HANNANS
LTD

ABN 52 099 862 129

Financial Report for the half-year ended 31 December 2019

www.hannans.com

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CORPORATE DIRECTORY

Board of Directors

Non-Executive Chairman	Mr Jonathan Murray	**Company Secretary**	Mr Ian Gregory
Executive Director	Mr Damian Hicks		
Non-Executive Director	Mr Markus Bachmann		
Non-Executive Director	Mr Clay Gordon		
Non-Executive Director	Ms Amanda Scott		

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DIRECTORS' REPORT

The Directors of Hannans Ltd (**Hannans**, **Group** or **Company**) submit the financial report for the half-year ended 31 December 2019. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

The names of the Directors of the Company who have held office during and since the end of the half-year are:

Non-Executive Chairman
Mr Jonathan Murray

Executive Director
Mr Damian Hicks

Non-Executive Directors
Mr Markus Bachmann
Mr Clay Gordon
Ms Amanda Scott

The Directors held their position throughout the entire half-year period and up to the date of this report unless stated otherwise.

Principal activities
The principal activity of the Group during the half-year period was exploration and evaluation of mineral interests.

Results
The consolidated net loss of the Group for the half-year period after income tax expense was $1,028,397 (31 Dec 2018: loss $1,490,131).

Review of operations

Nickel
The Forrestania Nickel Project ("FNP"), is located approximately 120km south of Southern Cross and 80kms east of Hyden, in the Goldfields region of Western Australia. The FNP is located adjacent to, and north of the word class Flying Fox nickel sulphide mine.

Independent consulting firm Newexco Exploration Pty Ltd ("Newexco") have been involved with several economic base metals discoveries (including Flying Fox and Spotted Quoll) and they are responsible for developing and implementing the exploration strategy at the FNP.

Hannans is now implementing the recommendations made by Newexco which involves the application of geological, geophysical and geochemical methods in areas where a significant amount of data has already been collected, areas that are less data rich and areas where there been minimal historic exploration.

This is a disciplined process that is ongoing with the aim of making a discovery of economic high grade nickel sulphide mineralisation.

Lithium
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 Wesfarmers Ltd. Earl Grey will underpin a world-class long-life integrated lithium project however due to a fall in the price for lithium this major project has been delayed for at least one year. Hannans' exploration goal at Mt Holland is to discover a lithium deposit comparable to Earl Grey.

Hannans' lithium 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.

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 deposits ;
- there are large areas of prospective tenure within the Hannans' project that remain unexplored ;
- 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 pegmatites. Diamond drill holes have been approved to drill beneath the most interesting chemistry identified at Mt Holland West; and
- 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.

Gold and Nickel-Copper

The Moogie Gold and Nickel-Copper-PGE Project ("Moogie") is located ~260kms north-west of Meekatharra and 270kms east of Carnarvon, in the Gascoyne Region of Western Australia. Moogie covers the intersection of major structures and Hannans is focussed on discovering a large, long life, low cost gold and or nickel-copper deposit. The Glenburgh gold deposit owned by Gascoyne Resources Ltd is located ~7kms due south of Hannans new tenement applications.

Hannans completed a detailed airborne magnetic survey (11,500 line kms in total) during December 2019, an interpretation of the magnetic data in Janaury 2020 and a reconnaisance field visit in February 2020.

Gold

Hannans joint venture partner on the Forrestania Gold Project (FGP) is ASX listed exploration company Classic Minerals Ltd (ASX:CLZ). The FGP is located approximately 120km south of Southern Cross in the Goldfields region of Western Australia.

Hannans owns a 20% interest in the FGP meaning the Company is not required to fund any activities until a decision to mine has been made. Hannans shareholders therefore remain exposed to the upside on the FGP without the requirement to fund exploration.

Classic Minerals plans to release a scoping study for the FGP mid 2020.

Corporate

Hannans held its Annual General Meeting and all resolutions were passed on a show of hands. The majority of proxy votes cast were in favour of resolutions. The Annual Report 2019 was lodged with the ASIC and ASX in accordance with required timeframes. The total shares on issue is now 1,987,954,539.

Subsequent events

The below matters or circumstances have arisen since 31 December 2019 that may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

(a) On 13 January 2020 the Company participated in Critical Metals Ltd capital raising by converting $115,000 a loan facility into equity in Critical Metals Ltd at a price of $0.20 per share.

Auditor's independence declaration

The auditor's independence declaration is included on page 5 and forms part of the Directors' report for the six months ended 31 December 2019.

Signed in accordance with a resolution of directors.

On behalf of the Directors

Damian Hicks

Damian Hicks
Executive Director
12 March 2020

DIRECTORS' DECLARATION

The Directors declare that in the Directors' opinion:

(a) subject to the achievement of matters noted in note 2(a), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Australian Accounting Standard AASB 134 and the *Corporations Regulations 2001* as disclosed in note 2 and giving a true and fair view of the financial position and performance of the consolidated entity for the half-year ended 31 December 2019.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Damian Hicks

Damian Hicks
Executive Director
Perth, Western Australia this 12th of March 2020

Building a better working world

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Auditor's Independence Declaration to the Directors of Hannans Ltd

As lead auditor for the review of Hannans Ltd for the half-year ended 31 December 2019, 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 review; and

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

This declaration is in respect of Hannans Ltd and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

V L Hoang
Partner
12 March 2020

MH:DA:HNR:004

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Independent auditor's review report to the members of Hannans Ltd

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Hannans Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2019 and of its consolidated financial performance for the half-year ended on that date.

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 2(a) of the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

MH:DA:HNR:005

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

V L Hoang
Partner
Perth
12 March 2020

MH:DA:HNR:005

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half-year ended 31 December 2019

	Note	Half-year ended 31 Dec 2019 $	Half-year ended 31 Dec 2018 $
Continuing operations			
Other income		28,773	47,330
Employee and contractors expenses		(235,056)	(324,267)
Depreciation expense		(2,135)	(1,433)
Consultants expenses		(112,544)	(93,215)
Occupancy expenses		(1,375)	(1,500)
Marketing expenses		(4,463)	(4,164)
Exploration and evaluation expenses		(619,700)	(630,928)
Write off exploration and evaluation expenses		–	(404,000)
Other expenses		(81,897)	(77,954)
Loss from continuing operations before income tax benefit		**(1,028,397)**	**(1,490,131)**
Income tax benefit		–	–
Loss attributable to members of the parent entity		**(1,028,397)**	**(1,490,131)**
Other comprehensive income for the period		–	–
Total comprehensive loss for the period		**(1,028,397)**	**(1,490,131)**
Net loss attributable to the parent entity		**(1,028,397)**	**(1,490,131)**
Total comprehensive loss attributable to the parent entity		**(1,028,397)**	**(1,490,131)**
Loss per share:			
Basic (cents per share)		(0.05)	(0.08)
Diluted (cents per share)		(0.05)	(0.08)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	31 Dec 2019 $	30 Jun 2019 $
Current assets			
Cash and cash equivalents		1,845,918	2,686,790
Trade and other receivables	3	84,028	86,461
Other financial assets at fair value through profit and loss	4	119,402	1,985
Total current assets		**2,049,348**	**2,775,236**
Non–current assets			
Other receivables		56,000	56,000
Property, plant and equipment		25,401	27,536
Other financial assets at fair value through profit and loss	4	–	–
Capitalised mineral exploration and evaluation expenditure	5	2,256,000	2,256,000
Total non–current assets		**2,337,401**	**2,339,536**
TOTAL ASSETS		**4,386,749**	**5,114,772**
Current liabilities			
Trade and other payables	6	346,779	125,617
Provisions	7	10,069	–
Total current liabilities		**356,848**	**125,617**
TOTAL LIABILITIES		**356,848**	**125,617**
NET ASSETS		**4,029,901**	**4,989,155**
Equity			
Issued capital	8	40,872,810	40,872,810
Reserves	9	1,092,358	1,061,897
Accumulated losses	10	(37,935,267)	(36,945,552)
TOTAL EQUITY		**4,029,901**	**4,989,155**

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2019

	Attributable to equity holders			
For the half-year ended 31 December 2019	**Issued Capital $**	**Option Reserves $**	**Accumulated Losses $**	**Total Equity $**
Balance as at 1 July 2019	40,872,810	1,061,897	(36,945,552)	4,989,155
Total comprehensive income				
Loss for the period	–	–	(1,028,397)	(1,028,397)
Other comprehensive income/(loss) for the period	–	–	–	–
Total comprehensive loss for the period	–	–	(1,028,397)	(1,028,397)
Transactions with owners recorded direct to equity				
Share based payments	–	69,143	–	69,143
Exercise/lapse of options	–	(38,682)	38,682	–
Total transactions with owners	–	30,461	38,682	69,143
Balance as at 31 December 2019	**40,872,810**	**1,092,358**	**(37,935,267)**	**4,029,901**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2019

	Attributable to equity holders				
For the half-year ended 31 December 2018	**Issued capital $**	**Option Reserves $**	**Revaluation Reserves $**	**Accumulated Losses $**	**Total Equity $**
Balance as at 1 July 2018	40,840,777	838,321	–	(34,890,791)	6,788,307
Total comprehensive income					
Loss for the period	–	–	–	(1,490,131)	(1,490,131)
Other comprehensive income for the period	–	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	–	(1,490,131)	(1,490,131)
Transactions with owners recorded direct to equity					
Share based payments	–	174,317	–	–	174,317
Exercise/lapse of options	38,250	(30,802)	–	30,802	38,250
Share issue expense	(5,652)	–	–	–	(5,652)
Total transactions with owners	32,598	143,515	–	30,802	206,915
Balance as at 31 December 2018	**40,873,375**	**981,836**	**–**	**(36,350,120)**	**5,505,091**

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

for the half-year ended 31 December 2019

	Half-year ended 31 Dec 2019 $	Half-year ended 31 Dec 2018 $
Cash flows from operating activities		
Payments for exploration and evaluation	(451,836)	(540,252)
Payments to suppliers and employees	(288,439)	(422,809)
Interest received	17,653	24,656
Net cash used in operating activities	(722,622)	**(938,405)**
Cash flows from investing activities		
Payment for purchase of investment securities	(3,250)	–
Amount advanced to outside entities	(115,000)	–
Repayment of loans from outside entities	–	–
Payment for property, plant and equipment	–	(30,225)
Net cash used in investing activities	**(118,250)**	**(30,225)**
Cash flows from financing activities		
Proceeds from exercise of options	–	38,250
Payment for share issue costs	–	(5,652)
Net cash received in financing activities	**–**	**32,598**
Net decrease in cash and cash equivalents	**(840,872)**	**(936,032)**
Cash and cash equivalents at the beginning of the financial period	**2,686,790**	**4,082,079**
Cash and cash equivalents at the end of the financial period	**1,845,918**	**3,146,047**

The accompanying notes form part of the financial statements.

1. Reporting Entity

Hannans Ltd (**Hannans** or **the Company**) is a company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Securities Exchange. The consolidated half-year financial report of the Group as at and for the six months ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as **the Group**).

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

The financial report of Hannans for the half-year ended 31 December 2019 was authorised for issue by the Directors on 12 March 2020.

The nature of the operations and principal activities of the consolidated entity are described in the Directors' Report.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2019 is available upon request from the Company's registered office or at www.hannans.com.

2. Basis of preparation and changes to the accounting policies

(a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2019 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and considered together with any public announcements made by the Company during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The half-year financial report has been prepared on a historical cost basis except for financial assets which are measured at fair value through profit and loss.

Apart from the changes in accounting policy in note 2(b), the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Going concern basis of preparation

The Group recorded a loss of $993,392 (31 Dec 2018: $1,490,131) for the half-year ended 31 December 2019 and had a net cash outflow from operating and investing activities of $840,872 (31 Dec 2018: $936,032 net outflow) for the half-year ended 31 December 2019. The Group had cash and cash equivalents at 31 December 2019 of $1,845,918 (30 Jun 2019: $2,686,790) and has a working capital surplus of $1,692,500 (30 Jun 2019: $2,649,619 surplus).

The Group's cashflow forecast for the period ended 1 February 2020 to 31 March 2021 reflects that the Group will need to raise additional working capital during the quarter ending 31 December 2020 to enable the Group to continue to meet its current committed administration and exploration expenditure.

Notwithstanding the above matters, the Directors are satisfied they will be able to raise additional working capital as required and thus it is appropriate to prepare the financial statements on a going concern basis. In arriving at this position the Directors have considered the following pertinent matters:

- The planned exploration expenditure is staged and expenditure may or may not be spent depending on the result of the prior exploration stage; and
- The Directors are satisfied that they will be able to raise additional funds by either an equity raising and/or implementation of joint ventures agreements to fund ongoing exploration commitments and for working capital.

In the event that the Group is unable to raise additional funds to meet the Group's ongoing working capital requirements when required, there is a significant uncertainty as to whether the Group will be able to meet its debts as and when they fall due and thus continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

2. Basis of preparation and changes to the accounting policies (cont'd)

(b) Changes in accounting policies

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim 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 2019, other than the adoption of additional accounting policies set out below.

All other new standards and interpretations effective from 1 July 2019 were adopted with the main impact being disclosure changes. The adoption of the new or amended standards and interpretations, other than AASB 16 Leases, did not result in any significant changes to the Group's accounting policies. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

AASB 16: Leases

The application date of AASB 16 for the Group was 1 July 2019. AASB 16 was issued in January 2016 and it replaces AASB 117 Leases ("AASB l 17"), AASB Interpretation 4 Determining whether an Arrangement contains a Lease ("AASB Interpretation 4"), AASB Interpretation-1 15 Operating Leases-Incentives ("AASB Interpretation 1 15") and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease ("AASB Interpretation 127"). AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. At the commencement date of a lease, a lessee recognises a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less).

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. At the transition date, the Group assessed all contracts including those which had assets embedded in it for leases under AASB 16. The Group elected to use the practical expedient for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases").

Adoption of AASB 16 did not have an impact as the Group's leases had a lease term of shorter than 12 months or were leases of 'low-value' assets.

Classification and measurement

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term (where the entity does not have a purchase option at the end of the lease term). Right-of-use assets are subject to impairment.

(ii) Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(iii) Short-term leases and Low Value Assets

The Group applies the short-term lease recognition exemption to its short-term leases of their Office Spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption (i.e. below $5,000). Lease payments on short-term leases and leases of low-value assets are expensed on a straight-line basis over the lease term.

	31 Dec 2019 $	30 Jun 2019 $
3. Current trade and other receivables		
Trade receivables (i)	3,305	3,360
Net goods and services tax (GST) receivable	45,359	14,794
Other receivable	35,364	68,307
	84,028	**86,461**

(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 receivables are paid within the credit timeframe.

4. Other financial assets at fair value through profit and loss

	31 Dec 2019 $	30 Jun 2019 $
Current		
Equity instruments		
Quoted equity shares (i)	4,401	1,984
Unquoted equity shares (ii)	1	1
Loan		
Loan to a director related entity (iii)	115,000	–
	119,402	**1,985**
Non-current		
Loan		
Loan to a director related entity (iv)	–	–
	–	**–**

(i) Investments in listed entities include the following:
   (a) 277,778 ordinary fully paid shares in Metalicity Limited and
       138,889 unlisted options exercisable at $0.08 on or before 18 August 2020;
   (b) 20,000 ordinary fully paid shares in Ultracharge Limited; and
   (c) 25,000 ordinary fully paid shares in S2 Resources Limited.

(ii) Hannans holds 1 share at $1 in Equity & Royalty Investments Ltd (**ERI**). ERI 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) Critical Metals Ltd (**CMS**), of which Mr Damian Hicks, Mr Jonathan Murray, and Mr Markus Bachmann are the Directors, was provided with a short term loan facility of $125,000 at an interest rate of 12% per annum. The loan is unsecured. CMS has drawndown $115,000 on the loan facility. Interest accrued to 31 December 2019 amounted to $4,783 (31 Dec 2018: $Nil) and was fully repaid on 20 December 2019. On 13 January 2020 the Company participated in CMS capital raising by converting the loan amount of $115,000 at a share price of $0.20 per share on an arm's length deal. The settlement of the loan was completed at the fair value of $115,000 subsequent to 31 December 2019. Refer to note 13(i) and 16 for further information.

The fair value of the CMS loan is measured using a discount cash flow model with inputs that reflect the timing and credit risk of the cash flows (level 3 financial asset) refer to note 15.

(iv) Errawarra Resources 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 12.5% 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. The loan is repayable by Errawarra on 1 July 2020. Refer to note 13(i) for further information.

The fair value of the Errawarra loan is measured using a discount cash flow model with inputs that reflect the timing and credit risk of the cash flows (level 3 financial asset) refer to note 15.

		31 Dec 2019 $	30 Jun 2019 $
5.	**Capitalised mineral exploration and evaluation expenditure**		
	Balance at beginning of financial period	2,256,000	2,660,000
	LESS: Write off costs	–	(404,000)
	Balance at end of financial period	2,256,000	2,256,000

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the continuance of the consolidated entities right to tenure of the interest, the results of future exploration and the successful development and commercial exploration, or alternatively, sale of the respective area of interest. For those areas of interest de-recognised during the half year, exploration results indicates the subsequent successful development and commercial exploration may be unlikely and the decision was made to discontinue activities in these areas, resulting in full de recognition of the capitalised exploration and evaluation in relation to the related areas of interest.

6. Current trade and other payables

	31 Dec 2019 $	30 Jun 2019 $
Trade payables (i)	223,871	20,566
Accruals	84,350	98,667
Other payable	38,558	6,384
	346,779	125,617

(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.

7. Provisions

	31 Dec 2019 $	30 Jun 2019 $
Current		
Employee benefits	10,069	–
	10,069	–

	Employee benefits $	Total $
Balance at 1 July 2019	–	–
Increased during the period	10,069	10,069
Balance at 31 December 2019	10,069	10,069

8. Issued capital

	31 Dec 2019 $	30 Jun 2019 $
1,987,954,539 fully paid ordinary shares (2019: 1,987,954,539)	40,872,810	40,872,810
	40,872,810	40,872,810

	31 Dec 2019		30 Jun 2019	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at beginning of financial period	1,987,954,539	40,872,810	1,980,304,538	40,840,777
Exercise of options to shares - 20 November 2018	–	–	7,650,001	38,250
Share issue costs		–		(6,217)
Balance at end of financial period	1,987,954,539	40,872,810	1,987,954,539	40,872,810

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

9. Reserves

	31 Dec 2019 $	30 Jun 2019 $
Balance at the beginning of the financial period	1,061,897	838,321
Share based payment expense	69,143	254,378
Lapse/exercise of options	(38,682)	(30,802)
Balance at the end of the period	1,092,358	1,061,897
The balance of reserves is made up as follows:		
Option reserve	1,092,358	1,061,897
	1,092,358	1,061,897

Share options

As at 31 December 2019, options over 108,655,848 (Jun 2019: 117,172,512) ordinary shares in aggregate are as follow:

Issuing entity	No of shares under option	Class of shares	Exercise price of option	Expiry date of option
Hannans Ltd	21,155,848	Ordinary	2.7 cents each	15 Sep 2020
Hannans Ltd	28,000,000	Ordinary	2.6 cents each	27 Oct 2020
Hannans Ltd	28,000,000	Ordinary	1.8 cents each	27 Oct 2021
Hannans Ltd	28,000,000	Ordinary	1.5 cents each	27 Oct 2022
Hannans Ltd	3,500,000	Ordinary	1.5 cents each	19 Nov 2022

Share options are all unlisted, carry no rights to dividends and no voting rights. A total of 12,016,664 lapsed during the period.

10. Accumulated losses

	31 Dec 2019 $	30 Jun 2019 $
Balance at the beginning of the financial period	(36,945,552)	(34,890,791)
Loss attributable to members of the parent entity	(1,028,397)	(2,085,563)
Items of other comprehensive income recognised directly in retained earnings		
Options lapsed/exercised	38,682	30,802
Balance at the end of the financial period	(37,935,267)	(36,945,552)

11. Contingencies and commitments

In early 2013, the Office of State Revenue (‘OSR’) 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.

12. Segment reporting

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. The Group operates in the mineral exploration industry in Australia. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

13. Related party disclosures

(a) Loans to key management personnel (**KMP**) and their related parties

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

	Opening balance $	Closing balance $	Interest charged $	Number in group
31 Dec 2019				
Total for KMP				
Total for other related parties (i)(ii)	–	115,000	4,783	2
Total for KMP and their related parties	–	115,000	4,783	2
30 Jun 2019				
Total for KMP	–	–	–	–
Total for other related parties (i)	79,672	–	–	1
Total for KMP and their related parties	79,672	–	–	1

(i) Errawarra Resources 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 12.5% 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 31 December 2019 amounts to $6,232 (31 Dec 2018: $8,307). The loan is repayable by Errawarra on 1 July 2020. Refer to note 4 for further information.

(ii) Critical Metals Ltd (**CMS**), of which Mr Damian Hicks, Mr Jonathan Murray, and Mr Markus Bachmann are the Directors, was provided with a short term loan facility of $125,000 at an interest rate of 12% per annum. The loan is unsecured. CMS has drawndown $115,000 on the loan facility. Interest accrued to 31 December 2019 amounts to $4,783 (31 Dec 2018: $Nil) and was fully repaid on 20 December 2019. The loan is repayable by CMS on 30 June 2020. On 13 January 2020 the Company participated in CMS capital raising by converting the loan amount of $115,000 at a share price of $0.20 per share on an arm's length deal. The settlement of the loan was completed at the fair value of $115,000 subsequent to 31 December 2019. (refer note 4 and 16)

14. Share-based payment

The following share-based payment arrangements existed at 31 December 2019:

On 15 September 2016 Hannans shareholders approved the issue of ordinary shares in lieu of the directors' and company secretary's outstanding salary and fees totalling $380,806, 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. On 14 November 2016 the shareholders approved 21,155,848 share options were issued to Directors.

On 27 October 2017 Hannans shareholders approved the issue of 84,000,000 share options to directors of the Group.

On 19 November 2019 the Company issued 3,500,000 unlisted options to an unrelated third party.

There following unlisted options were issued during the period.

Option series	Number	Grant date	Expiry date	Exercise price (cents)
19 November 2019	3,500,000	19 November 2019	19 November 2022	1.5

The fair value of the options granted is issued and valued at the date of grant using the Black Scholes model for the option series 19 November 2019. There is no cash settlement of the options.

15. Financial instruments

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	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
31 Dec 2019				
Assets measured at fair value				
Equity instruments (note 4):				
Quoted equity shares (i)	4,401	–	–	4,401
Unquoted equity shares (ii)	–	–	1	1
Loan to a director related entity (note 4)	–	–	115,000	115,000
	4,401	–	115,001	119,402
30 Jun 2019				
Assets measured at fair value				
Available-for-sale financial assets:				
Quoted equity shares (i)	1,984	–	–	1,984
Unquoted equity shares (iii)	–	–	1	1
	1,984	–	1	1,985

The management assessed that cash and short-term deposits, trade receivables, trade payables, related party loans 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 quoted equity shares is derived from quoted market prices in active markets.

(ii) Fair value of unquoted equity shares is derived from the adjusted net asset method.

(iii) 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.

16. Subsequent events

The following matters or circumstances have arisen since 31 December 2019 that may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

(a) On 13 January 2020 the Company participated in Critical Metals Ltd capital raising by converting $115,000 a loan facility into equity in Critical Metals Ltd at a price of $0.20 per share.