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# HANNANS LTD

ABN 52 099 862 129

Financial Report for the half-year ended 31 December 2017

[www.hannansreward.com](http://www.hannansreward.com)

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## CORPORATE DIRECTORY

### Board of Directors

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

### Principal Office

Level 11, 216 St Georges Terrace, Perth, Western Australia 6000

### Postal Address

PO Box 1227,  
West Perth, Western Australia, 6872

### Contact Details

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[admin@hannansreward.com](mailto:admin@hannansreward.com) (Email)  
[www.hannansreward.com](http://www.hannansreward.com) (Website)

ABN 52 099 862 129

### Auditors

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

### Registered Office

Level 11, 216 St Georges, Terrace Perth, Western Australia 6000

### Social Network Sites

Twitter – @hannansreward  
LinkedIn – Hannans Reward  
Instagram – Hannans Reward

### Share Registry

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

### Lawyers

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

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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 2017. 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 \$914,053 (31 Dec 2016: profit \$11,905,354).

## Review of operations

### Lithium

Hannans completed a second phase of exploration for lithium at its 100% owned Mt Holland Lithium Project. The program comprised six traverses of rotary air blast drilling across the first phase of anomalies to validate them. The data received from the program suggested that the margin of the main granite intrusion may be located further west than originally interpreted. Hannans commenced a process to combine all data sets to complete a new margin interpretation to aid future exploration targeting. The Company applied for highly prospective additional ground not previously the subject of systematic exploration covering the eastern margin of the granite located east of the Earl Grey lithium deposit part owned by the world's largest producer of lithium.

### 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. Hannans' interest is free-carried, meaning the Company is not required to fund any activities on the FGP 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. For the avoidance of doubt Hannans Ltd owns a 100% interest in all non-gold rights on the tenements including but not limited to nickel, lithium and other metals. Classic has completed many reverse circulation drill programs and released numerous results on the ASX platform.

### Nickel

Hannans has made the decision to joint venture in the Forrestania and Queen Victoria Rocks nickel sulphide project. Discussions with potential joint venture partners were ongoing during the Quarter.

### 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 2017 was lodged with the ASIC and ASX in accordance with required timeframes. The Company responded to a Price and Volume query from the ASX. Hannans' shares were placed in a trading halt and suspension to provide sufficient time to prepare information on exploration results to be released to the market and to ensure the market was trading at all times on a fully informed basis. Hannans raised \$3.6 million at an issue price of 1.27 cents per share pursuant via a share purchase plan and placement to fund exploration for lithium at Mt Holland, due diligence on potential acquisitions and working capital. The total shares on issue is now 1,976,142,038.

## Subsequent events

No matters or circumstances have arisen since 31 December 2017 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 except as stated below.

- (a) On 13 February 2018 the Company served a statutory demand on Mine Builder Pty Ltd (**Mine Builder**) for the sum of \$411,013 including interest being the balance of the consideration payable for the acquisition of the North Ironcap Gold Rights. Mine Builder is required to pay the full amount within 21 days after the service, failing which Hannans will apply to the Supreme Court of Western Australia to wind up the company. No payment has been received at the date of this report.

## Auditor's independence declaration

The auditor's independence declaration is included on page 4 and forms part of the Directors' report for the six months ended 31 December 2017.

Signed in accordance with a resolution of directors.

On behalf of the Directors



**Damian Hicks**

Executive Director

2 March 2018

## 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 2017.

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 2<sup>nd</sup> of March 2018

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# INDEPENDENCE DECLARATION TO THE DIRECTORS OF HANNANS LTD



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11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843

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ey.com/au

## 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 2017, I declare to the best of my knowledge and belief, there have been:

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

V L Hoang  
Partner  
2 March 2018

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# INDEPENDENT REVIEW REPORT TO THE MEMBERS OF HANNANS LTD



Ernst & Young  
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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 2017, 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 2017 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*.

#### 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 2017 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.

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.

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### Independence

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

Ernst & Young

V L Hoang  
Partner  
Perth  
2 March 2018

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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half-year ended 31 December 2017

		Half-year ended 31 Dec 2017 \$	Half-year ended 31 Dec 2016 \$
<b>Continuing operations</b>			
Revenue		-	-
Other income		25,513	402,022
Net gain from settlement of liability		-	910,000
Gain on disposal of exploration and evaluation assets	17	-	11,730,140
Employee and contractors expenses		(508,201)	(296,122)
Depreciation expense		(714)	(11,242)
Consultants expenses		(106,598)	(80,435)
Interest expense		-	(4)
Occupancy expenses		(2,500)	(108,421)
Marketing expenses		(8,121)	(11,475)
Exploration and evaluation expenses		(211,535)	(415,391)
Other expenses		(101,897)	(213,718)
<b>(Loss)/Gain from continuing operations before income tax benefit</b>		<b>(914,053)</b>	<b>11,905,354</b>
Income tax benefit		-	-
<b>(Loss)/Gain attributable to members of the parent entity</b>		<b>(914,053)</b>	<b>11,905,354</b>
<b>Other comprehensive (loss)/income for the period</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Net fair value gains on available for sale assets		556	-
Reclassification of foreign currency translation reserve to profit and loss on disposal of foreign operations		-	322,150
Foreign currency translation differences – foreign operations		-	(52,270)
<b>Total items that may be reclassified subsequently to profit or loss</b>		<b>556</b>	<b>269,880</b>
<b>Total comprehensive (loss)/gain for the period</b>		<b>(913,497)</b>	<b>12,175,234</b>
<b>Net (loss)/gain attributable to the parent entity</b>		<b>(914,053)</b>	<b>11,905,354</b>
<b>Total comprehensive (loss)/gain attributable to the parent entity</b>		<b>(913,497)</b>	<b>12,175,234</b>
<b>(Loss)/Earnings per share:</b>			
Basic (cents per share)		(0.05)	0.90
Diluted (cents per share)		(0.05)	0.89

The accompanying notes form part of the financial statements.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Note	31 Dec 2017 \$	30 Jun 2017 \$
<b>Current assets</b>			
Cash and cash equivalents		4,465,825	1,481,828
Trade and other receivables	3	95,369	256,883
Other financial assets	4	83,287	65,999
<b>Total current assets</b>		<b>4,644,481</b>	<b>1,804,710</b>
<b>Non-current assets</b>			
Other receivables		56,000	56,000
Property, plant and equipment		1,612	2,326
Capitalised mineral exploration and evaluation expenditure	5	2,660,000	2,688,000
<b>Total non-current assets</b>		<b>2,717,612</b>	<b>2,746,326</b>
<b>TOTAL ASSETS</b>		<b>7,362,093</b>	<b>4,551,036</b>
<b>Current liabilities</b>			
Trade and other payables	6	238,681	244,317
Provisions	7	–	103,115
Other financial liabilities	8	96,290	96,290
<b>Total current liabilities</b>		<b>334,971</b>	<b>443,722</b>
<b>Non-current liabilities</b>			
Other financial liabilities	8	9,079	63,555
<b>Total non-current liabilities</b>		<b>9,079</b>	<b>63,555</b>
<b>TOTAL LIABILITIES</b>		<b>344,050</b>	<b>507,277</b>
<b>NET ASSETS</b>		<b>7,018,043</b>	<b>4,043,759</b>
<b>Equity</b>			
Issued capital	9	40,826,148	37,296,618
Reserves	10	617,468	297,378
Accumulated losses	11	(34,425,573)	(33,550,237)
<b>TOTAL EQUITY</b>		<b>7,018,043</b>	<b>4,043,759</b>

The accompanying notes form part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2017

	Attributable to equity holders					
	Issued Capital	Option Reserves	Revaluation Reserves	Foreign Currency Translation Reserves	Accumulated Losses	Total Equity
For the half-year ended 31 December 2017	\$	\$	\$	\$	\$	\$
Balance as at 1 July 2017	37,296,618	297,378	-	-	(33,550,237)	4,043,759
<b>Total comprehensive income</b>						
Gain for the period	-	-	-	-	(914,053)	(914,053)
Other comprehensive income/(loss) for the period	-	-	556	-	-	556
Total comprehensive gain/(loss) for the period	-	-	556	-	(914,053)	(913,497)
<b>Transactions with owners recorded direct to equity</b>						
Issue of shares	3,688,303	-	-	-	-	3,688,303
Share based payments	-	358,251	-	-	-	358,251
Exercise/lapse of options	-	(38,717)	-	-	38,717	-
Share issue expense	(158,773)	-	-	-	-	(158,773)
Total transactions with owners	3,529,530	319,534	-	-	38,717	3,887,781
<b>Balance as at 31 December 2017</b>	<b>40,826,148</b>	<b>616,912</b>	<b>556</b>	<b>-</b>	<b>(34,425,573)</b>	<b>7,018,043</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2016

	Attributable to equity holders					
For the half-year ended 31 December 2016	Issued capital \$	Option Reserves \$	Revaluation Reserves \$	Foreign Currency Translation Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2016	46,285,309	118,155	–	(269,880)	(45,230,366)	903,218
<b>Total comprehensive income</b>						
Gain for the period	–	–	–	–	11,905,354	11,905,354
Other comprehensive income for the period	–	–	–	269,880	–	269,880
Total comprehensive income/(loss) for the period	–	–	–	269,880	11,905,354	12,175,234
<b>Transactions with owners recorded direct to equity</b>						
Issue of shares	4,218,118	–	–	–	–	4,218,118
In-specie distribution of Critical Metals Ltd	(13,245,562)	–	–	–	–	(13,245,562)
Share based payments	–	189,176	–	–	–	189,176
Exercise/lapse of options	–	(9,953)	–	–	16,350	6,397
Share issue expense	(7,125)	–	–	–	–	(7,125)
Total transactions with owners	(9,034,569)	179,223	–	–	16,350	(8,838,996)
<b>Balance as at 31 December 2016</b>	<b>37,250,740</b>	<b>297,378</b>	<b>–</b>	<b>–</b>	<b>(33,308,662)</b>	<b>4,239,456</b>

The accompanying notes form part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOW

for the half-year ended 31 December 2017

	Half-year ended 31 Dec 2017 \$	Half-year ended 31 Dec 2016 \$
<b>Cash flows from operating activities</b>		
Receipts of other income	–	78,920
(Payments)/Receipts for exploration and evaluation	(263,311)	(354,499)
Payments to suppliers and employees	(491,450)	(630,665)
Interest received	10,112	13,581
<b>Net cash used in operating activities</b>	<b>(744,649)</b>	<b>(892,663)</b>
<b>Cash flows from investing activities</b>		
Payment for purchase of investment securities	(10,000)	–
Proceed on sale of tenements	200,000	–
Payment on sale of tenements to minority interest holder	(60,000)	–
Amounts advanced to outside entities	–	(95,150)
Payment for property, plant and equipment	–	(520)
Cash forgone on disposal of subsidiaries	17	(250,000)
Cash acquired from acquisition of subsidiary	5	1,000,000
Payments for acquisition of subsidiary	5	(121,521)
<b>Net cash received by investing activities</b>	<b>130,000</b>	<b>532,809</b>
<b>Cash flows from financing activities</b>		
Proceeds from issues of equity securities	3,621,637	–
Proceeds from exercise of options	66,667	270,833
Payment for share issue costs	(89,658)	(7,125)
<b>Net cash received in financing activities</b>	<b>3,598,646</b>	<b>263,708</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>2,983,997</b>	<b>(96,146)</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>	<b>1,481,828</b>	<b>1,675,160</b>
Effects of exchange rate fluctuations on cash held	–	(3,575)
<b>Cash and cash equivalents at the end of the financial period</b>	<b>4,465,825</b>	<b>1,575,439</b>

The accompanying notes form part of the financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2017

## 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 2017 comprises the Company and its subsidiaries (together referred to as **the Group**).

The financial report of Hannans for the half-year ended 31 December 2017 was authorised for issue by the Directors on 2 March 2018.

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 2017 is available upon request from the Company's registered office or at [www.hannansreward.com](http://www.hannansreward.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 2017 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 2017 and considered together with any public announcements made by the Company during the half-year ended 31 December 2017 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 available-for-sale financial assets which are measured at fair value.

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 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

All other new standards and interpretations effective from 1 July 2017 were adopted with the main impact being disclosure changes. Changes to accounting policies due to the adoption of these standards and interpretations are not considered significant for the Group.

	31 Dec 2017 \$	30 Jun 2017 \$
<b>3. Current trade and other receivables</b>		
Trade receivables (i)	10,063	1,722
Net goods and services tax (GST) receivable	60,410	33,841
Other receivable (ii)	24,896	221,320
	<u>95,369</u>	<u>256,883</u>

(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.

(ii) In 2015, Hannans entered into a legally binding unconditional agreement with Mine Builder for the sale of Hannans' interest in gold rights on Mining Lease M77/544 for \$1,000,000. The consideration for the gold rights was to be paid via four cash instalments between March 2015 and December 2015. Mine Builder has requested additional time to make the payments pursuant to the binding unconditional agreement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2017

## 3. Current trade and other receivables (cont'd)

Hannans issued a statutory demand against Mine Builder on 21 October 2016 for the outstanding debt in the sum of approximately \$1.2 million which includes interest. Mine Builder's application to set aside Hannans' statutory demand was heard in the Supreme Court of Western Australia in February 2017. On 16 February 2017 the Supreme Court handed down its decision to dismiss Mine Builder Pty Ltd's application to set aside Hannans' statutory demand. Mine Builder had until 8 March 2017 to pay the claimed amount. If payment is not received by 8 March 2017 Hannans can apply for a winding up order against Mine Builder in the Federal Court.

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

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

On 13 February 2018 the Company served a statutory demand on Mine Builder Pty Ltd (**Mine Builder**) for the sum of \$411,013 including interest being the balance of the consideration payable for the acquisition of the North Ironcap Gold Rights. Mine Builder is required to pay the full amount within 21 days after the service, failing which Hannans will apply to the Supreme Court of Western Australia to wind up the company. No payment has been received at the date of this report.

## 4. Other financial assets

	31 Dec 2017 \$	30 Jun 2017 \$
<b>Current</b>		
<b>Available-for-sale investments</b>		
Quoted equity shares (i)	11,136	660
Unquoted equity shares (ii)	1	1
<b>Loan</b>		
Loan to outside entities (iii)	72,150	65,338
	83,287	65,999

- (i) Investments in listed entities include the following:
- (a) 277,778 ordinary fully paid shares in Metalicity Limited including 138,889 unlisted options exercisable at \$0.08 on or before 18 August 2020
  - (a) 20,000 ordinary fully paid shares in Brighton Mining Group Ltd; and
  - (b) 20,000 ordinary fully paid shares in Ultracharge Limited (previously known as Lithex Resources Ltd).
- (ii) Hannans holds 1 share at \$1 in Equity & Royalty Investments Ltd. Equity & Royalty Investments Ltd has 100 million ordinary shares on issue. The principal activity of the Company is the investment in equity and royalties in other companies with the objective of realising gains through equity and generating an income stream through the royalties.
- (iii) Errawarra 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 20% per annum. The loan is secured against Errawarra's rights, title and interest in the agreement executed between Errawarra, Reid Systems Inc and Reid Systems (Australia) Pty Ltd. Errawarra has fully drawdown on the loan facility. Interest accrued to 31 December 2017 amounts to \$6,812. The loan is repayable by Errawarra on 1 July 2018. Refer to note 14 for further information.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2017

	31 Dec 2017 \$	30 Jun 2017 \$
<b>5. Capitalised mineral exploration and evaluation expenditure</b>		
Balance at beginning of financial period	2,688,000	-
Capitalised acquisition costs (i)	-	2,688,000
LESS: Write off costs	(28,000)	-
Balance at end of financial period	2,660,000	2,688,000

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

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

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

	31 Dec 2017 \$
<b>Purchase consideration</b>	
Shares issued	3,566,479
Acquisition costs	121,521
Total purchase consideration	3,688,000
<b>Net assets acquired</b>	
Cash	1,000,000
Deferred exploration and evaluation expenditure	2,688,000
Total net assets acquired	3,688,000

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

	31 Dec 2017 \$	30 Jun 2017 \$
<b>6. Current trade and other payables</b>		
Trade payables (i)	121,016	148,053
Accruals	76,700	41,000
Other payable	40,965	55,264
	238,681	244,317

(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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2017

	31 Dec 2017 \$	30 Jun 2017 \$
<b>7. Provisions</b>		
<b>Current</b>		
Employee benefits	-	103,115
	-	103,115
<b>8. Other financial liabilities</b>		
<b>Current</b>		
Payroll related liabilities	96,290	96,290
	96,290	96,290
<b>Non-current</b>		
Payroll related liabilities	9,079	63,555
	9,079	63,555
<b>9. Issued capital</b>		
1,976,142,038 fully paid ordinary shares (2017: 1,682,640,560)	40,826,148	37,296,618
	40,826,148	37,296,618

	31 Dec 2017		30 Jun 2017	
	No.	\$	No.	\$
<b>Fully paid ordinary shares</b>				
Balance at beginning of financial period	1,682,640,560	37,296,618	970,707,755	46,285,309
Exercise of options to shares – 11 July 2016	-	-	25,000,000	100,000
Exercise of options to shares – 19 July 2016	-	-	4,166,667	20,833
Exercise of options to shares – 15 August 2016	-	-	6,250,000	25,000
In-specie distribution to shareholders – 20 Sep 2016	-	-	-	(13,245,562)
Acquisition of Reed Exploration Pty Ltd – 29 Sep 2016	-	-	620,833,333	3,566,479
Issue of shares and options to directors in lieu of outstanding fees – 14 November 2016	-	-	17,032,584	306,587
Issue of shares and options to company secretary in lieu of outstanding fees – 14 November 2016	-	-	4,123,264	74,219
Exercise of options to shares – 9 December 2016	-	-	31,250,000	125,000
Issue of shares as part payment – 12 June 2017	-	-	3,276,957	45,878
Exercise of options to shares - 20 November 2017	8,333,334	66,667	-	-
Share Purchase Plan - 11 December 2017	127,480,231	1,619,000	-	-
Placement of shares - 11 December 2017	157,687,913	2,002,636	-	-
Share issue costs	-	(158,773)	-	(7,125)
Balance at end of financial period	1,976,142,038	40,826,148	1,682,640,560	37,296,618

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 2017

	31 Dec 2017 \$	30 Jun 2017 \$
<b>10. Reserves</b>		
Balance at the beginning of the financial period	297,378	118,155
Option reserve	319,534	179,223
Available for sale revaluation reserve	556	-
<b>Balance at the end of the period</b>	<b>617,468</b>	<b>297,378</b>

The balance of reserves is made up as follows:

Option reserve	616,912	297,378
Available for sale revaluation reserve	556	-
	<b>617,468</b>	<b>297,378</b>

## Share options

As at 31 December 2017, options over 129,185,013 (Jun 2017: 57,201,681) 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	7,850,001	Ordinary	0.5 cents each	20 Nov 2018
Hannans Ltd	12,016,664	Ordinary	2.9 cents each	20 Nov 2019
Hannans Ltd	4,162,500	Ordinary	0.4 cents each	03 Jun 2018
Hannans Ltd	21,155,848	Ordinary	1.8 cents each	15 Sep 2020
Hannans Ltd	28,000,000	Ordinary	2.6 cents each	27 Oct 2020
Hannans Ltd	28,000,000	Ordinary	(i)	27 Oct 2021
Hannans Ltd	28,000,000	Ordinary	(i)	27 Oct 2022

(i) Exercise price will be calculated from the volume weighted average share price for the five (5) trading days before and five (5) trading days after the Vesting Date for each Tranche PLUS a premium of 50%. The Monte-Carlo simulation model was used for Tranche 2 and 3.

Share options are all unlisted, carry no rights to dividends and no voting rights. A total of 84,000,000 were issued during the period. A total of 8,333,334 were exercised during the period. A total of 3,683,334 lapsed during the period.

	31 Dec 2017 \$	30 Jun 2017 \$
<b>11. Accumulated losses</b>		
Balance at the beginning of the financial period	(33,550,237)	(45,230,366)
Profit/(Loss) attributable to members of the parent entity	(914,053)	11,663,780
Items of other comprehensive income recognised directly in retained earnings		
Options exercised	38,717	16,349
<b>Balance at the end of the financial period</b>	<b>(34,425,573)</b>	<b>(33,550,237)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2017

## 12. 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.

## 13. 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 segment information provided to the Board for the reportable segments is as follows and the financial results from these segments are equivalent to the financial statements of the Group as a whole. On 15 September 2016 Hannans held a General Meeting and shareholders approved the equal reduction of capital and a pro rata in-specie distribution of Critical Metals shares to Hannans shareholders. The Swedish projects are part of the Critical Metals group (refer to note 17 for further information).

	31 Dec 2017 \$	31 Dec 2016 \$
<b>Segment revenue – Other income</b>		
Australia	25,513	12,132,162
Scandinavia	–	910,000
Consolidated	25,513	13,042,162

<b>Segment result</b>		
Australia	(914,053)	10,956,436
Scandinavia	–	948,918
(Loss)/profit before income tax benefit	(914,053)	11,905,354
Income tax benefit	–	–
(Loss)/profit for the period	(914,053)	11,905,354

Segment assets and liabilities	Assets		Liabilities	
	31 Dec 2017 \$	30 Jun 2017 \$	31 Dec 2017 \$	30 Jun 2017 \$
Australia	7,362,093	4,551,036	344,050	507,277
Scandinavia	–	–	–	–
Consolidated	7,362,093	4,551,036	344,050	507,277

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2017

## 14. 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
<b>31 Dec 2017</b>				
Total for KMP	-	-	-	-
Total for other related parties (i)	65,338	72,150	6,812	1
Total for KMP and their related parties	65,338	72,150	6,812	1
<b>30 Jun 2017</b>				
Total for KMP	-	-	-	-
Total for other related parties (i)	53,582	65,338	11,756	1
Total for KMP and their related parties	53,582	65,338	11,756	1

- (i) The Company provided a loan facility of \$50,000 at an interest rate of 20% per annum to Errawarra Resources Ltd (**Errawarra**), of which Mr Damian Hicks, Mr Jonathan Murray and Mr Markus Bachmann are the Directors. The loan is secured against Errawarra's rights, title and interest in the agreement executed between Errawarra, Reid Systems Inc and Reid Systems (Australia) Pty Ltd. Errawarra made a loan drawdown of \$50,000. The loan repayment date is 1 July 2018.

### (b) Equity issued to key management personnel (KMP) and their related parties

On 27 October 2017 Hannans held the Annual General Meeting and shareholders approved the issue of option to provide a performance linked incentive component in the remuneration package. The options were issued on 6 November 2017.

The table below provides the share options issued during the period ended 31 December 2017.

	Bal at 1 Jul 2017	Granted as remune- ration	Exercised	Net other change	Bal at 31 Dec 2017	Vested at 31 Dec 2017	
						Exercisable	Not exercisable
						No.	No.
<b>Directors</b>							
D Hicks (i)	-	42,000,000	-	(42,000,000)	-	-	-
J Murray (ii)	4,737,500	10,500,000	(500,000)	-	14,737,500	7,737,500	7,000,000
M Bachmann	4,197,917	10,500,000	(500,000)	-	14,197,917	7,197,917	7,000,000
C Gordon	-	10,500,000	-	-	10,500,000	3,500,000	7,000,000
A Scott	8,500,000	10,500,000	-	(3,166,667)	15,833,333	8,833,333	7,000,000
<b>Total</b>	<b>17,435,417</b>	<b>84,000,000</b>	<b>(1,000,000)</b>	<b>(45,166,667)</b>	<b>55,268,750</b>	<b>27,268,750</b>	<b>28,000,000</b>

- (i) Mr Hicks received 42,000,000 unlisted options during the period. At the direction of Mr Hicks, the options were issued to Acacia Investments Pty Ltd (**Acacia**). Mr Hicks is neither a director, shareholder or beneficiary of Acacia or any trust where Acacia is the trustee.

- (ii) Mr Murray holds 840,000 in trust for unrelated third parties.  
The options include those held directly, indirectly and beneficially by KMP.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2017

## 15. Share-based payment

The following share-based payment arrangements existed at 31 December 2017:

On 20 November 2014 Hannans shareholders approved the issue of 36,050,000 share options to senior executives and employees of the Group.

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.

The following unlisted options were issued during the period.

Option series	Number	Grant date	Expiry date	Exercise price (cents)
27 October 2017	28,000,000	27 October 2017	27 October 2020	2.6
27 October 2018	28,000,000	27 October 2017	27 October 2021	(i)
27 October 2019	28,000,000	27 October 2017	27 October 2022	(i)

(i) Exercise price will be calculated from the volume weighted average share price for the five (5) trading days before and five (5) trading days after the Vesting Date for each Tranche PLUS a premium of 50%. The Monte-Carlo simulation model was used for Tranche 2 and 3.

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 27 October 2017. The option series 27 October 2018 and 27 October 2019 were fair valued using the Black-Scholes and Monte-Carlo simulation model. There is no cash settlement of the options.

## 16. 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
<b>31 Dec 2017</b>				
<b>Assets measured at fair value</b>				
Available-for-sale financial assets (note 4):				
Quoted equity shares (i)	11,136	-	-	11,136
Unquoted equity shares (ii)	-	-	1	1
	11,136	-	1	11,137
<b>30 Jun 2017</b>				
<b>Assets measured at fair value</b>				
Available-for-sale financial assets:				
Quoted equity shares (i)	660	-	-	660
Unquoted equity shares (ii)	-	-	1	1
	660	-	1	661

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 available-for-sale financial assets is derived from quoted market prices in active markets.
- (ii) The historical cost has been used to fair value unquoted ordinary shares. There is no market for the share and the value of the share does not warrant further discount or valuation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2017

## 17. Disposal of exploration and evaluation assets

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

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

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

### (a) Details of the disposal

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2017

## 17. Disposal of exploration and evaluation assets (cont'd)

### (a) Details of the disposal (cont'd)

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

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

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

## 18. Subsequent events

No matters or circumstances have arisen since 31 December 2017 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 except as stated below.

- (a) On 13 February 2018 the Company served a statutory demand on Mine Builder Pty Ltd (**Mine Builder**) for the sum of \$411,013 including interest being the balance of the consideration payable for the acquisition of the North Ironcap Gold Rights. Mine Builder is required to pay the full amount within 21 days after the service, failing which Hannans will apply to the Supreme Court of Western Australia to wind up the company. No payment has been received at the date of this report.