# HANNANS LTD
# ANNUAL REPORT

# 2017

# ABOUT HANNANS LTD

Hannans Ltd (ASX:HNR) is an exploration company with a focus on nickel, gold and lithium in Western Australia. Hannans' major shareholder is leading Australian specialty minerals company Neometals Ltd. Hannans has a strategic relationship with West Australian based mining services company Australian Contract Mining. Since listing on the ASX in 2003 Hannans has signed agreements with Vale Inco, Rio Tinto, Anglo American, Boliden, Warwick Resources, Cullen Resources, Azure Minerals, Neometals, Tasman Metals, Grängesberg Iron, Lovisagruvan and Montezuma Mining Company. Shareholders at various times since listing have included Rio Tinto, Anglo American, OM Holdings, Craton Capital and BlackRock. For more information, please visit www.hannansreward.com.

# ANNUAL REPORT
# FOR THE FINANCIAL YEAR ENDED
# 30 JUNE 2017

# CORPORATE DIRECTORY

## BOARD OF DIRECTORS

### NON-EXECUTIVE CHAIRMAN
Mr Jonathan Murray

### EXECUTIVE DIRECTOR
Mr Damian Hicks

### NON-EXECUTIVE DIRECTORS
Mr Markus Bachmann
Mr Clay Gordon
Ms Amanda Scott

### COMPANY SECRETARY
Mr Ian Gregory

ABN 52 099 862 129

## PRINCIPAL OFFICE
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Perth, Western Australia 6000

## REGISTERED OFFICE
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Website www.hannansreward.com

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**LinkedIn** Hannans Reward
**Instagram** HannansReward

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## AUDITORS
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## LAWYERS
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Perth, Western Australia 6000

# DIRECTORS' REPORT

The Directors of Hannans Ltd (**Hannans** or **the Company**) submit their annual financial report of the Group being the Company and its controlled entities for the financial year ended 30 June 2017.

Dear Shareholders,

We're aiming to develop into a West Australian mining company via exploration success, acquisition or merger.

Hannans shareholders have been exposed to exploration success within the last twelve months via drilling for lithium, gold and nickel at the Forrestania and Queen Victoria Rocks Projects in Western Australia. Importantly the prices for each of these commodities are rising with gold, nickel and lithium all testing new highs.

The Forrestania Project containing lithium, nickel and gold targets is Hannans' flagship asset. We have ground adjoining the SQM (NYSE:SQM) – Kidman Resources Ltd (ASX:KDR) joint venture where they are developing a lithium mine and concentrate facility. SQM is a Santiago-based world leader in specialty businesses including lithium and solar salts, potassium nitrate and iodine. From a Hannans perspective our next phase drilling campaign for lithium will take place in September 2017.

Hannans has decided to seek a partner for its nickel exploration projects at Forrestania and Queen Victoria Rocks. This is a recent decision and will enable partners with expertise and capital to advance these projects while Hannans focuses its resources in other areas.

Hannans has a joint venture partner rapidly advancing a gold project at Forrestania and we are expecting an updated JORC compliant mineral resource to be released by our partner during the next Quarter. Hannans holds a 20% free-carried interest in this gold project, meaning that shareholders are exposed to exploration and development success without the requirement to fund any of the costs. We also have a joint venture partner exploring for lithium at Lake Johnston. Hannans holds a 15% free-carried interest in the Lake Johnston Project.

We have been reviewing many assets with the aim of moving towards mining via acquisition or merger activity. The market is very competitive for high quality assets in Western Australia however we will continue to work towards securing the right project for shareholders.

During the year Hannans completed a number of corporate initiatives including the acquisition of Reed Exploration Pty Ltd from leading speciality metals company Neometals Ltd (ASX:NMT) and the in-specie distribution of the company's Swedish assets into Critical Metals Ltd (www.criticalmetals.eu). The aim is to relist Critical Metals on the ASX as soon as practicable.

We also welcomed two new non-executive directors to our Board including Clay Gordon and Amanda Scott and several new major shareholders who have been instrumental supporting Hannans throughout the year.

Hannans is well placed to make an exploration discovery and or acquisition within the next twelve months.

If you have any questions please don't hesitate to visit www.hannansreward.com, follow us on Twitter (@hannansreward), stay updated on LinkedIn (Hannans Reward), review our images on Instagram (HannansReward) or contact me.

Best regards,

Jonathan Murray
Non-Executive Chairman

# STRATEGIC PLAN

## VISION

Our vision is to build a successful exploration and production company.

## MISSION

Our mission is to develop a company that has a material interest in a portfolio of mineral projects that are being rapidly progressed whether they are exploration, development or production assets.

We recognise that a professional, knowledgeable and ethical team of directors, employees and consultants is the key to our business.

Our focus is to provide shareholders with excellent return on investment by managing our people, projects and capital in an entrepreneurial and responsible manner. We aim to generate free cash from our activities and return that cash to shareholders.

## GOALS

**People**

- To attract and retain a professional, knowledgeable and ethical team of experts whilst empowering staff at all levels.
- To continually build an understanding of our strategic partners' needs and wants and thereafter conduct business in a fair, transparent and ethical manner.

**Projects**

- To access prospective mineral exploration and development opportunities in Australia.
- To implement an effective acquisition program that secures access to projects that have the potential to host significant economic deposits.
- To add value by identifying, accessing and exploring projects that have potential to host significant economic deposits and then seek partners to diversify project risk.
- To retain a financial interest in projects but not necessarily an operational responsibility.
- To conduct our affairs in a responsible manner taking into account various stakeholder rights and beliefs.

**Capital**

- To create shareholder wealth as measured by the potential of our projects, the strength of our balance sheet and share price.
- To maintain sufficient funding and working capital to implement exploration and development programs through the peaks and troughs in sentiment and commodity prices fluctuations.

Ultimately, Hannans is aiming to identify a world-class deposit.

Successful implementation of the strategic plan would see Hannans develop a portfolio of projects that it is sole funding, contributing to funding to maintain a joint venture interest, holding a free carried interest, a royalty interest or an equity interest in the company that owns the project.

The ability to implement the strategic plan is determined by Hannans ability to access funding. Hannans needs to continually fund the development of its project pipeline through equity raisings, project sales, joint venture expenditure and royalties.

# OPERATIONAL AND FINANCIAL REVIEW

Hannans' focus throughout the year has been nickel, lithium and gold exploration in the Goldfields region of Western Australia.

We completed deep diamond drill testing of nickel sulphide targets at both the Forrestania and Queen Victoria Rocks' projects and shallow aircore drilling to identify pegmatites hosting lithium mineralisation at the Forrestania Project.

Joint venture partner Classic Minerals Ltd (ASX:CLZ) completed diamond drilling and reverse circulation (RC) drilling for gold to extend known high-grade gold mineralisation and increase JORC compliant mineral resources at Forrestania. Hannans holds a 20% interest in this project which is free-carried until a decision to mine has been made.

Joint venture partner Montezuma Mining Company Ltd (ASX:MZM) reviewed historic data and completed field verification that confirmed the lithium potential of the Lake Johnston project. Hannans holds a 15% interest in this project which is free-carried until a decision to mine has been made.

Exploration completed by Hannans and its joint venture partners during and after the 2016/2017 financial year is set out below:

### July 2016

- **Nickel at Forrestania**
  Hannans completed diamond drill testing of two discrete nickel sulphide targets within the Stormbreaker Prospect, which is considered underexplored for the existence of high grade massive nickel sulphide deposits at depth. The targets had been generated following extensive geological, geochemical and geophysical surveys and interpretations over the prior eighteen months. Drilling intersected the Western Ultramafic (WUM) stratigraphy that hosts high grade nickel sulphide mines owned by Western Areas Ltd (ASX:WSA). The character of the WUM as seen in two holes suggests a continuity and rapid thickening of the WUM in the north of the prospect. This may represent a channelised flow containing ore-grade mineralisation of the style seen elsewhere at Forrestania. Future drilling of the WUM will therefore be targeted down dip of the existing intersections on several selected drill traverses.

### December 2016

- **Nickel at Queen Victoria Rocks (QVR)**
  Hannans completed diamond drill testing to determine if high grade nickel is located at the base of the interpreted lava channel in the strongly anomalous ultramafic units within the Spargos Prospect. Drilling was followed by downhole geophysical surveys (DHEM) searching for off-hole conductors that may represent accumulations of massive nickel sulphide mineralisation. The Spargos Prospect has all the geological characteristics of a system that one could expect to be well mineralised. While disseminated low grade nickel sulphide mineralisation was first identified within the Spargos prospect by Spargos Exploration NL in 1971, the identification of significant massive high-grade nickel has so far eluded explorers.

### February 2017

- **Lithium at Lake Johnston**
  Joint venture partner Montezuma Mining Company Ltd advised Hannans that first pass target generation had identified significant potential for lithium mineralisation where historic drilling intersected wide intercepts (>100m) of pegmatites. No lithium assays were undertaken and no pulps remain for re-assay. Surface auger geochemistry also showed elevated lithium levels proximal to outcropping pegmatites.

### March - April 2017

- **Gold at Forrestania**
  Joint venture partner Classic Minerals Ltd (ASX:CLZ) reported a gold resource at the Lady Ada and Lady Magdalene deposits in accordance with the JORC Code, 2012 Edition, both of which are part of the Joint Venture tenure. Classic Minerals advised Hannans that it planned to complete a drill program targeting high grade gold extensions beneath the Lady Ada and Lady Magdalene deposits and that it had reached an agreement to toll treat ore from the project at the Lakewood Processing Plant in Kalgoorlie.

## March - July 2017

- **Nickel at QVR**

  Hannans completed a comprehensive review of recent and historic diamond drilling and all historic geophysical surveys at the QVR nickel sulphide project. Thirteen down-hole electromagnetic (DHEM) surveys were reviewed, nine surveys had anomalies associated with them and four were interpreted to be sufficiently encouraging to justify drill testing and or additional surveys to validate potential drill targets. The highest priority off-hole DHEM target (Priority 1) modelled a moderately high conductance plate which was considered consistent with a massive sulphide source. The second highest priority off-hole DHEM target (Priority 2) was interpreted to be located below diamond hole QVD11 drilled by previous explorers in 2005. Two lower priority off-hole DHEM targets required validation with additional DHEM surveys prior to drill testing.

  Hannans tested the Priority 1 target at QVR with new diamond hole QVD15. After terminating hole QVD15 at 367m two DHEM surveys using the latest technology were completed, one in QVD15 and a re-survey within historic hole QVD13. Hannans consultants logged the drill core, interpreted the two DHEM surveys completed XRF analysis on sections of the drill core and completed thin section analysis. Despite a thorough analysis of the drill core and interpretation of the latest DHEM survey results the Priority 1 target was unable to be explained by any rocks intersected in the drilling. With the benefit of this information historic hole QVD13 was re-surveyed to further validate the Priority 1 target. The DHEM response was re-modelled and the DHEM target was re-confirmed. No further drilling will be completed until a better explanation is established for the DHEM anomaly in QVD013 and results from QVD015.

  Platinum group element (PGE) anomalism within the Spargos Prospect suggests that the targeted area is highly fertile for nickel sulphides and this is evident from historic drilling which has encountered nickel sulphides in the ultramafic rocks.

  It is evident from the interpretation and modelling of Hannans diamond drill holes QVD13, 14 and 15 that the most prospective basal contact has not been systematically explored and that the Spargos Prospect is complex, folded and faulted.

## May - July 2017

- **Lithium at Forrestania**

  Hannans completed 240 holes for a total of 3,093 metres of aircore drilling to assess the lithium prospectivity of the northern portion of the Forrestania Project.

  Drilling was located approximately 4km west of two granite intrusions mapped within Hannans' tenure. The high-grade Earl Grey lithium deposit is located approximately 4km east of the same granite intrusions. This distance (i.e. 4km) appears to be the distance necessary to allow for cooling of the intruding pegmatites sourced from the granite intrusions and for differential crystallization of exotic minerals including spodumene (an important lithium mineral).

  There is minimal historic information in the immediate area of interest, and therefore the exploration approach implemented was broad reconnaissance traverses of aircore drilling to help define the geology and to provide improved geochemical information.

  The shallow reconnaissance aircore drilling program successfully identified two anomalous trends. When considered with the air magnetic data the anomalies form an annulus at about 3 to 4 km distance around the interpreted granite, as expected for mineralized pegmatites derived from the granite.

  Aircore holes were generally limited to a depths of 12 metres to give a cost effective first pass geochemical sample. The samples were all highly oxidized and there were very few chips of large enough size to allow identification of the rock types. Muscovite was evident in most of the anomalous samples as well as kaolinite and quartz, which could be representative of pegmatites.

## July - August 2017

- **Gold at Forrestania**

  Joint venture partner Classic Minerals Ltd advised that drilling at the Lady Ada and Lady Magdalene prospects had returned high-grade gold results from outside the current Scoping Study pit design – highlighting significant potential to expand the current Mineral resource estimates. A 13,000 metre RC drilling program commenced, targeting high-grade extensions along strike and down dip of both the Lady Ada and Lady Magdalene deposits.

## Exploration Expenditure

In line with the Group's accounting policy, Hannans expensed $804,102 on mineral exploration activities in 2017 (2016: $29,998) relating to its non-JORC compliant mineral projects and did not capitalise exploration activities as it completed the in-specie distribution of the JORC compliant mineral resources at the Rakkuri Iron Project and Pahtohavare Copper-Gold Project (2016: $97,599). These amounts exclude all administration and transaction costs.

| Mineral Exploration Activities in 2017[1] | $ | % |
|---|---|---|
| Geological activities | 118,774 | 15% |
| Geochemical activities | 86,267 | 11% |
| Geophysical activities | 113,480 | 14% |
| Drilling | 499,096 | 62% |
| Field supplies | 16,447 | 2% |
| Field camp and travel | 18,602 | 2% |
| Drafting activities | 5,515 | 1% |
| Feasibility studies | 5,388 | 1% |
| Rehabilitation | 6,300 | 1% |
| Annual tenement rent & rates | 10,975 | 1% |
| Tenement administration | 10,171 | 1% |
| Tenement application fees[2] | (86,913) | (11)% |
| TOTAL MINERAL EXPLORATION ACTIVITIES | 804,102 | 100% |

1 The mineral exploration activities consist of Australian and Swedish activities until the completion of in-specie distribution on 27 September 2016.
2 Relates to reversal of application for concession in Sweden.

## Corporate

Hannans completed two major corporate transactions throughout the year, being the acquisition of Reed Exploration Pty Ltd from Neometals Ltd and the in-specie distribution of the Swedish projects into Critical Metals Ltd. A summary of the corporate activities for the 2016/2017 financial year is set out below:

### Update on Neometals Transaction (July – August 2016)

Hannans lodged the Notice of Meeting and Independent Expert's Report in respect of the strategic collaboration with Neometals Ltd with the ASX and ASIC for review and subsequently announced that the General Meeting of shareholders to approve the transaction was held on 15 September 2016. A prospectus was also lodged with ASIC to enable the in-specie distribution of shares in Critical Metals Ltd to Hannans shareholders.

### General Meeting, In-specie Distribution and Completion of Neometals Transaction (September 2016)

Hannans announced that all General Meeting resolutions put to the shareholders were passed by a show of hands. Accordingly, the In-specie Distribution approved by shareholders, was subsequently completed and all shareholders on the Hannans share register on 20 September 2016 received shares in Critical Metals Ltd. The acquisition of 100% of Reed Exploration Pty Ltd (REX) from Neometals was completed.

### Corporate Update (October 2016)

Hannans announced the appointment of Mr Clay Gordon, a new non-executive director and confirmed that exploration would be focused on nickel, gold and lithium particularly in the world-class Forrestania – Mt Holland region of Western Australia.

Following the approval by shareholders to convert outstanding liabilities into equity the Balance Sheet was cleared of all material liabilities, and furthermore the Supreme Court litigation with Avalon Minerals Ltd was settled with no financial impact on Hannans. Hannans confirmed that corporate activity including project acquisition and divestment will remain a priority to drive shareholder returns.

## Compliance (cont'd)

### International Precious Metals & Commodities Show (November 2016)

Hannans made presentations in Frankfurt and Munich as part of a strategy to introduce new investors onto the ASX register and foster interest in Hannans existing listing on the Frankfurt Borse. The Hannans website was launched in German.

### Annual General Meeting and Changes to the Board of Directors (November 2016)

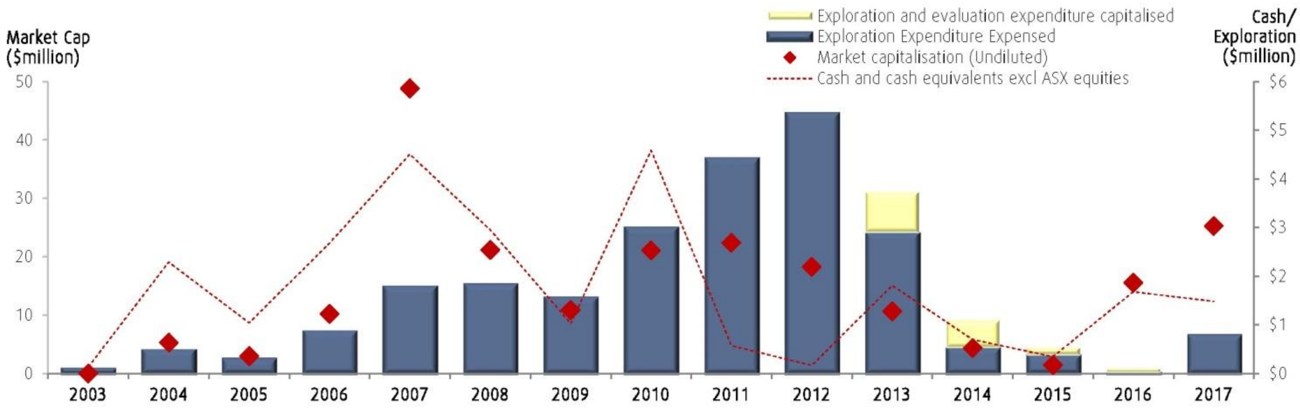
All resolutions at the Annual General Meeting were passed by a show of hands. Hannans announced the appointment of a Chairman, Executive Director and Ms Amanda Scott, a new Non-Executive Director.

### Interest in Nickel-Gold-Lithium Project (December 2016)

Hannans sold its Lake Johnston exploration database to Montezuma Mining Company Ltd (ASX:MZM) in consideration for which Hannans received a 15% interest in Montezuma's Lake Johnston Nickel-Gold-Lithium Project. Hannans' interest is free-carried through to a Decision to Mine. Lake Johnston is home to advanced nickel and lithium projects owned by Poseidon Nickel Ltd (ASX:POS). Sale of the exploration database enabled Hannans shareholders to share in success achieved by Montezuma without the requirement to fund exploration.

### AMEC Investor Briefing (March 2017)

Hannans made a presentation to attendees at an Association of Mining & Exploration Companies investor seminar.




## Compliance

The list of compliance documents lodged with the ASX during the 2016/2017 financial year is available on page 26.

## Goals 2017 – Scorecard

Starting with the Annual General Meeting held in 2015 the Company published its Goals for 2016. Introduction of the Scorecard enables the Directors, Management and Shareholders to remain focussed on the Goals and the results on an annual basis. The table below highlights Hannans' achievements relative to the stated Goals:

| Item | Stated Goal AGM 2015 | Outcome to Date |
|---|---|---|
| **Shareholder Returns** | Implement a strategy giving shareholders the opportunity to recover their investment | Hannans is focussed on Western Australia gold, nickel and lithium projects and moving towards development and mining.<br><br>Hannans share price was 0.3 cents on 24 November 2015, 1.8 cents on 24 November 2016 and at the date of this report 1.3 cents. |
| **Joint Venture Projects** | Monitor joint venture partners' activities | Hannans divested the Pahtohavare copper-gold project located in Sweden into Critical Metals Ltd in September 2016.<br><br>Joint venture partner Classic Minerals Ltd (ASX: CLZ) is drill testing high-grade gold resouces at Forrestania. Hannans holds a 20% free-carried interest.<br><br>Joint venture partner Montezuma Mining Company Ltd (ASX: MZM) is completing early stage exploration activities for lithium at Lake Johnston. Hannans holds a 15% free-carried interest. |
| **Sole funded projects** | Secure joint venture partners | Hannans divested the Discovery Zone and Rakkurijoki projects located in Sweden into Critical Metals in September 2016.<br><br>Hannans has commenced a process to attract high quality joint venture partners to the Forrestania and Queen Victoria rocks nickel sulphide projects. |
| **Corporate** | Protect rights and finalise outcomes on the North Ironcap transactions | Hannans signed a Deed of Acknowledgement with the purchaser of the North Ironcap gold deposit which established an amended payment schedule. Hannans has received several payments from the purchaser and final settlement is expected late in 2017. |

# KEY PROJECTS


**Figure 1.** Location Map: Hannans' Forrestania, Lake Johnston and Queen Victoria Rocks Precious & Base Metals Projects

This short report will focus on the Forrestania and Queen Victoria Rock Projects. For information on the Lake Johnston Project please refer to www.hannansreward.com.

## Forrestania Nickel, Gold and Lithium Project

The Forrestania project is located 120km south of Southern Cross and 80km east of Hyden in Western Australia (Figure 1). The southern portion of the Forrestania project is approximately 7km north of Western Areas Limited's Flying Fox nickel mine, and the northern portion adjoins the SQM-Kidman Resources Ltd Earl Grey lithium project.

There is significant supporting infrastructure in the Forrestania-Mt Holland project area, with good road access and an existing electricity network primarily due to present and past mining operations. Located to the south of the project area is Western Area Ltd's Cosmic Boy nickel concentrator, which can process 600,000 tonnes per annum of ore, with the potential to expand to 1,000,000 tonnes per annum. A new lithium mine and concentrator is also being developed close to the north-eastern corner of the project by the SQM-Kidman Resources joint venture.

The Forrestania gold project contains a 136,750 ounce gold resource. Hannans owns a 20% interest in this resource which is free-carried until a decision to mine has been made. (Please refer to the ASX release made by Classic Minerals Ltd dated 2 May 2017 for full details of the mineral resource and compliance with the JORC Code, 2012 Edition).

The project consists of five granted exploration licences and two prospecting licences and all the tenements are held 100% by Reed Exploration Pty Ltd (Reed) a wholly owned subsidiary of Hannans.

## Forrestania Nickel, Gold and Lithium Project (cont'd)

### PROJECT GEOLOGY

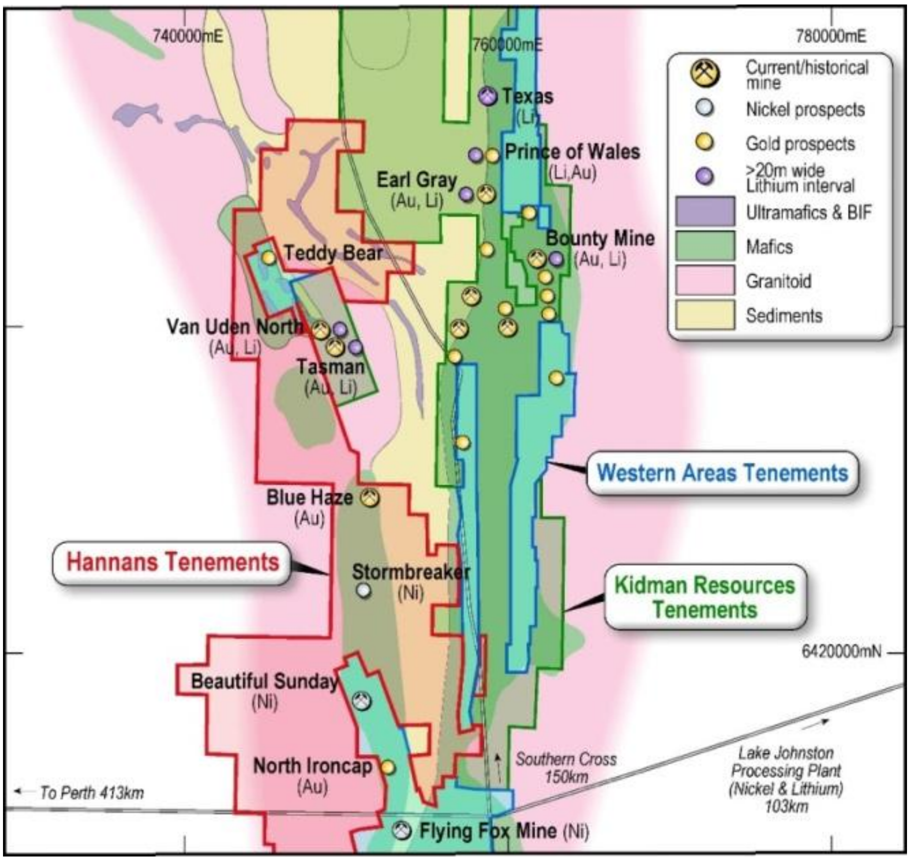
The following is a detailed description of the project geology that geoscientists will find very useful in gaining an understanding of the project geology.

The Stormbreaker prospect lies within the Archaean Forrestania greenstone belt which trends north to northwest. Regional mapping has identified two distinct lithostratigraphic units within the greenstone belt, a mafic-ultramafic metavolcanic suite and a sequence of immature clastic sediments which overlie the older mafic-ultramafic sequence. These units are folded into a regional northerly plunging synform, with the sedimentary rocks forming the core of the synform. The mafic-ultramafic rocks to the east of the sediments are steeply west dipping while those to the west of the sediments are shallowly east dipping. The two sequences differ somewhat in their composition.

The greenstones are predominantly altered mafic and ultramafic flows with intercalated BIF, cherts and at stratigraphically higher levels, fine grained clastic sediments.

The western ultramafic belt consists predominantly of high-magnesium basalts with variolitic texture (detailed below). The basaltic sequence is overlain to the east by a BIF unit, which is in turn overlain by the main pelitic sediment sequence. The younger sediments are dominantly pelitic and psammitic schists, with minor iron rich garnetiferous units, thin BIF lenses and bands of graphitic schist.

The western ultramafic belts hosts the Flying Fox deposit and has been interpreted as an east younging succession of four distinct lithological packages. Zone 1 comprises of quartzo-feldspathic sedimentary rocks intercalated with minor basaltic rocks. These footwall sedimentary rocks are directly overlain by a cumulate-rich compound komatiite flow sequence Zone 2comprises the cumulate komatiites which host an irregular halo of disseminated sulphides that directly overlies massive sulphides. Zone 3 comprises of a komatiite basalt thin flow sequence, where non-cumulate komatiites and high magnesium basalts dominate. Zone 4 comprises of hanging wall sedimentary rocks. This lithostratigraphic sequence is interpreted to continue to the north beneath a granite sill based on aeromagnetic interpretation.



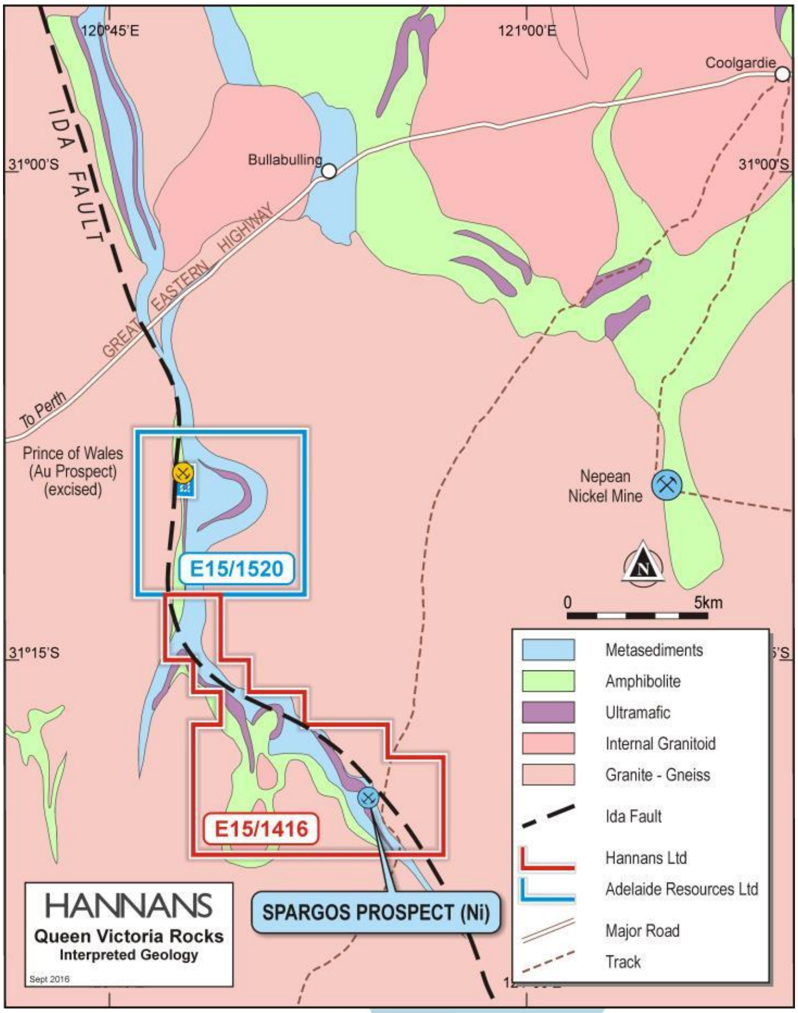
## QUEEN VICTORIA ROCKS PROJECT, WESTERN AUSTRALIA

The Queen Victoria Rocks (QVR) project is located approximately 50km to the southwest of Coolgardie in Western Australia. Access to the southern portion of the project is via the unsealed Victoria Rock road, which passes through the tenement. There is significant supporting infrastructure in the Queen Victoria Rocks project area, with good road access due to its close proximity to the town of Coolgardie and the numerous current and historic mining operations of the Coolgardie district. The Queen Victoria Rocks project consists of one granted Exploration Licence. The tenement is held 100% by Reed Exploration Pty Ltd a wholly owned subsidiary of Hannans.

### PROJECT GEOLOGY

The following is a detailed description of the project geology that geoscientists will find very useful in gaining an understanding of the project geology.

The QVR project is located over Archaean greenstone lithologies, forming part of the southern portion of the Bullabulling Domain, which forms the western-most domain of the Kalgoorlie Terrane. These lithologies occur within a relatively narrow belt of greenstone, which lie adjacent to the regionally extensive Ida Fault which passes through the project area. Approximately 9.5km to the south of the Prince of Wales workings, aeromagnetic data suggests that the Ida Fault splays in to two separate structures; one trending southwest and the other to the southeast within Hannans tenure. Proterozoic dykes cut the Archaean stratigraphy in several areas.




Within the project area the greenstone lithologies consist of mafic and ultramafic rocks, interbedded with meta-sedimentary units, which are likely to represent interflow sediments. Sulphide-rich shales, which have a ferruginous surface expression, have been previously mapped and interpreted as BIF units. In the western parts of the greenstone sequence, a much thicker sediment package occurs and is predominantly made up of medium to coarse grained quartz-rich meta-sediments, in particular quartz-biotite schists, along with numerous shale units. To the west, the greenstone belt is flanked by the Woolgangie Monzogranite, while to the east, the regionally extensive Burra Monzogranite dominates.

# ANNUAL RESOURCE STATEMENTS

On 27 September 2016, Hannans completed an in-specie distribution of Critical Metals Ltd to its shareholders. All the Swedish JORC resources and exploration targets are owned by Scandinavian Resources AB and Kiruna Iron AB which are wholly owned subsidiaries of Critical Metals Ltd.

Hannans through the joint venture with Classic Minerals Ltd holds a 20% interest in the following JORC resources for the year ended 30 June 2017.

## JULY 2016 – JUNE 2017

### Forrestania Gold Project[1]

JORC Compliant **Indicated and Inferred** Mineral Resource Table

| | Indicated | | | Inferred | | |
|---|---|---|---|---|---|---|
| Prospect | Tonnes | Grade (Au g/t) | Ounces (Au) | Tonnes | Grade (Au g/t) | Ounces (Au) |
| Lady Ada | 283,543 | 1.78 | 16,204 | 259,359 | 2.25 | 18,763 |
| Lady Magdalene | 1,828,740 | 1.08 | 63,732 | 2,450,140 | 1.50 | 118,173 |
| TOTAL | **2,112,283** | **1.17** | **79,734** | **2,709,499** | **1.57** | **136,937** |

**Competent Person's Statements – Forrestania Gold Project**

The information contained in the JORC Compliant Resource Table relates to information compiled or reviewed by Edward S. K. Fry who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and is a consultant exploration geologist for Classic Minerals Ltd. Mr Fry has sufficient experience of relevance to the styles of mineralisation and the types of deposit under consideration, and to the activities undertaken to qualify as Competent Persons as defined in the 2012 edition of the 'JORC Australian code for reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Fry consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

## JULY 2015 – JUNE 2016

### Kiruna Iron Project

JORC Compliant **Indicated** Mineral Resource Table

| Prospect | Mt | Fe (%) | P (%) | S (%) |
|---|---|---|---|---|
| Ekströmsberg | 30.4 | 52.0 | Unavailable | Unavailable |
| TOTAL | **30.4** | **52.0** | – | – |

JORC Compliant **Inferred** Mineral Resource Table

| Prospect | Mt | Fe (%) | P (%) | S (%) |
|---|---|---|---|---|
| Rakkurijoki | 74.5 | 39.7 | 0.28 | 0.89 |
| Vieto | 14.0 | 35.7 | 0.14 | 1.46 |
| Renhagen | 26.3 | 32.1 | 0.21 | 0.03 |
| Harrejaure | 16.2 | 43.4 | 0.04 | 0.01 |
| Ekströmsberg | 41.6 | 52.0 | Unavailable | Unavailable |
| TOTAL | **172.6** | **41.5** | – | – |

| TOTAL | Mt | Fe (%) |
|---|---|---|
| **Indicated & Inferred** | **203.0** | **43.1** |

JORC Compliant **Exploration Target**[2] Tables

**Hub 1 – Kiruna Hub**

| Prospect | Tonnage Range (Mt) | Grade Range (Fe%) |
|---|---|---|
| Laukkujärvi | 4-8 | 30-35 |
| Tjåorika | 15-30 | 45-55 |
| **Total Hub 1** | **19-38** | **37.5-45** |

**Hub 2 – Lannavaara Hub**

| Prospect | Tonnage Range (Mt) | Grade Range (Fe%) |
|---|---|---|
| Paljasjärvi | 40-60 | 30-40 |
| **Total Hub 2** | **40-60** | **30-40** |

| TOTAL | Mt | Fe (%) |
|---|---|---|
| **Hub 1 & 2** | **59-98** | **33.6-42.5** |

**Competent Person's Statements – Kiruna Iron Project**

- The mineral resource estimate for Rakkurijoki and Rakkurijärvi is effective from 13 January 2012 and has been prepared by Mr Thomas Lindholm, MSc of GeoVista AB, Luleå, Sweden acting as an independent "Competent Person". Mr Lindholm is a Fellow of the Australasian Institute of Mining and Metallurgy (Membership No. 230476). Mineral resources for Rakkurijoki and Rakkurijärvi have been prepared and categorised for reporting purposes by Mr Lindholm, following the guidelines of the JORC Code. Mr Lindholm is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold, base metal and iron deposits. Mr Lindholm consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

[1] Refer to Classic Minerals Ltd (ASX: CLZ) ASX announcement on 1 March 2017 for further information.

[2] The JORC Exploration Targets have been subjected to diamond drill testing, ground geophysics and interpretation by the Geological Survey of Sweden, reviewed by Mr Thomas Lindholm, of GeoVista AB. The potential quantity and grade of the exploration targets is conceptual in nature, there has been insufficient interpretation to define a JORC Mineral Resource and it is uncertain if further interpretation will result in the determination of a JORC Mineral Resource.

**Competent Person's Statements – Kiruna Iron Project (cont'd)**

- The mineral resource estimate for Puoltsa is effective from 13 January 2012 and has been prepared by Mr Thomas Lindholm, MSc of GeoVista AB, Luleå, Sweden acting as an independent "Competent Person". Mr Lindholm is a Fellow of the Australasian Institute of Mining and Metallurgy (Membership No. 230476). The mineral resource of Puoltsa has been prepared and categorised for reporting purposes by Mr Lindholm, following the guidelines of the JORC Code. Mr Lindholm is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold,
- prepared and categorised for reporting purposes by Dr Wheatley, following the guidelines of the JORC Code. Dr Wheatley is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold, base metal and iron deposits. Dr Wheatley consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.
- The mineral resource estimate for Vieto is effective from 26 July 2011 and has been prepared by Mr Geoffrey Reed of Minarco-MineConsult acting as an independent "Competent Person". Mr Geoffrey Reed is a Member of the Australasian Institute of Mining and Metallurgy (CP) (Membership No. 205422). The mineral resource of Vieto has been prepared and categorised for reporting purposes by Mr Reed, following the guidelines of the JORC Code. Mr Reed is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold, base metal and iron deposits. Mr Reed consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.
- The mineral resource estimate for Renhagen and Harrejaure is effective from 13 January 2012 and has been prepared by Mr Geoffrey Reed of Minarco-MineConsult acting as an independent "Competent Person". Mr Geoffrey Reed is a Member of the Australasian Institute of Mining and Metallurgy (CP) (Membership No. 205422). Mineral resources of Renhagen and Harrejaure have been prepared and categorised for reporting purposes by Mr Reed, following the guidelines of the JORC Code. Mr Reed is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold, base metal and iron deposits. Mr Reed consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

base metal and iron deposits. Mr Lindholm consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

- The mineral resource estimate for Ekströmsberg is effective from 22 July 2011 and has been prepared by Dr Christopher Wheatley of Behre Dolbear International Ltd, UK, acting as an independent "Competent Person". Dr Wheatley is a member of the Institute of Materials Minerals and Mining (Membership No. 450553). The mineral resource of Ekströmsberg has been
- The information in this document that relates to JORC Exploration Targets is based on information reviewed by Mr Thomas Lindholm of GeoVista AB, Luleå, Sweden acting as an independent "Competent Person". Mr Lindholm is a member of the Australasian Institute of Mining and Metallurgy (Membership No. 230476). Mr Lindholm is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold, base metal and iron deposits. Mr Lindholm consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.
- The information in this document that relates to exploration results for the Rakkuri Iron Project is based on information compiled by Ms Amanda Scott, a Competent Person who is a Member of the Australian Institute of Mining and Metallurgy (Membership No. 990895). Ms Amanda Scott is a full-time employee of Hannans Ltd. Ms 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). Ms 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.
- Note all Kiruna Iron Project Resource Estimates and Exploration Target Estimates have been prepared and reported under the 2004 JORC Code. The company confirms that all material assumptions and technical parameters underpinning the estimates 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 announcements.

## Pahtohavare Copper-Gold Project

The Pahtohavare Inferred Mineral Resource and Exploration Target Estimate figures are shown below.

| Area | Resource Category | Mt | Cu (%) | Au (g/t) | Cu Eq (%) | Mining Scenario | Material |
|---|---|---|---|---|---|---|---|
| Central | Inferred | 1.4 | 1.8 | 0.6 | 2.4 | Open Cut | Oxide |
| Southeast | Inferred | 0.8 | 1.7 | 0.5 | 2.1 | Open Cut + Underground | Sulphide |
| South | Inferred | 0.1 | 1.3 | 0.6 | 1.9 | Underground | Sulphide |
| COMBINED | Inferred | 2.3 | 1.7 | 0.6 | 2.3 | | |

**Table 1.** JORC Inferred Resource-Pahtohavare Project. (Open pit resources calculated using a Whittle optimised cut-off grade of 0.56% CuEq[3] for oxide material and 0.43% CuEq[3] for sulphide material. Underground resources calculated using a 1.48% CuEq[3]).

**Accompanying Statements: JORC Inferred Resource – Pahtohavare**

1. The effective date of the Mineral Resource is 12 July 2013.
2. Mineral Resources are reported in relation to a conceptual pit shell. Mineral Resources are not Ore Reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate.
3. The quantity and grade of reported Inferred Mineral Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Mineral Resources as an Indicated or Measured Mineral Resource; and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
4. Copper equivalent (CuEq) grades were calculated using metal prices of USD3.56 per pound of copper (Cu), and USD1,510 per troy ounce of gold (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.
5. Open pit Mineral Resources are reported above the Whittle pit shell and above a cut-off grade of 0.56% CuEq for oxide material and 0.43% CuEq for sulphide material.
6. Underground Mineral Resources are reported below the Whittle pit shell, and above a cut-off grade of 1.48% CuEq for sulphide material.
7. Mineral Resources for the Pahtohavare project has been classified according to the JORC Code (2012) by Ben Parsons (MAusIMM (CP)), an independent Competent Person as defined by JORC.
8. The Mineral Resource estimate has not been affected by any known environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.

**Competent Person's Statements – Pahtohavare**

- The information in this document that relates to exploration results for the Pahtohavare Project is based on information compiled by Ms 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 Ltd. Ms 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). Ms 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 the Pahtohavare Mineral Resource and Exploration Target is based on information compiled by Mr Benjamin Parsons, a Competent Person who is a Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy (Membership No. 222568). Mr Benjamin Parsons is a full time employee of SRK Consulting, and has no interest in, and is entirely independent of Hannans Ltd. Mr Benjamin Parsons has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in JORC 2012. Mr Benjamin Parsons consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
- The information in this document that relates to the Pahtohavare Mineral Resource and Exploration Target is based on information compiled by Mr Johan Bradley, a Competent Person who is a Chartered Geologist with the Geological Society of London (Membership No. 1014008), and a European Geologist (EurGeol). Mr Johan Bradley is a full time employee of SRK Consulting, and has no interest in, and is entirely independent of Hannans Ltd. Mr Johan Bradley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in JORC 2012. Mr Johan Bradley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.
- Note all Resource Estimates, Exploration Target Estimates and Exploration Results within this report pertaining to the Pahtohavare Project have been prepared and reported under the 2012 JORC Code. The company confirms that all material assumptions and technical parameters underpinning the estimates 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 announcements.

**Governance Arrangements and Internal Controls – Mineral Resources**

Hannans Ltd has ensured that the mineral resource estimates quoted above are subject to governance arrangements and internal controls. The resource estimates have all been externally derived by various independent consulting organisations whose staff have exposure to best practice in modelling and estimation techniques. In 2011 the iron resource estimates were reviewed by an independent consulting organisation who reviewed the quality and suitability of the data underlying the mineral resource estimates, including a site visit. The Pahtohavare resource estimate was similarly completed and reviewed by the same independent consulting organisation that completed the 2011 review of iron resources. These reviews have not identified any material issues. In turn, Hannans' management has carried out numerous internal reviews of the underlying data and mineral resource estimates to ensure that they have been classified and reported in accordance with the JORC Code; the 2004 Edition for the iron resources and the 2012 Edition for the Pahtohavare resource. Hannans reports its mineral resources on an annual basis in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code) 2012 Edition. Competent Persons named by Hannans are Members or Fellows of the Australasian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists, and qualify as Competent Persons as defined in the JORC Code.

[3] Copper equivalent (CuEq) has been calculated using metal selling prices of USD3.56 / lb for Cu and USD1,510 / 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)

## DIRECTORS

The names and particulars of the Directors of the Company during the financial year and until the date of the report are:

**Mr Jonathan Murray, Non-Executive Chairman**
*(Appointed 29 November 2016,*
*previously appointed Non-Executive Director on 22 January 2010)*

Mr Murray is a partner at law firm Steinepreis Paganin, based in Perth, Western Australia. Since joining the firm in 1997, he has gained significant experience in advising on initial public offers and secondary market capital raisings, all forms of commercial acquisitions and divestments and providing general corporate and strategic advice.

Mr Murray graduated from Murdoch University in 1996 with a Bachelor of Laws and Commerce (majoring in Accounting). He is also a member of FINSIA (formerly the Securities Institute of Australia).

During the past 3 years Mr Murray has also served as a director of the following other listed companies:
* Denotes current directorship

- Vietnam Industrial Investments Limited* (appointed 19 January 2016)
- Peak Resources Limited* (appointed 22 February 2011)

**Mr Markus Bachmann, Non-Executive Director**
**(Appointed 2 August 2012)**

Mr Bachmann graduated with Honours ("cum laude") from the University of Berne, Switzerland and began his corporate finance career in 1993.

In 2001, Mr Bachmann was Senior Portfolio Manager with Coronation Fund Managers in Cape Town when it was awarded the Standard & Poor's Award for Manager of the Best Performing Large Cap Equity Unit Trust in South Africa.

In 2003, Mr Bachmann was founding partner of Craton Capital and is the Chief Executive Officer. Craton Capital was awarded Fund Manager of the Year at the Mining Journal's "Outstanding Achievement Awards" announced in London during December 2010 for the Craton Capital Precious Metal Fund. The award is the most prestigious fund award in the mining industry. Craton Capital has offices in Johannesburg, South Africa and in Zurich, Switzerland.

During the past 3 years Mr Bachmann did not serve as a director on other listed companies.

**Mr Damian Hicks, Executive Director**
*(Appointed on 29 November 2016,*
*previously apointed Managing Director on 11 March 2002)*

Mr Hicks was a founding Director of Hannans Ltd and appointed to the position of Managing Director on 5 April 2007 and appointed as an Executive Director on 29 November 2016. He formerly held the position of Executive Director and Company Secretary. Mr Hicks is also Executive Director of the Group's subsidiary companies.

Mr Hicks holds a Bachelor of Commerce (Accounting and Finance) from the University of Western Australia, is admitted as a Barrister and Solicitor of the Supreme Court of Western Australia, holds a Graduate Diploma in Applied Finance & Investment from FINSIA, a Graduate Diploma in Company Secretarial Practice from Chartered Secretaries Australia and is a Graduate of the Australian Institute of Company Directors course.

Mr Hicks is a Non-Executive Director of funds management company, Growth Equities Pty Ltd. During the past 3 years Mr Hicks did not serve as a director on other listed companies.

**Mr Clay Gordon, Non-Executive Director**
**(Appointed 5 October 2016)**

Mr Clay Gordon was appointed a director of Hannans in 2016. Mr Gordon obtained a Bachelor of Applied Science (Geology) and a Master of Science (Mineral Economics) and has more than 25 years' experience in senior roles (operational, management and corporate) within large and small resource companies active in a range of commodities within Australia, Africa and South East Asia. He was founding Non-Executive Director of ASX listed Phoenix Gold Limited and founding Managing Director of ASX listed Primary Gold Limited. Mr Gordon was also founder and CEO of Mining Assets Pty Ltd, a private company involved in the assessment and marketing of mineral projects. He is a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists.

During the past 3 years Mr Gordon has also served as a director of the following other listed companies:
* Denotes current directorship

- Primary Gold Ltd (appointed 28 February 2013; resigned 7 March 2016)

## DIRECTORS (cont'd)

**Ms Amanda Scott**
*(Appointed Non-Executive Director on 29 November 2016, previously appointed director of subsidiaries on 29 March 2014)*

Ms Scott was appointed a director of Scandinavian Resources AB, Kiruna Iron AB and Scandinavian Iron AB in 2014 and has been the Exploration Manager for Hannans Ltd and its subsidiary companies since 2008. Ms Scott played an integral role in the development of the Company's nickel, gold, iron and manganese portfolio and is credited with the discovery of high grade iron mineralisation at the Jigalong Project in the East Pilbara region on Western Australia. Ms Scott was also a key person responsible for developing the Rakkuri Iron Project and advancing the Pahtohavare Copper-Gold Project in Sweden. Ms Scott holds a Bachelor of Science (Geology) from Victoria University of Wellington, and is a Member of the Australian Institute of Mining & Metallurgy.

During the past 3 years Ms Scott did not serve as a director on other listed companies.

**Mr Olof Forslund, Non-Executive Director**
*(Appointed 2 August 2012, Resigned 5 October 2016)*

Mr Forslund is a geophysicist and has extensive international experience in the mineral exploration industry, particularly in the development and application of geophysical instruments and radar technology. His assignments have covered activities in Sweden, Japan, South Korea, Germany, Belgium, Italy, France, Canada and the USA.

Mr Forslund commenced with SGU in 1966 and during the period 2003 – 2007 Mr Forslund was Regional Manager of the Geological Survey of Sweden's Mineral Resources Information Office in Mala, Sweden (www.sgu.se). SGU's branch office Mala serves as a 'one-stop' information office for all those conducting exploration in Sweden. Mr Forslund was a founding shareholder and President of MALÅ GeoScience (www.malags.com) between 1994 and 1998. MALÅ is currently the global leader in the design and manufacture of Ground Penetrating Radar (GPR) systems.

During the past 3 years Mr Forlund did not serve as a director on other listed companies.

### Director's Relevant Interest in Shares and Options

At the date of this report the following table sets out the current Directors' relevant interests in shares and options of Hannans Ltd and the changes since 30 June 2017.

| Director | Ordinary Shares | | Options over Ordinary Shares | |
|---|---|---|---|---|
| | Current Holding | Net Increase / (decrease) | Current Holding | Net Increase / (decrease) |
| Damian Hicks | 6,416,667 | – | – | – |
| Jonathan Murray | 9,736,629 | – | 4,737,500 | – |
| Markus Bachmann (i) | 63,797,917 | – | 4,197,917 | – |
| Clay Gordon (ii) | – | – | – | – |
| Amanda Scott (ii) | 1,260,001 | – | 8,500,000 | – |

(i) These shares are held by Craton Capital Funds of which Mr Bachmann is a founding partner and Chief Executive Officer.

(ii) Mr Gordon and Ms Scott were appointed as a Non-executive Director on 5 October 2016 and 29 November 2016 respectively.

## COMPANY SECRETARY

**Mr Ian Gregory**
**(Appointed 5 April 2007)**

Mr Gregory holds a Bachelor of Business from Curtin University. Prior to founding his own business in 2005 Mr Gregory was the Company Secretary of Iluka Resources Ltd (6 years), IBJ Australia Bank Ltd Group (12 years) and the Griffin Group of Companies (4 years). Mr Gregory currently consults on company secretarial and governance matters to a number of listed and unlisted companies and is a past Chairman of the Western Australian Branch Council of Governance Institute of Australia.

# REMUNERATION REPORT (AUDITED)

The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration

B. Details of remuneration

C. Service agreements

D. Share–based compensation

E. Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001.*

## A. Principles used to determine the nature and amount of remuneration

The whole Board forms the Remuneration Committee. The remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component with the flexibility to offer specific long term incentives based on key performance areas affecting the Group's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors and executives to manage the Group.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives is as follows:

∂ The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually and determines policy recommendations by reference to executive performance and comparable information from industry sectors and other listed companies in similar industries.

∂ The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.

∂ The Managing Director and executives receive a superannuation guarantee contribution required by the government, which is currently 9.5% of base salary and do not receive any other retirement benefits.

∂ All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Options are valued using the Black–Scholes methodology where relevant.

∂ The Board policy is to remunerate non–executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non–executive directors and reviews the remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. No independent external advise was sought during the year. The maximum aggregate amount of fees that can be paid to Non–Executive Directors is subject to approval by shareholders at the Annual General Meeting. The approved maximum aggregate amount that may be paid to Non-Executive Directors as remuneration for each financial year is set at $250,000 which may be divided among the Non-Executive Directors in the manner determined by the Board and Company from time to time. Fees for Non–Executive Directors are not linked to the performance of the Company. The 2016 remuneration report was approved at the last Annual General Meeting held on 25 November 2016.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors and executive performance. The Company facilitates this through the issue of options from time to time to the directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. The Company currently has no performance based remuneration component built into director and executive remuneration packages.

The Board does not consider earnings during the current and previous financial years when determining, and in relation to, the nature and amount of directors' remuneration. Refer below for a summary of the Group's earnings and the Company's market performance for the past 5 years.

**Summary of 5 Years earnings and market performance as at 30 June**

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Profit / (Loss) ($) | 11,663,780 | (964,387) | (29,120,403) | (1,015,324) | (2,544,386) |
| Share price (c) | 1.5 | 1.6 | 0.2 | 0.5 | 1.5 |
| Market capitalisation (Undiluted) ($) | 25,239,608 | 15,531,324 | 1,443,932 | 3,609,831 | 10,604,492 |

# REMUNERATION REPORT (AUDITED) (cont'd)

## B. Details of remuneration

Details of remuneration of the Directors and key management personnel (as defined in *AASB 124 Related Party Disclosures)* of Hannans are set out in the table below.

The key management personnel of Hannans and the Group are listed on page 14 and 15.

Given the size and nature of operations of Hannans, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

| | Short Term | | | Post-employment | | Equity | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Salary & fees $ | Other benefits (i) $ | D&O insurance (ii) $ | Superan-nuation $ | Other benefits (iii) $ | Options (iv) $ | Long term benefits (v) $ | Other benefits $ | Total $ | Value options as proportion of remuneration % |
| **2017** | | | | | | | | | | |
| **Directors** | | | | | | | | | | |
| Damian Hicks (vi) | 120,000 | 179,497 | 2,274 | 11,400 | – | 71,967 | 7,419 | – | 392,557 | 18.3% |
| Jonathan Murray (vii) | 12,000 | – | 2,274 | – | – | 29,216 | – | – | 43,490 | 67.2% |
| Markus Bachmann (vii) | 3,000 | – | 2,274 | – | – | 24,391 | – | – | 29,665 | 82.2% |
| Clay Gordon (viii) | 12,000 | – | 1,676 | – | – | – | – | – | 13,676 | 0.0% |
| Amanda Scott (ix) | 9,000 | – | 1,332 | 855 | – | 1,686 | – | – | 12,873 | 13.1% |
| Olof Forslund (vii)(x) | 7,000 | – | 604 | – | – | 29,216 | – | – | 36,820 | 79.3% |
| **Total** | 163,000 | 179,497 | 10,434 | 12,255 | – | 156,476 | 7,419 | – | 529,081 | 29.6% |
| **2016** | | | | | | | | | | |
| **Directors** | | | | | | | | | | |
| Damian Hicks (vi) | 120,000 | 10,470 | 2,166 | 11,400 | – | 11,272 | 925 | – | 156,233 | 7.2% |
| Jonathan Murray (vii) | 12,000 | – | 2,165 | – | – | 1,780 | – | – | 15,945 | 11.2% |
| Markus Bachmann (vii) | 12,000 | – | 2,165 | – | – | 1,780 | – | – | 15,945 | 11.2% |
| Olof Forslund (vii) | 12,000 | – | 2,165 | – | – | 1,780 | – | – | 15,945 | 11.2% |
| **Executives** | | | | | | | | | | |
| Amanda Scott (ix) (Director of subsidiaries) | 115,489 | – | 2,166 | 16,529 | 26,192 | 11,272 | – | – | 171,648 | 6.6% |
| **Total** | 271,489 | 10,470 | 10,827 | 27,929 | 26,192 | 27,884 | 925 | – | 375,716 | 7.4% |

(i) Short Term Other benefits include annual leave accrued and taken during the year of $10,512 (2016: $10,470) for Damian Hicks. On 26 July 2017, the balance of the annual leave was paid to Mr Hicks. On 15 September 2016 Hannans held a General Meeting and shareholders approved to forgive Mr Hicks' outstanding loan amount of $168,985.

(ii) For accounting purposes Directors & Officers Indemnity Insurance is required to be recorded as remuneration. No director receives any cash benefits, simply the benefit of the insurance coverage for the financial year.

(iii) A Swedish company paying employees for work is required to pay Swedish Social Security Contribution (**SSC**) which is a framework of publicly funded social provision, ranging from pensions and healthcare to parental allowances and employment-related insurance. SSC is calculated on the basis of paid salaries and issued benefits. No employee receives any cash benefit, simply the benefit of social provision by the Swedish government. SSC benefits for Ms Scott in 2016 was $26,192. Ms Scott ceased employment with the company and no SSC payments were required from 1 February 2016 onwards.

(iv) The amounts included are under Hannans' Employee Share Option Plan (ESOP) approved by shareholder in November 2014 and Hannans' Director Equity Option Plan (DEQ) approved by shareholder in September 2016 are non-cash items that are subject to vesting conditions. Refer to note 8 for more information.

(v) Long term benefits include benefits increment for the year in unpaid long service leave of $7,419 (2016: $925). On 26 July 2017, the balance of the long service leaves was paid to Mr Hicks.

(vi) In an effort to assist the Company with managing its cash flow and to enable tax planning for the Group, Mr Hicks deferred a part of his salary from 1 April 2013 to 31 March 2015. During the 2016 year, a payment of $39,437 was made to Mr Hicks in relation to his deferred salary. Mr Hicks' salary payment resumed on 1 July 2015 at a reduced rate of $120,000 per annum.

(vii) In an effort to assist the Company with managing its cash flow, Mr Murray, Mr Bachmann and Mr Forslund have deferred their Non-Executive Director fee from 1 January 2014 to 30 June 2016. The deferred amount for the 2016 period of $36,000 is included in the above remuneration (equivalent of $12,000 per director). A total payment of $36,000 for the deferred Non-Executive Directors fees from 1 July 2015 to 30 June 2016 were made to the Non-Executive Directors on 7 July 2016. The Non-Executive Directors fees resumed on 1 July 2016.

(viii) Mr Gordon was appointed director on 5 October 2016.

(ix) On 29 November 2016, Ms Scott was appointed as a Non-Executive Director of the Company.

(x) Mr Forslund resigned on 5 October 2016.

# REMUNERATION REPORT (AUDITED) (cont'd)

## C. Service agreements

### Executive Director

Mr Hicks commenced employment with Hannans Ltd on 3 December 2003.

Mr Hicks entered into an employment agreement as Managing Director of the Company on 21 December 2009. The remuneration package comprised $230,000 per annum (exclusive of statutory superannuation entitlements), reimbursement of work related expenses, provision of a motor vehicle, a remuneration increase of 5% per annum and provision for a performance based bonus as determined by the Board. Either party can terminate the arrangement with three months written notice and payment by the Company of all statutory annual and long service leave entitlements. Mr Hicks' salary was increased to $258,648 per annum on 1 July 2012. Whilst Mr Hicks' employment agreement has not been amended since execution as from 1 July 2015 he is receiving a salary equivalent to $120,000 per annum plus statutory superannuation and will remain at that level until 30 June 2017. It is the Boards intention to finalise a new employment agreement with Mr Hicks' in the future that will take into consideration market conditions and Mr Hicks' outstanding entitlements pursuant to the employment agreement entered into on 21 December 2009.

On 10 March 2013 Mr Hicks and his family relocated to Malå and were provided with accommodation. The Board considered the relocation to be necessary for Mr Hicks to fulfil his role of Managing Director considering Hannans' major projects were located in Scandinavia. Mr Hicks entered into an employment agreement with Hannans subsidiary Scandinavian Resources AB in accordance with visa requirements to work and reside in Sweden. Prior to relocating to Sweden the Board finalised Mr Hicks' salary arrangement on the basis that he would receive the same (no less and no more) remuneration as if he had remained residing in Australia. As a consequence of Mr Hicks relocating to Sweden Hannans became liable for significantly higher employment tax obligations including Swedish social security contributions. Mr Hicks returned to Australia on 1 April 2015 and his employment agreement with Scandinavian Resources AB ended.

In an effort to assist the Company with managing its cash flow, Mr Hicks deferred $204,170 in salary entitlements during the period 1 April 2013 to 31 March 2015 (please refer to note 15). On 15 June 2016 $39,437 was paid to Mr Hicks for his accrued salary and a further $31,549 was made on 7 July 2016 as part payment.

Mr Hicks has accrued annual leave of $42,845 (2016: $43,165) and accrued long service leave of $60,270 (2016: $52,851) as at 30 June 2017. Mr Hicks has not received the salary entitlements provided for in his employment agreement since 1 July 2012 and has not been provided with a motor vehicle since 1 April 2015. On 31 March 2010 Mr Hicks was provided with a $300,000 loan to exercise 1.5 million Hannans options. The Company has agreed to suspend interest charged, principal repayments and interest payments until further notice. The loan repayment date was extended by two (2) years to 31 March 2017.

On 15 September 2016 Hannans held a General Meeting and shareholders approved the issue of ordinary shares in lieu of Mr Hicks' outstanding salary of $141,474, together with one free attaching option for each ordinary shares issued. The ordinary shares were issued at a deemed price of 1.8 cents per share (issue price equal to the volume weighted average sale price of shares sold on ASX during the 40 trading days after the date of the General Meeting). On 14 November 2016 the shares and options were issued to Mr Hicks. During the General Meeting the shareholders also approved to forgive the outstanding loan amount of $168,985. The loan is unrecoverable and was derecognised as a receivable as at 30 June 2016. Refer to the Notice of General Meeting released on ASX dated 12 August 2016 for further information.

On 29 November 2016, Mr Hicks was appointed as the Executive Director of the Group. After a further review of Mr Hicks' contract with the Company, the Board resolved from 1 July 2017 to increase his fees to $198,000 per annum for executive services and $20,000 per annum for services related specifically to his role as a director of the Board.

### Non-Executive Directors

Remuneration and other terms of employment for the Non-executive Directors are formalised in service agreements. The Non-executive directors are employed on a rolling basis with no specified fixed terms. They are remunerated on a fixed remuneration basis, exclusive of superannuation. As from 1 July 2015 Non-Executive Directors accrued fees of $12,000 each per annum for each Non-executive Director.

In an effort to assist the Company with managing its cash flow, Mr Murray, Mr Bachmann and Mr Forslund have deferred their Non-Executive Director fee from 1 January 2014 to 30 June 2016. The total deferred fees for the period of $36,000 is included in note 15. A total payment of $36,000 for the deferred Non-Executive Directors fees from 1 July 2015 to 30 June 2016 was made to the Non-Executive Directors on 7 July 2016.

On 15 September 2016 Hannans held a General Meeting and shareholders approved the issue of ordinary shares in lieu of the Non-Executive Directors outstanding fee of $165,113, together with one free attaching option for each ordinary share issued. The ordinary shares were issued at a deemed price of 1.8 cents per share (issue price equal to the volume weighted average sale price of shares sold on ASX during the 40 trading days after the date of the General Meeting). On 14 November 2016 the shares and options were issued. Refer to the Notice of General Meeting released on ASX dated 12 August 2016 for further information.

After a further review of Non-Executive Directors' fees, the Board resolved to increase these fees to $20,000 per annum starting from 1 July 2017.

# REMUNERATION REPORT (AUDITED) (cont'd)

Major provisions of the agreements relating to the Non-executive directors are set out below.

| Name | Termination Notice Period By HANNANS | By Director | Termination payments* |
|---|---|---|---|
| **Non-Executive Directors** | | | |
| Jonathan Murray | 1 month | 1 month | 1 month |
| Markus Bachmann | 1 month | 1 month | 1 month |
| Clay Gordon | 1 month | 1 month | 1 month |
| Amanda Scott | 1 month | 1 month | 1 month |

* Termination payments (other than for gross misconduct) are calculated on current remuneration at date of termination and are inclusive of the notice period.

### Executive

Remuneration and other terms of employment for the executive is formalised in an employment agreement. The executive is employed on a rolling basis with no specified fixed terms. Major provisions of the agreements relating to the executive are set out below.

| Name | Engagement | Termination Notice Period By HANNANS | By Employee | Termination payments* |
|---|---|---|---|---|
| **Director** \| Damian Hicks | Consultant | 12 months | 3 months | 3 months |

* Termination payments (other than for gross misconduct) are calculated on current remuneration at date of termination and are inclusive of the notice period.

## D. Share-based compensation

Options are issued to directors and executives as part of their remuneration. The options are not based on performance criteria, but are issued to align the interests of directors, executives and shareholders. During the year, a total of 21,155,848 unlisted options were issued. As at 30 June 2017, 39,532,584 options (2016: 23,500,000) were held by Directors and Non-Executives.

| | Financial year | Options issued during the year No. | Issue date | Fair value per options at issue date | Vesting date | Exercise price | Expiry date | Vested during the year No. | Lapsed during the year No. |
|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | |
| Damian Hicks | 2015 | – | 20 Nov 14 | 0.3 cents | 20 Nov 14 | 0.8 cents | 20 Nov 17 | – | – |
| | 2015 | – | 20 Nov 14 | 0.3 cents | 20 Nov 15 | 0.5 cents | 20 Nov 18 | – | – |
| | 2015 | – | 20 Nov 14 | 0.3 cents | 20 Nov 16 | 2.9 cents | 20 Nov 19 | 3,166,667 | – |
| | 2017 | 7,859,667 | 15 Sep 17 | 0.9 cents | 15 Sep 17 | 2.7 cents | 15 Sep 20 | 7,859,667 | – |
| Jonathan Murray | 2015 | – | 20 Nov 14 | 0.3 cents | 20 Nov 14 | 0.8 cents | 20 Nov 17 | – | – |
| | 2015 | – | 20 Nov 14 | 0.3 cents | 20 Nov 15 | 0.5 cents | 20 Nov 18 | – | – |
| | 2015 | – | 20 Nov 14 | 0.3 cents | 20 Nov 16 | 2.9 cents | 20 Nov 19 | 500,000 | – |
| | 2017 | 3,237,500 | 15 Sep 17 | 0.9 cents | 15 Sep 17 | 2.7 cents | 15 Sep 20 | 3,237,500 | – |
| Markus Bachmann | 2015 | – | 20 Nov 14 | 0.3 cents | 20 Nov 14 | 0.8 cents | 20 Nov 17 | – | – |
| | 2015 | – | 20 Nov 14 | 0.3 cents | 20 Nov 15 | 0.5 cents | 20 Nov 18 | – | – |
| | 2015 | – | 20 Nov 14 | 0.3 cents | 20 Nov 16 | 2.9 cents | 20 Nov 19 | 500,000 | – |
| | 2017 | 2,697,917 | 15 Sep 17 | 0.9 cents | 15 Sep 17 | 2.7 cents | 15 Sep 20 | 2,697,917 | – |
| Amanda Scott (i) | 2015 | – | 20 Nov 14 | 0.3 cents | 20 Nov 14 | 0.8 cents | 20 Nov 17 | – | – |
| | 2015 | – | 20 Nov 14 | 0.3 cents | 20 Nov 15 | 0.5 cents | 20 Nov 18 | – | – |
| | 2015 | – | 20 Nov 14 | 0.3 cents | 20 Nov 16 | 2.9 cents | 20 Nov 19 | 3,166,666 | – |
| Olof Forslund (ii) | 2015 | – | 20 Nov 14 | 0.3 cents | 20 Nov 14 | 0.8 cents | 20 Nov 17 | – | – |
| | 2015 | – | 20 Nov 14 | 0.3 cents | 20 Nov 15 | 0.5 cents | 20 Nov 18 | – | – |
| | 2015 | – | 20 Nov 14 | 0.3 cents | 20 Nov 16 | 2.9 cents | 20 Nov 19 | 500,000 | – |

(i) Ms Scott was appointed as a Non-executive Director on 29 November 2016 respectively.
(ii) Mr Forslund retired as a Non-executive Director on 5 October 2016.

# REMUNERATION REPORT (AUDITED) (cont'd)

## E. Additional information

### Performance income as a proportion of total compensation

No performance based bonuses have been paid to directors or executives during the financial year.

### Key management personnel equity holdings

Fully paid ordinary shares of Hannans Ltd

| Key management personnel | Balance at 1 July | Granted as remuneration | Received on exercise of options | Net other change | Balance at 30 June |
|---|---|---|---|---|---|
| | No. | No. | No. | No. | No. |
| **2017** | | | | | |
| Damian Hicks (i) | 6,416,667 | 7,859,667 | – | (7,859,667) | 6,416,667 |
| Jonathan Murray | 6,499,129 | 3,237,500 | – | – | 9,736,629 |
| Markus Bachmann | 61,082,353 | 2,697,917 | – | 17,647 | 63,797,917 |
| Clay Gordon (ii) | – | – | – | – | – |
| Amanda Scott (ii) | 260,001 | – | 1,000,000 | – | 1,260,001 |
| Olof Forslund (iii) | – | – | – | – | N/A |
| | 74,258,150 | 13,795,084 | 1,000,000 | (7,842,020) | 81,211,214 |

(i) Mr Hicks received 7,859,667 fully paid ordinary shares during the year. At the direction of Mr Hicks, the shares were issued to Acacia Investments Pty Ltd (**Acacia**). Mr Hicks is neither a director, shareholder or beneficiary of Acacia or any trust where Acacia is the trustee.
(ii) Mr Gordon and Ms Scott were appointed as a Non-executive Director on 5 October 2016 and 29 November 2016 respectively.
(iii) Mr Forslund retired as a Non-executive Director on 5 October 2016.

Options of Hannans Ltd

| Key management personnel | Balance at 1 July | Granted as remuneration | Options exercised | Net other change | Balance at 30 June | Vested at 30 June | |
|---|---|---|---|---|---|---|---|
| | | | | | | Exercisable | Not exercisable |
| | No. | No. | No. | No. | No. | No. | No. |
| **2017** | | | | | | | |
| Damian Hicks (i) | 9,500,000 | 7,859,667 | – | (17,359,667) | – | 17,359,667 | – |
| Jonathan Murray (ii) | 1,500,000 | 3,237,500 | – | – | 4,737,500 | 4,737,500 | – |
| Markus Bachmann | 1,500,000 | 2,697,917 | – | – | 4,197,917 | 4,197,917 | – |
| Clay Gordon (iii) | – | – | – | – | – | – | – |
| Amanda Scott (iii) | 9,500,000 | – | (1,000,000) | – | 8,500,000 | 8,500,000 | – |
| Olof Forslund (iv) | 1,500,000 | – | – | – | N/A | N/A | N/A |
| | 23,500,000 | 13,795,084 | (1,000,000) | (17,359,667) | 17,435,417 | 34,795,084 | – |

(i) Mr Hicks received 7,859,667 unlisted options during the year. At the direction of Mr Hicks, the options were issued to Acacia Investments Pty Ltd (**Acacia**). Mr Hicks is neither a director, shareholder or beneficiary of Acacia or any trust where Acacia is the trustee.
(ii) Mr Murray holds 840,000 in trust for unrelated third parties.
(iii) Mr Gordon and Ms Scott were appointed as a Non-executive Director on 5 October 2016 and 29 November 2016 respectively.
(iv) Mr Forslund retired as a Non-executive Director on 5 October 2016.

The options include those held directly, indirectly and beneficially by KMP.

# REMUNERATION REPORT (AUDITED) (cont'd)

## E. Additional information (cont'd)

**Loans to KMP and their related parties**

On 15 September 2016 Hannans held a General Meeting and shareholders approved to forgive the outstanding loan amount of $168,985. The Board determined that the loan is non-recoverable and was derecognised as a receivable as at 30 June 2016. Refer to the Notice of General Meeting released on ASX dated 12 August 2016 for further information.

**Other transactions and balances with KMP and their related parties**

***Director transactions***

Steinepreis Paganin, of which Mr Jonathan Murray is a partner, provided legal services amounting to $36,354 (2016: $39,974) to the Group during the year. The amounts paid were on arm's length commercial terms. Mr Murray's director's fees are also paid to Steinepreis Paganin. At 30 June 2017 there was no amount outstanding owed to Steinepreis Paganin (2016: $7,226).

Corporate Board Services Pty Ltd, of which Mr Damian Hicks is a director, provided accounting and compliance services amounting to $150,000 (2016: nil) to the Group during the year. The amounts paid were on arm's length commercial terms. At 30 June 2017 there was no amount outstanding owed to Corporate Board Services Pty Ltd.

Amberley Minerals Pty Ltd, of which Mr Clay Gordon is a director, provided geological services amounting to $12,690 (2016: nil) to the Group during the year. The amounts paid were on arm's length commercial terms. At 30 June 2017 there was no amount outstanding owed to Amberley Minerals Pty Ltd.

## End of Remuneration Report

**Directors Meetings**

The following tables set information in relation to Board meetings held during the financial year.

| | Board Meetings | | Circular | |
|---|---|---|---|---|
| Board Member | Held while Director | Attended | Resolutions Passed | Total |
| Damian Hicks | 2 | 2 | 2 | 4 |
| Jonathan Murray | 2 | 2 | 2 | 4 |
| Markus Bachmann | 2 | 2 | 2 | 4 |
| Clay Gordon (i) | 1 | 1 | 2 | 3 |
| Amanda Scott (i) | 1 | 1 | 2 | 3 |
| Olof Forslund (ii) | 1 | 1 | – | 1 |

(i) Mr Gordon and Ms Scott were appointed as a Non-executive Director on 5 October 2016 and 29 November 2016 respectively.
(ii) Mr Forslund resigned as a Non-Executive Director on 5 October 2016.

## PROJECTS

The Projects are constituted by the following tenements:

| Tenement Number | Tenement Interest % | Note |
|---|---|---|
| **Project: Forrestania** | | |
| E77/2207-I | 100 | 1,2 |
| E77/2219-I | 100 | 1,2 |
| E77/2220-I | 100 | 1,2 |
| E77/2239-I | 100 | 1,2 |

| Tenement Number | Tenement Interest % | Note |
|---|---|---|
| **Project: Forrestania** | | |
| E77/2303 | 100 | 1,2 |
| P77/4290 | 100 | 1,2 |
| P77/4291 | 100 | 1,2 |

| Tenement Number | Tenement Interest % | Note |
|---|---|---|
| **Project: Lake Johnston** | | |
| E63/1365 | 100 | 1 |
| **Project: Queen Victoria Rocks** | | |
| E15/1416 | 100 | 1 |

NOTE:

1 On 15 September 2016 Hannans held a General Meeting and shareholders approved the issue of 620,833,333 Hannans shares to Neometals Limited in consideration of the acquisition of 100% of the share capital in Reed Exploration Pty Ltd (Reed Exploration). Reed Exploration owns the balance 80% interest in the Lake Johnston Project and Queen Victoria Rocks Project and the non-gold rights at the Forrestania Project. Following the completion of the acquisition on 29 September 2016, Hannans owns 100% of the Lake Johnston Project and Queen Victoria Project, and 100% of the non-gold mineral rights and 20% of the gold rights (free carried) at the Forrestania Project.

2 Reed Exploration Pty Ltd is the registered holder and has a 100% interest in non-gold rights and a 20% interest in gold rights.

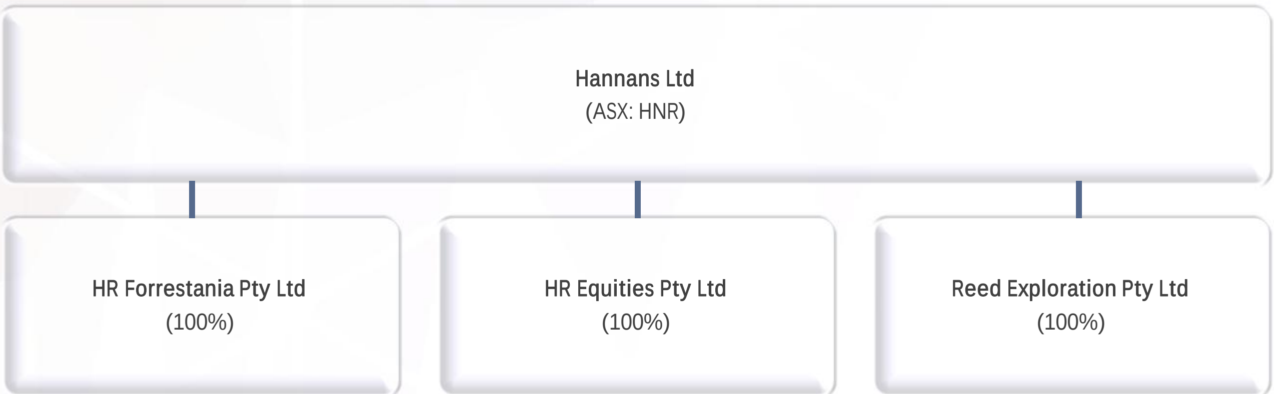
### TENEMENTS UNDER APPLICATION

**Applications** for tenements have been submitted are as follows:

| Tenement Number | Tenement Number | Tenement Number |
|---|---|---|
| **Project: Forrestania** | | |
| E77/2460 | E77/2468 (subject to a ballot) | E77/2469 (subject to a ballot) |

## CORPORATE STRUCTURE

The corporate structure of Hannans group is as follows:




On 15 September 2016 Hannans held a General Meeting and shareholders approved the equal reduction of capital and a pro rata in-specie distribution of 99,987,442 Critical Metals shares to Hannans Shareholder and issue of 620,833,333 Hannans shares to Neometals Ltd in consideration of the acquisition of 100% of the issued share capital of Reed Exploration Pty Ltd. On 27 September 2016 the in-specie distribution was completed and on 29 September 2016 the acquisition of Reed Exploration Pty Ltd was completed. Refer to the Notice of General Meeting released on ASX dated 12 August 2016 for further information.

## CAPITAL

Hannans Ltd issued capital is as follows:

**Ordinary Fully Paid Shares**

At the date of this report there are the following number of Ordinary fully paid shares

| | Number of shares |
|---|---|
| **Ordinary fully paid shares at 30 June 2017** | **1,682,640,560** |
| **Ordinary fully paid shares at the date of this report^** | **1,682,640,560** |

^ 620,833,333 ordinary shares issued as consideration for the acquisition of Reed Exploration Pty Ltd from Neometals Ltd is subject to escrow. The shares will be released from escrow on 29 September 2017.

At a general meeting of shareholders:
(a) on a show of hands, each person who is a member or sole proxy has one vote; and
(b) on a poll, each shareholder is entitled to one vote for each fully paid share.

**Shares Under Option**

At the date of this report there are a total of 11 unlisted option holders holding 57,201,681 unissued ordinary shares in respect of which options are outstanding. The unlisted options do not carry voting rights at a general meeting of shareholders.

| | Number of options |
|---|---|
| Balance at the beginning of the year | 102,712,500 |
| **Movements of share options during the year** | |
| Exercised at 0.4 cents, expiring 3 June 2018 | (62,500,000) |
| Exercised at 0.5 cents, expiring 20 November 2018 | (4,166,667) |
| Issued at 2.7 cents, expiring 15 September 2020 | 21,155,848 |
| **Balance at 30 June 2017** | **57,201,681** |
| **Total number of options outstanding at the date of this report** | **57,201,681** |

**Substantial Shareholders**

Hannans Ltd has the following substantial shareholders as at 25 September 2017:

| Name | Number of shares | Percentage of issued capital |
|---|---|---|
| Gold Mines of Kalgoorlie Pty Ltd | 709,833,333 | 42.19% |
| MCA Nominees Pty Ltd | 86,220,443 | 5.12% |

**Range of Shares as at 25 September 2017**

| Range | Total Holders | Units | % Issued Capital |
|---|---|---|---|
| 1 – 1,000 | 103 | 29,650 | 0.00% |
| 1,001 – 5,000 | 210 | 720,153 | 0.04% |
| 5,001 – 10,000 | 196 | 1,648,754 | 0.10% |
| 10,001 – 100,000 | 776 | 37,136,903 | 2.21% |
| 100,001 – 9,999,999 | 690 | 1,643,105,100 | 97.65% |
| **Total** | **1,975** | **1,682,640,560** | **100.00%** |

## CAPITAL (cont'd)

### Unmarketable Parcels as at 25 September 2017

| | Minimum parcel size | Holders | Units |
|---|---|---|---|
| Minimum $500.00 parcel at $0.014 per unit | 35,715 | 859 | 10,170,802 |

### Top 20 holders of Ordinary Shares as at 25 September 2017

| Rank | Name | Units | % of Issued Capital |
|---|---|---|---|
| 1 | Gold Mines of Kalgoorlie Pty Ltd | 620,833,333 | 36.90% |
| 2 | Gold Mines of Kalgoorlie Pty Ltd | 89,000,000 | 5.29% |
| 3 | MCA Nominees Pty Ltd | 86,220,443 | 5.12% |
| 4 | J P Morgan Nominees Australia Limited | 69,486,934 | 4.13% |
| 5 | Equity & Royalty Investments Ltd | 60,000,003 | 3.57% |
| 6 | Anglo American Exploration | 60,000,000 | 3.57% |
| 7 | Kilkenny Limited | 36,121,600 | 2.15% |
| 8 | Marfield Pty Limited | 23,672,157 | 1.41% |
| 9 | Mr Bruce Drummond + Mrs Judith Drummond <Drummond Super Fund A/C> | 23,000,000 | 1.37% |
| 10 | CSB Investments (WA) Pty Ltd <Blades Family S/Fund A/C> | 20,000,000 | 1.19% |
| 11 | Acacia Investments Pty Ltd | 15,016,835 | 0.89% |
| 12 | Mr William Scott Rankin | 10,925,730 | 0.65% |
| 13 | Allua Holdings Pty Ltd <Rizon Super Fund A/C> | 10,000,000 | 0.59% |
| 14 | Mrs Andrea Murray <Murray Family Fund No 2 A/C> | 9,594,854 | 0.57% |
| 15 | HSBC Custody Nominees (Australia) Limited - A/C 2 | 9,529,566 | 0.57% |
| 16 | Citicorp Nominees Pty Limited | 9,340,806 | 0.56% |
| 17 | Mr Robert Zupanovich | 8,350,000 | 0.50% |
| 18 | Mr Michael Sydney Simm <Simm Family A/C> | 8,340,127 | 0.50% |
| 19 | Mr Colin Anthony Bailey | 8,000,000 | 0.48% |
| 20 | Mr Alexander Fairbairn Russell | 8,000,000 | 0.48% |
| Total of Top 20 Holders of ORDINARY SHARES | | 1,185,432,388 | 70.49% |

### On-market buy back

There is no current on-market buy-back.

# PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the exploration and evaluation of mining tenements with the objectives of identifying economic mineral deposits.

# FINANCIAL REVIEW

The Group began the financial year with cash reserves of $1,425,160.

During the year total exploration expenditure expensed by the Group amounted to $804,102 (2016: $29,998). The exploration expenditures relate to non JORC compliant mineral resource projects and this has been expensed in accordance with the Group's accounting policy. The administration expenditure incurred amounted to $1,094,012 (2016: $1,112,895). On 27 September 2016 the Company completed the in-specie distribution and realised a profit on disposal of the asset of $11,730,140. This has resulted in an operating profit after income tax for the year ended 30 June 2017 of$11,663,780 (2016: $964,387 loss).

As at 30 June 2017 cash and cash equivalents totalled $1,481,828.

**Summary of 5 Year Financial Information as at 30 June**

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Cash and cash equivalents ($) | 1,481,828 | 1,425,160 | 345,497 | 695,163 | 1,809,204 |
| Net assets/equity ($) | 4,043,759 | 903,218 | 73,563 | 29,189,786 | 30,363,102 |
| Exploration expenditure expensed ($) | (804,102) | (29,998) | (387,160) | (534,311) | (2,896,893) |
| Exploration and evaluation expenditure capitalised ($) | 2,688,000^ | (97,599) | (161,630) | (577,164) | (837,196) |
| No of issued shares<br>No of options | 1,682,640,560<br>57,201,681 | 970,707,755<br>102,712,500 | 721,966,133<br>36,050,000 | 721,966,133<br>Nil | 706,966,133<br>300,000 |
| Share price ($) | 0.015 | 0.016 | 0.002 | 0.005 | 0.015 |
| Market capitalisation (Undiluted) ($) | 25,239,608 | 15,531,324 | 1,443,932 | 3,609,831 | 10,604,492 |

^ On 15 September 2016 Hannans held a General Meeting and shareholders approved the issue of 620,833,333 Hannans shares to Neometals Ltd in consideration of the acquisition of 100% of the issued share capital of Reed Exploration Pty Ltd. On 29 September 2016 the acquisition of Reed Exploration Pty Ltd was completed. The capitalised exploration and evaluation expenditure related to the acquisition of Reed Exploration Pty Ltd (refer to note 14 for further information).

**Summary of Share Price Movement for Year ended 30 June 2017**

| | Price (cents) | Date |
|---|---|---|
| Highest | 2.7 | 20 – 21 Jul 2016 |
| Lowest | 0.9 | 14 Jun 2017 |
| Latest | 1.4 | 25 September 2017 |

## ANNOUNCEMENTS

ASX Announcements for the year and to the date of this report

| Date | Announcement Title |
|---|---|
| 28/08/2017 | Release of shares from escrow |
| 24/08/2017 | Forrestania Drilling Update |
| 3/08/2017 | 13,000m drilling program for gold at FGP |
| 1/08/2017 | 4th Quarter Activities Report |
| 31/07/2017 | 4th Quarter Cashflow Report |
| 25/07/2017 | High Grade Gold |
| 20/06/2017 | Response to ASX Query |
| 13/06/2017 | Issue of Shares |
| 1/06/2017 | Change of Registered Office |
| 31/05/2017 | Lithium Drilling |
| 2/05/2017 | Diamond drilling in progress at QVR |
| 1/05/2017 | 3rd Quarter Activities Report |
| 27/04/2017 | 3rd Quarter Cashflow Report |
| 12/04/2017 | Forrestania Gold Drilling |
| 31/03/2017 | AMEC Investor Briefing Presentation |
| 31/03/2017 | QVR Nickel Targets |
| 29/03/2017 | Forrestania Lithium |
| 17/03/2017 | Half-Year Financial Report |
| 14/03/2017 | Gold Resource at Forrestania |
| 8/02/2017 | Initial Director's Interest Notice |
| 1/02/2017 | 2nd Quarter Activities Report |
| 27/01/2017 | 2nd Quarter Cashflow Report |
| 21/12/2016 | Interest in Nickel-Gold-Lithium Project |
| 13/12/2016 | Appendix 3B |
| 13/12/2016 | Exercise of Options |
| 8/12/2016 | Updated Capital Structure |
| 2/12/2016 | Change in substantial holding |
| 2/12/2016 | Drilling at Spargos Prospect for Nickel |
| 29/11/2016 | Board Changes |
| 25/11/2016 | AGM results |
| 25/11/2016 | Spargos Nickel Prospect |

| Date | Announcement Title |
|---|---|
| 25/11/2016 | AGM Presentation |
| 21/11/2016 | Ceasing to be a substantial holder |
| 16/11/2016 | New Share Issue |
| 3/11/2016 | Ceasing to be a substantial holder |
| 3/11/2016 | International Precious Metals & Commodities Show |
| 1/11/2016 | 1st Quarter Activities Report |
| 1/11/2016 | 1st Quarter Cashflow Report |
| 20/10/2016 | Notice of Annual General Meeting |
| 10/10/2016 | Ceasing to be a substantial holder |
| 5/10/2016 | Corporate Update |
| 30/09/2016 | Change in substantial holding - ERI |
| 30/09/2016 | Change in substantial holding from NMT |
| 30/09/2016 | Appendix 4G |
| 30/09/2016 | 2016 Annual Report |
| 29/09/2016 | Strategic Collaboration Completion |
| 27/09/2016 | In-Specie Distribution Completed |
| 15/09/2016 | Voting Results from General Meeting |
| 15/09/2016 | In-specie Presentation |
| 15/09/2016 | General Meeting Presentation |
| 15/08/2016 | Updated Capital Structure |
| 12/08/2016 | Notice of General Meeting |
| 11/08/2016 | Update on Neometals Transaction |
| 1/08/2016 | 4th Quarter Activities Report |
| 29/07/2016 | 4th Quarter Cashflow Report |
| 27/07/2016 | Drilling at Forrestania |
| 27/07/2016 | Update on Neometals Transaction |
| 22/07/2016 | Change in substantial holding |
| 20/07/2016 | Exercise of options |
| 19/07/2016 | Response to ASX Price Query |
| 15/07/2016 | Exercise of options |
| 8/07/2016 | Becoming a substantial holder |

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the corporate governance of the Company. The Board guides and monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The ASX document '*Corporate Governance Principles and Recommendations 3rd Edition*' published by the ASX Corporate Governance Council applies to listed entities with the aim of enhancing the credibility and transparency of Australia's capital markets. The Principles and Recommendations can be viewed at www.asx.com.au. The Board has assessed the Group's current practice against the Principles and Recommendations and other than the matters specified below under *"If Not, Why Not" Disclosure*, all the best practice recommendations of the ASX Corporate Governance Council have been applied.

Please refer to the Company's website (*www.hannansreward.com*) for Hannans' Governance Statements and Policies.

In relation to departures by the Company from the best practice recommendations, Hannans makes the following comments:

**Principle 1:** Lay solid foundations for management and oversight

**1.5** *A listed entity should have a diversity policy which includes requirements for the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them.*

The Board is responsible for establishing and monitoring on an annual basis the achievement against gender diversity objectives and strategies, including the representation of women at all levels of the organisation.

The proportion of women within the Group as at 30 June 2017 was as follows:

| Employee | Management | Board of Hannans |
|---|---|---|
| 0% | 0% | 20% |

The Company has five directors, one executive director (who is contracted to the Company) and no managers. The Board has determined that the composition of the current Board represents the best mix of Directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management. The Company has not set or disclosed measurable objectives for achieving gender diversity. Due to the size of the Company, the Board does not deem it practical to limit the Company to specific targets for gender diversity. Every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.

**1.6** *Companies should disclose, in relation to each reporting period, whether a performance evaluation of the Board was undertaken in the reporting period in accordance with that process.*

Evaluation of the Board is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it. No performance evaluation was undertaken in the reporting period.

**1.7** *Companies should disclose, in relation to each reporting period, whether a performance evaluation of its senior executives was undertaken in the reporting period in accordance with that process.*

Evaluation of the senior executives is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it. No performance evaluation was undertaken in the reporting period.

**Principle 2:** Structure the Board to add value

**2.1** *The Board should establish a nomination committee*

The Board as a whole will decide on the choice of any new director upon the creation of any new Board position and if any casual vacancy arises. Decisions to appoint new directors will be minuted. The Board will identify candidates and assess their skills in deciding whether an individual has the potential to add value to the Company. The Board may also seek independent advice to assist with the identification process. The Board considers that this process is appropriate given the size and the complexity of the Group's affairs. Until the situation changes the Board will carry out any necessary nomination committee functions.

**2.4** *The majority of the Board should be independent directors*

The Board consists of one Non-Executive Chairman, three Non-Executive Directors and an Executive Director of which one (1) director is considered independent, being Mr Clay Gordon. Details of their skills, experience and expertise and the period of office held by each Director have been included in the Directors' Report. The number of Board meetings and the attendance of the Directors are set out in the Directors' Report.

The Board considers that the composition of the existing Board is appropriate given the scope and size of the Group's operations and the skills matrix of the existing Board members. The Board will continue to monitor whether this remains appropriate as the scope and scale of its activities evolves and expands.

# CORPORATE GOVERNANCE STATEMENT (cont'd)

**2.5** *The Chair of the Board should be an independent director and, in particular, should not be the same person as the Managing Director/Chief Executive Officer*

The current Chair of the Company is Mr Jonathan Murray. Mr Murray does not satisfy the ASX Corporate Governance Principles and Recommendations definition of an independent director however the Board considers Mr Murray's role as Non-Executive Chairman essential to the success of the Group in its current stage, wherein the Group continues to refine its focus on the strategic development of the business. Over time, it is proposed that the Chair position will transition to an independent non-executive director.

**Principle 4:** Safeguard integrity of corporate reporting

**4.1** *The Board should establish an audit committee*

The Board as a whole meets with the auditor to identify and discuss the areas of audit focus, appropriateness of the accounting judgement or choices exercised by management in preparation of the financial statements. The Board may also seek independent advice as and when required to address matters pertaining to appointment, removal or rotation of auditor. The Board considers that this process is appropriate given the size and the complexity of the Group's affairs. It is not considered necessary to have a separate audit committee.

**Principle 7:** Recognise and manage risk

**7.1** *The Board should establish a risk committee*

The Company is constantly monitoring risks associated with the economy, industry and company due to their role as professional fund managers, lawyers, in-country specialists and shareholders with a view to managing risks and identifying threats. This process is on-going. The preparation of the Board pack and its timely distribution is a key element of this process along with monthly cash flow budgets, management discussions and informal communications between the Board and management via telephone, email and in person. The Board considers that this process is appropriate given the size and complexity of the Group's affairs. It is not considered necessary to have a separate risk committee.

**7.2** *The Board should review the entity's risk management framework and disclose at each reporting period*

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be part of this process, and as such the Board has not established a separate risk management committee. The Board considers that this process is appropriate given the size and the complexity of the Group's affairs.

The Board has a number of mechanisms in place to ensure management's objectives and activities are aligned by the Board. These include but are not limited to the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and Board monitoring of the progress against budgets that is reviewed at every board meeting.

**7.3** *The Company should establish an internal audit function*

The Company reviews its risk and internal control processes on a continual informal basis and work alongside auditors at half year and year end reviews to identify the Company's risks, systems and procedures. The Company may also seek independent advice to assist with the identification of risks and processes if and when required. The Board considers that this process is appropriate given the size and the complexity of the Group's affairs. It is not considered necessary to have an internal audit function. Nonetheless it remains committed to effective management and control of these factors.

**7.4** *The Company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and how it manages or intends to manage those risks*

The nature of the Group's exploration operations are such that it could be seen to be constantly exposed to economic, environmental and social risks. The Board and Management have respect for the rights and beliefs of all stakeholders and it is part of the Group's culture to have open, honest and constant two way communication with stakeholders and to operate fully within the laws of the jurisdictions the Group operates within. The Group maintains high standards with regards its environmental and social practices and is constantly striving to improve its engagement and information processes. The Board and Management will continue to monitor these risks to the Group.

# CORPORATE GOVERNANCE STATEMENT (cont’d)

**Principle 8:** Remunerate fairly and responsibly

**8.1** *The Board should establish a remuneration committee*

The Board as a whole may appoint an independent working group comprising consultants, Directors and/or the Company Secretary to review and make recommendations to the board in relation to the remuneration framework as well as identify candidates and assess their skills in deciding whether an individual has the potential to add value to the Company. The Board considers that this process is appropriate given the size and the complexity of the Group’s affairs. It is not considered necessary to have a separate nomination or remuneration committee. Until the situation changes the Board of Hannans will carry out any necessary remuneration committee functions.

### Independent Professional Advice

Directors of the Company are expected to exercise considered and independent judgement on matters before them and may need to seek independent professional advice. A director with prior written approval from the Chairman may, at the Group’s expense obtain independent professional advice to properly discharge their responsibilities.

### Executive Director (ED) and Group Accountant Certifications

The ED and Group Accountant provide the following declaration to the Board in respect of each quarter, half and full year financial period:

- that Hannans financial records have been properly maintained;
- that Hannans’ financial statements, in all material respects, are complete and present a true and fair view of the financial condition and operational results of Hannans and the Group and are in accordance with the relevant accounting standards;
- that the financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- that Hannans’ risk management and internal compliance and control systems are operating effectively in all material respects.

# COMPLIANCE

### Significant Changes in State of Affairs

Other than those disclosed in this annual report no significant changes in the state of affairs of the Group occurred during the financial year.

### Significant Events after the Balance Date

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or state of affairs of the Group in future financial years.

(a) On 15 September 2017 the Company received $200,000 from Mine Builder Pty Ltd as part payment for the acquisition of the North Ironcap Gold Rights.

### Likely developments and Expected Results

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the Group’s operations.

### Environmental Regulation and Performance

The Group is subject to significant environmental regulation in respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it’s aware of and is in compliance with all environmental legislation. The Directors of the Group are not aware of any breach of environmental legislation for the year under review.

# COMPLIANCE (cont'd)

**Share options**

As at the date of this report, there were 57,201,681 options on issue to purchase ordinary shares at a range of exercise prices (57,201,681 at the reporting date). Refer to the remuneration report for further details of the options outstanding.

At a General Meeting held on 15 September 2016 shareholders approved the issue of ordinary shares to the Managing Director, Non-Executive Directors and Company Secretary in lieu of outstanding fees valued at of $306,587, together with one free attaching option for each ordinary shares issued. The ordinary shares were issued at a deemed price of 1.8 cents per share (issue price equal to the volume weighted average sale price of shares sold on ASX during the 40 trading days after the date of the General Meeting). On 14 November 2016 the shares and options were issued.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

**Insurance of Directors and Officers**

During or since the end of the financial year, the Company has paid premiums insuring all the Directors of Hannans Ltd against costs incurred in defending conduct involving:

(a) a wilful breach of duty, and

(b) a contravention of sections 182 or 183 of the *Corporations Act 2001,*

as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid was $10,434.

**Indemnification of auditors**

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

**Dividends**

No dividends were paid or declared during the financial year and no recommendation for payment of dividends has been made.

**Non–Audit Services**

During the year Ernst & Young, the Group auditor, did not performed other non-audit services in addition to its statutory duties.

**Auditor's independence declaration**

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 31.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors

**Damian Hicks**
Executive Director
Perth, Australia this 27th day of September 2017

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## Auditor's Independence Declaration to the Directors of Hannans Limited

As lead auditor for the audit of Hannans Limited for the-year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Hannans Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
27 September 2017



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# DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Australian Accounting Standards and International Financial Reporting Standards as disclosed in note 2 to the financial report and giving a true and fair view of the financial position and performance of the Group for the financial year ended 30 June 2017; and

(c) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* for the financial year ended 30 June 2017.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors

Damian Hicks

**Damian Hicks**
Executive Director
Perth, Australia this 27th day of September 2017

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# Independent auditor's report to the Members of Hannans Limited

## Report on the audit of the financial report

### Opinion

We have audited the financial report of Hannans Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit and loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## 1. Carrying value of capitalised exploration and evaluation

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As disclosed in Note 14 to the financial report, the Group held capitalised exploration and evaluation expenditure of $2.688 million as at 30 June 2017.<br><br>The carrying value of exploration and evaluation assets is subjective as it is based on the Group's ability, and intention, to continue to explore the asset. The carrying value may also be impacted by the results of exploration work. | We considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as licence agreements.<br><br>We considered the Group's intention to carry out significant exploration and evaluation activity in the relevant exploration area which included an assessment of the Group's future cash flow forecasts and enquired of management and the Board of Directors as to the intentions and strategy of the Group.<br><br>We assessed recent exploration activity in a given exploration licence area to determine if there are any negative indicators that would suggest a potential impairment of the capitalised exploration and evaluation expenditure.<br><br>We considered the Group's assessment of the commercial viability of results relating to exploration and evaluation activities carried out in the relevant licence area. |

## 2. In-specie distribution of Critical Metals Ltd

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As part of the conditions precedent to the acquisition of Reed Exploration Pty Ltd (REX), an in-specie distribution of Critical Metals Ltd and its subsidiaries was required to be completed.<br><br>On 15 September 2016 the shareholders approved the in-specie distribution and it was completed on 27 September 2016.<br><br>The Group recognised a gain on distribution of $11.730 million.<br><br>Given the nature and significance of this transaction and judgment required on the fair value of the in-specie distribution, we considered this to be a key audit matter. Refer to Note 25 to the financial report for further disclosure relating to the in-specie distribution recognised in the period ended 30 June 2017. | We assessed whether the Group's treatment was consistent with the requirements of Australian Accounting Standards and relevant information obtained including the Share Sales Agreement and Binding Term Sheet of the REX acquisition.<br><br>We assessed the independence and competence of the external valuers used to fair value the distributed assets of Critical Metals and its subsidiaries and involved our valuation specialists to evaluate the fair value determined.<br><br>We assessed the adequacy of the associated disclosures in the financial report. |



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### 3. Asset acquisition of Reed Exploration Pty Ltd

| Why significant | How our audit addressed the key audit matter |
| --- | --- |
| On 4 March 2016, the Group announced a strategic collaboration with Neometals Ltd, to acquire Neometals' subsidiary company Reed Exploration Pty Ltd through the issue of 620,833,333 ordinary shares. All conditions precedent to the completion of the acquisition were satisfied on 29 September 2016 and the Group took ownership of REX, which also resulted in Neometals Ltd holding approximately 42.24% of the fully paid ordinary capital of the Group.<br><br>Given the nature and significance of this transaction and judgement required on the fair value of the assets acquired, we consider this to be a key audit matter. Refer to Note 14 of the financial report for disclosure relating to the asset acquisition recognised in the period ended 30 June 2017. | We evaluated whether the conditions precedent were completed as well as the acquisition date determined by the Group.<br><br>We assessed whether the Group's treatment was consistent with the requirements of Australian Accounting Standards and relevant information obtained including the Share Sales Agreement and Binding Term Sheet for the acquisition.<br><br>We assessed the independence and competence of the external valuers used to assess the fair value of the assets acquiredand involved our valuation specialists to evaluate the fair value determined.<br><br>We assessed the adequacy of the asset acquisition disclosure in the financial report. |

## Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



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We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Hannans Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
27 September 2017



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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

for the financial year ended 30 June 2017

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| Revenue | 5(a) | 33,792 | 203,181 |
| | | | |
| **Other income** | | | |
| Other income | 5(b) | 887,962 | 251,301 |
| Net gain from settlement of transaction | 5(c) | 910,000 | – |
| Gain on disposal of exploration and evaluation assets | 25 | 11,730,140 | – |
| Gain on disposal of shares | 5(d) | – | 325 |
| | | | |
| Employee and contractors expenses | 5(e) | (389,161) | (345,241) |
| Depreciation expense | 5(f) | (11,613) | (18,175) |
| Consultants expenses | | (208,213) | (232,925) |
| Interest expense | | (4) | (1,630) |
| Occupancy expenses | | (109,921) | (133,354) |
| Marketing expenses | | (12,293) | (4,699) |
| Exploration and evaluation expenses | | (804,102) | (29,998) |
| Write off exploration and evaluation expenses | | – | (123,945) |
| Other expenses | | (362,807) | (529,227) |
| **Income / (loss) from continuing operations before income tax expense** | | **11,663,780** | **(964,387)** |
| Income tax benefit / (expense) | | – | – |
| **Income / (loss) from continuing operations attributable to members of the parent entity** | | **11,663,780** | **(964,387)** |
| **Other comprehensive income for the year** | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Reclassification of FCTR to profit and loss on disposal of foreign operations | | 322,150 | – |
| Foreign currency translation differences for foreign operations | | (52,270) | 43,470 |
| **Total items that may be reclassified subsequently to profit or loss** | | **269,880** | **43,470** |
| Items that will not be reclassified to profit or loss | | – | – |
| **Total other comprehensive income for the year** | | **269,880** | **43,470** |
| **Total comprehensive income / (loss) for the year** | | **11,933,660** | **(920,917)** |
| | | | |
| **Net income / (loss) attributable to the parent entity** | | **11,663,780** | **(964,387)** |
| **Total comprehensive income / (loss) attributable to the parent entity** | | **11,933,660** | **(920,917)** |
| | | | |
| **Gain / (loss) per share:** | | | |
| Basic (cents per share) | | 0.78 | (0.13) |
| Diluted (cents per share) | | 0.77 | (0.13) |

The accompanying notes form part of the financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

| | Note | 2017<br>$ | 2016<br>$ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 1,481,828 | 1,425,160 |
| Trade and other receivables | 10 | 256,883 | 71,079 |
| Other financial assets | 11 | 65,999 | 1,301 |
| | | 1,804,710 | 1,497,540 |
| Assets held for distribution | 26 | – | 1,631,931 |
| **Total current assets** | | **1,804,710** | **3,129,471** |
| **Non-current assets** | | | |
| Other receivables | 12 | 56,000 | 56,000 |
| Property, plant and equipment | 13 | 2,326 | 12,047 |
| Other financial assets | 11 | – | 53,582 |
| Exploration and evaluation expenditure | 14 | 2,688,000 | – |
| **Total non-current assets** | | **2,746,326** | **121,629** |
| TOTAL ASSETS | | **4,551,036** | **3,251,100** |
| **Current liabilities** | | | |
| Trade and other payables | 15 | 244,317 | 830,230 |
| Provisions | 16 | 103,115 | 121,727 |
| Other financial liabilities | 17 | 96,290 | 32,472 |
| | | 443,722 | 984,429 |
| Liabilities directly associated with the assets held for distribution | 26 | – | 1,243,569 |
| **Total current liabilities** | | **443,722** | **2,227,998** |
| **Non-current liabilities** | | | |
| Other financial liabilities | 17 | 63,555 | 119,884 |
| **Total non-current liabilities** | | **63,555** | **119,884** |
| TOTAL LIABILITIES | | **507,277** | **2,347,882** |
| NET ASSETS | | **4,043,759** | **903,218** |
| **Equity** | | | |
| Issued capital | 18 | 37,296,618 | 46,285,309 |
| Reserves | 19 | 297,378 | 118,155 |
| Reserves directly associated with the assets held for distribution | 19 | – | (269,880) |
| Accumulated losses | 20 | (33,550,237) | (45,230,366) |
| TOTAL EQUITY | | **4,043,759** | **903,218** |

The accompanying notes form part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2017

| | Attributable to equity holders | | | | | |
|---|---|---|---|---|---|---|
| **For the year ended 30 June 2017** | Ordinary Shares $ | Option Reserves $ | Revaluation Reserves $ | Foreign Currency Translation Reserves $ | Accumulated Losses $ | Total Equity $ |
| Balance as at 1 July 2016 | 46,285,309 | 118,155 | – | (269,880) | (45,230,366) | 903,218 |
| Profit for the year | – | – | – | – | 11,663,780 | 11,663,780 |
| Other comprehensive loss for the period | – | – | – | 269,880 | – | 269,880 |
| Total comprehensive loss for the period | – | – | – | 269,880 | 11,663,780 | 11,933,660 |
| **Transactions with owners recorded direct to equity** | | | | | | |
| Issue of shares | 4,263,996 | – | – | – | – | 4,263,996 |
| In specie distribution | (13,245,562) | – | – | – | – | (13,245,562) |
| Issue of options | – | 189,176 | – | – | – | 189,176 |
| Share based payments | – | (9,953) | – | – | 16,349 | 6,396 |
| Share issue expense | (7,125) | – | – | – | – | (7,125) |
| Total transactions with owners | (8,988,691) | 179,223 | – | – | 16,349 | (8,793,119) |
| **Balance as at 30 June 2017** | **37,296,618** | **297,378** | **–** | **–** | **(33,550,237)** | **4,043,759** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2016

| | | Attributable to equity holders | | | | | |
|---|---|---|---|---|---|---|---|
| **For the year ended 30 June 2016** | **Note** | **Ordinary Shares $** | **Option Reserves $** | **Revaluation Reserves $** | **Foreign Currency Translation Reserves $** | **Accumulated Losses $** | **Total Equity $** |
| Balance as at 1 July 2015 | | 44,577,512 | 75,380 | – | (313,350) | (44,265,979) | 73,563 |
| **Total comprehensive income** | | | | | | | |
| Loss for the period | 20 | – | – | – | – | (964,387) | (964,387) |
| Other comprehensive loss for the period | 19 | – | – | – | 43,470 | – | 43,470 |
| Total comprehensive loss for the period | | – | – | – | 43,470 | (964,387) | (920,917) |
| **Transactions with owners recorded direct to equity** | | | | | | | |
| Issue of shares | 19 | 1,768,299 | – | – | – | – | 1,768,299 |
| Share based payments | | – | 42,775 | – | – | – | 42,775 |
| Share issue expense | | (60,502) | – | – | – | – | (60,502) |
| Total transactions with owners | | 1,707,797 | 42,775 | – | – | – | 1,750,572 |
| **Balance as at 30 June 2016** | | **46,285,309** | **118,155** | – | **(269,880)** | **(45,230,366)** | **903,218** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2017

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 88,671 | 328,095 |
| Receipt / (payments) for exploration and evaluation | | (795,148) | 7,329 |
| Payments to suppliers and employees | | (876,926) | (927,917) |
| Interest received | | 23,351 | 6,300 |
| Interest paid | | – | (1,541) |
| **Net cash used in operating activities** | 30(b) | **(1,560,052)** | **(587,734)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments for exploration and evaluation | | – | (97,599) |
| Proceed on sale of tenements | | 600,000 | – |
| Payment on sale of tenements to minority interest holder | | (120,000) | 5,420 |
| Proceeds on sale of investment securities | | – | 5,420 |
| Proceeds on sale of fixed assets | | – | 16,391 |
| Amounts received from outside entities | | – | 188,289 |
| Payment for property, plant and equipment | | (1,892) | (518) |
| Release of security bonds | | – | 98,567 |
| Cash forgone on disposal of subsidiaries | 26 | (250,000) | – |
| Cash acquired from acquisition of subsidiary | | 1,000,000 | – |
| Payments for acquisition of subsidiary | | (121,521) | – |
| **Net cash (used) / received by investing activities** | | **1,106,587** | **210,550** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of equity securities | | – | 1,743,300 |
| Proceeds from exercise of options | | 270,833 | 25,000 |
| Payment for share issue costs | | (7,125) | (60,503) |
| Repayment of borrowings / finance leases | | – | (2,971) |
| **Net cash provided by / (used in) financing activities** | | **263,708** | **1,704,826** |
| | | | |
| **Net increase / (decrease) in cash and cash equivalents** | | **(189,757)** | **1,327,642** |
| **Cash and cash equivalents at the beginning of the financial year** | 30(a) | **1,675,160** | **345,497** |
| Effects of exchange rate fluctuations on cash held | | **(3,575)** | **2,021** |
| **Cash and cash equivalents at the end of the financial year** | 30(a) | **1,481,828** | **1,675,160** |

The accompanying notes form part of the financial statements.

## 1. General Information

The consolidated financial statements of Hannans Ltd (the Company or Hannans) and its subsidiaries (collectively, the Group) for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 27 September 2017.

Hannans is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are mineral exploration and project development which is further described in the Directors' Report. Information on other related party relationships is provided in note 28.

## 2. Summary of significant accounting policies

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report includes the financial statements of the Hannans Ltd and its subsidiaries.

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### (a) Basis of preparation

The financial report has been prepared on an accruals basis and is based on historical cost, except for certain financial assets and liabilities which are carried at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Separate financial statements for Hannans as an individual entity are no longer presented as the consequence of a change to the *Corporations Act 2001*, however, required financial information for Hannans as an individual entity is included in note 33.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2017 and the comparative information presented in these financial statements for the year ended 30 June 2016.

### (b) New Accounting Standards for Application in the Current Financial Year and Future Periods

**New standards, interpretations and amendments adopted by the Group during the financial year**

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 30 June 2016, except for the adoption of new standards and interpretations effective as of 1 July 2016 as detailed below. The nature and the impact of each new standard or amendment are described below:

- ***AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations***

  The amendments require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in AASB 3 Business Combinations and other Australian Accounting Standards that do not conflict with the requirements of AASB 11 Joint Arrangements.

- ***AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation***

  The amendments clarify the principle in AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

## 2. Statement of significant accounting policies (cont'd)

### (b) New Accounting Standards for Application in the Current Financial Year and Future Periods (cont'd)

∂ ***AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle***

The amendments clarify certain requirements in:

- AASB 5 Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal
- AASB 7 Financial Instruments: Disclosures - servicing contracts; applicability of the amendments to AASB 7 to condensed interim financial statements
- AASB 119 Employee Benefits - regional market issue regarding discount rate
- AASB 134 Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'

∂ ***AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101***

This Standard amends AASB 101 Presentation of Financial Statements to clarify existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying the Standard in determining what information to disclose, where and in what order information is presented in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.

#### New standards issued but not yet effective

The following standards and interpretations have been issued by the AASB but are not yet effective and have not been early adopted by the Group for the period ended 30 June 2017:

| Reference / Title | | Application date of standard | Application date for Group |
|---|---|---|---|
| AASB 2014-10<br>*Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** | | 1 January 2018 | 1 July 2018 |
| Summary | The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.<br>AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. | | |
| Impact | The adoption of AASB 2014-10 is not expected to significantly impact the information of financial disclosure in the Group's financial statements. | | |
| AASB 9<br>*Financial Instruments* | | 1 January 2018 | 1 July 2018 |
| Summary | AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.<br>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.<br>Classification and measurement<br>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.<br>The main changes are described below. | | |

## 2. Statement of significant accounting policies (cont'd)

### (b) New Accounting Standards for Application in the Current Financial Year and Future Periods (cont'd)

New standards issued but not yet effective (cont'd)

| Reference / Title | | Application date of standard | Application date for Group |
|---|---|---|---|
| AASB 9 (cont'd)<br>*Financial Instruments* | | 1 January 2018 | 1 July 2018 |
| Summary<br>*(cont'd)* | ***Financial assets***<br>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.<br>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.<br>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.<br>***Financial liabilities***<br>Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option.<br>Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:<br>• The change attributable to changes in credit risk are presented in other comprehensive income (OCI)<br>• The remaining change is presented in profit or loss<br>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.<br>***Impairment***<br>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.<br>***Hedge accounting***<br>Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.<br>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.<br>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.<br>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015. | | |
| Impact | Management is in the process of determining the impact of this accounting standard. | | |

## 2. Statement of significant accounting policies (cont'd)

### (b) New Accounting Standards for Application in the Current Financial Year and Future Periods (cont'd)

New standards issued but not yet effective (cont'd)

| Reference / Title | | Application date of standard | Application date for Group |
|---|---|---|---|
| AASB 15<br>*Revenue from Contracts with Customers* | | 1 January 2018 | 1 July 2018 |
| Summary | AASB 15 *Revenue from Contracts with Customers* replaces the existing revenue recognition standards AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations (**Interpretation 13** ***Customer Loyalty Programmes*****, Interpretation 15** ***Agreements for the Construction of Real Estate*****, Interpretation 18** ***Transfers of Assets from Customers*****, Interpretation 131** ***Revenue—Barter Transactions Involving Advertising Services*** **and Interpretation 1042** ***Subscriber Acquisition Costs in the Telecommunications Industry***). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).<br>AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:<br>(a) Step 1: Identify the contract(s) with a customer<br>(b) Step 2: Identify the performance obligations in the contract<br>(c) Step 3: Determine the transaction price<br>(d) Step 4: Allocate the transaction price to the performance obligations in the contract<br>(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation<br>AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted.<br>AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.<br>AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15* amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15. | | |
| Impact | Given the Group's current principal activities being that of exploration and evaluation, adoption of AASB 15 is not expected to have a significant impact. The Group's revenue recognition policy will be reviewed to ensure compliance with AASB 15 upon adoption. | | |

## Statement of significant accounting policies (cont'd)

(b) New Accounting Standards for Application in the Current Financial Year and Future Periods (cont'd)

New standards issued but not yet effective (cont'd)

| Reference / Title | | Application date of standard | Application date for Group |
|---|---|---|---|
| AASB 16<br>*Leases* | | 1 January 2019 | 1 July 2019 |
| Summary | The key features of AASB 16 are as follows:<br>**Lessee accounting**<br>• Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.<br>• A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.<br>• Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.<br>• AASB 16 contains disclosure requirements for lessees.<br>**Lessor accounting**<br>• AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.<br>• AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.<br>AASB 16 supersedes:<br>(a) AASB 117 Leases<br>(b) Interpretation 4 Determining whether an Arrangement contains a Lease<br>(c) SIC-15 Operating Leases—Incentives<br>(d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease<br>The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16. | | |
| Impact | Management is in the process of determining the impact of this accounting standard. | | |
| AASB 2016-2<br>*Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* | | 1 January 2017 | 1 July 2017 |
| Summary | This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. | | |
| Impact | The adoption of AASB 2016-2 is not expected to significantly impact the information of financial disclosure in the Group's financial statements. | | |

## Statement of significant accounting policies (cont'd)

### (b) New Accounting Standards for Application in the Current Financial Year and Future Periods (cont'd)

New standards issued but not yet effective (cont'd)

| Reference / Title | | Application date of standard | Application date for Group |
|---|---|---|---|
| AASB 2016-5<br>*Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions* | | 1 January 2018 | 1 July 2018 |
| Summary | This Standard amends AASB2 Share-based Payment to address:<br>(a) the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;<br>(b) the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and<br>(c) the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. | | |
| Impact | Management is in the process of determining the impact of this accounting standard. | | |

### (c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments with original maturity of less than 3 months, net of outstanding bank overdrafts.

### (d) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

### (e) Financial assets

Financial assets are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### (e) Financial assets (cont'd)

Financial assets at fair value through profit or loss

The Group classifies certain shares as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Available–for–sale financial assets

Shares and options held by the Group are classified as being available–for–sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available–for–sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available–for–sale revaluation reserve is included in profit or loss for the period.

Loans and receivables

Subsequent to initial recognition, trade receivables, loans, and other receivables are recorded at amortised cost using the effective interest rate method less impairment.

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

### (f) Financial instruments issued by the Company

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

## 2. Statement of significant accounting policies (cont'd)

### (g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### (h) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash–generating unit to which the asset belongs. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any), being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Excess of the asset's carrying value over its recoverable amount is expensed to the consolidated statement of comprehensive income.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash–generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash–generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (i) Tax

<u>Current tax</u>

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

<u>Deferred tax</u>

Deferred tax is accounted for using the full liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

<u>Current and deferred tax for the period</u>

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

<u>Tax consolidation</u>

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Company and its 100% owned Australian resident subsidiaries implemented the tax consolidation legislation on 1 July 2008 with Hannans as the head entity.

2. Statement of significant accounting policies (cont'd)

(j) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is expensed immediately to the profit and loss where the applicable area of interest does not contain a JORC compliant mineral resource. Where the area of interest contains a JORC compliant mineral resource exploration and evaluation expenditure is capitalised. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

i. such costs are expected to be recouped through successful development and exploitation or from sale of the area; or

ii. exploration and evaluation activities in the area have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit or loss in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Notwithstanding the fact that a decision not to abandon an area of interest has been made, based on the above, the exploration and evaluation expenditure in relation to an area may still be written off if considered appropriate to do so.

(k) Joint arrangements

Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

(k) Joint arrangements (cont'd)

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired.

If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Joint operations

The Group's recognises its interest in joint operations by recognising its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

(l) Payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

## 2. Statement of significant accounting policies (cont'd)

### (m) Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian Dollars, which is Hannans' functional and presentation currency.

Transactions and balance

Transactions in foreign currencies are initially recorded in the functional currency (Australian Dollars (AUD), Swedish Krona (SEK) and Great Britain Pound (GBP)) by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

### (n) Principles of consolidation

The consolidated financial statements comprise the financial statements of Hannans and its subsidiaries as at and for the period ended 30 June 2017 (the Group). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;

2. Statement of significant accounting policies (cont'd)

(n) Principles of consolidation (cont'd)

- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

A list of subsidiaries appears in note 4 to the financial statements.

(o) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line or diminishing value basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The depreciation rates used for each class of depreciable assets are:

| Class of fixed asset | Depreciation rate (%) |
|---|---|
| Office furniture | 10.00 – 20.00 |
| Building | 2.50 |
| Office equipment | 7.50 – 66.67 |
| Motor vehicles | 16.67 – 25.00 |

(p) Provisions

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation as a result of a past event at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(q) Revenue recognition

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(q) Revenue recognition (cont'd)

Service fee

Revenue from service fee is recognised when the service has been rendered in proportion to the stage of completion. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and the cost incurred or to be incurred cannot be reliably measured.

(r) Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black and Scholes model or Monte-Carlo simulation model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(s) Fair value measurement

The Group measure available-for-sale financial assets at fair value and receivables are measured at amortised costs at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1:** Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- **Level 2:** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- **Level 3:** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(t) Segment reporting policy

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of comprehensive income and statement of financial position.

## 3. Critical accounting estimates and judgements

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

*Key judgements — exploration and evaluation expenditure*

The future recoverability of exploration and evaluation expenditure capitalised on the acquisition of areas of interest and / or capitalised JORC compliant mineral resource expenditure are dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. To the extent that capitalised acquisition costs and / or capitalised JORC compliant mineral resource expenditure are determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

*Key judgements — share-based payments*

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes and / or Monte-Carlo simulation model. The related assumptions detailed in note 8. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact expenses and equity.

*Key judgements — assets held for distribution*

On 4 March 2016 Hannans announced it entered into a transaction with Neometals Ltd. One of the conditions precedent to the transaction was that Hannans was to complete a pro rata in-specie distribution of Critical Metals Ltd and its subsidiaries. The shares of Critical Metals Ltd were to be distributed to the shareholders of the Company. Therefore the operations of Critical Metals Ltd are classified as a disposal group held for distribution to equity holders of Hannans. The Directors considered the subsidiary met the criteria to be classified as held for distribution at 30 June 2016 for the following reasons:

- Critical Metals Ltd was available for immediate distribution and could be distributed to shareholders in its current condition;
- the actions to complete the in-specie distribution were initiated and completed within one year;
- the shareholders approved the distribution on 15 September 2016; and
- the secretarial procedures and procedural formalities for the distribution were completed prior to 27 September 2016.

Refer to note 25 and 26 respectively for further information on the disposal of asset on 27 September 2016 and at 30 June 2016.

## 4. Subsidiaries

The consolidated financial statements of the Group include:

| Name of entity | Principal Activities | Country of incorporation | % Ownership interest 2017 | % Ownership interest 2016 |
|---|---|---|---|---|
| **Parent entity:** | | | | |
| Hannans Ltd (i) | Exploration | Australia | | |
| **Subsidiaries:** | | | | |
| HR Forrestania Pty Ltd (ii) | Exploration | Australia | 100 | 100 |
| HR Equities Pty Ltd (ii) | Equities holding | Australia | 100 | 100 |
| Reed Exploration Pty Ltd (iii) | | Australia | 100 | – |
| Critical Metals Ltd^ (iv) | Exploration | Australia | – | 100 |
| Scandinavian Resources Pty Ltd^ (iv) | Exploration | Australia | – | 100 |
| SR Equities Pty Ltd^ (iv) | Holding company | Australia | – | 100 |
| Scandinavian Resources AB^ (iv) | Exploration | Sweden | – | 100 |
| Kiruna Iron AB^ (iv) | Exploration | Sweden | – | 100 |

^ On 27 September 2016 the in-specie distribution was completed. Refer to note 26 for further information on subsidiaries held as assets held for distribution.

(i) Hannans Ltd (**Hannans**) is the ultimate parent entity. All the companies are members of the group.

(ii) The 100% interest in HR Forrestania Pty Ltd, HR Equities Pty Ltd and Reed Exploration Pty Ltd are held by the parent entity.

(iii) On 29 September 2016 the Company completed the acquisition of 100% of the shares in REX. The Company issued 620,833,333 fully paid ordinary shares to Neometals Ltd.

(iv) On 15 September 2016 Hannans held a General Meeting and shareholders approved the equal reduction of capital and a pro-rata in-specie distribution of 99,987,442 shares in Critical Metals Ltd to existing Hannans shareholders. The in-specie distribution was completed on 27 September 2016.

Refer to page 22 for the Corporate Structure.

## 5. Income / (expenses) from operations

| | 2017 $ | 2016 $ |
|---|---|---|
| **(a) Revenue** | | |
| Interest revenue | | |
| Bank | 22,037 | 5,998 |
| Loans | 11,755 | 3,582 |
| Service fees | – | 193,601 |
| **Total revenue** | **33,792** | **203,181** |
| **(b) Other Income** | | |
| Prospect transaction fees | 800,000 | – |
| Other | 87,962 | 251,301 |
| **Total other income** | **887,962** | **251,301** |

| | | 2017 $ | 2016 $ |
|---|---|---|---|
| **5.** | **Income / (expenses) from operations (cont'd)** | | |
| (c) | **Net gain on settlement of transaction** | | |
| | Gain from settlement of transaction | 1,000,000 | – |
| | Less: Settlement costs | (90,000) | – |
| | **Total net gain on settlement of transaction** | **910,000** | **–** |
| (d) | **Gain on disposal of shares** | | |
| | Proceeds on disposal of shares (net of broker fees) | – | 5,420 |
| | Less: Carrying fair value of shares disposed | – | (5,095) |
| | **Total gain on disposal of shares** | **–** | **325** |
| (e) | **Employee benefits expense** | | |
| | Salaries and wages | 180,871 | 281,028 |
| | Post employment benefits: | | |
| | Defined contribution plans | 12,717 | 21,438 |
| | Share-based payments: | | |
| | Equity settled share-based payments | 195,573 | 42,775 |
| | **Total employee benefits expense** | **389,161** | **345,241** |
| (f) | **Depreciation of non-current assets** | **11,613** | **18,175** |
| (g) | **Operating lease rental expenses:** | | |
| | Minimum lease payments | 120,581 | 278,455 |
| | Rent provision (refer note 16) | (10,660) | (145,101) |
| | **Total operating lease rental expenses** | **109,921** | **133,354** |
| **6.** | **Income taxes** | | |
| | **Income tax recognised in profit or loss** | | |
| | **Current income tax** | | |
| | Current income tax charge | – | – |
| | Overprovision of current tax in prior year | – | – |
| | **Deferred tax** | | |
| | Release of deferred tax assets previously recognised to offset a deferred tax liability arising on unrealised gains on available-for-sale investments | – | – |
| | **Total tax benefit / (expense)** | **–** | **–** |

## 6. Income taxes (cont'd)

The prima facie income tax benefit/(expense) on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

| | 2017 $ | 2016 $ |
|---|---|---|
| Profit/(Loss) from operations | 11,663,780 | (964,387) |
| Income tax benefit calculated at 27.5% (2016: 28.5%) | 3,207,540 | (274,850) |
| Effect of tax rates in foreign jurisdictions | – | (9,779) |
| Effect of expenses that are not deductible in determining taxable profit | 300 | 78,721 |
| Adjustment of prior year balances due to change in tax rate | 241,921 | – |
| Effect of FCTR expensed to P&L (Swedish entities) | – | 129,233 |
| Effect of net deferred tax asset not recognised as deferred tax assets | – | 76,675 |
| Capital losses not recognised | (5,078,974) | – |
| Effect of net deferred tax asset recognised | 1,629,213 | – |
| **Income tax benefit/(expense) attributable to operating loss** | – | – |
| The tax rate used in the above reconciliation is the corporate tax rate of 27.5% (2016: 28.5%) payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period. | | |
| **Deferred tax related to items charged or credited directly to Other Comprehensive Income during the year:** | | |
| Unrealised loss on available-for-sale investments | – | – |
| | – | – |

| | Statement of Financial Position | | Statement of Comprehensive Income | |
|---|---|---|---|---|
| | 2017 $ | 2016 $ | 2017 $ | 2016 $ |
| **Deferred Income Tax** | | | | |
| Deferred income tax at 30 June relates to the following | | | | |
| **Deferred tax liabilities** | | | | |
| Exploration and evaluation assets | (225,907) | – | (225,907) | – |
| Unearned income | (461) | (853) | 392 | 135 |
| **Deferred tax assets** | | | | |
| Accruals | 11,275 | 39,504 | (28,229) | (65,291) |
| Prepayments | 3,877 | 3,647 | 230 | (899) |
| Provision for employee entitlements | 30,122 | 31,654 | (1,532) | (7,063) |
| Provision – other | – | 949 | (949) | (45,899) |
| Capital raising costs | 10,119 | 49,123 | (39,004) | (10,834) |
| Revaluation reserve | 1,678 | (32,328) | 34,006 | (40,391) |
| Revenue tax losses | 4,463,983 | 6,803,049 | (2,339,065) | 125,402 |
| Capital losses | 5,078,974 | – | 5,078,974 | – |
| Deferred tax assets not brought to account as realisation is not probable | (9,373,660) | (6,894,744) | | |
| | – | – | | |
| Deferred tax assets not recognised | | | (2,478,916) | 44,840 |
| **Deferred tax (income)/expense** | | | – | – |

**Tax consolidation**

**Relevance of tax consolidation to the Group**

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Company and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation.

## 7. Key management personnel disclosures

### (a) Details of key management personnel

The Directors and Executives of Hannans Ltd during the year were:

Directors

- Damian Hicks
- Jonathan Murray
- Markus Bachmann
- Clay Gordon (appointed 5 October 2016)
- Amanda Scott (appointed 29 November 2016, previously appointed director of Swedish subsidiaries)
- Olof Forslund (resigned 5 October 2016)

| | 2017 $ | 2016 $ |
|---|---|---|
| **(b) Key management personnel compensation** | | |
| The aggregate compensation made to key management personnel of the Company and the Group is set out below. | | |
| Short-term employee benefits | 352,931 | 292,786 |
| Share based payments | 156,476 | 27,884 |
| Long-term employee benefits | 7,419 | 925 |
| Post-employment benefits | 12,255 | 54,121 |
| **Total key management personnel compensation** | **529,081** | **375,716** |

The compensation of each member of the key management personnel of the Group is set out in the Directors Remuneration report on pages 16 to 21.

## 8. Share-based payments

The Company has an ownership-based compensation arrangement for employees of the Group.

Each option issued under the arrangement converts into one ordinary share of Hannans on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options neither carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The number of options granted is at the sole discretion of the Directors.

Incentive options issued to Directors (executive and non-executive) are subject to approval by shareholders and attach vesting conditions as appropriate.

The following unlisted options were issued during the year and are not share based payments to employees of the Group.

| Options series | Number | Grant date | Expiry date | Exercise price Cents |
|---|---|---|---|---|
| 10 March 2016 | 31,250,000 | 10 March 2016 | 10 March 2018 | 0.4 |
| 3 June 2016 | 41,662,500 | 19 May 2016 | 3 June 2018 | 0.4 |

On 24 June 2016 6,250,000 unlisted options exercisable at 0.4 cents expiring on 3 June 2018 were exercised.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

| Options series | Number | Grant date | Expiry date | Exercise price Cents |
|---|---|---|---|---|
| 20 November 2016 | 12,016,664 | 20 November 2014 | 20 November 2019 | 0.8 |
| 20 November 2015 | 12,016,668 | 20 November 2014 | 20 November 2018 | 0.5 |
| 20 November 2014 | 12,016,668 | 20 November 2014 | 20 November 2017 | 2.9 |
| 15 September 2016 | 21,155,848 | 11 November 2016 | 15 September 2020 | 2.7 |

Details of options over ordinary shares in the Company provided as remuneration to each director during the year are set out in the Directors Remuneration report on pages 16 to 21. Further information on remuneration to Hannans' directors are set out in note 28.

## 8. Share-based payments (cont'd)

The following reconciles the outstanding share options granted at the beginning and end of the financial year:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price $ | Number of options | Weighted average exercise price $ |
| Balance at beginning of the financial year | 36,050,000 | 0.015 | 36,050,000 | 0.015 |
| Issued during the financial year (i) | 21,155,848 | 0.010 | – | – |
| Exercised during the financial year | (4,166,667) | – | – | – |
| Expired during the financial year | – | – | – | – |
| **Balance at end of the financial year (ii)** | **53,039,181** | **0.019** | **36,050,000** | **0.012** |
| **Exercisable at end of the financial year** | **53,039,181** | **0.019** | **24,033,336** | **0.007** |

### (i) Issued during the financial year

On 14 November 2016, 21,155,848 share options were granted to directors and senior executives of the Group. The options terms and conditions are shown below.

| Details | 15 Sep 2020 |
|---|---|
| Number of options | 21,155,848 |
| Exercise price (i) | $0.027 |
| Expiry date | 20 Nov 2019 |
| Vesting date | 20 Nov 2016 |

(i) The option exercised price is equal to 150% of the volume weighted average sale price of shares sold on ASX during the 40 trading days after the date of the General Meeting being 1.8 cents per share.

The fair value of the options granted is issued and valued at the date of grant taking into account the terms and conditions upon which the options were granted using a Black Scholes model. There is no cash settlement of the options.

The weighted average fair value of the options granted during for the year ended 30 June 2017 was $0.009 (2016: $0.015)

For the year ended 30 June 2017, the Group has recognised $195,573 of share-based payments transactions expense in the statement of profit or loss (2016: $42,775).

### (ii) Exercised at end of the financial year

During the financial year a total of 4,166,667 options over ordinary shares were exercised, comprising of the following:

- 4,166,667 at 0.5 cents options expiring on 20 November 2018 to raise $20,833.

No options were exercised in the prior year.

### (iii) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average exercise price of $0.019 (2016: $0.012) and a weighted average remaining contractual life of 2.03 years (2016: 2.39 years).

| | 2017 $ | 2016 $ |
|---|---|---|
| **9. Remuneration of auditors** | | |
| The auditor of Hannans Ltd is Ernst & Young. | | |
| Audit or review of the financial report of the Group | | |
| Australia | 38,110 | 31,930 |
| Sweden | – | 8,327 |
| Tax compliance services in relation to the Group | – | 27,774 |
| | **38,110** | **68,031** |
| **10. Current trade and other receivables** | | |
| Accounts receivable (i) | 1,722 | 2,023 |
| Net goods and services tax (GST) receivable | 33,841 | 33,262 |
| Other receivables (ii) | 221,320 | 35,794 |
| | **256,883** | **71,079** |

(i) There were no current trade and other receivables that were past due but not impaired (2016: nil).

(ii) Hannans entered into a legally binding unconditional agreement with Mine Builder Pty Ltd (**Mine Builder**) for the sale of Hannans' interest in gold rights on Mining Lease M77/544 for $800,000. The consideration for the gold rights was to be paid via four cash instalments between March 2015 and December 2015. Mine Builder has requested additional time to make the payments pursuant to the binding unconditional agreement.

Hannans issued a statutory demand against Mine Builder on 21 October 2016 for the outstanding debt in the sum of approximately $1.16 million which includes interest. Mine Builder's application to set aside Hannans' statutory demand was heard in the Supreme Court of Western Australia in February 2017. On 16 February 2017 the Supreme Court handed down its decision to dismiss Mine Builder Pty Ltd's application to set aside Hannans' statutory demand. Mine Builder had until 8 March 2017 to pay the claimed amount. If payment is not received by 8 March 2017 Hannans can apply for a winding up order against Mine Builder in the Federal Court.

On 9 March 2017 the Company signed a Deed of Acknowledgement of Debt with Mine Builder Pty Ltd resetting the timetable for payments for the acquisition of the North Ironcap Gold Rights and undertaking not to wind up Mine Builder if the payments are made in accordance with the amended timetable. Due to the historical uncertainty of receiving payments from Mine Builder the balance of the outstanding amount not yet received of $400,000 will be accounted for during the period where payments are received.

| Due date | Amount |
|---|---|
| 9 March 2017 | $300,000 |
| 8 June 2017 | $300,000 |
| 8 September 2017 | $200,000 |
| 8 December 2017 | $200,000 |
| 8 March 2018 | $200,000 |

Other receivables consists of $200,000 in relation to the ongoing Mine Builder Pty Ltd (**Mine Builder**) matter which was received on 15 September 2017.

| | 2017 $ | 2016 $ |
|---|---|---|
| **11. Other financial assets** | | |
| **Current** | | |
| **Available-for-sale investments** | | |
| Quoted equity shares (i) | 660 | 1,300 |
| Unquoted equity shares (ii) | 1 | 1 |
| **Loans** | | |
| Loans to outside entities (iii) | 65,338 | – |
| **Total** | **65,999** | **1,301** |
| **Non-current** | | |
| **Loans** | | |
| Loan to outside entity (iii) | **–** | **53,582** |
| **Total** | **–** | **53,582** |

| | 2017 $ | 2016 $ |
|---|---|---|

## 11. Other financial assets (cont'd)

(i) Investments in listed entities include the following:
(a) 20,000 ordinary fully paid shares in Brighton Mining Group Ltd; and
(b) 20,000 ordinary fully paid shares in Lithex Resources Ltd.

(ii) Hannans Ltd holds 1 share at $1 in Equity & Royalty Investments Ltd. Equity & Royalty Investments Ltd has 100 million ordinary shares on issue. The principal activity of the Company is the investment in equity and royalties in other companies with the objective of realising gains through equity and generating an income stream through the royalties.

(iii) Errawarra Resouces Ltd (Errawarra), of which Mr Damian Hicks, Mr Jonathan Murray, and Mr Markus Bachmann are the Directors, was provided with a loan facility of $50,000 at an interest rate of 20% per annum. The loan is secured against Errawarra's rights, title and interest in the agreement executed between Errawarra, Reid Systems Inc and Reid Systems (Australia) Pty Ltd. Errawarra has fully drawndown on the loan facility. Interest accrued to 30 June 2017 amounts to $15,338. The loan is repayable by Errawarra on 1 July 2018. Refer to note 28 for further information.

## 12. Non–current other receivables

| | 2017 $ | 2016 $ |
|---|---|---|
| Other receivables – bonds | 56,000 | 56,000 |
| | **56,000** | **56,000** |

## 13. Property, plant and equipment

| | Motor Vehicles at cost $ | Office furniture and equipment at cost $ | Building at cost $ | Total $ |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 July 2015 | 55,357 | 285,657 | 12,428 | 353,442 |
| Additions | – | – | – | – |
| Disposals | (56,048) | (107,928) | (9,102) | (173,078) |
| Exchange differences | 691 | 1,234 | – | 1,925 |
| Transfer to assets held for distribution (i) | – | (100,056) | – | (100,056) |
| **Balance at 1 July 2016** | – | **78,907** | **3,326** | **82,233** |
| Additions | – | 1,892 | – | 1,892 |
| Disposals | – | (61,707) | (3,326) | (65,033) |
| Exchange differences | – | – | – | – |
| **Balance at 30 June 2017** | – | **19,092** | – | **19,092** |

## 13. Property, plant and equipment (cont'd)

| | Motor Vehicles at cost $ | Office furniture and equipment at cost $ | Building at cost $ | Total $ |
|---|---|---|---|---|
| **Accumulated depreciation and impairment** | | | | |
| Balance at 1 July 2015 | **52,088** | **262,297** | **9,376** | **323,761** |
| Depreciation expense | 3,054 | 15,044 | 77 | 18,175 |
| Disposals on deconsolidation | (55,710) | (108,436) | (9,102) | (173,248) |
| Exchange differences | 568 | 986 | – | 1,554 |
| Transfer to assets held for distribution (i) | – | (100,056) | – | (100,056) |
| **Balance at 1 July 2016** | – | **69,835** | **351** | **70,186** |
| Depreciation expense | – | 8,638 | 2,975 | 11,613 |
| Disposals | – | (61,707) | (3,326) | (65,033) |
| Exchange differences | – | – | – | – |
| **Balance at 30 June 2017** | – | **16,766** | **–** | **16,766** |

(i) On 2 March 2016 the Group announced that it has entered into a binding terms sheet with Neometals Limited. The transaction is conditional upon the satisfaction of conditions precedent. One of the conditions is for the Group to complete an in-specie distribution of the Scandinavian subsidiaries. In accordance with AASB 5 the assets held for the distribution are disclosed accordingly. Refer to note 25 and 26 for further information.

| | Motor Vehicles at cost $ | Office furniture and equipment at cost $ | Building at cost $ | Total $ |
|---|---|---|---|---|
| **Net book value** | | | | |
| As at 30 June 2016 | – | 9,072 | 2,975 | 12,047 |
| As at 30 June 2017 | – | **2,326** | – | **2,326** |

| | 2017 $ | 2016 $ |
|---|---|---|
| Aggregate depreciation allocated during the year: | | |
| Motor vehicles | – | 3,054 |
| Office furniture and equipment | 8,638 | 15,044 |
| Building | 2,975 | 77 |
| | **11,613** | **18,175** |

## 14. Exploration and evaluation expenditure

| | 2017 $ | 2016 $ |
|---|---|---|
| Balance at beginning of financial year | – | 1,356,340 |
| Capitalised acquisition costs (i) | 2,688,000 | – |
| Exploration expenditure during the period | – | 97,599 |
| Foreign currency translation movement during the period | – | 17,648 |
| LESS: Write off costs | – | (123,945) |
| LESS: Transfer to assets held for distribution (ii) | – | (1,347,642) |
| **Balance at end of financial year** | **2,688,000** | – |

(i) On 4 March 2016 the Company announced a strategic collaboration with Neometals Ltd (Neometals). The Company agreed to proceed with the acquisition of Neometals' subsidiary, Reed Exploration Pty Ltd (REX) via the issue of 620,833,333 ordinary shares. REX owns the Forrestania, Lake Johnston and Queen Victoria Rocks precious and base metals portfolio and at settlement was required to have $1 million cash at bank with no debts.

On 29 September 2016 the transaction was completed and the Company acquired 100% of the shares in REX. The Company issued 620,833,333 fully paid ordinary shares to Neometals Ltd. The fair value of the asset acquired based on an independent valuation report prepared by BDO was determined to be $3.688 million based on the comparable transaction method. On acquisition, REX held a cash balance of $1 million. The acquisition costs of $121,521 were also incurred.

The transaction is not a business combination as the acquisition of REX did not meet the definition of a 'business' as defined in the Australian Accounting Standards. The substance and intent was for the Company to acquire the exploration and evaluation assets of REX for the purpose of expanding the Group's assets. The net assets acquired at the date of acquisition were:

## 14. Exploration and evaluation expenditure (cont'd)

| | 2017 $ |
|---|---|
| **Purchase consideration** | |
| Shares issued | 3,566,479 |
| Acquisition costs | 121,521 |
| Total purchase consideration | 3,688,000 |
| | |
| **Net assets acquired** | |
| Cash | 1,000,000 |
| Deferred exploration and evaluation expenditure | 2,688,000 |
| Total net assets acquired | 3,688,000 |

(ii) On 2 March 2016 the Group announced that it has entered into a binding terms sheet with Neometals Limited. The transaction is conditional upon the satisfaction of conditions precedent. One of the conditions is for the Group to complete an in-specie distribution of the Scandinavian subsidiaries. In accordance with AASB 5 the assets held for the distribution are disclosed accordingly. Refer to note 26 for further information.

The recoverability of the carrying amount of the capitalised acquisition costs is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

| | 2017 $ | 2016 $ |
|---|---|---|
| **15. Current trade and other payables** | | |
| Trade payables (i) | 148,053 | 494,170 |
| Accruals | 41,000 | 290,678 |
| Other payable | 55,264 | 45,382 |
| | 244,317 | 830,230 |

(i) The average credit period on purchases of goods and services is 30 days. No interest is charged on the trade payables for the first 30 to 60 days from the date of invoice. Thereafter, interest is charged at various penalty rates. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

| | 2017 $ | 2016 $ |
|---|---|---|
| **16. Provisions** | | |
| **Current** | | |
| Employee benefits (i) | 103,115 | 111,067 |
| Rent - unoccupied space (ii) | – | 10,660 |
| | 103,115 | 121,727 |

(i) On 26 July 2017, the balance of the annual ($42,845) and long service leave ($60,270) provision was paid to Mr Hicks.

(ii) The provision was recognised on the basis that Hannans currently occupies and subleases part of its Perth office premises as a portion of the space is surplus to the requirements of the Group. The provision for the unoccupied space is calculated based on the difference between the Company's full operating office lease commitment to the end of the lease term on 14 December 2016 and the current occupied and subleased space discounted to present value as of 30 June 2016.

## 16. Provisions (cont'd)

| | Employee benefits $ | Rent – unoccupied space $ | Total $ |
|---|---|---|---|
| **Balance at 1 July 2015** | **167,168** | **155,760** | **322,928** |
| Increase in provision | 39,680 | – | 39,680 |
| Utilised during the year | (90,503) | (133,842) | (224,345) |
| Unwinding of discount rate and changes in the discount rate | – | (11,258) | (11,258) |
| Transfer to assets held for distribution | (5,278) | – | (5,278) |
| **Balance at 1 July 2016** | **111,067** | **10,660** | **121,727** |
| Decrease in provision | (7,952) | – | (7,952) |
| Utilised during the year | – | (10,660) | (10,660) |
| Unwinding of discount rate and changes in the discount rate | – | – | – |
| **Balance at 30 June 2017** | **103,115** | **–** | **103,115** |

| | 2017 $ | 2016 $ |
|---|---|---|
| **17. Other financial liabilities** | | |
| **Current** | | |
| Payroll related liabilities | 96,290 | 32,474 |
| Finance lease liabilities | – | – |
| | **96,290** | 32,474 |
| **Non-current** | | |
| Payroll related liabilities | 63,555 | 119,884 |
| Finance lease liabilities | – | – |
| | **63,555** | 119,884 |
| **18. Issued capital** | | |
| 1,682,640,560 fully paid ordinary shares (2016: 970,707,755) | 37,296,618 | 46,285,309 |
| | **37,296,618** | **46,285,309** |

## 18. Issued capital (cont'd)

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | No. | $ | No. | $ |
| **Fully paid ordinary shares** | | | | |
| Balance at beginning of financial year | 970,707,755 | 46,285,309 | 721,966,133 | 44,577,512 |
| Placement of shares – 9 March 2016 | – | – | 62,500,000 | 250,000 |
| Placement of shares – 23 May 2016 | – | – | 17,666,665 | 212,000 |
| Share Purchase Plan – 26 May 2016 | – | – | 73,999,957 | 887,999 |
| Placement of shares – 3 June 2016 | – | – | 88,325,000 | 393,300 |
| Exercise of options to shares – 21 June 2016 | – | – | 6,250,000 | 25,000 |
| Exercise of options to shares - 11 July 2016 | 25,000,000 | 100,000 | – | – |
| Exercise of options to shares - 19 July 2016 | 4,166,667 | 20,833 | – | – |
| Exercise of options to shares - 15 August 2016 | 6,250,000 | 25,000 | – | – |
| In-specie distribution to shareholders - 20 September 2016 | – | (13,245,562) | – | – |
| Acquisition of Reed Exploration Pty Ltd - 29 September 2016 | 620,833,333 | 3,566,479 | – | – |
| Issue of shares and options to directors in lieu of outstanding fees – 14 November 2016 | 17,032,584 | 306,587 | – | – |
| Issue of shares and options to company secretary in lieu of outstanding fees - 14 November 2016 | 4,123,264 | 74,219 | – | – |
| Exercise of options to shares - 9 December 2016 | 31,250,000 | 125,000 | – | – |
| Issue of shares as part payment - 12 June 2017 | 3,276,957 | 45,878 | – | – |
| Share issue costs | – | (7,125) | – | (60,502) |
| **Balance at end of financial year** | **1,682,640,560** | **37,296,618** | **970,707,755** | **46,285,309** |

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

**Option conversions**

| Date of conversion | No of options | Exercise price per option | Expiry date | Increase in contributed equity $ |
|---|---|---|---|---|
| 11 July 2016 | 25,000,000 | 0.4 cents | 3 June 2018 | 100,000 |
| 19 July 2016 | 4,166,667 | 0.5 cents | 20 November 2018 | 20,833 |
| 15 August 2016 | 6,250,000 | 0.4 cents | 3 June 2018 | 25,000 |
| 9 December 2016 | 31,250,000 | 0.4 cents | 10 March 2018 | 125,000 |
| TOTAL | **66,666,667** | | | **270,833** |

| | 2017 $ | 2016 $ |
|---|---|---|
| **19. Reserves** | | |
| Balance at the beginning of the financial year | 118,155 | (237,970) |
| Option reserve | 179,223 | 42,775 |
| Foreign currency translation differences | – | 43,470 |
| | 297,378 | (151,725) |
| Reserves of assets held for distribution | – | 269,880 |
| **Balance at the end of the financial year** | **297,378** | **118,155** |
| The balance of reserves is made up as follows: | | |
| Option reserve | 297,378 | 118,155 |
| Foreign currency translation reserve | – | (269,880) |
| | **297,378** | **(151,725)** |

**Nature and purpose of reserves**

*Option reserve*

The option reserve recognises the fair value of options issued and valued using the Black-Scholes and Monte-Carlo simulation model.

*Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

**Share options**

As at 30 June 2017, options over 57,201,681 (2016: 102,712,500) ordinary shares in aggregate are as follows.

| Issuing entity | No of shares under option | Class of shares | Exercise price of option | Expiry date of options |
|---|---|---|---|---|
| Hannans Ltd | 12,016,668 | Ordinary | 0.8 cents each | 20 Nov 2017 |
| Hannans Ltd | 7,850,001 | Ordinary | 0.5 cents each | 20 Nov 2018 |
| Hannans Ltd | 12,016,664 | Ordinary | 2.9 cents each | 20 Nov 2019 |
| Hannans Ltd | – | Ordinary | 0.4 cents each | 10 Mar 2018 |
| Hannans Ltd | 4,162,500 | Ordinary | 0.4 cents each | 03 Jun 2018 |
| Hannans Ltd | 21,155,848 | Ordinary | 1.8 cents each | 15 Sep 2020 |

Share options are all unlisted, carry no rights to dividends and no voting rights. A total of 21,155,848 were issued during the period. A total of 66,666,667 were exercised during the period.

| | 2017 $ | 2016 $ |
|---|---|---|
| **20. Accumulated losses** | | |
| Balance at beginning of financial year | (45,230,366) | (44,265,979) |
| Profit / (Loss) attributable to members of the parent entity | 11,663,780 | (964,387) |
| Items of other comprehensive income recognised directly in retained earnings | | |
| Options exercised | 16,349 | – |
| **Balance at end of financial year** | **(33,550,237)** | **(45,230,366)** |

## 21. Profit / (Loss) per share

| | 2017<br>Cents per share | 2016<br>Cents per share |
|---|---|---|
| Basic profit / (loss) per share: | 0.78 | (0.13) |
| Diluted profit / (loss) per share: | 0.77 | (0.13) |

**Profit / (Loss) for the year**

The loss and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Profit / (Loss) for the year | 11,663,780 | (964,387) |

| | 2017<br>No. | 2016<br>No. |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic loss per share | 1,501,173,559 | 757,044,977 |
| Effects of dilution from: | | |
| Share options | 14,520,037 | 6,997,625 |
| Weighted average number of ordinary shares adjusted for the effect of dilution loss per share | 1,515,693,596 | 764,042,602 |

The Company does not have authorised capital nor par value in respect of its issued shares.

## 22. Commitments for expenditure

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Exploration, evaluation & development (expenditure commitments) | | |
| Not longer than 1 year | 74,000 | 252,860 |
| Longer than 1 year and not longer than 5 years | 456,000 | 252,860 |
| Longer than 5 years | – | – |
| | 530,000 | **505,720** |
| Future minimum rentals payable under non-cancellable operating leases as at 30 June 2017 are as follows: (i) | | |
| Not longer than 1 year | 3,000 | 109,032 |
| Longer than 1 year and not longer than 5 years | – | – |
| Longer than 5 years | – | – |
| | **3,000** | **109,032** |

(i) The Group has an office lease on a month by month basis, expiring 31 December 2017 and with rent payable monthly in advance.

## 23. Contingent liabilities and contingent assets

The Office of State Revenue ('OSR') has informed the Company that it has raised a Duties Investigation regarding the restructure involving the Mineral Rights Deed between the Company and Errawarra Resources Ltd. OSR has requested preliminary supporting information to assess the duty on the transaction. The Company does not consider it probable a stamp duty liability will arise.

## 24. Segment reporting

During the year the Group operated in the mineral exploration industry in Australia and Sweden. For management purposes, the Group is organised into one main operating segment which involves the exploration of minerals in Australian and Sweden. All of the Group's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole. On 15 September 2016 Hannans held a General Meeting and shareholders approved the equal reduction of capital and a pro rata in-specie distribution of Critical Metals shares to Hannans shareholder. The Swedish projects are part of Critical Metals group. The in-specie distribution was completed on 27 September 2016 (refer to note 25 for further information).

**Revenue analysis by geographic area**

| | Revenue | | Total revenue and other income | |
|---|---|---|---|---|
| | 2017 $ | 2016 $ | 2017 $ | 2016 $ |
| Australia | 33,792 | 116,514 | 921,754 | 354,567 |
| Scandinavia | – | 86,667 | – | 100,240 |
| Consolidated | 33,792 | 203,181 | 921,754 | 454,807 |

| | 2017 $ | 2016 $ |
|---|---|---|
| **Result analysis by geographic area** | | |
| Australia | 10,774,861 | (771,796) |
| Sweden | 888,919 | (192,591) |
| | 11,663,780 | (964,387) |
| Loss before income tax benefit | 11,663,780 | (964,387) |
| Income tax benefit / (expense) | – | – |
| **Profit / (loss) for the year** | **11,663,780** | **(964,387)** |

Assets and liabilities analysis by geographic area

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2017 $ | 2016 $ | 2017 $ | 2016 $ |
| Australia | 4,551,036 | 1,619,169 | 507,277 | 1,104,313 |
| Scandinavia | – | 1,631,931 | – | 1,243,569 |
| Consolidated | 4,551,036 | 3,251,100 | 507,277 | 2,347,882 |

## 25. Disposal of subsidiaries

On 15 September 2016 Hannans held a General Meeting and shareholders approved the equal reduction of capital and a pro-rata in-specie distribution of 99,987,442 shares in Critical Metals Ltd (a subsidiary of Hannans Ltd) to existing Hannans shareholders. The in-specie distribution was completed on 27 September 2016.

Critical Metals Ltd and its subsidiaries, Scandinavian Resources Pty Ltd, SR Equities Pty Ltd, Scandinavian Resources AB and Kiruna Iron AB, (**Critical Metals group**) hold the following rights and obligations:

- Free carried interest in Pahtohavare copper-gold project (under joint venture with Lovisagruvan AB);
- Kiruna iron projects;
- Swedish lithium exploration prospects, including the historic Varuträsk lithium deposit; and
- A precious and base metals exploration portfolio.

### (a) Details of the disposal

The carrying amount of the major classes of assets and liabilities were as follows:

| | 30 Sep 2016 $ |
|---|---|
| **Current assets** | |
| Cash and cash equivalents | 250,000 |
| Other financial assets | 36,738 |
| **Non-current assets** | |
| Capitalised exploration and evaluation expenditure | 1,293,544 |
| **Total assets** | **1,580,282** |
| **Current liabilities** | |
| Trade and other payables | – |
| Provisions | 2,476 |
| Loans | 228,723 |
| Other financial liabilities | 13,540 |
| **Non-current liabilities** | |
| Loans (i) | 90,000 |
| Other financial liabilities | 1 |
| **Total liabilities** | **334,740** |
| **Net assets distributed to shareholders** | **1,245,542** |

(i) In May 2013, Hannans entered into a Heads of Agreement (HoA) with Avalon Minerals Limited for the sale of the Discovery Zone copper-iron prospect in Sweden for $4 million. On 10 May 2013, Hannans made an application with the Inspectorate to transfer the tenements to Avalon which was granted on 23 May 2013. On 1 October 2013, Hannans reached an agreement with Avalon that varied the HOA. The variation deleted and replaced clause 3 of the original HOA with the following:

- $1 million upon successful completion of a rights issue by Avalon or no later than 31 October 2013; and
- $3 million when the Mining Inspectorate of Sweden has formally granted the Discovery Zone Exploitation Concession to Avalon.

On 8 October 2013 Hannans confirmed that Avalon has paid $1 million pursuant to the varied HOA.

On 28 September 2016 the parties to the Discovery Zone transaction executed a Deed of Termination, Settlement and Release meaning that all legal disputes and court actions between the respective companies have been settled with no financial impact on the continuing Hannans' group, without an admission of liability by either party and this matter is now resolved. The $1 million classified as payable was reversed.

| | 30 Sep 2016 $ |
|---|---|
| Fair value of subsidiaries disposed | 13,245,562 |
| Less: Net assets distributed to shareholders | (1,245,542) |
| Less: Reclassification of foreign exchange reserve (prior year) | (269,880) |
| **Gain on disposal** | **11,730,140** |

The fair value of the exploration and evaluation assets disposed was based on an independent valuation report prepared by an independent technical expert, SRK Consulting. The fair value was determined to be USD 10.12 million (equivalent to A$13.25 million). The preferred value was driven primarily by the market based methods and adjusted by the Geoscience Rating method and MEEE, where appropriate.

A gain of $11,730,140 was recognised on the disposal.

## 26. Assets and liabilities held for distribution

Subsequent to year end, Hannans announced that it had completed an equal reduction of capital and a pro rata in-specie distribution of Critical Metals shares to Hannans shareholder. As at 30 June 2016, these assets were classified as a disposal group held for distribution.

The major classes of assets and liabilities classified as held for distribution as at 30 June are as follows:

| | 2016<br>$ |
|---|---|
| **Assets** | |
| Cash and cash equivalents | 250,000 |
| Trade and other receivables | 34,289 |
| Property, plant and equipment | – |
| Capitalised exploration and evaluation expenditure | 1,347,642 |
| Assets held for distribution | 1,631,931 |
| **Liabilities** | |
| Trade and other payables (i) | 1,000,000 |
| Provisions | 5,278 |
| Other liabilities (ii) | 238,291 |
| Liabilities held for distribution | 1,243,569 |
| **Net assets held for distribution** | **388,362** |

(i) In May 2013, Hannans entered into a Heads of Agreement (HOA) with Avalon Minerals Limited (Avalon, ASX: AVI) for the sale of the Discovery Zone copper-iron prospect in Sweden for $4 million. On 10 May 2013, Hannans made an application with the Inspectorate to transfer the tenements to Avalon which was granted on 23 May 2013.

On 1 October 2013, Hannans reached an agreement with Avalon that varies the HOA. The variation deleted and replaced clause 3 of the original HOA with the following:

- $1 million upon successful completion of a rights issue by Avalon or no later than 31 October 2013; and
- $3 million when the Mining Inspectorate of Sweden has formally granted the Discovery Zone Exploitation Concession to Avalon.

On 8 October 2013 Hannans confirmed that Avalon has paid $1 million pursuant to the varied HOA.

The HOA provided that if the Discovery Zone exploration concession is not granted or not granted within 2 years of the first payment date (being 1 October 2015) or a later date to be agreed by the parties, the Group is required to refund the first $1 million received from Avalon and Avalon will be required to transfer title in the Discovery Zone back to the Group. The HOA provides that the Company can transfer a project of equivalent value to Avalon. There is no requirement in the HOA for the Group to make a cash payment to Avalon.

If the Discovery Zone exploration concession is granted, the Group will receive a further $3 million within five business days of the exploitation concession being granted.

On 9 October 2015 Hannans received a Refund Notice from Avalon pursuant to the HOA. The Refund Notice has been presented on the basis that the Discovery Zone exploitation concession application has not been granted within the time stipulated in the HOA.

On 21 October 2015 Hannans was made aware that the Discovery Zone exploitation concession application had been dismissed by the Mining Inspectorate of Sweden and Avalon can no longer transfer the application back to the Group as required by the HOA. A consequence of this dismissal is that the Group has lost title to its Discovery Zone copper-gold project, Rakkurijärvi iron project and Tributary Zone copper-gold prospect. Hannans considers this to be a very serious matter and has in addition to reserving its rights, requested Avalon provide a written explanation of the circumstances that lead to the dismissal as a matter of urgency.

Avalon then lodged an appeal with the Swedish Administrative Court against the decision of the Mining Inspectorate of Sweden to dismiss the Discovery Zone exploitation concession application registered in the name of Avalon's wholly owned Swedish subsidiary company, Avalon Minerals Adak AB. On 3 June 2016 the Swedish Administrative Court dismissed the appeal by Avalon. Avalon had three weeks from 3 June 2016 to lodge an appeal to the Swedish Superior Administrative Court against the decision. Avalon did not submit an appeal within the three weeks and the decision to dismiss the Discovery Zone exploitation concession application made by the Mining Inspectorate of Sweden is final. The Discovery Zone exploitation concession application was removed from further processing and the underlying permit expired.

On 11 November 2015 Avalon issued Hannans with a Statutory Demand in relation to the 50% recovery of the expenditure incurred on the Discovery Zone Exploitation Concession application. Hannans' submitted an application to set aside a statutory demand issued by Avalon and believe that there is a genuine dispute about the existence of the alleged debt. Hannans' application was heard by Master Sanderson in the Supreme Court of Western Australian on 22 March 2016 and a decision on the application was handed down on 3 May 2016. The Supreme Court of Western Australia set aside a statutory demand served on Hannans by Avalon and the court ordered Avalon to pay Hannans' costs.

On 8 June 2016 Avalon served Hannans with a Writ issued out of the Supreme Court of Western Australia numbered CIV 1945 of 2016 claiming $1 million pursuant to an agreement entered into by Hannans, its wholly owned subsidiary Kiruna Iron AB, Avalon Minerals Limited and its wholly owned subsidiary Avalon Minerals Adak AB. On 4 July 2016 Hannans filed and served Avalon with a Defence and Counterclaim for $9 million and a Summary Judgement Application in respect of Avalon's claim. The Summary Judgement Application was heard on 6 September 2016.

On 28 September 2016 the parties to the Discovery Zone transaction executed a Deed of Termination, Settlement and Release meaning that all legal disputes and court actions between the respective companies have been settled with no financial impact on the continuing Hannans' group, without an admission of liability by either party and this matter is now resolved.

## 26. Assets and liabilities held for distribution (cont'd)

(ii) On 24 November 2015 the Company announced that the joint venture partner, Lovisagruvan AB (LOVI) has formally notified the Company of its decision to proceed to Stage 2 of the joint venture. As part of their Stage 2 commitment LOVI will provide the Company with a SEK 3 million (equivalent to AUD 476,577 as at 30 June 2016) interest free working capital facility which can only be drawn down in two equal instalments. Each instalment must be repaid within 12 months from the drawdown date.

The Company received the first loan instalment of SEK 1.5 million (equivalent to AUD 238,289) on 29 January 2016. The amount is repayable by 29 January 2017.

## 27. Joint operations

| Name of project | Principal activity | Interest 2017 % | Interest 2016 % |
|---|---|---|---|
| Pahtohavare (i) | Exploration | – | 65 |
| Lake Johnston (ii) | Exploration | – | 20 |
| Forrestania (ii)(iii) | Exploration | 20 | – |

The Group's interest in assets employed in the above joint operation is included in the consolidated financial statements. The interest in Pahtohavare has been capitalised and forms part of the total assets however the interest in Lake Johnston does not form part of the total assets as the expenditure exploration and evaluation is expensed.

(i) On 27 March 2015 Hannans Ltd announced a joint operation with Lovisagruvan AB (a Swedish mining company) over its Pahtohavare Copper-Gold Project, located near Kiruna, northern Sweden. The terms of the joint venture are as follows:

Consideration:

- Initial payment of SEK 1 million within seven days of signing the agreement.
- Provide the Group with an interest free working capital facility to the value of SEK 4 million if the joint venture proceeds to Stage 2.

Stage Funding:

(i) Stage 1: Lovisagruvan AB (LOVI) pays Hannans SEK 1 million, complete drilling and metallurgical test work within six months to earn 20% interest in Pahtohavare. LOVI is required to provide written notification to the Group if it wishes to continue in the joint venture.

(ii) Stage 2: LOVI prepares to lodge an exploitation concession and environmental permit for Pahtohavare and provide the Group with an interest free working capital facility to the value of SEK 3 million on normal commercial terms to earn further 15% in Pahtohavare.

(iii) Stage 3: Received exploitation concession and environmental permit approval and provide the Group with a Bankable Feasibility Study to earn further 16% in Pahtohavare.

(iv) Stage 4: LOVI delivers the Feasibility Study to the Group to earn further 24% in Pahtohavare.

On 24 November 2015 the Company announced that LOVI has formally notified the Company of its decision to proceed to Stage 2 of the joint venture. As part of their Stage 2 commitment LOVI will prepares to lodge an exploitation concession and environmental permit for Pahtohavare and provide the Group with an interest free working capital facility to the value of SEK 3 million on normal commercial terms to earn further 15% in Pahtohavare. The Company received the first loan instalment of SEK 1.5 million (equivalent to AUD 238,290) on 29 January 2016. The amount is repayable by 29 January 2017.

On 15 September 2016 Hannans held a General Meeting and shareholders approved the equal reduction of capital and a pro rata in-specie distribution of Critical Metals shares to Hannans shareholder. Kiruna Iron AB is part of Critical Metals group. The in-specie distribution was completed on 27 September 2016.

(ii) On 24 June 2014 Hannans Ltd announced a joint operation with NeoMetals Ltd (ASX: NMT) (previously Reed Resources Ltd (ASX: RDR)) over its Lake Johnston nickel sulphide project, located west of Norseman in Western Australia. Hannans has retained 20% interest, free carried through to a Decision to mine.

On 15 September 2016 Hannans held a General Meeting and shareholders approved the issue of 620,833,333 Hannans shares to Neometals Limited in consideration of the acquisition of 100% of the share capital in Reed Exploration Pty Ltd (Reed Exploration). Reed Exploration owns the balance 80% interest in the Lake Johnston Project and Queen Victoria Rocks Project and the non-gold rights at the Forrestania Project. Following the completion of the acquisition on 29 September 2016, Hannans owns 100% of the Lake Johnston Project and Queen Victoria Project, and 100% of the non-gold mineral rights and 20% of the gold rights (free carried) at the Forrestania Project as at the date of this report.

(iii) Reed Exploration entered into a joint venture with Classic Minerals Ltd (Classic) (ASX: CLZ) whereby Reed Exploration retained a 20% interest in the Forrestania gold rights which is free-carried until a decision to mine has been made. Classic is required to meet all exploration expenditure to keep the project in good standing.

### Contingent liabilities and capital commitments

The capital commitments and contingent liabilities arising from the Group's interests in joint operations are disclosed in notes 22 and 23 respectively.

## 28. Related party disclosures

### (a) Equity interests in related parties

**Equity interests in subsidiaries**

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 4 to the financial statements.

**Equity interests in joint operations**

Details of interests in joint operations are disclosed in note 27 to the financial statements.

### (b) Key management personnel (KMP) remuneration

Details of key management personnel remuneration are disclosed in note 7 to the financial statements.

### (c) Loans to key management personnel and their related parties

Errawarra Resources Ltd (Errawarra), of which Mr Damian Hicks is the Chairman and Mr Jonathan Murray and Mr Markus Bachmann are the Non-Executive Directors, received a loan amounting to $50,000. The loan is secured against 100% of Errawarra's rights, title and interest in the agreement executed between Errawarra, Reid Systems Inc and Reid Systems (Australia) Pty Ltd dated on or about 9 February 2016. The interest rate on the outstanding loan amount is at 20% per annum and the loan repayment date is on 1 July 2018. The loan is disclosed in note 11 as a non-current financial asset.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Group to key management personnel and their related parties, and the number of individuals in each group, are as follows:

| | Opening Balance $ | Closing Balance $ | Interest charged $ | Number in group at 30 June |
|---|---|---|---|---|
| **30 Jun 2017** | | | | |
| Total for KMP (i) | – | – | – | – |
| Total for other related parties (ii) | 53,582 | 65,338 | 11,756 | 1 |
| **Total for key management personnel and their related parties 2017** | 53,582 | 65,338 | 11,756 | 1 |
| **30 Jun 2016** | | | | |
| Total for KMP (i) | 168,985 | – | – | – |
| Total for other related parties (ii) | – | 53,582 | 3,582 | 1 |
| **Total for key management personnel and their related parties 2016** | 168,985 | 53,582 | 3,582 | 1 |

(i) On 15 September 2016 Hannans held a General Meeting and shareholders approved to forgive the outstanding loan amount of $168,985 to Damian Hicks. The loan is unrecoverable and was derecognised as a receivable as at 30 June 2016.

(ii) The Company provided a loan facility of $50,000 at an interest rate of 20% per annum to Errawarra Resources Ltd (**Errawarra**), of which Mr Damian Hicks, Mr Jonathan Murray and Mr Markus Bachmann are the Directors. The loan is secured against Errawarra's rights, title and interest in the agreement executed between Errawarra, Reid Systems Inc and Reid Systems (Australia) Pty Ltd. Errawarra made a loan drawdown of $25,000 on 10 February 2016 and a further loan drawdown of $25,000 on 9 March 2016.

## 28. Related party disclosures (cont'd)

### (d) Transactions with other related parties

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

| | | Sales to related parties $ | Purchases from related parties $ | Amounts owed by related parties* $ | Amounts owed to related parties* $ |
|---|---|---|---|---|---|
| **Director transactions** | | | | | |
| Steinepreis Paganin | 2017 | – | 36,354 | – | – |
| | 2016 | – | 43,971 | – | 7,226 |
| Corporate Board Services | 2017 | – | 150,000 | – | – |
| | 2016 | – | – | – | – |
| Amberley Minerals Pty Ltd | 2017 | – | 12,690 | – | – |
| | 2016 | – | – | – | – |

* The amounts are classified as trade receivables and trade payables, respectively.

### (e) Parent entity

The ultimate parent entity in the Group is Hannans Ltd.

## 29. Subsequent events

The following matters or circumstances have arisen since 30 June 2017 that may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

(a) On 15 September 2017 the Company received $200,000 from Mine Builder Pty Ltd as part payment for the acquisition of the North Ironcap Gold Rights. Refer to note 10 for further information.

| | 2017 $ | 2016 $ |
|---|---|---|
| **30. Notes to the statement of cash flows** | | |
| **(a) Reconciliation of cash and cash equivalents** | | |
| For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows: | | |
| Cash and cash at bank | 781,828 | 109,417 |
| Term deposit | 700,000 | 1,315,743 |
| | 1,481,828 | 1,425,160 |
| Cash at bank attributable to assets held for distribution | – | 250,000 |
| | **1,481,828** | **1,675,160** |

## 30. Notes to the statement of cash flows (cont'd)

| | 2017 $ | 2016 $ |
|---|---|---|
| **(b) Reconciliation of loss for the year to net cash flows from operating activities** | | |
| Profit/(Loss) for the year | 11,663,780 | (964,387) |
| Profit on disposal of exploration and evaluation assets | (11,730,140) | – |
| Net gain from settlement of transaction | (910,000) | – |
| Net gain from sale of tenement | (640,000) | – |
| Write off exploration and evaluation expenses | – | 123,945 |
| Impairment of available-for-sale investments | 640 | (900) |
| Depreciation of non–current assets | 11,613 | 18,175 |
| Gain on disposal of shares | – | (325) |
| Gain on sale or disposal of assets | – | (16,043) |
| Broker fees on shares sold | – | 30 |
| Equity settled share-based payments | 195,573 | 42,775 |
| Interest on loan to outside entity | (11,755) | (3,582) |
| Finance charges on leased assets | – | 90 |
| Foreign exchange differences | 48,589 | 23,125 |
| Forgiveness of loan to related party | – | 168,985 |
| Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses: | | |
| Decrease in assets: | | |
| Trade and other receivables | 16,293 | (19,466) |
| Decrease in liabilities: | | |
| Trade and other payables and provisions | (204,645) | 39,844 |
| **Net cash from operating activities** | **(1,560,052)** | **(587,734)** |

**Non–cash investing activities**

| | 2017 $ | 2016 $ |
|---|---|---|
| In-specie distribution of Critical Metals Ltd (refer note 25) | (13,245,562) | – |
| Acquisition of exploration and evaluation asset | 2,688,000 | – |

**Non–cash financing activities**

During the current year, the Group did not enter into any non-cash financing activities which are not reflected in the consolidated statement of cash flows.

## 31. Financial risk management objectives and policies

### (a) Financial risk management objectives

The Group manages the financial risks relating to the operations of the Group.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes although it holds, at 30 June 2017, shares in various other listed mining companies. The use of financial derivatives is governed by the Group's Board of Directors.

The Group's activities expose it primarily to the financial risks of changes in interest rates, but at 30 June 2017 it is also exposed to market price risk. The Group does not enter into derivative financial instruments to manage its exposure to interest rate.

## 31. Financial risk management objectives and policies (cont'd)

### (b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

### (c) Foreign currency risk management

The Group is not exposed to any significant currency risk on receivable, payable or borrowings. All loans are denominated in the Group's functional currency.

### (d) Interest rate risk management

The Group is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate products which also facilitate access to money.

#### Cash flow sensitivity analysis for variable rate instruments

A change of 1 per cent in interest rates at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2016:

| | Profit or Loss | | Equity | |
|---|---|---|---|---|
| | 1% increase | 1% decrease | 1% increase | 1% decrease |
| **2017** | | | | |
| Variable rate instruments | 14,818 | (14,818) | 14,818 | (14,818) |
| Cash flow sensitivity | 14,818 | (14,818) | 14,818 | (14,818) |
| **2016** | | | | |
| Variable rate instruments | 14,252 | (14,252) | 14,252 | (14,252) |
| Cash flow sensitivity | 14,252 | (14,252) | 14,252 | (14,252) |

The following table details the Group's exposure to interest rate risk.

| | | | Fixed maturity dates | | | | |
|---|---|---|---|---|---|---|---|
| Consolidated | Weighted average effective interest rate % | Variable interest rate $ | Less than 1 year $ | 1–5 years $ | 5+ years $ | Non interest bearing $ | Total $ |
| **2017** | | | | | | | |
| **Financial assets:** | | | | | | | |
| Cash and cash equivalents | 1.31% | 1,481,764 | – | – | – | 64 | 1,481,828 |
| Trade and other receivables | – | – | – | – | – | 256,883 | 256,883 |
| Other financial assets | 20.00% | – | 65,338 | – | – | – | 65,338 |
| Other receivables – non-current | 2.30% | 56,000 | | | | | 56,000 |
| | | **1,537,764** | **65,338** | **–** | **–** | **256,947** | **1,860,049** |
| **Financial liabilities:** | | | | | | | |
| Trade and other payables | – | – | – | – | – | 244,317 | 244,317 |
| Other financial liabilities | – | – | 96,290 | 63,555 | – | – | 159,845 |
| | | **–** | **96,290** | **63,555** | **–** | **244,317** | **404,162** |

## 31. Financial risk management objectives and policies (cont'd)

### (d) Interest rate risk management (cont'd)

| Consolidated | Weighted average effective interest rate % | Variable interest rate $ | Fixed maturity dates: Less than 1 year $ | 1–5 years $ | 5+ years $ | Non interest bearing $ | Total $ |
|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | |
| **Financial assets:** | | | | | | | |
| Cash and cash equivalents | 1.73% | 1,425,087 | – | – | – | 73 | 1,425,160 |
| Trade and other receivables | – | – | – | – | – | 71,079 | 71,079 |
| Other receivables – non-current | 2.49% | 56,000 | – | – | – | 0 | 56,000 |
| Loans | – | – | – | – | – | – | – |
| | | 1,481,087 | – | – | – | 71,152 | 1,552,239 |
| **Financial liabilities:** | | | | | | | |
| Trade and other payables | – | – | – | – | – | 830,230 | 830,230 |
| Other financial liabilities | – | – | 34,472 | 119,884 | – | – | 154,356 |
| | – | – | 34,472 | 119,884 | – | 830,230 | 984,586 |

### (e) Liquidity risk

The Group manages liquidity risk by maintaining sufficient cash to meet the operating requirements of the business and investing excess funds in highly liquid, high security short term investments. The Group's liquidity needs can be met through a variety of sources, including cash generated from operations and issue of equity instruments.

The following table details the Group's non-derivative financial instruments according to their contractual maturities. The amounts disclosed are based on contractual undiscounted cash flows.

| | Less than 6 months $ | 6 months to 12 months $ | 1 to 2 years $ | Greater than 2 years $ | Total $ |
|---|---|---|---|---|---|
| **2017** | | | | | |
| Trade and other payables | 244,317 | – | – | – | 244,317 |
| Other financial liabilities | 41,814 | 54,476 | 63,555 | | 159,845 |
| | 286,131 | 54,476 | 63,555 | – | 404,162 |
| **2016** | | | | | |
| Trade and other payables | 830,230 | – | – | – | 830,230 |
| Other financial liabilities | – | 32,472 | 59,942 | 59,942 | 152,356 |
| | 830,230 | 32,472 | 59,942 | 59,942 | 982,586 |

## 31. Financial risk management objectives and policies (cont'd)

### (f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored. The Group measures credit risk on a fair value basis.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group currently does not have any material debtors apart from GST receivable which is claimed at the end of each quarter during the year.

It is a policy of the Group that creditors are paid within 30 days.

### (g) Market price risk

Market risk is the potential for loss arising from adverse movements in the level and volatility of equity prices.

The Group's investments subject to price risk are listed on the Australian Securities Exchange as detailed in note 11. A 1 per cent increase at reporting date in the equity prices would increase the market value of the securities by $6 (2016: $13) and an equal change in the opposite direction would decrease the value by the same amount. The increase/decrease would be reflected in equity as these financial instruments are classified as available-for-sale. The increase/decrease net of deferred tax would be $5 (2016: $9).

### (h) Capital risk management

For the purposes of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent, which at 30 June 2017 was $3,883,759 (30 June 2016: $903,218). The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders.

At 30 June 2017 the Group does not hold any external debt funding (30 June 2016: Nil) and is not subject to any externally imposed covenants in respect of capital management.

## 32. Fair value measurement

The fair value of financial assets and financial liabilities of the Group approximated their carrying amount. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The table below analyses financial instruments carried at fair value by value measurement hierarchy.

| Quantitative disclosures fair value measurement hierarchy as at 30 June | Quoted prices in active market (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
|---|---|---|---|---|
| **2017** | | | | |
| **Assets measured at fair value** | | | | |
| Available-for-sale financial assets (note 11): | | | | |
| Quoted equity shares (i) | 660 | – | – | 660 |
| Unquoted equity shares (ii) | – | – | 1 | 1 |
| | 660 | – | 1 | 661 |
| **2016** | | | | |
| **Assets measured at fair value** | | | | |
| Available-for-sale financial assets (note 11): | | | | |
| Quoted equity shares (i) | 1,300 | – | – | 1,300 |
| Unquoted equity shares (ii) | – | – | 1 | 1 |
| | 1,300 | – | 1 | 1,301 |

## 32. Fair value measurement (cont'd)

The management assessed that cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the financial assets is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair value:

(i) Fair value of available-for-sale financial assets is derived from quoted market prices in active markets. Refer note 31(g) for market price risk impact.

(ii) The historical cost has been used to fair value unquoted ordinary shares. There is no market for the share and the value of the share does not warrant further discount or valuation.

The estimated recoverable amount of the capitalised exploration and evaluation expenditure is classified as level 3 and is sensitive to the movements in the iron ore and copper prices. The valuation methodology undertaken by the Group was determined with reference to comparable exploration companies in the industry and their respective contained iron and copper resource multiples. Refer note 14 for further information.

## 33. Parent entity disclosures

The following details information related to the parent entity, Hannans Ltd, at 30 June 2017.
The information presented here has been prepared using consistent accounting policies as presented in note 2.

| | 2017 $ | 2016 $ |
|---|---|---|
| **Results of the parent entity** | | |
| Loss for the year | (1,741,408) | (502,418) |
| Other comprehensive income | – | – |
| **Total comprehensive income / (loss) for the year** | **(1,741,408)** | **(502,418)** |
| **Financial position of parent entity at year end** | | |
| Current assets | 1,090,336 | 1,621,269 |
| Non–current assets | 2,811,668 | 121,632 |
| **Total Assets** | **3,902,004** | **1,742,901** |
| Current liabilities | 285,258 | 780,861 |
| Non–current liabilities | 63,555 | 119,884 |
| **Total Liabilities** | **348,813** | **900,745** |
| **Total equity of the parent entity comprising of:** | | |
| Share capital | 51,270,709 | 47,013,839 |
| Reserves | 297,378 | 118,155 |
| Accumulated losses | (48,014,896) | (46,289,838) |
| **Total Equity** | **3,553,191** | **842,156** |

### (a) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had not entered into any guarantees in relation to the debts of its subsidiaries as at 30 June 2017 and 30 June 2016.

### (b) Commitments for the acquisition of property, plant and equipment by the parent entity

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.