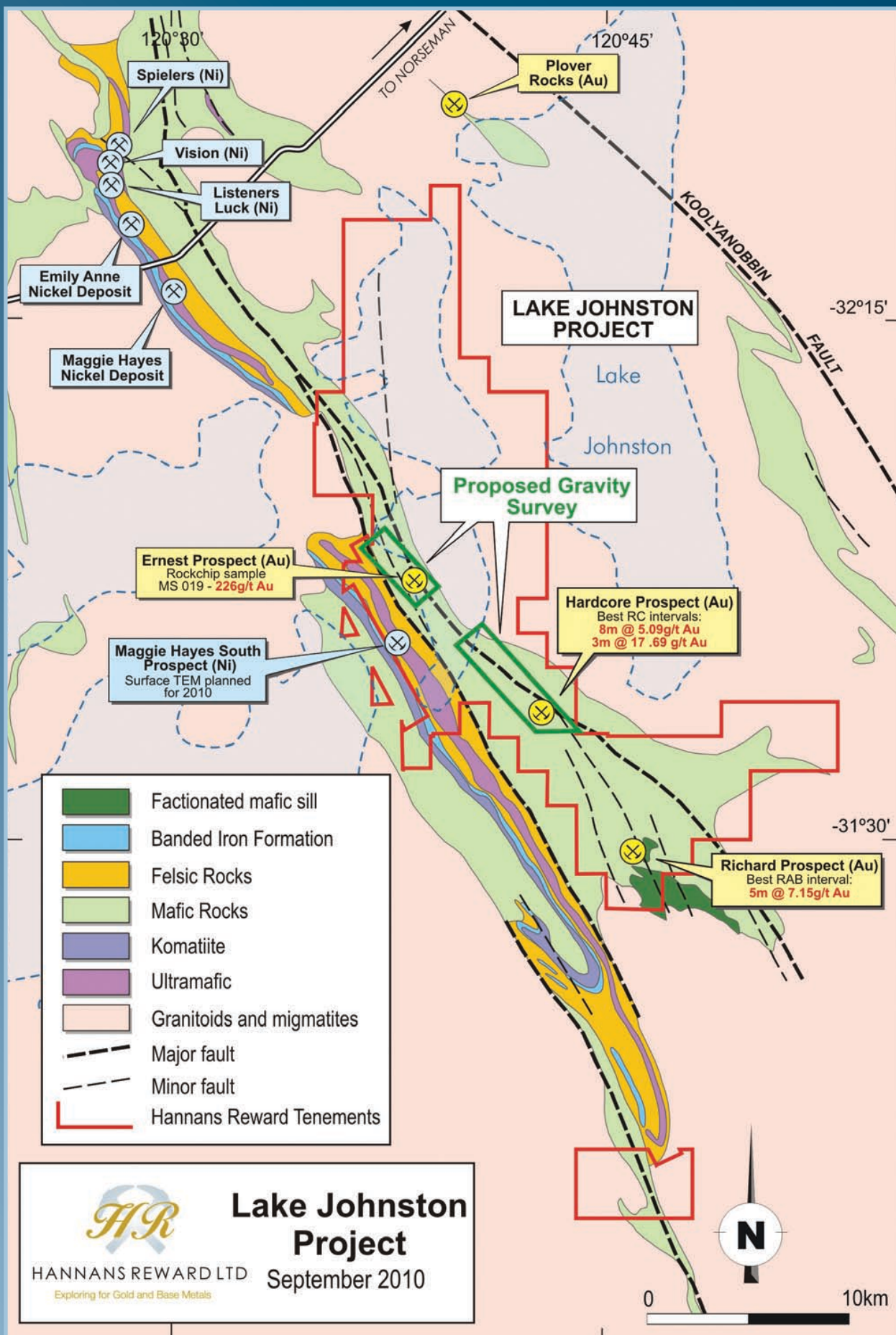
Exploration activities and a data review completed by Hannans have identified gold in soil anomalies over a strike extent of 15 km's. High grade gold mineralisation has been identified in rock chip sampling at the Ernest Prospect, in RC percussion drilling at the Hardcore Prospect and in RAB drilling at the Richard Prospect.

Exploration activities for gold will be focused within the eastern corridor and will include additional geochemical sampling, gravity surveys, RAB drilling and RC percussion drilling. RC drilling at the Hardcore Prospect is expected to recommence in October 2010.

The aim of the current exploration activities is to identify the structure that potentially links these three prospects through the use of gravity surveys and geochemical sampling. If we are successful in achieving this aim and proving the existence of gold mineralisation along this 15km the project becomes extremely significant.

Nickel sulphide exploration will continue along the southern extension of the stratigraphy which is host to the Maggie Hayes and Emily Anne deposits. Initial exploration will include surface TEM surveys, follow up drilling will be carried out over any anomalies that are generated from the surveys.

DATE	ANNOUNCEMENT TITLE
6/09/2010	Gold at Lake Johnston
1/02/2010	Lake Johnston Gold Project
25/08/2009	Gold Drilling at Lake Johnston Project



QUEEN VICTORIA ROCKS PROJECT (420 km²)

Historically nearly all of the nickel exploration completed by Hannans and others has focused on the small area (less than 5km²) known as the Spargos Prospect. This area south-west of Coolgardie has also attracted significant interest from major nickel miner Mincor Resources (ASX:MCR) through a joint venture with a junior exploration company; whose ground adjoins the Hannans' ground (refer Major Nickel Projects Location Plan on page 5 and QVR Project Map on page 11).

Hannans previously completed a large helicopter borne geophysical survey (VTEM) that generated a number of anomalies that still require validation and follow up exploration.

More recently Vale Exploration Australia completed a surface TEM survey, three RC percussion holes and three diamond holes north of the Spargos prospect area as part of a Joint Venture agreement with Hannans. Vale have since returned the project to Hannans who have maintained 100% equity in the project.

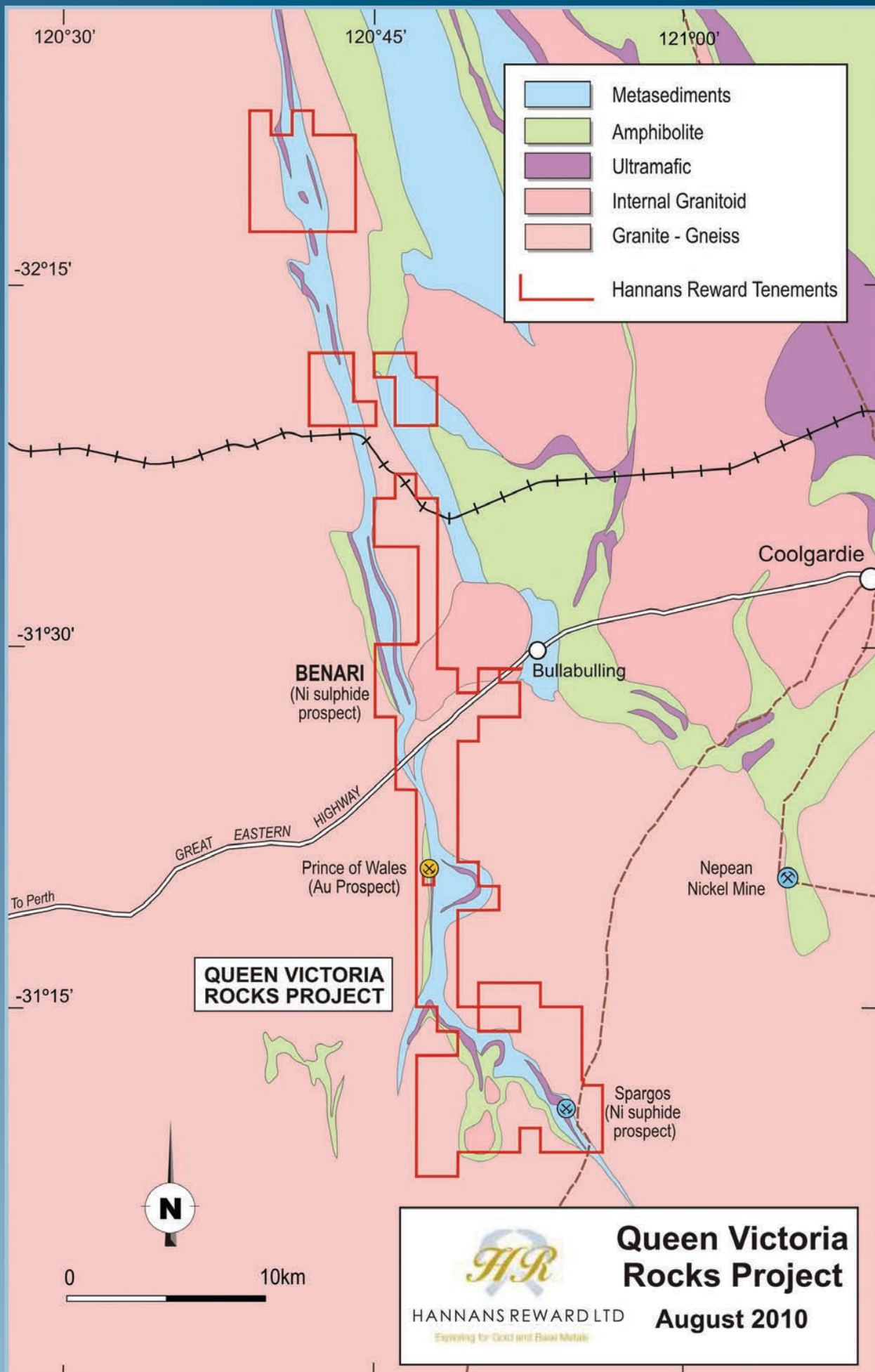
Hannans have recently completed surface TEM surveys at the Benari Prospect which have generated a number of anomalies. A number of these anomalies are coincident with geochemical nickel and copper anomalies and require drill testing as a priority. RC drill testing of these targets has commenced.

The surface geochemical data for the entire project has been processed and interpreted, and as a result a number of coincident nickel and copper anomalies were identified for follow up exploration activities.

Ongoing exploration at the Queen Victoria Rocks Project will include RC percussion drilling at the Benari Prospect, infill and additional geochemical sampling near the Prince of Wales and Spargos prospects' as well as additional surface TEM surveys within the Spargos prospect area and further to the north.

DATE	ANNOUNCEMENT TITLE
13/09/2010	RC drilling AVR Nickel Targets
20/07/2010	QVR Project Update
19/05/2010	QVR Nickel Exploration
11/03/2010	QVR Project Update
22/10/2009	Vale to drill test QVR nickel project

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JIGALONG PROJECT (2,590 km²)

During the year Hannans sold the iron rights to Warwick Resources Ltd which was subsequently acquired by Atlas Iron Ltd. Hannans retained all non-iron rights as the project has potential to host economic deposits of manganese, base metals and gold.

The project has significant potential to include a large manganese resource at the Hill 616 prospect, however further exploration and technical studies are required to evaluate and realise the economic potential of the mineralisation. Hannans may transact the manganese rights at Jigalong. The primary reason being that manganese is a specialist bulk commodity that is captive largely to processing and infrastructure solutions. It is our intention to transact on this project to ensure the full potential of the manganese mineralisation is realised by a team with the track record in manganese, financial capacity, and a willingness to work hand-in-hand with the Jigalong Community for the benefit of Hannans shareholders.

Exploration activities conducted over the previous years has also outlined a number of base metal targets within the project area which require follow up exploration.

The possibility of Jigalong hosting a diverse range of minerals is also considered probable when one considers that the edge of the Sylvania Dome hosts iron (BHPB, Atlas Iron, FerrAus), gold (Independence Group (ASX:IGO)) and copper-lead-zinc (Prairie Downs (ASX:PDZ)). The Jigalong project wraps around the eastern edge of the Sylvania Dome.

The following is a list of ASX announcements made from 1 July 2009 that relate to the work completed at Forrestania by Hannans.

DATE	ANNOUNCEMENT TITLE
3/08/2009	Successful DD on Jigalong Iron Project
3/08/2009	Agreement with Jigalong Community Inc

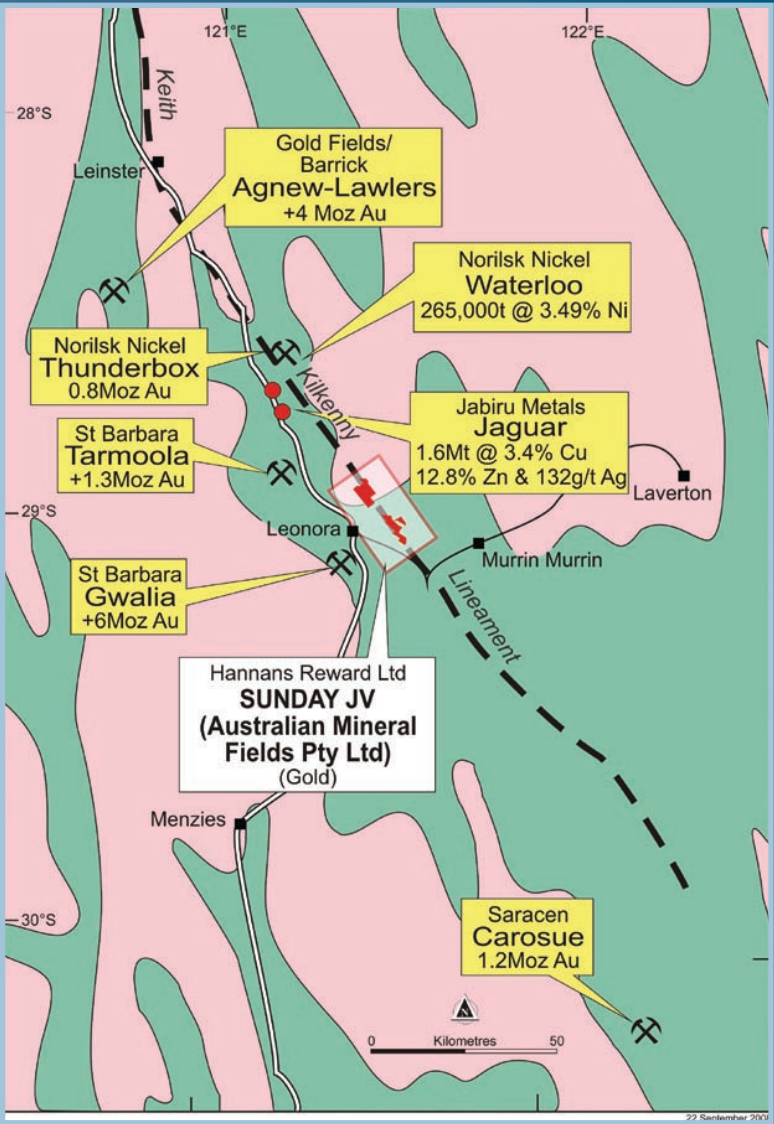
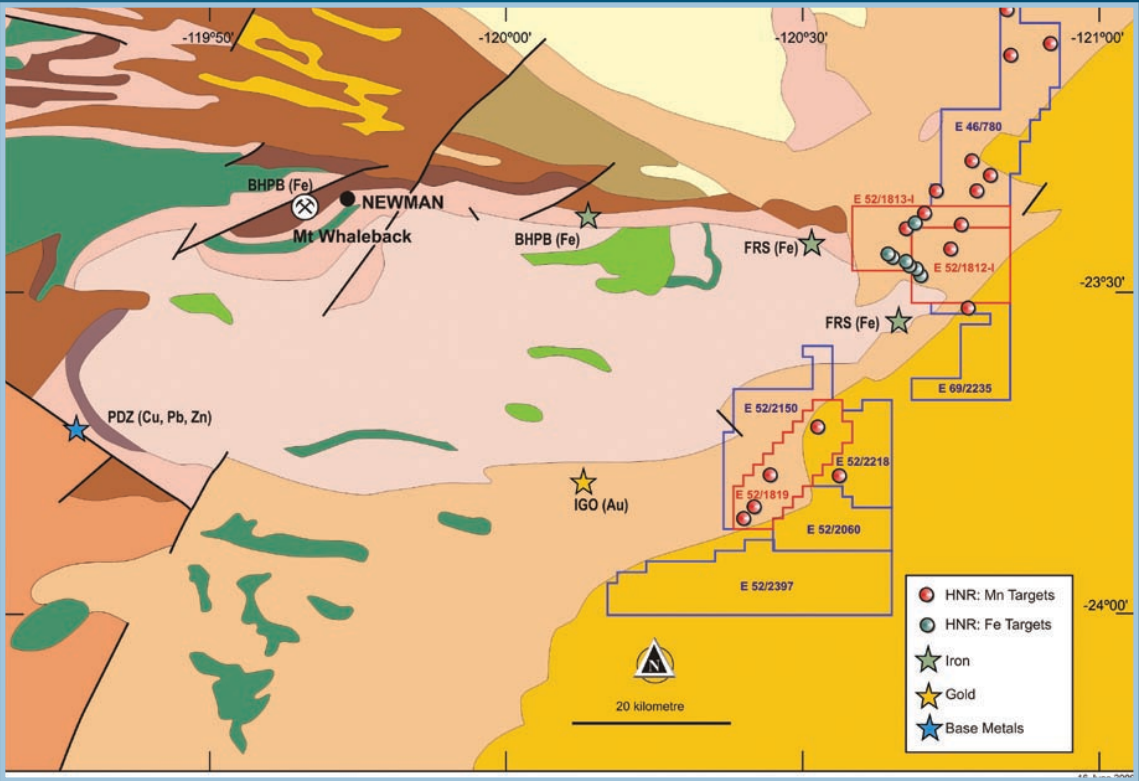
SUNDAY PROJECT

At Sunday, Hannans joint ventured out its gold rights to ASX listed exploration company Triton Gold Ltd. Triton has the right to earn up to 72% of the gold rights at the Sunday Project through the expenditure of \$600,000 by early 2011. Hannans has retained the base metals rights due to the project's favourable geological setting and location south-east of an operating base metals mine.

DATE	ANNOUNCEMENT TITLE
2/11/2009	High Grade Gold from Sunday Project
24/08/2009	High Grade Gold at Sunday Project
15/07/2009	Drilling Gold Targets near Leonora, WA

We support the systematic exploration strategies now being built upon by Don and look forward with anticipation to the next rounds of reverse circulation drilling at Queen Victoria Rocks (nickel), Lake Johnston (gold) and Forrestania (nickel) during the period September 2010 through December 2010.

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CAPITAL

From a corporate perspective we believe Hannans has the exploration and corporate systems in place to efficiently assess new exploration projects. Whilst Hannans will remain an Australian focused gold and base metals company, we continue to seek out minerals opportunities for the benefit of Shareholders both locally and overseas.

For the financial year ended 30 June 2010 Hannans achieved its inaugural net profit of \$1.68 million (2009: loss of \$2.55m) and profit per share of 1.38 cents (2009: loss per share of 2.89 cents). This was achieved through the sale of the iron rights to Warwick Resources Ltd.

Hannans retains a tight capital structure (131 million ordinary shares on issue) and is well funded with approximately \$4.5 million in cash at bank and ASX listed shares worth \$17 million. There is no requirement to raise capital to fund exploration in the short to medium term and therefore shareholders are protected from dilution. It is noted that in September 2009 Hannans raised \$5.5 million through the issue of shares at 15.5 cents per share.

Our largest shareholding is in Atlas Iron Limited which represents approximately 75% of the Company's market capitalisation. Currently the market attributes minimal value to our project portfolio. We continue to explain the portfolio's potential and expect that exploration success will result in Hannans being significantly re-rated.

We continue to support the strategies put forward by our Exploration Team. Budgets approved by the Hannans Board of Directors in September 2010 provide for 80% of all cash outflows to be allocated to exploration expenditure.

As can be seen from Figure 1, Hannans has built a track record of spending its money in the ground in increasing amounts each year.

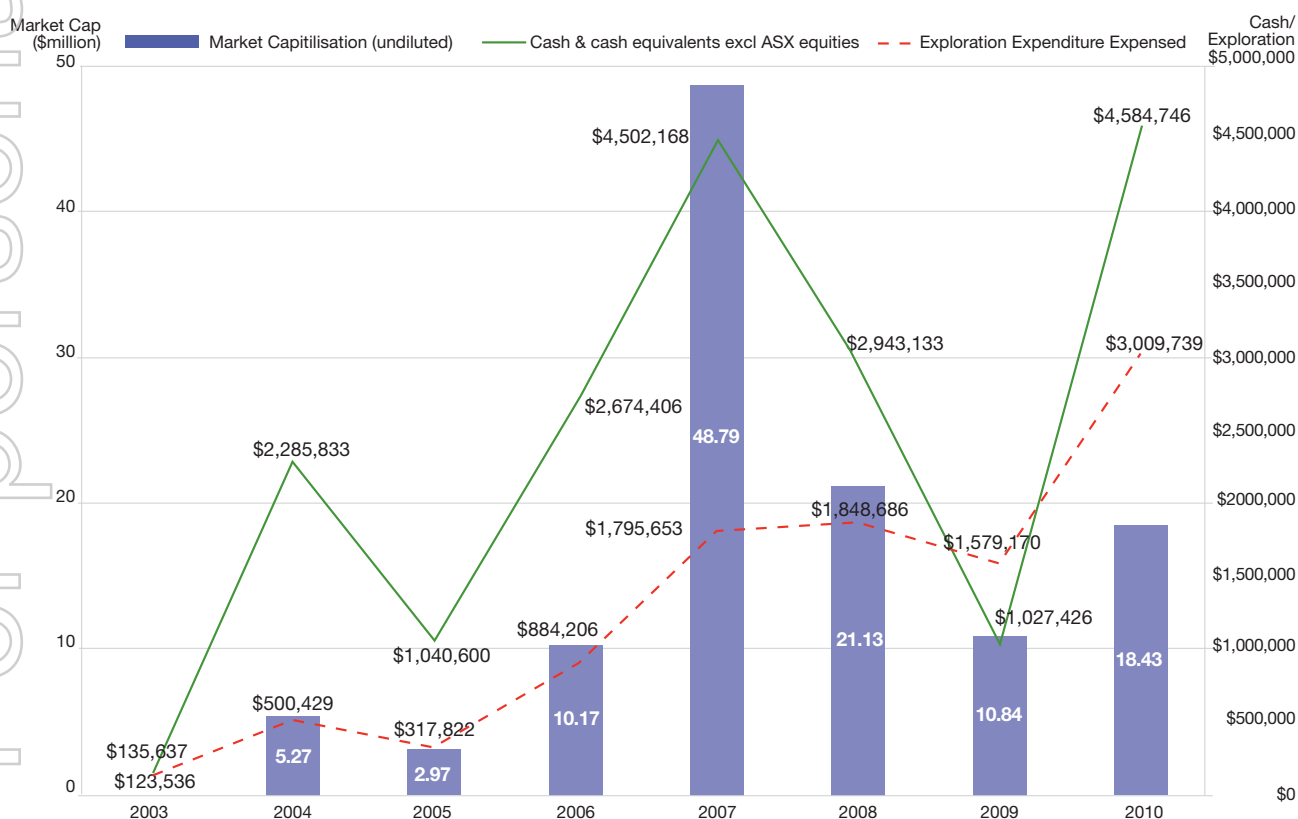


Figure 1: Hannans Financial Summary 2003- 2010

The chart plots Hannans market capitalisation (on the left axis) against cash in bank at 30 June each year and the amount of exploration expenditure written off each year (on the right axis) during the period 2003 to 2010. For taxation purposes Hannans policy is to write off 100% of its exploration expenditure each year. The source of these numbers can be reviewed on page 29.

Exploration expenditure expended in 2010 was \$3,009,739 which was broken as follows:

MINERAL EXPLORATION ACTIVITIES EXPENSED IN 2010		
	\$	%
Geological activities	427,100	14
Geochemical activities	244,847	8
Geophysical activities	643,051	21
Drilling	590,333	20
Field supplies	110,090	4
Field camp and travel	85,652	3
Environmental	32,854	1
Rehabilitation	19,833	1
Land access & native title	433,532	14
Annual tenement rent	109,368	4
Annual tenement rates	62,928	2
Tenement administration	62,330	2
Tenement application fees	124,749	4
Tenement acquisition costs	39,356	1
Penalties & exemption fees	23,716	1
Total	3,009,739	100

Company Updates

- Forrestania ●
- Lake Johnston ●
- Queen Victoria Rocks ●
- Jigalong ●
- Sunday ●
- Corporate ●

Company Share Price

- Hannans Reward Ltd —
- Atlas Iron Ltd —
- ASX/S&P 300 Metals and Mining Index —

Figure 2 highlights that over the last twelve months Hannans has returned similar performance (measured as a percentage) to Atlas Iron and the S&P/ASX 300 Metals & Mining Index¹, Hannans has 'tracked' movements in the Atlas Iron share price and Hannans is leveraged to the Atlas Iron share price (generally moving in percentage terms by greater amounts than Atlas Iron). This is not surprising consider the weighting of the Atlas Iron shareholding in our market capitalisation. Figure 2 also highlights that Hannans has had a positive share price performance over the last 12 months.

What is also included in the Figure 2 is the timing of ASX releases made by Hannans in relation to each of its projects and corporate matters (excluding all compliance required releases). This shows a regular flow of meaningful project and corporate news throughout the year.

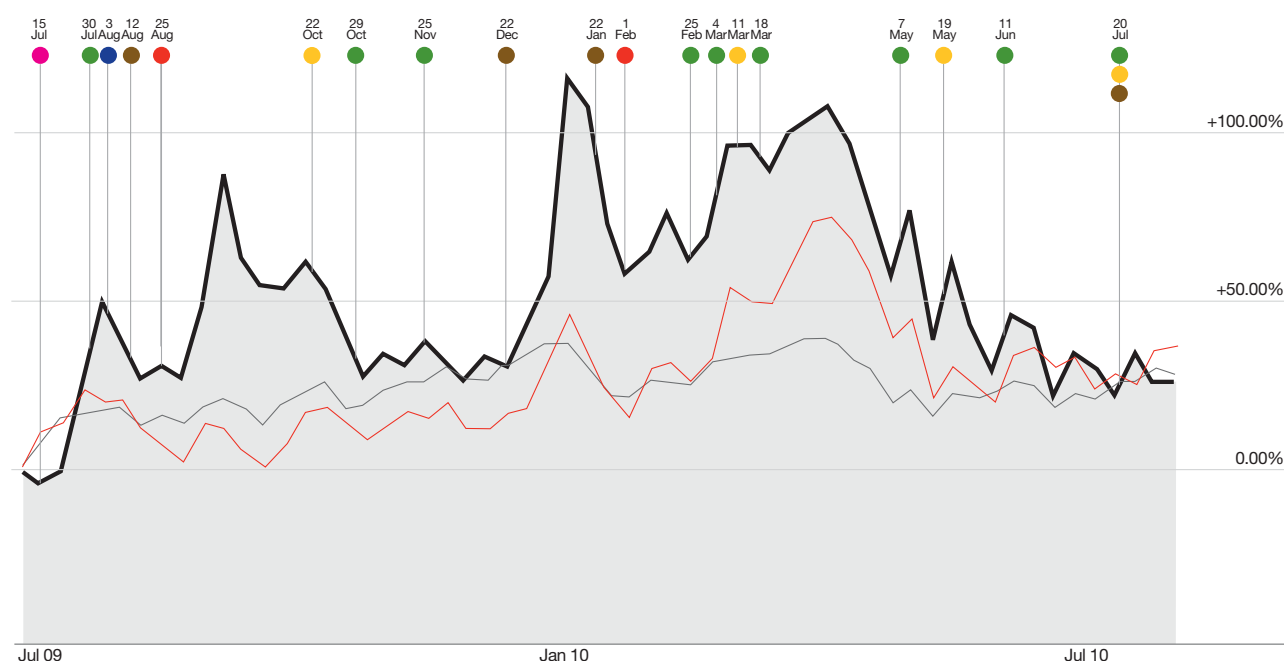


Figure 2 Hannans in comparison to ASX 300 Metals and Mining Index as well as Atlas Iron Ltd (Source: Commonwealth Securities Ltd)

¹S&P/ASX 300 Metals & Mining Index which is based on the S&P/ASX 300 Index and is comprised of companies that are classified as being in the Metals & Mining industry including producers of aluminium, gold, steel, precious metals and minerals, coal and diversified metals & minerals.

Hannans' Directors, staff and shareholders are aware that a sustainable increase in Hannans' value will only occur as a result of exploration success represented by the discovery of a significant mineralised system. That is exactly what we are working hardest to achieve.

We are also working hard to communicate openly with shareholders. Figure 3 below shows the ASX releases relating to exploration and corporate matters (excluding all compliance required releases) plotted against the Hannans' share price and volume over the period 1 July 2009 to 12 August 2010.

Shareholders should be confident that we will keep them up to date with company related news. You can follow Hannans through our ASX releases, web site (www.hannansreward.com), FaceBook and Twitter. We recommend that you sign up to the email distribution service available on our web site. We always welcome your calls and visits to the office should you have any enquiries.

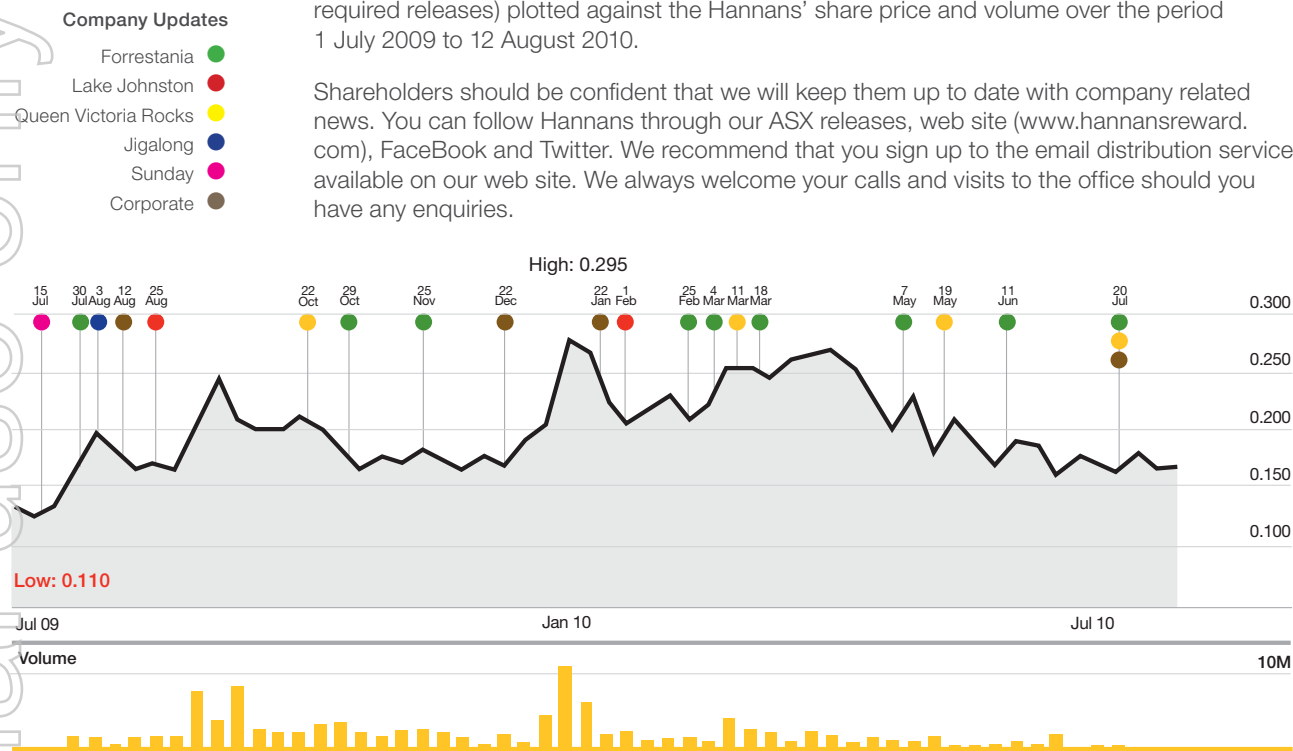
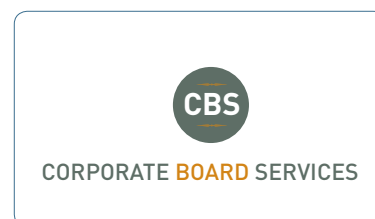


Figure 3: Hannans Volume and Price Chart for 2009-2010 (Source: Commonwealth Securities Ltd)

In 2009 Management established a business 100% owned by Hannans trading by the name of Corporate Board Services (CBS). CBS offers micro companies the opportunity to leverage off the established exploration and corporate systems established by Hannans' since 2002. From Hannans' perspective revenue from CBS will reduce Hannans' fixed costs by providing companies with a cost effective professional solution to their start-up requirements.



In closing I would like to acknowledge the valuable contribution by Mrs Amanda Arrowsmith who was Hannans' Exploration Manager until 30 June 2010. Since joining us in 2007 Amanda made an excellent contribution to the advancement of our exploration projects including the discovery of the Jigalong iron mineralisation (which has underwritten Hannans' current financial strength) along with important advances made at the Lake Johnston and Forrestania projects.

It's my belief that Shareholders have an excellent team of people working for them, a culture that supports exploration risk taking and an active program of works. We remain very committed to exploration and achieving success and we hope you stay involved as we move towards achieving that goal.

Kind regards,

Damian Hicks

Damian Hicks

DIRECTORS

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Mr Richard Scallan

Independent Non-Executive Chairman (Appointed 23 May 2002)



Mr Scallan is a Mining Engineer with 49 years experience in underground and open cut mining in both Southern Africa and Australia. Mr Scallan was employed by the Anglo American Corporation of South Africa Limited for 26 years before immigrating to Australia and joining Goldfields Limited in 1981.

Mr Scallan 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 has managed deep level gold, uranium, nickel, copper, chrome, platinum, mineral sands and tin mines. He is a Fellow of the Australian Institute of Mining and Metallurgy.

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

Mr Damian Hicks

Managing Director (Appointed 11 March 2002)



Mr Hicks was a founding Director of Hannans Reward Limited and appointed to the position of Managing Director on 5 April 2007. He formerly held the position of Executive Director and Company Secretary.

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, a Graduate Diploma in Company Secretarial Practice from Chartered Secretaries Australia and is a Graduate Member of the Australian Institute of Company Directors.

Mr Hicks is a Non-Executive Director of funds management company, Growth Equities Pty Ltd.

During the past 3 years Mr Hicks has been a Director of Scandinavian Resources Ltd, which listed on ASX in April 2010.

Mr William Hicks

Non-Executive Director (Appointed 11 March 2002)



Mr Hicks was a founding Director of Hannans Reward Ltd and 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 ASX listed companies.

Mr Jonathan Murray

Non-Executive Director (Appointed 22 January 2010)



Mr Murray is a partner at law firm Steinepreis Paganin, based in Perth, Western Australia. Since joining the firm in 1997, he has gained significant experience in advising on initial public offers and secondary market capital raisings, all forms of commercial acquisitions and divestments and providing general corporate and strategic advice.

Mr Murray graduated from Murdoch University in 1996 with a Bachelor of Laws and Commerce (majoring in Accounting). He is also a member of FINSIA (formerly the Securities Institute of Australia).

During the last 3 years Mr Murray has been a Director of the following ASX listed companies, US Nickel Ltd and Laguna Resources Ltd.

JOINT COMPANY SECRETARY



Mr Ian Gregory

Company Secretary (appointed 5 April 2007)

Mr Gregory holds a Bachelor of Business from Curtin University. Prior to founding his own business in 2005 Mr Gregory was the Company Secretary of Iluka Resources Ltd (6 years), IBJ Australia Bank Ltd Group (12 years) and the Griffin Group of Companies (4 years). Mr Gregory is the immediate past Chairman of the Western Australian branch of the Chartered Secretaries Australia.



Mr Michael Craig

Company Secretary (appointed 11 March 2010)

Mr Craig holds a Bachelor of Commerce from Curtin University and is a Chartered Accountant. He joined Hannans as Finance and Compliance Manager in 2008. Mr Craig worked for a mid-tier accounting firm for 4 years.

EXPLORATION MANAGER



Mr Donald Huntly

Exploration Manager (appointed 20 July 2010)

Mr Huntly is an experienced geologist having held senior exploration positions with major companies including Xstrata Nickel Australasia, Jubilee Mines NL, Goldfields of South Africa (Agnew Gold Operation) and WMC Resources Ltd (Leinster Nickel operation). Mr Huntly played a major role in the discovery of the Sinclair Nickel Deposit owned by Xstrata. He is a member of the Australian Institute of Geoscientists and is a Registered Professional Geoscientist.

At the date of this report the following table sets out the current Directors' relevant interests in shares and options of Hannans Reward Ltd and the changes since the 2009 Annual Report.

DIRECTOR	ORDINARY SHARES		OPTIONS OVER ORDINARY SHARES	
	CURRENT HOLDING	NET INCREASE/ (DECREASE)	CURRENT HOLDING	NET INCREASE/ (DECREASE)
Richard Scallan	-	-	250,000	-
Damian Hicks	4,165,310	1,578,555	3,000,000	(1,500,000)
William Hicks	12,063,086	75,860	250,000	-
Jonathan Murray	391,775	391,775	-	-

During and since the end of the financial year no share options were granted to directors as part of their remuneration by Hannans Reward Ltd.

DIRECTOR	NUMBER OF OPTIONS GRANTED	NUMBER OF ORDINARY SHARES UNDER OPTION
Richard Scallan	-	250,000
Damian Hicks	-	3,000,000
William Hicks	-	250,000
Jonathan Murray	-	-

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Share-based compensation
- E. Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

A. Principles used to determine the nature and amount of remuneration

The whole Board form the Remuneration Committee. The remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component with the flexibility to offer specific long term incentives based on key performance areas affecting the Group's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors and executives to manage the Group.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually and determines policy recommendations by reference to executive performance and comparable information from industry sectors and other listed companies in similar industries.
- The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.
- The Managing Director and executives receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits.
- All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Options are valued using the Black-Scholes methodology.
- The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews the remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors and executive performance. Currently, this is facilitated through the issue of options to the directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. The Company currently has no performance based remuneration component built into director and executive remuneration packages.

B. Details of remuneration

Details of remuneration of the directors and key management personnel (as defined in *AASB 124 Related Party Disclosures*) of Hannans Reward Ltd are set out in the following table.

The key management personnel of Hannans Reward Ltd and the Group are the Directors as listed on page 17 and 18.

Given the size and nature of operations of Hannans Reward Ltd, there are no other employees who are required to have their remuneration disclosed in accordance with the Corporations Act 2001.

The tables below show the 2010 and 2009 figures for remuneration received by the directors.

	Short Term			Post-employment		Equity	Other benefits (D&O Insurance) (vi) \$	Total \$	Percentage of total remuneration for the year that consists of options %
	Salary & fees \$	Bonus \$	Other benefits \$	Super-annuation \$	Pre-scribed benefits \$	Options (v) \$			
2010									
Directors									
Richard Scallan	32,400	-	-	2,800	-	-	3,514	38,714	-
Damian Hicks(i)	233,589	-	47,590	18,606	-	-	3,514	303,299	-
William Hicks	-	-	-	32,400	-	-	3,514	35,914	-
Jonathan Murray	13,500	-	-	-	-	-	1,531	15,031	-
Executives									
Michael Craig (viii) (Company Secretary)	33,689	-	1,278	3,032	-	-	1,069	39,068	-
Total	313,178	-	48,868	56,838	-	-	13,142	432,026	-

	Short Term			Post-employment		Equity	Other benefits (D&O Insurance) (vi) \$	Total \$	Percentage of total remuneration for the year that consists of options %
	Salary & fees \$	Bonus \$	Other benefits \$	Super-annuation \$	Pre-scribed benefits \$	Options (v) \$			
2009									
Richard Scallan	32,400	-	-	2,916	-	-	2,455	37,771	-
Damian Hicks(i)	183,487	-	9,675	16,513	-	(vii) 197,937	2,455	410,067	48.3
William Hicks	-	-	-	32,400	-	-	2,455	34,855	-
Ernest Dechow(ii)	10,800	-	-	-	-	-	733	11,533	-
Terrence Grammer(iii)	21,600	-	-	1,944	-	-	1,810	25,354	-
Frank Cannavo(iv)	21,600	-	-	1,854	-	1,220	1,789	26,463	4.6
Total	269,887	-	9,675	55,627	-	199,157	11,697	546,043	36.5

DIRECTORS' REPORT

B. Details of remuneration (cont'd)

- i. Damian Hicks 'Short Term Other benefits' includes \$20,430 of unpaid annual leave (2009: \$9,675) and unpaid long service leave of \$27,160 (2009:Nil).
- ii. Ernest Dechow's remuneration is for the period 1 July 2008 to 18 October 2008, the date of Dr Dechows' passing.
- iii. Terrence Grammer's remuneration is for the period 1 July 2008 to 27 March 2009 the date he resigned.
- iv. Frank Cannavo's remuneration is for the period 1 July 2008 to 24 March 2009 the date he resigned.
- v. These amounts are accounting valuations of the Options issued as part of the remuneration packages and are therefore not cash payments.
- vi. For accounting purposes Directors & Officers Indemnity Insurance is required to be recorded as remuneration. No director receives any cash benefits, simply the benefit of the insurance coverage.
- vii. Approved by Hannans shareholder at the 2007 Annual General Meeting.
- viii. Appointed on 11 March 2010.

Due to concerns about the global financial crisis and its impact on the Company's cash reserves the Board agreed to defer 100% of Non-executive Director fees and 50% of the Managing Director's salary from 1 March 2009 to 31 July 2009. A total of \$44,133 was deferred at 30 June 2009 with William Hicks receiving \$10,800 and Damian Hicks \$33,333 on 6 August 2009. These deferred amounts are however included in the above 2009 'Salary & fees' for each Director.

C. Service Agreements

Damian Hicks

The Board negotiated an employment agreement for Damian Hicks as Managing Director commencing on 21 December 2009. The remuneration package comprises \$230,000 per annum (exclusive of statutory 9% superannuation entitlements), reimbursement of work related expenses, provision of motor vehicle and provision for a performance based bonus as determined by the Board. Either party may terminate the arrangement with three months written notice and payment by the Company of all statutory annual and long service leave entitlements.

At the 2007 AGM shareholders approved the issue to Mr Hicks of 3,000,000 unlisted options exercisable at 80 cents each on or before 30 June 2011 (1,000,000), 30 June 2012 (1,000,000) and 30 June 2013 (1,000,000).

D. Share-based Compensation

Options are issued to directors and executives as part of their remuneration. The options are not based on performance criteria, but are issued to align the interests of directors, executives and shareholders. No options were granted to or vested to directors or executives during the year, however 1,500,000 Director options were exercised. The amount paid per share on exercise of the options was 20 cents per share.

The following table summarises the value of director and executive options granted, exercised or lapsed during the year.

Name	Value of options granted at the grant date \$	Value of options exercised at the exercise date \$	Value of options lapsed at the date of lapse \$
Damian Hicks (i)	-	367,500	-

- i. The Board approved a loan for \$300,000 at 6% per annum repayable on or before 31 March 2015. The loan is unsecured and a salary sacrifice arrangement has been entered into whereby the interest portion of the loan will be repaid monthly.

E. Additional information*Performance income as a proportion of total compensation*

No performance based bonuses have been paid to directors or executives during the financial year.

Directors Meetings

The following tables set information in relation to Board meetings held during the financial year.

Board Member	Board Meetings held while Director	Attended	Circular Resolutions Passed	Total
Richard Scallan	6	5	4	9
William Hicks	6	6	4	10
Damian Hicks	6	5	4	9
Jonathan Murray	3	3	2	5

Dates of Board Meetings and Circulating Resolutions

Board Meetings	Circulating Resolutions
30 November 2009	18 September 2009
14 December 2009	22 January 2010
21 December 2009	10 March 2010
23 February 2010	30 March 2010
13 April 2010	
25 May 2010	
9 August 2010	

DIRECTORS' REPORT

PROJECTS

The Projects are constituted by the following tenements:

Project	Tenement Number	Interest %	Note
FORRESTANIA			
Skeleton Rocks Prospect	E77/1695	100	
Stormbreaker Prospect	E77/1327	80	1
	E77/1354	80	1
	E77/1406	80	1
	E77/1430	100	4
	E77/1431	100	4
	E77/1696	100	
	M77/544		3
	M77/693	100	6
	M77/812	100	6
	P77/3582	80	1
	P77/3583	80	1
	P77/3584	80	1
	P77/3585	80	1
	P77/3586	80	1
	P77/3587	80	1
	P77/3588	80	1
	P77/3607	80	1
	P77/3613	80	1
	P77/3762	80	1
	P77/3763	80	1
	P77/3848	100	4
	P77/3849	100	4
	P77/3850	100	4
	P77/3851	100	4
	P77/3852	100	4
	P77/3853	100	4
	P77/3854	100	4
	P77/3855	100	4
	P77/3856	100	4
	P77/3943	100	
	P77/3944	100	
	P77/3945	100	
Lucy Rocks Prospect	E77/1512	100	
	E77/1568	100	

Project	Tenement Number	Interest %	Note
JIGALONG			
	E52/1812	100	5
	E52/1813	100	5
	E52/1819	100	5
	E52/2060	100	5
	E52/2150	100	5
	E52/2218	100	5
	E69/2235	100	5
	E46/780	100	
SUNDAY			
	L37/149	90	1,2
	M37/389	90	1,2
	P37/7145	90	1,2
	P37/7152	90	1,2
	P37/7153	90	1,2
	P37/7154	90	1,2
	P37/7155	90	1,2
	P37/7158	90	1,2
	P37/7159	90	1,2
	P37/7160	90	1,2
	P37/7161	90	1,2
	P37/7162	90	1,2
	P37/7163	90	1,2
	P37/7164	90	1,2
	P37/7166	90	1,2
	P37/7167	90	1,2
LAKE JOHNSTON			
	E63/1091	100	
	E63/1206	100	
	E63/1207	100	
	E63/1327	100	
	E63/1354	100	
	P63/1473	90	7
	P63/1474	90	7
	P63/1475	90	7
	P63/1476	90	7
	P63/1477	90	7
	P63/1478	90	7
	P63/1479	90	7
	P63/1664	100	
	P63/1800	100	

PROJECTS (cont'd)

Project	Tenement Number	Interest %	Note
QUEEN VICTORIA ROCKS (QVR)	E15/734	100	
	E15/755	100	
	E15/913	100	
	E15/921	100	
	E15/971	100	
	P15/4964	100	
	P15/4965	100	
	P15/4966	100	
	P15/4967	100	

1. Cullen Resources Ltd free-carried by Hannans to BFS
2. Partner farming-in to gold rights only, up to 72% interest, current interest Nil
3. Hannans have 80% of gold right only and partner free-carried to BFS
4. St Barbara Ltd have 15% of gold rights only
5. Iron rights owner by Atlas Iron Ltd
6. St Barbara Mines have 100% of gold rights only
7. Partner free-carried by Hannans Reward Ltd

Applications for tenements controlled by Hannans Reward Ltd are as follows:

Project	Tenement Number	Project	Tenement Number
FORRESTANIA			P77/4007
	Skeleton Rocks Prospect		P77/4008
			P77/4009
			P77/4010
			P77/4011
			P77/4012
			P77/4013
			P77/4014
		LAKE JOHNSTON	E63/1365
			E63/1422
			E63/1423
			E63/1424
			E63/1429
Stormbreaker Prospect	E77/1655		
	E77/1705		
	E77/1715		
	E77/1718		
	E77/1719		
	E77/1724		
	E77/1725		
	E77/1783		
	E77/1784		
	E77/1785		
		QUEEN VICTORIA ROCKS (QVR)	E15/1218
			E15/1225
			E15/1226
			E16/401
	P77/3998		
	P77/3999		
	P77/4000		
	P77/4001		
	P77/4002		
	P77/4003		
	P77/4004	EAST PILBARA	E52/2397
	P77/4005		E52/2516
	P77/4006		E45/3747

DIRECTORS' REPORT

CAPITAL

The Hannans Reward Ltd issued capital is as follows:

Ordinary Fully Paid Shares

At the date of this report there are the following number of Ordinary fully paid shares

	Number of shares
Ordinary fully paid shares	131,648,715

Shares Under Option

At the date of this report there are 8,567,867 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	12,067,867
Movements of share options during the year and to the date of this report	
Exercised at 20 cents, expired 31 March 2010	(3,000,000)
Exercised at 20 cents, expired 30 April 2010	(500,000)
Total number of options outstanding at the date of this report	8,567,867

The balance is comprised of the following:

Date options issued	Expiry date	Exercise price (cents)	Number of options
5 February 2007	31 December 2010	50	500,000
1 November 2007	30 June 2011	80	2,000,000
1 November 2007	30 June 2012	80	1,000,000
1 November 2007	30 June 2013	80	1,000,000
18 January 2008	31 December 2010	40	1,717,867
28 November 2008	30 June 2011	80	250,000
24 July 2009	30 June 2012	40	100,000
3 August 2009	31 July 2011	20	2,000,000
Total number of options outstanding at the date of this report			8,567,867

No person entitled to exercise any option referred to above has had, by virtue of the option, a right to participate in any share issue of any other body corporate.

Substantial Shareholders

Hannans Reward Ltd has the following substantial shareholders as at 28 September 2010:

Name	Number of shares	Percentage of issued capital
William Hicks	12,063,086	9.16%
JP Morgan Nominees Australia Limited <Cash Income A/C>	11,157,659	8.48%

Range of Shares as at 28 September 2010

Range	Total Holders	Units	% Issued Capital
1 - 1,000	67	27,506	0.02
1,001 - 5,000	283	979,963	0.74
5,001 - 10,000	310	2,629,227	2.00
10,001 - 100,000	845	32,576,473	24.74
100,001 - 9,999,999	196	95,435,546	72.50
Total	1,701	131,648,715	100.00

Unmarketable Parcels as at 28 September 2010

	Minimum parcel size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.16 per unit	3,125	200	337,735

DIRECTORS' REPORT

Top 20 holders of Ordinary Shares as at 28 September 2010

Rank	Name	Units	% of Issued Capital
1	JP Morgan Nominees Australia Limited <Cash Income A/C>	11,157,659	8.48
2	Marfield Pty Ltd	7,200,000	5.47
3	Aust Global Resources Pty Ltd	3,636,363	2.76
4	Acacia Investments Pty Ltd <DPH Fund A/C>	3,554,696	2.70
5	HSBC Custody Nominees (Australia) Limited <CW A/C>	3,050,086	2.32
6	Mossisberg Pty Ltd	2,296,296	1.74
7	Mr Lafras Luitingh	2,046,296	1.55
8	Dixon International Pty Ltd	2,005,720	1.52
9	Jigalong Community Inc/c	2,000,000	1.52
10	Mr Terrence Ronald Grammer	1,990,000	1.51
11	Mandies Meats Pty Ltd <Number 2 Account>	1,597,000	1.21
12	Kanaslex Pty Limited	1,548,296	1.18
13	Ms Susan Eileen Dechow	1,500,001	1.14
14	Mr Terrence Ronald Grammer	1,500,000	1.14
15	Susern Holdings Pty Ltd	1,500,000	1.14
16	RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	1,364,159	1.04
17	Bonord Pty Ltd <CW Hulls & Co S/F A/C>	1,200,000	0.91
18	Mr James Laurence Berry	1,170,000	0.89
19	Forty Traders Limited	1,125,201	0.85
20	Marfield Pty Ltd	1,074,543	0.82
Total of Top 20 Holders of ORDINARY SHARES		52,516,316	39.89

Financial Review

The Group began the financial year with cash reserves of \$1,027,426. In August and September 2009 the Company issued approximately 35.6 million ordinary shares through a share purchase plan and placement to sophisticated investors that raised approximately \$5.5 million.

On 4 August 2009 Hannans Reward Ltd settled the iron rights agreement on the Group's Jigalong Project with Warwick Resources Ltd for \$5.25 million. The consideration was comprised of the following:

- i) \$750,000 cash
- ii) 14,000,000 fully paid ordinary shares in Warwick Resources at a deemed issue price of 15 cents per share (\$2,100,000)
- iii) 700,000 fully paid ordinary shares in Atlas Iron Ltd at a deemed issue price of \$1.65 per share (\$1,155,000)
- iv) Deferred consideration of 8,300,000 fully paid shares in Warwick Resources at deemed price of 15 cents per share (\$1,245,000) at the earlier of
 - a. 6 months from date conditions satisfied
 - b. The date Warwick Resources announces a 50Mt JORC compliant resources, or
 - c. Warwick Resources dispatching a scheme booklet

Warwick Resources Ltd merged with Atlas Iron Ltd by a scheme of arrangement in December 2009 with the 22,300,000 Warwick Shares converting to 7,433,344 Atlas Iron Ltd shares. Hannans sold 102,000 shares for \$202,720 in May 2010.

During the year total exploration expenditure incurred by the Group amounted to \$3,009,739. In line with the Group's accounting policies, all exploration expenditure was expensed as incurred. Net administration expenditure incurred amounted to \$943,487. This along with the sale of the iron rights have resulted in an operating profit after income tax for the year ended 30 June 2010 of \$1,683,821 (2009: (\$2,552,182)).

As at 30 June 2010 cash and cash equivalents totalled \$4,584,746.

Summary of 5 Year Financial Information as at 30 June

	2010	2009	2008	2007	2006
Cash and cash equivalents	4,584,746	1,027,426	2,943,188	4,502,168	2,674,406
Exploration expenditure expensed	(3,009,739)	(1,579,170)	(1,848,686)	(1,795,653)	(884,206)
No of issued shares	131,648,715	90,324,979	84,778,597	79,983,929	67,814,233
No of options	8,567,687	9,967,867	9,717,867	5,250,000	4,750,000
Share price	\$0.16	\$0.12	\$0.25	\$0.61	\$0.15
Market capitalisation (Undiluted)	21,063,794	10,838,997	21,132,149	48,790,197	10,172,135

Summary of Share Price Movement for Year ended 30 June 2010

	Price	Date
Highest	\$0.29	18 January 2010
Lowest	\$0.11	1, 7, 8 July 2009
Latest	\$0.205	28 September 2010

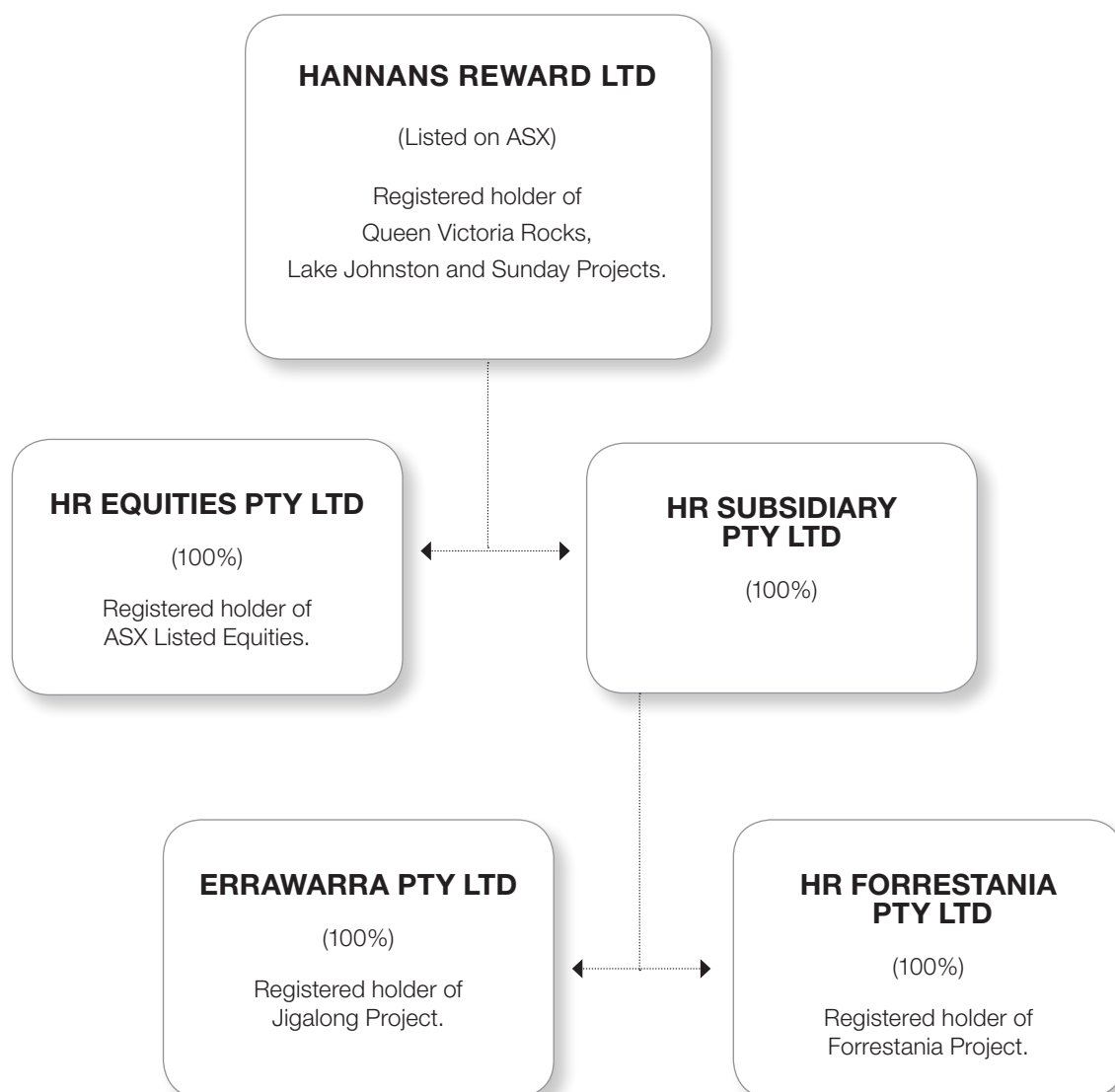
DIRECTORS' REPORT

ASX Announcements that related to Corporate Matters

Date	Announcement Title
23/08/2010	Appendix 3B Option Issue
29/07/2010	4th Quarter Cashflow Report
29/07/2010	4th Quarter Activities Report
20/07/2010	Appointment of Exploration Manager
30/04/2010	3rd Quarter Cash Flow Report
30/04/2010	3rd Quarter Activities Report
30/04/2010	Option Conversion Document
01/04/2010	Option Conversion Documents
12/03/2010	Financial Report for the Half Year
11/03/2010	Appointment of Company Secretary
26/02/2010	Substantial Shareholder Notice
01/02/2010	2nd Quarter Activities Report
29/01/2010	2nd Quarter Cash Flow Report
22/01/2010	Appointment of Director
15/01/2010	Presentation
15/01/2010	Response to ASX Price Query
22/12/2009	Change of Director's Interest
22/12/2009	Top 10 Shareholder of Atlas Iron Ltd
06/11/2009	AGM 2009 Results
04/11/2009	Support for Atlas Iron and Warwick Merger
02/11/2009	1st Quarter Cashflow Report
30/10/2009	1st Quarter Activities Report
08/10/2009	Notice of Meeting 2009 AGM
22/09/2009	\$5.5M Capital Raising Completed
18/09/2009	Annual Report 2009
14/09/2009	Capital Raising Update
14/09/2009	General meeting presentation
09/09/2009	SPP Closes Oversubscribed
08/09/2009	Response to ASX Query
01/09/2009	Appendix 3B Share Issue
31/08/2009	SPP closes this Friday, 4 Sept 2009
18/08/2009	Share Purchase Plan
18/08/2009	Tranche 1 of Placement Completed
13/08/2009	Amended Placement General Meeting
13/08/2009	Placement General Meeting
12/08/2009	\$5.25M Capital Raising
12/08/2009	Reinstatement to Official Quotation
10/08/2009	Suspension from Official Quotation
06/08/2009	Trading Halt
05/08/2009	Warwick Expands Iron Projects in Eastern Pilbara
03/08/2009	Successful DD on Jigalong Iron Project
03/08/2009	Agreement with Jigalong Community
31/07/2009	4th Quarter Cashflow Report
31/07/2009	4th Quarter Activities Report
30/07/2009	Hannans Kagara St Barbara Forrestania Agreement
29/07/2009	Trading Halt
24/07/2009	Appendix 3B-Amanda Arrowsmith

CORPORATE STRUCTURE

The corporate structure of the Hannans Reward Limited group is as follows:



DIRECTORS' REPORT

COMPLIANCE

Corporate Governance Statement

The Board of Directors is responsible for the corporate governance of the Company. The Board guides and monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The ASX document '*Corporate Governance Principles and Recommendations 2nd Edition*' published by the ASX Corporate Governance Council applies to listed entities with the aim of enhancing the credibility and transparency of Australia's capital markets. The Principles and Guidelines can be viewed at the ASX website.

The Board has assessed the Group's current practice against the Guidelines and other than the matters specified below under "*If Not, Why Not*" Disclosure, all the best practice recommendations of the ASX Corporate Governance Council have been applied.

In relation to departures by the Company from the best practice recommendations, Hannans makes the following comments:

Principle 1: Lay solid foundations for management and oversight

1.2 *Companies should disclose the process for evaluating the performance of senior executives*

Evaluation of the Board is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it.

Principle 2: Structure the Board to add value

2.1 *The majority of the Board should be independent directors*

The Board consists of a Chairman, Non-executive Directors and Managing Director. The Chairman Mr Richard Scallan is an Independent Director. The Board considers that the composition of the existing Board is appropriate given the scope and size of the Group's operations and the skills matrix of the existing Board members.

2.4 *The Board should establish a nomination committee*

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 *Companies should disclose the process for evaluating the performance of the Board its committees and individual directors.*

Evaluation of the Board is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it.

Principle 4: Safeguard integrity of financial reporting

4.1 *The Board should establish an Audit Committee*

4.2 *The audit committee should be structured so that it: consists of only non-executive directors, consists of a majority of independent directors, is chaired by an independent chair who is not chair of the Board and has at least three members*

4.3 *The audit committee should have a formal charter*

The Board considers that due to the size and complexity of the Group's affairs it does not merit the establishment of a separate audit committee. Until the situation changes the Board of Hannans Reward will carry out any necessary audit committee functions.

Principle 8: Remunerate fairly and responsibly**8.2** *The Board should establish a remuneration committee*

The Board considers that due to the size and complexity of the Group's affairs it does not merit the establishment of a separate remuneration committee. Until the situation changes the Board of Hannans Reward will carry out any necessary remuneration committee functions.

Independent Professional Advice

Directors of the Company are expected to exercise considered and independent judgement on matters before them and may need to seek independent professional advice. A director with prior written approval from the Chairman may, at the Group's expense obtain independent professional advice to properly discharge their responsibilities.

Board Composition

The Board consists of an Independent Chairman, Non-executive Directors and Managing Director. Details of their skills, experience and expertise and the period of office held by each director have been included in the Directors' Report. The number of Board meetings and the attendance of the directors are set out in the Directors' Report.

The Board will decide on the choice of any new director upon the creation of any new Board position and if any casual vacancy arises. Decisions to appoint new directors will be minuted. The Board considers that due to the size and complexity of the Group's affairs it does not merit the establishment of a separate nomination committee. Until the situation changes the Board of Hannans Reward will carry out any necessary nomination committee functions.

Share Trading Policy

Directors, officers and employees are prohibited from dealing in Hannans Reward shares when they possess inside information. The Board is to be notified promptly of any trading of shares in the Company by any Director or officer of the Company.

Additional Compliance Statements**Risk Management**

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure management's objectives and activities are aligned by the Board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of Board approved operating plans and Board monitoring of the progress against budgets.

Significant Changes in State of Affairs

Other than those disclosed in this annual report no significant changes in the state of affairs of the Group occurred during the financial year.

Significant Events after the Balance Date

No matters or circumstances besides those disclosed at note 26, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or state of affairs of the Group in future financial years.

DIRECTORS' REPORT

Likely developments and Expected Results

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the Group's operations.

Environmental Regulation and Performance

The Group is subject to significant environmental regulation in respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it's aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

Insurance of Directors and Officers

During or since the financial year, the Company has had premiums insuring all the directors of Hannans Reward Ltd against costs incurred in defending conduct involving:

- a) A wilful breach of duty
- b) A contravention of sections 182 or 183 of the *Corporations Act 2001*,

as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid is \$13,142.

Dividends

No dividends were paid or declared during the financial year and no recommendation for payment of dividends has been made.

Non-Audit Services

During the year Stantons International or any of its associated entities did not provide any non-audit services to the Group.

Competent Person Statement

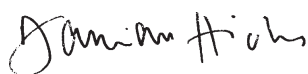
The information in this document that relates to exploration results is based on information compiled by Mr Donald Huntly, Consulting Geologist who is a Full Member of the Australian Institute of Geoscientists and a Registered Professional Geoscientist. Mr Huntly is a full-time employee of Hannans Reward Ltd. Mr Huntly has sufficient experience, which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which has been undertaken to qualify as a Competent Person as defined by the 2004 edition of the "Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Huntly consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 35.

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

Managing Director

Perth, Western Australia this 30th day of September 2010

INDEPENDENCE DECLARATION TO THE DIRECTORS OF HANNANS REWARD LTD

Stantons International

ABN 41 103 088 697

LEVEL 1, 1 HAVELOCK STREET
 WEST PERTH WA 6005, AUSTRALIA
 PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

30 September 2010

Board of Directors
 Hannans Reward Limited
 Ground Floor, 28 Ord Street,
 WEST PERTH WA 6005

Dear Directors

RE: HANNANS REWARD LIMITED

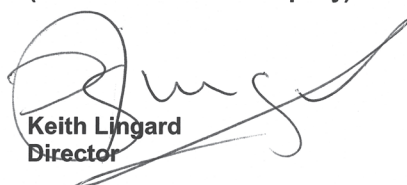
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Hannans Reward Limited.

As Audit Director for the audit of the financial statements of Hannans Reward Limited for the year ended 30 June 2010, 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)


Keith Lingard
Director

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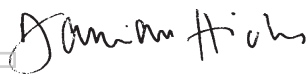
DIRECTORS' DECLARATION

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 Australian Accounting Standards and International Financial Reporting Standards as disclosed in note 1 and giving a true and fair view of the financial position and performance of the consolidated entity for the financial year ended on that date; and
- (c) the audited remuneration disclosures set out in the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* and the Corporations Act and Regulations 2001.
- (d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001 for the financial year ended 30 June 2010.

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
Managing Director

Perth
30th day of September 2010

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF HANNANS REWARD LTD

Stantons International

ABN 41 103 088 697

LEVEL 1, 1 HAVELOCK STREET
 WEST PERTH WA 6005, AUSTRALIA
 PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

**INDEPENDENT AUDITOR'S REPORT
 TO THE MEMBERS OF
 HANNANS REWARD LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Hannans Reward Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF HANNANS REWARD LTD

Stantons International
ABN 44 103 088 697

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of Hannans Reward Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the Remuneration Report

We have audited the remuneration report included in pages 20 to 23 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Auditor's opinion

In our opinion the remuneration report of Hannans Reward Limited for the year ended 30 June 2010 complies with section 300 A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL
(An Authorised Audit Company)

Stantons International


Keith Lingard
Director

West Perth, Western Australia
30 September 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue	4(a)	191,229	119,281
Other income	4(b)	5,292,638	-
Gain on disposal of shares	4(c)	153,180	-
Total revenue		5,637,047	119,281
Employee and contractors expenses		(498,352)	(678,986)
Depreciation expense		(14,044)	(14,414)
Consultants expenses		(105,249)	(117,441)
Occupancy expenses		(80,083)	(83,257)
Marketing expenses		(45,553)	(26,456)
Exploration and evaluation expenses		(3,009,739)	(1,579,170)
Other expenses		(200,206)	(171,739)
Income/(Loss) from continuing operations before income tax expense/benefit		1,683,821	(2,552,182)
Income tax expense/benefit		-	-
Income/(Loss) from continuing operations attributable to members of the parent entity		1,683,821	(2,552,182)
Other comprehensive income for the year			
Net fair value gains on available for sale assets net of deferred taxation		11,638,395	-
Net change in fair value of available for sale assets transferred to profit and loss		(135,836)	-
Total comprehensive income/(loss) for the year		13,186,380	(2,552,182)
Net income/(loss) attributable to the parent entity		13,186,380	(2,552,182)
Total comprehensive income/(loss) attributable to the parent entity		13,186,380	(2,552,182)
Profit/(Loss) per share:			
Basic (cents per share)	19	1.38	(2.89)
Diluted (cents per share)	19	1.38	(2.89)

The accompanying notes form part of the financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

	Note	2010 \$	2009 \$
Current assets			
Cash and cash equivalents	27(a)	4,584,746	1,027,426
Trade and other receivables	9	138,297	51,506
Other financial assets	10	17,218,816	343,586
Total current assets		21,941,859	1,422,518
Non-current assets			
Trade and other receivables	11	209,225	138,694
Property, plant and equipment	12	81,724	27,904
Other financial assets	13	300,000	-
Total non-current assets		590,949	166,598
TOTAL ASSETS		22,532,808	1,589,116
Current liabilities			
Trade and other payables	14	718,367	308,661
Provisions	15	79,800	31,896
Total current liabilities		798,167	340,557
Non-current liabilities			
Deferred tax liability	5	943,816	-
Total non-current liabilities		943,816	-
TOTAL LIABILITIES		1,741,983	340,557
NET ASSETS		20,790,825	1,248,559
Equity			
Issued capital	16	20,135,891	13,906,008
Reserves	17	12,717,661	1,089,099
Accumulated losses	18	(12,062,727)	(13,746,548)
Total equity		20,790,825	1,248,559

The accompanying notes form part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2010

For the year ended 30 June 2010	Attributable to equity holders				Total Equity \$
	Ordinary Shares \$	Option Reserve \$	Other Reserves \$	Accumulated Losses \$	
Balance as at 1 July 2009	13,906,008	1,089,099	-	(13,746,548)	1,248,559
Total comprehensive income					
Profit for the year	-	-	-	1,683,821	1,683,821
Other comprehensive income for the year	-	-	11,502,559	-	11,502,559
Total comprehensive income for the year	-	-	11,502,559	1,683,821	13,186,380
Transactions with owners recorded direct to equity					
Issue of shares	6,555,660	-	-	-	6,555,660
Issue of options	-	126,003	-	-	126,003
Shares issue expenses	(325,777)	-	-	-	(325,777)
Total transactions with owners	6,229,883	126,003	-	-	6,355,886
Balance as at 30 June 2010	20,135,891	1,215,102	11,502,559	(12,062,727)	20,790,825

For the year ended 30 June 2009	Attributable to equity holders				Total Equity \$
	Ordinary Shares \$	Option Reserve \$	Other Reserves \$	Accumulated Losses \$	
Balance as at 1 July 2008	13,402,566	889,942	-	(11,194,366)	3,098,142
Total comprehensive loss					
Loss for the year	-	-	-	(2,552,182)	(2,552,182)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(2,552,182)	(2,552,182)
Transactions with owners recorded direct to equity					
Issue of shares	626,014	-	-	-	626,014
Cancellation of shares	(73,750)	-	-	-	(73,750)
Issue of options	-	199,157	-	-	199,157
Shares issue expenses	(48,822)	-	-	-	(48,822)
Total transactions with owners	503,442	199,157	-	-	702,599
Balance as at 30 June 2009	13,906,008	1,089,099	-	(13,746,548)	1,248,559

The accompanying notes form part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Payments for exploration and evaluation		(2,553,445)	(1,579,170)
Payments to suppliers and employees		(514,059)	(770,350)
Interest received		122,480	102,293
Proceeds on sale of mineral rights		750,000	-
Net cash used in operating activities	27(b)	(2,195,024)	(2,247,227)
Cash flows from investing activities			
Payment for investment securities		(336,875)	(85,671)
Proceeds on sale of investment securities		217,614	-
Amounts advanced to related parties	25(d)	(300,000)	-
Amounts advanced to outside entities		(102,171)	(149,242)
Payment for property, plant and equipment		(67,864)	(10,814)
Repayment of loans from outside entities		445,757	-
Net cash used in investing activities		(143,539)	(245,727)
Cash flows from financing activities			
Proceeds from issues of equity securities	16	5,521,660	626,014
Proceeds from exercise of options	16	700,000	-
Payment for share issue costs	16	(325,777)	(48,822)
Net cash provided by financing activities		5,895,883	577,192
Net increase in cash and cash equivalents		3,557,320	(1,915,762)
Cash and cash equivalents at the beginning of the financial year		1,027,426	2,943,188
Cash and cash equivalents at the end of the financial year	27(a)	4,584,746	1,027,426

The accompanying notes form part of the financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2010

1. General information

Hannans Reward Limited (the Company) is a listed public Company, incorporated in Australia.

The Group's registered office and its principal place of business are as follows:

Registered office	Principal place of business
Ground Floor	Ground Floor
28 Ord Street	28 Ord Street
West Perth WA 6005	West Perth WA 6005

2. Statement of significant accounting policies

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the financial statements of the consolidated Group. Separate financial statements for Hannans Reward Ltd as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, required financial information for Hannans Reward Ltd as an individual entity is included in note 30.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated and parent financial statements and notes of the consolidated entity and parent entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 30 September 2010.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, except as noted below.

(a) Basis of preparation

The financial report has been prepared on an accruals basis and is based on historical cost, except for certain financial assets and liabilities which are carried at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010 and the comparative information presented in these financial statements for the year ended 30 June 2009.

(b) Adoption of New and Revised Accounting Standards

Australian Accounting Standards that have recently been issued or amended, that are now mandatory, have been adopted for the annual reporting period ended 30 June 2010. These are outlined in the table below:

- AASB 3 *Business Combinations* Effective for annual reporting period ending on 30 June 2010
- AASB 8 *Operating Segments* Effective for annual reporting period ending on 30 June 2010
- AASB 101 *Presentation of Financial Statements* – revised standard effective for annual reporting period ending on 30 June 2010
- AASB 123 *Borrowing Costs* - revised Effective for annual reporting period ending on 30 June 2010
- AASB 127 *Consolidated and Separate Financial Statements* – revised Effective for annual reporting period ending on 30 June 2010
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share Based Payment: Vesting Conditions and Cancellations* Effective for annual reporting period ending on 30 June 2010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2010

2. Statement of significant accounting policies (cont'd)

The Group has applied the revised AASB 101 which became effective on 1 July 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity.

All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence the Group had to change the presentation of the financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(c) *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.

(d) *Employee benefits*

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

Liabilities recognised 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.

Liabilities recognised 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.

(e) *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. 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.

Loans and receivables

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

2. Statement of significant accounting policies (cont'd)

(f) *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.

(g) *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.

(h) *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.

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.

(i) *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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2010

2. Statement of significant accounting policies (cont'd)

Deferred tax

Deferred tax is accounted for using the comprehensive statement of financial position 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.

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 statement of comprehensive income, 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

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Company and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation on 1 July 2008 with Hannans Reward Ltd as the head entity.

(j) *Intangible assets*

Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred may either be expensed immediately to the profit and loss or 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.

2. Statement of significant accounting policies (cont'd)

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.

(k) *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.

(l) *Operating cycle*

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

(m) *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.

(n) *Presentation currency*

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

(o) *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 24 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2010

2. Statement of significant accounting policies (cont'd)

(p) *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 straight line or 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	10.00 – 20.00
Building	2.50
Office equipment	7.50 – 66.67

(q) *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.

(r) *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.

(s) *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.

(t) *Segment reporting policy*

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by the Group's chief operating decision maker, which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of comprehensive income and statement of financial position.

3. Critical accounting estimates and judgements

In the application of the Group's accounting policies, which are described in note 2, 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.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

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 2010. Exploration and evaluation expenditure is not capitalised and is expensed directly through the profit and loss.

Key estimates — share-based payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model.

Key judgments — doubtful debts provision

The Directors believe that the intercompany loan from Hannans Reward Ltd to Errawarra Pty Ltd and HR Forrestania Pty Ltd, if recoverable, would only be recoverable in the long term and have therefore provided for the full amount as at 30 June 2010. All other intercompany loans are considered recoverable.

Key judgments — deferred taxation

Deferred tax liabilities are recognised for all taxable temporary differences in accordance with accounting policies. The major component of deferred tax liabilities are the ASX listed equities which are subject to market changes and as a result deferred tax liabilities will change accordingly in future reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2010

	2010 \$	2009 \$
4. Income/(Loss) from operations		
(a) Revenue		
Interest revenue		
- Bank	173,112	98,136
- Other	18,117	21,145
	191,229	119,281
(b) Other Income		
Sale of mineral rights	5,250,000	-
Other	42,638	-
	5,292,638	-
(c) Gain on disposal of shares		
Proceeds on disposal of shares	217,614	-
Less: Fair value of shares disposed	(200,270)	-
Transfer to income fair value reserve of shares sold	135,836	-
	153,180	-
(d) Income/(Loss) before income tax		
Income/(Loss) before income tax has been arrived at after charging the following gains and (losses) from continuing and discontinued operations		
Depreciation of non-current assets	14,044	14,414
Operating lease rental expenses:		
Minimum lease payments	80,083	83,257
Employee benefit expense includes:		
Post employment benefits:		
Defined contribution plans	79,033	74,639
Share-based payments:		
Equity settled share-based payments	126,003	199,157

5.

Income taxes

	2010 \$	2009 \$
Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	-	-
Total tax expense	-	-

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:

Income /(Loss) from operations	1,683,821	(2,552,182)
Income tax benefit calculated at 30%	505,146	(765,655)

Effect of expenses that are not deductible in determining taxable profit	139,704	63,190
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	(644,850)	702,465
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.

Deferred tax recognised directly to equity

The following deferred amounts were charged directly to equity during the year

Deferred tax on revaluation of available for sale assets	3,774,663	-
Less: Brought forward tax losses utilised	(2,830,847)	-
	943,816	-

Deferred tax liabilities

Revaluations of available for sale assets	943,816	-
	943,816	-

Reconciliation of deferred tax assets/(liabilities)

	Opening Balance	Charged to Equity	Closing Balance
Available for sale financial assets	-	(943,816)	(943,816)
	-	(943,816)	(943,816)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2010

	2010 \$	2009 \$
5. Income taxes (cont'd)		
Unrecognised deferred tax balances		
The following deferred tax assets and (liabilities) have not been brought to account :		
Tax losses – revenue	-	3,921,504
Tax losses – capital	-	2,386
Net temporary differences	158,267	105,358
	158,267	4,029,248

Tax consolidation

Relevance of tax consolidation to the consolidated entity

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Company and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation.

6. Key management personnel disclosures

a) Details of key management personnel

The Directors and Executives of Hannans Reward Ltd during the year were:

Directors

- Richard Scallan
- Damian Hicks
- William Hicks
- Jonathan Murray (appointed 22 January 2010)

Executives

- Michael Craig (Company Secretary) (appointed 11 March 2010)

b) Key management personnel compensation

The aggregate compensation made to key management personnel of the Company and the Group is set out below

	2010 \$	2009 \$
Short-term employee benefits	362,046	279,562
Post-employment benefits	56,838	55,627
Other long term benefits	13,142	11,697
Share-based payment	-	199,157
	432,026	546,043

The compensation of each member of the key management personnel of the Group is set out in the Directors Remuneration report on pages 20 to 23.

7. Share-based payments

The Company has an ownership-based compensation arrangement for employees of the Group.

Each option issued under the arrangement converts into one ordinary share of Hannans Reward Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options neither carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is at the sole discretion of the Directors.

Incentive options issued to Directors (executive and non-executive) are subject to approval by shareholders and attach vesting conditions as appropriate.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Options series	Number	Grant date	Expiry date	Exercise price \$
31 December 2010	500,000	5 February 2007	31 December 2010	0.50
31 December 2010	1,717,867	18 January 2008	31 December 2010	0.40
30 June 2011	2,000,000	1 November 2007	30 June 2011	0.80
30 June 2011	250,000	28 November 2008	30 June 2011	0.80
31 July 2011	2,000,000	30 July 2009	31 July 2011	0.20
30 June 2012	1,000,000	1 November 2007	30 June 2012	0.80
30 June 2012	100,000	24 July 2009	30 June 2012	0.40
30 June 2013	1,000,000	1 November 2007	30 June 2013	0.80

The input into the model in respect of options granted for this year are as follows:

Inputs into the model	Option series	
	31 July 2011	30 June 2012
Grant date share price	15 cents	13 cents
Exercise price	20 cents	40 cents
Expected volatility	112.77%	100%
Option life	24 months	35 months
Dividend yield	Nil	Nil
Risk-free interest rate	3.97%	4.83%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2010

7. Share-based payments (cont'd)

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

	2010		2009	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average Exercise price \$
Balance at beginning of the financial year	9,967,867	0.51	9,717,867	0.50
Granted during the financial year	2,100,000	0.21	250,000	0.80
Exercised during the financial year	(3,500,000)	0.20	-	-
Balance at end of the financial year (i)	8,567,867	0.56	9,967,867	0.51
Exercisable at end of the financial year	8,567,867	0.56	9,967,867	0.51

(i) Exercised during the financial year

During the year a total of 3,500,000 options over ordinary shares were exercised comprised of the following:

- 3,000,000 20 cent options expiring on 31 March 2010 to raise \$600,000 of which \$300,000 relate to the loan in note 25(d)
- 500,000 20 cent options expiring on 30 April 2010 to raise \$100,000

(ii) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average exercise price of \$0.56 (2009: \$0.51) and a weighted average remaining contractual life of 1.25 years (2009: 1.76 years).

	2010 \$	2009 \$
8. Remuneration of auditors		
Audit or review of the financial report	32,571	26,058
	32,571	26,058

The auditor of Hannans Reward Ltd is Stantons International.

9. Current trade and other receivables

Accounts receivable	46,902	15,026
Other	91,395	36,480
	138,297	51,506

10. Current other financial assets

Loans to outside entities (i)	-	343,586
Investments in listed entities (ii)	17,218,816	-
	17,218,816	343,586

10. Current other financial assets (cont'd)

- (i) The loan was made to Equity & Royalty Investments Ltd (formerly Scandinavian Shield Ltd) and the terms of the loan required it to be repaid on or before 31 December 2009. Security for the loan was a mortgage over 100% of the assets of Equity & Royalty Investments Ltd. Interest was charged at a rate of 8.5% on \$273,103 with the balance of \$53,225 for the Company and \$70,483 for the Consolidated Group being interest free. The loan was extended from 31 December 2009 to 30 June 2010 to allow Equity & Royalty Investments Ltd further time to repay. The loan was fully repaid on 14 May 2010 totalling \$420,855.
- (ii) Investments in listed entities include the following:
- 8,031,334 ordinary fully paid shares in Atlas Iron Limited
 - 30,000 ordinary fully paid shares in Southern Hemisphere Mining Ltd
 - 1,835,001 ordinary fully paid shares in Scandinavian Resources Ltd
 - 250,001 options exercisable at 20 cents on or before 31 October 2012 in Scandinavian Resources Ltd

	2010 \$	2009 \$
11. Non-current trade and other receivables		
Other receivables – bonds	209,225	138,694
	209,225	138,694

12. Property, plant and equipment

	Office furniture and equipment at cost \$	Building at cost \$	Total \$
Gross carrying amount			
Balance at 1 July 2008	72,983	-	72,983
Additions	10,814	-	10,814
Balance at 1 July 2009	83,797	-	83,797
Additions	58,762	9,102	67,864
Balance at 30 June 2010	142,559	9,102	151,661
Accumulated depreciation and impairment			
Balance at 1 July 2008	41,479	-	41,479
Depreciation expense	14,414	-	14,414
Balance at 1 July 2009	55,893	-	55,893
Depreciation expense	13,874	170	14,044
Balance at 30 June 2010	69,767	170	69,937
Net book value			
As at 30 June 2009	27,904	-	27,904
As at 30 June 2010	72,792	8,932	81,724

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2010

	2010 \$	2009 \$
12. Property, plant and equipment (cont'd)		
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	13,874	14,414
Building	170	-
	14,044	14,414
13. Non-current other financial assets		
Loans to director (i)	300,000	-
	300,000	-
(i) Details of the loan are provided in note 25(d).		
14. Current trade and other payables		
Trade payables (i)	596,882	178,513
Other	121,485	130,148
	718,367	308,661
(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.		
15. Current provisions		
Employee benefits	79,800	31,896
	79,800	31,896

	2010 \$	2009 \$
16. Issued capital		
131,648,715 fully paid ordinary shares (2009: 90,324,979)	20,135,891	13,906,008
	<u>20,135,891</u>	<u>13,906,008</u>

	2010		2009	
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of financial year	90,324,979	13,906,008	84,778,597	13,402,566
Cancellation of Shares – 13 November 2008(i)	-	-	(250,000)	(73,750)
Share Purchase Plan – 17 November 2008	-	-	5,796,382	626,014
Issue of shares – 30 July 2009	2,000,000	300,000	-	-
Placement of shares – 18 August 2009	9,748,670	1,511,044	-	-
Issue of shares – 31 August 2009	200,000	34,000	-	-
Share Purchase Plan – 14 September 2009	6,526,960	1,011,660	-	-
Placement of shares – 22 September 2009	19,348,106	2,998,956	-	-
Options converted to shares – 1 April 2010	3,000,000	600,000	-	-
Options converted to shares – 30 April 2010	500,000	100,000	-	-
Share issue costs	-	(325,777)	-	(48,822)
Balance at end of financial year	<u>131,648,715</u>	<u>20,135,891</u>	<u>90,324,979</u>	<u>13,906,008</u>

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

- 1) At the 2008 AGM Hannans Reward shareholders voted to cancel shares issued to JLM Resources Ltd in exchange for the pre-emptive right to acquire projects in Papua New Guinea and JLM Resources Ltd subsequently voted for their shares to be cancelled.

	2010 \$	2009 \$
17. Reserves		
Balance at the beginning of the financial year	1,089,099	889,942
Option reserve	126,003	199,157
Available for sale revaluation reserve	12,446,375	-
Deferred tax liabilities	(943,816)	-
Balance at the end of the financial year	<u>12,717,661</u>	<u>1,089,099</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2010

17. Reserves (cont'd)

Share options

As at 30 June 2010, options over 8,567,867 ordinary shares in aggregate are as follows:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Hannans Reward Ltd	500,000	Ordinary	50 cents each	31 December 2010
Hannans Reward Ltd	1,717,867	Ordinary	40 cents each	31 December 2010
Hannans Reward Ltd	2,250,000	Ordinary	80 cents each	30 June 2011
Hannans Reward Ltd	2,000,000	Ordinary	20 cents each	31 July 2011
Hannans Reward Ltd	1,000,000	Ordinary	80 cents each	30 June 2012
Hannans Reward Ltd	100,000	Ordinary	40 cents each	30 June 2012
Hannans Reward Ltd	1,000,000	Ordinary	80 cents each	30 June 2013

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

3,500,000 options have been exercised during the year.

	2010 \$	2009 \$
18. Accumulated losses		
Balance at beginning of financial year	(13,746,548)	(11,194,366)
Income(Loss) attributable to members of the parent entity	1,683,821	(2,552,182)
Balance at end of financial year	(12,062,727)	(13,746,548)

	2010 Cents per share	2009 Cents per share
19. Loss per share		
Basic Income (loss) per share:		
From continuing operations	1.38	(2.89)
Total basic earnings per share	1.38	(2.89)

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:

	2010 \$	2009 \$
Earnings (a)	1,683,821	(2,552,182)
	2010 No.	2009 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	121,770,097	88,185,526

The rights of options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The rights of options are non-dilutive as the exercise prices are higher than the Company's share price at 30 June 2010.

	2010 \$	2009 \$
20. Commitments for expenditure		
Exploration, evaluation & development (expenditure commitments)		
Not longer than 1 year	1,539,067	919,600
Longer than 1 year and not longer than 5 years	3,078,134	1,839,200
Longer than 5 years	-	-
	4,617,201	2,758,800

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2010 are as follows:

Not longer than 1 year	47,340	-
Longer than 1 year and not longer than 5 years	28,196	-
Longer than 5 years	-	-
	75,536	-

The Group has a non-cancellable office lease, expiring within 1.6 years and with rent payable monthly in advance.

21. Contingent liabilities and contingent assets

In the opinion of the Directors, there are no contingent liabilities or contingent assets as at 30 June 2010 and none were incurred in the interval between the year end and the date of this financial report.

22. Segment reporting

The Group operates predominantly in the mineral exploration industry in Australia. For management purposes, the Group is organised into one main operating segment which involves the exploration of minerals in Australia. All of the Group's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

23. Jointly controlled operations and assets

Name of project	Principal activity	Interest	
		2010 %	2009 %
Forrestania	Exploration	80%	80%
Sunday	Exploration	90%	90%
Lake Johnston	Exploration	90%	90%

The Company agreed to free-carry the joint venture party's to a decision to mine based on completion of a bankable feasibility study. 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 and evaluation is expensed.

Contingent liabilities and capital commitments

The capital commitments and contingent liabilities arising from the consolidated entity's interests in joint ventures are disclosed in notes 20 and 21 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2010

24. Subsidiaries

		Ownership Interest	
		2010 %	2009 %
Name of entity	Country of Incorporation		
Parent entity:			
Hannans Reward Ltd (i)	Australia		
Subsidiaries:			
HR Subsidiary Pty Ltd	Australia	100%	100%
Errawarra Pty Ltd (ii)	Australia	100%	100%
HR Forrestania Pty Ltd (ii)	Australia	100%	100%
HR Equities Pty Ltd (iii)	Australia	100%	100%

- (i) Hannans Reward Ltd is the head entity. All the companies are members of the group.
(ii) The 100% interest in Errawarra Pty Ltd and HR Forrestania Pty Ltd is held via HR Subsidiary Pty Ltd.
(iii) The 100% interest in HR Equities Pty Ltd is held by the parent entity.

25. 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 24 to the financial statements.

Equity interests in associates and joint ventures

Details of interests in associates and joint ventures are disclosed in note 23 to the financial statements.

(b) Key management personnel remuneration

Details of key management personnel remuneration are disclosed in note 6 to the financial statements.

25. Related party disclosures (cont'd)

(c) Key management personnel equity holdings

Fully paid ordinary shares of Hannans Reward Ltd

Key management personnel	Balance at 1 July No.	Granted as remuneration No.	Received on exercise of options No.	Net other change No.	Balance at 30 June No.
2010					
Richard Scallan	-	-	-	-	-
Damian Hicks	2,586,755	-	1,500,000	78,555	4,165,310
William Hicks	11,987,226	-	-	75,860	12,063,086
Jonathan Murray	-	-	-	391,775	391,775
Michael Craig	-	-	-	40,130	40,130
	14,573,981	-	1,500,000	586,320	16,660,301

2009					
Richard Scallan	-	-	-	-	-
Damian Hicks	2,586,755	-	-	-	2,586,755
William Hicks	11,437,163	-	-	550,063	11,987,226
Ernest Dechow(i)	3,100,001	-	-	-	3,100,001
Terrence Grammer(ii)	3,675,000	-	-	-	3,675,000
Frank Cannavo(iii)	1,501,559	-	-	-	1,501,559
	22,300,478	-	-	550,063	22,850,541

- i) Ernest Dechow's equity holding is for the period 1 July 2008 to 18 October 2008 when he passed away
- ii) Terrence Grammer's equity holding is for the period 1 July 2008 to 27 March 2009 when he resigned
- iii) Frank Cannavo's equity holding is for the period 1 July 2008 to 24 March 2009 when he resigned

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2010

25. Related party disclosures (cont'd)

Share options of Hannans Reward Ltd

Directors	Bal at 1 July No.	Granted as remuneration No.	Exercised No.	Net other change No.	Bal at 30 June No.	Bal vested at 30 June No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
2010									
Richard Scallan	250,000	-	-	-	250,000	250,000	-	250,000	-
Damian Hicks	4,500,000	-	1,500,000	-	3,000,000	3,000,000	-	3,000,000	-
William Hicks	250,000	-	-	-	250,000	250,000	-	250,000	-
	5,000,000		1,500,000	-	3,500,000	3,500,000	-	3,500,000	-
2009									
Richard Scallan	250,000	-	-	-	250,000	250,000	-	250,000	-
Damian Hicks	4,500,000	-	-	-	4,500,000	4,500,000	-	4,500,000	2,000,000
William Hicks	250,000	-	-	-	250,000	250,000	-	250,000	-
Ernest Dechow	250,000	-	-	-	250,000	250,000	-	250,000	-
Terrence Grammer	1,750,000	-	-	-	1,750,000	1,750,000	-	1,750,000	-
Frank Cannavo	-	250,000	-	-	250,000	250,000	-	250,000	250,000
	7,000,000	250,000	-	-	7,250,000	7,250,000	-	7,250,000	2,250,000

(d) Loans to key management personnel and their related parties

Details regarding loans outstanding at the reporting date to key management personnel and their related parties, where the individual's aggregate loan balance exceeded \$100,000 at any time in the reporting period, are as follows:

	Balance 1 July 2009 \$	Balance 30 June 2010 \$	Interest not charged \$	Highest balance in period \$
Director				
Damian Hicks (i)	-	300,000	-	300,000
	-	300,000	-	300,000

- (i) The Board approved a loan for \$300,000 at 6% per annum repayable on or before 31 March 2015. The loan is unsecured and a salary sacrifice arrangement has been entered into whereby the interest portion of the loan will be repaid monthly.

25. Related party disclosures (cont'd)

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Group to key management personnel and their related parties, and the number of individuals in each group, are as follows:

	Opening Balance \$	Closing Balance \$	Interest not charged \$	Number in group at 30 June
Total for key management personnel 2010	-	300,000	-	1
Total for key management personnel 2009	-	-	-	-
Total for other related parties 2010	326,328	-	-	1
Total for other related parties 2009	155,941	326,328	-	1
Total for key management personnel and their related parties 2010	326,328	300,000	-	2
Total for key management personnel and their related parties 2009	155,941	326,328	-	1

	2010 \$	2009 \$
(e) Other transactions with specified Directors		
The income/(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:		
Rental expense (85 Maritana Street, Kalgoorlie)	-	11,253
Total recognised as expenses	-	11,253
Rental of the premises ceased on 30 November 2008.		

(f) Transactions with other related parties

Subsidiaries

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 (2009: Nil) from loans to subsidiaries, and paid interest of nil (2009: Nil) to subsidiaries.

Loans to subsidiaries	Parent	
	2010	2009
Beginning of the year	17,310	67,314
Loans advanced	6,200,277	1,458,662
Loan payments received	(4,517,258)	-
Provision for non-recoverability	1,361,164	(1,525,920)
End of year	3,061,493	17,310

(g) Parent entity

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2010

26. Subsequent events

The following matters or circumstances have arisen since 30 June 2010 that 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.

- (a) Since the end of the financial year 530,000 Atlas Iron Ltd shares have been sold on the market for a total of \$1,197,400. Further sales may occur dependent on the parameters for sale of the shares as agreed by the Board.
- (b) As at 28 September 2010 the fair value of shares and options held in listed equities was \$17,653,382 which is an increase of \$434,567 since 30 June 2010

27. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, 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 statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2010 \$	2009 \$
Cash and cash at bank	995,358	277,426
Term deposit	3,589,388	750,000
	<u>4,584,746</u>	<u>1,027,426</u>

(b) Reconciliation of loss for the year to net cash flows from operating activities

Income/(Loss) for the year	1,683,821	(2,552,182)
Depreciation of non-current assets	14,044	14,414
Gain/(Loss) on disposal of shares	(153,180)	-
Equity settled share-based payments	460,003	199,157
Equity settled share-based received	(4,500,000)	-
Cancellation of ordinary shares	-	(73,750)
Interest on loan to outside entities	-	(21,145)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Trade and other receivables	(157,322)	30,742
Increase in liabilities:		
Trade and other payables and provisions	457,610	155,537
Net cash from operating activities	<u>(2,195,024)</u>	<u>(2,247,227)</u>

28. Financial instruments

(a) Financial risk management objectives

The consolidated entity 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 although it currently holds 8,031,334 shares in Atlas Iron Ltd following disposal of its iron ore rights to Warwick Resources. 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 but at 30 June 2010 it is also exposed to market price risk in particular on its holding of Atlas Iron Ltd shares. 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 2 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.

(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.

Cash flow sensitivity analysis for variable rate instruments

A change of 1 percent in interest rates at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2009:

	Profit or Loss		Equity	
	1% Increase	1% decrease	1% Increase	1% decrease
30 June 2010				
Variable rate instruments	45,845	(45,845)	45,845	(45,845)
Cash flow sensitivity	45,845	(45,845)	45,845	(45,845)
30 June 2009				
Variable rate instruments	10,274	(10,274)	10,274	(10,274)
Cash flow sensitivity	10,274	(10,274)	10,274	(10,274)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2010

28. Financial instruments (cont'd)

Maturity profile of financial instruments

The following table's detail the consolidated entity's and company's exposure to interest rate risk.

Consolidated	Weighted average effective interest rate %	Variable interest rate \$	Fixed maturity dates			Non interest bearing \$	Total \$
			Less than 1 year \$	1-5 years \$	5+ years \$		
2010							
Financial assets:							
Cash and cash equivalents	4.8%	4,584,491	-	-	-	255	4,584,746
Trade and other receivables	5.1%	-	202,794	-	-	6,431	209,225
Loans	6%	-	-	300,000	-	-	300,000
		4,584,491	202,794	300,000	-	6,686	5,093,971
Financial liabilities:							
Trade and other payables		-	-	-	-	718,367	718,367
		-	-	-	-	718,367	718,367
2009							
Financial assets:							
Cash and cash equivalents	3.7%	277,171	750,000	-	-	255	1,027,426
Trade and other receivables	8.3%	-	138,694	-	-	51,506	190,200
Loans	8.5%	-	273,103	-	-	70,483	343,586
		277,171	1,161,797	-	-	122,244	1,561,212
Financial liabilities:							
Trade and other payables		-	-	-	-	308,661	308,661
		-	-	-	-	308,661	308,661

(e) 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.

The consolidated entity currently doesn't have any debtors apart from GST receivable which is claimed at the end of each quarter during the year.

It is a policy of the consolidated entity that creditors are paid within 30 days.

28. Financial instruments (cont'd)

(f) Fair value of financial instruments

The net fair value of financial assets and liabilities of the Consolidated Group approximated their carrying amount.

The consolidated group has no financial assets and liabilities where the carrying amount exceeds the net fair value at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and notes to the financial statements.

(g) 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.

The Company does not perform any sensitivity analysis and none is disclosed in the financial statements as the impact would not be material.

The Company does not perform any sensitivity analysis and none is disclosed in the financial statements as the impact would not be material.

(h) Market price risk

Market risk is the potential for loss arising from adverse movements in the level and volatility of equity prices.

The Group's investments subject to price risk are listed on the Australian Securities Exchange as detailed in note 10. A 1 percent increase at reporting date in the equity prices would increase the market value of the securities by \$172,188 (2009: \$Nil), and an equal change in the opposite direction would decrease the value by the same amount. No amounts are shown for the 2009 reporting date as the Group held no equities at that time. The increase/decrease would be reflected in equity as these financial instruments are classified as available-for-sale.

29. Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. Included within Level 1 are listed investments. The fair values of these financial assets have been based on the closing quoted bid prices at reporting date, excluding transaction costs.

	Level 1 2010 \$	Level 1 2009 \$
Financial Assets		
Available-for-sale financial assets:		
- listed investments	17,218,816	-
	17,218,816	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2010

30. Parent entity disclosures

The following details information related to the parent entity, Hannans Reward Ltd, at 30 June 2010. The information presented here has been prepared using consistent accounting policies as presented in note 2.

	2010 \$	2009 \$
Results of the parent entity		
Loss for the year	(442,563)	(2,661,973)
Other comprehensive income	-	-
Total comprehensive loss for the year	(442,563)	(2,661,973)
Financial position of parent entity at year end		
Current Assets	4,145,552	1,316,753
Non-current Assets	3,245,334	99,785
Total Assets	7,390,886	1,416,538
Current liabilities	332,069	271,043
Non-current liabilities	-	-
Total Liabilities	332,069	271,043
Total equity of the parent entity comprising of:		
Share Capital	20,135,891	13,906,008
Reserves	1,215,102	1,089,099
Accumulated losses	(14,292,176)	(13,849,612)
Total Equity	7,058,817	1,145,495

31. New Accounting Standards and Interpretations

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: Financial Instruments and AASB 2009-11; Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 138, 139, 1023 & 1038 and Interpretations 10 & 121 (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
 - simplifying the requirements for embedded derivatives;
 - removing the tainting rules associated with held-to-maturity assets;
 - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
 - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
 - reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on;
 - a. the objective of the entity's business model for managing the financial assets; and
 - b. the characteristics of the contractual cash flows.
 - AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).
- This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.
- AASB 2009-5; Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).
- These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.
- AASB 2009-8; Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2010

31. New Accounting Standards and Interpretations (cont'd)

- AASB 2009-9: Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues] AASB 132] applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

- AASB 2009-14: Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This standard will not impact the Group.

- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

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