HANNANS LTD

ACN 099 862 129

SUPPLEMENTARY PROSPECTUS

1. IMPORTANT INFORMATION

This is a supplementary prospectus (**Supplementary Prospectus**) intended to be read with the prospectus dated 14 October 2022 (**Prospectus**) issued by Hannans Ltd (ACN 099 862 129) (**Company**).

This Supplementary Prospectus is dated 8 November 2022 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. The ASIC, the ASX and their respective officers take no responsibility for the contents of this Supplementary Prospectus.

This Supplementary Prospectus should be read together with the Prospectus. Other than as set out below, all details in relation to the Prospectus remain unchanged. Terms and abbreviations defined in the Prospectus have the same meaning in this Supplementary Prospectus. If there is a conflict between the Prospectus and this Supplementary Prospectus, this Supplementary Prospectus will prevail.

This Supplementary Prospectus will be issued with the Prospectus in hard copy or as an electronic copy and may be accessed on the Company's website at https://hannans.com/.

This is an important document and should be read in its entirety. If you do not understand it, you should consult your professional advisers without delay.

2. REASONS FOR THE SUPPLEMENTARY PROSPECTUS

This Supplementary Prospectus has been prepared to make the amendments to the Prospectus as set out in Section 3 below.

The content of this Supplementary Prospectus is not considered by the Company to be materially adverse to investors.

3. AMENDMENTS TO THE PROSPECTUS AND ADDITIONAL DISCLOSURE

The Prospectus is amended as set out below.

3.1 Business model and Hannans' vision

The following sub-sections are added to the end of Section 5.6.1 (Primary focus: LiB recycling and associated activities) of the Prospectus:

(f) **Commercialisation considerations**

The Company notes the following additional considerations with respect to its proposed business model and ambition to commercialise the Technology in the licensed Territories:

(i) <u>The primary focus of Hannans' business model upon re-admission to trading will be LiB recycling and associated activities. Such activities</u>

are dependent on the Company's ability to successfully commercialise the Technology.

The LiB recycling technology comprises two stages:

(A) Stage 1: shredding and beneficiation to physically separate components and remove metal casings, electrode foils and plastics from the active materials (**Shredding Circuit**); and

(B) Stage 2: leaching, purification and precipitation to deliver predominantly refined chemical products via the hydrometallurgical processing facility (**Refining Circuit**).

The Stage 1 Shredding Circuit is responsible for physically removing metal electrodes, plastic separators, and casings, and produces a combination of cathode and anode materials (together, "black mass") for refining in the Stage 2 Refining Circuit.

This two-stage flowsheet configuration facilitates the possibility of a hub-and-spoke system where shredding and refining activities can, if required, be independently located. Under this model, mechanical comminution of the bulky material could be performed in smaller facilities near the collection points and the processing of the black mass could be centralised in dedicated larger refining facilities to achieve economies of scale. This removes potential transport complications and reduces the risks of fire and leaking hazardous substances associated with larger accumulations of LiBs.

(ii) The Technology has undergone research and development by third parties (rather than Hannans).

The Company understands that Neometals commenced researching the concept of economically recovering nickel, cobalt and lithium from end-of-life LiBs as early as 2015/2016. Neometals funded research and development into the recycling of LiBs at a facility in Montreal, Canada. In November 2016, Mr Damian Hicks, (an Executive Director of Hannans Ltd and Critical Metals Ltd) attended the facility to undertake due diligence on the Neometals technical team and process.

In December 2018, Neometals (through its wholly owned subsidiary, ACN 630) filed a patent application for the Technology.

In March 2019, LiB Recycling Pty Ltd, a wholly owned subsidiary of Critical Metals Ltd, signed a commercialisation agreement with ACN 630 covering Sweden, Norway, Denmark, and Finland (**Exclusive Territories**). Since that time, LiB Recycling Pty Ltd (of which Mr Hicks is the sole executive director) has been introducing the Technology in the Exclusive Territories to organisations that could potentially assist with commercialising the technology.

In July 2020, Neometals established Primobius GmbH (**Primobius**) as a 50:50 incorporated joint venture with SMS Group GmbH (**SMS**)[1]. Primobius was established to co-fund and complete final stage evaluation activities to commercialise the Technology. SMS is a globally recognised engineering and construction business that acts as the project delivery arm to the JV. SMS is a leading supplier of processing plants for the metal industry, generating revenues of €2.5 billion in the year ended 31 December 2021 and currently employs over 14,000 people across six regions globally.

In September 2021, LiB Recycling Pty Ltd signed a co-operation agreement with Hannans to share the costs and responsibility of commercialising the Technology in the Exclusive Territories.

In December 2021, Neometals announced that Primobius had executed agreements to commercialise the Technology into North America, with leading Canadian steelmaker Stelco Holdings Inc. (TSX: STLC).[2]

In March 2022, Neometals announced that Mercedes-Benz subsidiary, LICULAR GmbH ("LICULAR"), plans to cooperate with Primobius as its technology partner for the design and construction of a proposed recycling plant.[3]

In April 2022, Damian Hicks together with Mr Michael O'Leary Collins, Executive Director of Greenhouse, and potential industrial partners from Norway, Greece, Croatia and Serbia attended the Primobius facility in Hilchenbach, Germany to undertake further due diligence.

In September 2022, Neometals announced completion of Primobius' engineering cost study for a Stage 1 Shredding Circuit (**Engineering Cost Study**) for a potential 50 tonne per day (**tpd**) integrated lithium-ion battery recycling operation on a greenfields site in Germany[4].

It is anticipated that in December 2022, Neometals will announce completion of Primobius' AACE Engineering Cost Study for the Stage 2 Refining Circuit for a potential 50 tpd integrated lithium-ion battery recycling operation on a greenfields site in Germany.[5]

(iii) <u>There can be no guarantee that any LiB recycling plant will receive a positive final investment decision or prove to be commercially viable in the future. Any proposed plant will also be subject to necessary technical assessments and feasibility studies prior to being commissioned.</u>

As with all new technologies, the Company may encounter delays and incur additional development and production costs and

[1] Refer ASX release by Neometals Ltd dated 31 July 2022, see also https://www.primobius.com/.
[2] Refer ASX release by Neometals Ltd dated 31 December 2021.
[3] Refer ASX release by Neometals Ltd dated 14 March 2022.
[4] Refer ASX release by Neometals dated 13 September 2022.
[5] Refer ASX release by Neometals Ltd dated 13 September 2022.

expenses, over and above those expected by the Directors, to develop the Technology to the sufficient standard, quality, volume and cost that make the development of LiB recycling plants economically viable.

Primobius is currently continuing ramp-up of the commercial 10tpd Stage 1 Shredding Circuit in Hilchenbach, Germany and has commenced sales of an intermediate nickel/cobalt product to multiple offtakers.[6]

As the first fully integrated (Stage 1 and Stage 2) 10 tpd and or 50 tpd commercial operations are yet to be commissioned there is a risk that larger scale projects will not match the extrapolated performance data from the early results and upgrades and investment will be required to meet the performance criteria.

(g) **Timeline**

Hannans' LiB recycling activities have been in progress since the first agreement was reached with Critical in September 2021.

In the short to medium term (12 to 24 months post re-admission) the Company will be primarily focussed on securing feedstock to recycle and identifying sites for potential shredding and sorting plants. These are the key drivers of the Company's growth agenda.

In terms of the Company's long term commercialisation strategy, Hannans intends to consider a range of transaction structures that ultimately will result in the best returns for its Shareholders, taking into consideration the risks and potential returns from these different commercialisation strategies. Different strategies will also likely be deployed in different territories and will be informed by legislative, market, cultural and sovereign risk considerations.

Hannans needs access to a front-end engineering and design (FEED) study currently being prepared by Primobius for the processing (i.e. Stage 1 Shredding Circuit) and recycling (i.e. Stage 2 Refining Circuit) of LiBs (**FEED Report**), meaning both the Stage 1 Shredding Circuit and the Stage 2 Refining Circuit, before it can commence substantive permitting of potential sites. Hannans is of the opinion that the level of detailed information required to successfully permit a fully integrated commercial project in the applicable territories will be contained within the FEED Report.

Neometals has not published the results of the FEED Report to date. The length of time required to permit a project in the applicable Territories will, to a large degree, be based on the location and type of site selected (an undeveloped site or a developed site with existing permits in place).

Finally, with respect to the Company's operational timeline, it is noted that under the sub-licence and licence agreements detailed in Sections 9.1.2

[6] Refer ASX release by Neometals Ltd dated 31 December 2021.

and 9.2.2 respectively, ACN 630 may terminate each agreement if Hannans does not satisfy the following performance criteria:

(i) Hannans has made a final investment decision in respect of construction of an initial plant for the processing or the recycling of feedstock batteries using the Technology, with a nominal throughput of 10tpd, to be operated by or on behalf of Hannans in the relevant territory (**Plant**), within 12 months of the date that Neometals release the FEED Report to ASX (**FEED Report Date**);

(ii) Hannans has constructed, or procured the construction of, the initial Plant within 24 months of the FEED Report Date;

(iii) the initial Plant has been fully commissioned within 36 months of the FEED Report Date; and

(iv) Hannans has produced and sold products the product of, or obtained though, the processing and/or the recycling of feedstock batteries undertaken by Hannans and/or any of its permitted sub-licensees, using the Technology within 12 months of the initial Plant being fully commissioned.

3.2 De-risked Technology

The following additional disclosure is added to the end of Section 5.2.1 (Technology Background and Development) of the Prospectus:

When the Company refers to the Technology being substantially "de-risked", it bases this assessment on the AACE International cost estimation classification system (**Cost Estimate Classification System**). The Cost Estimate Classification System provides guidelines for applying the general principles of estimate classification to project cost estimates (i.e., cost estimates that are used to evaluate, approve, and/or fund projects). The Cost Estimate Classification System maps the phases and stages of project cost estimating together with a generic project scope definition maturity and quality matrix, which can be applied across a wide variety of industries.

A principle of the Cost Estimate Classification System is the maturity level of the definition is the sole determining characteristic of class. In essence, the estimate accuracy (risk) improves as the level of project definition improves.

There is a level of scope definition at which the cost uncertainty (typically expressed as an accuracy range) is reduced to a point that most reasonably prudent decision makers can make a full-funds (sanction) project investment decision, at least in respect to the capital expenditure (capex) element. For each industry, this full-funding uncertainty level is expressed by Class 3.

The Technology has been developed in adherence to the Cost Estimate Classification System and has been "de-risked" by progressing from a Class 5 (scoping study), to a Class 4 (preliminary feasibility study), to announcing finalisation of the Engineering Cost Study in September 2022. The Engineering Cost Study has been completed to a +30%/-10% level of accuracy compared to the previous ±35% used in the earlier AACE Class 4 cost study.

The Technology has also been developed at a pilot scale (kgs per day), a 10 tpd scale and is in the process of being developed at a 50 tpd scale. These processes and achievements mean that the Technology has been substantially "de-risked".

3.3 Environmental and sustainability credentials

Section 5.2.3 (Sustainability) of the Prospectus is deleted and replaced with the following:

5.2.3 Sustainability

When compared to traditional mining methods, the Technology represents an alternative system that meets the needs of various industry stakeholders and helps achieve sustainability goals as it produces high-purity chemicals for re-use in the next generation of LiBs.

The worldwide demand for rechargeable batteries continues to grow, as the technology is essential for electric vehicles, smartphones and other electronic devices. The mineral resources needed to satisfy this demand are scarce and their continued extraction may be subject to increasing environmental and regulatory constraints. Smart recycling solutions are therefore widely believed to play an important role in meeting this growing demand in a sustainable and responsible manner.

The Technology targets the recovery of battery materials contained in production scrap and end-of-life LiBs that might otherwise be disposed of in land fill or processed in high-emission pyrometallurgical recovery circuits. The process flowsheet targets the recovery of valuable materials from consumer electronic batteries, nickel rich electric vehicles and stationary storage battery chemistries into saleable products that can be reused in the battery supply chain. Recycling these valuable materials allows for the substitution of primary raw materials, currently sourced through CO_2 intensive mining operations. In addition, the operation of recycling facilities allows for the recovered products to satisfy customers' demand for the most ethically responsible sources and suppliers.

As a result of their high energy density, LiBs have become the preferred battery chemistry choice for e-mobility. LiBs are also used across other sectors for the storage of electrical energy, for example electric devices and solar panel systems. Driven by this increased usage across various sectors, there has been a marked increase in demand for LiBs and the raw materials required for their production. Lithium and cobalt are crucial raw materials in the composition of LiBs and both materials are subject to social, ethical, and environmental concerns resulting from the conditions under which these raw materials are mined.

An increase in demand for lithium and cobalt for battery storage in electronic vehicles similarly increases supply competition between other industries which also use lithium and cobalt as a key resource, such as device manufacturers. Responsible raw material sourcing is becoming a focus for an increasing percentage of companies worldwide.

Recycling reduces the life cycle energy footprint of battery supply chain participants, contributes to non-mined domestic materials supply, removes hazardous material from the environment and reduces fire risk.

The following risk factor is added at Section 7.3 (Company Specific Risks) of the Prospectus:

Climate Risk

The physical effects of climate change, which may include extreme weather events, resource shortages, changes in rainfall and storm patterns, water shortages and changing sea levels and temperatures may have an adverse effect on the Hannans' operations. Events or conditions such as flooding or inadequate water supplies could disrupt exploration activities, damage the Company's property or equipment and/or could increase health and safety risks on exploration sites. Such events or conditions could also have other adverse effects on Hannans' operations, its workforce and on the local communities surrounding the Company's projects.

Furthermore, Hannans' operations and future projects depend on consistent supplies of essential commodities and other essential inputs to operate efficiently. If the effects of climate change, including extreme weather events, cause prolonged disruptions to the delivery of essential commodities and other essential inputs, or affect the prices or availability thereof, the Company's planned or actual activities may be reduced, delayed or halted, and as a result the viability and or profitability of the Company's business may be materially affected.

Currently, a number of governments or governmental bodies throughout the globe have introduced or are contemplating regulatory changes in response to the potential impacts of climate change in an effort to curb greenhouse gas emissions. Additionally, ongoing international negotiations may result in the introduction of climate change regulations or frameworks on an international scale. These developments, and the costs associated with complying with such kind of measures, may have an adverse impact on the Company's operations (spanning several jurisdictions) and prospects.

3.4 Divestment of mineral exploration assets

In Sections 1, 3 (Parts C and G), 4.8 and 5.6.2 of the Prospectus, it is noted that the Company plans to consider divestment options for its Western Australian mineral exploration projects in the short to medium term.

With respect to this intention statement and accompanying time frame, the Company notes that it is, at present, open to considering divestment opportunities.

Hannans has executed non-disclosure agreements with third parties that have expressed interest in transacting on projects in Hannans' exploration portfolio and has provided opportunity for these parties to conduct technical due diligence.

This does not mean that agreement(s) will be reached with the parties completing due diligence in the short term (i.e. within the next 12 months) or at all. Until such time as terms for any divestment are agreed, the Company will continue to expend funds in accordance with the exploration budget detailed in Section 5.6.2, to ensure these assets remain in good standing.

3.5 Expenses of the Offer

Section 10.7 of the Prospectus is deleted and replaced with the following:

The total expenses of the Offer (excluding GST) are estimated to be approximately $250,000 for both the Minimum Subscription and Maximum Subscription and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Minimum Subscription	Maximum Subscription
ASIC fees	$3,206	$3,206
ASX fees	$142,053	$142,840
Legal Fees[1]	$25,000	$25,000
Independent Geologist's Fees	$29,000	$29,000
Investigating Accountant's Fees	$13,000	$13,000
Solicitor Patent Fees[2]	$5,000	$5,000
Miscellaneous	$32,741	$31,954
TOTAL	**$250,000**	**$250,000**

Notes:

1 Fees payable to Steinepreis Paganin in connection with the Offer and this Prospectus only.

2 Fees payable to Golja Haines & Friend.

Other costs associated with the re-compliance with Chapters 1 and 2 of the ASX Listing Rules amounted to $200,000. Refer to section 5.9 for further information.

3.6 Exercise and lapsing of Options

The Company notes:

(a) A total of 14,833,333 Shares were issued on 1 November 2022 with respect to the exercise of a total of 14,833,333 Options on issue (exercisable at $0.015 each on or before 27 October 2022) between 26 and 27 October 2022.

A total of 3,000,000 of these Shares were issued to related party, Mrs Andrea Murray <Murray Family Fund No 2 A/C>, an associate of Director, Mr Jonathan Murray. None of the other recipients of these Shares were related parties of the Company.

The Company intends to allocate the $222,500 raised from the exercise of these Options towards general working capital expenses.

(b) A total of 2,200,000 Shares were issued on 8 November 2022 with respect to the exercise of a total of 2,200,000 Options on issue (exercisable at $0.015 each on or before 19 November 2022) on 3 November 2022.

None of the recipients of these Shares were related parties of the Company.

The Company intends to allocate the $33,000 raised from the exercise of these Options towards general working capital expenses.

(c) The Company proposes to issue a total of 1,300,000 Shares with respect to the exercise of a total of 1,300,000 Options on issue (exercisable at $0.015 each on or before 19 November 2022) on or before 16 November 2022.

None of the recipients of these Shares will be related parties of the Company.

The Company intends to allocate the $19,500 raised from the exercise of these Options towards general working capital expenses.

(d) A total of 58,166,667 Options on issue have lapsed on account of not being exercised prior to their respective expiry dates as follows:

(i) 13,166,667 Options (exercisable at $0.015) lapsed on 27 October 2022;

(ii) 20,000,000 Options (exercisable at $0.022) lapsed on 30 October 2022; and

(iii) 25,000,000 Options (exercisable at $0.027) lapsed on 30 October 2022.

(e) Following (a) to (d) above, the Company's proposed capital structure upon completion of the Offer and issue of consideration Shares pursuant to the Greenhouse Transaction is summarised below:

Shares[1]

	Minimum Subscription	Maximum Subscription
Shares currently on issue[1]	2,624,604,809	2,624,604,809
Shares to be issued pursuant to the Offer[2]	50,000,000	100,000,000
Shares to be issued to Greenhouse in consideration for the novation of the Greenhouse Licences[3]	647,500,653	647,500,653
Total Shares on completion of the Offer and Greenhouse Transaction	**3,322,105,462**	**3,372,105,462**

Notes:

1 The rights attaching to the Shares are summarised in Section 10.2.

2 To be issued at an issue price of $0.02 per share to raise a minimum of $1 million and maximum of $2 million and subject to Shareholder approval.

3 Issued subject to Shareholder approval pursuant to the Greenhouse Agreement, the material terms of which are summarised in Section 9.2.1.

Options

	Minimum Subscription	Maximum Subscription
Options currently on issue[1]	165,000,000	165,000,000
Options to be issued pursuant to the Offer	Nil	Nil
Total Options on completion of the Offer and Greenhouse Transaction	**165,000,000**	**165,000,000**

Notes:

1 Comprising:

- 55,000,000 Options exercisable at 6.1 cents each, on or before 25 November 2025.
- 55,000,000 Options exercisable on or before 25 November 2025, at an exercise price for each option equal to the volume weighted average price (**VWAP**) for the five (5) trading days before and five (5) trading days after 25 November 2022 plus a premium of 50%.
- 55,000,000 Options exercisable on or before 25 November 2025m at an exercise price for each option equal to the VWAP for the five (5) trading days before and five (5) trading days after 25 November 2023 plus a premium of 50%.

4. CONSENTS

The Company confirms that as at the date of this Supplementary Prospectus, each of the parties that have been named as having consented to being named in the Prospectus have not withdrawn that consent.

5. DIRECTORS' AUTHORISATION

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with the ASIC.

Jonathan Murray
Non-Executive Chairman
HANNANS LTD