



HANNANS REWARD
Exploring for Gold and Base Metals

ASX Announcement / Media Release

31 January 2010

2nd Quarter Activities Report

Fast Facts

ASX Code: HNR

Capital Structure

Shares on issue: 128m

Options on issue: 12m (ex 20c – 80c)

Market cap: \$29 ½ m

Cash & Equities: \$20 ½ m

Financial Position

Cash on hand: \$5m

Value of ASX Listed

Equity Positions: \$15 ½ m

Board of Directors

Richard Scallan Chairman

Damian Hicks Managing Director

William Hicks Non-Executive
Director

Jonathan Murray Non-Executive
Director

Major Shareholdings

Atlas Iron Ltd 8.133m FPO shares

Projects (Western Australia)

Forrestania Nickel & Gold

QVR Nickel

Lake Johnston Nickel & Gold

Jigalong Manganese (Sale
process in progress)

Forrestania Project

- Helicopter geophysical (VTEM) survey at Stormbreaker Prospect successfully completed with anomalies generated
- Ground geophysical surveys commenced to follow up VTEM anomalies
- Settlement completed of additional ground at Stormbreaker Prospect
- Applications made for large landholding (called Skeleton Rocks) adjoining northern boundary of Stormbreaker
- Flora and fauna survey completed
- Next phase of RC drilling planned for current Quarter
- Subsequent to end of Quarter, experienced nickel consultant joins Forrestania Project exploration team

Lake Johnston Project

- High grade gold returned from 1 metre intervals confirms prospectivity for narrow high grade gold mineralisation

Queen Victoria Rocks Project

- Joint venture partner Vale completed six holes (mix of RC and diamond) testing nickel targets

Sunday Project

- Joint venture partner Triton Gold completed three diamond drill holes testing gold targets

Jigalong Projects

- Acquisition of aeromagnetic data to assist with gold and base metals exploration
- Manganese sale process deferred through to current Quarter (i.e. 3rd Quarter)

Corporate

- Warwick Resources Ltd shares converted into Atlas Iron Ltd shares following completion of Scheme of Arrangement
- Annual General Meeting completed and all resolutions passed
- Subsequent to end of Quarter, Mr Jonathan Murray appointed as non-executive director

Quarterly Overview by Hannans' Managing Director, Damian Hicks

Dear Shareholders,

Hannans has an excellent exploration portfolio (lead by the Forrestania Project) and a strong balance sheet (meaning it is unlikely to need to raise capital in the short to medium term).

I am often asked about the volatility in the price and volume of Hannans shares (including recently by the Australian Securities Exchange on 15 January 2010). In my view, recent increases in the Hannans price and volume are a result of an improved understanding, by a broader audience, of the prospectivity of Hannans' exploration portfolio and an appreciation for the Company's strong financial position.

At different times since the last Quarterly Report Hannans had access to more than \$20 million in cash and shares. The largest listed investment is the 8,133,334 million shares held in Atlas Iron Ltd (as a result of the merger with Warwick Resources Ltd) with a current value of \$15.8 million (at Friday's close of \$1.94).

The volatility in the Atlas share price (which traded in a range of \$1.60 to \$2.30 since October 2009) is a major contributor to the volatility in Hannans' share price (which traded in a range of 17 cents to 28 cents since October 2009).

Recently the value of the Atlas shares represented 65% of Hannans' total market capitalisation (based on a Hannans share price of 20 cents), therefore changes in the Atlas share price generally has a corresponding impact on Hannans' share price (in both directions). When combined with Hannans cash position of \$5 million, cash and equities represented approximately 80% of Hannans total market capitalisation.

At this point in time, we intend maintaining our Atlas position as a future funding source for exploration activities.

It is also important to note that the price and volume of Hannans shares increased significantly following release of positive comments by the research house Fat Prophets on 13 January 2010 (a copy of the report can be viewed on the Company's web site www.hannansreward.com).

From an exploration perspective, most discussions with shareholders and analysts relate to our plans for the Forrestania Project. We remain focussed on making a nickel sulphide discovery at the Forrestania Project (comprising the Stormbreaker and Skeleton Rocks Projects).

In November 2009 Hannans settled acquisition of additional tenure at the Stormbreaker Project; we consider this new tenure to be more prospective than our historical Stormbreaker tenure. Hannans exposure to the recently applied for Skeleton Rocks tenure, which adjoins the northern boundary of Stormbreaker, extends our prospective strike length to 100kms. With such a large area we foresee exploration activities continuing at the Forrestania Project for a number of years.

The process of exploring the Forrestania Project is a multi-disciplinary process that takes time. To that end we are constantly striving to engage the best people utilising the latest technologies to take exploration activities forward in a systematic manner. We intend allocating increasingly larger amounts of capital to these programs as exploration results dictate, with the next phase of deeper drilling scheduled to commence during the current Quarter.

In relation to the Lake Johnston Project you will note below that recently returned assays continue to provide encouragement that a narrow high grade gold deposit may occur within Hannans Project.

As we approach the new field season in the East Pilbara, the Company will once again continue its exploration for gold and base metals at the Jigalong Project. As referred to in the last Quarterly the manganese sale process has recommenced and is expected to result in a transaction at some point during the current Quarter.

Appreciation must go to our joint venture partners at the Sunday Project (gold) and Queen Victoria Rocks Project (nickel) as they continue to advance exploration activities and achieve technical success at these projects.

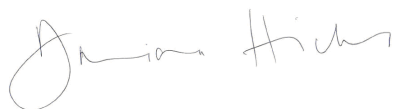
Our intention is to grow Hannans in the medium term from a \$25 million market capitalisation to in excess of \$100 million market capitalisation. This can be achieved either through exploration success and or corporate activity. Both of these scenarios are actively being pursued.

Subsequent to the end of the Quarter, Hannans appointed Mr Jonathan Murray as a non-executive director. Jonathan has substantial corporate and legal experience and we are very pleased that he has agreed to join the Board.

What follows is a brief summary of the exploration activities that have taken place during the Quarter. Many of the activities are explained in detailed ASX releases made during the Quarter and hence we encourage interested persons to revert to those announcements for further information if required.

If you have any questions in relation to this Quarterly you are welcome to contact me.

Kind regards,



Damian Hicks
Managing Director

Summary of Exploration Activities*Forrestania Project – Nickel and Gold*

During the Quarter the size of the Forrestania Project was increased significantly with a number of new tenement applications. The Forrestania Project now comprises two large areas – Stormbreaker and Skeleton Rocks.

The new Skeleton Rocks project area comprises ground applied for during the Quarter, which is interpreted to represent a continuation of the northern extension of the western ultramafic unit that then trends north-east towards the town of Westonia. This area will be the subject of historical data research during the Quarter with field activities to commence upon grant of the tenements, which is anticipated within the next six months.

Settlement of the transaction with St Barbara Ltd and Kagara Ltd occurred during the Quarter which enabled the commencement of field activities within the enlarged Stormbreaker Project.

A helicopter-borne geophysical survey (VTEM) was completed at Stormbreaker Project with the aim of quickly and effectively identifying conductors. The VTEM survey was deemed to be successful. After receipt of the preliminary VTEM interpretation, ground based geophysical surveys commenced to further refine the geophysical targets with the aim of generating specific drill targets.

By the end of the Quarter approximately half of the preliminary helicopter targets had been surveyed with a number of those surveys generating bona fide drill targets. The balance of the ground surveys will be completed during the current Quarter.

A flora survey within parts of the Stormbreaker Project was completed during December and a heritage survey covering the whole of the Stormbreaker Project was completed during January 2010 as a requirement of the drilling approvals process.

It is anticipated that the next phase of RC drilling, testing the next round of geophysical targets will commence this Quarter. Additional focus will be dedicated during the Quarter to complementing the geophysical data sets with new geological and geochemical data sets.

Subsequent to the end of the Quarter the Company is pleased to have secured the services of experienced nickel geologist Mr Don Huntly to assist with advancing the Forrestania Project on a consultancy basis. Mr Huntly was previously employed by Xstrata, Jubilee Mines and Western Mining.

For a detailed summary of the activities at Forrestania Project we refer to ASX announcement made during the Quarter.

Lake Johnston Project – Gold and Nickel

The Lake Johnston Project has the potential to host significant narrow, high grade gold mineralisation along a 25km corridor of prospective ground.

At the Ernest Prospect, recently returned assays from Hannans' drilling included:

- 2m @ 6.3g/t gold and 60.3g/t silver from within 8m @ 1.9g/t gold and 20.4g/t silver (LJRC021) and;
- 84m @ 1.8g/t silver from 4m (LJRC020)

The abovementioned recently received 1m split assays from Hannans' reverse circulation (RC) drilling at the Ernest Prospect that returned high grade, coincident gold and silver mineralisation occurred within a narrow (<8m) fine-grained felsic porphyry intrusive unit. Wide (>80m) silver mineralisation was also encountered within a sulphidic quartz-sericite schist unit. The high grade gold and silver mineralisation within LJRC021 is located on the northern-most drill traverse thus mineralisation remains open to the north.

Samples were assayed at ALS, Malaga for Au via Fire Assay/AAS and for Ag, As, Ba, Bi, Co, Cr, Cu, Fe, Mg, Mn, Mo, Ni, Pb, S, Sb, Ti, U, V, W, and Zn via Four Acid Digest/ICP-AES. Ore-grade check assaying on the high gold and silver values produced excellent repeatability. All significant assays (4m composite) from the 22 hole RC drilling program were reported in the 1st Quarter Activities report dated 30 October 2009.

At the Mt Gordon Prospect, historical intercepts include 5m @ 7.1g/t gold from 24m and 2m @ 6.9g/t gold from 70m.

Desktop studies will also continue into gold anomalism at the recently acquired Mt Gordon Prospect located in the south of the project. A substantial amount of work has been completed at Mt Gordon by previous explorers including soil geochemical surveys and RAB and RC drilling which have produced multiple gold anomalies including the Richard anomaly which has intercepts including 5m @ 7.1g/t gold from 24m, 2m @ 6.9g/t gold from 70m and 2m @ 3.85g/t gold from 92m. Petrology on mineralised lithologies indicates that gold is hosted by a "hydrothermally altered felsic intrusive".

Future exploration work will focus on delineating the extent and nature of the felsic intrusive bodies within the Lake Johnston Project and their apparent genetic association with gold and silver mineralisation.

Queen Victoria Rocks – Nickel

The QVR nickel project is a joint venture with Vale (www.vale.com), whereby Vale is funding and managing exploration.

During the Quarter, Vale drill tested six geophysical targets, in the southern half of project, prospective for nickel sulphide mineralisation. Three reverse circulation (RC) only holes were completed for 660m. Three RC pre-collars were also completed (for 680m) with diamond tails (for an additional 247m).

Assays are expected during February 2010.

Sunday Project – Gold

The Sunday Project is a joint venture with Triton Gold Ltd, whereby Triton is funding and managing exploration.

During the Quarter Triton completed three diamond drill holes (for 600m) at the Mt Stewart Prospect to test below two prior RC holes that returned high grade gold mineralisation. The main objective of the drilling was to constrain the structural features of the gold system in order to better target future drilling, and secondly to test continuity of the mineralisation. From reports to hand all three holes hit their target.

Assays are expected during February 2010.

Jigalong Project – Multi-commodity

As referred to in the last Quarterly a decision has been made to divest the manganese rights within this large project in a similar manner to the sale of the iron rights to Warwick Resources Ltd in June 2009. The process was deferred through to this Quarter to enable all interested parties to participate in a sale process. If a satisfactory manganese sale agreement is concluded, Hannans will retain 100% of all non-iron and manganese rights as it continues its exploration activities for gold, base metals and uranium.

Additional airborne magnetic data was acquired over a portion of the project during the Quarter to assist with exploration during the field season expected to commence in February/March 2010.

For further information please contact:

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Hannans Reward Limited Summary

Hannans Reward Ltd has developed a suite of prospective exploration projects within Australia covering nickel, gold and manganese whilst the flagship exploration is the Forrestania nickel project located in the world class Forrestania nickel belt. Hannans has joint ventures with Vale, St Barbara Ltd and Triton Gold Ltd. Hannans is the eighth largest shareholder of Atlas Iron Ltd. Hannans' shareholders are exposed to share price appreciation through exploration success at the following projects:

- Forrestania – nickel & gold project 7km north of Western Area's Flying Fox nickel mine
- Lake Johnston – nickel & gold project located 25km south east of Norilsk's Maggie Hays nickel mine and 100kms west of Norseman

- Jigalong – manganese & base metals project located 150km east of Newman, WA
- Queen Victoria Rocks - joint venture with Companhia Vale do Rio Doce (Vale), 30km south-west of Coolgardie, WA
- Sunday – gold joint venture with Triton Gold Ltd, 10kms east of Leonora, WA

Competent Persons Statement

The information in this document that relates to exploration results is based on information compiled by Mrs. Amanda Arrowsmith, Exploration Manager, Hannans Reward Ltd who is a Member of the Australian Institute of Mining and Metallurgy. Mrs. Arrowsmith is a full-time employee of Hannans Reward Ltd. Mrs. Arrowsmith 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". Mrs. Arrowsmith consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.