HANNANS

21 January 2015

ASX & MEDIA ANNOUNCEMENT

Copper Testwork – Pahtohavare

- Stage 1 metallurgical testwork on copper oxide material completed
- Testwork confirms high recoverability of copper from oxide ore
- Stage 2 testwork will optimise copper testwork and assess recoverability of gold
- Application for approval to drill copper-gold targets lodged with Mining Inspector
- Hannans owns 100% of the Pahtohavare Project

Hannans Reward Ltd (ASX:HNR) (Hannans or the Company) is pleased to provide an update on its 100% owned Pahtohavare Copper-Gold Project, located approximately 8km south-west of Kiruna, northern Sweden (refer Location Map on page 4).

Hannans Managing Director, Damian Hicks said, "The results of the Stage 1 tests are very encouraging. The ore is generally soft and 80% of the copper can be recovered using an acid leach. Importantly we know of cost effective processing technologies suitable for high grade copper oxide deposits like Pahtohavare. We have recently lodged drill workplans to collect additional oxide material for testwork and once completed we can finalise the scoping study."

Project Introduction

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 copper-gold **sulphide** ore was mined by Finnish mining company, Outokumpu.

The 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 Southern Eastern and therefore both copper-gold sulphide orebodies remain open at depth, down dip and down plunge. This has been confirmed by 3D geological modelling of the orebodies in 2013.

Hannans has focussed its exploration activities to date on the shallow, high-grade Central copper-gold **oxide** orebody.

An opportunity for early cashflow at Pahtohavare exists if copper-gold ore within the Central oxide orebody can be extracted economically. The Central Orebody currently has an Inferred JORC Resource[1] of 1.4Mt @ 2.4% CuEq[2] which is all oxide material.

Testwork Introduction

As reported last Quarter, Hannans 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 was awarded the contract to undertake the physical testwork.

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[1] Refer ASX release dated 31 January 2014 and earlier

[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: CuEq = (1.12 x Au (ppm) grade) + (0.98 x Cu% grade)
- Sulphide: CuEq = (0.97 x Au (ppm) grade) + (0.99 x 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 metallurgial testwork and previous mining.

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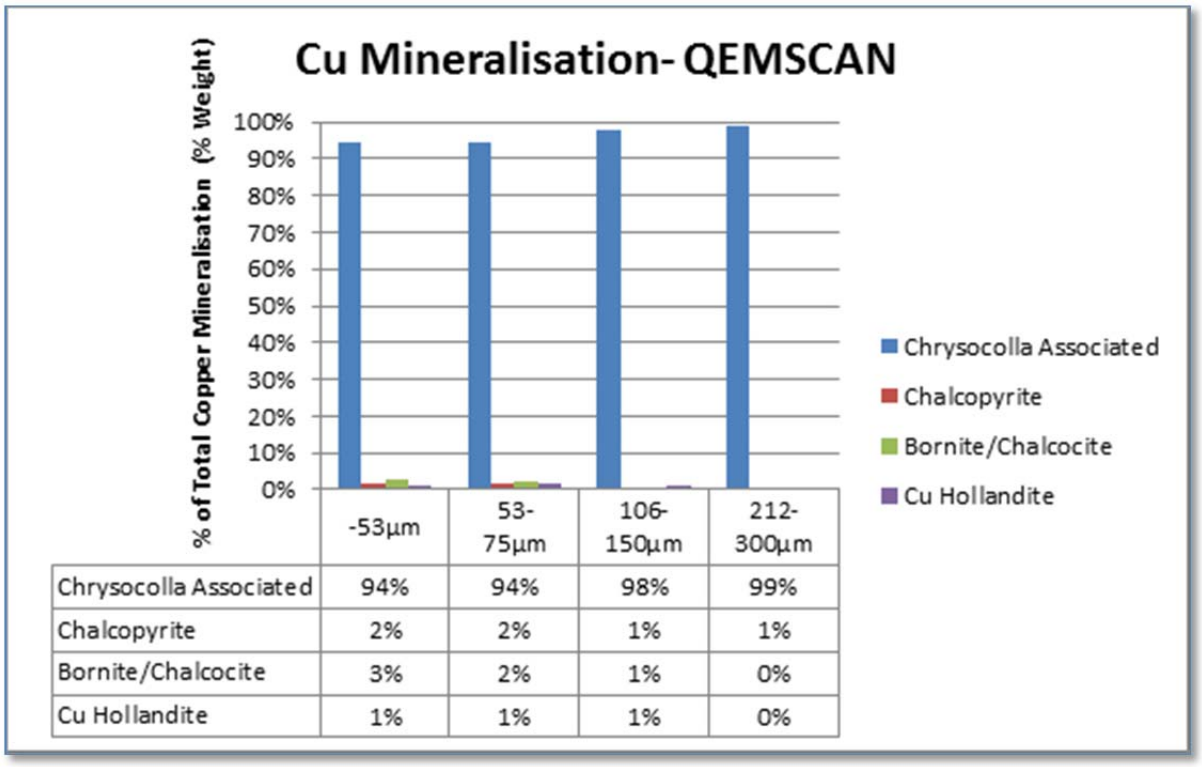
IMO completed a detailed review of historical metallurgical testwork reports from Pahtohavare and developed a testwork flow-sheet focussed on ore characterisation, grinding and preliminary leaching testwork (Stage 1) followed by detailed copper and gold leaching testwork and capital and operating cost modelling (Stage 2).

Using a 600kg bulk sample (comprising reverse circulation crusher rejects from Hannans' 2013 drilling campaign) two separate master composites were produced. The Stage 1 master composite was homogenised with a conservative head grade of 0.56% Cu. Stage 2 testwork will have a master composite homogenised with a head grade much closer to the current resource grade of 1.8% Cu and 0.6g/t Au.

Stage 1 – Ore Characterisation & Solubility

The ore characterisation (i.e. copper speciation) testwork determined both the percentage of copper contained within oxides, carbonates, sulphides and silicates and what percentage of the copper is acid soluble. In summary:

- 94-99% of all copper bearing minerals are present as chrysocolla or chrysocolla with chlorite/smectite or iron oxide/hydroxides (>94%) across all size fractions;
- <5% of the copper containing minerals are present as chalcopyrite, bornite and chalcocite;
- no observations of malachite or azurite;
- 80% of the copper can be recovered using an acid leach; and
- 4-8% by weight of the master composite is comprised of copper containing minerals.



	-53µm	53-75µm	106-150µm	212-300µm
Chrysocolla Associated	94%	94%	98%	99%
Chalcopyrite	2%	2%	1%	1%
Bornite/Chalcocite	3%	2%	1%	0%
Cu Hollandite	1%	1%	1%	0%

Figure 1: QEMSCAN results showing abundance and distribution of copper mineralisation across a range of size fractions within the master composite.

Sample	Distribution
Head	100%
Acid Soluble	80%
Cyanide Leach Soluble	1%
Residue	19%

Table 1: Copper solubility results, indicating chrysocolla leaches well under acidic conditions.

Stage 1 – Bond Ball Work index (BBWi) Grindability

BBWi[3] (a separate 50kg historical core sample[4]) testwork was completed at a final screen size of 106µ and produced a value of 8.2kWh/t for the weathered composite and 11.6kWh/t for the fresh composite. These values indicate that the weathered material can be classified as soft and the fresh material can be classified as medium hardness. Crushing tests will need to be completed on PQ size drill core in the future to give a complete picture of the crushing and grinding requirements for ore at Central.

Future Work – Stage 2 and 3

The following test work will be completed after collection of the PQ size core from planned future drilling.

- Stage 2 – Acid Consumption (Copper)

  Acid bottle rolls on the Stage 2 master composite to determine acid consumption rates; this is to be completed at two different grind sizes (212µ & 106µ).

- Stage 2 – Lime & Cyanide Consumption (Gold)

  Gold leaching bottle rolls on post copper leach residue to determine gold recovery, lime and cyanide consumption.

- Stage 3

  Stage 3 testwork will involve coarse ore bottle rolls and further variability testing.

After completion of the test work the scoping study can be completed.

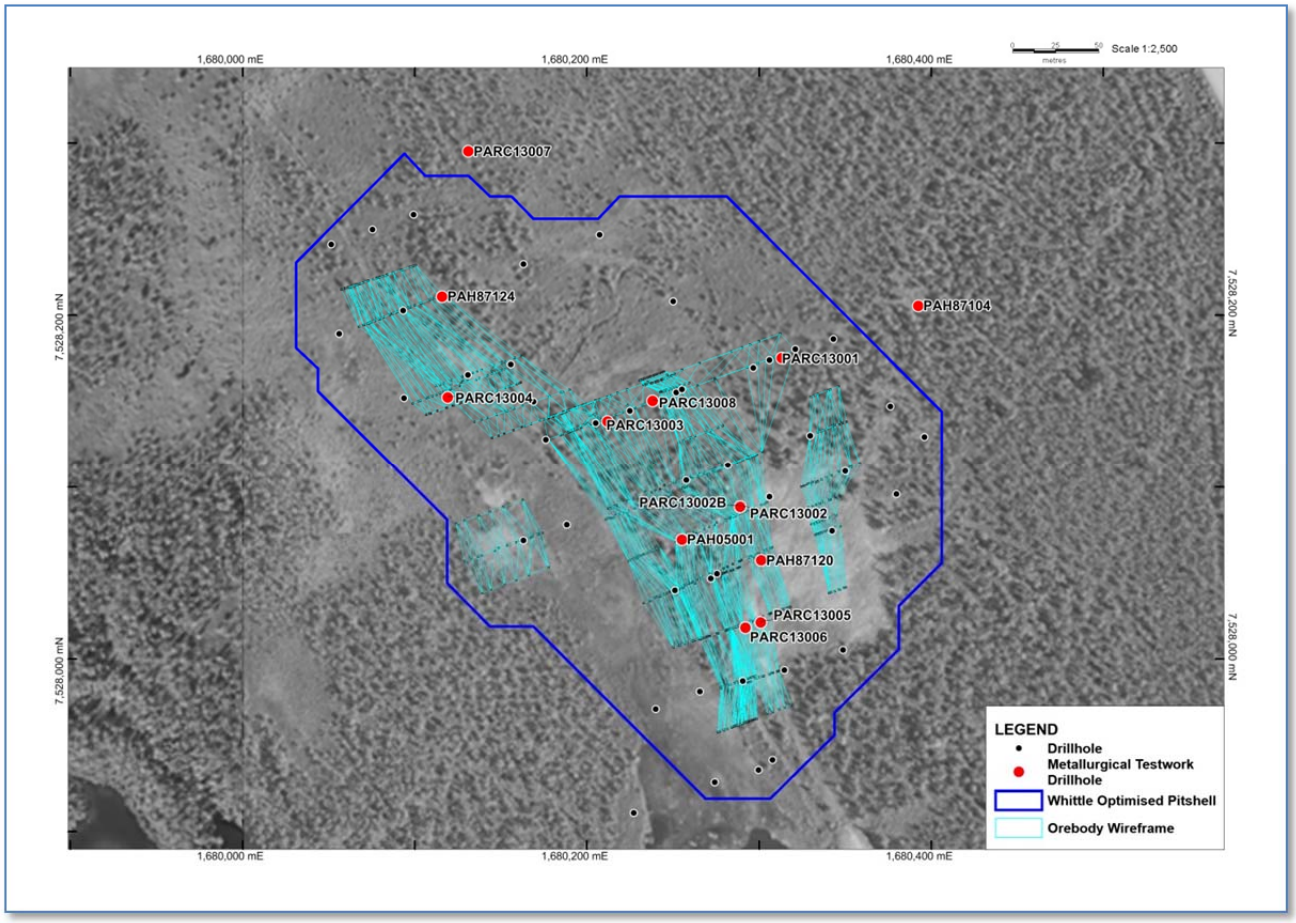


Figure 2: Map showing the location on the drillholes used in the current metallurgical testwork in relation to the orebody wireframes and Whittle optimised pitshell.

[3] Bond Ball Work Index (BBWI)
[4] Diamond drillhole (PAH05002) drilled by Lundin Mining in 2005

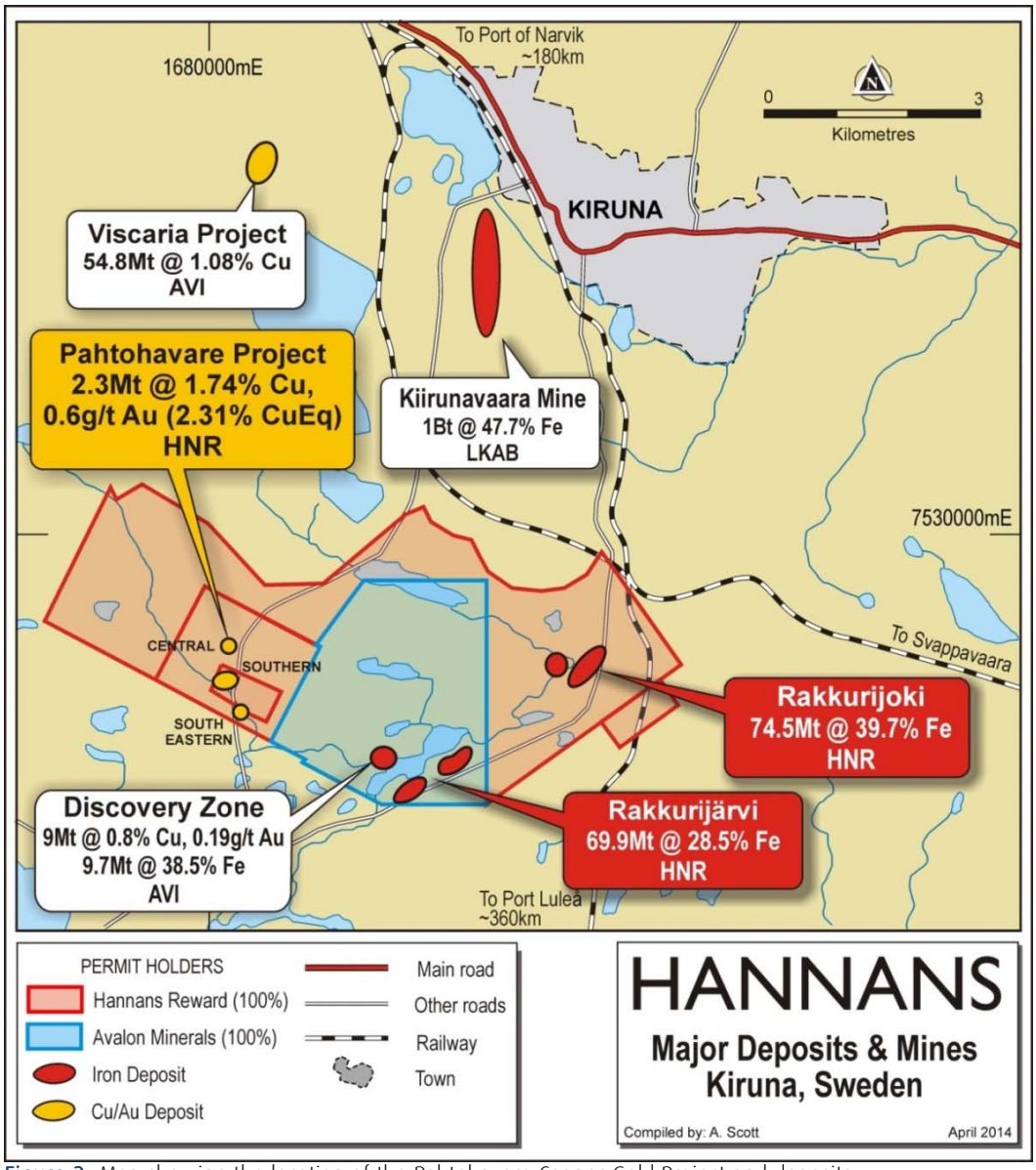


Figure 3: Map showing the location of the Pahtohavare Copper-Gold Project and deposits.

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Hannans Reward Ltd

Hannans Reward Ltd (ASX:HNR) is an exploration company with a focus on copper, gold, nickel and iron.

Hannans has JORC compliant copper, gold and iron resources in Sweden, a free-carried interest in a nickel project in Australia and a royalty interest on a copper exploration project in Norway.

Since listing on the Australian Securities Exchange in 2003 Hannans has signed agreements with Vale Inco, Rio Tinto, Anglo American, Boliden, Warwick Resources, Cullen Resources, Nickel Australia, Reed Resources, Tasman Metals and Grängesberg Iron.

For more information please visit www.hannansreward.com.

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.

The information in this document that relates to Mineral Resource Estimates for Rakkurijoki and Rakkurijärvi is extracted from the report entitled "Kiruna Iron Project JORC Resource Update" created on 17 January 2012 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.

Criteria	JORC Code Explanation	Commentary
Sampling Techniques	∂ *Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.* ∂ *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* ∂ *Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.*	∂ RC crusher rejects and pulp samples were used for the current metallurgical testwork. ∂ Diamond core crusher rejects and pulp samples were used for the current metallurgical testwork. ∂ Half core from diamond drillhole PAH05002 was used for the current metallurgical testwork.
Drilling Techniques	∂ *Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).*	∂ The historic drilling (PAH05002) was completed using diamond drilling. The size was WL76 with a core diameter of 57.5mm. ∂ The RC drilling was completed using a 5", face sampling hammer bit.
Drill Sample Recovery	∂ *Method of recording and assessing core and chip sample recoveries and results assessed.* ∂ *Measures taken to maximise sample recovery and ensure representative nature of the samples.* ∂ *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to*	∂ The diamond drill sample recovery for all holes was recorded by the geologists who originally logged the holes and also via core blocks placed by the drillers. ∂ There were no sample recovery issues with the RC drilling. ∂ Core loss is quite common in oxidised zones and where the core is noticeably broken. The samples taken from the

Criteria	JORC Code Explanation	Commentary
	preferential loss/gain of fine/coarse material.	transition to fresh zones had excellent recovery. ∂ The mineralisation is often associated with this zone of poorer recovery and oxidation.
Logging	∂ *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* ∂ *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.* ∂ *The total length and percentage of the relevant intersections logged.*	∂ All diamond and RC holes have been logged in their entirety and sampled by geologists at the time of drilling. All drill core has been stored in the Swedish Geological Survey's core archive facility in Malå, Sweden.
Sub-Sampling Techniques and Sample Preparation	∂ *If core, whether cut or sawn and whether quarter, half or all core taken.* ∂ *If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.* ∂ *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* ∂ *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* ∂ *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* ∂ *Whether sample sizes are appropriate to the grain size of the material being sampled.*	∂ RC crusher rejects and pulp samples were used for the current metallurgical testwork. ∂ Diamond core crusher rejects and pulp samples were used for the current metallurgical testwork. ∂ Half core from diamond drillhole PAH05002 was used for the current metallurgical testwork. ∂ The sample types are considered appropriate for the type of mineralisation and the metallurgical testing.
Quality of Assay Data and Laboratory Tests	∂ *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* ∂ *For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* ∂ *Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.*	∂ All physical preparation and testwork has been completed by a reputable laboratory, Activation Laboratories in Ontario, Canada. ∂ The testwork has been designed and supervised by independent metallurgical consultants from Independent Metallurgical Operations Pty Ltd (IMO) in Perth, Australia.
Verification of Sampling and Assaying	∂ *The verification of significant intersections by either independent or alternative company personnel.* ∂ *The use of twinned holes.* ∂ *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* ∂ *Discuss any adjustment to assay data.*	∂ The dispatch of all samples used in the current testwork was completed and verified by the Company's Exploration Manager. ∂ All results have been verified by the Company's independent metallurgical consultant, IMO Pty Ltd who are acting as the Competent Person for metallurgical results.
Location of Data Points	∂ *Accuracy and quality of surveys used to locate drill holes (collar and down-hole*	∂ Original hole collar locations were determined by handheld GPS with an

Criteria	JORC Code Explanation	Commentary
	surveys), trenches, mine workings and other locations used in Mineral Resource estimation. ∂ *Specification of the grid system used.* ∂ *Quality and adequacy of topographic control.*	accuracy of ±1m. ∂ The grid system used is Swedish Coordinate system RT90 2.5V. ∂ Topographic control at Pahtohavare has been established by previous surveying of historic drill collars by RTKGPS.
Data Spacing and Distribution	∂ *Data spacing for reporting of Exploration Results.* ∂ *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* ∂ *Whether sample compositing has been applied.*	∂ All samples (both RC and diamond) are taken from drillholes located within the Central Deposit at Pahtohavare. ∂ The typical profile spacing at Central is currently 100m.
Orientation of Data in Relation to Geological Structure	∂ *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* ∂ *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	∂ All holes have been drilled to intercept mineralisation perpendicular to strike giving a drillhole azimuth of 247º. ∂ The mineralisation at the Central deposit is interpreted to strike at approximately 340º and dip between -45º to 70º towards 070º. ∂ Due to the drilling perpendicular to mineralisation no sample bias is believed to be introduced.
Sample Security	∂ *The measures taken to ensure sample security.*	∂ The dispatch of all samples used in the current testwork was completed and verified by the Company's Exploration Manager. ∂ DHL was used to transport the samples from Sweden to Canada. ∂ No breaches of security were reported.
Audits or Reviews	∂ *The results of any audits or reviews of sampling techniques and data.*	∂ Metallurgical testwork techniques are considered industry standard. ∂ No specific audit or review of the current testwork has been undertaken although the Company's independent metallurgical consultant, IMO, has provided guidance and review.

Section 2 Reporting of Exploration Results (Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral Tenement and Land Tenure Status	∂ *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* ∂ *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	∂ The Central deposit at Pahtohavare is located on the Pahtohavare nr 2 permit which is owned 100% by the Company's fully-owned Swedish subsidiary Kiruna Iron AB.
Exploration Done by Other Parties	∂ *Acknowledgment and appraisal of exploration by other parties.*	∂ The Central deposit has been explored historically by the Swedish Geological Survey (SGU) in the 1980's who also completed metallurgical testwork. PAH05002 was drilled by Lundin Mining Ltd in 2005. The Company has completed

Criteria	JORC Code explanation	Commentary
		check assaying of historical drillcore and is satisfied by the methods used and results produced by previous explorers.
Geology	∂ *Deposit type, geological setting and style of mineralisation.*	∂ The main deposits at Pahtohavare, including the Central deposit, are classified as epigenetic copper-gold deposits. ∂ The ore host rocks are highly altered (silica) and generally consist of a fine-grained albite felsite of granoblastic texture. Black graphitic shales appear to sit stratigraphically above the albite felsite with a gabbroic sill dominating the footwall. ∂ The Pahtohavare ores are located within a first-order open antiformal structure which dips to the south-east. Copper-gold mineralisation is controlled by both structure and lithology.
Drill Hole Information	∂ *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* ∂ *easting and northing of the drill hole collar* ∂ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* ∂ *dip and azimuth of the hole* ∂ *down hole length and interception depth* ∂ *hole length.* ∂ *If the exclusion of this information is justified on the basis that the information is not material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	∂ The drillhole information for the diamond and RC holes used for the metallurgical testwork have previously been released to the market. The drillhole information has not been repeated in this announcement as it is not deemed material in the context of this report/results. ∂ Figure 2 in the main body of this announcement shows the location of the drillholes used in the current metallurgical testwork in relation to the orebody wireframes.
Data Aggregation Methods	∂ *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.* ∂ *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* ∂ *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	∂ Head assays have been obtained from a homogenised sample comprised of mineralisation across multiple holes which is considered to be representative of the orebody.
Relationship Between Mineralisation Widths and Intercept	∂ *These relationships are particularly important in the reporting of Exploration Results.* ∂ *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.*	∂ All drillholes have been drilled perpendicular to the known strike of mineralisation, at an azimuth of 247º. ∂ The dip of the mineralisation at the Central deposit appears to range between -45º to -70º with the 'lodes' generally

Criteria	JORC Code explanation	Commentary
Lengths	∂ *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').*	steepening up-dip. ∂ The downhole intervals are considered to be consistent with the true width of mineralisation.
Diagrams	∂ *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	∂ Figure 2 in the main body of this announcement shows the location of the drillholes used in the current metallurgical testwork in relation to the orebody wireframes.
Balanced Reporting	∂ *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	∂ All results received to date have been reported.
Other Substantive Exploration Data	∂ *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	∂ In 2013 the Company completed a substantive historical data validation prior to releasing a maiden JORC inferred mineral resource for the deposits at Pahtohavare. The Company also completed a FLTEM geophysical survey and drilled 8 RC drillholes at the Central deposit. Information on these activities can be found on the Company's website: www.hannansreward.com
Further Work	∂ *The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).* ∂ *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	∂ An internal scoping study investigating a possible oxide mining scenario is to commence in late 2014 once all metallurgical results have been received. ∂ Additional drilling has been planned for both the Central and Southern orebodies at Pahtohavare and is scheduled to commence in 2015 subject to company financing.