

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

| |
|--------------------|
| HANNANS REWARD LTD |
|--------------------|

ABN

| |
|----------------|
| 52 099 862 129 |
|----------------|

Quarter ended ("current quarter")

| |
|------------------|
| 31 DECEMBER 2015 |
|------------------|

Consolidated statement of cash flows

| | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| Cash flows related to operating activities | | |
| 1.1 Receipts from product sales and related debtors | - | - |
| 1.2 Payments for | | |
| (a) exploration & evaluation | (58) | (47) |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration | (120) | (221) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 4 | 5 |
| 1.5 Interest and other costs of finance paid | (1) | (1) |
| 1.6 Income taxes paid | - | - |
| 1.7 Other (provide details if material) | - | - |
| Net Operating Cash Flows | (175) | (264) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: | | |
| (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | - | - |
| 1.9 Proceeds from sale of: | | |
| (a) prospects | - | - |
| (b) equity investments | - | 5 |
| (c) other fixed assets | 7 | 7 |
| 1.10 Loans to other entities | - | - |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other (Release of security bonds) | 20 | - |
| Net investing cash flows | 27 | 32 |
| 1.13 Total operating and investing cash flows (carried forward) | (148) | (232) |

+ See chapter 19 for defined terms.

| | | | |
|------|--|------------------|-------|
| 1.13 | Total operating and investing cash flows (brought forward) | (148) | (232) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | – | – |
| 1.15 | Proceeds from sale of forfeited shares | – | – |
| 1.16 | Proceeds from borrowings | 250 | 250 |
| 1.17 | Repayment of borrowings | (1) | (2) |
| 1.18 | Dividends paid | – | – |
| 1.19 | Other (provide details if material) | – | – |
| | Net financing cash flows | 249 | 248 |
| | Net increase (decrease) in cash held | 101 | 16 |
| 1.20 | Cash at beginning of quarter/year to date | 412 | 475 |
| 1.21 | Exchange rate adjustments to item 1.20 | (13) | 9 |
| 1.22 | Cash at end of quarter | 500 ^a | 500 |

^a In addition to the cash shown at 1.22 above Hannans has access to a \$475,000 interest free loan facility from joint venture partner Lovisagruvan AB. Refer ASX release dated 24 November 2015. Approximately half of this facility was drawn down in January 2016 and is therefore not reflected in the available cash as at 31 December 2015. Furthermore Hannans is owed \$800,000 by unrelated private company MineBuilder Pty Ltd (refer to ASX announcements lodged on 12 March 2015 and 31 July 2015 for further details). This amount is overdue and it is uncertain when it will be received.

Payments to directors of the entity, associates of the directors, payments to related entities of the entity and associates of the related entities

| | Current quarter \$A'000 | |
|------|--|----|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 36 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.12 | – |

1.25 Explanation necessary for an understanding of the transactions

1.23 Payment of Managing Director's salary, superannuation and taxes. To assist the Company with managing its cash flow the Managing Director deferred part of his remuneration from April 2013 to March 2015 (2 years) and the Non-Executive directors agreed to defer their remuneration from January 2014. The Managing Director's deferred salary portion from 1 April 2013 to 31 March 2015 totalled to \$209,008 as of 31 December 2015 while the Non-executive directors deferred fees from 1 January 2014 to 31 December 2015 totalled to \$183,113.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available ^d \$A'000 | Amount used \$A'000 |
|---------------------------------|--|------------------------|
| 3.1 Loan facilities | 487,000 ^c | 250,000 ^b |
| 3.2 Credit standby arrangements | - | - |

^b On 22 October 2015 Hannans signed a binding Terms Sheet for a working capital facility of \$250,000 with an unrelated third party on normal commercial terms. On 17 November 2015 the loan was fully drawn down and will be repaid during the Quarter.

^c On 24 November 2015 Hannans announced a positive joint venture decision by partner Lovisagruvan AB (LOVI) which included provision of a \$475,000 interest free loan facility by LOVI to Hannans. \$237,000 of this facility was drawn down in January 2016.

^d The \$487,000 total therefore comprises the \$250,000 facility and the first \$237,000 of the LOVI facility. The second half of the LOVI facility can be drawn down in April 2016 and is therefore not included in the aforementioned total.

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|------------------|
| 4.1 Exploration and evaluation | 40 |
| 4.2 Development | - |
| 4.3 Production | - |
| 4.4 Administration | 448 ^a |
| Total | 488 |

^a This includes repayment of the \$250,000 loan facility referred to in paragraph 3.1^b above.

Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | Current quarter \$A'000 | Previous quarter \$A'000 |
|---|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 500 | 412 |
| 5.2 Deposits at call | - | - |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 500^c | 412 |

^c In addition to the cash at bank Hannans is currently owed a total of \$800,000 by MineBuilder Pty Ltd. Hannans holds a personal guarantee from the sole director for the total amount owing.

Continued...

Changes in interests in mining tenements and petroleum tenements

| | Tenement reference and location | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|---|---------------------------------|-------------------------------|----------------------------------|----------------------------|
| 6.1 Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed | SWEDEN | | | |
| | Daningen nr 2 | Lapsed | 100% | 0% |
| | Lannavaara nr 1002 | Lapsed | 100% | 0% |
| | Suijaivaara nr 1 | Relinquished | 100% | 0% |
| | Suorkivaara nr 2 | Relinquished | 100% | 0% |
| | Pahtohavare nr 2 | Reduced [^] | 80% | 65% |
| | Pahtohavare nr 4 | Reduced [^] | 80% | 65% |
| 6.2 Interests in mining tenements and petroleum tenements acquired or increased | | | | |

[^] On 24 November 2015 the Company announced that Lovisagruvan AB has earned a further 15% interest in Pahtohavare Project by agreeing to lodge an exploitation concession application within 12 months, providing the Company with a SEK 3 million interest free working capital facility and establishing a corporation (a Swedish aktiebolag) as a vehicle for the further development of the project.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|--------------|---------------|---|--|
| 7.1 Preference ⁺ securities (description) | - | - | - | - |
| 7.2 Changes during quarter | | | | |
| (a) Increases through issues | - | - | - | - |
| (b) Decreases through returns of capital, buy-backs, redemptions | - | - | - | - |
| 7.3 ⁺ Ordinary securities | 721,966,133 | 721,966,133 | - | - |
| 7.4 Changes during quarter | | | | |
| (a) Increases through issues | - | - | - | - |
| (b) Decreases through returns of capital, buy-backs | - | - | - | - |
| 7.5 ⁺ Convertible debt securities (description) | - | - | - | - |
| 7.6 Changes during quarter | | | | |
| (a) Increases through issues | - | - | - | - |
| (b) Decreases through securities matured, converted | - | - | - | - |

+ See chapter 19 for defined terms.

| 7.7 Options <i>(description and conversion factor)</i> | | | Exercise price | Expiry date |
|---|------------|---|--|------------------|
| | 12,016,668 | | 0.8 cents | 20 November 2017 |
| | 12,016,668 | | 0.5 cents | 20 November 2018 |
| | 12,016,664 | | VWAP* for 10 trading days after 20 Nov 2016 PLUS a premium of 50% | 20 November 2019 |
| 7.8 Issued during quarter | - | - | - | - |
| 7.9 Exercised during quarter | - | - | - | - |
| 7.10 Expired during quarter | - | - | - | - |
| 7.11 Debentures <i>(totals only)</i> | - | - | | |
| 7.12 Unsecured notes <i>(totals only)</i> | - | - | | |

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Damian Hicks
Managing Director
29 January 2016

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

+ See chapter 19 for defined terms.