

HANNANS LTD

ABN 52 099 862 129

Financial Report for the half-year ended 31 December 2021

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 | | |

Principal Office

Level 12, 197 St Georges Terrace, Perth, Western Australia 6000

Postal Address

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West Perth, Western Australia, 6872

Contact Details

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info@hannans.com (Email)
www.hannans.com (Website)

ABN 52 099 862 129

Auditors

Ernst & Young
Ernst & Young Building
11 Mounts Bay Road,
Perth, Western Australia, 6000

Registered Office

Level 12, 197 St Georges, Terrace Perth, Western Australia 6000

Social Network Sites

Twitter | [@Hannans_Ltd](https://twitter.com/Hannans_Ltd)
LinkedIn | [Hannans Ltd](https://www.linkedin.com/company/hannans-ltd)

Share Registry

Computershare
Level 11, 172 St George's Terrace
Perth, Western Australia, 6000
1300 787 272 (Telephone)
www.computershare.com.au (Website)

Lawyers

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street, Perth, Western Australia, 6000

DIRECTORS' REPORT

The Directors of Hannans Ltd (**Hannans, Group or Company**) submit the financial report for the half-year ended 31 December 2021. 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 \$1,141,160 (Dec 2020: loss \$907,275).

Review of operations

Lithium-ion battery (LiB) recycling

Hannans signed a Memorandum of Understanding (**MoU**) with Critical Metals Ltd (**Critical**) and LiB Recycling Pty Ltd (a wholly owned subsidiary of Critical) to commercialise a lithium battery recycling technology in Norway, Sweden, Denmark, and Finland (Nordics). All conditions precedent to the MOU were satisfied, including approval by the Critical Board and shareholders, approval by the Hannans Board and shareholders, and completion of a \$5.5 Million capital raising by Hannans. Hannans' largest shareholder Neometals Limited committed \$1.8 Million to the rights issue to maintain their 33% equity holding.

On 1 February 2022, Hannans executed a Heads of Agreement with Greenhouse Investments Ltd providing Hannans with right to expand its lithium battery recycling commercialisation activities into the United Kingdom, Ireland, Italy, and the Balkans. Refer to the subsequent events note for more information.

Hannans' focus is now turned to securing LiB feedstock agreements with Nordic based companies requiring a recycling solution for scrap and end-of-life lithium batteries.

Mineral Exploration

Fraser Range

The Fraser Range nickel-copper project is located 100km east of Norseman, in Western Australia.

All tenements within the Project contain host rocks/stratigraphy that are considered prospective for nickel-copper sulphide mineralisation related to mafic-ultramafic intrusions.

Hannans secured additional tenure within the Fraser Range by lodging applications for exploration licenses (ELA63/2143 and E28/3167) over ground that was relinquished by an unrelated third party.

Activity focussed on a review of historic data and exploration. Acquisition of historic airborne EM data and surface EM surveying is planned to cover several areas testing for bedrock conductors that may indicate the presence of buried massive nickel-copper sulphides. No exploration was completed by Hannans on joint venture tenement E63/1772.

Moogie Gold & Nickel-Copper Project

The Moogie Project is located approximately 260km north-west of Meekatharra and 270km east of Carnarvon, Western Australia.

The Project is located within the Gascoyne Province proximal to the margin with the Yilgarn and Pilbara Cratons. Such collision belts at the margin of cratons are known to host deep crustal-scale structures, favourable target sites for mineralisation. The Project hosts a significant strike length of the Cardilya Shear Zone, identified as such a deep-seated structure.

An airborne electromagnetic (EM) survey (refer ASX release dated 2 September 2021) was completed in late January 2022, subsequent to the reporting period. The survey covered the priority targets at Breccia, Mission Bore, Minni Ritchi and Ghallangee prospects. Final results are pending.

Forrestania Nickel Project

The Forrestania Nickel Project ("FNP") is located approximately 120km south of Southern Cross, Western Australia.

The world-class nickel sulphide endowment at Forrestania includes four high-grade mines with nickel sulphide mineralisation persisting beyond 1 km depth. All the mineralised ultramafic belts that host the mines, resources, and prospects at Forrestania are represented within the Hannans ground package.

Four diamond drill holes were completed in July to test separate geophysical and geological targets within the Western and Mid-Western Ultramafic sequences (Refer ASX release dated 20 April 2021). All holes intersected iron sulphides of pyrrhotite-pyrite at the expected depths of the target horizons. Based upon geological inspection, the targets intersected were not expected to contain significant nickel grades.

A systematic process of generating and testing targets continues. The next phase of field activities is planned to include ground EM over ultramafic units that are fertile for nickel sulphide mineralisation and soil geochemistry utilising the LabWest/CSIRO UltraFine+™ soil analysis technique.

Forrestania Gold Project

Hannans joint venture partner at the Forrestania Gold Project (FGP) continued to deliver encouraging gold exploration results. Hannans is free-carried at the FGP which means shareholders retain a 20% interest in the gold rights at Forrestania without the need to fund exploration costs.

Southern Cross Nickel and Gold Project

Hannans elected not to exercise the option to acquire an interest in the Project. The project vendor and Hannans mutually agreed to terminate the option agreement, with both parties relieved of all further obligations.

Corporate

Capital raising

Hannans completed a rights issue that raised \$5.5 million at an issue price of 2.5 cents per share.

Hannans hold 687,594 ordinary shares in ASX listed Errawarra Resources Ltd, 50,000 ordinary shares in NickelX Limited, and 575,000 ordinary shares in unlisted Critical Metals Ltd (last capital raising price 40c in April 2021).

Governance

Annual General Meeting

All resolutions put to shareholders were carried on a poll. No votes were cast against any of the resolutions put to shareholders.

Health & Safety

No accidents or lost time injuries occurred during the period to Hannans employees and or contractors.

Litigation

Hannans is not a party to any litigation. Hannans received a letter during the period alleging a breach of a confidentiality agreement.

Subsequent events

The following matters or circumstances have arisen since 31 December 2021 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 1 February 2022, Hannans executed a Heads of Agreement with Greenhouse Investments Ltd providing the Company with right to expand its lithium battery recycling commercialisation activities into the United Kingdom, Ireland, Italy, and the Balkans. As part of the re-compliance transaction, the Company will seek shareholders' approval for a consolidation of capital on a 1.2:1 basis at a General Meeting. Hannans also proposes undertaking a \$2.5 million capital raising (with oversubscriptions available for an additional \$1 million) at a price of 3.5 cents per share to fund its expansion plans and to meet ASX conditions for re-complying with Chapters 1 and 2 of the Listing Rules.

Auditor's independence declaration

The auditor's independence declaration is included on page 6 and forms part of the Directors' report for the six months ended 31 December 2021.

Signed in accordance with a resolution of directors.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Damian Hicks', written in a cursive style.

Damian Hicks

Executive Director

11th of March 2022

DIRECTORS' DECLARATION

The Directors declare that in the Directors' opinion:

- (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 2021.

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

Executive Director

Perth, Western Australia this 11th of March 2022

INDEPENDENCE DECLARATION TO THE DIRECTORS OF HANNANS LTD



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Auditor's independence declaration to the directors of Hannans Ltd

As lead auditor for the review of the half-year financial report of Hannans Ltd for the half-year ended 31 December 2021, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene 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

V L Hoang
Partner
11 March 2022

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF HANNANS LTD



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

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 2021, 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, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply 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 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us 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 financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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MH:TGF:HNR:004



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.

A handwritten signature in dark ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in dark ink, appearing to be 'V L Hoang'.

V L Hoang
Partner
Perth
11 March 2022

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half-year ended 31 December 2021

| | Note | Half-year ended 31 Dec 2021 \$ | Half-year ended 31 Dec 2020 \$ |
|---|------|--------------------------------------|--------------------------------------|
| Continuing operations | | | |
| Other income | | 4,636 | 47,740 |
| Employee and contractors expenses | | (275,915) | (101,568) |
| Depreciation expense | | (2,518) | (1,968) |
| Consultants expenses | | (425,557) | (95,815) |
| Occupancy expenses | | (3,722) | (750) |
| Marketing expenses | | (3,613) | (4,027) |
| Exploration and evaluation expenses | | (307,895) | (814,084) |
| Fair value changes in financial assets designated at fair value through P&L | | (23,379) | 151,271 |
| Other expenses | | (103,197) | (72,074) |
| Loss from continuing operations before income tax benefit | | (1,141,160) | (907,275) |
| Income tax benefit | | – | – |
| Loss attributable to members of the parent entity | | (1,141,160) | (907,275) |
| Other comprehensive income for the period | | – | – |
| Total comprehensive loss for the period | | (1,141,160) | (907,275) |
| Net loss attributable to the parent entity | | (1,141,160) | (907,275) |
| Total comprehensive loss attributable to the parent entity | | (1,141,160) | (907,275) |
| Loss per share: | | | |
| Basic (cents per share) | | (0.05) | (0.05) |
| Diluted (cents per share) | | (0.05) | (0.05) |

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

| | Note | 31 Dec 2021 \$ | 30 Jun 2021 \$ |
|--|------|-------------------|-------------------|
| Current assets | | | |
| Cash and cash equivalents | | 5,140,756 | 1,013,733 |
| Trade and other receivables | 3 | 69,879 | 90,849 |
| Other financial assets at fair value through profit and loss | 4 | 344,199 | 65,000 |
| Total current assets | | 5,554,834 | 1,169,582 |
| Non-current assets | | | |
| Other receivables | | 30,000 | 30,000 |
| Property, plant and equipment | | 16,888 | 19,406 |
| Other financial assets at fair value through profit and loss | 4 | 230,001 | 328,460 |
| Capitalised mineral exploration and evaluation expenditure | 5 | 2,240,000 | 2,240,000 |
| Total non-current assets | | 2,516,889 | 2,617,866 |
| TOTAL ASSETS | | 8,071,723 | 3,787,448 |
| Current liabilities | | | |
| Trade and other payables | 6 | 212,147 | 580,104 |
| Provisions | 7 | 9,231 | 7,385 |
| Total current liabilities | | 221,378 | 587,489 |
| Non-current liabilities | | – | – |
| TOTAL LIABILITIES | | 221,378 | 587,489 |
| NET ASSETS | | 7,850,345 | 3,199,959 |
| Equity | | | |
| Issued capital | 8 | 48,067,444 | 42,433,949 |
| Reserves | 9 | 506,664 | 655,948 |
| Accumulated losses | 10 | (40,723,763) | (39,889,938) |
| TOTAL EQUITY | | 7,850,345 | 3,199,959 |

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2021

| Attributable to equity holders | | | | |
|---|----------------------|--------------------------|-----------------------------|-----------------------|
| For the half-year ended 31 December 2021 | Issued Capital \$ | Option Reserves \$ | Accumulated Losses \$ | Total Equity \$ |
| Balance as at 1 July 2021 | 42,433,949 | 655,948 | (39,889,938) | 3,199,959 |
| Total comprehensive income | | | | |
| Loss for the period | – | – | (1,141,160) | (1,141,160) |
| Total comprehensive loss for the period | – | – | (1,141,160) | (1,141,160) |
| Transactions with owners recorded direct to equity | | | | |
| Issue of shares | 5,457,357 | – | – | 5,457,357 |
| Share based payments | – | 158,051 | – | 158,051 |
| Exercise/Lapse of options | 504,000 | (307,335) | 307,335 | 504,000 |
| Shares Issue expense | (327,862) | – | – | (327,862) |
| Total transactions with owners | 5,633,495 | (149,284) | 307,335 | 5,791,546 |
| Balance as at 31 December 2021 | 48,067,444 | 506,664 | (40,723,763) | 7,850,345 |

| Attributable to equity holders | | | | |
|---|----------------------|--------------------------|-----------------------------|-----------------------|
| For the half-year ended 31 December 2020 | Issued capital \$ | Option Reserves \$ | Accumulated Losses \$ | Total Equity \$ |
| Balance as at 1 July 2020 | 40,872,810 | 1,092,358 | (38,807,390) | 3,157,778 |
| Total comprehensive income | | | | |
| Loss for the period | – | – | (907,275) | (907,275) |
| Total comprehensive loss for the period | | | (907,275) | (907,275) |
| Transactions with owners recorded direct to equity | | | | |
| Issue of shares | 1,605,000 | – | – | 1,605,000 |
| Share based payments | 50,750 | 8,135 | – | 58,885 |
| Exercise/Lapse of options | – | (467,916) | – | – |
| Shares Issue expense | (86,010) | – | – | (86,010) |
| Total transactions with owners | 1,569,740 | (459,781) | 467,916 | 1,577,875 |
| Balance as at 31 December 2020 | 42,442,550 | 632,577 | (39,246,749) | 3,828,378 |

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

for the half-year ended 31 December 2021

| | Half-year ended 31 Dec 2021 \$ | Half-year ended 31 Dec 2020 \$ |
|---|--------------------------------------|--------------------------------------|
| Cash flows from operating activities | | |
| Payments for exploration and evaluation | (655,176) | (645,540) |
| Payments to suppliers and employees | (663,087) | (263,337) |
| Interest received | 517 | 581 |
| Government rebates (COVID-19 measures) | – | 62,258 |
| Net cash (used in) operating activities | (1,317,746) | (846,038) |
| Cash flows from investing activities | | |
| Payment for purchase of investment securities | – | (21,932) |
| Proceeds on sale of investment securities | – | 29,048 |
| Amount advanced to outside entities | (200,000) | – |
| Net cash (used in)/from investing activities | (200,000) | 7,116 |
| Cash flows from financing activities | | |
| Proceeds from issues of equity securities | 5,457,357 | 1,605,000 |
| Proceeds from exercise of options | 504,000 | – |
| Payment for share issue costs | (316,588) | – |
| Net cash received from financing activities | 5,644,769 | 1,605,000 |
| Net increase in cash and cash equivalents | 4,127,023 | 766,078 |
| Cash and cash equivalents at the beginning of the financial period | 1,013,733 | 855,949 |
| Cash and cash equivalents at the end of the financial period | 5,140,756 | 1,622,027 |

The accompanying notes form part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2021

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 2021 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 2021 was authorised for issue by the Directors on 10 March 2022.

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 2021 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 2021 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 2021 and considered together with any public announcements made by the Company during the half-year ended 31 December 2021 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.

(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 2021, except for the adoption of new standards effective as of 1 July 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2021

| | 31 Dec 2021 \$ | 30 Jun 2021 \$ |
|--|-------------------|-------------------|
| 3. Current trade and other receivables | | |
| Trade receivables ⁽ⁱ⁾ | 23,430 | 26,026 |
| Net goods and services tax (GST) receivable | 23,948 | 42,563 |
| Other receivable | 22,501 | 22,260 |
| | 69,879 | 90,849 |
| (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 | | |
| Current | | |
| Equity instruments | | |
| Quoted equity shares ⁽ⁱ⁾ | 140,081 | 65,000 |
| Loans to outside entities ⁽ⁱⁱ⁾ | 204,118 | – |
| | 344,199 | 65,000 |
| Non-current | | |
| Equity instruments | | |
| Quoted equity shares ⁽ⁱ⁾ | – | 98,459 |
| Unquoted equity shares ⁽ⁱⁱⁱ⁾ | 230,001 | 230,001 |
| | 230,001 | 328,460 |
| (i) Investments in listed entities include the following: | | |
| (a) 687,594 fully paid ordinary shares in Errawarra Resources Ltd where 437,594 ordinary fully paid shares are escrowed to 14 December 2022. | | |
| (b) 50,000 fully paid ordinary shares in NickelX Limited. | | |
| (ii) Critical Metals Ltd (CM1), of which Mr Damian Hicks, Mr Jonathan Murray and Mr Markus Bachmann are the Directors, was provided with a short term loan facility of \$200,000 at an interest rate of 12.5% per annum. The loan is unsecured. CM1 has drawdown \$200,000 on the loan facility. Interest accrued to 31 December 2021 amounted to \$4,118 (Jun 2021: Nil). Refer to note 13(a) for further information. | | |
| The fair value of the CM1 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 for further information. | | |
| (iii) Investments in unlisted public entities include 575,000 fully paid ordinary shares in Critical Metals Ltd, and 1 ordinary shares in Equity & Royalty Investments Ltd. | | |
| 5. Capitalised mineral exploration and evaluation expenditure | | |
| Balance at beginning of financial period | 2,240,000 | 2,256,000 |
| LESS: Write off costs | – | (16,000) |
| Balance at end of financial period | 2,240,000 | 2,240,000 |
| 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. | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2021

| | 31 Dec 2021 \$ | 30 Jun 2021 \$ |
|---|-------------------|-------------------|
| 6. Current trade and other payables | | |
| Trade payables ⁽ⁱ⁾ | 59,078 | 405,035 |
| Accruals | 134,389 | 136,713 |
| Other payable | 18,680 | 38,356 |
| | 212,147 | 580,104 |
| (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 | | |
| Current | | |
| Employee benefits | 9,231 | 7,385 |
| | 9,231 | 7,385 |
| 8. Issued capital | | |
| 2,606,271,476 fully paid ordinary shares (Jun 2021: 2,359,977,192) | 48,067,444 | 42,433,949 |
| | 48,067,444 | 42,433,949 |

| | 31 Dec 2021 | | 30 Jun 2021 | |
|---|----------------------|-------------------|----------------------|-------------------|
| | No. | \$ | No. | \$ |
| Fully paid ordinary shares | | | | |
| Balance at beginning of financial period | 2,359,977,192 | 42,433,949 | 1,987,954,539 | 40,872,810 |
| Issue of shares for broker fee | – | – | 7,250,000 | 50,750 |
| Share Purchase Plan | – | – | 239,772,654 | 1,055,000 |
| Placement of Shares | – | – | 124,999,999 | 550,000 |
| Exercise of options | 28,000,000 | 504,000 | – | – |
| Rights Issue | 218,294,284 | 5,457,357 | – | – |
| Share issue costs | – | (327,862) | – | (94,611) |
| Balance at end of financial period | 2,606,271,476 | 48,067,444 | 2,359,977,192 | 42,433,949 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2021

| | Option reserve \$ | Total reserve \$ |
|------------------------------------|----------------------|---------------------|
| 9. Reserves | | |
| Balance at 1 July 2020 | 1,092,358 | 1,092,358 |
| Share based payment expense | 31,506 | 31,506 |
| Lapse/exercise of options | (467,916) | (467,916) |
| Balance at 1 July 2021 | 655,948 | 655,948 |
| Share based payment expense | 158,052 | 158,052 |
| Lapse/exercise of options | (307,335) | (307,335) |
| Balance at 31 December 2021 | 506,665 | 506,665 |

Share options

As at 31 December 2021, options over 241,500,000 (Jun 2021: 129,500,000) 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 | 28,000,000 | Ordinary | 1.5 cents each | 27 Oct 2022 |
| Hannans Ltd | 3,500,000 | Ordinary | 1.5 cents each | 19 Nov 2022 |
| Hannans Ltd | 20,000,000 | Ordinary | 2.2 cents each | 30 Oct 2022 |
| Hannans Ltd | 25,000,000 | Ordinary | 2.7 cents each | 30 Oct 2022 |
| Hannans Ltd | 55,000,000 | Ordinary | 6.1 cents each | 25 Nov 2025 |
| Hannans Ltd | 55,000,000 | Ordinary | (i) | 25 Nov 2025 |
| Hannans Ltd | 55,000,000 | Ordinary | (ii) | 25 Nov 2025 |

(i) Exercise price will be calculated at the volume weighted average price (**VWAP**) for the five (5) trading days before and five (5) trading days after 26 November 2022 PLUS a premium of 50%.

(ii) Exercise price will be calculated at the VWAP for the five (5) trading days before and five (5) trading days after 26 November 2023 PLUS a premium of 50%.

Share options are all unlisted, carry no rights to dividends and no voting rights. A total of 165,000,000 were issued during the period. A total of 28,000,000 were exercised at 1.8 cents each. A total of 25,000,000 lapsed during the period. Refer to note 14 for further details.

| | 31 Dec 2021 \$ | 30 Jun 2021 \$ |
|--|---------------------|---------------------|
| 10. Accumulated losses | | |
| Balance at the beginning of the financial period | (39,889,938) | (38,807,390) |
| Loss attributable to members of the parent entity | (1,141,160) | (1,550,464) |
| Items of other comprehensive income recognised directly in retained earnings | | |
| Options lapsed/exercised | 307,335 | 467,916 |
| Balance at the end of the financial period | (40,723,763) | (39,889,938) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2021

11. Contingencies and commitments

(a) Exploration and evaluation and associate commitments

Tenement commitments for the next 5 years for the group total \$1,886,778 (Jun 2021: \$1,773,688).

(b) Other

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

Critical Metals Ltd (**CM1**), of which Mr Damian Hicks, Mr Jonathan Murray and Mr Markus Bachmann are the Directors, was provided with a short term loan facility of \$200,000 at an interest rate of 12.5% per annum. The loan is unsecured. CM1 has drawdown \$200,000 on the loan facility. Interest accrued to 31 December 2021 amounted to \$4,118 (Jun 2021: Nil). Refer to notes 4 and 15 for further information.

(b) Transactions with key management personnel and their related parties

Director transactions

Corporate Board Services (**CBS**), of which Mr Damian Hicks is a Director, provided management, financial, company secretary and administrative services amounting to \$75,000 (Jun 2021: \$150,000) during the period. The services provided were on arm's length commercial terms. There was no amount owing to CBS at 31 December 2021 (Jun 2021: Nil).

Steinepreis Paganin (**Stein Pag**), of which Mr Jonathan Murray is a Partner, provided legal services amounting to \$108,004 during the period (Jun 2021: \$15,136). The services provided were on arm's length commercial terms. \$18,765 was owed to Stein Pag at 31 December 2021 (Jun 2021: \$433).

Scott Geological (**Scott Geo**), of which Ms Amanda Scott is a Director, provided geological services amounting to \$11,441 during the period (Jun 2021: \$5,825). The services provided were on arm's length commercial terms. \$6,470 was owed to Scott Geo at 31 December 2021 (Jun 2021: Nil).

Advance Geological (**Advance Geo**), of which Mr Clay Gordon is a Director, provided geological services amounting to \$15,938 during the period (Jun 2021: Nil). The services provided were on arm's length commercial terms. \$3,919 was owed to Advance Geo at 31 December 2021 (Jun 2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2021

14. Share-based payment

The following share-based payment arrangements existed at 31 December 2021:

- ⌚ On 26 November 2021 Hannans shareholders approved the issue of 165,000,000 shares options in three (3) tranches to directors of the Group.
- ⌚ On 31 October 2020 the Company issued 45,000,000 unlisted options to an unrelated third party.
- ⌚ On 19 November 2019 the Company issued 3,500,000 unlisted options to an unrelated third party.
- ⌚ On 27 October 2017 Hannans shareholders approved the issue of 28,000,000 share options to directors of the Group.

There following unlisted options were issued during the period.

| Option series | Number | Grant date | Expiry date | Exercise price (cents) |
|---------------------------------------|------------|------------------|------------------|------------------------|
| (O17-T1) 26 Nov 2021 ⁽ⁱ⁾ | 55,000,000 | 26 November 2021 | 25 November 2025 | 6.1 |
| (O17-T2) 26 Nov 2021 ⁽ⁱⁱ⁾ | 55,000,000 | 26 November 2021 | 25 November 2025 | ⁽ⁱⁱ⁾ |
| (O17-T3) 26 Nov 2021 ⁽ⁱⁱⁱ⁾ | 55,000,000 | 26 November 2021 | 25 November 2025 | ⁽ⁱⁱⁱ⁾ |

The vesting condition and exercise price of the options are as follows:

- (i) **Vesting condition:** Continuous service as a Director until 25 November 2022.
- (ii) **Vesting condition:** Continuous service as a Director until 25 November 2023.
Exercise price: Calculated at the volume weighted average price (**VWAP**) for the five (5) trading days before and five (5) trading days after 26 November 2022 PLUS a premium of 50%.
- (iii) **Vesting condition:** Continuous service as a Director until 25 November 2024.
Exercise price: Calculated at the VWAP for the five (5) trading days before and five (5) trading days after 26 November 2023 PLUS a premium of 50%.

The fair value of the options granted is issued and valued at the date of grant using the Monte Carlo simulation model for the option shown below. There is no cash settlement of the options.

| Option series | Share price at grant date | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|----------------------|---------------------------|---------------------|----------------|-------------------------|--------------------------|
| (O17-T1) 26 Nov 2021 | 3.5 cents | 100% | Nil | 1.21% | 2.12 cents |
| (O17-T2) 26 Nov 2021 | 3.5 cents | 100% | Nil | 1.21% | 1.90 cents |
| (O17-T3) 26 Nov 2021 | 3.5 cents | 100% | Nil | 1.21% | 1.53 cents |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2021

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 2021 | | | | |
| Assets measured at fair value | | | | |
| Equity instruments (note 4): | | | | |
| Quoted equity shares ⁽ⁱ⁾ | 140,081 | – | – | 140,081 |
| Unquoted equity shares ⁽ⁱⁱ⁾ | – | – | 230,001 | 230,001 |
| Loan to a director related entity (note 4): | – | – | 204,118 | 204,118 |
| | 140,081 | – | 434,119 | 574,200 |
| 30 Jun 2021 | | | | |
| Assets measured at fair value | | | | |
| Equity instruments (note 4): | | | | |
| Quoted equity shares ⁽ⁱ⁾ | 163,459 | – | – | 163,459 |
| Unquoted equity shares ⁽ⁱⁱ⁾ | – | – | 230,001 | 230,001 |
| | 163,459 | – | 230,001 | 393,460 |

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 equity instruments and financial assets is derived from quoted market prices in active markets.
- (ii) The lowest level input has been used to fair value unquoted ordinary shares. The investment was fair valued using the most recent capital raise dated April 2021.

16. Subsequent events

The following matters or circumstances have arisen since 31 December 2021 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 1 February 2022, Hannans executed a Heads of Agreement with Greenhouse Investments Ltd providing the Company with right to expand its lithium battery recycling commercialisation activities into the United Kingdom, Ireland, Italy, and the Balkans. As part of the re-compliance transaction, the Company will seek shareholders' approval for a consolidation of capital on a 1.2:1 basis at a General Meeting. Hannans also proposes undertaking a \$2.5 million capital raising (with oversubscriptions available for an additional \$1 million) at a price of 3.5 cents per share to fund its expansion plans and to meet ASX conditions for re-complying with Chapters 1 and 2 of the Listing Rules.