

HANNANS

1st Quarter Activities Report 2014/2015

Fast Facts

ASX Code: HNR

Capital Structure

Shares on issue: 721.9m

Market cap: \$5.1m (at 0.7c)

Management

Managing Director:

Damian Hicks

Exploration Manager:

Amanda Scott

Finance & Compliance Manager:

Mindy Ong

Non-Executive Directors

Olof Forslund

Markus Bachmann

Jonathan Murray

Key Projects

Sweden

Pahtohavare (Copper-Gold)

Rakkuri (Iron)

Lannavaara (Iron)

Dear Shareholders,

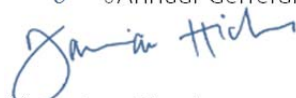
During the 1st Quarter (July – September 2014) Hannans:

Exploration & Business Development

- ∂ Lannavaara Project, Sweden (Iron) – continued stakeholder consultations, initiated an iron concentrate and natural gas pipeline scoping study and completed a ground magnetic survey.
- ∂ Lake Johnston, Australia (Nickel) – subsequent to the end of the Quarter Joint Venture partner Reed Resources Ltd (ASX:RDR) commenced diamond drill testing of nickel sulphide targets at the Mt Gordon prospect.
- ∂ Pahtohavare (Copper-Gold) – commenced metallurgical test work of oxide copper-gold ore from Central Zone.
- ∂ Rakkuri Iron Project – extended due diligence period at request of Third Party.
- ∂ Discovery Zone – Avalon Minerals Ltd (ASX:AVI) lodged the updated exploitation concession application during the Quarter. When the application is granted a final payment of \$3M will become payable to Hannans.
- ∂ Exploration Data Quality and Costs – identified suitable lightweight aircraft for acquisition of cost effective geophysical datasets.

During the 2nd Quarter (October – December 2014) Hannans aims to:

- ∂ Rakkuri Iron Project – conclude discussions with Third Party.
- ∂ Lannavaara – review final pipeline scoping study, assess process for obtaining legal, environmental and social licenses to operate, complete exploration proposal for Paljasjärvi and assess opportunities for delivering gas into Lapland.
- ∂ Lake Johnston – receive drill results from nickel drilling.
- ∂ Pahtohavare – complete metallurgical testwork on oxide copper-gold mineralisation, initiate internal scoping study on production from oxide ore and lodge work plans for drilling.
- ∂ Rehabilitation – complete rehabilitation of drill sites in Sweden and Australia.
- ∂ Exploration Data Quality and Costs – assist with completion of final designs of sensor attachments for lightweight aircraft.
- ∂ Corporate – seek opportunities to advance the interests of Hannans shareholders through project acquisition, divestment and or corporate action.
- ∂ 0Annual General Meeting – hold meeting on 20 November 2014.



Managing Director
31 October 2014

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EXPLORATION & BUSINESS DEVELOPMENT

LANNAVAARA IRON PROJECT

SUMMARY

The Lannavaara Iron Project (LIP), located approximately 80km north-east of Kiruna, northern Sweden, is registered in the name of Hannans' wholly owned subsidiary Scandinavian Resources AB (SRAB). For the most recent project presentation please refer to the presentation titled "Lannavaara Iron Project: An Opportunity for Port – Rail – Pipeline" available on Hannans' website.

During the Quarter, Hannans continued to engage with various stakeholders to finalise the first round of stakeholder (business, government, community, environmental and reindeer herding groups) consultations in Sweden, Finland and Norway. This included meetings with the Norwegian Roads Administration, Finnish Transport Agency, Storfjord Kommune, an independent provider of LNG in Norway and members of the Lannavaara community.

There is currently great momentum in Finland and Norway towards developing a new rail transport corridor from Kemi, Finland all the way through to Skibotn, Norway. Importantly it is our understanding that a consortium of Kommuns has recently engaged a leading consulting firm to complete a feasibility study into a rail solution. This rail study is important for the LIP because any new transport solution for bulk goods within the corridor will increase the potential for the LIP to be successfully developed. Finnish and Norwegian Press releases relating to the transport corridor and the Lannavaara Iron Project are available on Hannans' web site.

After many meetings in the Far North of the three countries during the last five months, the general consensus towards development of the LIP could be described as "positive" although there are naturally some groups opposed to the project.

The most significant opposition to the project to date comes from the Sami Parliament. Their position in relation to the project is detailed in a Public Statement which is available on Hannans' web site. Management has sought to hold a meeting with the Sami Parliament in Kiruna, Sweden on a number of occasions to introduce Hannans and the LIP as well as listen to the Parliament's views however so far Management hasn't been successful in organising such a meeting.

Hannans will continue to keep stakeholders informed, remain open to receiving feedback and endeavour to address the issues raised by stakeholders in detail after completion of a scoping study. Subject to funding, the scoping study is planned for completion late 2015.

During the Quarter, independent consultants delivered the following reports and calculations:

- ∂ Potential unloading/loading, storage and port solution for Skibotn, Norway; and
- ∂ Human resource requirements for the mining and processing at the LIP.

Engineering, Construction and Project Management services company Ausenco were engaged during the Quarter to complete a conceptual pipeline study and cost estimate for the transport of magnetite concentrate from Lannavaara, Sweden to Skibotn, Norway; and natural gas from Skibotn to Lannavaara. The final Ausenco report is expected to be delivered in early November 2014.

Hannans is also planning to complete a scoping study into a potential rail solution for the LIP to analyse the costs and benefits of a rail versus pipeline solution for the LIP.

Hannans made an application to the Geological Survey of Sweden (SGU) seeking to have the Paljasjärvi deposit declared of National Importance for Mining due to its significant size potential. It is anticipated that a decision on this application will be made during 2015.

During the Quarter Hannans staff completed a ground magnetic survey over a coincident airborne magnetic-gravity-electromagnetic (EM) anomaly located within the project area. The anomaly is located several kilometres south of the Company's existing Teltaja and Kevus magnetite deposits and has not previously been investigated for magnetite mineralisation. The survey was planned to be completed on 50m spaced traverses but poor site access, heavy rainfall and unfavourable terrain meant maintaining straight traverses on a 50m grid was extremely difficult; consequently only 15 line kilometres were completed.

Despite these difficulties the survey successfully improved the resolution of the airborne magnetic anomaly. The survey confirmed the presence of a break or discontinuity in the magnetics; both bodies are in the order of 5000nT above background levels, are several hundred metres in length and have a magnetic susceptibility in the order of 0.5SI units.



Figure 1: Overview of the ground magnetic survey area.



Figure 2: Exploration Manager Amanda Scott preparing the survey equipment.

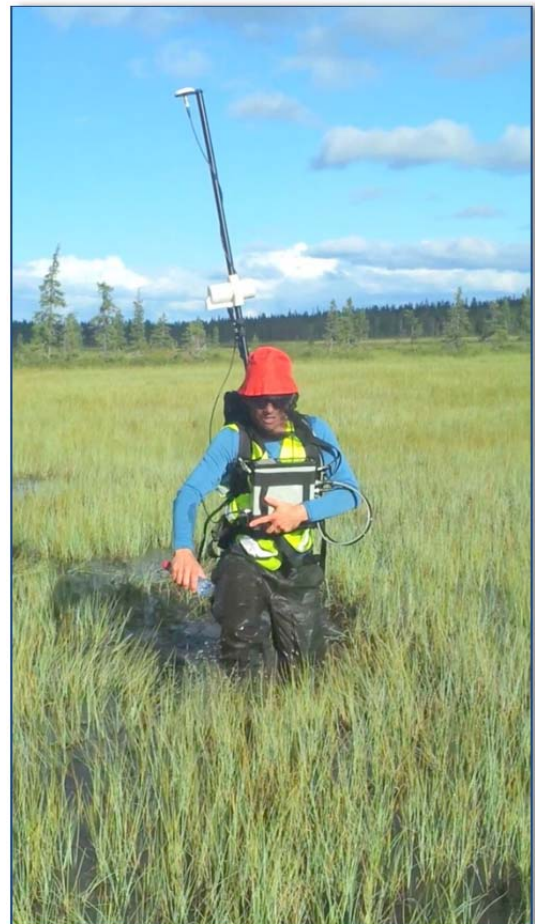


Figure 3: Managing Director Damian Hicks waist high in a swamp completing a ground magnetic survey at the Lannavaara Iron Project.

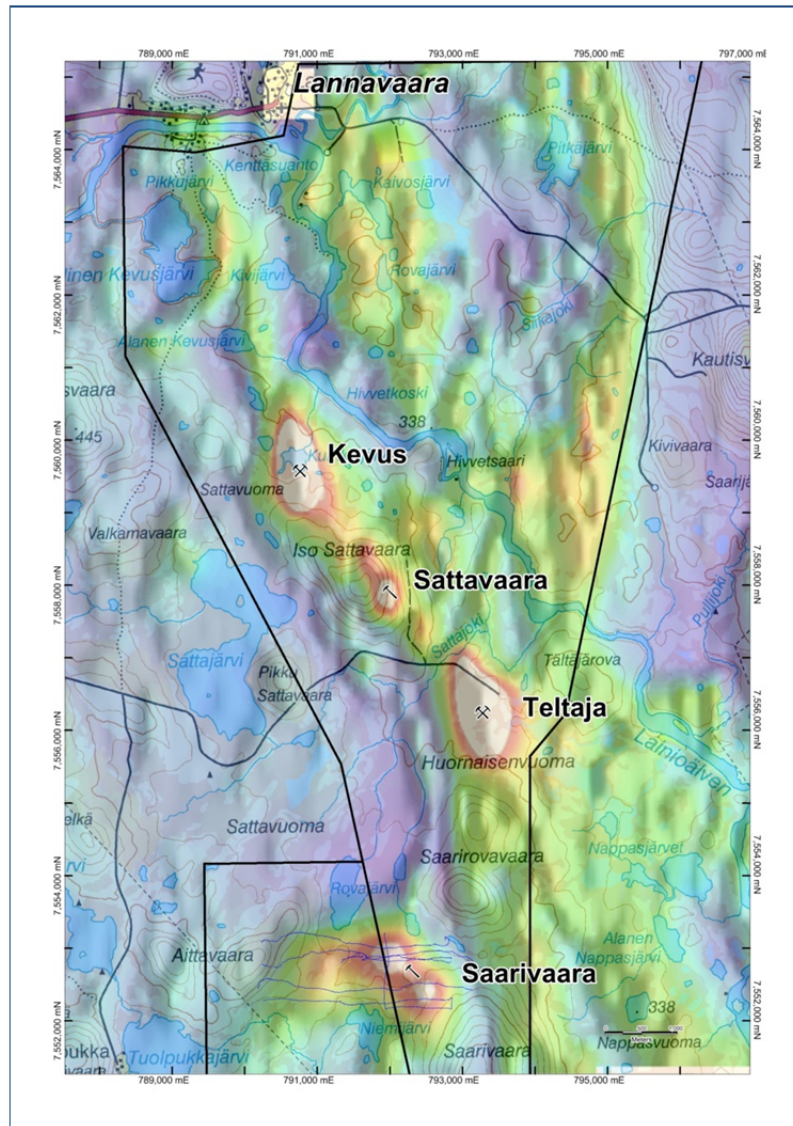


Figure 4: Map showing airborne magnetics and local iron prospects and deposits. The blue lines at Saarivaara are the ground magnetic traverses completed during the Quarter.

PAHTOHAVARE PROJECT

SUMMARY

The Pahtohavare copper-gold project is located approximately 8km south-west of Kiruna in northern Sweden. Copper mineralisation was first discovered at Pahtohavare in 1984 by the state-owned exploration company Swedish Geological AB and later mined by Finnish mining company, Outokumpu. Copper-gold ore was initially mined from the 'Southern' orebody and then the 'South Eastern' orebody. A decision was made to develop an underground mining operation with a decline extending below South Eastern which serviced both orebodies until mining ceased in 1997 due to low copper prices. No known exploration drilling ever took place beneath the lowest mined levels of Southern and South Eastern and therefore both remain open at depth, down dip and down plunge as confirmed by 3D geological modelling of the orebodies in 2013. Hannans has focussed its exploration activities to date on the shallow, high-grade Central orebody.

An opportunity for early cash flow at Pahtohavare may exist if copper and gold ore within the Central oxide zone can be extracted economically. The Central Orebody currently has an Inferred JORC Resource¹ of 1.4Mt @ 2.4% CuEq² which is all oxide material.

¹ Refer ASX release dated 31 January 2014 and earlier.

OXIDE METALLURGICAL TESTWORK

As reported last Quarter, Hannans has engaged Independent Metallurgical Operations Pty Ltd (IMO) from Perth, Western Australia to oversee preliminary metallurgical testwork designed to test the recoverability of copper and gold from the oxide ore. Activation Laboratories Ltd (Actlabs) located in Ontario, Canada has been awarded the contract to undertake the physical testwork.

IMO completed a detailed review of historical metallurgical testwork reports from Pahtohavare and developed a testwork flow-sheet focussed initially on ore characterisation (Stage 1) followed by grinding and leaching testwork (Stage 2). A 600kg master composite (comprising reverse circulation crusher rejects) was first homogenised and then assayed to determine the head assay grade. The ore characterisation (i.e. copper speciation testwork) will determine both the percentage of copper contained within oxides, carbonates, sulphides and silicates and what percentage of copper is acid soluble. BBWi³ (a separate 50kg historical core sample⁴) tests have also recently been completed which finalises Stage 1.

The Stage 1 report from IMO is expected to be delivered in early November 2014.

PRIMARY COPPER MINERALISATION CONFIRMED BENEATH OXIDE ZONE

When Hannans inspected historic drill core prior to dispatching to the laboratory for grindability testwork on the oxide ore it was noted that visible copper mineralisation at the end of the hole had not been assayed by previous explorers; the mineralised sections have now been cut and assayed (refer ASX Announcement dated 12th September 2014).

The copper mineralisation is located within a silicified felsic which contains abundant open voids filled with gossanous material. Occasional copper oxides, primary copper sulphide (chalcopyrite) veining and weak brecciation were noted (refer to Appendix A for drillhole collar and assay information). Coincidentally in 2013 the Company completed a fixed-loop EM survey at Central which identified several conductors interpreted to be down plunge of the oxide ore and these remain to be drill tested.

The combination of primary copper sulphides at depth and untested EM targets beneath oxide ore is very encouraging and therefore the potential for additional primary copper mineralisation down dip and down plunge of the oxide zone at Central is significant.



Figure 5: Copper mineralised drillcore from drillhole PAH05002. Approximate depth 136m.

² Copper equivalent (CuEq) has been calculated using metal selling prices of USD\$3.56 / lb for Cu and USD\$1,510 / Oz for Au, along with metal recoveries of 90% for Au and 65% for Cu in sulphide material and 80% for Au and 50% of Cu in oxide material. The following equations were used:

- Oxide: $\text{CuEq} = (1.12 \times \text{Au (ppm) grade}) + (0.98 \times \text{Cu\% grade})$
- Sulphide: $\text{CuEq} = (0.97 \times \text{Au (ppm) grade}) + (0.99 \times \text{Cu\% grade})$

It is the company's opinion that the copper and gold metals used in the metal equivalent calculation have a reasonable potential for recovery and sale based on historical metallurgical testwork and previous mining.

³ Bond Ball Work Index (BBWI).

⁴ Diamond drillhole (PAH05002) drilled by Lundin Mining in 2005.

DRILLHOLE PLANNING

A number of high quality copper-gold targets remain to be tested at Pahtohavare including sulphide targets beneath the oxide mineralisation at the Central Orebody and down-dip and down-plunge of the Southern Orebody (for a summary of these targets refer to ASX Announcement dated 10th July 2013). Both of these targets are referred to as brownfields targets. These targets are well defined and are ready to be tested with drilling (using either a percussion or diamond drill rig). Workplans for this drilling will be lodged in November 2014.

The opportunity for additional copper-gold mineralisation along the contact trending north from both the Central and Southern Orebodies remains high. Drilling by Hannans in 2013 confirmed the presence of rock units along this contact similar to those rocks hosting the mineralisation at Pahtohavare. These targets are referred to as greenfields targets. Additional shallow geochemical drilling, assaying and interpretation is required to determine if coherent anomalies exist that warrant percussion drill testing. Workplans for this drilling will be lodged in November 2014.

Subject to permitting and funding Hannans intends to recommence drilling at Pahtohavare to test these copper-gold targets.

LAKE JOHNSTON NICKEL PROJECT

JOINT VENTURE WITH REED RESOURCES LTD (ASX:RDR)

Subsequent to the end of the Quarter, Hannans' Joint Venture partner Reed Resources Ltd (ASX:RDR) (**Reed**) commenced diamond drill testing of highly prospective nickel sulphide targets at the Lake Johnston Project (Mt Gordon Prospect), located west of Norseman in Western Australia. Reed will drill two diamond drillholes for a total of 1,000 metres; results of the drilling will be released by Reed. Hannans has retained a 20% free-carried interest in the Lake Johnston Project (refer ASX Announcement dated 21st October 2014).



Figure 6: Diamond drill rig onsite at the Mt Gordon nickel sulphide prospect, Lake Johnston.

PROJECT PIPELINE & BUSINESS DEVELOPMENT

GEOPHYSICS & LIGHT AIRCRAFT

During the Quarter, Hannans continued to research the availability of various geophysical (magnetic, radar, electromagnetic) sensors that could be attached to an unmanned aerial vehicle UAV⁵ in an effort to complete cost effective project scale airborne geophysical surveys.

One key requirement of utilising a UAV for geophysical surveying is having the ability to fly beyond the line of sight (BLOS). Whilst this is possible with many UAV's, civil aviation authorities appear reluctant to grant airborne surveying permits for BLOS UAV operations. As a result Hannans has now turned its focus towards investigating the suitability of ultralight gyrocopters as an alternative lightweight aircraft for cost effective airborne surveying.

The likely configuration of the gyrocopter is very similar to a conventional heliborne survey with a nose boom (single sensor) or side boom (multiple sensors). Modern ultralight gyrocopters have the ability to fly much lower and slower than conventional fixed-wing and heliborne systems. This is ideal for high resolution surveying. The cost of completing an airborne survey with a gyrocopter is likely to be very competitive with traditional ground surveying, especially in areas with difficult access and/or poor terrain as exists with the Lannavaara Iron Project. The payload-capacity and endurance of gyrocopters is far superior to those currently found in UAV's and operating costs are substantially less than traditional fixed-wing and heliborne systems.

Hannans has identified a suitable, high precision magnetometer/gradiometer (potassium) instrument manufactured by a global leader in magnetometer design and sales that would work well with the gyrocopter. The system can be used as a traditional single-sensor magnetometer or as a multi-sensor, high definition gradiometer with the option of real-time magnetic compensation capability. The magnetometer and gyrocopter manufacturers are currently working together to design suitable nose boom and mounting fixtures that will maintain the gyrocopter's airworthiness and compliance with aircraft regulations.



Figure 7: Test flight of gyrocopter in Kiruna, northern Sweden.

GEOCHEMISTRY, BEDROCK & DRILL RIGS

During the Quarter, Hannans continued discussions with various drill rig manufacturers and operators in both Scandinavia and Western Australia as part of a plan to develop a geochemical drill rig suited for the Scandinavian climate and terrain.

⁵ UAV: An unmanned aerial vehicle commonly known as drone, is an aircraft without a human pilot aboard.

CORPORATE

RAKKURI IRON PROJECT – EXCLUSIVE DUE DILIGENCE PERIOD

As previously advised the Rakkuri Iron Project was the subject of due diligence by a Third Party during the Quarter. At the request of the Third Party an extension to the original due diligence period was granted (refer ASX Announcement dated 2nd September 2014) and it is anticipated that this process will be concluded during the current Quarter.

DISCOVERY ZONE SALE PROCESS

Avalon Minerals Ltd (ASX: AVI) has now lodged the updated exploitation concession application for the Discovery Zone with the Bergsstaten (Chief Mining Inspector). As the agreement currently stands, Avalon is required to pay Hannans \$3 Million within five business days of the exploitation concession application being granted. A decision on the application is expected during late 2015.

ASX ANNOUNCEMENTS FOR 1ST QUARTER 2014/2015

Date	Announcement
September 19, 2014	Scoping Study Pipeline Contract
September 12, 2014	Pahtohavare Copper-Gold Update
September 5, 2014	2014 Annual Report
September 2, 2014	Second USD500,000 Received for Rakkuri Iron Project
July 31, 2014	4th Quarter Cashflow Report
July 31, 2014	4th Quarter Activities Report
July 8, 2014	Lannavaara Iron Project
July 8, 2014	Lannavaara Järn Projekt (Svenska / Swedish version)

Table 1: ASX Announcements for 1st Quarter 2014/2015.

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COMPLIANCE STATEMENTS

The information in this document that relates to exploration results is based on information compiled by Amanda Scott, a Competent Person who is a Member of the Australian Institute of Mining and Metallurgy (Membership No.990895). Amanda Scott is a full-time employee of Hannans Reward Ltd. Amanda Scott 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 in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Amanda Scott consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

The information in this document that relates to Mineral Resource and Exploration Target Estimates for Pahtohavare is extracted from the report entitled "Re-Release of Maiden JORC Resource at Pahtohavare To Comply With JORC" created on 31 January 2014 and is available to view on the Company's website (www.hannansreward.com). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and in the case of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

TENEMENT STATUS FOR 1ST QUARTER 2013/2014

CURRENT TENEMENTS

Tenement Number	Interest 1 st Quarter 2014/2015		Note	Tenement Number	Interest 1 st Quarter 2014/2015		Note
	Start	End			Start	End	
KIRUNA IRON AB							
Location: Norrbotten, Sweden							
Altavaara	100%	100%		Piedjastjokko nr 4	100%	100%	
Altavaara Norra	100%	100%		Piedjastjokko nr 5	100%	100%	
Gäddmyr nr 1	100%	100%		Piedjastjåkko nr 6	100%	100%	
Gäddmyr nr 2	100%	100%		Puoltsa nr 4	100%	100%	
Gäddmyr nr 3	100%	100%		Rakkurijärvi nr 2	100%	100%	
Lupповare nr 1	100%	100%		Harrejaure nr 1	75%	75%	1
Pahtohavare nr 2	100%	100%		Laukujärvi nr 3	75%	75%	1
Pahtohavare nr 4	100%	100%		Sautusvaara nr 1	75%	75%	1
Piedjastjåkko nr 1	100%	100%		Vieto nr 1	75%	75%	1
SCANDINAVIAN IRON AB							
Location: Norrbotten, Sweden							
Årosjokk nr 1	100%	100%		Kajpak nr 1	100%	100%	
Ekströmsberg nr 4	100%	100%		Ratek nr 1	100%	100%	
Ekströmsberg nr 5	100%	100%		Tjärrojåkka nr 104	100%	100%	
Eustiljåk nr 1	100%	100%					
SCANDINAVIAN RESOURCES AB							
Location: Västerbotten, Sweden				Location: Norrbotten, Sweden (cont'd)			
Daningen nr 2	100%	100%		Lannavaara nr 1002	100%	100%	2
Särksjön nr 2	100%	100%		Lannavaara nr 101	0%	100%	
Våtmyrberget nr 6	100%	100%		Lannavaara nr 102	0%	100%	
Location: Norrbotten, Sweden				Lannavaara nr 103	0%	100%	
Paljasjärvi nr 2	100%	100%		Lannavaara nr 104	0%	100%	
Lannavaara nr 8	100%	100%					
HANNANS REWARD LTD							
Location: Lake Johnston, Australia							
E63/1365	100%	20%	3				

Tenement Number	Interest 1 st Quarter 2014/2015		Note	Tenement Number	Interest 1 st Quarter 2014/2015		Note
	Start	End			Start	End	
HR FORRESTANIA PTY LTD							
Location: Forrestania, Australia							
E77/1719	100%	100%		M77/544	0%	0%	4
E77/1784	100%	100%		P77/4012	100%	100%	
E77/1785	100%	100%		P77/4013	100%	100%	

Note:

- 1 Kiruna Iron AB holds 75% interest and Tasman Metals AB holds 25% interest.
- 2 Scandinavian Resources AB 100% iron rights only; Boliden Minerals AB holds 100% of all other mineral rights.
- 3 Hannans Reward Ltd holds 20% interest. Reed Exploration Pty Ltd holds 80% interest.
- 4 HR Forrestania Pty Ltd holds 100% gold rights only. Western Areas Ltd holds 100% of all other mineral rights.

TENEMENTS UNDER APPLICATION

Nil.

RELINQUISHED, REDUCED OR LAPSED TENEMENTS

Tenement Number	Interest 1 st Quarter 2014/2015		Note	Tenement Number	Interest 1 st Quarter 2014/2015		Note
	Start	End			Start	End	
KIRUNA IRON AB							
Location: Norrbotten, Sweden							
Gäddmyr nr 4	100%	0%		Salmijärvi nr 1	100%	0%	
Kaalasjärvi nr 1	100%	0%		Tornefors nr 1	100%	0%	
Pirttivuopio nr 1	100%	0%		Villenjärvi nr 1	100%	0%	
Rakkurijärvi nr 3	100%	0%					
SCANDINAVIAN RESOURCES AB							
Location: Västerbotten, Sweden				Location: Norrbotten, Sweden			
Våtmyrberget nr 1	100%	0%		Korpilombolo nr 1	100%	0%	
HR FORRESTANIA PTY LTD							
Location: Forrestania, Australia							
M77/693	100%	0%		M77/812-l	100%	0%	