

# HANNANS

4 March 2016

ASX & MEDIA ANNOUNCEMENT

## Strategic Collaboration with Neometals

- Neometals to provide lithium knowledge and technical assistance to advance European lithium opportunities identified by Hannans
- Hannans shareholders to receive pro-rata issue of shares in unlisted subsidiary company with European lithium focus that will be demerged from Hannans
- Neometals to subscribe for \$250,000 placement in Hannans and appoint a nominee to the Hannans Board of Directors
- Hannans will return focus to gold and nickel exploration in Western Australia only by consolidating ownership of the Neometals gold and nickel joint venture
- Hannans to complete \$1.25 million capital raising with 20% being underwritten by Neometals
- Completion of capital raisings and consolidation of Neometals joint venture will leave Hannans funded for the current work program until 2018 with ~\$2.5 million cash

Hannans Reward Ltd (Hannans) (ASX:HNR) is pleased to advise that it has entered into a strategic collaboration with leading Australian specialty metals company Neometals Ltd (Neometals) (ASX:NMT).

The collaboration provides for Hannans' unlisted subsidiary company Scandinavian Resources (SCR) and Neometals to enter into a lithium knowledge and technical assistance agreement to identify and advance European lithium opportunities. Subject to shareholder approval, Hannans' plans to demerge the unlisted SCR by making a pro-rata issue of shares to Hannans shareholders. Neometals will become one of SCR's largest shareholders with a 13.5% stake as part of the lithium knowledge and assistance agreement. SCR plans to immediately commence discussions with parties that have the potential to become partners in the rapid implementation of the European lithium strategy.

Neometals has agreed to immediately subscribe for 62.5 million shares in Hannans priced at the current market price of 0.4 cents per share to raise \$250,000, with 31.25 million options in Hannans exercisable at 0.4 cents within the next two years.

The transaction will also result in Hannans returning its focus to nickel and gold exploration in Western Australia only. Hannans will assume management control and ownership of the Neometals gold and nickel joint venture projects including Forrestania, Lake Johnston and Queen Victoria Rocks. Hannans is also obliged to complete a \$1.25 million capital raising with Neometals underwriting the final \$250,000 (Gold and Nickel Transaction).

Commenting on the transaction, Hannans' Managing Director Damian Hicks said:

"This strategic collaboration with Neometals is a fantastic outcome for Hannans shareholders. The demerger of our Swedish projects into a separate unlisted vehicle will enable a dedicated team to take advantage of the significant opportunities we are seeing in European lithium. In Neometals – a proven lithium project developer and soon-to-be producer – we have found the ideal partner which will enable Scandinavian Resources to accelerate this strategy."

“The consolidation of ownership of the gold and nickel projects and planned capital raising will also enable Hannans to return its core focus to advancing exploration in the world-class Forrestania nickel sulphide district and further exploring its gold potential. This is a counter-cyclical nickel strategy that will bring great reward for shareholders if a new discovery is made.”

Commenting on the transaction, Neometals’ Managing Director Chris Reed said:

“The Gold and Nickel Transaction and strategic collaboration provides Neometals the opportunity to unlock the significant potential value of our Forrestania gold and nickel portfolio with Hannans’ management focused on exploration at the project. We believe we can also add value to the European lithium projects utilising our skill and technical expertise in this industry.”

### **Gold and Nickel Transaction**

The Gold and Nickel Transaction will be implemented by Hannans acquiring 100% of Neometals’ subsidiary company Reed Exploration Pty Ltd (REX) which currently holds an 80% interest in the Forrestania, Lake Johnston and Queen Victoria Rocks Projects. Hannans owns the remaining 20% in the aforementioned projects. At settlement REX will also hold cash of \$1 million which will be transferred to Hannans upon completion of the Transaction.

In consideration for the acquisition of REX, Hannans will issue Neometals with 620,833,333 fully paid ordinary shares in Hannans at a deemed issued price of 0.3 cents per share<sup>1</sup>. At the conclusion of the Gold and Nickel Transaction, Neometals will be Hannans largest shareholder with a shareholding of approximately 40%. The Gold and Nickel Transaction is conditional on:

1. Hannans completing an in specie distribution of its overseas projects to its shareholders;
2. Hannans completing a capital raising of \$1.25 million<sup>2</sup> of which Neometals has agreed to underwrite \$250,000<sup>3</sup>;
3. Hannans consolidating its capital on a 10:1 basis;
4. Hannans and Neometals successfully completing due diligence respectively; and
5. Hannans receiving the necessary shareholder and regulatory approvals.

### **Forrestania Gold and Nickel Project**

The Forrestania project spans ~450km<sup>2</sup> of tenements located to the south of Southern Cross, Western Australia within the world-class Forrestania nickel and gold greenstone belt.

The Forrestania Project adjoins ground owned by nickel miner Western Areas (ASX: WSA). In late 2015 Neometals completed a ground geophysical survey (IP) in the southern part of the project area, some 7km north of Western Areas’ Flying Fox nickel sulphide mine. In February 2016 a follow-up auger drilling program to identify geochemical anomalies was completed with results anticipated later this Quarter. The results of this geophysical and geochemical analysis will be used to identify nickel targets for diamond drill testing.

Hannans (through the acquisition of REX) will also own a 20% interest in two prospecting licences covering the historic Blue Haze gold mine, where in early 2003 Sons of Gwalia Ltd mined approximately 96,000t of ore grading 8.81 g/t gold for 27,200oz produced. The 20% interest is free-carried through to a decision to mine.

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<sup>1</sup> If the Hannans capital raising is completed at less than 0.3 cents per share, an adjustment will be made and the number of shares issued will be equal to \$1.862 million worth of shares at the capital raising price

<sup>2</sup> Structure, pricing and timetable to be determined

<sup>3</sup> If Neometals is required to contribute to the underwriting, the cash in REX at settlement will be adjusted by the amount of the underwriting contribution.

## Capital Raising and Hannans Board of Directors

All Hannans shareholders will be offered the opportunity to participate in the \$1.25 million capital raising. The structure, timing and pricing of the capital raising will be finalised as soon as possible. Importantly Neometals has agreed to underwrite the last \$250,000 of the capital raising. The successful completion of the capital raising, the Gold and Nickel Transaction and the immediate \$250,000 placement to Neometals will result in a cash injection of \$2.5 million into Hannans, leaving the Company funded for its current work program until 2018.

Post transaction and consolidation, Hannans existing shareholders, Directors and management will retain approximately 60% and Neometals 40% of Hannans issued capital.

The Hannans' Board will be reduced to three people. Hannans' Managing Director Damian Hicks will perform the role of Executive Director and a Neometals nominee will join the Hannans Board as Non-Executive Director. Exploration activities will be managed by experienced consulting geoscientists Richard Stuart (geophysicist), Gordon Kelly (geochemist) and Amanda Scott (geologist).

## Scandinavian Resources in-Specie Distribution

As a condition precedent to settlement of the acquisition of REX, Hannans will in-specie distribute to its shareholders<sup>4</sup> 100% of wholly owned unlisted subsidiary SCR<sup>5</sup> which owns all of the following rights and obligations in Sweden including:

- the lithium exploration prospects (greenfields);
- the Pahtohavare copper-gold project (free-carried interest);
- the Kiruna and Paljasjärvi iron projects (advanced and greenfields);
- the precious and base metals exploration portfolio (greenfields);
- the rights and obligations associated with the Avalon matter<sup>6</sup>; and
- the rights and obligations associated with the Lovisagruvan<sup>7</sup> joint venture agreement.

Upon completion of the in-specie distribution Neometals and Hannans agree to ensure that SCR has not less than A\$250,000 in clear funds. This amount will increase subject to Hannans accepting oversubscriptions to the capital raising referred to above. SCR will focus future efforts on identifying lithium development opportunities in Europe and maintaining its free-carried interest in the Pahtohavare copper-gold project.

Neometals will also have the right (but not the obligation) to subscribe for at least 20% of future capital raisings undertaken by SCR and have a 30 day pre-emptive right to match any third party offer to acquire an interest in the Company's lithium projects located in Europe.

The SCR Board will comprise three people and Damian Hicks will perform the role of Executive Director. Exploration activities will be managed by experienced Swedish based consulting geologist Amanda Scott.

## Timetable

Hannans and Neometals will work towards satisfying the conditions precedent and Hannans will convene a general meeting of shareholders to approve the transaction as soon as practicable.

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<sup>4</sup> Record date to be determined

<sup>5</sup> It will be a requirement that the company converts to a Limited company

<sup>6</sup> Refer Hannans ASX releases

<sup>7</sup> Refer Hannans ASX releases

Hannans intends to release an updated corporate presentation outlining the Neometals strategic collaboration and Hannans' strategy to the ASX later this month.

#### Contact Details

Damian Hicks  
Managing Director  
+61 419 9300 087 (M)  
[damianh@hannansreward.com](mailto:damianh@hannansreward.com) (E)

Amanda Scott  
Exploration Manager  
+46 703 221 497 (M)  
[amanda@hannansreward.com](mailto:amanda@hannansreward.com) (E)

#### About Hannans Reward Ltd

Hannans Reward Ltd (ASX:HNR) is an exploration company with a focus on copper, gold, nickel, PGE and iron. Hannans has JORC compliant copper, gold and iron resources in Sweden, a major Ni-Cu-PGE project in Sweden and a free-carried interest in a nickel project in Australia. Since listing on the Australian Securities Exchange in 2003 Hannans has signed agreements with Vale Inco, Rio Tinto, Anglo American, Boliden, Warwick Resources, Cullen Resources, Azure Minerals, Neometals, Tasman Metals and Grängesberg Iron. 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](http://www.hannansreward.com).



**Figure 1:** Location of the historic Varuträsk lithium mine, northern Sweden which is covered by an application for an exploration permit registered in the name of Hannans subsidiary Scandinavian Resources AB

## Competent Persons Statements

The information in this document that relates to exploration results is based on information compiled by Amanda Scott, a Competent Person who is a Member of the Australian Institute of Mining and Metallurgy (Membership No.990895). Amanda Scott is a consultant to Hannans Reward Ltd. 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). 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.