HANNANS LTD

Annual Report 2016

ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

CORPORATE DIRECTORY

BOARD OF DIRECTORS

MANAGING DIRECTOR
Mr Damian Hicks

NON-EXECUTIVE DIRECTORS
Mr Jonathan Murray
Mr Markus Bachmann
Mr Olof Forslund

COMPANY SECRETARY
Mr Ian Gregory

ABN 52 099 862 129

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DIRECTORS' REPORT

The Directors of Hannans Ltd (Hannans or the Company) submit their annual financial report of the Group being the Company and its controlled entities for the financial year ended 30 June 2016.

Dear Shareholders,

Hannans has an excellent technical team with nickel, gold and lithium exploration skills, a significant land position in the world class Forrestania - Mt Holland nickel, gold, lithium district, a number of strategic major shareholders and a clean balance sheet, healthy cash balance, no debt and minimal overheads. Hannans is in the best shape it has been for a long time!

Hannans completed an important strategic collaboration with ASX listed lithium mining company Neometals Ltd in March 2016. This transaction has resulted in Hannans focusing its future exploration efforts in Western Australia and divesting its Swedish exploration portfolio via an in-specie distribution to Shareholders.

For the foreseeable future Hannans will focus on nickel, gold and lithium exploration in the Forrestania – Mt Holland district of Western Australia which hosts world class nickel mines, a number of high grade gold mines and more recently a number of significant lithium discoveries.

Following extensive geochemical sampling programs and geophysical surveys undertaken by Neometals over the last two years, a three-hole diamond drill program testing nickel sulphide targets at the Stormbreaker Prospect was undertaken in July 2016, approximately 10 km north of the high grade Flying Fox nickel sulphide mine. Whilst a number of exploration campaigns have been conducted in this area by previous explorers, only one diamond hole had been drilled into the highly prospective nickel tenure prior to this most recent drill program. Hannans plans to continue diamond drill testing nickel targets at Stormbreaker during October / November 2016 after settlement of the Neometals transaction. Nickel exploration is being managed by experienced geoscientists Gordon Kelly (geochemist) and Richard Stuart (geophysicist) both of whom previously worked for Western Mining Corporation Ltd, Western Areas Ltd and Neometals Ltd.

Hannans has also initiated a review of gold targets within the Forrestania region and we have sought the expertise of geoscientists that have a long history exploring for gold with the region including Mr Bryan Smith who is a consulting geologist having previously worked for Western Mining Corporation Ltd, Forrestania Gold NL and Neometals Ltd. Hannans owns a 20% free-carried interest in the high grade Blue Haze gold deposit and the Forrestania gold project.

The recent identification of high grade lithium mineralisation in significant widths by Kidman Resources Ltd at the Earl Grey, Van Uden North and Tasman deposits adjacent to Hannans' tenure has provided the encouragement to commence a review of Hannans' tenure for pegmatite rocks (coarse grained granites) hosting lithium mineralisation. We are guided in our efforts by our largest shareholder Neometals, which owns 13.8% of a producing lithium mine (Mt Marion located near Kambalda) and 70% of a proprietary low cost lithium processing technology (called the Eli process).

By the time you receive this report Hannans shareholders will have received an in-specie distribution of shares in a newly incorporated Australian registered unlisted company, called Critical Metals Ltd, which now holds the Swedish exploration portfolio. Subject to funding, Critical Metals plans to commence drill testing targets at Sweden's well known Varuträsk lithium-caesium-tantalum project late in 2016 with a view to listing on a stock exchange as soon as practicable. Critical Metals also owns the high value Pahtohavare copper-gold project and the strategic Rakkurijoki iron project in Sweden.

Hannans completed a number of capital raisings during the year via Placement and a Shareholder Share Purchase Plan. We welcome new substantial shareholders and thank our existing shareholders for their continued financial support.

As announced previously Hannans and Kiruna Iron AB (a wholly owned subsidiary of Critical Metals Ltd) were parties to litigation brought by Avalon Minerals Ltd concerning the sale and purchase of the Discovery Zone copper-gold deposit in northern Sweden. Hannans and Kiruna Iron also filed a counter-claim against Avalon Minerals. I am pleased to report that all legal disputes and court actions between the respective companies have recently been settled, without an admission of liability and this effectively brings this matter to an end.

I would like to take this opportunity to record our sincere thanks to Olof Forslund who is planning to retire as a Director of Hannans shortly. Olof joined the Board in 2012 and has been absolutely rock solid in his support for Hannans, however with the Company having recently divested its Swedish projects it's the right time for Olof to retire. I would also like to thank Non-executive Directors Markus Bachmann and Jonathan Murray, Exploration Manager Amanda Scott and Finance & Compliance Manager Mindy Ku for their professionalism, commitment and support.

If you have any questions please don't hesitate to visit www.hannansreward.com, follow us on Twitter (@hannansreward), visit us on FaceBook (Hannans Reward), stay updated on LinkedIn (Hannans Reward), review our images on Instagram (HannansReward) or contact me.

Best regards,

Damian Hicks
Managing Director

STRATEGIC PLAN

VISION

Our vision is to build a successful exploration and production company.

MISSION

Our mission is to develop a company that has a material interest in a portfolio of mineral projects that are being rapidly progressed whether they are exploration, development or production assets.

We recognise that a professional, knowledgeable and ethical team of directors, employees and consultants is the key to our business.

Our focus is to provide shareholders with excellent return on investment by managing our people, projects and capital in an entrepreneurial and responsible manner.

GOALS

People	1.	To attract and retain a professional, knowledgeable and ethical team of experts whilst empowering staff at all levels.
	2.	To continually build an understanding of our strategic partners' needs and wants and thereafter conduct business in a fair, transparent and ethical manner.
Projects	1.	To access prospective natural resource exploration opportunities in Australia.
	2.	To implement an effective acquisition program that secures access to prospects with the potential to host significant natural resource deposits.
	3.	To add value by identifying, accessing and exploring prospects that have potential to host significant deposits and then seek partners to diversify project risk.
	4.	To retain a financial interest in prospects but not necessarily an operational responsibility.
	5.	To conduct our affairs in a responsible manner taking into account various stakeholder rights and beliefs.
Capital	1.	To create shareholder wealth as measured by the potential of our prospects, the strength of our balance sheet and share price.
	2.	To maintain sufficient funding and working capital to implement exploration programs through the peaks and troughs in exploration sentiment and commodity prices fluctuations.

Ultimately, Hannans is aiming to identify a world-class gold, copper, nickel or iron deposit.

Successful implementation of the strategic plan would see Hannans develop a portfolio of projects in which it is sole funding exploration, contributing funding to maintain a joint venture interest, holding a free carried interest, royalty interest and or an equity interest in the company that owns the project.

The ability to implement the strategic plan is determined by Hannans ability to access funding. Hannans needs to continually fund the development of its project pipeline through equity raisings, project sales, joint venture expenditure and royalties.

OPERATIONAL AND FINANCIAL REVIEW

Board of Directors & Executive Management

The Board of the parent company remained unchanged during the financial year ended 30 June 2016.

Subsequent to the end of the year Magnus Arnqvist resigned as a director of Swedish subsidiary Kiruna Iron AB and Olof Forslund was appointed a director of Kiruna Iron AB.

The Executive Management Team remained unchanged and comprises Damian Hicks (Managing Director), Amanda Scott (Exploration Manager) and Mindy Ku (Finance & Compliance Manager). The team is supported by Pernilla Renberg (Office Administrator in Sweden).

Projects – Generation, Exploration and Divestment

The following is a chronological summary of the main Generation, Exploration and Divestment[1] events that occurred during the 2015/2016 financial year:

2 July 2015

- Sale of Exploration Database
Hannans sold its West Australian exploration database in consideration for 20% interest in tenements, free-carried through to Decision to Mine The transaction enabled Hannans to remain exposed to exploration activities in Western Australia without any requirement to fund exploration.

6 July 2015

- Pahtohavare Cu- Au Project - Drilling Copper-Gold Target
Drilling of shallow high grade copper-gold targets recommenced at Pahtohavare, Sweden. Diamond drilling tested the continuity of the Central oxide copper-gold JORC resource and collected additional material for the 3rd phase of metallurgical test work. Exploration costs were funded by Swedish mining company Lovisagruvan AB – Hannans' interest is free-carried.

13 July 2015

- Lapland Project - Permits Granted
All permits were granted (17 permits covering ~300km2). Reconnaissance mapping and sampling commenced in August 2015 and a search continued for a joint venture partner. A first-pass reconnaissance field trip collecting outcrop and boulder samples for assay and petrographical analysis was initiated.

July - August 2015

- Queen Victoria Rocks Project - Exploration Drilling for Nickel
Joint Venture partner Neometals Ltd advised that they attempted to 'clean out' a historic diamond drill hole with the aim of taking photographs of the mineralised zones. Unfortunately, the hole was unable to be re-entered to the required depth and therefore a 'twin' hole was drilled in an effort to replicate the historic results.

27 August 2015

- Pahtohavare Cu-Au Project - High Grade Copper
Bonanza grade copper assay results were received from diamond drilling at the Central deposit. Assay highlights for PADH15005 included: 14.2m @ 9.60% Cu, 2.43g/t Au, 16.98g/t Ag from 40.0m Inc. 4m @ 23.26% Cu, 3.62g/t Au, 43.03g/t Ag from 47.5m; 14m @ 2.03% Cu, 0.53g/t Au, 4.07g/t Ag from 7.2m Inc. 3m @ 3.58% Cu, 1.02g/t Au, 8.47g/t Ag from 10.8m. Highest grade 1m interval from within PADH15005 was: 31.5% Cu, 5.89 g/t Au and 63.1 g/t Ag from 50.5m. Note that all widths are downhole as true widths are not currently known. Diamond drilling programme was completed (8 holes for 760m).

1 Refer to ASX release made on the relevant date indicated in the table

Projects – Generation, Exploration and Divestment (cont'd)

30 September 2015

- Pahtohavare Cu-Au Project - High Grade Copper
  Further wide, high-grade copper-gold-silver assays from the Central deposit at the Pahtohavare Cu-Au Project were reported including the following intercept from PADH15006: o 12.3m @ 2.99% Cu, 0.87g/t Au, 1.66g/t Ag from 29.2m (1% Cu lower-cut, 0m internal dilution).

16 November 2015

- Forrestania Project - Exploration
  Joint venture partner Neometals Ltd approved a greenfields nickel sulphide exploration program at the Forrestania Nickel Project incorporating leading edge technology developed by consultants Richard Stuart (geophysicist) and Gordon Kelly (geochemist) to confirm potential for Flying Fox-style mines within Stormbreaker prospect. Stormbreaker prospect located ~7km along strike to the north of the Flying Fox nickel mine and is hosted within the same favourable western ultramafic komatiite unit.

24 November 2015

- Pahtohavare Au-Cu Project - Positive Joint Venture Decision
  Swedish mining company Lovisagruvan announced it was ready to proceed to Stage 2 of Pahtohavare Cu-Au joint venture. Hannans to retain a 25% interest free carried to a Decision to Mine.

17 February 2016

- Lithium in Sweden
  An application for an exploration permit was lodged over the historic Varuträsk lithium-cesium-tantalum mine in Sweden. Seven applications in total lodged over tenure prospective for lithium.

27 July 2016

- Forrestania Project - Drilling at Forrestania
  Core drilling of nickel sulphide targets started at the Forrestania Nickel Project. Nickel targets are 10km north of high grade Spotted Quoll and Flying Fox nickel sulphide mines hosted in the Western Ultramafic Belt. Drilling was designed to test geophysical conductors down-dip of a strong geochemical anomaly within the same Western Ultramafic Belt.

Exploration Expenditure

In line with the Group's accounting policy, Hannans expensed $29,998 on mineral exploration activities in 2016 (2015: $387,160) relating to its non-JORC compliant mineral projects and capitalised $97,599 (2015: $161,630) of expenditure in connection with the JORC compliant mineral resources at the Rakkuri Iron Project and Pahtohavare Copper-Gold Project. These amounts exclude all administration and transaction costs. Due to the surrender of permits during the year Hannans resolved to write off $123,945 of capitalised Exploration & Evaluation expenditure in 2016 (2015: $28,275,372).

Mineral Exploration Activities in 2016	$	%
Geological activities	153,371	120
Geochemical activities	13,890	11
Field supplies	36,146	28
Field camp and travel	3,762	3
Feasibility studies	1,241	1
Annual tenement rent	(92,818)	(73)
Annual tenement rates	(3,957)	(3)
Tenement administration	5,097	4
Tenement application fees	10,865	9
TOTAL MINERAL EXPLORATION ACTIVITIES	127,597	100
–) Capitalised expenses	(97,599)	
Total expensed	29,998	

Project	Exploration activities $	%
Australia	(3,531)	(12)
Sweden	131,128	112
TOTAL MINERAL EXPLORATION ACTIVITIES	127,597	100
–) Capitalised expenses	(97,599)	
Total expensed	29,998	

Corporate

On 4 March 2016 Hannans announced a strategic collaboration with Neometals Ltd (ASX:NMT). Hannans agreed to acquire Neometals subsidiary company Reed Exploration Pty Ltd (REX) which owns the Forrestania, Lake Johnston and Queen Victoria Rocks precious and base metals portfolio and at settlement will have up to $1 million cash at bank and no debts. This cash balance will be adjusted down by up to $250,000 to cover the costs of the diamond drilling campaign completed at Forrestania in August 2016. The transaction resulted in Neometals becoming the controlling shareholder of Hannans holding approximately 42.24% of the fully paid ordinary capital in Hannans.

The addition of Neometals to the Hannans register increased the profile of Hannans and attracted more capital to the Company. During the period March through to May 2016 Hannans raised approximately $1.6 million (before costs) through a combination of placements to sophisticated investors and issues to existing shareholders. Hannans welcomed two new substantial shareholders to the register being Neometals Ltd and MCA Nominees Pty Ltd.

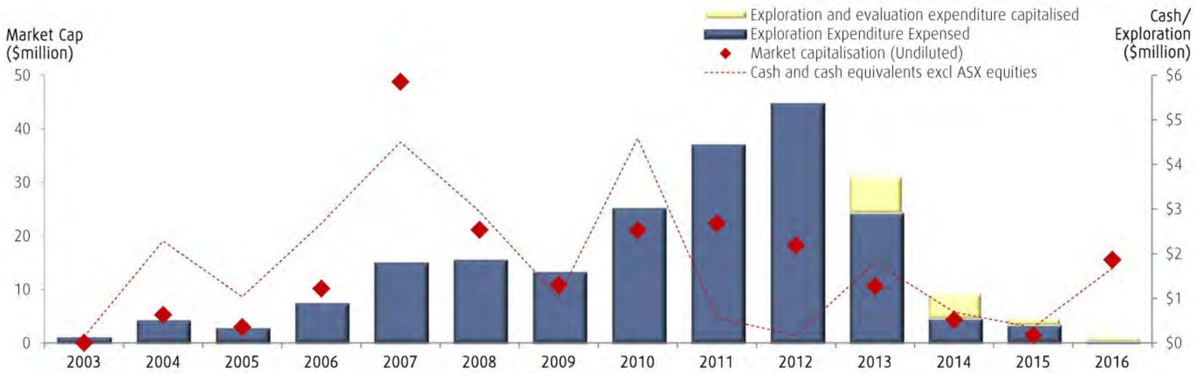
During April 2016 Hannans entered into a five-year preferred contractor agreement with Australian Contract Mining Pty Ltd (ACM) whereby ACM will provide Hannans with mining services on terms that Hannans considers competitive with reference to prevailing market conditions at the time. ACM in a West Australian based mining services company that provides project management services, underground mining services, diamond drilling services and raise boring services.

In September 2016 Hannans completed an in-specie distribution of shares to its shareholders in the unlisted wholly owned subsidiary company Critical Metals Ltd, the registered owner of the Swedish companies holding the Swedish copper-gold (Pahtohavare), iron (Rakkurijoki and Paljasjärvi) and lithium (Varuträsk) projects. The directors of Critical Metals will need to access additional capital to advance these prospects and will seek to have the company listed on a securities exchange as soon as practicable to ensure Hannans shareholders have access to tradeable equity.

In September 2016 Hannans shareholders approved the issue of shares and options to Hannans directors and management in satisfaction of fees that had been outstanding for a number of years which removed this liability from the Company's financial statements. Shareholders also approved the forgiveness of the outstanding loan to the Managing Director.

As announced previously Hannans and Kiruna Iron AB (a wholly owned subsidiary of Critical Metals Ltd) were parties to litigation in the Supreme Court of Western Australia brought by Avalon Minerals Ltd concerning the sale and purchase of the Discovery Zone copper-gold deposit in northern Sweden. Hannans and Kiruna Iron also filed a counter-claim again Avalon Minerals. On 28 September 2016 the parties executed a Deed of Termination, Settlement and Release meaning that all legal disputes and court actions between the respective companies have been settled, without an admission of liability by either party and this matter is now resolved.

On 12 March 2015 Hannans advised ASX that its gold rights on the North Ironcap deposit has been sold to a private company, Mine Builder Pty Ltd, for $800,000. Unfortunately, MineBuilder failed to make payment in accordance with the agreement. The sole director, company secretary and shareholder provided Hannans with a personal guarantee for the debt. Hannans will commence action to recover the debt due in the Supreme Court of Western Australia in October 2016.



Compliance

The following is a chronological list of compliance lodgements made during the 2015/2016 financial year:

26/08/2015	Trading Halt	17/03/2016	Cleansing Notice
30/09/2015	2015 Annual Report	14/04/2016	Notice of General Meeting
30/09/2015	Appendix 4G	29/04/2016	3rd Quarter Cashflow & Activities Report
16/10/2015	Notice of Annual General Meeting	19/05/2016	Voting results from General Meeting
30/10/2015	1st Quarter Cashflow & Activities Report	26/05/2016	Updated Capital Structure
24/11/2015	2015 Annual General Meeting Results	07/06/2016	Updated Capital Structure
10/12/2015	Updated Capital Structure	09/06/2016	Response to ASX Price Query
29/01/2016	2nd Quarter Cashflow & Activities Report	10/06/2016	Change in substantial holding - ERI
03/03/2016	Trading Halt	10/06/2016	Becoming a substantial holder
11/03/2016	Becoming a substantial holder from NMT	10/06/2016	Change in substantial holding - NMT
11/03/2016	Change in substantial holding	17/06/2016	Change in substantial holding
15/03/2016	Half-Year Financial Report	24/06/2016	Exercise of options

Subsequent to the end of the financial year the following compliance document were lodged:

08/07/2016	Becoming a substantial holder
15/07/2016	Exercise of options
19/07/2016	Response to ASX Price Query
20/07/2016	Exercise of options
22/07/2016	Change in substantial holding
01/08/2016	4th Quarter Cashflow & Activities Report
12/08/2016	Notice of General Meeting
15/08/2016	Updated Capital Structure
15/09/2016	Voting results from General Meeting
29/09/2016	Updated Capital Structure – Acquisition of Reed Exploration Pty Ltd

DIRECTORS' REPORT

Goals 2016 – Scorecard

At Hannans' Annual General Meeting held on 24 November 2015 the Company identified its Goals for 2016. The table below highlights the Company's achievements relative to those stated Goals:

Item	Stated Goal AGM 2015	Outcome to Date
Shareholder Returns	Implement a strategy giving shareholders the opportunity to recover their investment	Hannans decision in March 2016 to refocus on Western Australia gold, nickel and lithium and divest Swedish copper-gold, iron and lithium has enabled the Company to refinance its balance sheet, attract new major shareholders, recommence exploration drilling and focus on the future. Due to both an improvement in sentiment towards exploration companies with gold and lithium projects and the positive reaction to the strategic collaboration with Neometals Ltd, the Hannans share price has risen from 0.3 cents on 24 November 15 to 1.7 cents as at 27 September 2016. The Hannans share price reached 2.7 cents on 20 July 2016.
Joint Venture Projects including Pahtohavare, Forrestania, Lake Johnston and Queen Victoria Rocks	Monitor joint venture partners' activities.	Joint venture partner Lovisagruvan was sufficiently encouraged from the results of its exploration activities at the Pahtohavare copper-gold project in Sweden to proceed to the next stage of the joint venture which will see lodgement of an exploitation concession application over the Central copper deposit prior to the end of 2016.
	Assist joint venture partners to unlock the value of these high potential projects.	During 2015 Neometals Ltd was seeking to divest its 80% interest in its non-core Forrestania, Lake Johnston and Queen Victoria Rocks nickel and gold projects to third parties. At the time Hannans was holding the remaining 20% free-carried interest in these projects free-carried to a Decision to Mine. Hannans and Neometals elected to consolidate the ownership of this strategic gold and nickel portfolio which resulted in execution of the strategic collaboration agreement.
Sole funded projects included Lapland, Rakkurijoki, Lannavaara and Sarksjön	Secure joint venture partners	Hannans will always maintain an open mind to joint venturing its copper, gold, nickel, iron and lithium projects to share the risks and rewards of exploration. Hannans will continue working towards protecting the value of Pahtohavare, Discovery Zone and Rakkurijoki via exploration drilling and the lodgement of an exploitation concession applications. Successful implementation of these activities will increase the value of the projects and the likelihood of attracting a joint venture partner. Due to the extremely difficult environment for junior exploration companies and the depressed precious and base metals prices Hannans made the decision to relinquish its large conceptual Lapland Ni-Cu-PGE Project and Sarksjön gold project.
Corporate	Protect rights and finalise outcomes on Discovery Zone and North Ironcap transactions	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, without an admission of liability by either party and this matter is now resolved. During September 2016 Hannans instructed lawyers to commence proceedings in the Supreme Court of Western Australia to enforce its rights against the purchaser of the North Ironcap gold deposit.

KEY PROJECTS

Figure 1. Location Map: Hannans' Forrestania, Lake Johnston and Queen Victoria Rocks Precious & Base Metals Projects

This short report will focus on the Forrestania and Queen Victoria Rock Projects. For information on the Lake Johnston Project please refer to www.hannansreward.com.

Forrestania Nickel, Gold and Lithium Project

The Forrestania project is located 120km south of Southern Cross and 80km east of Hyden in Western Australia (Figure 1). The Forrestania project is approximately 7km north of Western Areas Limited's Flying Fox Mine.

There is significant supporting infrastructure in the Forrestania project area, with good road access. There is an existing electricity network primarily due to present and past mining operations. Located to the south of the project area is Western Area Ltd's Cosmic Boy nickel concentrator, which can process 600,000 tonnes per annum of ore, with the potential to expand to 1,000,000 tonnes per annum.

The Forrestania project consists of five granted exploration licences and two prospecting licences. All the tenements are held 100% by Reed Exploration Pty Ltd (Reed) a wholly owned subsidiary of Hannans. The two prospecting licences cover the historic Blue Haze gold mine, where Sons of Gwalia in early 2003 mined approximately 96,000t at 8.81g/t Au for 27,200oz.

Hannans owns a 20% free-carried interest in the gold rights in Forrestania project.

Forrestania Nickel, Gold and Lithium Project (cont'd)

EXPLORATION HISTORY

The drilling has confirmed that the stratigraphy over the western ultramafic corridor is complex, and includes multiple ultramafic units, intercalated with BIF units above a mafic footwall. The intense magnetic signature of associated BIF units within the ultramafic sequence have complicated the detection of possible mineralised zones using geophysical methods. It is also thought that granitic intrusives could be masking greenstone lithologies and potential nickel sulphides at depth. Recent exploration has been limited to surface geochemistry and IP geophysics in the Stormbreaker area testing the extrapolated ultramafics to the north of Western Areas Limited's Flying Fox mine.

EXPLORATION POTENTIAL

These Stormbreaker tenements are potentially very prospective for nickel mineralisation as they contain the interpreted continuation of the geological sequence that hosts the Flying Fox and Spotted Quoll nickel mines of Western Areas Limited.

The Stormbreaker North tenements are at an early exploration stage for nickel and contains geology prospective for both gold and nickel mineralisation.

The Blue Haze tenements cover the historic Blue Haze gold mine, where Sons of Gwalia in early 2003 mined approximately 96,000t at 8.81g/t Au for 27,200oz. They are considered prospective for gold mineralisation.

Hannans owns a 20% free-carried interest in the gold rights at Forrestania.

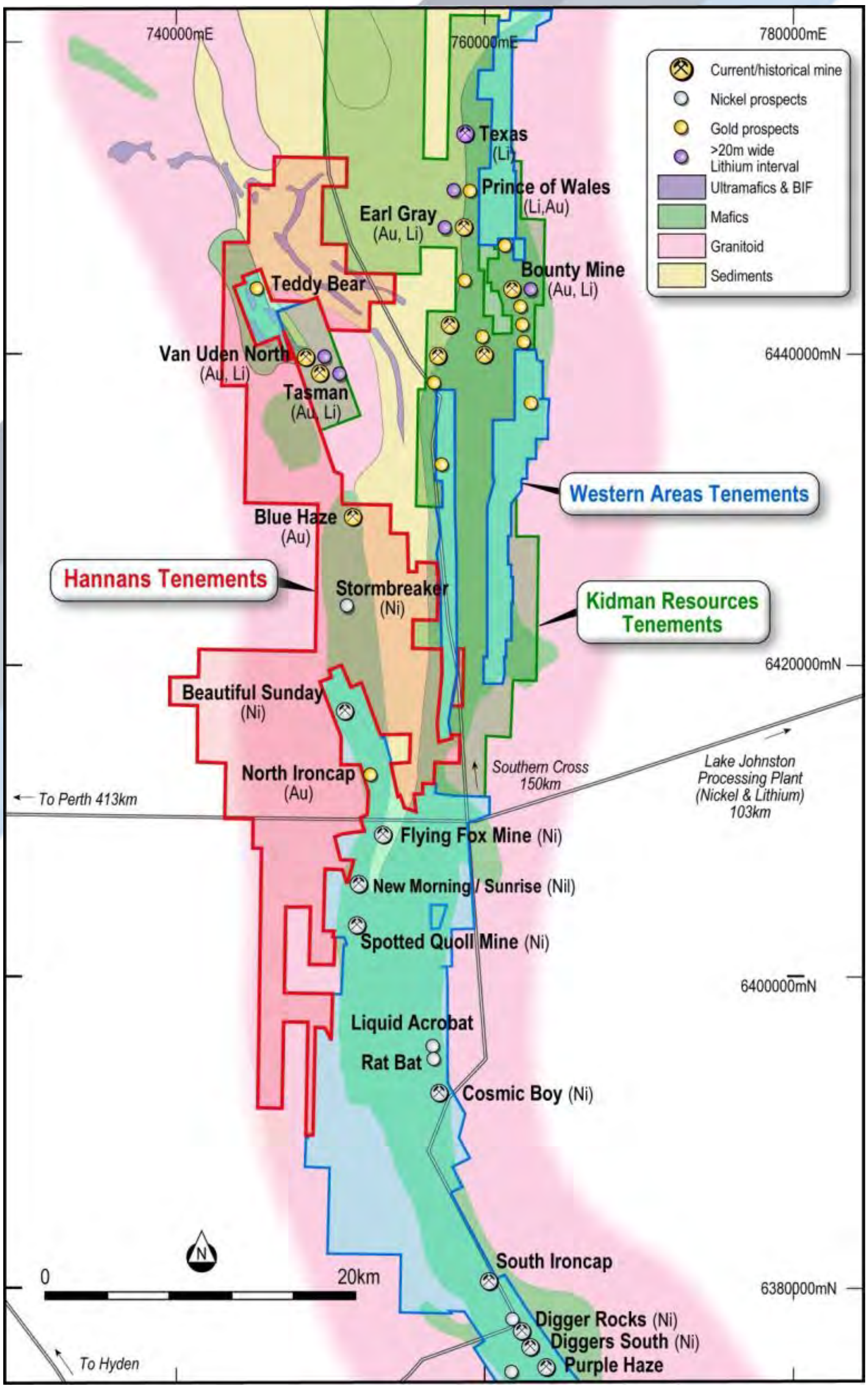
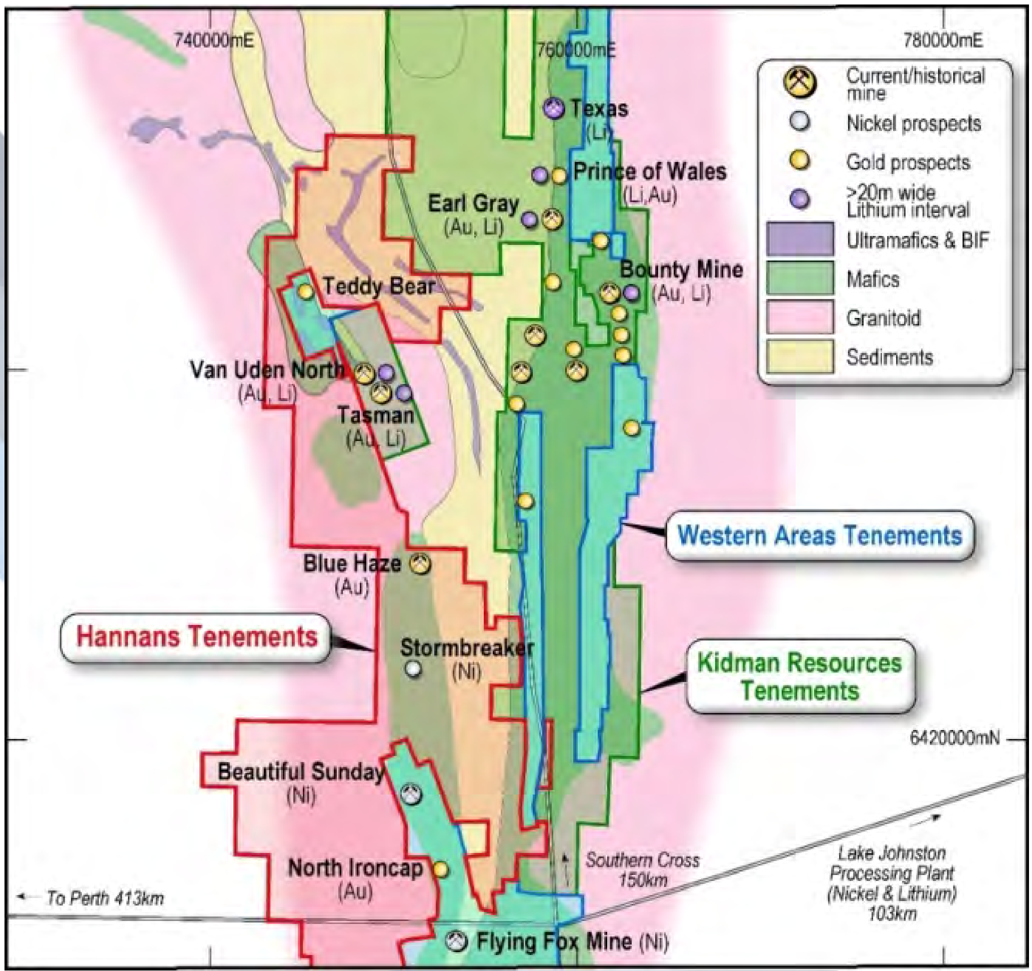


Figure 2.
Forrestania Project Geology and Tenement Location Plan



PROJECT GEOLOGY

The Stormbreaker and Lucy Rocks areas lie within the Archaean Forrestania greenstone belt which trends north to northwest. Regional mapping has identified two distinct lithostratigraphic units within the greenstone belt, a mafic-ultramafic metavolcanic suite and a sequence of immature clastic sediments which overlie the older mafic-ultramafic sequence. These units are folded into a regional northerly plunging synform, with the sedimentary rocks forming the core of the synform. The mafic-ultramafic rocks to the east of the sediments are steeply west dipping while those to the west of the sediments are shallowly east dipping. The two sequences differ somewhat in their composition.

The greenstones are predominantly altered mafic and ultramafic flows with intercalated BIF, cherts and at stratigraphically higher levels, fine grained clastic sediments.

The western ultramafic belt consists predominantly of high-magnesium basalts with variolitic texture (detailed below). The basaltic sequence is overlain to the east by a BIF unit, which is in turn overlain by the main pelitic sediment sequence. The younger sediments are dominantly pelitic and psammitic schists, with minor iron rich garnetiferous units, thin BIF lenses and bands of graphitic schist.

The western ultramafic belts hosts the Flying Fox deposit and has been interpreted as an east younging succession of four distinct lithological packages. Zone 1 comprises of quartzo-feldspathic sedimentary rocks intercalated with minor basaltic rocks. These footwall sedimentary rocks are directly overlain by a cumulate-rich compound komatiite flow sequence (Zone 2). The cumulate komatiites host an irregular halo of disseminated sulphides that directly overlies massive sulphides. Zone 3 comprises of a komatiite basalt thin flow sequence, where non-cumulate komatiites and high magnesium basalts dominate. Zone 4 comprises of hanging wall sedimentary rocks. This lithostratigraphic sequence is interpreted to continue to the north beneath a granite sill based on aeromagnetic interpretation.

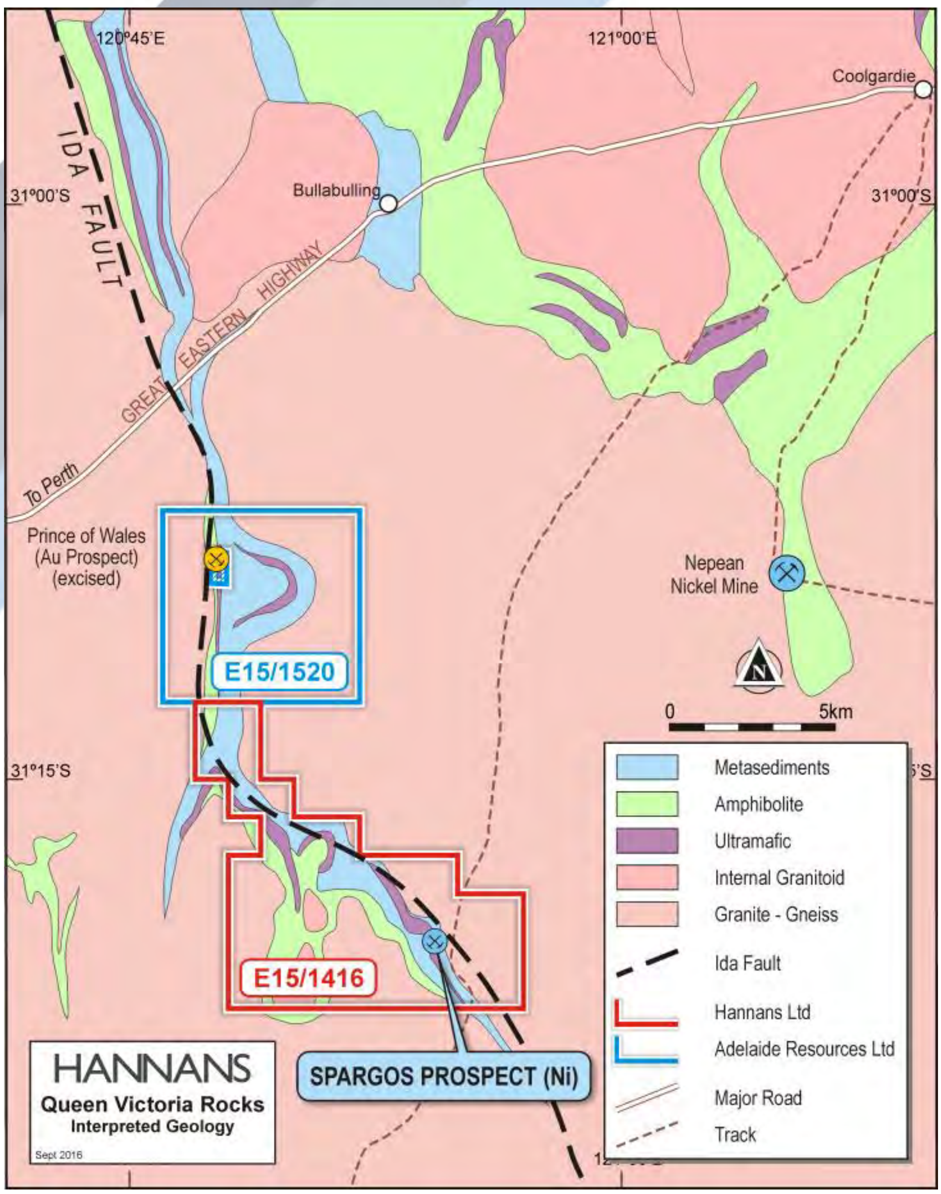
QUEEN VICTORIA ROCKS PROJECT, WESTERN AUSTRALIA

The Queen Victoria Rocks (QVR) project is located approximately 50km to the southwest of Coolgardie in Western Australia. Access to the southern portion of the project is via the unsealed Victoria Rock road, which passes through the tenement. There is significant supporting infrastructure in the Queen Victoria Rocks project area, with good road access due to its close proximity to the town of Coolgardie and the numerous current and historic mining operations of the Coolgardie district. The Queen Victoria Lakes project consists of one granted Exploration Licence. The tenement is held 100% by Reed a wholly owned subsidiary of Hannans.

RECENT EXPLORATION ACTIVITIES AND EXPLORATION POTENTIAL

Recent Exploration endeavored to gain a better understanding of the geological setting and also extend the grass roots exploration activities to the north and along strike of the Spargos prospect using surface geochemistry, targeted EM surveys and field reconnaissance to validate both geochemical and EM anomalies. DHEM has been completed on four holes out of a total of 11 holes which have intersected the basal contact at Spargos.

Within the Spargos prospect the basal footwall contact (i.e. on the southeast side) between the ultramafics units and felsic volcanics, which remains largely untested is an area of good potential for classical contact nickel sulphide accumulations.



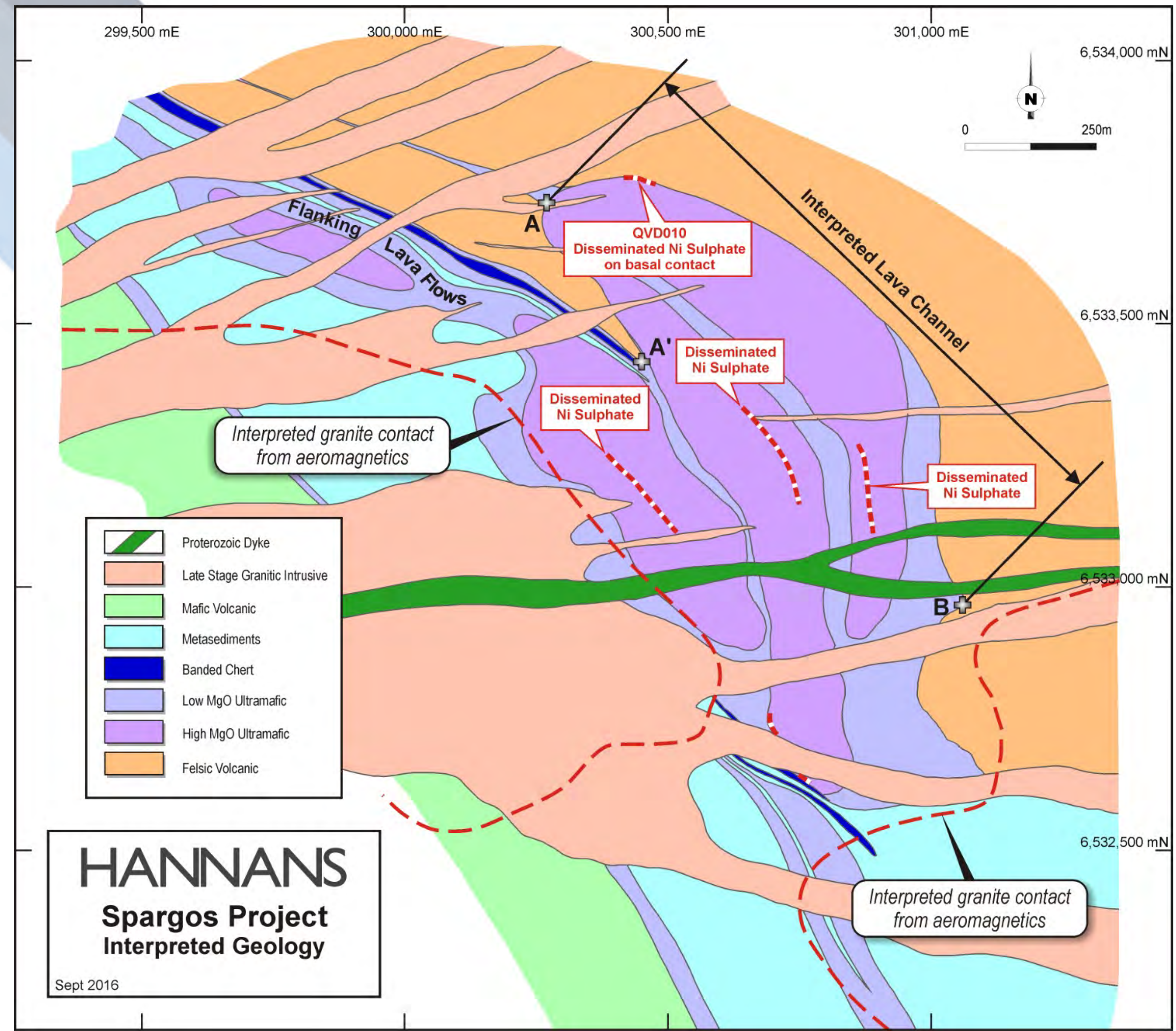


Figure 3: Queen Victoria Rocks Project Spargos Prospect Interpreted Geology

GEOLOGICAL SETTING

The QVR project is located over Archaean greenstone lithologies, forming part of the southern portion of the Bullabulling Domain, which forms the western-most domain of the Kalgoorlie Terrane. These lithologies occur within a relatively narrow belt of greenstone, which lie adjacent to the regionally extensive Ida Fault which passes through the project area. Approximately 9.5km to the south of the Prince of Wales workings, aeromagnetic data suggests that the Ida Fault splays in to two separate structures; one trending southwest and the other to the southeast within Hannans tenure. Proterozoic dykes cut the Archaean stratigraphy in several areas.

Within the project area the greenstone lithologies consist of mafic and ultramafic rocks, interbedded with meta-sedimentary units, which are likely to represent interflow sediments. Sulphide-rich shales, which have a ferruginous surface expression, have been previously mapped and interpreted as BIF units. In the western parts of the greenstone sequence, a much thicker sediment package occurs and is predominantly made up of medium to coarse grained quartz-rich meta-sediments, in particular quartz-biotite schists, along with numerous shale units. To the west, the greenstone belt is flanked by the Woolgangie Monzogranite, while to the east, the regionally extensive Burra Monzogranite dominates.

Using the 2011 geophysical data and previous drilling at the Spargos prospect, a new geological interpretation was developed, which is illustrated in Figure 3 above.

ANNUAL RESOURCE STATEMENTS

All the following JORC resources and exploration targets are owned by Scandinavian Resources AB and Kiruna Iron AB which are wholly owned subsidiaries of Critical Metals Ltd (**CMS**). CMS was in-specie distributed to Hannans shareholders on 27 September 2016.

JULY 2015 – JUNE 2016

Kiruna Iron Project

The global resource estimate for the Kiruna Iron Project currently stands at 203Mt @ 43.1% Fe; this is a decrease from the figure reported in 2015 due to the expiry of the Puoltsa permit.

JORC Compliant **Indicated** Mineral Resource Table

Prospect	Mt	Fe (%)	P (%)	S (%)
Ekströmsberg	30.4	52.0	Unavailable	Unavailable
TOTAL	30.4	52.0	–	–

JORC Compliant **Inferred** Mineral Resource Table

Prospect	Mt	Fe (%)	P (%)	S (%)
Rakkurijoki	74.5	39.7	0.28	0.89
Vieto	14.0	35.7	0.14	1.46
Renhagen	26.3	32.1	0.21	0.03
Harrejaure	16.2	43.4	0.04	0.01
Ekströmsberg	41.6	52.0	Unavailable	Unavailable
TOTAL	172.6	41.5	–	–

TOTAL	Mt	Fe (%)
Indicated & Inferred	203.0	43.1

The global Exploration Target for both the Kiruna Hub and Lannavaara Hub stands at 59-98Mt @ 33.6-42.5% Fe. This is a decrease from the figure reported in 2015 due to the expiry of Altavaara permits.

JORC Compliant **Exploration Target**[2] Tables

Hub 1 – Kiruna Hub

Prospect	Tonnage Range (Mt)	Grade Range (Fe%)
Laukkujärvi	4-8	30-35
Tjåorika	15-30	45-55
Total Hub 1	19-38	37.5-45

Hub 2 – Lannavaara Hub

Prospect	Tonnage Range (Mt)	Grade Range (Fe%)
Paljasjärvi	40-60	30-40
Total Hub 2	40-60	30-40

TOTAL	Mt	Fe (%)
Hub 1 & 2	59-98	33.6-42.5

[2] The JORC Exploration Targets have been subjected to diamond drill testing, ground geophysics and interpretation by the Geological Survey of Sweden, reviewed by Mr Thomas Lindholm, of GeoVista AB. The potential quantity and grade of the exploration targets is conceptual in nature, there has been insufficient interpretation to define a JORC Mineral Resource and it is uncertain if further interpretation will result in the determination of a JORC Mineral Resource.

Pahtohavare Cooper-Gold Project

The Pahtohavare Inferred Mineral Resource and Exploration Target Estimate figures are the same as those reported in 2015.

Area	Resource Category	Mt	Cu (%)	Au (g/t)	Cu Eq (%)	Mining Scenario	Material
Central	Inferred	1.4	1.8	0.6	2.4	Open Cut	Oxide
Southeast	Inferred	0.8	1.7	0.5	2.1	Open Cut + Underground	Sulphide
South	Inferred	0.1	1.3	0.6	1.9	Underground	Sulphide
COMBINED	Inferred	2.3	1.7	0.6	2.3		

Table 1. JORC Inferred Resource-Pahtohavare Project. (Open pit resources calculated using a Whittle optimised cut-off grade of 0.56% CuEq[3] for oxide material and 0.43% CuEq[3] for sulphide material. Underground resources calculated using a 1.48% CuEq[3]).

JORC Compliant **Exploration Target** Tables

Area	Category	Mt	Cu (%)
Eastern	JORC Exploration Target	2-4	0.3-0.7

Table 2: JORC Exploration Target for Eastern Zone, Pahtohavare

JULY 2014 – JUNE 2015

Kiruna Iron Project

The global resource estimate for the Kiruna Iron Project currently stands at 291.7Mt @ 38.8% Fe; this is a decrease from the figure reported in 2014 due to the surrender of the Sautusvaara and Tjårrojåkka deposits.

JORC Compliant **Indicated** Mineral Resource Table

Prospect	Mt	Fe (%)	P (%)	S (%)
Ekströmsberg	30.4	52.0	Unavailable	Unavailable
TOTAL	30.4	52.0	–	–

JORC Compliant **Inferred** Mineral Resource Table

Prospect	Mt	Fe (%)	P (%)	S (%)
Rakkurijärvi	69.6	28.5	0.07	0.93
Rakkurijoki	74.5	39.7	0.28	0.89
Vieto	14.0	35.7	0.14	1.46
Puoltsa	19.1	30.2	Unavailable	Unavailable
Renhagen	26.3	32.1	0.21	0.03
Harrejaure	16.2	43.4	0.04	0.01
Ekströmsberg	41.6	52.0	Unavailable	Unavailable
TOTAL	261.3	37.2	–	–

TOTAL	Mt	Fe (%)
Indicated & Inferred	291.7	38.8

[3] Copper equivalent (CuEq) has been calculated using metal selling prices of USD3.56 / lb for Cu and USD1,510 / Oz for Au, along with metal recoveries of 90% for Au and 65% for Cu in sulphide material and 80% for Au and 50% of Cu in oxide material. The following equations were used:

- Oxide: CuEq = (1.12 x Au (ppm) grade) + (0.98 x Cu% grade)
- Sulphide: CuEq = (0.97 x Au (ppm) grade) + (0.99 x Cu% grade)

Kiruna Iron Project (cont'd)

The global Exploration Target for both the Kiruna Hub and Lannavaara Hub stands at 188-250Mt @ 32.8-40.4% Fe; this is the same figure reported in 2014.

JORC Compliant **Exploration Target**[4] Tables

Hub 1 – Kiruna Hub

Prospect	Tonnage Range (Mt)	Grade Range (Fe%)
Altavaara	55-60	26-29
Laukkujärvi	4-8	30-35
Tjåorika	15-30	45-55
Total Hub 1	74-98	33.6-39.6

Hub 2 – Lannavaara Hub

Prospect	Tonnage Range (Mt)	Grade Range (Fe%)
Kevus	35-45	28-35
Paljasjärvi	40-60	30-40
Teltaja	39-47	40-48
Total Hub 2	114-152	32-41

TOTAL	Mt	Fe (%)
Hub 1 & 2	188-250	32.8-40.3

Pahtohavare Cooper-Gold Project

The Pahtohavare Inferred Mineral Resource and Exploration Target Estimate figures are the same as those reported in 2014. Please refer to the ASX Announcement dated 31 January 2014, titled "Re-Release of Maiden JORC Resource for Pahtohavare" for a comprehensive summary of the estimates and technical information including Table 1 (2012 JORC Code-Sections 18 & 19).

Area	Resource Category	Mt	Cu (%)	Au (g/t)	Cu Eq (%)	Mining Scenario	Material
Central	Inferred	1.4	1.8	0.6	2.4	Open Cut	Oxide
Southeast	Inferred	0.8	1.7	0.5	2.1	Open Cut + Underground	Sulphide
South	Inferred	0.1	1.3	0.6	1.9	Underground	Sulphide
COMBINED	Inferred	2.3	1.7	0.6	2.3		

Table 1. JORC Inferred Resource-Pahtohavare Project. (Open pit resources calculated using a Whittle optimised cut-off grade of 0.56% CuEq[5] for oxide material and 0.43% CuEq[3] for sulphide material. Underground resources calculated using a 1.48% CuEq[3]).

JORC Compliant **Exploration Target** Tables

Area	Category	Mt	Cu (%)
Eastern	JORC Exploration Target	2-4	0.3-0.7

Table 2: JORC Exploration Target for Eastern Zone, Pahtohavare

[4] The JORC Exploration Targets have been subjected to diamond drill testing, ground geophysics and interpretation by the Geological Survey of Sweden, reviewed by Mr Thomas Lindholm, of GeoVista AB. The potential quantity and grade of the exploration targets is conceptual in nature, there has been insufficient interpretation to define a JORC Mineral Resource and it is uncertain if further interpretation will result in the determination of a JORC Mineral Resource.

[5] Copper equivalent (CuEq) has been calculated using metal selling prices of USD3.56 / lb for Cu and USD1,510 / Oz for Au, along with metal recoveries of 90% for Au and 65% for Cu in sulphide material and 80% for Au and 50% of Cu in oxide material. The following equations were used:

- Oxide: CuEq = (1.12 x Au (ppm) grade) + (0.98 x Cu% grade)
- Sulphide: CuEq = (0.97 x Au (ppm) grade) + (0.99 x Cu% grade)

Competent Person's Statements – Kiruna Iron Project

- The mineral resource estimate for Rakkurijoki and Rakkurijärvi is effective from 13 January 2012 and has been prepared by Mr Thomas Lindholm, MSc of GeoVista AB, Luleå, Sweden acting as an independent "Competent Person". Mr Lindholm is a Fellow of the Australasian Institute of Mining and Metallurgy (Membership No. 230476). Mineral resources for Rakkurijoki and Rakkurijärvi have been prepared and categorised for reporting purposes by Mr Lindholm, following the guidelines of the JORC Code. Mr Lindholm is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold, base metal and iron deposits. Mr Lindholm consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.
- The mineral resource estimate for Puoltsa is effective from 13 January 2012 and has been prepared by Mr Thomas Lindholm, MSc of GeoVista AB, Luleå, Sweden acting as an independent "Competent Person". Mr Lindholm is a Fellow of the Australasian Institute of Mining and Metallurgy (Membership No. 230476). The mineral resource of Puoltsa has been prepared and categorised for reporting purposes by Mr Lindholm, following the guidelines of the JORC Code. Mr Lindholm is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold, base metal and iron deposits. Mr Lindholm consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.
- The mineral resource estimate for Ekströmsberg is effective from 22 July 2011 and has been prepared by Dr Christopher Wheatley of Behre Dolbear International Ltd, UK, acting as an independent "Competent Person". Dr Wheatley is a member of the Institute of Materials Minerals and Mining (Membership No. 450553). The mineral resource of Ekströmsberg has been prepared and categorised for reporting purposes by Dr Wheatley, following the guidelines of the JORC Code. Dr Wheatley is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold, base metal and iron deposits. Dr Wheatley consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.
- The mineral resource estimate for Vieto is effective from 26 July 2011 and has been prepared by Mr Geoffrey Reed of Minarco-MineConsult acting as an independent "Competent Person". Mr Geoffrey Reed is a Member of the Australasian Institute of Mining and Metallurgy (CP) (Membership No. 205422). The mineral resource of Vieto has been prepared and categorised for reporting purposes by Mr Reed, following the guidelines of the JORC Code. Mr Reed is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold, base metal and iron deposits. Mr Reed consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.
- The mineral resource estimate for Renhagen and Harrejaure is effective from 13 January 2012 and has been prepared by Mr Geoffrey Reed of Minarco-MineConsult acting as an independent "Competent Person". Mr Geoffrey Reed is a Member of the Australasian Institute of Mining and Metallurgy (CP) (Membership No. 205422). Mineral resources of Renhagen and Harrejaure have been prepared and categorised for reporting purposes by Mr Reed, following the guidelines of the JORC Code. Mr Reed is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold, base metal and iron deposits. Mr Reed consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.
- The information in this document that relates to JORC Exploration Targets is based on information reviewed by Mr Thomas Lindholm of GeoVista AB, Luleå, Sweden acting as an independent "Competent Person". Mr Lindholm is a member of the Australasian Institute of Mining and Metallurgy (Membership No. 230476). Mr Lindholm is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold, base metal and iron deposits. Mr Lindholm consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.
- The information in this document that relates to exploration results for the Rakkuri Iron Project is based on information compiled by Ms Amanda Scott, a Competent Person who is a Member of the Australian Institute of Mining and Metallurgy (Membership No. 990895). Ms Amanda Scott is a full-time employee of Hannans Ltd. Ms 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). Ms 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.
- Note all Kiruna Iron Project Resource Estimates and Exploration Target Estimates have been prepared and reported under the 2004 JORC Code. The company confirms that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original announcements.

Accompanying Statements: JORC Inferred Resource – Pahtohavare

1. The effective date of the Mineral Resource is 12 July 2013.
2. Mineral Resources are reported in relation to a conceptual pit shell. Mineral Resources are not Ore Reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate.
3. The quantity and grade of reported Inferred Mineral Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Mineral Resources as an Indicated or Measured Mineral Resource; and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
4. Copper equivalent (CuEq) grades were calculated using metal prices of USD3.56 per pound of copper (Cu), and USD1,510 per troy ounce of gold (Au), along with metal recoveries of 90% for Au and 65% for Cu in sulphide material and 80% for Au and 50% of Cu in oxide material.
5. Open pit Mineral Resources are reported above the Whittle pit shell and above a cut-off grade of 0.56% CuEq for oxide material and 0.43% CuEq for sulphide material.
6. Underground Mineral Resources are reported below the Whittle pit shell, and above a cut-off grade of 1.48% CuEq for sulphide material.
7. Mineral Resources for the Pahtohavare project has been classified according to the JORC Code (2012) by Ben Parsons (MAusIMM (CP)), an independent Competent Person as defined by JORC.
8. The Mineral Resource estimate has not been affected by any known environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.

Accompanying Statement JORC Exploration Target – Pahtohavare

1. The Eastern area of Pahtohavare has not been classified as a Mineral Resource, but is considered by SRK Consulting to be an Exploration Target. This is a result of the historic drilling being on a sparse and variable grid, and due to lack of historic drill core re-assaying.
2. SRK Consulting estimated grades and tonnages to provide an analysis of the potential. As a result, SRK Consulting has delineated an Exploration Target of between 2–4 Mt of material grading between 0.3–0.7% Cu (with negligible Au grades) for the Eastern area, based on blocks within the digitised mineralisation wireframes, but not reported above a cut-off grade.
3. The potential quantity and grade is conceptual in nature and there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.
4. Based on the copper equivalent cut-off grades used to report the Resources in the Resource statement, only a minor portion of the currently outlined Eastern area would be above the cut-off grade used for Resource reporting. However, this material may have elevated Zn and Pb grades, which were not taken into account during the Resource estimation process.

Competent Person's Statements – Pahtohavare

∂ The information in this document that relates to exploration results for the Pahtohavare Project is based on information compiled by Ms Amanda Scott, a Competent Person who is a Member of the Australian Institute of Mining and Metallurgy (Membership No. 990895). Amanda Scott is a full-time employee of Hannans Ltd. Ms 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). Ms 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.

∂ The information in this document that relates to the Pahtohavare Mineral Resource and Exploration Target is based on information compiled by Mr Benjamin Parsons, a Competent Person who is a Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy (Membership No. 222568). Mr Benjamin Parsons is a full time employee of SRK Consulting, and has no interest in, and is entirely independent of Hannans Ltd. Mr Benjamin Parsons has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in JORC 2012. Mr Benjamin Parsons consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

∂ The information in this document that relates to the Pahtohavare Mineral Resource and Exploration Target is based on information compiled by Mr Johan Bradley, a Competent Person who is a Chartered Geologist with the Geological Society of London (Membership No. 1014008), and a European Geologist (EurGeol). Mr Johan Bradley is a full time employee of SRK Consulting, and has no interest in, and is entirely independent of Hannans Ltd. Mr Johan Bradley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in JORC 2012. Mr Johan Bradley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

∂ Note all Resource Estimates, Exploration Target Estimates and Exploration Results within this report pertaining to the Pahtohavare Project have been prepared and reported under the 2012 JORC Code. The company confirms that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original announcements.

Governance Arrangements and Internal Controls – Mineral Resources

Hannans Ltd has ensured that the mineral resource estimates quoted above are subject to governance arrangements and internal controls. The resource estimates have all been externally derived by various independent consulting organisations whose staff have exposure to best practice in modelling and estimation techniques. In 2011 the iron resource estimates were reviewed by an independent consulting organisation who reviewed the quality and suitability of the data underlying the mineral resource estimates, including a site visit. The Pahtohavare resource estimate was similarly completed and reviewed by the same independent consulting organisation that completed the 2011 review of iron resources. These reviews have not identified any material issues. In turn, Hannans' management has carried out numerous internal reviews of the underlying data and mineral resource estimates to ensure that they have been classified and reported in accordance with the JORC Code; the 2004 Edition for the iron resources and the 2012 Edition for the Pahtohavare resource. Hannans reports its mineral resources on an annual basis in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code) 2012 Edition. Competent Persons named by Hannans are Members or Fellows of the Australasian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists, and qualify as Competent Persons as defined in the JORC Code.

DIRECTORS

The names and particulars of the Directors of the Company during the financial year and until the date of the report are:

Mr Damian Hicks, Managing Director
(Appointed 11 March 2002)

Mr Hicks was a founding Director of Hannans Ltd and appointed to the position of Managing Director on 5 April 2007. He formerly held the position of Executive Director and Company Secretary. Mr Hicks is also Managing Director of the Group's subsidiary companies.

Mr Hicks holds a Bachelor of Commerce (Accounting and Finance) from the University of Western Australia, is admitted as a Barrister and Solicitor of the Supreme Court of Western Australia, holds a Graduate Diploma in Applied Finance & Investment from FINSIA, a Graduate Diploma in Company Secretarial Practice from Chartered Secretaries Australia and is a Graduate of the Australian Institute of Company Directors course.

Mr Hicks is a Non-Executive Director of funds management company, Growth Equities Pty Ltd. During the past 3 years. Mr Hicks was a Director of Scandinavian Resources Ltd from 19 April 2010 to the date the company ceased to be a listed public company on 12 June 2013.

Mr Markus Bachmann, Non-Executive Director
(Appointed 2 August 2012)

Mr Bachmann graduated with Honours ("cum laude") from the University of Berne, Switzerland and began his corporate finance career in 1993.

In 2001, Mr Bachmann was Senior Portfolio Manager with Coronation Fund Managers in Cape Town when it was awarded the Standard & Poor's Award for Manager of the Best Performing Large Cap Equity Unit Trust in South Africa.

In 2003, Mr Bachmann was founding partner of Craton Capital and is the Chief Executive Officer. Craton Capital was awarded Fund Manager of the Year at the Mining Journal's "Outstanding Achievement Awards" announced in London during December 2010 for the Craton Capital Precious Metal Fund. The award is the most prestigious fund award in the mining industry. Craton Capital has offices in Johannesburg, South Africa and in Zurich, Switzerland.

During the past 3 years Mr Bachmann was a Director of Scandinavian Resources Ltd from 19 January 2011 to the date the company ceased to be a listed public company on 12 June 2013.

Mr Jonathan Murray, Non-Executive Director
(Appointed 22 January 2010)

Mr Murray is a partner at law firm Steinepreis Paganin, based in Perth, Western Australia. Since joining the firm in 1997, he has gained significant experience in advising on initial public offers and secondary market capital raisings, all forms of commercial acquisitions and divestments and providing general corporate and strategic advice.

Mr Murray graduated from Murdoch University in 1996 with a Bachelor of Laws and Commerce (majoring in Accounting). He is also a member of FINSIA (formerly the Securities Institute of Australia).

During the past 3 years Mr Murray has also served as a director of the following other listed companies:
* Denotes current directorship

- Vietnam Industrial Investments Limited*
 (appointed 19 January 2016)
- Peak Resources Limited* (appointed 22 February 2011)
- Lemur Resources Limited
 (appointed 6 November 2013; resigned 29 May 2014)
- Highfield Resources Ltd
 (appointed 25 October 2011; resigned 14 August 2013)

Mr Olof Forslund, Non-Executive Director
(Appointed 2 August 2012)

Mr Forslund is a geophysicist and has extensive international experience in the mineral exploration industry, particularly in the development and application of geophysical instruments and radar technology. His assignments have covered activities in Sweden, Japan, South Korea, Germany, Belgium, Italy, France, Canada and the USA.

Mr Forslund commenced with SGU in 1966 and during the period 2003 – 2007 Mr Forslund was Regional Manager of the Geological Survey of Sweden's Mineral Resources Information Office in Mala, Sweden (www.sgu.se). SGU's branch office Mala serves as a 'one-stop' information office for all those conducting exploration in Sweden.

Mr Forslund was a founding shareholder and President of MALÅ GeoScience (www.malags.com) between 1994 and 1998. MALÅ is currently the global leader in the design and manufacture of Ground Penetrating Radar (GPR) systems.

From 1999-2003 Mr Forslund was also project manager for Georange (www.georange.se), a non-profit organization whose main task is to expand the concept of "development" in the mining and minerals industry in Sweden.

During the past 3 years Mr Forslund was a Director of Scandinavian Resources Ltd from 19 April 2010 to the date the company ceased to be a listed public company on 12 June 2013.

DIRECTORS (cont'd)

Director's Relevant Interest in Shares and Options

At the date of this report the following table sets out the current Directors' relevant interests in shares and options of Hannans Ltd and the changes since 30 June 2016.

Director	Ordinary Shares		Options over Ordinary Shares	
	Current Holding	Net Increase/ (decrease)	Current Holding	Net Increase/ (decrease)
Damian Hicks	6,416,667	–	–	–
Jonathan Murray	6,499,129	–	1,500,000	–
Markus Bachmann (i)	61,082,353	–	1,500,000	–
Olof Forslund	–	–	1,500,000	–

(i) These shares are held by Craton Capital Funds of which Mr Bachmann is a founding partner and Chief Executive Officer.

During the year no options were granted to the Directors and Key Management Personnel. On 15 September 2016 Hannans held a General Meeting and shareholders approved the issue of shares in lieu of the Managing Director and Non-Executive Directors' outstanding salary and fees together with one free attaching option for each ordinary shares issued. The ordinary shares will be deemed to have an issue price equal to the volume weighted average sale price of shares sold for the 40 trading days after the date of the General Meeting. The issue of shares and the attaching options are anticipated to be completed by 11 November 2016.

COMPANY SECRETARY

Mr Ian Gregory
(Appointed 5 April 2007)

Mr Gregory holds a Bachelor of Business from Curtin University. Prior to founding his own business in 2005 Mr Gregory was the Company Secretary of Iluka Resources Ltd (6 years), IBJ Australia Bank Ltd Group (12 years) and the Griffin Group of Companies (4 years). Mr Gregory currently consults on company secretarial and governance matters to a number of listed and unlisted companies and is a past Chairman of the Western Australian Branch Council of Governance Institute of Australia.

KEY MANAGEMENT PERSONNEL

Ms Amanda Scott
(Appointed 29 March 2014)

Ms Scott was appointed a director of Scandinavian Resources AB, Kiruna Iron AB and Scandinavian Iron AB in 2014 and has been the Exploration Manager for Hannans Ltd and its subsidiary companies since 2008. Ms Scott played an integral role in the development of the Company's nickel, gold, iron and manganese portfolio and is credited with the discovery of high grade iron mineralisation at the Jigalong Project in the East Pilbara region on Western Australia. Ms Scott was also a key person responsible for developing the Rakkuri Iron Project and advancing the Pahtohavare Copper-Gold Project in Sweden. Ms Scott holds a Bachelor of Science (Geology) from Victoria University of Wellington, and is a Member of the Australian Institute of Mining & Metallurgy.

REMUNERATION REPORT (AUDITED)

The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration

B. Details of remuneration

C. Service agreements

D. Share–based compensation

E. Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001.*

A. Principles used to determine the nature and amount of remuneration

The whole Board forms the Remuneration Committee. The remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component with the flexibility to offer specific long term incentives based on key performance areas affecting the Group's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors and executives to manage the Group.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually and determines policy recommendations by reference to executive performance and comparable information from industry sectors and other listed companies in similar industries.

- The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.

- The Managing Director and executives receive a superannuation guarantee contribution required by the government, which is currently 9.5% of base salary and do not receive any other retirement benefits.

- All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Options are valued using the Black–Scholes and Monte-Carlo methodologies where relevant.

- The Board policy is to remunerate non–executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non–executive directors and reviews the remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required, no independent external advise was sought during the year. The maximum aggregate amount of fees that can be paid to Non–Executive Directors is subject to approval by shareholders at the Annual General Meeting. The approved maximum aggregate amount that may be paid to Non-Executive Directors as remuneration for each financial year is set at $250,000 which may be divided among the Non-Executive Directors in the manner determined by the Board and Company from time to time. Fees for Non–Executive Directors are not linked to the performance of the Company. The 2015 remuneration report was approved at the last Annual General Meeting held on 24 November 2015.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors and executive performance. The Company facilitates this through the issue of options from time to time to the directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. The Company currently has no performance based remuneration component built into director and executive remuneration packages.

The Board does not consider earnings during the current and previous financial years when determining, and in relation to, the nature and amount of directors' remuneration. Refer below for a summary of the Group's earnings and the Company's market performance for the past 5 years.

Summary of 5 Years earnings and market performance as at 30 June

	2016	2015	2014	2013	2012
Profit/(Loss) ($)	(964,387)	(29,120,403)	(1,015,324)	(2,544,386)	(627,640)
Share price (c)	1.6	0.2	0.5	1.5	3.8
Market capitalisation (Undiluted) ($)	15,531,324	1,443,932	3,609,831	10,604,492	18,231,367

REMUNERATION REPORT (AUDITED) (cont'd)

B. Details of remuneration

Details of remuneration of the Directors and key management personnel (as defined in *AASB 124 Related Party Disclosures)* of Hannans are set out in the table below.

The key management personnel of Hannans and the Group are the Directors and a Director of subsidiaries as listed on page 19 and 20.

Given the size and nature of operations of Hannans, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

	Short Term			Post-employment		Equity				
	Salary & fees $	Other benefits (i) $	D&O insurance (ii) $	Superannuation $	Other benefits (iii) $	Options (iv) $	Long term benefits (v) $	Other benefits $	Total $	Value options as proportion of remuneration %
2016										
Directors										
Damian Hicks (vi)	120,000	10,470	2,166	11,400	–	11,272	925	–	156,233	7.2%
Jonathan Murray (vii)	12,000	–	2,165	–	–	1,780	–	–	15,945	11.2%
Markus Bachmann (vii)	12,000	–	2,165	–	–	1,780	–	–	15,945	11.2%
Olof Forslund (vii)	12,000	–	2,165	–	–	1,780	–	–	15,945	11.2%
Executives										
Amanda Scott (viii) (Director of subsidiaries)	115,489	–	2,166	16,529	26,192	11,272	–	–	171,648	6.6%
Total	271,489	10,470	10,827	27,929	26,192	27,884	925	–	375,716	7.4%
2015										
Directors										
Damian Hicks (vi)	258,648	(2,983)	2,395	24,572	27,022	19,864	4,721	(8,979)	325,260	6.1%
Jonathan Murray (vii)	38,850	–	2,395	–	–	3,136	–	–	44,381	7.1%
Markus Bachmann (vii)	38,850	–	2,395	–	–	3,136	–	–	44,381	7.1%
Olof Forslund (vii)	38,850	–	2,395	–	–	3,136	–	–	44,381	7.1%
Executives										
Amanda Scott (viii) (Director of subsidiaries)	134,417	3,646	2,396	24,097	38,303	19,864	–	(274)	222,449	8.9%
Total	509,615	663	11,976	48,669	65,325	49,136	4,721	(9,253)	680,852	7.2%

(i) Short Term Other benefits include annual leave taken during the year of $10,470 (2015: $14,107) for Damian Hicks and nil (2015: $3,646) for Amanda Scott. Mr Hicks returned to Perth on 1 April 2015 and no additional benefits were provided to him during the year (2015: $11,124). Ms Scott ceased employment on 1 February 2016. All annual leave were paid out during the year.

(ii) For accounting purposes Directors & Officers Indemnity Insurance is required to be recorded as remuneration. No director receives any cash benefits, simply the benefit of the insurance coverage for the financial year.

(iii) A Swedish company paying employees for work is required to pay Swedish Social Security Contribution (SSC) which is a framework of publicly funded social provision, ranging from pensions and healthcare to parental allowances and employment-related insurance. SSC is calculated on the basis of paid salaries and issued benefits. No employee receives any cash benefit, simply the benefit of social provision by the Swedish government. SSC benefits for Ms Scott was $26,192 (2015: $38,303). Mr Hicks returned to Australia and no SSC payments were required from 1 April 2015 (2015: $27,022).

(iv) The amounts included are under Hannans' Employee Share Option Plan (ESOP). They were approved by shareholder in November 2014 are non-cash items that are subject to vesting conditions. Tranche 3 options remain subject to continued service over a one-year vesting period respectively. Refer to note 8 for more information.

(v) Long term benefits include benefits increment for the year in unpaid long service leave of $925 (2015: $4,721).

(vi) In an effort to assist the Company with managing its cash flow and to enable tax planning for the Group, Mr Hicks deferred a part of his salary from 1 April 2013 to 31 March 2015. The deferred salary of $70,986 is included in the 2015 remuneration. During the year, a payment of $39,437 was made to Mr Hicks in relation to his deferred salary. Mr Hicks' salary payment resumed on 1 July 2016 at a reduced rate of $120,000 per annum.

(vii) In an effort to assist the Company with managing its cash flow, Mr Murray, Mr Bachmann and Mr Forslund have deferred their Non-Executive Director fee from 1 January 2014 to 30 June 2016. The deferred amount for the year of $36,000 (2015: $116,550) is included in the above remuneration (equivalent of $12,000 per director). A total payment of $36,000 for the deferred Non-Executive Directors fees from 1 July 2015 to 30 June 2016 were made to the Non-Executive Directors on 7 July 2016.

(viii) Ms Scott was appointed as a Director of the Swedish subsidiaries on 29 March 2014 comprising of Scandinavian Resources AB, Kiruna Iron AB and Scandinavian Iron AB.

REMUNERATION REPORT (AUDITED) (cont'd)

C. Service agreements

Managing Director

Mr Hicks commenced employment with Hannans Ltd on 3 December 2003.

Mr Hicks entered into an employment agreement as Managing Director of the Company on 21 December 2009. The remuneration package comprised $230,000 per annum (exclusive of statutory superannuation entitlements), reimbursement of work related expenses, provision of a motor vehicle, a remuneration increase of 5% per annum and provision for a performance based bonus as determined by the Board. Either party can terminate the arrangement with three months written notice and payment by the Company of all statutory annual and long service leave entitlements. Mr Hicks' salary was increased to $258,648 per annum on 1 July 2012. Whilst Mr Hicks' employment agreement has not been amended since execution as from 1 July 2015 he is receiving a salary equivalent to $120,000 per annum plus statutory superannuation and will remain at that level until 30 June 2017. It is the Boards intention to finalise a new employment agreement with Mr Hicks' in the future that will take into consideration market conditions and Mr Hicks' outstanding entitlements pursuant to employment agreement entered into on 21 December 2009.

On 10 March 2013 Mr Hicks and his family relocated to Malå and were provided with accommodation. The Board considered the relocation to be necessary for Mr Hicks to fulfil his role of Managing Director considering Hannans' major projects were located in Scandinavia. Mr Hicks entered into an employment agreement with Hannans subsidiary Scandinavian Resources AB in accordance with visa requirements to work and reside in Sweden. Prior to relocating to Sweden the Board finalised Mr Hicks' salary arrangement on the basis that he would receive the same (no less and no more) remuneration as if he had remained residing in Australia. As a consequence of Mr Hicks relocating to Sweden Hannans became liable for significantly higher employment tax obligations including Swedish social security contributions. Mr Hicks returned to Australia on 1 April 2015 and his employment agreement with Scandinavian Resources AB ended.

In an effort to assist the Company with managing its cash flow, Mr Hicks deferred $204,170 in salary entitlements during the period 1 April 2013 to 31 March 2015 (please refer to note 15). During the year $39,437 was paid to Mr Hicks for his accrued salary and a further $31,549 was made on 7 July 2016 as part payment.

Mr Hicks has accrued annual leave of $43,165 (2015: $58,054) and accrued long service leave of $52,851 (2015: $51,926) as at 30 June 2016. Mr Hicks has not received the salary entitlements provided for in his employment agreement since 1 July 2012 and has not been provided with a motor vehicle since 1 April 2015. On 31 March 2010 Mr Hicks was provided with a $300,000 loan to exercise 1.5 million Hannans options. The Company has agreed to suspend interest charged, principal repayments and interest payments until further notice. The loan repayment date was extended by two (2) years to 31 March 2017.

On 15 September 2016 Hannans held a General Meeting and shareholders approved the issue of ordinary shares in lieu of Mr Hicks' outstanding salary of $141,474, together with one free attaching option for each ordinary shares issued. The ordinary shares will be deemed to have an issue price equal to the volume weighted average sale price of shares sold on ASX during the 40 trading days after the date of the General Meeting. The issue of ordinary shares and attaching options are anticipated to be completed by 11 November 2016. During the General Meeting the shareholders also approved to forgive the outstanding loan amount of $168,985. The loan is unrecoverable and was derecognised as a receivable as at 30 June 2016. Refer to the Notice of General Meeting released on ASX dated 12 August 2016 for further information.

Non-Executive Directors

Remuneration and other terms of employment for the Non-executive Directors are formalised in service agreements. The Non-executive directors are employed on a rolling basis with no specified fixed terms. They are remunerated on a fixed remuneration basis, exclusive of superannuation. As from 1 July 2015 Non-Executive Directors accrued fees of $12,000 each per annum for each Non-executive Director.

In an effort to assist the Company with managing its cash flow, Mr Murray, Mr Bachmann and Mr Forslund have deferred their Non-Executive Director fee from 1 January 2014 to 30 June 2016. The total deferred fees for the period of $36,000 is included in note 15. A total payment of $36,000 for the deferred Non-Executive Directors fees from 1 July 2015 to 30 June 2016 were made to the Non-Executive Directors on 7 July 2016.

On 15 September 2016 Hannans held a General Meeting and shareholders approved the issue of ordinary shares in lieu of the Non-Executive Directors outstanding fee of $165,113, together with one free attaching option for each ordinary share issued. The ordinary shares will be deemed to have an issue price equal to the volume weighted average sale price of shares sold on ASX during the 40 trading days after the date of the General Meeting. The issue of ordinary shares and attaching options are anticipated to be completed by 11 November 2016. Refer to the Notice of General Meeting released on ASX dated 12 August 2016 for further information.

Major provisions of the agreements relating to the Non-executive directors are set out below.

	Termination Notice Period		
Name	By HANNANS	By Employee	Termination payments*
Non-Executive Directors			
Jonathan Murray	1 month	1 month	1 month
Markus Bachmann	1 month	1 month	1 month
Olof Forslund	1 month	1 month	1 month

* Termination payments (other than for gross misconduct) are calculated on current remuneration at date of termination and are inclusive of the notice period.

REMUNERATION REPORT (AUDITED) (cont'd)

Executive

Remuneration and other terms of employment for the executive is formalised in an employment agreement. The executive is employed on a rolling basis with no specified fixed terms. Major provisions of the agreements relating to the executive are set out below.

			Termination Notice Period		
Name		Engagement	By HANNANS	By Employee	Termination payments*
Director	Damian Hicks	Employee	3 months	3 months	3 months
KMP	A Scott	Consultancy	30 days	30 days	None

* Termination payments (other than for gross misconduct) are calculated on current remuneration at date of termination and are inclusive of the notice period.

D. Share-based compensation

Options are issued to directors and executives as part of their remuneration. The options are not based on performance criteria, but are issued to align the interests of directors, executives and shareholders. No options were issued during the year. As at 30 June 2016, 23,500,000 options (2015: 23,500,000) were held by Directors and Executive. Refer to the remuneration report for further details of the options outstanding.

	Financial year	Options awarded during the year No.	Award date	Fair value per options at grant date	Vesting date	Exercise price	Expiry date	Vested during the year No.	Lapsed during the year No.
Directors									
Damian Hicks (i)	2015	–	20 Nov 14	–	20 Nov 14	0.8 cents	20 Nov 17	–	–
	2015	–	20 Nov 14	–	20 Nov 15	0.5 cents	20 Nov 18	3,166,667	–
	2015	–	20 Nov 14	–	20 Nov 16	(ii)	20 Nov 19	–	–
Jonathan Murray	2015	–	20 Nov 14	–	20 Nov 14	0.8 cents	20 Nov 17	–	–
	2015	–	20 Nov 14	–	20 Nov 15	0.5 cents	20 Nov 18	500,000	–
	2015	–	20 Nov 14	–	20 Nov 16	(ii)	20 Nov 19	–	–
Markus Bachmann	2015	–	20 Nov 14	–	20 Nov 14	0.8 cents	20 Nov 17	–	–
	2015	–	20 Nov 14	–	20 Nov 15	0.5 cents	20 Nov 18	500,000	–
	2015	–	20 Nov 14	–	20 Nov 16	(ii)	20 Nov 19	–	–
Olof Forslund	2015	–	20 Nov 14	–	20 Nov 14	0.8 cents	20 Nov 17	–	–
	2015	–	20 Nov 14	–	20 Nov 15	0.5 cents	20 Nov 18	500,000	–
	2015	–	20 Nov 14	–	20 Nov 16	(ii)	20 Nov 19	–	–
Executives								–	
Amanda Scott (Director of subsidiaries)	2015	–	20 Nov 14	–	20 Nov 14	0.8 cents	20 Nov 17	–	–
	2015	–	20 Nov 14	–	20 Nov 15	0.5 cents	20 Nov 18	3,166,667	–
	2015	–	20 Nov 14	–	20 Nov 16	(ii)	20 Nov 19	–	–

(i) At the direction of Mr Hicks, 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) Exercise price will be calculated from the volume weighted average share price for the ten (10) trading days after 20 November 2016 for each Tranche PLUS a premium of 50%.

REMUNERATION REPORT (AUDITED) (cont'd)

E. Additional information

Performance income as a proportion of total compensation

No performance based bonuses have been paid to directors or executives during the financial year.

Key management personnel equity holdings

Fully paid ordinary shares of Hannans Ltd

Key management personnel	Balance at 1 July	Granted as remuneration	Received on exercise of options	Net other change	Balance at 30 June
	No.	No.	No.	No.	No.
2016					
Damian Hicks	6,000,001	–	–	416,666	6,416,667
Jonathan Murray	5,249,129	–	–	1,250,000	6,499,129
Markus Bachmann	58,582,353	–	–	2,500,000	61,082,353
Olof Forslund	–	–	–	–	–
Amanda Scott (i)	260,001	–	–	–	260,001
	70,091,484	–	–	4,166,666	74,258,150

(i) Ms Scott was appointed as a Director of the Swedish subsidiaries on 29 March 2014.

Options of Hannans Ltd

Key management personnel	Balance at 1 July	Granted as remune-ration	Options exer-cised	Net other change	Balance at 30 June	Vested at 30 June	
						Exer-cisable	Not exer-cisable
	No.	No.	No.	No.	No.	No.	No.
2016							
Damian Hicks (i)	9,500,000	–	–	–	9,500,000	6,333,334	3,166,666
Jonathan Murray	1,500,000	–	–	–	1,500,000	1,000,000	500,000
Markus Bachmann	1,500,000	–	–	–	1,500,000	1,000,000	500,000
Olof Forslund	1,500,000	–	–	–	1,500,000	1,000,000	500,000
Amanda Scott (ii)	9,500,000	–	–	–	9,500,000	6,333,334	3,166,666
	23,500,000	–	–	–	23,500,000	15,666,668	7,833,332

(i) At the directions of Mr Hicks, 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) Ms Scott exercised 1 million options on 20 July 2016.

The options include those held directly, indirectly and beneficially by KMP.

REMUNERATION REPORT (AUDITED) (cont'd)

E. Additional information (cont'd)

Loans to KMP and their related parties

Details regarding loans outstanding at the reporting date to key management personnel and their related parties at any time in the reporting period, are as follows:

	Balance 1 July 2015 $	Balance 30 June 2016 $	Interest charged $	Highest balance in period $	Number of KMP in Group
Director					
Damian Hicks	168,985	–	–	168,985	–
	168,985	–	–	168,985	

The Board approved a loan for $300,000 at 6% per annum repayable on or before 31 March 2015. The loan funds were used to exercise 1,500,000 options in Hannans at an exercise price of $0.20 per option. The interest charged has been suspended while Mr Hicks' salary is being deferred, therefore the interest charged for the year amounted to Nil (2015: Nil). The Company has agreed to suspend interest charged, principal repayments and interest payments until further notice. The loan repayment date was extended by two (2) years to 31 March 2017.

On 15 September 2016 Hannans held a General Meeting and shareholders approved to forgive the outstanding loan amount of $168,985. The Board determined that the loan is non-recoverable and was derecognised as a receivable as at 30 June 2016. Refer to the Notice of General Meeting released on ASX dated 12 August 2016 for further information.

Other transactions and balances with KMP and their related parties

Director transactions

Steinepreis Paganin, of which Mr Jonathan Murray is a partner, provided legal services amounting to $39,974 (2015: $10,585) to the Group during the year. The amounts paid were on arm's length commercial terms. Mr Murray's director's fees are also paid to Steinepreis Paganin and remain unpaid since January 2014. At 30 June 2016 $84,529 (2015: $449) was owing to Steinepreis Paganin which consists of $7,227 for legal services and $77,302 accrued directors fee from 1 January 2014 to 30 June 2016. Mr Murray's outstanding directors' fees are expected to be settled by the issue of ordinary shares, together with one free attaching option for each ordinary shares issued. The ordinary shares will be deemed to have an issue price equal to the volume weighted average sale price of shares sold on ASX during the 40 trading days after the date of the General Meeting. The issue of ordinary shares and attaching options are anticipated to be completed by 11 November 2016.

End of Remuneration Report

Directors Meetings

The following tables set information in relation to Board meetings held during the financial year.

Board Member	Board Meetings		Circular Resolutions Passed	Total
	Held while Director	Attended		
Damian Hicks	4	4	8	12
Jonathan Murray	4	4	8	12
Markus Bachmann	4	4	8	12
Olof Forslund	4	4	8	12

PROJECTS

The Projects are constituted by the following tenements:

Tenement Number	Tenement Interest %	Note	Tenement Number	Tenement Interest %	Note	Tenement Number	Tenement Interest %	Note
SWEDEN								
Project: Kiruna Iron			Project: Kiruna Iron			Project: Varuträsk		
Kiruna North Prospect			*Kiruna South Prospect*			Hällberg nr 1		
Altavaara Norra	100		Ekströmsberg nr 4	100		Hällberg nr 2		
Kiruna Central Prospect			Ekströmsberg nr 5	100		Kågedalen nr 1		
Laukujärvi nr 3	75	1	Harrejaure nr 1	75	1	Kågedalen nr 2		
Pahtohavare nr 2	65	2	Piedjastjokko nr 6	100		Klöverfors nr 1		
Pahtohavare nr 4	65	2	Project: Lannavaara			Nide nr 1		
Rakkurijärvi nr 2	100		Lannavaara nr 8	100		Tvärliden nr 1		
Vieto nr 1	75	1	Paljasjärvi nr 2	100		Varuträsk nr 1		
						Varuträsk nr 2		
						Vorrmyran nr 1		
AUSTRALIA								
Project: Forrestania			Project: Forrestania			Project: Lake Johnston		
E77/2207-I	100	3	E77/2303	100	3	E63/1365	100	3
E77/2219-I	100	3	P77/4290	100	3	Project: Queen Victoria Rocks		
E77/2220-I	100	3	P77/4291	100	3	E15/1416	100	3
E77/2239-I	100	3						

NOTE:
1 Kiruna Iron AB holds 75% interest and Tasman Metals AB holds 25% interest.
2 Kiruna Iron AB holds 65% interest and Lovisagruvan AB holds 35% interest.
3 On 15 September 2016 Hannans held a General Meeting and shareholders approved the issue of 620,833,333 Hannans shares to Neometals Limited in consideration of the acquisition of 100% of the share capital in Reed Exploration Pty Ltd (Reed Exploration). Reed Exploration owns the balance 80% interest in the Lake Johnston Project and Queen Victoria Rocks Project and the non-gold rights at the Forrestania Project. Following the completion of the acquisition on 29 September 2016, Hannans owns 100% of the Lake Johnston Project and Queen Victoria Project, and 100% of the non-gold mineral rights and 20% of the gold rights (free carried) at the Forrestania Project.

TENEMENTS UNDER APPLICATION

Applications for tenements have been submitted are as follows:

Tenement Number	Tenement Number	Tenement Number
SWEDEN		
Project: Varuträsk	Project: Varuträsk	Project: Kiruna Iron
Kågedalen nr 3	Varuträsk nr 3	Rakkurijärvi nr 5
Kågedalen nr 4	Varuträsk nr 4	

CAPITAL

Hannans Ltd issued capital is as follows:

On 15 September 2016 Hannans held a General Meeting and shareholders approved the issue of ordinary shares in lieu of the Managing Director and the Non-Executive Directors outstanding fee of $306,587, together with one free attaching option for each ordinary shares issued. The ordinary shares will be deemed to have an issue price equal to the volume weighted average sale price of shares sold on ASX during the 40 trading days after the date of the General Meeting. The issue of ordinary shares and attaching options are anticipated to be completed by 11 November 2016. The capital structure of Hannans will increase as a result of the shares and options issue by 11 November 2016.

Ordinary Fully Paid Shares

At the date of this report there are the following number of Ordinary fully paid shares

	Number of shares
Ordinary fully paid shares at 30 June 2016	970,707,755
Exercise of options at 0.4 cents, expiring 3 June 2018	31,250,000
Exercise of options at 0.5 cents, expiring 20 November 2018	4,166,667
Issue of shares* – acquisition of Reed Exploration Pty Ltd (refer note 28(e))	620,833,333
Ordinary fully paid shares at the date of this report	1,626,957,755

* The issued shares are subject to escrow period of twelve (12) months from date of issue that must be satisfied before the Shares can be sold, transferred, or encumbered. The issued shares will be released from escrow on 29 September 2017.

At a general meeting of shareholders:
(a) on a show of hands, each person who is a member or sole proxy has one vote; and
(b) on a poll, each shareholder is entitled to one vote for each fully paid share.

Shares Under Option

At the date of this report there are a total of 11 unlisted option holders holding 67,295,833 unissued ordinary shares in respect of which options are outstanding. Gold Mines of Kalgoorlie Pty Ltd holds 31,250,000 unlisted options. The unlisted options do not carry voting rights at a general meeting of shareholders.

	Number of options
Balance at the beginning of the year	36,050,000
Movements of share options during the year	
Issued at 0.4 cents, expiring 10 March 2018	31,250,000
Issued at 0.4 cents, expiring 3 June 2018	41,662,500
Exercised at 0.4 cents, expiring 3 June 2018	(6,250,000)
Balance at 30 June 2016	102,712,500
Movements of share options from 1 July 2016 to the date of this report	
Exercised at 0.4 cents, expiring 3 June 2018	(31,250,000)
Exercised at 0.5 cents, expiring 20 November 2018	(4,166,667)
Total number of options outstanding at the date of this report	67,295,833

Substantial Shareholders

Hannans Ltd has the following substantial shareholders as at 29 September 2016:

Name	Number of shares	Percentage of issued capital
Gold Mines of Kalgoorlie Pty Ltd	684,583,333	42.08
Equity & Royalty Investments Ltd	120,000,003	7.38
MCA Nominees Pty Ltd	86,220,443	5.30

CAPITAL (cont'd)

Range of Shares as at 29 September 2016

Range	Total Holders	Units	% Issued Capital
1 – 1,000	96	28,578	0.00
1,001 – 5,000	217	747,631	0.05
5,001 – 10,000	206	1,735,694	0.11
10,001 – 100,000	814	38,447,446	2.36
100,001 – 9,999,999	742	1,585,998,406	97.48
Total	2,075	1,626,957,755	100.00

Unmarketable Parcels as at 29 September 2016

	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $0.017 per unit	29,412	805	8,063,251

Top 20 holders of Ordinary Shares as at 29 September 2016

Rank	Name	Units	% of Issued Capital
1	Gold Mines of Kalgoorlie Pty Ltd	684,583,333	42.08
2	Equity & Royalty Investments Ltd	120,000,003	7.38
3	MCA Nominees Pty Ltd	86,220,443	5.30
4	JP Morgan Nominees Australia Limited	67,181,102	4.13
5	Mr Bruce Drummond + Mrs Judith Drummond <Drummond Super Fund A/C>	27,000,000	1.66
6	Marfield Pty Ltd	23,672,157	1.45
7	CSB Investments (WA) Pty Ltd <Blades Family S/Fund A/C>	20,834,666	1.28
8	Melaid Holding Inc	16,719,600	1.03
9	Errawarra Pty Ltd	16,000,000	0.98
10	Mr William Scott Rankin	11,358,942	0.70
11	HSBC Custody Nominees (Australia) Limited - A/C 2	10,374,351	0.64
12	Allua Holdings Pty Ltd <Rizon Super Fund A/C>	10,000,000	0.61
13	Mr Michael Sydney Simm <Simm Family A/C>	9,462,454	0.58
14	Citicorp Nominees Pty Limited	8,970,606	0.55
15	Mossisberg Pty Ltd	8,096,642	0.50
16	Mr Alexander Fairbairn Russell	8,000,000	0.49
17	Mr Daryl Ponsford	7,930,000	0.49
18	Anglo American Exploration BY	7,389,162	0.45
19	Acacia Investments Pty Ltd	7,157,168	0.44
20	Mr Robert Zupanovich	6,500,000	0.40
	Total of Top 20 Holders of ORDINARY SHARES	1,157,450,629	71.14

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the exploration and evaluation of mining tenements with the objectives of identifying economic mineral deposits.

FINANCIAL REVIEW

The Group began the financial year with cash reserves of $345,497.

During the year total exploration expenditure expensed by the Group amounted to $29,998 (2015: $387,160). The exploration expenditures relate to non JORC compliant mineral resource projects and this has been expensed in accordance with the Group's accounting policy. In addition, exploration expenditure relating to expenditure on JORC compliant mineral resource project amounted to $97,599 (2015: $161,630) was capitalised in accordance with the Group's accounting policy. Impairment assessment is carried out at each reporting date by evaluating the conditions specific to the Group and the assets that may lead to impairment. Taking into consideration the relinquishment of tenements during the year the Board has decided to write off the capitalised exploration expenditure of $123,945 (2015: $28,275,372 impaired) in line with the assessment of the Group. This will have no impact on the Group's cash position. The administration expenditure incurred amounted to $1,112,895 (2015: $961,192). This has resulted in an operating loss after income tax for the year ended 30 June 2016 of $964,387 (2015: $29,120,403 loss).

Hannans also achieved notable savings in administration expenses following a review of all corporate and operating costs during the year which saw the Group securing additional fixed cost arrangements to reduce the Perth office rent.

As at 30 June 2016 cash and cash equivalents totalled $1,425,160.

Summary of 5 Year Financial Information as at 30 June

	2016	2015	2014	2013	2012
Cash and cash equivalents ($)	1,425,160	345,497	695,163	1,809,204	167,740
Net assets/equity ($)	903,218	73,563	29,189,786	30,363,102	32,071,828
Exploration expenditure expensed ($)	(29,998)	(387,160)	(534,311)	(2,896,893)	(5,355,852)
Exploration and evaluation expenditure capitalised ($)	(97,599)	(161,630)	(577,164)	(837,196)	–
No of issued shares No of options	970,707,755 102,712,500	721,966,133 36,050,000	721,966,133 Nil	706,966,133 300,000	479,772,810 31,210,017
Share price ($)	0.016	0.002	0.005	0.015	0.038
Market capitalisation (Undiluted) ($)	15,531,324	1,443,932	3,609,831	10,604,492	18,231,367

Summary of Share Price Movement for Year ended 30 June 2016

	Price (cents)	Date
Highest	2.1	10 June 2016
Lowest	0.2	1 – 21 July 2015 21 Dec 2015 23 Dec 2015 – 6 Jan 2016 11 Jan – 16 Feb 2016
Latest	1.7	29 September 2016

ANNOUNCEMENTS

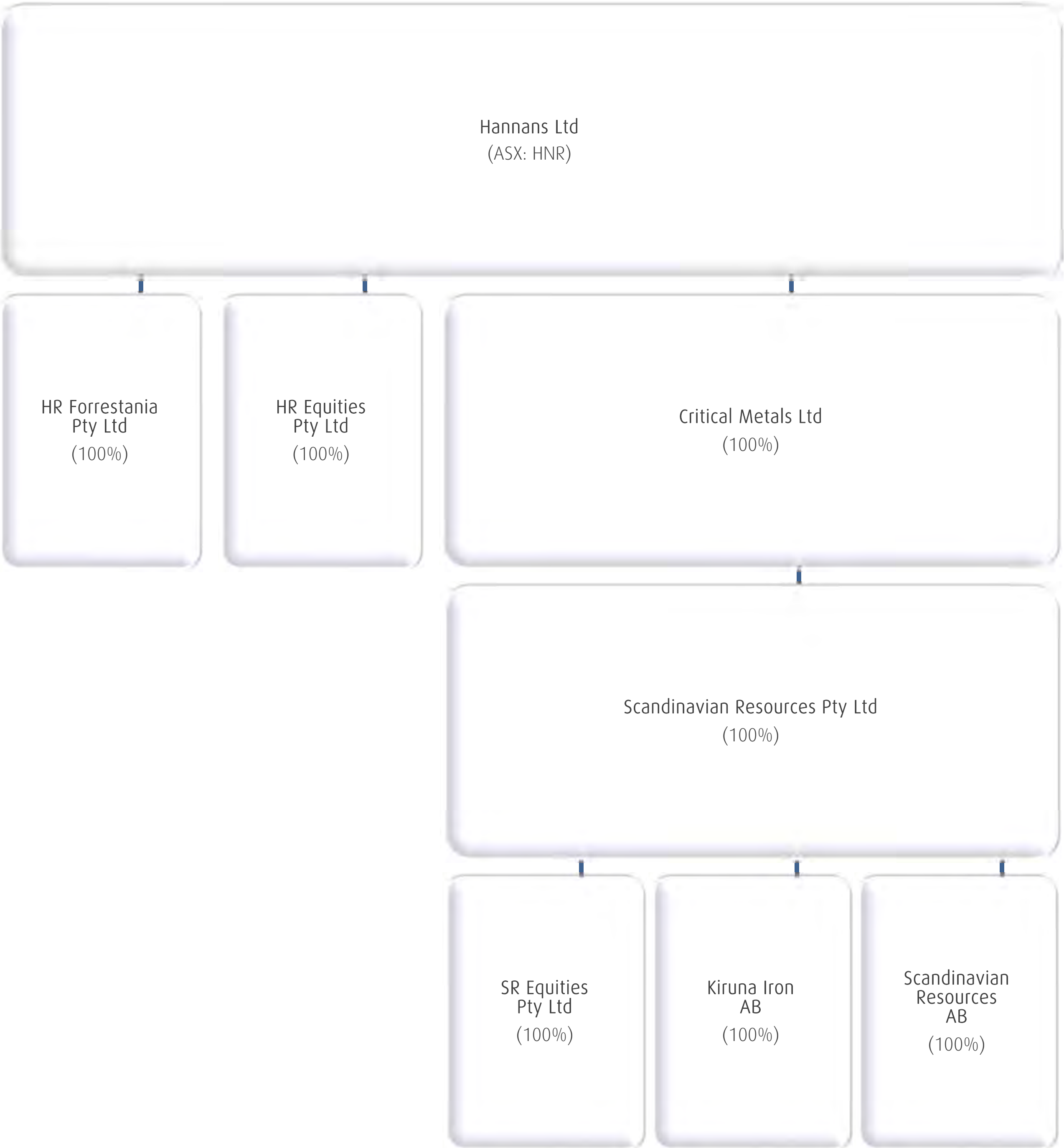
ASX Announcements for the year and to the date of this report

Date	Announcement Title
29 Sep 2016	Strategic Collaboration Completed
27 Sep 2016	In-specie Distribution Completed
15 Sep 2016	Voting results from General Meeting
15 Sep 2016	In-specie Presentation
15 Sep 2016	General Meeting Presentation
15 Aug 2016	Updated Capital Structure
12 Aug 2016	Notice of General Meeting
11 Aug 2016	Update on Neometals Transaction
29 Jul 2016	4th Quarter Activities and Cashflow Report
27 Jul 2016	Drilling at Forrestania
27 Jul 2016	Update on Neometals Transaction
22 Jul 2016	Change in substantial holding
20 Jul 2016	Exercise of options
19 Jul 2016	Response to ASX Price Query
15 Jul 2016	Exercise of options
08 Jul 2016	Becoming a substantial holder
24 Jun 2016	Exercise of options
17 Jun 2016	Change in substantial holding
10 Jun 2016	Change in substantial holding – NMT
10 Jun 2016	Change in substantial holding – ERI
10 Jun 2016	Becoming a substantial holder
09 Jun 2016	Response to ASX Price Query
07 Jun 2016	Updated Capital Structure
26 May 2016	Updated Capital Structure
23 May 2016	Placement and SPP Raises $1.43M
19 May 2016	Voting results from General Meeting
16 May 2016	Purchase HNR Shares at 20% Discount
29 Apr 2016	3rd Quarter Activities and Cashflow Report
14 Apr 2016	Notice of General Meeting

Date	Announcement Title
14 Apr 2016	Share Purchase Plan (SPP) Documentation
11 Apr 2016	Placement, Underwritten SPP and Preferred Contract
17 Mar 2016	Cleansing Notice
15 Mar 2016	Half-Year Financial Report
11 Mar 2016	Change in substantial holding
11 Mar 2016	Becoming a substantial holder from NMT
11 Mar 2016	Placement to Neometals
04 Mar 2016	Strategic Collaboration with Neometals
03 Mar 2016	Trading Halt
17 Feb 2016	Lithium in Sweden
29 Jan 2016	2nd Quarter Activities and Cashflow Report
10 Dec 2015	Updated Capital Structure
24 Nov 2015	2015 Annual General Meeting Results
24 Nov 2015	2015 AGM presentation
24 Nov 2015	Positive Joint Venture Decision
16 Nov 2015	Exploration at Forrestania
30 Oct 2015	1st Quarter Activities and Cashflow Report
28 Oct 2015	Discovery Zone Update
16 Oct 2015	Notice of Annual General Meeting
09 Oct 2015	Discovery Zone Update
30 Sep 2015	Appendix 4G
30 Sep 2015	2015 Annual Report
30 Sep 2015	High Grade Copper
27 Aug 2015	High Grade Copper
26 Aug 2015	Trading Halt
31 Jul 2015	4th Quarter Activities and Cashflow Report
13 Jul 2015	Lapland Project Granted
06 Jul 2015	Drilling Copper-Gold Targets
02 Jul 2015	Sale of Exploration Database

CORPORATE STRUCTURE

The corporate structure of Hannans group is as follows:



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 Critical Metals shares to Hannans Shareholder and issue of 620,833,333 Hannans shares to Neometals Ltd in consideration of the acquisition of 100% of the issued share capital of Reed Exploration Pty Ltd. On 27 September 2016 the in-specie distribution was completed and on 29 September 2016 the acquisition of Reed Exploration Pty Ltd was completed. Refer to the Notice of General Meeting released on ASX dated 12 August 2016 for further information.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the corporate governance of the Company. The Board guides and monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The ASX document '*Corporate Governance Principles and Recommendations 3rd Edition*' published by the ASX Corporate Governance Council applies to listed entities with the aim of enhancing the credibility and transparency of Australia's capital markets. The Principles and Recommendations can be viewed at www.asx.com.au.

The Board has assessed the Group's current practice against the Principles and Recommendations and other than the matters specified below under *"If Not, Why Not" Disclosure*, all the best practice recommendations of the ASX Corporate Governance Council have been applied.

Please refer to the Company's website (*www.hannansreward.com*) for Hannans' Governance Statements and Policies.

In relation to departures by the Company from the best practice recommendations, Hannans makes the following comments:

Principle 1: Lay solid foundations for management and oversight

1.5 *A listed entity should have a diversity policy which includes requirements for the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them.*

The Board is responsible for establishing and monitoring on an annual basis the achievement against gender diversity objectives and strategies, including the representation of women at all levels of the organisation.

The proportion of women within the Group as at 30 June 2016 was as follows:

Employee	Management	Board of Hannans	Board of subsidiaries
50%	67%	0%	33%

The Board acknowledges the absence of female participation on the Board of Directors of the parent company. However, the Board has determined that the composition of the current Board represents the best mix of Directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management.

The Company has not set or disclosed measurable objectives for achieving gender diversity. As can be seen from the statistics 67% of senior management positions are filled by women. Due to the size of the Company, the Board does not deem it practical to limit the Company to specific targets for gender diversity as it operates in a very competitive labour market where positions are sometimes difficult to fill. However, every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.

1.6 *Companies should disclose, in relation to each reporting period, whether a performance evaluation of the Board was undertaken in the reporting period in accordance with that process.*

Evaluation of the Board is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it. No performance evaluation was undertaken in the reporting period.

1.7 *Companies should disclose, in relation to each reporting period, whether a performance evaluation of its senior executives was undertaken in the reporting period in accordance with that process.*

Evaluation of the senior executives is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it. No performance evaluation was undertaken in the reporting period.

Principle 2: Structure the Board to add value

2.1 *The Board should establish a nomination committee*

The Board as a whole will decide on the choice of any new director upon the creation of any new Board position and if any casual vacancy arises. Decisions to appoint new directors will be minuted. The Board will identify candidates and assess their skills in deciding whether an individual has the potential to add value to the Company. The Board may also seek independent advice to assist with the identification process. The Board considers that this process is appropriate given the size and the complexity of the Group's affairs. Until the situation changes the Board will carry out any necessary nomination committee functions.

2.4 *The majority of the Board should be independent directors*

The Board consists of three Non–Executive Directors and a Managing Director. Details of their skills, experience and expertise and the period of office held by each Director have been included in the Directors' Report. The number of Board meetings and the attendance of the Directors are set out in the Directors' Report.

The Board considers that the composition of the existing Board is appropriate given the scope and size of the Group's operations and the skills matrix of the existing Board members. The Board will continue to monitor whether this remains appropriate as the scope and scale of its activities evolves and expands. The Company does not have the financial resources to pay the current Directors nor appoint additional Directors so until that situation changes the current Board will remain in place.

CORPORATE GOVERNANCE STATEMENT (cont'd)

2.5 *The Chair of the Board should be an independent director and, in particular, should not be the same person as the Managing Director/Chief Executive Officer*

The current Chair of the Company, Mr Damian Hicks does not satisfy the ASX Corporate Governance Principles and Recommendations definition of an independent director.

However the Board considers Mr Hicks' role as Executive Chairman and Managing Director essential to the success of the Group in its current stage, wherein the Group continues to refine its focus on the strategic development of the business. Over time, it is proposed that the Chair position will transition to an independent non-executive director.

Principle 4: Safeguard integrity of corporate reporting

4.1 *The Board should establish an audit committee*

The Board as a whole meets with the auditor to identify and discuss the areas of audit focus, appropriateness of the accounting judgement or choices exercised by management in preparation of the financial statements. The Board may also seek independent advice as and when required to address matters pertaining to appointment, removal or rotation of auditor. The Board considers that this process is appropriate given the size and the complexity of the Group's affairs. It is not considered necessary to have a separate audit committee.

Principle 7: Recognise and manage risk

7.1 *The Board should establish a risk committee*

The Company is constantly monitoring risks associated with the economy, industry and company due to their role as professional fund managers, lawyers, in-country specialists and shareholders with a view to managing risks and identifying threats. This process is on-going. The preparation of the Board pack and its timely distribution is a key element of this process along with monthly cash flow budgets, management discussions and informal communications between the Board and management via telephone, email and in person. The Board considers that this process is appropriate given the size and complexity of the Group's affairs. It is not considered necessary to have a separate risk committee.

7.2 *The Board should review the entity's risk management framework and disclose at each reporting period*

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be part of this process, and as such the Board has not established a separate risk management committee. The Board considers that this process is appropriate given the size and the complexity of the Group's affairs.

The Board has a number of mechanisms in place to ensure management's objectives and activities are aligned by the Board. These include but are not limited to the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and Board monitoring of the progress against budgets that is reviewed at every board meeting.

7.3 *The Company should establish an internal audit function*

The Company reviews its risk and internal control processes on a continual informal basis and work alongside auditors at half year and year end reviews to identify the Company's risks, systems and procedures. The Company may also seek independent advice to assist with the identification of risks and processes if and when required. The Board considers that this process is appropriate given the size and the complexity of the Group's affairs. It is not considered necessary to have an internal audit function. Nonetheless it remains committed to effective management and control of these factors.

7.4 *The Company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and how it manages or intends to manage those risks*

The nature of the Group's exploration operations are such that it could be seen to be constantly exposed to economic, environmental and social risks. The Board and Management have respect for the rights and beliefs of all stakeholders and it is part of the Group's culture to have open, honest and constant two way communication with stakeholders and to operate fully within the laws of the jurisdictions the Group operates within. The Group maintains high standards with regards its environmental and social practices and is constantly striving to improve its engagement and information processes. The Board and Management will continue to monitor these risks to the Group.

CORPORATE GOVERNANCE STATEMENT (cont'd)

Principle 8: Remunerate fairly and responsibly

8.1 *The Board should establish a remuneration committee*

The Board as a whole may appoint independent a working group comprising consultants, Directors and/or Company Secretary to review and make recommendations to the board in relation to the remuneration framework, identify candidates and assess their skills in deciding whether an individual has the potential to add value to the Company. The Board considers that this process is appropriate given the size and the complexity of the Group's affairs. It is not considered necessary to have a separate nomination or remuneration committee. Until the situation changes the Board of Hannans will carry out any necessary remuneration committee functions.

Independent Professional Advice

Directors of the Company are expected to exercise considered and independent judgement on matters before them and may need to seek independent professional advice. A director with prior written approval from the Chairman may, at the Group's expense obtain independent professional advice to properly discharge their responsibilities.

Managing Director (MD) and Group Accountant Certifications

The MD and Group Accountant provide the following declaration to the Board in respect of each quarter, half and full year financial period:

- that Hannans financial records have been properly maintained;
- that Hannans' financial statements, in all material respects, are complete and present a true and fair view of the financial condition and operational results of Hannans and the Group and are in accordance with the relevant accounting standards;
- that the financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- that Hannans' risk management and internal compliance and control systems are operating effectively in all material respects.

COMPLIANCE

Significant Changes in State of Affairs

Other than those disclosed in this annual report no significant changes in the state of affairs of the Group occurred during the financial year.

Significant Events after the Balance Date

On 7 June 2016 Avalon Minerals Ltd (Avalon, ASX:AVI) served Hannans with a Writ issued out of the Supreme Court of Western Australia for $1 million in relation to the Discovery Zone transaction. Hannans filed and served Avalon with a Defence and Counterclaim for $9 million. Hannans applied for a summary judgement in respect of Avalon's claim and came before the Supreme Court on 6 September 2016. Avalon approached Hannans for a private mediation on the matter after the court hearing. The rights and obligations of this matter have been transferred to spin out company Critical Metals Ltd.

On 15 July 2016, 25 million unlisted options exercisable at 0.4 cents expiring on or before 3 June 2016 were exercised. On 20 July 2016, 4.2 unlisted options related to the Employee Share Option Plan (Tranche 2) exercisable at 0.5 cents on or before 20 November 2018 were exercised. On 15 August 2016 a further 6.25 million unlisted options exercisable at 0.4 cents expiring on or before 3 June 2016 were exercised.

On 15 September 2016 Hannans held a General Meeting and announced that all resolutions put to the shareholder were passed by a show of hands and a majority of proxy votes cast were in favour of all resolutions. Refer to the Notice of General Meeting released on ASX dated 12 August 2016 for further information.

On 27 September 2016 the equal reduction of capital and in-specie distribution of 99,987,442 Critical Metals Shares was completed.

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, without an admission of liability by either party and this matter is now resolved.

On 29 September 2016 Hannans completed the issue of 620,833,333 shares to Neometals Ltd in consideration of the acquisition of 100% of the issued share capital of Reed Exploration Pty Ltd.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or state of affairs of the Group in future financial years.

COMPLIANCE (cont'd)

Likely developments and Expected Results

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the Group's operations.

Environmental Regulation and Performance

The Group is subject to significant environmental regulation in respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it's aware of and is in compliance with all environmental legislation. The Directors of the Group are not aware of any breach of environmental legislation for the year under review.

Share options

As at the date of this report, there were 67,295,833 unissued ordinary shares under options (102,712,500 at the reporting date). Refer to the remuneration report for further details of the options outstanding.

On 15 September 2016 Hannans held a General Meeting and shareholders approved the issue of ordinary shares in lieu of the Managing Director and the Non-Executive Directors outstanding fee of $306,587, together with one free attaching option for each ordinary shares issued. The ordinary shares will be deemed to have an issue price equal to the volume weighted average sale price of shares sold on ASX during the 40 trading days after the date of the General Meeting. The issue of ordinary shares and attaching options are anticipated to be completed by 11 November 2016. The capital structure of Hannans will increase as a result of the shares and options issue by 11 November 2016.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Insurance of Directors and Officers

During or since the end of the financial year, the Company has paid premiums insuring all the Directors of Hannans Ltd against costs incurred in defending conduct involving:

(a) A wilful breach of duty, and

(b) A contravention of sections 182 or 183 of the *Corporations Act 2001,*

as permitted by section 199B of the *Corporations Act 2001.*

The total amount of insurance contract premiums paid is $10,827.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Dividends

No dividends were paid or declared during the financial year and no recommendation for payment of dividends has been made.

Non–Audit Services

During the year Ernst & Young or any of its associated entities, the Group auditor, has performed other non-audit services in addition to its statutory duties. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young or any of its associated entities received or are due to receive $27,774 for the provision of tax compliance services and professional services with regards to the members' voluntary liquidation of Kiruna Iron Ltd (UK).

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 37.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors

Damian Hicks
Managing Director
Perth, Australia this 30th day of September 2016

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Auditor's Independence Declaration to the Directors of Hannans Limited

As lead auditor for the audit of Hannans Limited for the-year ended 30 June 2016, 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 audit; and

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

This declaration is in respect of Hannans Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
30 September 2016

GL:EH:HANNANS:038

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, subject to achieving the matters set out in note 2 to the financial report, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Australian Accounting Standards and International Financial Reporting Standards as disclosed in note 2 to the financial report and giving a true and fair view of the financial position and performance of the Group for the financial year ended 30 June 2016;

(c) the audited remuneration disclosures set out in the Directors' Report comply with the *Corporations Act and Regulations 2001*; and

(d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors

Damian Hicks

Damian Hicks
Managing Director
Perth, Australia this 30th day of September 2016

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Independent auditor's report to the members of Hannans Limited

Report on the financial report

We have audited the accompanying financial report of Hannans Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Building a better working world

Opinion

In our opinion:

a. the financial report of Hannans Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2(a) in the financial report which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Hannans Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
30 September 2016

GL:EH:HANNANS:039

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2016

	Note	2016 $	2015 $
Revenue	5(a)	203,181	50,630
Other income			
Other income	5(b)	251,301	452,691
Gain on disposal of shares	5(c)	325	–
Employee and contractors expenses	5(d)	(345,241)	(595,601)
Depreciation expense	5(e)	(18,175)	(28,680)
Consultants expenses		(232,925)	(7,704)
Interest expense		(1,630)	(2,337)
Occupancy expenses	5(f)	(133,354)	(92,702)
Marketing expenses		(4,699)	(5,853)
Exploration and evaluation expenses		(29,998)	(387,160)
Write off exploration and evaluation expenses		(123,945)	–
Impairment of exploration and evaluation expenses		–	(28,275,372)
Transfer of available-for-sale revaluation reserve from other comprehensive income		–	(26,875)
Other expenses		(529,227)	(201,440)
Loss from continuing operations before income tax expense		(964,387)	(29,120,403)
Income tax benefit/(expense)	6	–	–
Loss from continuing operations attributable to members of the parent entity		(964,387)	(29,120,403)
Other comprehensive income/(loss) for the year			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	19	43,470	(100,410)
Net change in fair value of available-for-sale financial assets		–	2,335
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		–	26,875
Total items that may be reclassified subsequently to profit or loss		43,470	(71,200)
Items that will not be reclassified to profit or loss		–	–
Total other comprehensive income/(loss) for the year		43,470	(71,200)
Total comprehensive loss for the year		(920,917)	(29,191,603)
Net loss attributable to the parent entity		(964,387)	(29,120,403)
Total comprehensive loss attributable to the parent entity		(920,917)	(29,191,603)
Loss per share:			
Basic (cents per share)	21	(0.13)	(4.03)
Diluted (cents per share)	21	(0.13)	(4.03)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	Note	2016 $	2015 $
Current assets			
Cash and cash equivalents	29(a)	1,425,160	345,497
Trade and other receivables	10	71,079	76,590
Other financial assets	11	1,301	5,526
		1,497,540	427,613
Assets held for distribution	25	1,631,931	–
Total current assets		3,129,471	427,613
Non-current assets			
Other receivables	12	56,000	154,275
Property, plant and equipment	13	12,047	29,681
Other financial assets	11	53,582	168,985
Exploration and evaluation expenditure	14	–	1,356,340
Total non-current assets		121,629	1,709,281
TOTAL ASSETS		3,251,100	2,136,894
Current liabilities			
Trade and other payables	15	830,230	1,737,519
Provisions	16	121,727	244,585
Other financial liabilities	17	32,472	2,884
		984,429	1,984,988
Liabilities directly associated with the assets held for distribution	25	1,243,569	–
Total current liabilities		2,227,998	1,984,988
Non-current liabilities			
Provisions	16	–	78,343
Other financial liabilities	17	119,884	–
Total non-current liabilities		119,884	78,343
TOTAL LIABILITIES		2,347,882	2,063,331
NET ASSETS		903,218	73,563
Equity			
Issued capital	18	46,285,309	44,577,512
Reserves	19	118,155	(237,970)
Reserves directly associated with the assets held for distribution	19	(269,880)	–
Accumulated losses	20	(45,230,366)	(44,265,979)
TOTAL EQUITY		903,218	73,563

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2016

		Attributable to equity holders					
For the year ended 30 June 2016	Note	Ordinary Shares $	Option Reserves $	Revaluation Reserves $	Foreign Currency Translation Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2015		44,577,512	75,380	–	(313,350)	(44,265,979)	73,563
Total comprehensive income							
Loss for the period	20	–	–	–	–	(964,387)	(964,387)
Other comprehensive loss for the period	19	–	–	–	43,470	–	43,470
Total comprehensive loss for the period		–	–	–	43,470	(964,387)	(920,917)
Transactions with owners recorded direct to equity							
Issue of shares	18	1,768,299	–	–	–	–	1,768,299
Share based payments		–	42,775	–	–	–	42,775
Share issue expense		(60,502)	–	–	–	–	(60,502)
Total transactions with owners		1,707,797	42,775	–	–	–	1,750,572
Balance as at 30 June 2016		**46,285,309**	**118,155**	–	**(269,880)**	**(45,230,366)**	**903,218**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2015

		Attributable to equity holders					
For the year ended 30 June 2015	Note	Ordinary Shares $	Option Reserves $	Revaluation Reserves $	Foreign Currency Translation Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2014		44,577,512	–	(29,210)	(212,940)	(15,145,576)	29,189,786
Total comprehensive income							
Loss for the period	20	–	–	–	–	(29,120,403)	(29,120,403)
Other comprehensive loss for the period	19	–	–	29,210	(100,410)	–	(71,200)
Total comprehensive loss for the period		–	–	29,210	(100,410)	(29,120,403)	(29,191,603)
Transactions with owners recorded direct to equity							
Issue of shares	19	–	75,380	–	–	–	75,380
Share issue expense		–	–	–	–	–	–
Total transactions with owners		–	75,380	–	–	–	–
Balance as at 30 June 2015		44,577,512	75,380	–	(313,350)	(44,265,979)	73,563

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		328,095	135,630
Receipt of exclusive due diligence fee		–	559,498
Receipt/(payments) for exploration and evaluation		7,329	(336,455)
Payments to suppliers and employees		(927,917)	(878,136)
Interest received		6,300	10,407
Interest paid		(1,541)	(1,838)
Net cash used in operating activities	29(b)	**(587,734)**	**(510,894)**
Cash flows from investing activities			
Payments for exploration and evaluation		(97,599)	(161,630)
Proceeds on sale of investment securities		5,420	–
Proceeds on sale of fixed assets		16,391	3,641
Amounts received from outside entities		188,289	86,743
Payment for property, plant and equipment		(518)	–
Release of security bonds		98,567	86,000
Receipt of payment for first tranche for the Joint Venture Cooperation on Pahtohavare (note 14)		–	151,100
Net cash provided by investing activities		**210,550**	**165,854**
Cash flows from financing activities			
Proceeds from issues of equity securities		1,743,300	–
Proceeds from exercise of options		25,000	–
Payment for share issue costs		(60,503)	–
Repayment of borrowings/finance leases		(2,971)	(5,093)
Net cash provided by/(used in) financing activities		**1,704,826**	**(5,093)**
Net increase/(decrease) in cash and cash equivalents		**1,327,642**	**(350,133)**
Cash and cash equivalents at the beginning of the financial year		**345,497**	**695,163**
Effects of exchange rate fluctuations on cash held		2,021	467
Cash and cash equivalents at the end of the financial year	29(a)	**1,675,160**	**345,497**

The accompanying notes form part of the financial statements.

1. General Information

The consolidated financial statements of Hannans Ltd (the Company or Hannans) and its subsidiaries (collectively, the Group) for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors on 27 September 2016.

Hannans Ltd is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are mineral exploration and project development which is further described in the Directors' Report. Information on other related party relationships is provided in note 27.

2. Summary of significant accounting policies

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report includes the financial statements of the Hannans Ltd and its subsidiaries.

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(a) Basis of preparation

The financial report has been prepared on an accruals basis and is based on historical cost, except for certain financial assets and liabilities which are carried at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Separate financial statements for Hannans Ltd as an individual entity are no longer presented as the consequence of a change to the *Corporations Act 2001*, however, required financial information for Hannans Ltd as an individual entity is included in note 32.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented in these financial statements for the year ended 30 June 2015.

<u>Going concern basis of preparation</u>

The Group recorded a loss of $964,387 (2015: loss $29,120,403) for the year ended 30 June 2016 and had a cash outflow from operating and investing activities of $377,184 (2015: $345,040 outflow) during the twelve (12) month period. The Group had cash and cash equivalents at 30 June 2016 of $1,425,160 (2015: $345,497) and has a working capital surplus of $513,111 (2015: $1,557,375 deficit), excluding the $1.63 million assets held for distribution as approved by shareholders at a General Meeting held on 15 September 2016 and a $1.24 million relating to liabilities directly associated with the assets held for distribution.

Notwithstanding the above the directors consider they have a reasonable basis to prepare the financial statements on a going concern basis after having regard to the following:

(i) On 28 September 2016 Avalon Minerals Ltd (Avalon) and Hannans executed a Deed of Termination, Settlement and Release for the Discovery Zone transaction which means 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.

(ii) On 15 September 2016 Hannans held a General Meeting and shareholders approved the following matters which has a positive impact on the cashflow of the Company:

- issue of ordinary shares in lieu of the Managing Director and Non-Executive Directors outstanding salary and fees of $380,806, recognised as creditors as at 30 June 2016;
- divestment of the Group's Scandinavian operations via the distribution of 100% of the shares capital in Critical Metals Ltd to shareholders; and
- acquisition of 100% of the issued share capital of Reed Exploration Pty Ltd (Reed). On acquisition, Reed will have a cash balance of $1 million less the costs of the nickel exploration drilling completed in September 2016 estimated to be a maximum of $250,000.

(iii) The directors have an established track record of being able to raise equity when required.

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

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

2. Statement of significant accounting policies (cont'd)

(b) New Accounting Standards for Application in the Current Financial Year and Future Periods

New standards, interpretations and amendments adopted by the Group during the financial year

The accounting policies adopted in the preparation of the 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 2015, except for the adoption of new standards and interpretations effective as of 1 July 2015 as detailed below. The nature and the impact of each new standard or amendment are described below:

∂ *AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*

The Standard contains three main parts and makes amendments to a number Standards and Interpretations.

Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1.

Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.

Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments. Adoption of AASB 2013-9 did not impact the Group financial statements.

∂ *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*

The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards. Adoption of the amendment did not impact the Group financial statements.

New standards issued but not yet effective

The following standards and interpretations have been issued by the AASB but are not yet effective and have not been early adopted by the Group for the period ended 30 June 2016:

Reference / Title		Application date of standard	Application date for Group
AASB 9 *Financial Instruments*		1 January 2018	1 July 2018
Summary	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Classification and measurement AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described below. *Financial assets* (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.		

2. Statement of significant accounting policies (cont'd)

(b) New Accounting Standards for Application in the Current Financial Year and Future Periods (cont'd)

New standards issued but not yet effective (cont'd)

Reference / Title		Application date of standard	Application date for Group
AASB 9 (cont'd) *Financial Instruments*		1 January 2018	1 July 2018
Summary *(cont'd)*	*Financial liabilities* Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. *Impairment* The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. *Hedge accounting* Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.		
Impact	Management is in the process of determining the impact of this accounting standard.		
AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]*		1 January 2016	1 July 2016
Summary	AASB 2014-3 amends AASB 11 *Joint Arrangements* to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require: (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 *Business Combinations*, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11 (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations This Standard also makes an editorial correction to AASB 11.		
Impact	When acquiring an interest in a joint operation in which the activity constitutes a business, the Group will be required to apply all the principles on business combination accounting and disclose information required by AASB 3.		

2. Statement of significant accounting policies (cont'd)

(b) New Accounting Standards for Application in the Current Financial Year and Future Periods (cont'd)

New standards issued but not yet effective (cont'd)

Reference / Title		Application date of standard	Application date for Group
AASB 2014-4 *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)*		1 January 2016	1 July 2016
Summary	AASB 116 *Property Plant and Equipment* and AASB 138 *Intangible Assets* both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.		
Impact	The adoption of AASB 2014-4 is not expected to significantly affect the Group's deprecation method in respect to property, plant and equipment.		
AASB 15 *Revenue from Contracts with Customers*		1 January 2018	1 July 2018
Summary	AASB 15 *Revenue from Contracts with Customers* replaces the existing revenue recognition standards AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations (Interpretation 13 *Customer Loyalty Programmes*, Interpretation 15 *Agreements for the Construction of Real Estate*, Interpretation 18 *Transfers of Assets from Customers*, Interpretation 131 *Revenue—Barter Transactions Involving Advertising Services* and Interpretation 1042 *Subscriber Acquisition Costs in the Telecommunications Industry*). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB). AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted. AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15* amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.		
Impact	Given the Group's current principal activities being that of exploration and evaluation, adoption of AASB 15 is not expected to have a significant impact. The Group's revenue recognition policy will be reviewed to ensure compliance with AASB 15 upon adoption.		

Statement of significant accounting policies (cont'd)

(b) New Accounting Standards for Application in the Current Financial Year and Future Periods (cont'd)

New standards issued but not yet effective (cont'd)

<table>
<tr><th colspan="2">Reference / Title</th><th>Application date of standard</th><th>Application date for Group</th></tr>
<tr><td colspan="2">AASB 2014-10
Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</td><td>1 January 2016</td><td>1 July 2016</td></tr>
<tr><td>Summary</td><td colspan="3">AASB 2014-10 amends AASB 10 *Consolidated Financial Statements* and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require:
(a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not)
(b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
AASB 2014-10 also makes an editorial correction to AASB 10.
AASB 2014-10 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.</td></tr>
<tr><td>Impact</td><td colspan="3">The adoption of AASB 2014-10 is not expected to significantly impact the Group financial statement.</td></tr>
<tr><td colspan="2">AASB 2015-1
Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle</td><td>1 January 2016</td><td>1 July 2016</td></tr>
<tr><td>Summary</td><td colspan="3">The subjects of the principal amendments to the Standards are set out below:
AASB 5 Non-current Assets Held for Sale and Discontinued Operations:
• Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or vice versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change.
AASB 7 Financial Instruments: Disclosures:
• Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7.
• Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134.
AASB 119 Employee Benefits:
• Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level.
AASB 134 Interim Financial Reporting:
• Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.</td></tr>
<tr><td>Impact</td><td colspan="3">The adoption of AASB 2015-1 is not expected to significantly impact disclosure in the Group interim financial statement or the application of discount rates when determining long term employee benefit obligations. The Company has classified the assets held for distribution in the current year which will have no impact in future years.</td></tr>
</table>

Statement of significant accounting policies (cont'd)

(b) New Accounting Standards for Application in the Current Financial Year and Future Periods (cont'd)

New standards issued but not yet effective (cont'd)

Reference / Title		Application date of standard	Application date for Group
AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*		1 January 2016	1 July 2016
Summary	The Standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.		
Impact	The adoption of AASB 2015-2 is not expected to significantly impact the information of financial disclosure in the Group's financial statements.		
AASB 16 *Leases*		1 January 2019	1 July 2019
Summary	The key features of AASB 16 are as follows: Lessee accounting • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. Lessor accounting • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. AASB 16 supersedes: (a) AASB 117 Leases (b) Interpretation 4 Determining whether an Arrangement contains a Lease (c) SIC-15 Operating Leases—Incentives (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.		
Impact	Management is in the process of determining the impact of this accounting standard.		
AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*		1 January 2017	1 July 2017
Summary	This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.		
Impact	The adoption of AASB 2016-2 is not expected to significantly impact the information of financial disclosure in the Group's financial statements.		

Statement of significant accounting policies (cont'd)

(b) New Accounting Standards for Application in the Current Financial Year and Future Periods (cont'd)

New standards issued but not yet effective (cont'd)

Reference / Title		Application date of standard	Application date for Group
AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*		1 January 2018	1 July 2018
Summary	This Standard amends AASB2 Share-based Payment to address: (a) the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (b) the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.		
Impact	Management is in the process of determining the impact of this accounting standard.		

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments with original maturity of less than 3 months, net of outstanding bank overdrafts.

(d) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

(e) Financial assets

Financial assets are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'available–for–sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(e) Financial assets (cont'd)

Financial assets at fair value through profit or loss

The Group classifies certain shares as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Available–for–sale financial assets

Shares and options held by the Group are classified as being available–for–sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available–for–sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available–for–sale revaluation reserve is included in profit or loss for the period.

Loans and receivables

Subsequent to initial recognition, trade receivables, loans, and other receivables are recorded at amortised cost using the effective interest rate method less impairment.

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

(f) Financial instruments issued by the Company

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

2. Statement of significant accounting policies (cont'd)

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(h) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash–generating unit to which the asset belongs. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any), being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Excess of the asset's carrying value over its recoverable amount is expensed to the consolidated statement of comprehensive income.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash–generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash–generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Tax

<u>Current tax</u>

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

<u>Deferred tax</u>

Deferred tax is accounted for using the full liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

<u>Current and deferred tax for the period</u>

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

<u>Tax consolidation</u>

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Company and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation on 1 July 2008 with Hannans Ltd as the head entity.

2. Statement of significant accounting policies (cont'd)

(j) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is expensed immediately to the profit and loss where the applicable area of interest does not contain a JORC compliant mineral resource. Where the area of interest contains a JORC compliant mineral resource exploration and evaluation expenditure is capitalised. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

i. such costs are expected to be recouped through successful development and exploitation or from sale of the area; or

ii. exploration and evaluation activities in the area have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit or loss in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Notwithstanding the fact that a decision not to abandon an area of interest has been made, based on the above, the exploration and evaluation expenditure in relation to an area may still be written off if considered appropriate to do so.

(k) Joint arrangements

Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

(k) Joint arrangements (cont'd)

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired.

If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Joint operations

The Group's recognises its interest in joint operations by recognising its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

(l) Payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

2. Statement of significant accounting policies (cont'd)

(m) Foreign currency translation

Functional and presentation currency

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

Transactions and balance

Transactions in foreign currencies are initially recorded in the functional currency (Australian Dollars (AUD), Swedish Krona (SEK) and Great Britain Pound (GBP)) by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(n) Principles of consolidation

The consolidated financial statements comprise the financial statements of Hannans Ltd and its subsidiaries as at and for the period ended 30 June 2016 (the Group). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;

2. Statement of significant accounting policies (cont'd)

(n) Principles of consolidation (cont'd)

- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

A list of subsidiaries appears in note 4 to the financial statements.

(o) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line or diminishing value basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate (%)
Office furniture	10.00 – 20.00
Building	2.50
Office equipment	7.50 – 66.67
Motor vehicles	16.67 – 25.00

(p) Provisions

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation as a result of a past event at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(q) Revenue recognition

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(q) Revenue recognition (cont'd)

Service fee

Revenue from service fee is recognised when the service has been rendered in proportion to the stage of completion. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and the cost incurred or to be incurred cannot be reliably measured.

(r) Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black and Scholes model or Monte-Carlo simulation model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(s) Fair value measurement

The Group measure capitalised exploration and evaluation expenditure and available-for-sale financial assets at fair value and receivables are measured at amortised costs at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(t) Segment reporting policy

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.

3. Critical accounting estimates and judgements

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Key estimates — impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined taking into consideration the assessment of the global market and with the decrease in valuations being attributed to exploration and mining companies. The Board did not impair any expenditure (2015: $28,275,372 impaired) in line with the current transactions of the Group as at 30 June 2016. Exploration, evaluation and development expenditure incurred may either be expensed immediately to the profit and loss or be accumulated in respect of each identifiable area of interest.

Key judgements — exploration and evaluation expenditure

The future recoverability of exploration and evaluation expenditure capitalised on the acquisition of areas of interest and/or capitalised JORC compliant mineral resource expenditure are dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. To the extent that capitalised acquisition costs and/or capitalised JORC compliant mineral resource expenditure are determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

Key judgements — share–based payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes and/or Monte-Carlo simulation model. The related assumptions detailed in note 8. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Key judgements — assets held for distribution

On 4 March 2016 Hannans announced it entered into a transaction with Neometals Ltd. One of the precedent condition of the transaction was that Hannans was to complete a pro rata in-specie distribution of Critical Metals Ltd and its subsidiaries. The shares of Critical Metals Ltd will be distributed to the shareholders of the Company. Therefore the operations of Critical Metals Ltd are classified as a disposal group held for distribution to equity holders of Hannans. The Directors considered the subsidiary to meet the criteria to be classified as held for distribution at 30 June 2016 for the following reasons:

- Critical Metals Ltd is available for immediate distribution and can be distributed to shareholders in its current condition;
- the actions to complete the in-specie distribution were initiated and expected to be completed within one year;
- the shareholders approved the distribution on 15 September 2016; and
- the Company expects the secretarial procedures and procedural formalities for the distribution to be completed by 27 September 2016.

Refer to note 25 for further information on the assets held for distribution.

4. Subsidiaries

The consolidated financial statements of the Group include:

Name of entity	Principal Activities	Country of incorporation	% Ownership interest 2016	% Ownership interest 2015
Parent entity:				
Hannans Ltd (i)	Exploration	Australia		
Subsidiaries:				
HR Subsidiary Pty Ltd (ii)	Holding company	Australia	–	100
HR Forrestania Pty Ltd (iii)	Exploration	Australia	100	100
HR Equities Pty Ltd (iv)	Equities holding	Australia	100	100
Corporate Board Services Pty Ltd (v)	Service provider	Australia	–	100
Critical Metals Ltd^ (vi)	Exploration	Australia	100	100
Scandinavian Resources Pty Ltd^ (vii)	Exploration	Australia	100	100
SR Equities Pty Ltd^ (viii)	Holding company	Australia	100	100
Kiruna Iron Ltd (ix)	Holding company	United Kingdom	–	100
Kiruna Iron AB^ (x)	Exploration	Sweden	100	100
Scandinavian Iron AB (xi)	Exploration	Sweden	–	100
Scandinavian Resources AB^ (xii)	Exploration	Sweden	100	100

^ Subsidiaries held as assets held for distribution. Refer to note 25 for further information.

(i) Hannans Ltd is the ultimate parent entity. All the companies are members of the group.
(ii) The 100% interest in HR Subsidiary Pty Ltd was held by the parent entity. The company was deregistered on 19 April 2016.
(iii) The 100% interest in HR Forrestania Pty Ltd is held by the parent entity. During the year the 100% interest was transferred from HR Subsidiary Pty Ltd to Hannans Ltd.
(iv) The 100% interest in HR Equities Pty Ltd is held by the parent entity.
(v) The 100% interest in Corporate Board Services was held via HR Equities Pty Ltd. The 100% interest was transferred to Mrs Ku on 30 June 2016.
(vi) Critical Metals Ltd was incorporated in August 2016 and the 100% interest in Critical Metals Ltd was held by the parent entity. On 15 September 2016 Hannans held a General Meeting and shareholders approved an equal reduction of capital and a pro rata in-specie distribution of 99,987,442 Critical Metals Shares to the Company's shareholders. The in-specie distribution was completed on 27 September 2016.
(vii) The 100% interest in Scandinavian Resources Pty Ltd is held by the parent entity. On 31 August 2016 the 100% interest was transferred from the parent entity to Critical Metals Ltd.
(viii) The 100% interest in SR Equities Pty Ltd is held via Scandinavian Resources Pty Ltd.
(ix) The 100% interest in Kiruna Iron Ltd (KIL) was held via SR Equities Pty Ltd. The company initiated a Members' Voluntary Liquidation on 31 March 2016. KIL does not have any outstanding obligation and liabilities at the date of application.
(x) The 100% interest in Kiruna Iron AB is held via Scandinavian Resources Pty Ltd. During the year the 100% interest was transferred from Kiruna Iron Ltd to Scandinavian Resources Pty Ltd.
(xi) The 100% interest in Scandinavian Iron AB was held via Kiruna Iron AB. The company was liquidated on 16 June 2016.
(xii) The 100% interest in Scandinavian Resources AB is held via Scandinavian Resources Pty Ltd.

Refer to page 32 for the Corporate Structure.

5. Income/(expenses) from operations

	2016 $	2015 $
(a) Revenue		
Interest revenue		
Bank	5,998	4,325
Loans	3,582	–
Service fees	193,601	46,305
Total revenue	203,181	50,630

	2016 $	2015 $
5. Income/(expenses) from operations (cont'd)		
(b) Other Income		
Prospect transaction fees	–	335,263
Other	251,301	117,428
Total other income	251,301	452,691
(c) Gain on disposal of shares		
Proceeds on disposal of shares (net of broker fees)	5,420	–
Less: Carrying fair value of shares disposed	(5,095)	–
Total gain on disposal of shares	325	–
(d) Employee benefits expense		
Salaries and wages	281,028	486,110
Post employment benefits:		
Defined contribution plans	21,438	34,111
Share-based payments:		
Equity settled share-based payments	42,775	75,380
Total employee benefits expense	345,241	595,601
(e) Depreciation of non-current assets	18,175	28,680
(f) Operating lease rental expenses:		
Minimum lease payments	278,455	252,764
Rent provision (refer note 16)	(145,101)	(160,062)
Total operating lease rental expenses	133,354	92,702
6. Income taxes		
Income tax recognised in profit or loss		
Current income tax		
Current income tax charge	–	–
Overprovision of current tax in prior year	–	–
Deferred tax		
Release of deferred tax assets previously recognised to offset a deferred tax liability arising on unrealised gains on available-for-sale investments	–	–
Total tax benefit/(expense)	–	–

	2016 $	2015 $
6. Income taxes (cont'd)		
The prima facie income tax benefit/(expense) on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:		
Loss from operations	(964,387)	(29,120,403)
Income tax benefit calculated at 28.5% (2015: 30%)	(274,850)	(8,736,121)
Effect of tax rates in foreign jurisdictions	(9,779)	35,520
Effect of expenses that are not deductible in determining taxable profit	78,721	8,505,290
Effect of FCTR expensed to P&L (Swedish entities)	129,233	(46,756)
Effect of net deferred tax asset not recognised as deferred tax assets	76,675	242,067
Change in recognised deductible temporary differences	–	–
Income tax benefit/(expense) attributable to operating loss	–	–
The tax rate used in the above reconciliation is the corporate tax rate of 28.5% (2015: 30%) payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.		
Deferred tax related to items charged or credited directly to Other Comprehensive Income during the year:		
Unrealised loss on available-for-sale investments	–	–
	–	–

	Statement of Financial Position 2016 $	Statement of Financial Position 2015 $	Statement of Comprehensive Income 2016 $	Statement of Comprehensive Income 2015 $
Deferred Income Tax				
Deferred income tax at 30 June relates to the following				
Deferred tax liabilities				
Unearned income	(853)	(988)	135	937
Deferred tax assets				
Accruals	39,504	104,795	(65,291)	30,659
Prepayments	3,647	4,546	(899)	(1,931)
Provision for employee entitlements	31,654	38,717	(7,063)	672
Provision – other	949	46,848	(45,899)	(47,899)
Capital raising costs	49,123	59,957	(10,834)	(45,362)
Revaluation reserve	(32,328)	8,063	(40,391)	8,063
Revenue tax losses	6,803,049	6,677,647	125,402	296,927
Deferred tax assets not brought to account as realisation is not probable	(6,894,744)	(6,939,585)		
	–	–		
Deferred tax assets not recognised			44,840	(242,066)
Deferred tax (income)/expense			–	–

The Group has tax losses of $6,803,049 (FY15: $6,520,361) that are available for offsetting against future taxable profits of the companies in which the losses arose.

Tax consolidation

Relevance of tax consolidation to the Group

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The Company and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation.

7. Key management personnel disclosures

(a) Details of key management personnel

The Directors and Executives of Hannans Ltd during the year were:

Directors

- Damian Hicks
- Jonathan Murray
- Markus Bachmann
- Olof Forslund

Executives

- Amanda Scott
(Director of Sweden subsidiaries)

	2016 $	2015 $
(b) Key management personnel compensation		
The aggregate compensation made to key management personnel of the Company and the Group is set out below.		
Short-term employee benefits	292,786	513,001
Share based payments	27,884	49,136
Long-term employee benefits	925	4,721
Post-employment benefits	54,121	113,994
Total key management personnel compensation	375,716	680,852

The compensation of each member of the key management personnel of the Group is set out in the Directors Remuneration report on pages 21 to 26.

8. Share-based payments

The Company has an ownership-based compensation arrangement for employees of the Group.

Each option issued under the arrangement converts into one ordinary share of Hannans Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options neither carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The number of options granted is at the sole discretion of the Directors.

Incentive options issued to Directors (executive and non-executive) are subject to approval by shareholders and attach vesting conditions as appropriate.

The following unlisted options were issued during the year and are not share based payments to employees of the Group.

Options series	Number	Grant date	Expiry date	Exercise price Cents
10 March 2016	31,250,000	10 March 2016	10 March 2018	0.4
3 June 2016	41,662,500	19 May 2016	3 June 2018	0.4

On 24 June 2016 6,250,000 unlisted options exercisable at 0.4 cents expiring on 3 June 2018 were exercised.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Options series	Number	Grant date	Expiry date	Exercise price Cents
20 November 2016	12,016,664	20 November 2014	20 November 2019	VWAP* for 10 trading days after 20 Nov 2016 (+) 50% premium
20 November 2015	12,016,668	20 November 2014	20 November 2018	0.5
20 November 2014	12,016,668	20 November 2014	20 November 2017	0.8

** VWAP = Volume Weighted Average Price*

Details of options over ordinary shares in the Company provided as remuneration to each director during the year are set out in the Directors Remuneration report on pages 21 to 26. Further information on remuneration to Hannans' directors are set out in note 27.

8. Share-based payments (cont'd)

The following reconciles the outstanding share options granted at the beginning and end of the financial year:

	2016		2015	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	36,050,000	0.015	–	–
Granted during the financial year (i)	–	–	36,050,000	0.015*
Expired during the financial year	–	–	–	–
Balance at end of the financial year (ii)	36,050,000	0.012	36,050,000	0.015
Exercisable at end of the financial year	24,033,336	0.007	12,016,668	0.008

(i) Issued during the financial year

No share options were granted to senior executives and employees during the year. On 20 November 2014, 36,050,000 share options were granted to senior executives and employees of the Group. The options terms and conditions are shown below.

Details	Tranche 1	Tranche 2	Tranche 3	TOTAL
Number of options	12,016,668	12,016,668	12,016,664	36,050,000
Exercise price	0.8 cents	0.5 cents	(i)	
Expiry date	20 Nov 2017	20 Nov 2018	20 Nov 2019	
Vesting date (ii)	20 Nov 2014	20 Nov 2015	20 Nov 2016	

(i) Exercise price will be calculated from the volume weighted average share price for the ten (10) trading days after the Vesting Date for each Tranche PLUS a premium of 50%. The Monte-Carlo simulation model was used for Tranche 3.

(ii) Senior executive and employees are entitled to the Options upon working for the Group to the vesting dates. Options that have vested prior to termination must be exercised within three months or they will lapse, unvested options will lapse immediately on termination.

The fair value of the options granted is issued and valued at the date of grant taking into account the terms and conditions upon which the options were granted using a Black Scholes model for Tranche 1 and Tranche 2. There is no cash settlement of the options.

The weighted average fair value of the options granted during for the year ended 30 June 2015 was 0.015 cents.

For the year ended 30 June 2016, the Group has recognised $42,775 of share-based payments transactions expense in the statement of profit or loss (30 June 2015: $75,380).

(ii) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average exercise price of $0.012 (2015: $0.015) and a weighted average remaining contractual life of 2.39 years (2015: 3.39 years).

No options were exercised in the current year. On 20 July 2016, 4,166,667 Tranche 2 options exercisable at 0.5 cents were exercised.

On 15 September 2016 Hannans held a General Meeting and shareholders approved the issue of ordinary shares in lieu of the Managing Director and the Non-Executive Directors outstanding fee of $306,587, together with one free attaching option for each ordinary shares issued. The ordinary shares will be deemed to have an issue price equal to the volume weighted average sale price of shares sold on ASX during the 40 trading days after the date of the General Meeting. The issue of ordinary shares and attaching options are anticipated to be completed by 11 November 2016. The capital structure of Hannans will increase as a result of the shares and options issue by 11 November 2016.

		2016 $	2015 $
9.	**Remuneration of auditors**		
	The auditor of Hannans Ltd is Ernst & Young.		
	Audit or review of the financial report of the Group		
	Australia	31,930	34,710
	UK	–	10,942
	Sweden	8,327	3,013
	Tax compliance services in relation to the Group	27,774	7,140
		68,031	55,805

10. Current trade and other receivables

	2016 $	2015 $
Accounts receivable (i)	2,023	3,571
Net goods and services tax (GST) receivable	33,262	12,010
Other	35,794	61,009
	71,079	76,590

(i) There were no current trade and other receivables that were past due but not impaired (2015: past due but not impaired $1,797).

11. Other financial assets

	2016 $	2015 $
Current		
Available-for-sale investments		
Quoted equity shares (i)	1,300	5,525
Unquoted equity shares (ii)	1	1
Total available-for-sale investments	1,301	5,526

(i) Investments in listed entities include the following:
(a) 20,000 ordinary fully paid shares in Brighton Mining Group Ltd; and
(b) 20,000 ordinary fully paid shares in Lithex Resources Ltd.

(ii) Hannans Ltd 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.

	2016 $	2015 $
Non-current		
Loans		
Loans to director (i)	–	168,985
Loan to outside entity (ii)	53,582	–
Total loans	53,582	168,985

(i) On 15 September 2016 Hannans held a General Meeting and shareholders approved to forgive the outstanding loan amount of $168,985. Hannans does not expect to recover the loan from Damian and the loan was derecognised as a receivable as at 30 June 2016. Details of the loan are provided in the remuneration report.

(ii) 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 made a loan drawdown of $25,000 on 10 February 2016 and a further loan drawndown of $25,000 on 9 March 2016. Interest accrued to 30 June 2016 amounts to $3,582. The loan is repayable by Errawarra on 1 July 2016. Refer to note 27 for further information.

	2016 $	2015 $
12. Non-current other receivables		
Other receivables – bonds	56,000	154,275
	56,000	154,275

13. Property, plant and equipment

	Motor Vehicles at cost $	Office furniture and equipment at cost $	Building at cost $	Total $
Cost				
Balance at 1 July 2014	59,060	291,850	12,428	363,338
Additions	–	–	–	–
Disposals	(3,590)	(6,002)	–	(9,592)
Exchange differences	(113)	(191)	–	(304)
Balance at 1 July 2015	55,357	285,657	12,428	353,442
Additions	–	–	–	–
Disposals	(56,048)	(107,928)	(9,102)	(173,078)
Exchange differences	691	1,234	–	1,925
Transfer to assets held for distribution (i)	–	(100,056)	–	(100,056)
Balance at 30 June 2016	–	78,907	3,326	82,233
Accumulated depreciation and impairment				
Balance at 1 July 2014	43,613	250,734	9,298	303,645
Depreciation expense	11,432	17,170	78	28,680
Disposals on deconsolidation	(3,051)	(5,561)	–	(8,612)
Exchange differences	94	(46)	–	48
Balance at 1 July 2015	52,088	262,297	9,376	323,761
Depreciation expense	3,054	15,044	77	18,175
Disposals	(55,710)	(108,436)	(9,102)	(173,248)
Exchange differences	568	986	–	1,554
Transfer to assets held for sale (i)	–	(100,056)	–	(100,056)
Balance at 30 June 2016	–	69,835	351	70,186

(i) On 2 March 2016 the Group announced that it has entered into a binding terms sheet with Neometals Limited. The transaction is conditional upon the satisfaction of conditions precedent. One of the conditions is for the Group to complete an in-specie distribution of the Scandinavian subsidiaries. In accordance with AASB 5 the assets held for the distribution are disclosed accordingly. Refer to note 25 for further information.

	Motor Vehicles at cost $	Office furniture and equipment at cost $	Building at cost $	Total $
Net book value				
As at 30 June 2015	3,269	23,360	3,052	29,681
As at 30 June 2016	–	9,072	2,975	12,047

	2016 $	2015 $
13. Property, plant and equipment (cont'd)		
Aggregate depreciation allocated during the year:		
Motor vehicles	3,054	11,432
Office furniture and equipment	15,044	17,170
Building	77	78
	18,175	28,680

14. Exploration and evaluation expenditure

	2016 $	2015 $
Balance at beginning of financial year	1,356,340	29,688,557
Exploration expenditure during the period	97,599	161,630
Foreign currency translation movement during the period	17,648	(67,375)
LESS: Expenditure recovered	–	(151,100)
LESS: Write off costs (i)	(123,945)	–
LESS: Impairment costs (i)	–	(28,275,372)
Transfer to assets held for distribution (ii)	(1,347,642)	–
Balance at end of financial year	–	1,356,340

(i) During the year ended 30 June 2016, Hannans recognised a write off in respect of capitalised exploration and evaluation to the extent of $123,945 (2015: Nil). In the prior year, Hannans performed an impairment assessment and impaired $28,275,372 to the Consolidated Statement of Comprehensive Income. No impairment was recognised in the current year. The recoverability of the carrying amount of the capitalised acquisition costs and the exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. The impairment of the exploration and evaluation expenditure has arisen as a result of the decrease in valuations being attributed to exploration and mining companies globally and the potential withdrawal from vendor agreements to acquire permits, relinquishments of licences and applications for exemptions of minimum expenditure requirements that have yet to be approved.

The estimated recoverable amount of the Kiruna Project was determined to be $1,070,100 on the basis of fair value less costs to sell. Comparable resource multiples for Exploration and Evaluation companies range from $0.01/t to $0.29/t of contained Fe, with a median and average of $0.12/t and $0.12/t of contained Fe, respectively. Based on the Hannan's total contained Fe of 78.8Mt, this implies a multiple of $0.01/tonne of contained iron.

The estimated recoverable amount of the Pahtohavare Project was determined to be $277,542 on the basis of fair value less costs to sell. Pre-development copper assets in comparable markets have multiples ranging from $26/t to $540/t of contained copper equivalent. Based on Hannans total contained copper equivalents of 1.7Mt @ 2.3% Cu, this implies a multiple of $5.25/t of contained copper equivalent.

(ii) On 2 March 2016 the Group announced that it has entered into a binding terms sheet with Neometals Limited. The transaction is conditional upon the satisfaction of conditions precedent. One of the conditions is for the Group to complete an in-specie distribution of the Scandinavian subsidiaries. In accordance with AASB 5 the assets held for the distribution are disclosed accordingly. Refer to note 25 for further information.

Considering no exploration expenditure, other than rental and incidental land costs, has been budgeted for the financial year ended 30 June 2017, Hannans has taken the conservative view that the fair value less costs to sell for the projects at 30 June 2016 are at the low end of the ranges.

The valuation methodology undertaken by the Group was determined with reference to comparable exploration companies in the industry and their respective contained iron and copper resource multiples. All comparable companies are primarily focused on magnetite projects within Australia. Although the Kiruna Project and Pahtohavare Project are located in Sweden, many of the same risks are applicable to the projects in both countries. The estimated recoverable amount is classified as level 3 in the fair value hierarchy and is sensitive to the movements in the iron ore and copper prices.

Hannans entered into a legally binding unconditional agreement with Mine Builder Pty Ltd for the sale of Hannans' interest in gold rights on Mining Lease M77/544 for $800,000. The consideration for the gold rights was to be paid via four cash instalments between March 2015 and December 2015. Mine Builder Pty Ltd has requested additional time to make the payments pursuant to the binding unconditional agreement.

Hannans has executed a Deed of General Security with Mine Builder Pty Ltd over 100% of that company's assets to protect Hannans' interests and has received a fully executed off-market share transfer form for Mine Builder's interest in a large gold mining project. This transfer will be held as security for the payments owing under the gold rights agreement.

No cash instalment payments which are past due have been received by the Company as at the reporting date. The Company has been in close contact with Mine Builder to recover the cash instalment payments.

	2016 $	2015 $
15. Current trade and other payables		
Trade payables (i)	494,170	183,881
Accruals	290,678	516,953
Other payable	45,382	1,036,685
	830,230	1,737,519

(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.

16. Provisions

	2016 $	2015 $
Current		
Employee benefits	111,067	159,660
Rent – unoccupied space (i)	10,660	84,925
	121,727	244,585
Non-current		
Employee benefits	–	7,508
Rent – unoccupied space (i)	–	70,835
	–	78,343

(i) The provision was recognised on the basis that Hannans currently occupies and subleases part of its Perth office premises as a portion of the space is surplus to the requirements of the Group. The provision for the unoccupied space is calculated based on the difference between the Company's full operating office lease commitment to the end of the lease term on 14 December 2016 and the current occupied and subleased space discounted to present value as of 30 June 2016.

	Employee benefits $	Rent – unoccupied space $	Total $
Balance at 1 July 2014	158,061	315,822	473,883
Increase in provision	24,921	–	24,921
Utilised during the year	(15,814)	(131,287)	(147,101)
Unwinding of discount rate and changes in the discount rate	–	(28,775)	(28,775)
Balance at 1 July 2015	167,168	155,760	322,928
Increase in provision	39,680	–	39,680
Utilised during the year	(90,503)	(133,842)	(224,345)
Unwinding of discount rate and changes in the discount rate	–	(11,258)	(11,258)
Transfer to assets held for distribution	(5,278)	–	(5,278)
Balance at 30 June 2016	111,067	10,660	121,727

	2016 $	2015 $
17. Other financial liabilities		
Current		
Payroll related liabilities	32,474	–
Finance lease liabilities	–	2,884
	32,474	2,884
Non-current		
Payroll related liabilities	119,884	–
Finance lease liabilities	–	2,884
	119,884	2,884
18. Issued capital		
970,707,755 fully paid ordinary shares (2015: 721,966,133)	46,285,309	44,577,512
	46,285,309	44,577,512

	2016		2015	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at beginning of financial year	721,966,133	44,577,512	721,966,133	44,577,512
Placement of shares – 9 March 2016	62,500,000	250,000	–	–
Placement of shares – 23 May 2016	17,666,665	212,000	–	–
Share Purchase Plan – 26 May 2016	73,999,957	887,999	–	–
Placement of shares – 3 June 2016	88,325,000	393,300	–	–
Exercise of options to shares – 21 June 2016	6,250,000	25,000	–	–
Share issue costs	–	(60,502)	–	–
Balance at end of financial year	970,707,755	46,285,309	721,966,133	44,577,512

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

Option conversions

Date of conversion	No of options	Exercise price per option	Expiry date	Increase in contributed equity $
15 July 2016	25,000,000	0.4 cents	3 June 2018	100,000
20 July 2016	4,166,667	0.5 cents	20 November 2018	20,833
12 August 2016	6,250,000	0.4 cents	3 June 2018	25,000
TOTAL	35,416,667			145,833

	2016 $	2015 $
19. Reserves		
Balance at the beginning of the financial year	(237,970)	(242,150)
Option reserve	42,775	75,380
Available for sale revaluation reserve	–	29,210
Foreign currency translation differences	43,470	(100,410)
	(151,725)	(237,970)
Reserves of assets held for distribution	269,880	–
Balance at the end of the financial year	118,155	(237,970)
The balance of reserves is made up as follows:		
Option reserve	118,155	75,380
Foreign currency translation reserve	(269,880)	(313,350)
	(151,725)	(237,970)

Nature and purpose of reserves

Option reserve

The option reserve recognises the fair value of options issued and valued using the Black-Scholes and Monte-Carlo simulation model.

Revaluation reserve

The asset revaluation reserve is used to record increases and decreases in the fair value of ordinary shares held in listed entities to the extent that they offset one another.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Share options

As at 30 June 2016, options over 102,712,500 (2015: 36,050,000) ordinary shares in aggregate are as follows.

Issuing entity	No of shares under option	Class of shares	Exercise price of option	Expiry date of options
Hannans Ltd	12,016,668	Ordinary	0.8 cents each	20 Nov 2017
Hannans Ltd	12,016,668	Ordinary	0.5 cents each	20 Nov 2018
Hannans Ltd	12,016,664	Ordinary	To be calculated from VWAP* for 10 days after 20 Nov 2016	20 Nov 2019
Hannans Ltd	31,250,000	Ordinary	0.4 cents each	10 Mar 2018
Hannans Ltd	35,412,500	Ordinary	0.4 cents each	3 Jun 2018

* *VWAP: Volume Weighted Average Price*

Share options are all unlisted, carry no rights to dividends and no voting rights. A total of 6,250,000 were exercised during the year.

	2016 $	2015 $
20. Accumulated losses		
Balance at beginning of financial year	(44,265,979)	(15,145,576)
Loss attributable to members of the parent entity	(964,387)	(29,120,403)
Balance at end of financial year	(45,230,366)	(44,265,979)

21. Loss per share

	2016 Cents per share	2015 Cents per share
Basic loss per share:	(0.13)	(4.03)
Diluted loss per share:	(0.13)	(4.03)

Loss for the year

The loss and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:

	2016 $	2015 $
Loss for the year	(964,387)	(29,120,403)

	2016 No.	2015 No.
Weighted average number of ordinary shares for the purposes of basic loss per share	757,044,977	721,966,133
Effects of dilution from:		
Share options	6,997,625	–
Weighted average number of ordinary shares adjusted for the effect of dilution loss per share	764,042,602	721,966,133

The rights of options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted loss per share as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The rights of options are non-dilutive as the exercise prices are higher than the Company's share price at 30 June 2016 and the Company has also incurred a loss for the year.

The Company does not have authorised capital nor par value in respect of its issued shares.

Subsequent to 30 June 2016, 35,416,667 options were exercised and 620,833,333 shares issued were issued. This has been disclosed as a subsequent event in note 28.

22. Commitments for expenditure

	2016 $	2015 $
Exploration, evaluation & development (expenditure commitments) (i)		
Not longer than 1 year	252,860	180,267
Longer than 1 year and not longer than 5 years	252,860	793,787
Longer than 5 years	–	–
	505,720	974,054
Future minimum rentals payable under non-cancellable operating leases as at 30 June 2016 are as follows: (ii)		
Not longer than 1 year	109,032	296,323
Longer than 1 year and not longer than 5 years	–	137,784
Longer than 5 years	–	–
	109,032	434,107

(i) In Sweden an exploration permit is valid for a period of three years from date of issue and following that may be extended for another maximum three year period if it can be shown suitable exploration has been carried out within the area. There are no minimum exploration commitments required to be spent on the permits, apart from permit renewal fees, by the Swedish authorities.

(ii) The Group has a non-cancellable office lease, expiring within 0.5 years and with rent payable monthly in advance.

23. Contingent liabilities and contingent assets

The Office of State Revenue ('OSR') has 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.

24. Segment reporting

The Group operates predominantly in the mineral exploration industry in Sweden. For management purposes, the Group is organised into one main operating segment which involves the exploration of minerals in Sweden and Australia. All of the Group's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

Revenue analysis by geographic area

	Revenue		Total revenue and other income	
	2016 $	2015 $	2016 $	2015 $
Australia	116,514	28,120	354,567	147,105
Sweden	86,667	22,510	100,240	356,216
Consolidated	203,181	50,630	454,807	503,321

	2016 $	2015 $
Result analysis by geographic area		
Australia	(771,796)	(28,834,647)
Sweden	(192,591)	(285,756)
	(964,387)	(29,120,403)
Loss before income tax benefit	(964,387)	(29,120,403)
Income tax benefit/(expense)	–	–
Loss for the year	(964,387)	(29,120,403)

Assets and liabilities analysis by geographic area

	Assets		Liabilities	
	2016 $	2015 $	2016 $	2015 $
Australia	1,619,169	547,511	1,104,313	813,468
Sweden	1,631,931	1,589,383	1,243,569	1,249,863
Consolidated	3,251,100	2,136,894	2,347,882	2,063,331

25. Assets and liabilities held for distribution

Subsequent to year end, Hannans announced that it had completed an equal reduction of capital and a pro rata in-specie distribution of Critical Metals shares to Hannans shareholder. As at 30 June 2016, these assets were classified as a disposal group held for distribution.

The major classes of assets and liabilities classified as held for distribution as at 30 June are as follows:

	2016 $	2015 $
Assets		
Cash and cash equivalents	250,000	–
Trade and other receivables	34,289	–
Property, plant and equipment	–	–
Capitalised exploration and evaluation expenditure	1,347,642	–
Assets held for distribution	1,631,931	–

25. Assets and liabilities held for distribution (cont'd)

	2016 $	2015 $
Liabilities		
Trade and other payables (i)	1,000,000	–
Provisions	5,278	–
Other liabilities (ii)	238,291	–
Liabilities held for distribution	1,243,569	–
Net assets held for distribution	388,362	–

(i) In May 2013, Hannans entered into a Heads of Agreement (HOA) with Avalon Minerals Limited (Avalon, ASX: AVI) 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 varies 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.

The HOA provided that if the Discovery Zone exploration concession is not granted or not granted within 2 years of the first payment date (being 1 October 2015) or a later date to be agreed by the parties, the Group is required to refund the first $1 million received from Avalon and Avalon will be required to transfer title in the Discovery Zone back to the Group. The HOA provides that the Company can transfer a project of equivalent value to Avalon. There is no requirement in the HOA for the Group to make a cash payment to Avalon.

If the Discovery Zone exploration concession is granted, the Group will receive a further $3 million within five business days of the exploitation concession being granted.

On 9 October 2015 Hannans received a Refund Notice from Avalon pursuant to the HOA. The Refund Notice has been presented on the basis that the Discovery Zone exploitation concession application has not been granted within the time stipulated in the HOA.

On 21 October 2015 Hannans was made aware that the Discovery Zone exploitation concession application had been dismissed by the Mining Inspectorate of Sweden and Avalon can no longer transfer the application back to the Group as required by the HOA. A consequence of this dismissal is that the Group has lost title to its Discovery Zone copper-gold project, Rakkurijärvi iron project and Tributary Zone copper-gold prospect. Hannans considers this to be a very serious matter and has in addition to reserving its rights, requested Avalon provide a written explanation of the circumstances that lead to the dismissal as a matter of urgency.

Avalon then lodged an appeal with the Swedish Administrative Court against the decision of the Mining Inspectorate of Sweden to dismiss the Discovery Zone exploitation concession application registered in the name of Avalon's wholly owned Swedish subsidiary company, Avalon Minerals Adak AB. On 3 June 2016 the Swedish Administrative Court dismissed the appeal by Avalon. Avalon had three weeks from 3 June 2016 to lodge an appeal to the Swedish Superior Administrative Court against the decision. Avalon did not submit an appeal within the three weeks and the decision to dismiss the Discovery Zone exploitation concession application made by the Mining Inspectorate of Sweden is final. The Discovery Zone exploitation concession application was removed from further processing and the underlying permit expired.

On 11 November 2015 Avalon issued Hannans with a Statutory Demand in relation to the 50% recovery of the expenditure incurred on the Discovery Zone Exploitation Concession application. Hannans' submitted an application to set aside a statutory demand issued by Avalon and believe that there is a genuine dispute about the existence of the alleged debt. Hannans' application was heard by Master Sanderson in the Supreme Court of Western Australian on 22 March 2016 and a decision on the application was handed down on 3 May 2016. The Supreme Court of Western Australia set aside a statutory demand served on Hannans by Avalon and the court ordered Avalon to pay Hannans' costs.

On 8 June 2016 Avalon served Hannans with a Writ issued out of the Supreme Court of Western Australia numbered CIV 1945 of 2016 claiming $1 million pursuant to an agreement entered into by Hannans, its wholly owned subsidiary Kiruna Iron AB, Avalon Minerals Limited and its wholly owned subsidiary Avalon Minerals Adak AB. On 4 July 2016 Hannans filed and served Avalon with a Defence and Counterclaim for $9 million and a Summary Judgement Application in respect of Avalon's claim. The Summary Judgement Application was heard on 6 September 2016.

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.

(ii) On 24 November 2015 the Company announced that the joint venture partner, Lovisagruvan AB (LOVI) has formally notified the Company of its decision to proceed to Stage 2 of the joint venture. As part of their Stage 2 commitment LOVI will provide the Company with a SEK 3 million (equivalent to AUD 476,577 as at 30 June 2016) interest free working capital facility which can only be drawn down in two equal instalments. Each instalment must be repaid within 12 months from the drawdown date.

The Company received the first loan instalment of SEK 1.5 million (equivalent to AUD 238,289) on 29 January 2016. The amount is repayable by 29 January 2017.

26. Joint operations

Name of project	Principal activity	Interest 2016 %	Interest 2015 %
Pahtohavare (i)	Exploration	65	80
Lake Johnston (ii)	Exploration	20	20

The Group's interest in assets employed in the above joint operation is included in the consolidated financial statements. The interest in Pahtohavare has been capitalised and forms part of the total assets however the interest in Lake Johnston does not form part of the total assets as the expenditure exploration and evaluation is expensed.

(i) On 27 March 2015 Hannans Ltd announced a joint operation with Lovisagruvan AB (a Swedish mining company) over its Pahtohavare Copper-Gold Project, located near Kiruna, northern Sweden. The terms of the joint venture are as follows:

Consideration:

- Initial payment of SEK 1 million within seven days of signing the agreement.
- Provide the Group with an interest free working capital facility to the value of SEK 4 million if the joint venture proceeds to Stage 2.

Stage Funding:

(i) Stage 1: Lovisagruvan AB (LOVI) pays Hannans SEK 1 million, complete drilling and metallurgical test work within six months to earn 20% interest in Pahtohavare. LOVI is required to provide written notification to the Group if it wishes to continue in the joint venture.

(ii) Stage 2: LOVI prepares to lodge an exploitation concession and environmental permit for Pahtohavare and provide the Group with an interest free working capital facility to the value of SEK 3 million on normal commercial terms to earn further 15% in Pahtohavare.

(iii) Stage 3: Received exploitation concession and environmental permit approval and provide the Group with a Bankable Feasibility Study to earn further 16% in Pahtohavare.

(iv) Stage 4: LOVI delivers the Feasibility Study to the Group to earn further 24% in Pahtohavare.

On 24 November 2015 the Company announced that LOVI has formally notified the Company of its decision to proceed to Stage 2 of the joint venture. As part of their Stage 2 commitment LOVI will prepares to lodge an exploitation concession and environmental permit for Pahtohavare and provide the Group with an interest free working capital facility to the value of SEK 3 million on normal commercial terms to earn further 15% in Pahtohavare. The Company received the first loan instalment of SEK 1.5 million (equivalent to AUD 238,290) on 29 January 2016. The amount is repayable by 29 January 2017.

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 shareholder. Kiruna Iron AB is part of Critical Metals group. The in-specie distribution was completed on 27 September 2016.

(ii) On 24 June 2014 Hannans Ltd announced a joint operation with NeoMetals Ltd (ASX: NMT) *(previously Reed Resources Ltd (ASX: RDR))* over its Lake Johnston nickel sulphide project, located west of Norseman in Western Australia. Hannans has retained 20% interest, free carried through to a Decision to mine.

On 15 September 2016 Hannans held a General Meeting and shareholders approved the issue of 620,833,333 Hannans shares to Neometals Limited in consideration of the acquisition of 100% of the share capital in Reed Exploration Pty Ltd (Reed Exploration). Reed Exploration owns the balance 80% interest in the Lake Johnston Project and Queen Victoria Rocks Project and the non-gold rights at the Forrestania Project. Following the completion of the acquisition on 29 September 2016, Hannans owns 100% of the Lake Johnston Project and Queen Victoria Project, and 100% of the non-gold mineral rights and 20% of the gold rights (free carried) at the Forrestania Project as at the date of this report.

Contingent liabilities and capital commitments

The capital commitments and contingent liabilities arising from the Group's interests in joint operations are disclosed in notes 22 and 23 respectively.

27. Related party disclosures

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 4 to the financial statements.

Equity interests in joint operations

Details of interests in joint operations are disclosed in note 26 to the financial statements.

(b) Key management personnel (KMP) remuneration

Details of key management personnel remuneration are disclosed in note 7 to the financial statements.

(c) Loans to key management personnel and their related parties

Errawarra Resources Ltd (Errawarra), of which Mr Damian Hicks is the Chairman and Mr Jonathan Murray and Mr Markus Bachmann are the Non-Executive Directors, received a loan amounting to $50,000. The loan is secured against 100% of Errawarra's rights, title and interest in the agreement executed between Errawarra, Reid Systems Inc and Reid Systems (Australia) Pty Ltd dated on or about 9 February 2016. The interest rate on the outstanding loan amount is at 20% per annum and the loan repayment date is on 1 July 2016. The loan is disclosed in note 11 as a non-current financial asset.

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

	Opening Balance $	Closing Balance $	Interest charged $	Number in group at 30 June
Total for key management personnel 2016	168,985	–	–	–
Total for key management personnel 2015	168,985	168,985	–	1
Total for other related parties 2016	–	53,582	3,582	1
Total for other related parties 2015	–	–	–	–
Total for key management personnel and their related parties 2016	168,985	53,582	3,582	1
Total for key management personnel and their related parties 2015	168,985	168,985	–	1

On 15 September 2016 Hannans held a General Meeting and shareholders approved to forgive the outstanding loan amount of $168,985 from Damian Hicks. The loan is unrecoverable and was derecognised as a receivable as at 30 June 2016.

(d) Transactions with other related parties

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

		Sales to related parties $	Purchases from related parties $	Amounts owed by related parties* $	Amounts owed to related parties* $
Director transactions					
Steinepreis Paganin	2016	–	43,971	–	7,226
	2015	–	10,585	–	449

* The amounts are classified as trade receivables and trade payables, respectively.

(e) Parent entity

The ultimate parent entity in the Group is Hannans Ltd.

28. Subsequent events

The following matters or circumstances have arisen since 30 June 2016 that may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

(a) On 15 July 2016, 25 million unlisted options exercisable at 0.4 cents expiring on or before 3 June 2016 were exercised. On 20 July 2016, 4.2 unlisted options related to the Employee Share Option Plan (Tranche 2) exercisable at 0.5 cents on or before 20 November 2018 were exercised. On 15 August 2016 a further 6.25 million unlisted options exercisable at 0.4 cents expiring on or before 3 June 2016 were exercised.

(b) On 7 June 2016 Avalon Minerals Ltd (Avalon, ASX:AVI) served Hannans with a Writ issued out of the Supreme Court of Western Australia for $1 million in relation to the Discovery Zone transaction. Hannans filed and served Avalon with a Defence and Counterclaim for $9 million. Hannans applied for a summary judgement in respect of Avalon's claim and came before the Supreme Court on 6 September 2016. 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, without an admission of liability by either party and this matter is now resolved.

(c) On 15 September 2016 Hannans held a General Meeting and announced that all resolutions put to the shareholder were passed by a show of hands and a majority of proxy votes cast were in favour of all resolutions. Refer to the Notice of General Meeting released on ASX dated 12 August 2016 for further information.

(d) Following from the General Meeting held on 15 September 2016, the equal reduction of capital and in-specie distribution of 99,987,442 Critical Metals Shares were completed on 27 September 2016.

(e) On 29 September 2016 Hannans completed the issue of 620,833,333 shares to Neometals Ltd in consideration of the acquisition of 100% of the issued share capital of Reed Exploration Pty Ltd. Pursuant to the Share Sale Agreement with Neometals Ltd, Reed Exploration Pty Ltd will have a cash balance of $1 million less the costs of the nickel exploration drilling in July 2016.

29. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2016 $	2015 $
Cash and cash at bank	109,417	343,618
Term deposit	1,315,743	1,879
	1,425,160	345,497
Cash at bank attributable to assets held for distribution	250,000	–
	1,675,160	345,497

29. Notes to the statement of cash flows (cont'd)

		2016 $	2015 $
(b)	Reconciliation of loss for the year to net cash flows from operating activities		
	Loss for the year	(964,387)	(29,120,403)
	Write off exploration and evaluation expenses	123,945	–
	Impairment of exploration and evaluation expenses	–	28,275,372
	Impairment of available-for-sale investments	(900)	26,875
	Depreciation of non–current assets	18,175	28,680
	Gain on disposal of shares	(325)	–
	Gain on sale or disposal of assets	(16,043)	(2,661)
	Loss from prospect transaction fees	–	190,980
	Broker fees on shares sold	30	–
	Equity settled share-based payments	42,775	75,380
	Interest on loan to outside entity	(3,582)	–
	Finance charges on leased assets	90	498
	Foreign exchange differences	23,125	(33,150)
	Forgiveness of loan to related party	168,985	–
	Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
	Decrease in assets:		
	Trade and other receivables	(19,466)	98,811
	Decrease in liabilities:		
	Trade and other payables and provisions	39,844	(51,276)
	Net cash from operating activities	(587,734)	(510,894)

Non–cash financing and investing activities

During the current year, the Group did not enter into the any non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows.

30. Financial risk management objectives and policies

(a) Financial risk management objectives

The Group manages the financial risks relating to the operations of the Group.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes although it holds, at 30 June 2016, shares in various other listed mining companies. The use of financial derivatives is governed by the Group's Board of Directors.

The Group's activities expose it primarily to the financial risks of changes in interest rates, but at 30 June 2016 it is also exposed to market price risk. The Group does not enter into derivative financial instruments to manage its exposure to interest rate.

30. Financial risk management objectives and policies (cont'd)

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

(c) Foreign currency risk management

The Group is not exposed to any significant currency risk on receivable, payable or borrowings. All loans are denominated in the Group's functional currency.

(d) Interest rate risk management

The Group is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate products which also facilitate access to money.

Cash flow sensitivity analysis for variable rate instruments

A change of 1 per cent in interest rates at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2015:

	Profit or Loss		Equity	
	1% increase	1% decrease	1% increase	1% decrease
30 June 2016				
Variable rate instruments	14,252	(14,252)	14,252	(14,252)
Cash flow sensitivity	14,252	(14,252)	14,252	(14,252)
30 June 2015				
Variable rate instruments	3,455	(3,455)	3,455	(3,455)
Cash flow sensitivity	3,455	(3,455)	3,455	(3,455)

The following table details the Group's exposure to interest rate risk.

			Fixed maturity dates				
Consolidated	Weighted average effective interest rate %	Variable interest rate $	Less than 1 year $	1–5 years $	5+ years $	Non interest bearing $	Total $
2016							
Financial assets:							
Cash and cash equivalents	1.73%	1,425,087	–	–	–	73	1,425,160
Trade and other receivables	–	–	–	–	–	71,079	71,079
Other receivables – non-current	2.49%	56,000	–	–	–	–	56,000
		1,481,087	–	–	–	71,152	1,552,239
Financial liabilities:							
Trade and other payables	–	–	–	–	–	830,230	830,230
Other financial liabilities	–	–	34,472	119,884	–	–	154,356
		–	34,472	119,884	–	830,230	984,586

30. Financial risk management objectives and policies (cont'd)

(d) Interest rate risk management (cont'd)

Consolidated	Weighted average effective interest rate %	Variable interest rate $	Fixed maturity dates: Less than 1 year $	Fixed maturity dates: 1–5 years $	Fixed maturity dates: 5+ years $	Non interest bearing $	Total $
2015							
Financial assets:							
Cash and cash equivalents	0.03%	345,352	–	–	–	145	345,497
Trade and other receivables	–	–	–	–	–	76,590	76,590
Other receivables – non-current	2.87%	130,000	–	–	–	24,275	154,275
Loans	–	–	–	168,985	–	–	168,985
		475,352	–	168,985	–	101,010	745,347
Financial liabilities:							
Trade and other payables	–	–	–	–	–	1,737,519	1,737,519
Other financial liabilities	–	–	2,883	–	–	1	2,884
	–	–	2,883	–	–	1,737,520	1,740,403

(e) Liquidity risk

The Group manages liquidity risk by maintaining sufficient cash to meet the operating requirements of the business and investing excess funds in highly liquid, high security short term investments. The Group's liquidity needs can be met through a variety of sources, including cash generated from operations and issue of equity instruments.

The following table details the Group's non-derivative financial instruments according to their contractual maturities. The amounts disclosed are based on contractual undiscounted cash flows.

	Less than 6 months $	6 months to 12 months $	1 to 2 years $	Greater than 2 years $	Total $
2016					
Trade and other payables	830,230	–	–	–	830,230
Other financial liabilities	–	32,472	59,942	59,942	152,356
	830,230	32,472	59,942	59,942	982,586
2015					
Trade and other payables	282,018	1,000,000	455,501	–	1,737,519
Other financial liabilities	2,460	423	–	1	2,884
	284,478	1,000,423	455,501	1	1,740,403

30. Financial risk management objectives and policies (cont'd)

(f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored. The Group measures credit risk on a fair value basis.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group currently does not have any material debtors apart from GST receivable which is claimed at the end of each quarter during the year.

It is a policy of the Group that creditors are paid within 30 days.

(g) Market price risk

Market risk is the potential for loss arising from adverse movements in the level and volatility of equity prices.

The Group's investments subject to price risk are listed on the Australian Securities Exchange as detailed in note 11. A 1 per cent increase at reporting date in the equity prices would increase the market value of the securities by $13 (2015: $55) and an equal change in the opposite direction would decrease the value by the same amount. The increase/decrease would be reflected in equity as these financial instruments are classified as available-for-sale. The increase/decrease net of deferred tax would be $9 (2015: $39).

(h) Capital risk management

For the purposes of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent, which at 30 June 2016 was $903,218 (30 June 2015: $73,563). The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders.

At 30 June 2016 the Group does not hold any external debt funding (30 June 2015: Nil) and is not subject to any externally imposed covenants in respect of capital management.

31. Fair value measurement

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 as at 30 June	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
2016				
Assets measured at fair value				
Available-for-sale financial assets (note 11):				
Quoted equity shares (i)	1,300	–	–	1,300
Unquoted equity shares (ii)	–	–	1	1
Capitalised exploration and evaluation expenditure held for distribution (note 14 and note 25)	–	–	1,347,642	1,347,642
	1,300	–	1,347,643	1,348,943
2015				
Assets measured at fair value				
Available-for-sale financial assets (note 11):				
Quoted equity shares (i)	5,525	–	–	5,525
Unquoted equity shares (ii)	–	–	1	1
Capitalised exploration and evaluation expenditure (note 14)	–	–	1,356,340	1,356,340
	5,525	–	1,356,341	1,361,866

31. Fair value measurement (cont'd)

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 available-for-sale financial assets is derived from quoted market prices in active markets. Refer note 31(g) for market price risk impact.

(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.

The estimated recoverable amount of the capitalised exploration and evaluation expenditure is classified as level 3 and is sensitive to the movements in the iron ore and copper prices. The valuation methodology undertaken by the Group was determined with reference to comparable exploration companies in the industry and their respective contained iron and copper resource multiples. Refer note 14 for further information.

32. Parent entity disclosures

The following details information related to the parent entity, Hannans Ltd, at 30 June 2016.
The information presented here has been prepared using consistent accounting policies as presented in note 2.

	2016 $	2015 $
Results of the parent entity		
Loss for the year	(502,418)	(18,860,375)
Other comprehensive income	–	–
Total comprehensive income/(loss) for the year	(502,418)	(18,860,375)
Financial position of parent entity at year end		
Current assets	1,621,269	99,563
Non–current assets	121,632	289,650
Total Assets	1,742,901	389,213
Current liabilities	780,861	716,868
Non–current liabilities	119,884	78,343
Total Liabilities	900,745	795,211
Total equity of the parent entity comprising of:		
Share capital	47,013,839	45,306,042
Reserves	118,155	75,380
Accumulated losses	(46,289,838)	(45,787,420)
Total Equity	842,156	(405,998)

(a) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had not entered into any guarantees in relation to the debts of its subsidiaries as at 30 June 2016 and 30 June 2015.

(b) Commitments for the acquisition of property, plant and equipment by the parent entity

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016 and 30 June 2015.

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