

# HANNANS

4<sup>th</sup> Quarter Activities Report 2013/2014

Dear Shareholders,

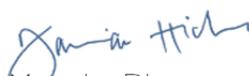
**During the 4<sup>th</sup> Quarter (April – June 2014) Hannans:**

*Exploration & Business Development*

- ∂ Lannavaara Project, Sweden (Iron) – stakeholder consultations in Norway, Sweden and Finland commenced; analysis of storage, unloading/reloading and port solution completed; requests for tenders for analysis of rail and port solution distributed; expression of interest for port space in Skibotn, Norway lodged; proposals requested from global consulting firms for preparation of a scoping study budget
- ∂ Lake Johnston, Australia (Nickel) – joint venture agreement signed with Reed Resources Ltd (ASX:RDR); Reed will manage and fund all future exploration activities; Hannans will retain a 20% project interest, free-carried until a Decision to Mine is made; Hannans shareholders remain exposed to exploration success.
- ∂ Pahtohavare (Copper-Gold) – received final laboratory tenders for metallurgical testwork on oxide ore.
- ∂ Royalty on Norwegian Tenements – received an assignment of a 1% Net Smelter Return Royalty on all minerals produced from within highly prospective tenements in Norway.
- ∂ Nickel Divestment Process – successful completion of Lake Johnston divestment; lodged additional tenement surrenders across tenement portfolio to reduce holding costs
- ∂ Rakkuri Iron Project – received costed proposal from independent consulting firms to complete exploitation concession applications for Rakkurijärvi and Rakkurijoki deposits
- ∂ Exploration Data Quality and Costs – investigations continue into both the development of a geochemical drill rig and geophysical sensors to be carried by an unmanned aerial vehicle (UAV) for use in Scandinavia in an effort to make exploration more cost effective.

**During the 1<sup>st</sup> Quarter (July – September 2014) Hannans aims to:**

- ∂ Lannavaara – complete scoping study proposal for consideration by the Board of Directors; continue stakeholder meetings; complete a ground magnetic survey over significant airborne magnetic anomalies prospective for magnetite mineralisation
- ∂ Pahtohavare – complete Stage I of metallurgical testwork on oxide copper-gold mineralisation
- ∂ Rakkuri Iron Project – receive decision from Third Party following completion of due diligence
- ∂ Quick, Reliable & Cost Effective Exploration – complete business plan for geochemical drill rig and advance development of geophysical instrument/UAV combination

  
Managing Director

31 July 2014

## Fast Facts

ASX Code: HNR

## Capital Structure

Shares on issue: 721.9m

Market cap: \$5.05m (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)

# 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 ASX release dated 1 July 2014.

The project considers mining and processing iron ore near Lannavaara, Sweden, transporting the product by rail from the mine site to Karesuvanto, Finland and onto a new port in Skibotn, Norway. The project is at the concept stage and many critical investigations relating to environmental, social, mining and economics must be completed prior to understanding if the project can proceed.

In an effort to understand the attitude of the community towards a new project in their region SRAB recently commenced a series of meetings with stakeholders in Sweden, Norway and Finland. Many stakeholders were very supportive of the concept however not everyone is pleased with the concept of a new mine in their area. Meetings with stakeholders will continue in the northern hemisphere autumn.

One of the logistics options for the project is for a new port to be built in the ice-free deep water fjord at Skibotn, located in Storfjord Kommune, Norway. Every four years Storfjord Kommune prepares a Master Land Use Plan and expressions of interest for the new Plan were required to be lodged prior to 30 June 2014. For this reason SRAB has lodged a brief expression of interest for an iron ore port prior to the deadline. The Company's plans received widespread media attention in northern Scandinavia.

It is important to note that Skibotn has long been considered the ideal location for a new port linking western Finland to the Arctic Ocean. Many studies have been completed by the Finnish and Norwegian Governments assessing this concept and selecting Skibotn as the preferred port location for bulk goods, container traffic and passenger freight. These studies however contemplated a very expensive solution to meet all potential uses of the rail. SRAB plans to investigate a rail solution primarily focused on transporting an iron concentrate product, with adequate space for other industrial uses and passengers.

SRAB plans to complete environmental, social, mining and economic studies during the next 12 months and summarise this information in a scoping study for presentation to shareholders and stakeholders in 2015. Proposals from independent global consulting firms are being received for professional services relating to the assessment of rail, port, environmental and social issues for the studies. More information will be made available once the scoping study has commenced.

## LAKE JOHNSTON NICKEL PROJECT

### JOINT VENTURE WITH REED RESOURCES LTD (ASX:RDR)

During the Quarter Hannans entered into an agreement with Reed Resources Ltd (ASX:RDR) (**Reed Resources**) over its Lake Johnston nickel sulphide project, located west of Norseman in Western Australia.

The background to the transaction is that Reed's experienced nickel sulphide specialists Mr. Gordon Kelly (geochemist) and Mr. Richard Stuart (geophysicist) have completed extensive due diligence on Hannans' portfolio of nickel projects during the last 15 months and in particular the Mt Gordon prospect at Lake Johnston. Mr Stuart and Mr Kelly commenced their nickel exploration experience with Western Mining Corporation in the late 1960's and were long term employees of Western Areas, Mr Kelly in the role of Senior Nickel Project Geochemist/Geologist and Mr Stuart as Exploration Manager. Mr Stuart was a partner in ANPC, the organisation that founded Western Areas NL (ASX:WSA).

Hannans has transferred an 80% interest in the Lake Johnston Project to Reed and therefore from this point forward Hannans is not required to fund expenditure until such time as a Decision to Mine is made. If Hannans elects not to contribute to funding when a Decision to Mine is made, Hannans interest will convert to a 2% Net

Smelter Return royalty. In addition to managing and funding exploration Reed will pay the costs of Hannans' reporting and environmental rehabilitation requirements at Lake Johnston.

Hannans chose to enter into an agreement with Reed Resources because Mr Kelly and Mr Stuart have the technical expertise required to effectively test Mt Gordon, thereby providing Hannans shareholders with exposure to future exploration success.

## PAHTOHAVARE PROJECT

### SUMMARY

Hannans held discussions with a number of parties during the Quarter that expressed an interest in the Pahtohavare copper-gold project located approximately 8km south-west of Kiruna in northern Sweden.

#### *Copper Oxide Ore*

As reported last Quarter, Hannans engaged Independent Metallurgical Operations Pty Ltd (IMO) from Perth, Western Australia to complete preliminary testwork to determine if a low-cost mining of the oxide material is achievable which may enable an early cash flow to the Pahtohavare Project. A review of historical testwork reports, preparation of a testwork flowsheet for the oxide material and selection of a laboratory has been completed. The testwork and report for Stage 1 are expected to be completed this Quarter. The Central Orebody currently has an Inferred JORC Resource of 1.4Mt @ 2.4% CuEq which is all oxide material.

#### *Copper Sulphide Targets (Brownfields and Greenfields)*

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 release dated 10<sup>th</sup> July 2013). Both of these targets are referred to as brownfields targets.<sup>1</sup> These targets are well defined and are ready to be tested with drilling (using either a percussion or diamond drill rig).

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.

## ROYALTY ON NORWEGIAN TENEMENTS

### SUMMARY

During the Quarter Hannans had assigned to it a 1% Net Smelter Return Royalty on all minerals and metals produced from within highly prospective tenements at Fiskarfjellet, Kvartpåttevannet, Flintfjellet and Gjeddevann in Norway. The tenements were applied for in January 2014 by a Norwegian geologist who was previously an employee of Hannans. Mr Rune Wilberg assigned across a royalty on the tenements in recognition of Scandinavian Resources AB being a good employer.

## NICKEL DIVESTMENT PROCESS

### JOINT VENTURE AND SURRENDERS

The joint venture with Reed Resources at Lake Johnston represents the successful completion of one component of the nickel divestment process (refer above).

During the Quarter Hannans surrendered a significant number of its licenses in Western Australia as part of its continued effort to focus exploration activity in Sweden and manage costs. These surrenders includes tenements

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<sup>1</sup> While loosely defined, the general meaning of brownfields exploration is that which is conducted within geological terrain within close proximity to known ore deposits. Greenfields are the remainder. Source: Mineral exploration. In *Wikipedia*. Retrieved 30 June 2014 from [http://en.wikipedia.org/wiki/Mineral\\_exploration](http://en.wikipedia.org/wiki/Mineral_exploration)

at each of Hannans main nickel projects and includes all tenements within the Cullen Resources Ltd (ASX:CUL) joint venture at Forrestania as well as the Skeleton Rocks and Queen Victoria Rocks projects. Hannans (80%) and Cullen (20%) retain their joint gold rights at North Ironcap (M77/544). Importantly Hannans has also retained a 100% interest in key tenements prospective for nickel and gold at Forrestania and is currently conducting early-stage exploration planning to follow up these targets.

## RAKKURI IRON PROJECT

### EXPLOITATION CONCESSION APPLICATIONS FOR RAKKURI

As previously advised (refer 3<sup>rd</sup> Quarter Activities Report dated 1<sup>st</sup> May 2014) Hannans will continue working towards lodging exploitation concession applications for both the Rakkurijoki and Rakkurijärvi (collectively referred to as Rakkuri) iron deposits with an updated proposed lodgement date now set for 3<sup>rd</sup> Quarter 2014/2015. Requests for proposals to complete all required studies, consultations and documentation for the exploitation concession process have been received.

## PROJECT PIPELINE & BUSINESS DEVELOPMENT

### GEOCHEMISTRY, BEDROCK & DRILL RIGS

As previously reported (refer 3<sup>rd</sup> Quarter Activities Report dated 1<sup>st</sup> May 2014) the ability to use reliable bedrock geochemistry in Scandinavia is severely restricted by the thick glacial moraine (i.e. till) that blankets more than 95% of the land mass. This is a major problem because the geochemistry of the bedrock is one of the main tools for discovering economic mineralisation.

During the Quarter Hannans, through its affiliate Explore Sweden (Twitter @exploresweden) designed and distributed an electronic survey to exploration geoscientists in Sweden aimed at identifying if there was sufficient market demand for development of a new drill rig that could quickly and cost effectively enable the screening of large project areas by collecting uncontaminated samples from the top of bedrock. The results of this survey will be interpreted during the Quarter and will assist with making a decision whether or not to proceed further with this concept. Subject to the outcome of the survey, Explore Sweden will finalise a business plan for lodgement with a number of Swedish authorities that have been established for the purpose of funding innovation.

### GEOPHYSICS & UAVs

During the Quarter Hannans has continued to research the availability and suitability of various geophysical (magnetic, radar, electromagnetic) sensors that could be used with an unmanned aerial vehicle UAV<sup>2</sup>. The research has identified an existing electromagnetic geophysical instrument that it believes may have the capability of being modified for use in UAV's. An approach has recently been made to owner of the intellectual property of the existing instrument to determine if a joint initiative can be commenced to develop a UAV-capable sensor. Subject to a positive outcome of the approach to the owner, Hannans will prepare a timetable for development of a prototype.

Having access to a UAV capable of carrying interchangeable geophysical or remote sensing sensors would enable Hannans to cost-effectively fly first-pass or in-fill regional geophysical or remote sensing surveys over areas considered prospective for mineralisation and particularly in areas where access, vegetation and topography limit survey ease.

### EXPLORE SWEDEN

Hannans continues to support the initiative known as Explore Sweden and encourages shareholders to follow Explore Sweden (Twitter: @exploresweden). The aim of Explore Sweden is to promote the importance of exploration and mining and increasing awareness of metals and minerals we use to build our society. Explore Sweden will encourage proactive, open, transparent and balanced debate in the public arena of all issues relevant to the exploration and mining industry in Sweden.

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<sup>2</sup> UAV: An unmanned aerial vehicle commonly known as drone, is an aircraft without a human pilot aboard.

# CORPORATE

## KIRUNA IRON PROJECT – EXCLUSIVE DUE DILIGENCE PERIOD

As previously advised (refer ASX release dated 27<sup>th</sup> February 2014) Hannans' wholly owned subsidiary company Kiruna Iron AB (Kiruna Iron) had granted a Third Party the exclusive right to complete due diligence on its Rakkuri Iron Project (Rakkuri), located 5 kilometres south of Kiruna, a full service mining town in northern Sweden.

The due diligence is scheduled to conclude on or before the 1st of September 2014. In consideration for the grant of the exclusive right, the Third Party agreed to pay Kiruna Iron a non-refundable signing bonus of USD One Million (USD1,000,000). Half of the signing bonus has been received and the remaining half shall be paid no later than the 1st of September 2014. Kiruna Iron is not permitted to disclose the identity of the Third Party.

## DISCOVERY ZONE SALE PROCESS

Hannans and Avalon Minerals Ltd (ASX: AVI) are continuing discussions in relation to settling the terms and conditions of the substantive sale agreement for the Discovery Zone Deposit from Hannans to Avalon. As the agreement currently stands, Avalon is required to pay Hannans \$3 Million within five business days of the exploitation concession application being granted.

Hannans has recently been advised that Avalon won't lodge the updated exploitation concession application for the Discovery Zone with the Bergsstaten (Chief Mining Inspector) for approximately 2–3 months to enable sufficient time to complete discussions with local stakeholders.

## APPOINTMENT OF EXPLORATION DIRECTOR TO SUBSIDIARY COMPANIES

Amanda Scott was appointed to the position of Exploration Director for subsidiary companies Scandinavian Resources AB, Scandinavian Iron AB and Kiruna Iron AB on the 29<sup>th</sup> March 2014. Ms Scott has been a resident of Sweden for the last 3 years and has been Exploration Manager of Hannans and its subsidiary companies since April 2008 and is a key member of the Management Team.

## ASX ANNOUNCEMENTS FOR 4<sup>th</sup> QUARTER 2013/2014

Date	Announcement
24 June 2014	Joint Venture at Lake Johnston Nickel Project
1 May 2014	3 <sup>rd</sup> Quarter Activities Report
1 May 2014	3 <sup>rd</sup> Quarter Cash flow Report

**Table 1.** ASX Announcements for 4<sup>th</sup> Quarter 2013/2014

## CONTACTS

For further information please contact:

Damian Hicks  
Managing Director

Amanda Scott  
Exploration Manager

Tel: +61 8 9324 3388

Web: [www.hannansreward.com](http://www.hannansreward.com)

Email: [admin@hannansreward.com](mailto:admin@hannansreward.com)

Twitter: @hannansreward

Facebook: Hannans Reward

## 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.

## TENEMENT STATUS FOR 4<sup>TH</sup> QUARTER 2013/2014

### CURRENT TENEMENTS

Tenement number	Interest 3 <sup>rd</sup> Quarter 2013/2014		Note	Tenement number	Interest 3 <sup>rd</sup> Quarter 2013/2014		Note
	Start	End			Start	End	
<b>KIRUNA IRON AB</b>							
Location: Norrbotten, Sweden				Location: Norrbotten, Sweden (cont'd)			
Altavaara	100%	100%		Piedjastjokko nr 5	100%	100%	
Altavaara Norra	100%	100%		Pirttivuopio nr 1	100%	100%	
Gäddmyr nr 1	100%	100%		Puoltsa nr 4	100%	100%	
Gäddmyr nr 2	100%	100%		Rakkurijärvi nr 2	100%	100%	
Gäddmyr nr 3	100%	100%		Rakkurijärvi nr 3	100%	100%	
Gäddmyr nr 4	100%	100%		Salmijärvi nr 1	100%	100%	
Kaalasjärvi nr 1	100%	100%		Tornefors nr 1	100%	100%	
Luppovare nr 1	100%	100%		Villenjärvi nr 1	100%	100%	
Pahtohavare nr 2	100%	100%		Harrejaure nr 1	75%	75%	1
Pahtohavare nr 4	100%	100%		Laukujärvi nr 3	75%	75%	1
Piedjastjokko nr 1	100%	100%		Sautusvaara nr 1	75%	75%	1
Piedjastjokko nr 6	100%	100%		Vieto nr 1	75%	75%	1
Piedjastjokko nr 4	100%	100%					
<b>SCANDINAVIAN IRON AB</b>							
Location: Norrbotten, Sweden				Location: Norrbotten, Sweden (cont'd)			
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%		Tjärrojokka nr 104	100%	100%	
Eustiljakk nr 1	100%	100%					
<b>SCANDINAVIAN RESOURCES AB</b>							
Location: Västerbotten, Sweden				Location: Norrbotten, Sweden			
Daningen nr 2	100%	100%		Korpilombolo nr 1	100%	100%	
Särksjön nr 2	100%	100%		Lannavaara nr 8	100%	100%	
Vätmyrberget nr 1	100%	100%		Paljasjärvi nr 2	100%	100%	
Vätmyrberget nr 6	100%	100%		Lannavaara nr 1002	100%	100%	2
<b>HANNANS REWARD LTD</b>							
Location: Lake Johnston, Australia							
E63/1365	100%	100%	3				
<b>HR FORRESTANIA PTY LTD</b>							
Location: Forrestania, Australia				Location: Forrestania, Australia (cont'd)			
E77/1719	100%	100%		M77/693	100%	100%	5
E77/1784	100%	100%		M77/812-1	100%	100%	5
E77/1785	100%	100%		P77/4012	100%	100%	
M77/544	0%	0%	4	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 An 80% interest was transferred to Reed Exploration Pty Ltd during the quarter but is still pending Office of State Revenue decision. Hannans Reward Ltd will retain a 20% interest.
- 4 Hannans Reward Ltd holds 80% gold rights, Cullen Resources Ltd holds 20% gold rights. Western Areas Ltd holds 100% of all other mineral rights.
- 5 The tenement was transferred to Pocahontas Resources Pty Ltd during the quarter but is still pending Office of State Revenue decision. HR Forrestania Pty Ltd currently holds 100% of all mineral rights excluding gold.

## TENEMENTS UNDER APPLICATION

Tenement number	Interest 3 <sup>rd</sup> Quarter 2013/2014		Note	Tenement number	Interest 3 <sup>rd</sup> Quarter 2013/2014		Note
	Start	End			Start	End	
<b>SCANDINAVIAN RESOURCES AB</b>							
<b>Location: Norrbotten, Sweden</b>				<b>Location: Norrbotten, Sweden (cont'd)</b>			
Lannavaara nr 101				Lannavaara nr 103			
Lannavaara nr 102				Lannavaara nr 104			

## RELINQUISHED, REDUCED OR LAPSED TENEMENTS

Tenement number	Interest 3 <sup>rd</sup> Quarter 2013/2014		Note	Tenement number	Interest 3 <sup>rd</sup> Quarter 2013/2014		Note
	Start	End			Start	End	
<b>KIRUNA IRON AB</b>							
<b>Location: Norrbotten, Sweden</b>							
Saivo nr 2		100%	0%	Tervakoski nr 3		100%	0%
<b>HR FORRESTANIA PTY LTD</b>							
<b>Location: Forrestania, Australia</b>				<b>Location: Forrestania, Australia (cont'd)</b>			
E77/1327	80%	0%		P77/3849-I	100%	0%	
E77/1354-I	80%	0%		P77/3850	100%	0%	
E77/1406-I	80%	0%		P77/3851-I	100%	0%	
E77/1430-I	100%	0%		P77/3852	100%	0%	
E77/1431	100%	0%		P77/3853	100%	0%	
E77/1568	100%	0%		P77/3854-I	100%	0%	
E77/1655	100%	0%		P77/3855-I	100%	0%	
E77/1707	100%	0%		P77/3856	100%	0%	
E77/1715	100%	0%		P77/3998	100%	0%	
E77/1716	100%	0%		P77/3999	100%	0%	
E77/1764	100%	0%		P77/4000	100%	0%	
E77/1950	100%	0%		P77/4001	100%	0%	
E77/1951	100%	0%		P77/4002	100%	0%	
E77/1960	100%	0%		P77/4003	100%	0%	
P77/3582	80%	0%		P77/4004	100%	0%	
P77/3583	80%	0%		P77/4005	100%	0%	
P77/3584	80%	0%		P77/4006	100%	0%	
P77/3585	80%	0%		P77/4007	100%	0%	
P77/3586	80%	0%		P77/4008	100%	0%	
P77/3587	80%	0%		P77/4009	100%	0%	
P77/3588	80%	0%		P77/4010	100%	0%	
P77/3607-I	80%	0%		P77/4011	100%	0%	
P77/3613	80%	0%		P77/4014	100%	0%	
P77/3762	80%	0%		P77/4155	100%	0%	
P77/3763-I	80%	0%		P77/4156	100%	0%	
P77/3848-I	100%	0%					