

HANNANS

3rd Quarter Activities Report 2018/2019

Fast Facts

ASX Code: HNR

Capital Structure

Shares on issue: 1.98 billion

Market cap: \$21.8M (at 1.1c)

Cash: \$2.8M

Debt: Nil

Non-Executive Chairman

Jonathan Murray

Executive Director

Damian Hicks

Non-Executive Directors

Markus Bachmann

Clay Gordon

Amanda Scott

Key Projects

Sole Funded

Forrestania (Nickel & Lithium)

Queen Victoria Rocks (Nickel)

Free-Carried to Decision to Mine

Forrestania (Gold) 20%

Lake Johnston (Nickel & Lithium) 15%

During the 3rd Quarter (January – March 2019) and prior to release of this report:

- ∅ Forrestania (Nickel) – review concluded there is potential to find another high-grade nickel sulphide deposit within the Hannans tenure; workplans lodged to recommence nickel sulphide exploration; joint venture discussions continued;
- ∅ Mt Holland (Lithium) – review of exploration results and strategy completed; work plans lodged to recommence lithium exploration;
- ∅ Corporate (New Projects) – review of nickel-cobalt opportunity completed, resolution made to withdraw expression of interest.

During the 4th Quarter (April – June 2019) Hannans aims to:

- ∅ Forrestania (Nickel) – execute binding joint venture agreement with high quality partner;
- ∅ Mt Holland (Lithium) – complete flora & fauna studies prior to recommencing exploration drilling; and
- ∅ Forrestania (Gold) – review gold exploration results from joint venture partner Classic Minerals Ltd (ASX:CLZ).

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. Since listing on the ASX in 2003 Hannans has at different times 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, visit www.hannansreward.com and search for 'Hannans' on Twitter.

Note

All results and comments included in this Quarterly Report have previously been released to ASX. Please refer to www.hannansreward.com for more information.

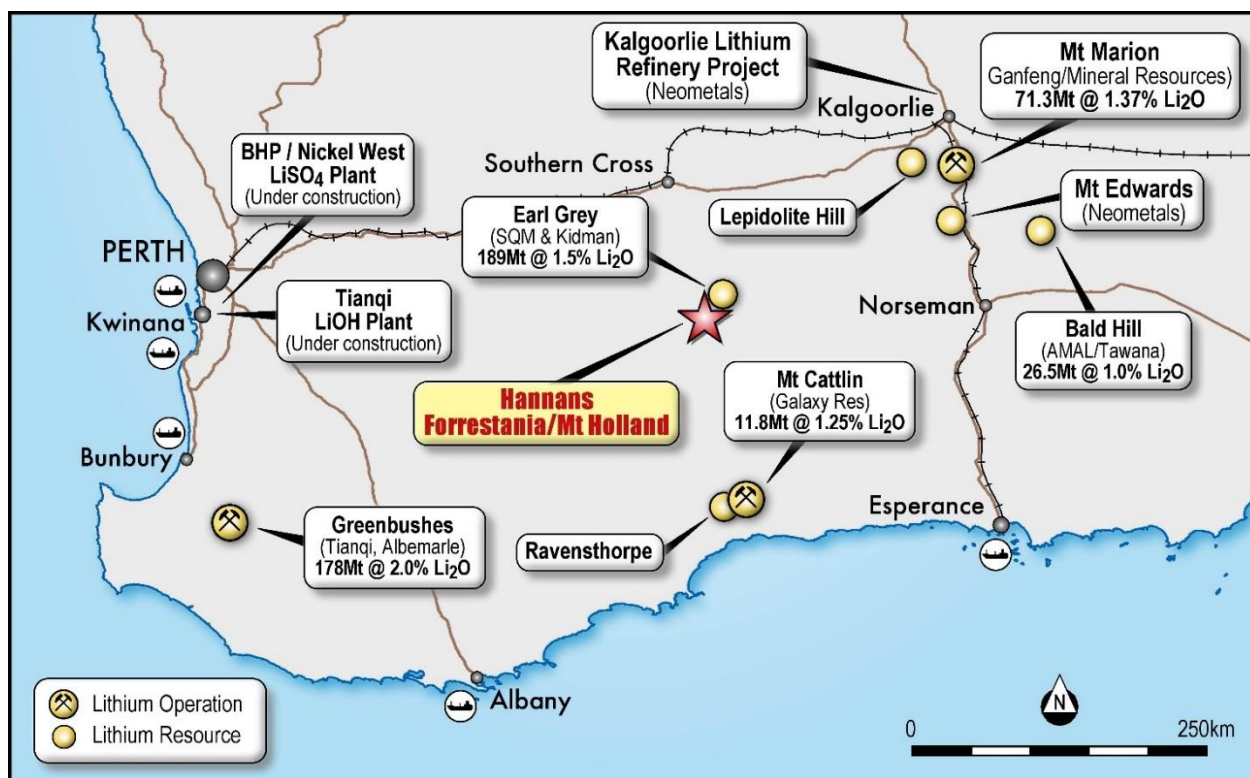


Figure 1: Location Map showing Hannans' Forrestania/Mt Holland Projects and location of major lithium mines and projects in the south-west of Western Australia

Forrestania Nickel Project (Hannans 100%)

By way of background Newexco Exploration Pty Ltd (Newexco) was engaged by Hannans in the 2nd Quarter of 2018/2019 to conduct a review of the nickel sulphide potential of the Forrestania Project, located approximately 120 kilometres south of Southern Cross and 80 kilometres east of Hyden in Western Australia.

The review concluded there is significant potential for additional nickel sulphides to be discovered within the Hannans' tenements at Forrestania. Thirty-two new targets / prospective zones were identified by the review process. The recommended activities include the testing of previously overlooked anomalies present in the existing exploration data, further testing of several areas with significant exploration results and the exploration of areas considered prospective for nickel sulphides that to date are under-explored or unexplored.

With the results of this review firmly in mind the Hannans Board is focussed on ensuring its shareholders retain as much leverage as possible to a future world class nickel discovery at Forrestania.

The purpose of the Newexco engagement was to deliver an objective review of the nickel-sulphide potential of the area based upon the coverage and results of the previous exploration activities. The review consisted of a desk study of all available data that included geology, geochemistry, geophysics drillhole information and previous exploration reports, followed by a discussion of the nickel sulphide potential and recommendations for further work and targeting where appropriate.

Hannans supplied digital data including previous technical reports by various authors. New data from WAMEX (both digital and pre-digital era) was also discovered and incorporated in the review. A brief review of nickel sulphide discoveries deposits and prospects within the Forrestania Belt was also carried out. The purpose of this was to describe the varied geological and structural settings of economic nickel sulphide mineralisation that might be expected at Forrestania.

From the 1970 nickel sulphides have been explored for and discovered / evaluated and mined by Amax, Metals X, Outokumpu, Western Areas and other minor players. Four of these deposits were mined and two world class deposits (Flying Fox & Spotted Quoll) are currently being mined by Western Areas. Newexco have been associated with nickel sulphide exploration at Forrestania for over twenty years and have a good understanding of the surface and drillhole expressions and subtleties of the nickel sulphides at Forrestania.

Mt Holland Lithium Project (Hannans 100%)

The Mt Holland Lithium Project is located adjacent to Earl Grey, one of the most significant hard rock lithium deposits in the world jointly owned by New York Stock Exchange listed SQM and ASX listed Kidman Resources Ltd. Earl Grey will underpin a world-class long-life integrated lithium project.¹ Hannans' exploration goal at Mt Holland is to discover a lithium deposit comparable to Earl Grey.

Hannans' major shareholder is Neometals Ltd, a leading Australian specialty minerals company. Dr Bryan Smith is a consulting exploration geoscientist to both Neometals and Hannans, was previously responsible for exploration at the Mt Marion lithium project and is overseeing exploration at Mt Holland. The exploration strategy at Mt Holland is at an early stage and further substantive drilling (both from a coverage and depth perspective) is required to effectively test the project.

Hannans notes that:

- the potential of the greater Mt Holland area to host globally significant hard rock lithium deposits is confirmed simply by the presence of the Earl Grey and Bounty lithium deposits²;
- there are large areas of prospective tenure within the Hannans' project that remain unexplored³;
- elevated lithium and lithium pathfinder elements (caesium, bismuth, beryllium, tantalum and tungsten) identified at Mt Holland East require validation;
- despite intersecting pegmatites in aircore and reverse circulation drilling at Mt Holland West, to date there has been no indication in the analyses of fertile pegmatites⁴;
- the exploration model for locating pegmatites 'under cover' as opposed to 'outcropping at surface' is evolving;
- the top 50m from surface is generally very weathered, and covered by windblown sands and vegetation making it difficult to visually identify pegmatites at surface; and
- reconnaissance exploration drilling has so far been confined to pre-existing cleared lines to reduce exploration costs and disturbance to the vegetation.

Hannans' exploration model is based on:

- targets located within a 10 km radius of late stage fertile granitoids.
- reliance on the best geological interpretation of aeromagnetic data for defining granitoids, greenstones and structures; and
- interpretations of data from weathered samples recognizing the high mobility of lithium in the weathered zone.

Mt Holland East (MHE)⁵

Hannans has completed its 1st phase of reconnaissance drilling across ten structural targets at Mt Holland East. The three tenements targeted in this 1st phase of drilling cover an area of 250km². Each of the twelve traverses were kilometres apart and confined to pre-existing tracks to reduce costs and disturbance to the vegetation. The program comprised 169 AC holes for a total of 5,400m drilled. The holes were 100m apart on each traverse and the average hole depth was 31m. The aim of the program was to penetrate through the weathered horizon and intersect the top of the underlying fresh rock (saprolite) to assist with refining the geological map and testing structural targets.

In two locations along the western drill traverses there were elevated lithium results (relative to background) that occur in saprolitic material. Furthermore, there were corresponding elevated levels of lithium pegmatite associated elements including caesium, bismuth, beryllium, tantalum and tungsten.⁶ Whether this anomalous geochemistry is indicative of nearby lithium-bearing pegmatites, or simply related to variations in the geochemistry of the granitoids is undetermined. Areas surrounding these locations with elevated geochemistry will be investigated further to locate pegmatites within proximity. The elevated levels of lithium and associated elements are located within the 3-5km target zone from the

¹ Refer kidmanresources.com.au

² Owned by Kidman Resources and SQM, not Hannans.

³ Total direct exploration expenditure (excluding application fees, tenement rent, shire rates and administration) by Hannans at Mt Holland to date is ~\$1.1M.

⁴ The host to the lithium mineralisation.

⁵ Results released by Hannans Ltd to ASX on 24 January 2019.

⁶ Hole IDs MHEAC35, 36, 37, 38, 50 and 97 (refer JORC Table for coordinates)

potential source granite (refer Figure 2 on page 4).⁷ There was nothing visually unique to note in the bottom-of-hole chips corresponding with the anomalous samples and no pegmatites were observed in the drill chips from the first AC program.

Importantly drilling confirmed the structural interpretation of the geology (based on a geophysical survey flown by Hannans in January 2018) with only minor amendments to interpreted rock units.

Mt Holland West (MHW)

Mt Holland West contains more than 12 kms of strike potential and the most recent four drill traverses of AC holes added to Hannans understanding the project.

Hannans completed its 5th phase of drilling at MHW, following completion of two rounds of rotary air blast (RAB) / aircore (AC) and two rounds of reverse circulation (RC).⁸ The AC program comprised 28 holes for a total of 1,878m drilled. The holes were 50m apart on each traverse and the average hole depth was 75m.

Whilst the four drill traverses were not within the preferred target zone for testing pegmatites (i.e. 3-5km from the potential source granite) they were designed to test an area where historic explorers reported intersecting pegmatites in RAB drilling. Pegmatites were confirmed however no significant lithium mineralisation was contained within the pegmatites.

Reconnaissance field work was completed on tenement E77/2460 located 18km due south of Earl Grey. This tenement is considered with the 3-5km target zone from the edge of a potential source granite (located 3kms to the east). The field work determined that due to the thick vegetation, clearing will be required to assess the geology and check the potential for any pegmatites at surface. A workplan has been lodged and historic flora and fauna surveys are being reviewed as part of the process to obtain approval to clear access tracks for exploration.

Forrestania Gold (Hannans 20% Free-Carried)

Hannans joint venture partner Classic Minerals Ltd (Classic) has continued exploration at the Forrestania Gold Project (FGP). Hannans holds a 20% free carried interest in the FGP (excluding Lady Lila and Kat Gap) meaning Hannans shareholders are exposed to exploration success without the need to fund exploration.

ASX ANNOUNCEMENTS FOR 3rd QUARTER 2018/2019

Date	Announcement
08/03/2019	Half Year Financial Report
20/02/2019	High Priority Nickel Sulphide Targets
01/02/2019	2 nd Quarter Activities Report
30/01/2019	2 nd Quarter Cashflow Report
24/01/2019	Mt Holland Update

Table 2: ASX Announcements between the period 1 January 2019 to 31 March 2019

⁷ Refer page 4 of Hannans ASX release dated 25 October 2018 for an explanation of the model.

⁸ Refer <https://www.hannansreward.com/reports/2018-10-25-6532-HannansMth.pdf>

CONTACT DETAILS

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COMPLIANCE STATEMENT

The information in this document that relates to exploration results at Forrestania is based on information compiled by Dr Bryan Smith, a Competent Person who is a Member of the Australian Institute of Geoscientists. Dr Smith is a consultant to Hannans Ltd and its subsidiary companies. Dr Smith 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). Dr Smith consents to the inclusion in the report of the matters based on his information in the form and context to which it appears.

APPENDIX A – TENEMENT STATUS FOR 3rd QUARTER 2018/2019

CURRENT TENEMENTS

Tenement number	Interest 3 rd Quarter 2018/2019		Note	Tenement number	Interest 3 rd Quarter 2018/2019		Note
	Start	End			Start	End	
HR FORRESTANIA PTY LTD							
Location: Forrestania, Australia							
E77/2460	100%	100%					
REED EXPLORATION PTY LTD ¹							
Location: Queen Victoria Rocks, Australia				Location: Lake Hope, Australia			
E15/1416	100%	100%		E63/1865	100%	100%	
				Location: Sandalwood Rocks, Australia			
				E63/1897	0%	100%	
Location: Forrestania, Australia							
E77/2207-I	100%	100%	1	P77/4291	100%	100%	1
E77/2219-I	100%	100%	1	E77/2488	100%	100%	
E77/2220-I	100%	100%	1	E77/2489	100%	100%	
E77/2239-I	100%	100%	1	E77/2498	100%	100%	
E77/2303	100%	100%	1	E77/2520	100%	100%	
P77/4290	100%	100%	1	E77/2545	100%	100%	

Note:

- 1 Reed Exploration Pty Ltd (REX) is a wholly owned subsidiary of Hannans Ltd. REX is the registered holder of the tenements. REX holds a 100% interest in all minerals excluding gold. REX holds a 20% free-carried interest in the gold rights.

TENEMENTS UNDER APPLICATION

Tenement number
REED EXPLORATION PTY LTD
Location: Forrestania, Australia
E77/2546
E77/2579

RELINQUISHED, REDUCED OR LAPSED TENEMENTS

Nil.