HANNANS LTD
ANNUAL REPORT

2018

ABOUT HANNANS LTD

Hannans Ltd (ASX:HNR) is an exploration company with a focus on nickel, gold and lithium in Western Australia. Hannans' major shareholder is leading Australian specialty minerals company Neometals Ltd. Since listing on the ASX in 2003 Hannans has signed agreements with Vale Inco, Rio Tinto, Anglo American, Boliden, Warwick Resources, Cullen Resources, Azure Minerals, Neometals, Tasman Metals, Grängesberg Iron, Lovisagruvan and Element 25. Shareholders at various times since listing have included Rio Tinto, Anglo American, OM Holdings, Craton Capital and BlackRock.

For more information, visit www.hannansreward.com and search for 'Hannans' on Twitter.

ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

CORPORATE DIRECTORY

BOARD OF DIRECTORS

NON-EXECUTIVE CHAIRMAN
Mr Jonathan Murray

EXECUTIVE DIRECTOR
Mr Damian Hicks

NON-EXECUTIVE DIRECTORS
Mr Markus Bachmann
Mr Clay Gordon
Ms Amanda Scott

COMPANY SECRETARY
Mr Ian Gregory

ABN 52 099 862 129

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

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

POSTAL ADDRESS
PO Box 1227
West Perth, Western Australia 6872

CONTACT DETAILS
Telephone +61 (8) 9324 3388
Email info@hannansreward.com
Website www.hannansreward.com

SOCIAL NETWORK SITES
Twitter @hannansreward
LinkedIn Hannans Reward
Instagram HannansReward

SHARE REGISTRY
Computershare
Level 11, 172 St George's Terrace
Perth, Western Australian 6000
Telephone 1300 787 272
Website www.computershare.com.au

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

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

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 2018.

Dear Shareholders,

We continue our efforts to develop Hannans into a West Australian based mining company through exploration success, project acquisition or joint venture.

Our current and principal focus centres on exploration for lithium at the Mt Holland project located 400kms east of Perth and 150kms south of Southern Cross.

The Mt Holland area has a global following due to the decision by the world's largest producer of lithium, the New York Stock Exchange listed SQM to invest into the Mt Holland Lithium Project owned by Australian listed company Kidman Resources Ltd. Earl Grey is a world class hard rock lithium deposit and will underpin a fully integrated lithium business.

Hannans is exploring the margins of two granites that may be source of the pegmatites hosting the lithium mineralisation at Earl Grey. Our aim is to discover another economic lithium deposit at Mt Holland and if we do, the value of your Company is likely to increase significantly.

Hannans also holds a 20% free-carried interest in the Forrestania Gold project. Our joint venture partner Classic Minerals Ltd has been successful this year with a number of high grade gold results. Whilst drilling activities continue, Hannans shareholders remain exposed to future exploration success. Hannans is free carried until a decision to mine has been made. Whilst solid progress continues to be made by our joint venture partner, we do not anticipate a funding requirement within the next 12 months.

The nickel price and sentiment for nickel stocks generally is thought to be in an upward trend due to the perceived increase in demand for the nickel required in rechargeable batteries. Whilst we started a joint venture process for the Company's Forrestania and Queen Victoria Rocks nickel projects, no arrangement has been formalised. We remain hopeful agreement can be reached by the end of the year.

Hannans completed a capital raising in November 2017 at a price of 1.27 cents per share. Our sincere thanks to all shareholders who participated in the raising. We acknowledge the support provided by Euroz Securities in Perth and Arlington Group Asset Management in London.

Your Board will continue to investigate potential acquisition opportunities that have potential to add to stakeholder value. We believe we have the necessary technical and corporate support to successfully execute and implement a major transaction.

Once again, and on behalf of my fellow Directors, we thank you for continued interest and support.

Yours sincerely,

Jonathan Murray
Chairman

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. We aim to generate free cash from our activities and return that cash to shareholders.

GOALS

People

- To attract and retain a professional, knowledgeable and ethical team of experts whilst empowering staff at all levels.
- To continually build an understanding of our strategic partners' needs and wants and thereafter conduct business in a fair, transparent and ethical manner.

Projects

- To access prospective mineral exploration and development opportunities in Australia.
- To implement an effective acquisition program that secures access to projects that have the potential to host significant economic deposits.
- To add value by identifying, accessing and exploring projects that have potential to host significant economic deposits and then seek partners to diversify project risk.
- To retain a financial interest in projects but not necessarily an operational responsibility.
- To conduct our affairs in a responsible manner taking into account various stakeholder rights and beliefs.

Capital

- To create shareholder wealth as measured by the potential of our projects, the strength of our balance sheet and share price.
- To maintain sufficient funding and working capital to implement exploration and development programs through the peaks and troughs in sentiment and commodity prices fluctuations.

Ultimately, Hannans is aiming to identify a world-class mineral deposit.

Successful implementation of the strategic plan would see Hannans develop a portfolio of projects that it is sole funding, contributing to funding to maintain a joint venture interest, holding a free carried interest, a royalty interest 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 future funding. Hannans needs to fund continued exploration and development of its project pipeline through equity raisings, project sales, joint venture expenditure and royalties.

OPERATIONAL AND FINANCIAL REVIEW

Hannans' focus throughout the year has been on lithium at its Mt Holland Project in the Yilgarn region of Western Australia. This has included interpreting data sets from a combination of geophysics (airborne magnetics and radiometrics), geochemistry (from RAB, aircore and reverse circulation drilling) and geology (from field mapping and the logging of drill samples).

Hannans' joint venture partner Classic Minerals Ltd (ASX:CLZ) has been actively exploring for gold at Forrestania and has made a number of encouraging gold intercepts. Hannans holds a 20% free-carried interest in gold rights at the Forrestania Gold Project, meaning Hannans shareholders are exposed to exploration success without the need to fund additional costs, until a decision to mine has been made.

Exploration completed by Hannans and its joint venture partners during the year ended 30 June 2018 is set out below:

July 2017

- Gold at Forrestania
  Joint venture partner extended high-grade gold zones at the Lady Magdalene deposit.

August 2017

- Gold at Forrestania
  Joint venture partner completed reverse circulation (RC) drilling at Lady Ada and commenced additional drilling at Lady Magdalene. Drilling targeted high-grade extensions along strike and down dip at both Lady Ada and Lady Magdalene.

September 2017

- Lithium at Mt Holland
  Phase 2 drilling commenced targeting a geological position like that hosting the Earl Grey lithium deposit. Drilling comprised six traverses of rotary air blast (RAB) drilling (approximately 3,000 metres) to validate the phase 1 soil anomalies. Drill holes were terminated at the interface of the softer weathered (oxidised) rock and the hard fresh rock (the expected average depth was 50 metres). Samples were taken from the last four metres of each drill hole, as this is the most reliable zone to assess whether the fresh rock contains pegmatites hosting lithium.

October 2017

- Lithium at Mt Holland
  Drilling appeared to have intersected a fertile peraluminous granite which is important when exploring for pegmatites hosting lithium. An updated interpretation of the 'margin' of the granite intrusion was prepared to aid future exploration targeting.

  Exploration was focussed approximately 4km west of the interpreted margin of the granite intrusion located on the eastern side of Hannans tenement E77/2219. Accurately mapping the margin of the granite is important because it is this distance (i.e. 4km) from the margin that appears to be the distance necessary to allow for cooling of the pegmatites sourced from the granite, and for differential crystallization of exotic minerals including spodumene (an important lithium mineral). Much of the area within the Hannans tenure is covered by windblown sands and thick scrub so identifying outcropping rocks (including granites and pegmatites) is challenging.

  Assay results from the phase 2 drilling were received. Six traverses of drilling were completed with the holes spaced at 50 and 100 metre intervals. The holes were drilled to recognisable material and drilling depths averaged 50 metres. Much of the material in the holes appeared to be oxidized granite only (i.e. not pegmatitic rocks) as evidenced by the quartz, kaolinitic clays and occasional mica. If the partially oxidized bottom of hole samples is representative of the underlying granite, then the granite is interpreted to be peraluminous and can therefore be considered fertile.

December 2017

- **Gold at Forrestania**
  Drilling by joint venture partner at Lady Ada returned high-grade gold results.

- **Lithium at Mt Holland**
  A major new ground position was secured at Mt Holland East adjacent to the potential source of a globally significant lithium deposit. The highly prospective new tenure has not previously been the subject of systematic exploration, is free of native title claims and is located outside the Jilbadgi Nature Reserve.

January 2018

- **Lithium at Mt Holland**
  Phase 3 reverse circulation (RC) drilling commenced at Mt Holland West. The initial program comprised approximately 15 RC holes to depths ranging from 100 – 200 metres. The RC holes were focussed on testing the lithium soil anomalies generated in Hannans' first two phases of drilling.

  A detailed airborne geophysical survey at Mt Holland East project was completed. Flight lines were spaced 50 metres apart for a total survey of ~7,500 line kilometres covering ~260km^2. The survey generated detailed magnetic and radiometric data that assisted with mapping rock units to focus future field activities. An initial reconnaissance field trip was completed and samples from outcropping rocks were collected to gain a better understanding of the underlying geology.

February 2018

- **Gold at Forrestania**
  Drilling by joint venture partner at Lady Ada returned high-grade gold results highlighting the potential to expand the current Mineral Resource Estimate at the Forrestania Gold Project. Drilling at Lady Magdalene commenced with the goal of uncovering high-grade gold mineralisation between existing drill lines.

March 2018

- **Gold at Forrestania**
  Joint venture partner completed two diamond drill holes at the Lady Magdalene gold deposit. Drilling confirmed high grade cross cutting gold structures like what occurs at Lady Ada located 700 metres south. Several mineralisation controls have been identified that upgrade the depth and strike potential of the 2km-long Lady Magdalene/Lady Ada gold camp.

- **Lithium at Mt Holland**
  A major new target zone was identified at Mt Holland East. The target zone represents the intersection of (north-south) structures and complex (east-west) dyke system within proximity of margins of granite plutons, considered a favourable setting for mineral deposition. The target zone was identified from the recently completed detailed airborne geophysical survey.

  Phase 3 reverse circulation (RC) drilling at Mt Holland West intersected pegmatites however no significant lithium assays were returned. The program comprised 16 RC drill holes for 1,866 metres in total. The deep weathering (up to 80 metres) combined with strong oxidation and leaching of minerals made it very difficult to identify lithium minerals in the samples. The depth of weathering of the western granitic pluton was greater than anticipated and there was negligible sub-outcrop of granitic rocks. These facts made it difficult to achieve satisfactory outcomes from the first reconnaissance drill program.

April 2018

- **Gold at Forrestania**
  Joint venture partner commenced a RC drill program at Van Uden West.

May 2018

- **Gold at Forrestania**
  Joint venture partner made compelling new gold discovery made at Van Uden West with best results including 12m at 5.75 g/t gold from 59m in VUWRC002. The new discovery was covered by a thin veneer of transported sands and clays effectively masking the gold mineralisation from surface detection.

July 2018

- **Lithium at Mt Holland**
  Phase 4 reverse circulation (RC) of 14 RC holes was completed. Holes were spaced at approximately 200 metre intervals along an east-west line and the average hole depth was 120m. It appeared that pegmatites were intersected in most of the holes drilled.

  Tenement applications at Mt Holland East were granted and a programme of work for phase 1 drilling (aircore) was lodged.

- **Gold at Forrestania**
  Joint venture partner uncovered three potential cross-cutting quartz veins at Lady Magdalene similar in orientation to the high-grade Lady Ada deposit. The Lady Magdalene main ore zone yielded further thick zones of gold mineralisation.

Exploration Expenditure

In line with the Group's accounting policy, Hannans expensed $505,967 on mineral exploration activities in 2018 (2017: $804,102) relating to its non-JORC compliant mineral projects which included an impairment of $28,000 relating to the capitalise exploration activities. These amounts exclude all administration and transaction costs.

Mineral Exploration Activities in 2018	$	%
Geological activities	72,057	14%
Geochemical activities	17,104	3%
Geophysical activities	82,622	16%
Drilling	165,415	33%
Field supplies	42,025	8%
Field camp and travel	30,314	6%
Drafting activities	6,585	1%
Annual tenement rent & rates	24,414	5%
Tenement administration	22,163	4%
Tenement application fees	15,268	3%
Impairment	28,000	6%
TOTAL MINERAL EXPLORATION ACTIVITIES	505,967	100%

Corporate

Hannans completed one major capital raising during the year to fund exploration activities at Mt Holland and working capital. A summary of the corporate activities for the 2017/2018 financial year is set out below:

September 2017

- Gold at North Ironcap
  Received $160,000 form long term debtor.

October 2017

- Price Query
  ASX questioned the strong rise in price and volume of trading in Hannans shares. Hannans confirmed it was compliant with the Listing Rules.
- Annual General Meeting
  All resolutions put to the shareholders were passed by a show of hands and a majority of proxy votes cast were in favour of all resolutions.

November 2017

- Option Issue
  Issued options to directors that were approved at the AGM.
- Capital Raising
  Announced exclusive offer to Hannans Shareholders to purchase new shares at a 20% discount via Share Purchase Plan (SPP) to raise up to $2.5M. Arlington Group Asset Management and Euroz Securities were appointed as Joint Lead Managers to the capital raise. Funds to be allocated to exploration for lithium at Forrestania / Mt Holland, due diligence on potential acquisitions and working capital.
- Option Exercise
  8,333,334 unlisted options were exercised, and 3,683,334 unlisted options expired unexercised.

December 2017

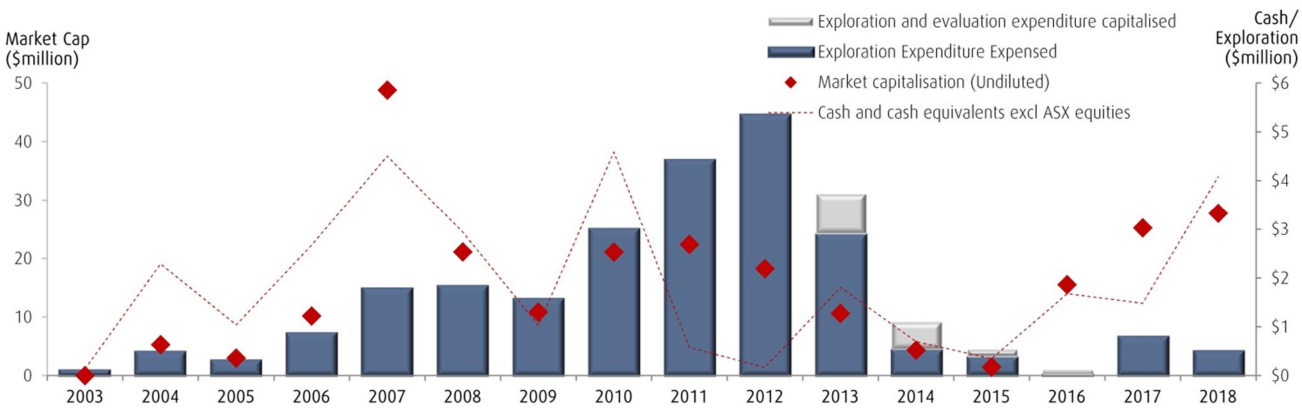
- Oversubscribed Capital Raising
  $3.6 Million raised at issue price of 1.27 cents per share pursuant to Share Purchase Plan (SPP) and Placement.

January 2018

- Gold at North Ironcap
  Received ~$163,000 from long term debtor.

June 2018

- Lithium at Mt Holland and Nickel at Forrestania
  Released a summary presentation of these two key projects.
- Nickel at Forrestania
  After giving due consideration to the improving market sentiment for nickel demand associated with rechargeable batteries, engaged experienced consulting firm Newexco Services to prepare target generation report prior to concluding joint venture process.
- Gold at North Ironcap
  Received final instalment from long term debtor.
- Options Exercise
  4,162,500 unlisted options were exercised.



Goals Scorecard 2015 – 2018

Starting with the Annual General Meeting in 2015 the Company published its Goals for 2016. Introduction of the Scorecard enables the Directors, Management and Shareholders to remain focussed on the Goals and Outcomes on an annual basis. The table below highlights Hannans achievements relative to the stated Goals:

Item	Stated Goal AGM 2015	Outcome to Date
Shareholder Returns	Implement a strategy giving shareholders the opportunity to recover their investment	Hannans share price was 0.3 cents on 24 November 2015, 1.8 cents on 24 November 2016, 1.6 cents on 24 November 2017 and 1.8 cents on 24 August 2018.
Joint Venture Projects	Monitor joint venture partners' activities	Hannans has a joint venture over certain tenements at Forrestania with Classic Minerals Ltd (ASX:CLZ). The joint venture partner has been very active and Hannans has released the results of their exploration activities to the ASX. Hannans has a joint venture for nickel, lithium and gold at Lake Johnston with Element 25 Ltd (ASX: E25) (previously called Montezuma Mining Company Ltd). Hannans is free-carried. The joint venture partner has completed minimal work on the project during the year. Hannans will seek to clarify E25's intentions with regards this project.
Sole funded projects	Secure joint venture partners	Hannans has elected to sole fund its lithium exploration activities at Mt Holland. Capital was raised in November 2017 specifically for this purpose. There is the potential to create a great deal of value for shareholders at Mt Holland with the focus on lithium. This project currently gives Hannans its greatest leverage. Hannans continues to seek joint venture partners for the Forrestania and Queen Victoria Rocks nickel projects. The Company expects outcomes on these processes this year.
Corporate	Protect rights and finalise outcomes on the North Ironcap transactions	Hannans has now received full payment for the North Ironcap gold rights. This matter is now closed. Hannans divested its Swedish portfolio in September 2016 via an in specie distribution into Critical Metals Ltd. It is anticipated that this company will list on the ASX late 2018 thereby realising the first stage of value creation for Hannans shareholders that received shares via the in specie distribution.

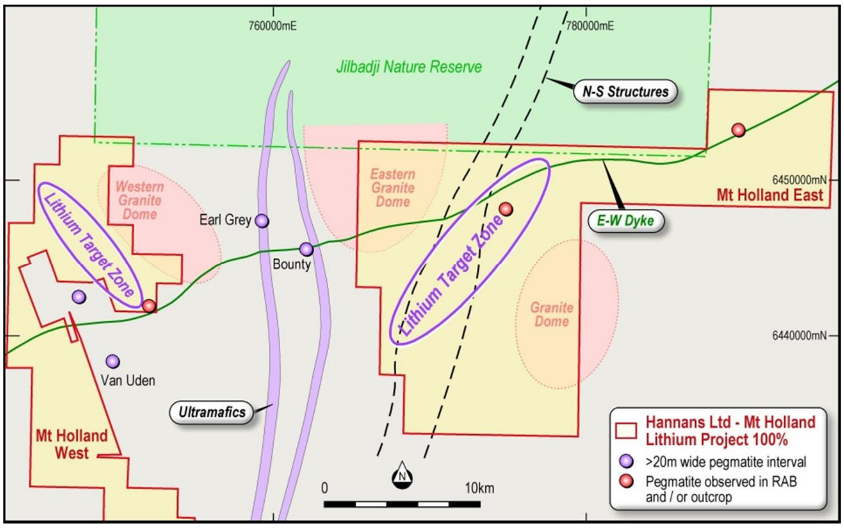
Hannans will reset its three year Goals at the Annual General Meeting in 2018.

PROJECTS

Figure 1. Location Map: Hannans' Forrestania Mt Holland Project.

Lithium at Mt Holland

The Mt Holland Lithium Project is located adjacent to Earl Grey, one of the most significant hard rock lithium deposits in the world, jointly owned by New York Stock Exchange listed SQM and ASX listed Kidman Resources Ltd. Earl Grey will underpin a world-class long-life integrated lithium project[1]. Hannans' exploration goal at Mt Holland is to discover a lithium deposit comparable to Earl Grey.



Hannans' major shareholder is Neometals Ltd, a leading Australian specialty minerals company and minority owner of the producing Mt Marion lithium mine.[2]

As noted the Earl Grey lithium deposit (shown in Figure 2) is one of the most significant hard rock lithium deposits in the world. The Bounty mine produced more than 1.3M oz of gold and hosts significant lithium mineralisation. Hannans' Mt Holland project is prospective for lithium and gold.

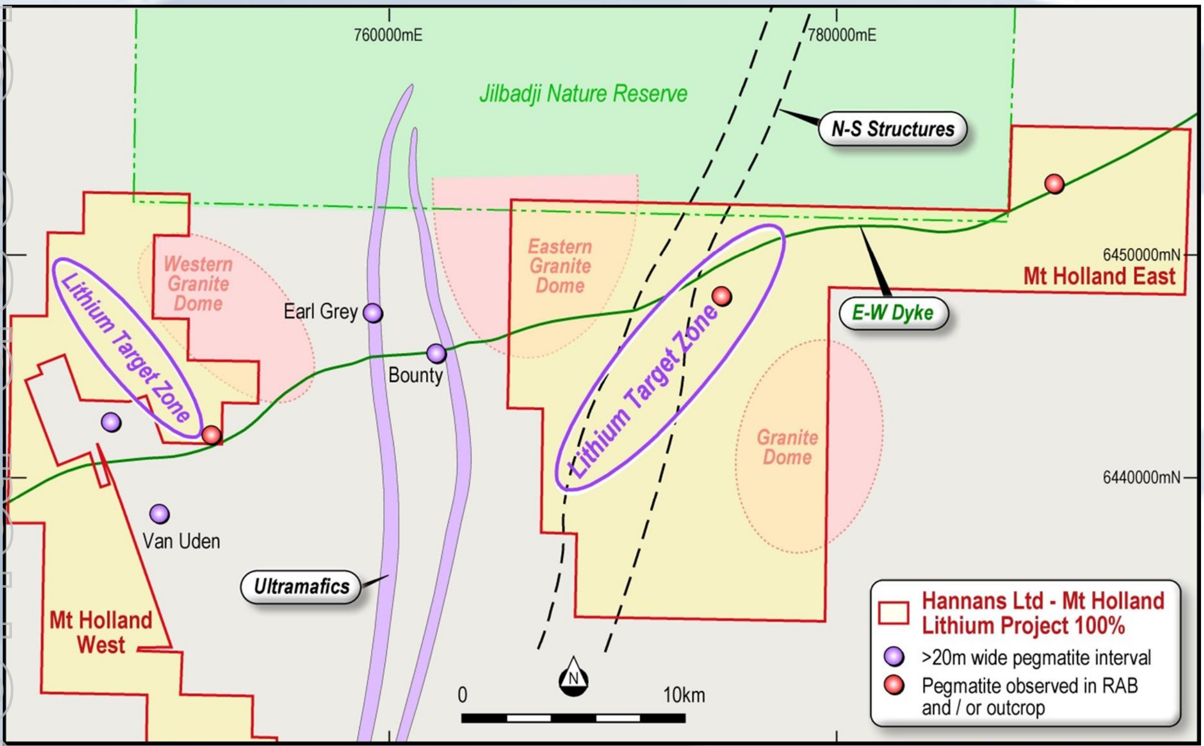
The black dashed lines (shown in Figure 2) represent N-S structures identified from the recent airborne geophysical survey. The purple N-S structures represent known ultramafic units. The E-W Dyke contains a complex series of dykes within the MHE project. The dykes may be using structural weaknesses that have some bearing on pegmatite mineralisation, however there is no suggestion that the dykes and pegmatites are linked genetically.

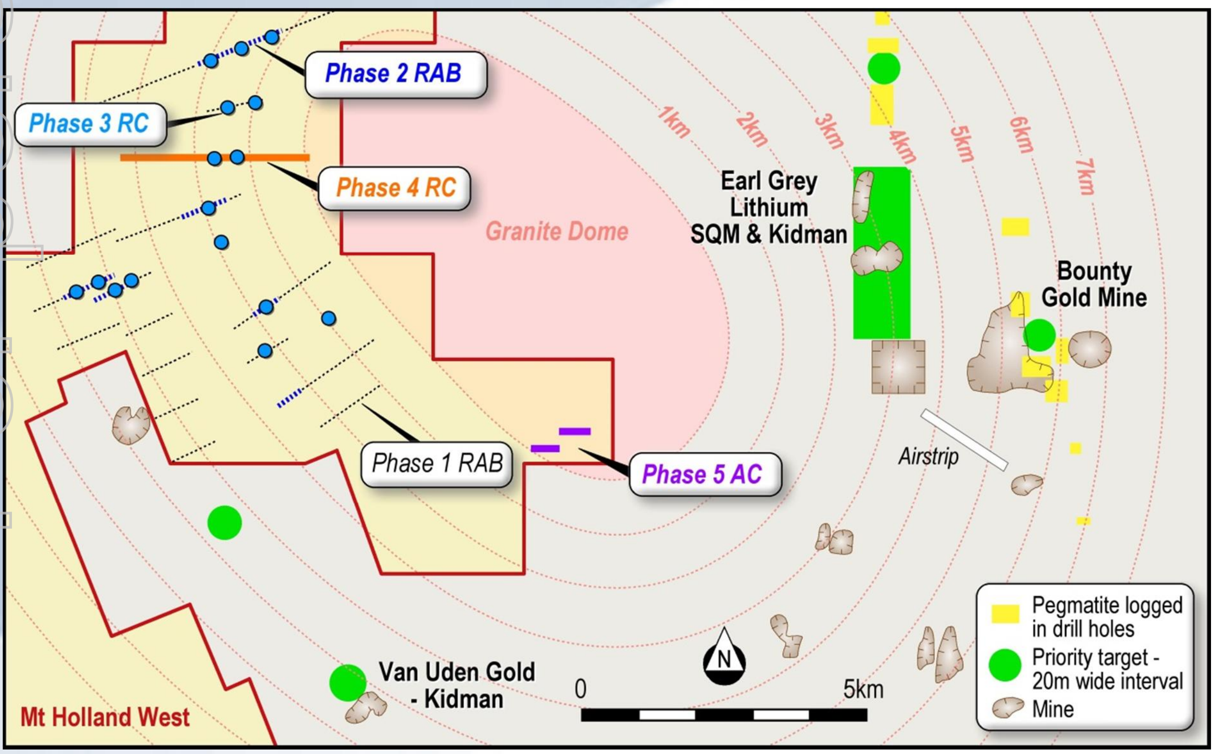
Figure 2. Plan view of Hannans Mt Holland Lithium Project.

1 Refer kidmanresources.com.au
2 Neometals Ltd (neometals.com.au) owns 36% of Hannans

Lithium at Mt Holland (cont'd)

Hannans' exploration activities are focused on two areas Mt Holland West and Mt Holland East. Both projects cover tenure 4km from the interpreted margin of a granite intrusion that may be the source of the pegmatites hosting the lithium at Earl Grey. This distance (i.e. 4km) appears to be the distance necessary to allow for cooling of the pegmatites sourced from the granite and for differential crystallization of exotic minerals including lithium minerals.

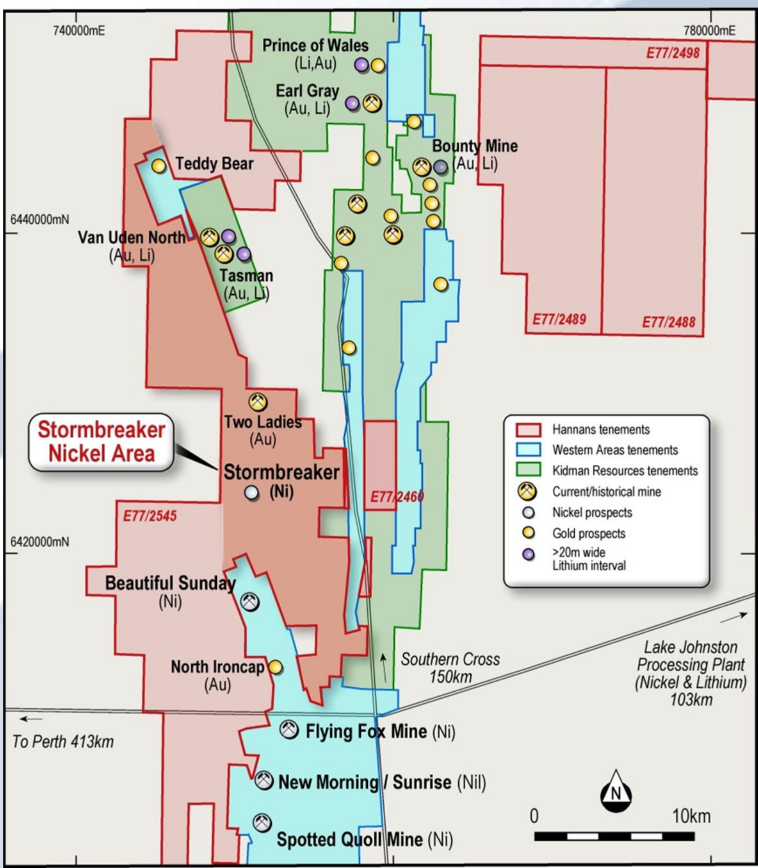




Nickel at Forrestania

The Forrestania Nickel project joins the southern portion of Hannans' Mt Holland West Project. The main area of nickel prospectivity is the interpreted northern extension of the western ultramafic unit that hosts the Fly Fox and Spotted Quoll high grade nickel sulphide mines owned by Western Areas Ltd (ASX:WSA). Hannans main nickel target is called the Stormbreaker Prospect, which covers 10kms of strike in this prospective area.

There is significant supporting infrastructure in the Forrestania region, with good road access and an existing electricity network primarily due to past and present mining operations. Located to the south of the Stormbreaker Prospect area is the 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.



Gold at Forrestania

Hannans Ltd (ASX: HNR) owns a 20% interest in the Forrestania Gold Project (**FGP**). Joint venture partner Classic Minerals Ltd (ASX:CLZ) is funding all exploration and owns an 80% interest in gold rights on specific Hannans tenements. For more information on the FGP please refer to www.classicminerals.com.au. Hannans' interest in the FGP joint venture is free-carried, meaning the Company is not required to fund any exploration activities for gold until a decision to mine has been made. Hannans shareholders remain exposed to the upside on the FGP joint venture tenements without the requirement to fund exploration. For the avoidance of doubt Hannans Ltd owns a 100% interest in all non-gold rights on the FGP joint venture tenements and a 100% interest in all mineral rights on non-joint venture tenements (generally comprising Mt Holland East).

ANNUAL RESOURCE STATEMENTS

Hannans through the joint venture with Classic Minerals Ltd holds a 20% interest in the following JORC resources for the year ended 30 June 2017 and 30 June 2018.

JULY 2016 – JUNE 2018

Forrestania Gold Project[3]

JORC Compliant **Indicated and Inferred** Mineral Resource Table

	Indicated			Inferred		
Prospect	Tonnes	Grade (Au g/t)	Ounces (Au)	Tonnes	Grade (Au g/t)	Ounces (Au)
Lady Ada	283,543	1.78	16,204	259,359	2.25	18,763
Lady Magdalene	1,828,740	1.08	63,732	2,450,140	1.50	118,173
TOTAL	2,112,283	1.17	79,936	2,709,499	1.57	136,936

Competent Person's Statements – Forrestania Gold Project

The information contained in the JORC Compliant Resource Table relates to information compiled or reviewed by Edward S. K. Fry who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and is a consultant exploration geologist for Classic Minerals Ltd. Mr Fry has sufficient experience of relevance to the styles of mineralisation and the types of deposit under consideration, and to the activities undertaken to qualify as Competent Persons as defined in the 2012 edition of the 'JORC Australian code for reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Fry consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

[3] Refer to Classic Minerals Ltd (ASX: CLZ) ASX announcement on 1 March 2017 for further information.

DIRECTORS

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

Mr Jonathan Murray, Non-Executive Chairman

(Appointed 29 November 2016,
previously appointed Non-Executive Director on 22 January 2010)

Mr Murray is a partner at law firm Steinepreis Paganin, based in Perth, Western Australia. He has significant experience in equity capital market transactions, mergers and acquisitions and providing corporate governance and strategic advice to public companies.

Mr Murray graduated from Murdoch University in 1996 with a Bachelor of Laws and Commerce (majoring in Accounting) and was appointed as a partner of Steinepreis Paganin in 2001. 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)

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 did not serve as a director on other listed companies.

Mr Damian Hicks, Executive Director

(Appointed on 29 November 2016,
previously apointed Managing Director on 11 March 2002)

Mr Hicks was a founding Director of Hannans Ltd and appointed to the position of Managing Director on 5 April 2007 and appointed as Executive Director on 29 November 2016. He formerly held the position of Executive Director and Company Secretary. Mr Hicks is also Executive 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.

During the past 3 years Mr Hicks did not serve as a director on other listed companies.

Mr Clay Gordon, Non-Executive Director

(Appointed 5 October 2016)

Mr Clay Gordon was appointed a director of Hannans in 2016. Mr Gordon obtained a Bachelor of Applied Science (Geology) and a Master of Science (Mineral Economics) and has more than 25 years' experience in senior roles (operational, management and corporate) within large and small resource companies active in a range of commodities within Australia, Africa and South East Asia. He was founding Non-Executive Director of ASX listed Phoenix Gold Limited, founding Managing Director of ASX listed Primary Gold Limited and currently as the Group Geologist of a private mining investment company, Adaman Resources Pty Ltd. Mr Gordon was also founder and CEO of Mining Assets Pty Ltd, a private company involved in the assessment and marketing of mineral projects. He is a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists.

During the past 3 years Mr Gordon has also served as a director of the following other listed companies:

* Denotes current directorship

- Primary Gold Ltd
  (appointed 28 February 2013; resigned 7 March 2016)

DIRECTORS (cont'd)

Ms Amanda Scott
(Appointed Non-Executive Director on 29 November 2016, previously appointed director of subsidiaries on 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.

In 2016, Ms Scott created Scandinavian-based consultancy Scott Geological providing geological and exploration services to a number of clients from around the world.

During the past 3 years Ms Scott did not serve as a director on other listed companies.

COMPANY SECRETARY

Mr Ian Gregory
(Appointed 5 April 2007)

Mr Gregory is a professionally well-connected Director and Company Secretary with over 30 years' experience in the provision of company secretarial and business administration services in a variety of industries, including exploration, mining, mineral processing, oil and gas, banking and insurance.

Mr Gregory holds a Bachelor of Business degree from Curtin University and is a Fellow of the Governance Institute of Australia, the Financial Services Institute of Australia and a Member of the Australian Institute of Company Directors.

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. He has also served on the National Council of GIA.

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 2018.

Director	Ordinary Shares		Options over Ordinary Shares	
	Current Holding	Net Increase/ (decrease)	Current Holding	Net Increase/ (decrease)
Damian Hicks	7,007,217	–	–	–
Jonathan Murray	12,205,132	–	14,737,500	–
Markus Bachmann (i)	72,697,917	–	14,197,917	–
Clay Gordon	2,362,204	–	10,500,000	–
Amanda Scott	1,260,001	–	15,833,333	–

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

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 Executive Director and executives receive a superannuation guarantee contribution required by the government where applicable, 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 methodology 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 2017 remuneration report was approved at the last Annual General Meeting held on 27 October 2017.

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

	2018	2017	2016	2015	2014
Profit/(Loss) ($)	(1,379,271)	11,663,780	(964,387)	(29,120,403)	(1,015,324)
Share price (c)	1.4	1.5	1.6	0.2	0.5
Market capitalisation (Undiluted) ($)	27,724,264	25,239,608	15,531,324	1,443,932	3,609,831

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 listed on page 12 and 13.

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 $	Options (iii) $	Long term benefits (iv) $	Other benefits $	Total $	Value options as proportion of remuneration %
2018										
Directors										
Damian Hicks (v)	218,000	–	2,312	–	–	289,830	–	–	510,142	56.8%
Jonathan Murray (vi)	20,000	–	2,311	–	–	72,458	–	–	94,769	76.5%
Markus Bachmann (vi)	20,000	–	2,311	–	–	72,457	–	–	94,768	76.5%
Clay Gordon (vi)	20,000	–	2,311	1,900	–	72,458	–	–	96,669	75.0%
Amanda Scott (vi)	20,000	–	2,311	–	–	72,457	–	–	94,768	76.5%
Total	298,000	–	11,556	1,900	–	579,660	–	–	891,116	65.0%
2017										
Directors										
Damian Hicks	120,000	179,497	2,274	11,400	–	71,967	7,419	–	392,557	18.3%
Jonathan Murray	12,000	–	2,274	–	–	29,216	–	–	43,490	67.2%
Markus Bachmann	3,000	–	2,274	–	–	24,391	–	–	29,665	82.2%
Clay Gordon (vii)	12,000	–	1,676	–	–	–	–	–	13,676	0.0%
Amanda Scott (viii)	9,000	–	1,332	855	–	1,686	–	–	12,873	13.1%
Olof Forslund (ix)	7,000	–	604	–	–	29,216	–	–	36,820	79.3%
Total	163,000	179,497	10,434	12,255	–	156,476	7,419	–	529,081	29.6%

(i) Short Term Other benefits include annual leave accrued and taken during the year was nil (2017: $10,512) for Damian Hicks. On 26 July 2017, the balance of the annual leave was paid to Mr Hicks. On 15 September 2016 Hannans held a General Meeting and shareholders approved the forgiveness of Mr Hicks' outstanding loan amount of $168,985.

(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) The amounts included are issued under Hannans' Employee Share Option Plan (ESOP) approved by shareholder in November 2014 and Hannans' Director Equity Option Plan (DEQ) approved by shareholder in September 2016. The amounts are non-cash items that are subject to vesting conditions. Refer to note 8 for more information.

(iv) Long term benefits include benefits increment in unpaid long service leave (2017: $7,419). On 26 July 2017, the balance of the long service leaves was paid to Mr Hicks.

(v) After a further review of Mr Hicks' contract with the Company, the Board resolved from 1 July 2017 to increase his fees to $198,000 per annum for executive services and $20,000 per annum for services related specifically to his role as a director of the Board.

(vi) After a further review of Non-Executive Directors' fees, the Board resolved to increase these fees to $20,000 per annum starting from 1 July 2017.

(vii) Mr Gordon was appointed director on 5 October 2016.

(viii) On 29 November 2016, Ms Scott was appointed as a Non-Executive Director of the Company.

(ix) Mr Forslund resigned on 5 October 2016.

REMUNERATION REPORT (AUDITED) (cont’d)

C. Service agreements

Executive Director

Mr Hicks commenced employment with Hannans Ltd on 3 December 2003 and entered into an employment agreement as Managing Director of the Company on 21 December 2009.

On 29 November 2016, Mr Hicks was appointed as the Executive Director of the Group. After a further review of Mr Hicks’ contract with the Company, the Board resolved from 1 July 2017 to increase his fees to $198,000 per annum for executive services and $20,000 per annum for services related specifically to his role as a director of the Board. Under the new contract Mr Hicks is not entitles to any annual leave or long service leave.

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. Starting from 1 July 2017 Non-Executive Directors fees is $20,000 per annum for each Non-executive Director.

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

	Termination Notice Period		
Name	By HANNANS	By Director	Termination payments*
Non-Executive Directors			
Jonathan Murray	1 month	1 month	1 month
Markus Bachmann	1 month	1 month	1 month
Clay Gordon	1 month	1 month	1 month
Amanda Scott	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.

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	Consultant	12 months	3 months	3 months

* 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

If approved by shareholders, 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. During the year, a total of 84,000,000 unlisted options were issued. As at 30 June 2018, 55,268,750 options (2017: 39,532,584) were held by Directors and Non-Executives.

	Financial year	Options issued during the year No.	Issue date	Fair value per options at issue date	Vesting date	Exercise price	Expiry date	Vested during the year No.	Lapsed/ Exercised during the year No.
Directors									
Damian Hicks (i)	2015	–	20 Nov 14	0.3 cents	20 Nov 14	0.8 cents	20 Nov 17	–	3,166,667
	2015	–	20 Nov 14	0.3 cents	20 Nov 15	0.5 cents	20 Nov 18	–	–
	2015	–	20 Nov 14	0.3 cents	20 Nov 16	2.9 cents	21 Nov 19	–	–
	2017	–	15 Sep 17	0.9 cents	15 Sep 17	2.7 cents	15 Sep 20	–	–
	2018	14,000,000	27 Oct 17	1.0 cents	27 Oct 17	2.6 cents	27 Oct 20	14,000,000	–
	2018	14,000,000	27 Oct 17	1.0 cents	27 Oct 18	(ii)	27 Oct 21	–	–
	2018	14,000,000	27 Oct 17	1.2 cents	27 Oct 19	(iii)	27 Oct 22	–	–

REMUNERATION REPORT (AUDITED) (cont'd)

D. Share-based compensation (cont'd)

	Financial year	Options issued during the year No.	Issue date	Fair value per options at issue date	Vesting date	Exercise price	Expiry date	Vested during the year No.	Lapsed/ Exercised during the year No.
Directors									
Jonathan Murray	2015	–	20 Nov 14	0.3 cents	20 Nov 14	0.8 cents	20 Nov 17	–	500,000
	2015	–	20 Nov 14	0.3 cents	20 Nov 15	0.5 cents	20 Nov 18	–	–
	2015	–	20 Nov 14	0.3 cents	20 Nov 16	2.9 cents	21 Nov 19	–	–
	2017	–	15 Sep 17	0.9 cents	15 Sep 17	2.7 cents	15 Sep 20	–	–
	2018	3,500,000	27 Oct 17	1.0 cents	27 Oct 17	2.6 cents	27 Oct 20	3,500,000	–
	2018	3,500,000	27 Oct 17	1.0 cents	27 Oct 18	(ii)	27 Oct 21	–	–
	2018	3,500,000	27 Oct 17	1.2 cents	27 Oct 19	(iii)	27 Oct 22	–	–
Markus Bachmann	2015	–	20 Nov 14	0.3 cents	20 Nov 14	0.8 cents	20 Nov 17	–	500,000
	2015	–	20 Nov 14	0.3 cents	20 Nov 15	0.5 cents	20 Nov 18	–	–
	2015	–	20 Nov 14	0.3 cents	20 Nov 16	2.9 cents	21 Nov 19	–	–
	2017	–	15 Sep 17	0.9 cents	15 Sep 17	2.7 cents	15 Sep 20	–	–
	2018	3,500,000	27 Oct 17	1.0 cents	27 Oct 17	2.6 cents	27 Oct 20	3,500,000	–
	2018	3,500,000	27 Oct 17	1.0 cents	27 Oct 18	(ii)	27 Oct 21	–	–
	2018	3,500,000	27 Oct 17	1.2 cents	27 Oct 19	(iii)	27 Oct 22	–	–
Clay Gordon	2018	3,500,000	27 Oct 17	1.0 cents	27 Oct 17	2.6 cents	27 Oct 20	3,500,000	–
	2018	3,500,000	27 Oct 17	1.0 cents	27 Oct 18	(ii)	27 Oct 21	–	–
	2018	3,500,000	27 Oct 17	1.2 cents	27 Oct 19	(iii)	27 Oct 22	–	–
Amanda Scott	2015	–	20 Nov 14	0.3 cents	20 Nov 14	0.8 cents	20 Nov 17	–	3,166,667
	2015	–	20 Nov 14	0.3 cents	20 Nov 15	0.5 cents	20 Nov 18	–	–
	2015	–	20 Nov 14	0.3 cents	20 Nov 16	2.9 cents	21 Nov 19	–	–
	2018	3,500,000	27 Oct 17	1.0 cents	27 Oct 17	2.6 cents	27 Oct 20	3,500,000	–
	2018	3,500,000	27 Oct 17	1.0 cents	27 Oct 18	(ii)	27 Oct 21	–	–
	2018	3,500,000	27 Oct 17	1.2 cents	27 Oct 19	(iii)	27 Oct 22	–	–

(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 five (5) trading days before and five (5) trading days after 27 October 2018 PLUS a premium of 50%.

(iii) Exercise price will be calculated from the volume weighted average share price for the five (5) trading days before and five (5) trading days after 27 October 2019 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 No.	Granted as remuneration No.	Received on exercise of options No.	Net other change No.	Balance at 30 June No.
2018					
Damian Hicks (i)	6,416,667	–	–	590,550	7,007,217
Jonathan Murray (i)	9,736,629	–	500,000	1,968,503	12,205,132
Markus Bachmann (i)	63,797,917	–	500,000	8,400,000	72,697,917
Clay Gordon (i)	–	–	–	2,362,204	2,362,204
Amanda Scott	1,260,001	–	–	–	1,260,001
	81,211,214	–	1,000,000	13,321,257	95,532,471

(i) The Directors participated in Hannans' Share Purchase Plan completed in December 2017.

Options of Hannans Ltd

Key management personnel	Balance at 1 July	Granted as remune-ration	Options exercised	Net other change	Balance at 30 June	Vested at 30 June	
						Exercisable	Not exercisable
	No.	No.	No.	No.	No.	No.	No.
2018							
Damian Hicks (i)	–	42,000,000	–	(42,000,000)	–	14,000,000	28,000,000
Jonathan Murray (ii)	4,737,500	10,500,000	(500,000)	–	14,737,500	7,737,500	7,000,000
Markus Bachmann	4,197,917	10,500,000	(500,000)	–	14,197,917	7,197,917	7,000,000
Clay Gordon	–	10,500,000	–	–	10,500,000	3,500,000	7,000,000
Amanda Scott	8,500,000	10,500,000	–	(3,166,667)	15,833,333	8,833,333	7,000,000
	17,435,417	84,000,000	(1,000,000)	(45,166,667)	55,268,750	41,268,750	56,000,000

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

(ii) Mr Murray holds 840,000 in trust for unrelated third parties.

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

REMUNERATION REPORT (AUDITED) (cont'd)

E. Additional information (cont'd)

Loans to KMP and their related parties

There were no loans to KMP and their related parties during the year.

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 $9,757 (2017: $36,354) 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. At 30 June 2018 the Group owed $924 (2017: Nil) to Steinepreis Paganin.

Corporate Board Services Pty Ltd (CBS), of which Mr Damian Hicks is a director, provided accounting and compliance services amounting to $150,000 (2017: $150,000) to the Group during the year. The amounts paid were on arm's length commercial terms. At 30 June 2018 there was no amount outstanding owed to CBS. During the year, Hannans invoiced $3,700 for expenses paid on behalf CBS. At 30 June 2018 CBS owed $924 (2017: Nil) to the Group.

Amberley Minerals Pty Ltd, of which Mr Clay Gordon is a director, did not provide geological services to the Group during the year (2017: $12,690). At 30 June 2018 there was no amount outstanding owed to Amberley Minerals Pty Ltd.

End of Remuneration Report

Directors Meetings

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

	Board Meetings			
Board Member	Held while Director	Attended	Circular Resolutions Passed	Total
Damian Hicks	4	4	8	12
Jonathan Murray	4	4	8	12
Markus Bachmann	4	3	8	11
Clay Gordon	4	4	8	12
Amanda Scott	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
Project: Forrestania			Project: Forrestania			Project: Forrestania		
E77/2207-I	100	1	P77/4290	100	1	E77/2460	100	
E77/2219-I	100	1	P77/4291	100	1	Project: Queen Victoria Rocks		
E77/2220-I	100	1	E77/2488	100		E15/1416	100	
E77/2239-I	100	1	E77/2489	100		Project: Lake Hope		
E77/2303	100	1	E77/2498	100		E63/1865	100	

NOTE:

1 Reed Exploration Pty Ltd (REX) is a wholly owned subsidiary of Hannans Ltd. REX is the registered holder of the tenements. REX holds a 100% interest in all minerals excluding gold. REX holds a 20% free-carried interest in the gold rights.

TENEMENTS UNDER APPLICATION

Applications for tenements have been submitted are as follows:

Tenement Number	Tenement Number	Tenement Number
Project: Forrestania		Project: Lake Hope
E77/2468	E77/2545	E63/1897
E77/2469	E77/25460	
E77/2520		

CORPORATE STRUCTURE

The corporate structure of Hannans group is as follows:

CAPITAL

Hannans Ltd issued capital is as follows:

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 2018	1,980,304,538
Ordinary fully paid shares at the date of this report^	1,980,304,538

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 12 unlisted option holders holding 125,022,513 unissued ordinary shares in respect of which options are outstanding. The unlisted options do not carry voting rights at a general meeting of shareholders.

	Number of options
Balance at the beginning of the year	57,201,681
Movements of share options during the year	
Issued at 2.6 cents, expiring 27 October 2020	28,000,000
Issue price will be VWAP* for five (5) trading days before and five (5) trading days after 27 October 2018 PLUS a premium of 50%, expiring 27 October 2021	28,000,000
Issue price will be VWAP* for five (5) trading days before and five (5) trading days after 27 October 2019 PLUS a premium of 50%, expiring 27 October 2022	28,000,000
Exercised at 0.8 cents, expiring 20 November 2017	(8,333,334)
Expired at 0.8 cents, expiring 20 November 2017	(3,683,334)
Exercised at 0.4 cents, expiring 3 June 2018	(4,162,500)
Balance at 30 June 2018	125,022,513
Total number of options outstanding at the date of this report	125,022,513

** VWAP = Volume Weighted Average Price*

Substantial Shareholders

Hannans Ltd has the following substantial shareholders as at 3 September 2018:

Name	Number of shares	Percentage of issued capital
Neometals Investments Pty Ltd	706,209,483	35.66%

Range of Shares as at 3 September 2018

Range	Total Holders	Units	% Issued Capital
1 – 1,000	121	33,113	0.00%
1,001 – 5,000	201	689,683	0.03%
5,001 – 10,000	184	1,552,614	0.08%
10,001 – 100,000	1,053	51,840,428	2.62%
100,001 – 9,999,999	952	1,926,188,700	97.27%
Total	2,511	1,980,304,538	100.00%

CAPITAL (cont'd)

Unmarketable Parcels as at 3 September 2018

	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $0.014 per unit	35,715	966	12,976,103

Top 20 holders of Ordinary Shares as at 3 September 2018

Rank	Name	Units	% of Issued Capital
1	Neometals Investments Pty Ltd	706,209,483	35.66%
2	J P Morgan Nominees Australia Limited	137,665,359	6.95%
3	MCA Nominees Pty Ltd	87,401,545	4.41%
4	Equity & Royalty Investments Ltd	60,000,003	3.03%
5	Anglo American Exploration	60,000,000	3.03%
6	Marfield Pty Limited	26,896,651	1.36%
7	Mr Bruce Drummond + Mrs Judith Drummond <Drummond Super Fund A/C>	23,000,000	1.16%
8	Redland Plains Pty Ltd <Majestic Investment Fund A/C>	21,668,669	1.09%
9	CSB Investments (Wa) Pty Ltd <Blades Family S/Fund A/C>	20,182,432	1.02%
10	HSBC Custody Nominees (Australia) Limited	18,466,564	0.93%
11	Citicorp Nominees Pty Limited	18,020,602	0.91%
12	Mr Michael Sydney Simm <Simm Family A/C>	16,500,001	0.83%
13	Acacia Investments Pty Ltd	15,083,502	0.76%
14	Mrs Andrea Murray <Murray Family Fund No 2 A/C>	10,775,956	0.54%
15	Mossisberg Pty Ltd	10,577,744	0.53%
16	HSBC Custody Nominees (Australia) Limited - A/C 2	10,006,573	0.51%
17	Allua Holdings Pty Ltd <Rizon Super Fund A/C>	10,000,000	0.51%
18	Mr Daryl Ponsford	8,100,000	0.41%
19	Anglo American Exploration BV	7,389,162	0.37%
20	Redland Plains Pty Ltd <Brian Rodan Super Fund A/C>	7,291,232	0.37%
Total of Top 20 holders of ORDINARY SHARES		1,275,235,478	64.38%

On-market buy back

There is no current on-market buy-back.

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 $1,481,828.

During the year total exploration expenditure expensed by the Group amounted to $505,967 (2017: $804,102). The exploration expenditures relate to non JORC compliant mineral resource projects and this has been expensed in accordance with the Group's accounting policy. The administration expenditure incurred amounted to $1,335,430 (2017: $1,094,012). This has resulted in an operating loss after income tax for the year ended 30 June 2018 of $1,379,271 (2017: $11,663,780 gain).

As at 30 June 2018 cash and cash equivalents totalled $4,082,079.

Summary of 5 Year Financial Information as at 30 June

	2018	2017	2016	2015	2014
Cash and cash equivalents ($)	4,082,079	1,481,828	1,425,160	345,497	695,163
Net assets/equity ($)	6,788,307	4,043,759	903,218	73,563	29,189,786
Exploration expenditure expensed ($)	(505,967)	(804,102)	(29,998)	(387,160)	(534,311)
Exploration and evaluation expenditure capitalised ($)	(28,000)	2,688,000^	(97,599)	(161,630)	(577,164)
No of issued shares No of options	1,980,304,538 125,022,513	1,682,640,560 57,201,681	970,707,755 102,712,500	721,966,133 36,050,000	721,966,133 Nil
Share price ($)	0.014	0.015	0.016	0.002	0.005
Market capitalisation (Undiluted) ($)	27,724,264	25,239,608	15,531,324	1,443,932	3,609,831

^ On 15 September 2016 Hannans held a General Meeting and shareholders approved the 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 29 September 2016 the acquisition of Reed Exploration Pty Ltd was completed. The capitalised exploration and evaluation expenditure related to the acquisition of Reed Exploration Pty Ltd (refer to note 14 for further information).

Summary of Share Price Movement for Year ended 30 June 2018

	Price (cents)	Date
Highest	3.3	16 Jan 2018
Lowest	1.1	28 Jul, 31 Aug, 11 Oct 2017
Latest	1.4	3 September 2018

ANNOUNCEMENTS

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

Date	Announcement Title
28/08/2018	Mt Holland Lithium Update
06/08/2018	Gold at Forrestania
31/07/2018	4th Quarter Activities Report
31/07/2018	4th Quarter Cashflow Report
25/07/2018	Gold at Forrestania
23/07/2018	Mt Holland Lithium Update
03/07/2018	Appendix 3Y
14/06/2018	Mt Holland and Forrestania Projects
4/06/2018	Updated Capital Structure
16/05/2018	High-Grade Gold at Forrestania
30/04/2017	3rd Quarter Cashflow Report
30/04/2017	3rd Quarter Activities Report
23/03/2018	2KM Long Gold Camp
22/03/2018	Mt Holland East Major Target
2/03/2018	Half Year Financial Report
1/03/2018	Forrestania Gold Project
9/02/2018	Forrestania High Grade Gold
1/02/2018	2nd Quarter Activities Report
31/01/2018	2nd Quarter Cashflow Report
16/01/2018	Mt Holland Lithium
15/12/2017	Appendix 3Y
14/12/2017	Major Lithium Ground Position
13/12/2017	Change of Substantial Holder
13/12/2017	Forrestania High Grade Gold
11/12/2017	Oversubscribed Capital Raising
24/11/2017	Exercise of Options

Date	Announcement Title
22/11/2017	New Closing Date for SPP
10/11/207	Share Purchase Plan (SPP) Offer
7/11/2017	Capital Raising to Support Growth Strategy
7/11/207	Cleansing Notice
6/11/207	Appendix 3Ys
6/11/207	Issue of Options
1/11/207	1st Quarter Activities Report
31/10/207	1st Quarter Cashflow Report
27/10/207	AGM Results
27/10/207	AGM Presentation
25/10/207	Forrestania Lithium Project
25/10/207	Reinstatement to Official Quotation
24/10/207	Request for voluntary suspension
24/10/207	Suspension from Official Quotation
20/10/207	Trading halt
16/10/2017	Response to ASX Price & Volume Query
27/09/2017	2017 Annual Report
27/09/2017	Appendix 4G
27/09/2017	Notice of Annual General Meeting
19/09/207	Forrestania Lithium Project
28/08/2017	Release of shares from escrow
24/08/2017	Forrestania Drilling Update
3/08/2017	13,000m drilling program for gold at FGP
31/07/2017	4th Quarter Activities Report
28/07/2017	4th Quarter Cashflow Report
25/07/2017	High Grade Gold

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 2018 was as follows:

Employee	Management	Board of Hannans
0%	0%	20%

The Company has five directors, one executive director (who is contracted to the Company) and no managers. 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. Due to the size of the Company, the Board does not deem it practical to limit the Company to specific targets for gender diversity. 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 one Non-Executive Chairman, three Non-Executive Directors and an Executive Director. There are no independent directors on the Board. 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.

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 is Mr Jonathan Murray. Mr Murray does not satisfy the ASX Corporate Governance Principles and Recommendations definition of an independent director however the Board considers Mr Murray's role as Non-Executive Chairman 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 an independent working group comprising consultants, Directors and/or the Company Secretary to review and make recommendations to the board in relation to the remuneration framework as well as 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.

Executive Director (ED) and Group Finance Officer Certifications

The ED and Group Finance Officer 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

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.

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.

COMPLIANCE (cont'd)

Share options

As at the date of this report, there were 125,022,513 options on issue to purchase ordinary shares at a range of exercise prices (125,022,513 at the reporting date). Refer to the remuneration report for further details of the options outstanding.

At a General Meeting held on 27 October 2017 shareholders approved the issue of related party option to the Directors in three (3) tranches.

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 was $11,556.

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, the Group auditor, did not performed other non-audit services in addition to its statutory duties.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 29.

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

Jonathan Murray
Non-Executive Chairrman
Perth, Australia this 6th day of September 2018

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

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's Independence Declaration to the Directors of Hannans Ltd

As lead auditor for the audit of Hannans Limited for the year ended 30 June 2018, 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 Ltd and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

V L Hoang
Partner
6 September 2018

MH:KG:HANNANS:008

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, 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 2018; and

(c) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* for the financial year ended 30 June 2018.

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

Jonathan Murray
Non-Executive Chairman
Perth, Australia this 6th day of September 2018

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

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent auditor's report to the members of Hannans Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Hannans Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

MH:KG:HANNANS:007

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1. Carrying value of capitalised exploration and evaluation assets

Why significant	How our audit addressed the key audit matter
As disclosed in Note 14, as at 30 June 2018, the Group held capitalised exploration and evaluation expenditure assets of $2.660 million. The carrying value of exploration and evaluation expenditure is assessed for impairment by the Group when facts and circumstances indicate that the carrying value of exploration and evaluation expenditure assets may exceed their recoverable amount. The determination as to whether there are any indicators to require an exploration and evaluation asset to be assessed for impairment, involves a number of judgments including whether the Group has tenure, will be able to perform ongoing expenditure and whether there is sufficient information for a decision to be made that the area of interest is not commercially viable. During the year the Group determined that there had been no indicators of impairment.	In performing our procedures, we: • Considered the Group's right to explore in the relevant area of interest, which included obtaining and assessing supporting documentation such as the project acquisition agreement. • Considered the Group's intention to carry out significant exploration and evaluation activity in the relevant exploration area, which included assessment of the Group's cash-flow forecast models, discussions with senior management and Directors as to the intentions and strategy of the Group. • Considered whether the exploration activities within each area of interest have reached a stage where the commercially viable resource estimate could be made. • Assessed the adequacy of the disclosure included in the financial report.

2. Share-based payments

Why significant	How our audit addressed the key audit matter
As disclosed in note 8, on 27 October 2017, the shareholders approved the issue of 84,000,000 unlisted options to the Directors in three equal tranches, Tranche 1 vested immediately on date of issue, Tranche 2 and 3 had non-market based vesting conditions attached. The Group's policy is to recognise the related services received and the corresponding increase in equity, directly, at the fair value of the services received. The fair value of the services received is measured by reference to the fair value of the equity instruments at the date of grant. The fair value of the options issued to directors is determined at the grant date and expensed on a straight-line basis over the vesting period. The Group recognised $579,660 in the profit or loss as share based payments expense for the period ended 30 June 2018 with the corresponding increase in the options reserve included as part of equity. Due to the complex and judgmental estimates used in determining the valuation of the share based payments, we considered the Group's calculation of the share based payment expense to be a key audit matter.	For options granted during the year, we: • Assessed the appropriateness of the Group's accounting treatment determined under the applicable accounting standards. • Involved our valuation specialists to assess the assumptions used in the Group's calculation of the fair value of the unlisted options including the share price of the underlying equity, interest rate, volatility, dividend yield, time to maturity (expected life) and grant date. • Assessed the determination of the vesting period and the adequacy of the associated disclosures in the financial statements.

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Information other than the financial report and auditor’s report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company’s 2018 Annual Report, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the audit of the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Hannans Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Ernst & Young

Ernst & Young

V L Hoang
Partner
Perth
6 September 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 30 June 2018

	Note	2018 $	2017 $
Revenue	5(a)	38,924	33,792
Other income			
Other income	5(b)	423,202	887,962
Net gain from settlement of transaction	5(c)	–	910,000
Gain on disposal of exploration and evaluation assets	25	–	11,730,140
Employee and contractors expenses	5(d)	(879,560)	(389,161)
Depreciation expense	5(e)	(1,270)	(11,613)
Consultants expenses		(226,429)	(208,213)
Interest expense		–	(4)
Occupancy expenses	5(f)	(4,000)	(109,921)
Marketing expenses		(11,745)	(12,293)
Exploration and evaluation expenses		(505,967)	(804,102)
Other expenses		(212,426)	(362,807)
(Loss)/Income from continuing operations before income tax expense		(1,379,271)	11,663,780
Income tax benefit/(expense)		–	–
(Loss)/Income from continuing operations attributable to members of the parent entity		(1,379,271)	11,663,780
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss			
Reclassification of FCTR to profit and loss on disposal of foreign operations		–	322,150
Foreign currency translation differences for foreign operations		–	(52,270)
Total items that may be reclassified subsequently to profit or loss		–	269,880
Items that will not be reclassified to profit or loss		–	–
Total other comprehensive income for the year		–	269,880
Total comprehensive (loss)/income for the year		(1,379,271)	11,933,660
Net (loss)/income attributable to the parent entity		(1,379,271)	11,663,780
Total comprehensive (loss)/income attributable to the parent entity		(1,379,271)	11,933,660
(Loss)/Profit per share:			
Basic (cents per share)		(0.07)	0.78
Diluted (cents per share)		(0.07)	0.77

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

	Note	2018 $	2017 $
Current assets			
Cash and cash equivalents		4,082,079	1,481,828
Trade and other receivables	10	41,965	256,883
Other financial assets	11	6,950	65,999
Total current assets		4,130,994	1,804,710
Non-current assets			
Other receivables	12	56,000	56,000
Property, plant and equipment	13	1,056	2,326
Other financial assets	11	79,672	–
Exploration and evaluation expenditure	14	2,660,000	2,688,000
Total non-current assets		2,796,728	2,746,326
TOTAL ASSETS		6,927,722	4,551,036
Current liabilities			
Trade and other payables	15	124,690	244,317
Provisions	16	–	103,115
Other financial liabilities	17	14,725	96,290
Total current liabilities		139,415	443,722
Non-current liabilities			
Other financial liabilities	17	–	63,555
Total non-current liabilities		–	63,555
TOTAL LIABILITIES		139,415	507,277
NET ASSETS		6,788,307	4,043,759
Equity			
Issued capital	18	40,840,777	37,296,618
Reserves	19	838,321	297,378
Accumulated losses	20	(34,890,791)	(33,550,237)
TOTAL EQUITY		6,788,307	4,043,759

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2018

	Attributable to equity holders					
For the year ended 30 June 2018	Ordinary Shares $	Option Reserves $	Revaluation Reserves $	Foreign Currency Translation Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2017	37,296,618	297,378	–	–	(33,550,237)	4,043,759
Loss for the year	–	–	–	–	(1,379,271)	(1,379,271)
Other comprehensive loss for the period	–	–	–	–	–	–
Total comprehensive loss for the period	–	–	–	–	(1,379,271)	(1,379,271)
Transactions with owners recorded direct to equity						
Issue of shares	3,704,952	–	–	–	–	3,704,952
Share based payments	–	579,660	–	–	–	579,660
Issue of options	–	(38,717)	–	–	38,717	–
Share issue expense	(160,793)	–	–	–	–	(160,793)
Total transactions with owners	3,544,159	540,943	–	–	38,717	4,123,819
Balance as at 30 June 2018	40,840,777	838,321	–	–	(34,890,791)	6,788,307

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2017

		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 2016		46,285,309	118,155	–	(269,880)	(45,230,366)	903,218
Profit for the year		–	–	–	–	11,663,780	11,663,780
Other comprehensive loss for the period		–	–	–	269,880	–	269,880
Total comprehensive loss for the period		–	–	–	269,880	11,663,780	11,933,660
		–	–	–		–	
Transactions with owners recorded direct to equity		–	–	–		–	
Issue of shares		4,263,996	–	–	–		4,263,996
In specie distribution		(13,245,562)	–	–	–		(13,245,562)
Share based payments		–	189,176	–	–	–	189,176
Issue of options		–	(9,953)	–	–	16,349	6,396
Share issue expense		(7,125)	–	–	–	–	(7,125)
Total transactions with owners		(8,988,691)	179,223	–	–	16,349	(8,793,119)
Balance as at 30 June 2017		**37,296,618**	**297,378**	–	–	**(33,550,237)**	**4,043,759**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		–	88,671
Payments for exploration and evaluation		(562,336)	(795,148)
Payments to suppliers and employees		(970,085)	(876,926)
Interest received		19,502	23,351
Net cash used in operating activities	29(b)	(1,512,919)	(1,560,052)
Cash flows from investing activities			
Proceed on sale of tenements		611,013	600,000
Payment on sale of tenements to minority interest holder		(80,000)	(120,000)
Payment for property, plant and equipment		–	(1,892)
Cash forgone on disposal of subsidiaries		–	(250,000)
Cash acquired from acquisition of subsidiary		–	1,000,000
Payments for acquisition of subsidiary		–	(121,521)
Net cash received by investing activities		521,013	1,106,587
Cash flows from financing activities			
Proceeds from issues of equity securities		3,621,635	–
Proceeds from exercise of options		83,317	270,833
Payment for share issue costs		(112,795)	(7,125)
Net cash provided by financing activities		3,592,157	263,708
Net increase/(decrease) in cash and cash equivalents		2,600,251	(189,757)
Cash and cash equivalents at the beginning of the financial year		1,481,828	1,675,160
Effects of exchange rate fluctuations on cash held		–	(3,575)
Cash and cash equivalents at the end of the financial year	29(a)	4,082,079	1,481,828

The accompanying notes form part of the financial statements.

1. General Information

The consolidated financial statements of Hannans Ltd (**Company** or **Hannans**) and its subsidiaries (collectively, **the Group**) for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors on 5 September 2018.

Hannans 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 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 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 2018 and the comparative information presented in these financial statements for the year ended 30 June 2017.

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

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 2018:

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.		

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 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. *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	The assessment is ongoing. The preliminary result to date indicates a change in disclosure with no material remeasurement impact at 1 July 2018.		

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 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.		
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.		

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)

<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"><u>AASB 16</u>
Leases</td><td>1 January 2019</td><td>1 July 2019</td></tr>
<tr><td>Summary</td><td colspan="3">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.</td></tr>
<tr><td>Impact</td><td colspan="3">Management is in the process of determining the impact of this accounting standard.</td></tr>
</table>

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

(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.

<u>Financial assets at fair value through profit or loss</u>

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.

<u>Available-for-sale financial assets</u>

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.

<u>Loans and receivables</u>

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

(e) Financial assets (cont'd)

<u>Debt and equity instruments</u>

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

<u>Transaction costs on the issue of equity instruments</u>

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.

(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.

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

(i) Impairment of non-financial assets (cont'd)

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

Current tax

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).

Deferred tax

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.

(i) Tax (cont'd)

Current and deferred tax for the period

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.

Tax consolidation

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 implemented the tax consolidation legislation on 1 July 2008 with Hannans as the head entity.

(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.

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

(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.

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.

(k) Joint arrangements (cont'd)

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.

(m) Foreign currency translation

Functional and presentation currency

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

Transactions and balance

Transactions in foreign currencies are initially recorded in the functional currency (Australian Dollars (AUD)) 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.

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

(m) Foreign currency translation (cont'd)

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 and its subsidiaries as at and for the period ended 30 June 2018 (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.

(n) Principles of consolidation (cont'd)

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;
- 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.

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

(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.

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 measures 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 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.

4. Subsidiaries

The consolidated financial statements of the Group include:

Name of entity	Principal Activities	Country of incorporation	% Ownership interest 2018	% Ownership interest 2017
Parent entity:				
Hannans Ltd (i)	Exploration	Australia		
Subsidiaries:				
HR Equities Pty Ltd (ii)	Equities holding	Australia	100	100
HR Forrestania Pty Ltd (ii)	Exploration	Australia	100	100
Reed Exploration Pty Ltd (iii)	Exploration	Australia	100	100
Critical Metals Ltd^ (iv)	Exploration	Australia	–	–
Scandinavian Resources Pty Ltd^ (iv)	Exploration	Australia	–	–
SR Equities Pty Ltd^ (iv)	Holding company	Australia	–	–
Scandinavian Resources AB^ (iv)	Exploration	Sweden	–	–
Kiruna Iron AB^ (iv)	Exploration	Sweden	–	–

^ On 27 September 2016 the in-specie distribution was completed. Refer to note 25 for further information.

(i) Hannans Ltd (Hannans) is the ultimate parent entity. All the companies are members of the group.

(ii) The 100% interest in HR Equities Pty Ltd, HR Forrestania Pty Ltd and Reed Exploration Pty Ltd are held by the parent entity.

(iii) On 29 September 2016 the Company completed the acquisition of 100% of the shares in REX. The Company issued 620,833,333 fully paid ordinary shares to Neometals Ltd.

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

	2018 $	2017 $
5. Income/(expenses) from operations		
(a) Revenue		
Interest revenue		
Bank	24,590	22,037
Loans	14,334	11,755
Total revenue	38,924	33,792
(b) Other Income		
Asset sale	411,013	800,000
Other	12,189	87,962
Total other income	423,202	887,962
(c) Net gain on settlement of transaction		
Gain from settlement of transaction	–	1,000,000
Less: Settlement costs	–	(90,000)
Total net gain on settlement of transaction	–	910,000
(d) Employee benefits expense		
Salaries and wages	298,000	180,871
Post employment benefits:		
Defined contribution plans	1,900	12,717
Share-based payments:		
Equity settled share-based payments	579,660	195,573
Total employee benefits expense	879,560	389,161
(e) Depreciation of non-current assets	1,270	11,613
(f) Operating lease rental expenses:		
Minimum lease payments	4,000	120,581
Rent provision (refer note 16)	–	(10,660)
Total operating lease rental expenses	4,000	109,921
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)	–	–

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:

	2018 $	2017 $
Profit/(Loss) from operations	(1,379,271)	11,663,780
Income tax benefit calculated at 27.5% (2017: 27.5%)	(379,300)	3,207,540
Effect of expenses that are not deductible in determining taxable profit	160,000	300
Adjustment of prior year balances due to change in tax rate	–	241,921
Effect of net deferred tax asset not recognised as deferred tax assets	219,300	–
Capital losses not recognised	–	(5,078,974)
Effect of net deferred tax asset recognised	–	1,629,213
Income tax benefit/(expense) attributable to operating loss	–	–
The tax rate used in the above reconciliation is the corporate tax rate of 27.5% (2017: 27.5%) 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		Statement of Comprehensive Income	
	2018 $	2017 $	2018 $	2017 $
Deferred Income Tax				
Deferred income tax at 30 June relates to the following				
Deferred tax liabilities				
Exploration and evaluation assets	(313,223)	(225,907)	(87,316)	(225,907)
Unearned income	(1,860)	(461)	(1,399)	392
Prepayments	(4,045)	–	(4,045)	–
Deferred tax assets				
Accruals	13,255	11,275	1,980	(28,229)
Prepayments	–	3,877	(3,877)	230
Provision for employee entitlements	–	30,122	(30,122)	(1,532)
Provision – other	–	–	–	(949)
Financial assets	2,874	–	2,874	–
Capital raising costs	42,551	10,119	32,432	(39,004)
Revaluation reserve	–	1,678	(1,678)	34,006
Revenue tax losses	4,773,005	4,463,983	309,022	(2,339,065)
Capital losses	5,083,809	5,078,974	4,835	5,078,974
Deferred tax assets not brought to account as realisation is not probable	(9,596,366)	(9,373,660)		
	–	–		
Deferred tax assets not recognised			(222,706)	(2,478,916)
Deferred tax (income)/expense			–	–

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
- Clay Gordon
- Amanda Scott

	2018 $	2017 $
(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	309,556	352,931
Share based payments	579,660	156,476
Long-term employee benefits	-	7,419
Post-employment benefits	1,900	12,255
Total key management personnel compensation	891,116	529,081

The compensation of each member of the key management personnel of the Group is set out in the Directors Remuneration report on pages 14 to 19.

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 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.

On 3 June 2018 4,162,500 unlisted options exercisable at 0.4 cents expiring on 3 June 2018 were exercised. These unlisted options were not share based payments to employees of the Group.

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 2014	12,016,668	20 November 2014	20 November 2017	0.8
20 November 2015	7,850,001	20 November 2014	20 November 2018	0.5
20 November 2016	12,016,664	20 November 2014	20 November 2019	2.9
15 September 2016	21,155,848	11 November 2016	15 September 2020	2.7
27 October 2017	28,000,000	27 October 2017	27 October 2020	2.6
27 October 2018	28,000,000	27 October 2018	27 October 2021	VWAP* for 5 trading days before and 5 trading days after 27 October 2018 (+)50% premium
27 October 2019	28,000,000	27 October 2019	27 October 2022	VWAP* for 5 trading days before and 5 trading days after 27 October 2019 (+)50% premium

** 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 14 to 19.

8. Share-based payments (cont'd)

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

	2018		2017	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	53,039,181	0.019	36,050,000	0.015
Granted during the financial year	84,000,000	0.035	21,155,848	0.010
Exercised during the financial year	(8,333,334)	(0.009)	(4,166,667)	–
Expired during the financial year	(3,683,334)	(0.008)	–	–
Balance at end of financial year	125,022,513	0.032	53,039,181	0.019
Exercisable at end of the financial year	125,022,513	0.032	53,039,181	0.019

(i) Issued during the financial year

On 27 October 2017 Hannans held a General Meeting shareholders approved the issue of related party options. On 14 November 2016 21,155,848 share options were granted to the directors of the Company. The options terms and conditions are shown below.

Details	Tranche 1	Tranche 2	Tranche 3	Total
Number of options	28,000,000	28,000,000	28,000,000	84,000,000
Exercise price	$0.026	(i)	(i)	
Expiry date	27 Oct 2020	27 Oct 2021	27 Oct 2022	
Vesting date (ii)	27 Oct 2017	27 Oct 2018	27 Oct 2019	

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

(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. There is no cash settlement of the options.

The weighted average fair value of the options granted during for period was $0.011 (2017: $0.009)

For the year ended 30 June 2018, the Group has recognised $579,660 of share-based payments transactions expense in the statement of profit or loss (2017: $195,573).

(ii) Exercised at end of the financial year

During the financial year a total of 8,333,334 (2017: 4,166,667) options over ordinary shares were exercised, comprising of the following:

- 8,333,334 at 0.8 cents options expiring on 20 November 2017 to raise $66,667.

(iii) Expired during the financial year

During the financial year a total of 3,683,334 options over ordinary shares were exercised, comprising of the following:

- 3,683,334 at 0.8 cents options expiring on 20 November 2017.

No options expired in the prior year.

(iv) 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 $0.032 (2017: $0.019) and a weighted average remaining contractual life of 2.76 years (2017: 2.03 years).

	2018 $	2017 $
9. Remuneration of auditors		
The auditor of Hannans Ltd is Ernst & Young.		
Audit or review of the financial report of the Group		
Australia	32,262	38,110
Tax compliance services in relation to the Group	–	–
	32,262	38,110
10. Current trade and other receivables		
Accounts receivable (i)	3,343	1,722
Net goods and services tax (GST) receivable	17,148	33,841
Other receivables (ii)	21,474	221,320
	41,965	256,883

(i) There were no current trade and other receivables that were past due but not impaired (2017: nil).

(ii) Hannans entered into a legally binding unconditional agreement with Mine Builder Pty Ltd (**Mine Builder**) 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 has requested additional time to make the payments pursuant to the binding unconditional agreement.

Hannans issued a statutory demand against Mine Builder on 21 October 2016 for the outstanding debt in the sum of approximately $1.16 million which includes interest. Mine Builder's application to set aside Hannans' statutory demand was heard in the Supreme Court of Western Australia in February 2017. On 16 February 2017 the Supreme Court handed down its decision to dismiss Mine Builder Pty Ltd's application to set aside Hannans' statutory demand. Mine Builder had until 8 March 2017 to pay the claimed amount. If payment was not received by 8 March 2017 Hannans could have applied for a winding up order against Mine Builder in the Federal Court.

On 9 March 2017 the Company signed a Deed of Acknowledgement of Debt with Mine Builder Pty Ltd resetting the timetable for payments for the acquisition of the North Ironcap Gold Rights and undertaking not to wind up Mine Builder if the payments were made in accordance with the amended timetable.

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

On 13 February 2018 the Company served a statutory demand on Mine Builder for the outstanding instalments including interest being the balance of the consideration payable for the acquisition of the North Ironcap Gold Rights. All payments have been received at the date of this report.

	2018 $	2017 $
11. Other financial assets		
Current		
Available-for-sale investments		
Quoted equity shares (i)	6,949	660
Unquoted equity shares (ii)	1	1
Loans		
Loans to outside entities (iii)	–	65,338
Total	6,950	65,999
Non-current		
Loans		
Loans to outside entities (iii)	79,672	–
Total	79,672	–

(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.

(iii) Errawarra Resouces Ltd (**Errawarra**), of which Mr Damian Hicks, Mr Jonathan Murray, and Mr Markus Bachmann are the Directors, was provided with a loan facility of $50,000 at an interest rate of 20% per annum. The loan is secured against Errawarra's rights, title and interest in the agreement executed between Errawarra, Reid Systems Inc and Reid Systems (Australia) Pty Ltd. Errawarra has fully drawndown on the loan facility. Interest accrued to 30 June 2018 amounts to $29,672 (2017: $15,338). The loan is repayable by Errawarra on 1 July 2019. Refer to note 27 for further information.

	2018 $	2017 $
12. Non-current other receivables		
Other receivables – bonds	56,000	56,000
	56,000	56,000

13. Property, plant and equipment

	Office furniture and equipment at cost $	Building at cost $	Total $
Cost			
Balance at 1 July 2016	78,907	3,326	82,233
Additions	1,892	–	1,892
Disposals	(61,707)	(3,326)	(65,033)
Exchange differences	–	–	–
Transfer to assets held for distribution (i)	–	–	–
Balance at 1 July 2017	19,092	–	19,092
Additions	–	–	–
Disposals	–	–	–
Exchange differences	–	–	–
Balance at 30 June 2018	19,092	–	19,092
Accumulated depreciation and impairment			
Balance at 1 July 2016	69,835	351	70,186
Depreciation expense	8,638	2,975	11,613
Disposals on deconsolidation	(61,707)	(3,326)	(65,033)
Exchange differences	–	–	–
Transfer to assets held for distribution (i)	–	–	–
Balance at 1 July 2017	16,766	–	16,766
Depreciation expense	1,270	–	1,270
Disposals	–	–	–
Exchange differences	–	–	–
Balance at 30 June 2018	18,036	–	18,036
Net book value			
As at 30 June 2017	2,326	–	2,326
As at 30 June 2018	1,056	–	1,056

	2018 $	2017 $
Aggregate depreciation allocated during the year:		
Office furniture and equipment	1,270	8,638
Building	–	2,975
	1,270	11,613

	2018 $	2017 $
14. Exploration and evaluation expenditure		
Balance at beginning of financial year	2,688,000	–
Capitalised acquisition costs (i)	–	2,688,000
LESS: Disposal of assets	(28,000)	–
Balance at end of financial year	**2,660,000**	2,688,000

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

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

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

	29 Sep 2016 $
Purchase consideration	
Shares issued	3,566,479
Acquisition costs	121,521
Total purchase consideration	3,688,000
Net assets acquired	
Cash	1,000,000
Deferred exploration and evaluation expenditure	2,688,000
Total net assets acquired	2,688,000

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

	2018 $	2017 $
15. Current trade and other payables		
Trade payables (i)	22,866	148,053
Accruals	97,700	41,000
Other payable	4,124	55,264
	124,690	**244,317**

(i) The average credit period on purchases of goods and services is 30 days. No interest is charged on the trade payables for the first 30 to 60 days from the date of invoice. Thereafter, interest is charged at various penalty rates. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

	2018 $	2017 $
16. Provisions		
Current		
Employee benefits (i)	–	103,115
	–	103,115

(i) On 26 July 2017, the balance of the annual leave ($42,845) and long service leave ($60,270) provision was paid to Mr Hicks.

	Employee benefits $	Rent – unoccupied space $	Total $
Balance at 1 July 2016	111,067	10,660	121,727
Increase in provision	(7,952)	–	(7,952)
Utilised during the year	–	(10,660)	(10,660)
Unwinding of discount rate and changes in the discount rate	–	–	–
Transfer to assets held for distribution	–	–	–
Balance at 1 July 2017	103,115	–	103,115
Settlement of provision	(103,115)	–	(103,115)
Utilised during the year	–	–	–
Unwinding of discount rate and changes in the discount rate	–	–	–
Balance at 30 June 2018	–	–	–

	2018 $	2017 $
17. Other financial liabilities		
Current		
Payroll related liabilities	14,725	96,290
	14,725	96,290
Non-current		
Payroll related liabilities	–	63,555
	–	63,555

	2018 $	2017 $
18. Issued capital		
1,980,304,538 fully paid ordinary shares (2017: 1,682,640,560)	40,840,777	37,296,618
	40,840,777	37,296,618

	2018		2017	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at beginning of financial year	1,682,640,560	37,296,618	970,707,755	46,285,309
Exercise of options to shares - 11 July 2016	–	–	25,000,000	100,000
Exercise of options to shares - 19 July 2016	–	–	4,166,667	20,833
Exercise of options to shares - 15 August 2016	–	–	6,250,000	25,000
In-specie distribution to shareholders - 20 September 2016	–	–	–	(13,245,562)
Acquisition of Reed Exploration Pty Ltd - 29 September 2016	–	–	620,833,333	3,566,479
Issue of shares and options to directors in lieu of outstanding fees – 14 November 2016	–	–	17,032,584	306,587
Issue of shares and options to company secretary in lieu of outstanding fees - 14 November 2016	–	–	4,123,264	74,219
Exercise of options to shares - 9 December 2016	–	–	31,250,000	125,000
Issue of shares as part payment - 12 June 2017	–	–	3,276,957	45,878
Exercise of options to shares - 20 November 2017	8,333,334	66,667	–	–
Share Purchase Plan - 11 December 2017	127,480,231	1,619,000	–	–
Placement of shares - 11 December 2017	157,687,913	2,002,635	–	–
Exercise of options to shares - 3 June 2018	4,162,500	16,650	–	–
Share issue costs	–	(160,793)	–	(7,125)
Balance at end of financial year	1,980,304,538	40,840,777	1,682,640,560	37,296,618

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 $
20 November 2017	8,333,334	0.008 cents	20 November 2017	66,667
3 June 2018	4,162,500	0.004 cents	3 June 2018	16,650
TOTAL	12,495,834			83,317

19. Reserves

	2018 $	2017 $
Balance at the beginning of the financial year	297,378	118,155
Option reserve	540,943	179,223
Balance at the end of the financial year	**838,321**	**297,378**
The balance of reserves is made up as follows:		
Option reserve	838,321	297,378
	838,321	**297,378**

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.

Share options

As at 30 June 2018, options over 125,022,513 (2017: 57,201,681) 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	7,850,001	Ordinary	0.5 cents each	20 Nov 2018
Hannans Ltd	12,016,664	Ordinary	2.9 cents each	20 Nov 2019
Hannans Ltd	21,155,848	Ordinary	2.7 cents each	15 Sep 2020
Hannans Ltd	28,000,000	Ordinary	2.6 cents each	27 Oct 2020
Hannans Ltd	28,000,000	Ordinary	VWAP* for 5 trading days before and 5 trading days after 27 October 2018 (+)50% premium	27 Oct 2021
Hannans Ltd	28,000,000	Ordinary	VWAP* for 5 trading days before and 5 trading days after 27 October 2019 (+)50% premium	27 Oct 2022

Share options are all unlisted, carry no rights to dividends and no voting rights. A total of 84,000,000 (2017: nil) were issued during the period. A total of 12,495,834 (2017: 66,666,667) were exercised during the period. A total of 3,683,334 (2017: nil) expired unexercised during the period.

20. Accumulated losses

	2018 $	2017 $
Balance at beginning of financial year	(33,550,237)	(45,230,366)
(Loss)/Profit attributable to members of the parent entity	(1,379,271)	11,663,780
Items of other comprehensive income recognised directly in retained earnings		
Options exercised	38,717	16,349
Balance at end of financial year	**(34,890,791)**	**(33,550,237)**

21. (Loss)/Profit per share

	2018 Cents per share	2017 Cents per share
Basic (loss)/profit per share:	(0.07)	0.78
Diluted (loss)/profit per share:	(0.07)	0.77

(Loss)/Profit 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:

	2018 $	2017 $
(Loss)/Profit for the year	(1,379,271)	11,663,780

	2018 No.	2017 No.
Weighted average number of ordinary shares for the purposes of basic loss per share	1,845,054,765	1,501,173,559
Effects of dilution from:		
Share options	–	14,520,037
Weighted average number of ordinary shares adjusted for the effect of dilution loss per share	1,845,054,765	1,515,693,596

At 30 June 2018 125,022,513 were not included in the diluted earnings per share calculation as they are anti-dilutive.

22. Commitments for expenditure

	2018 $	2017 $
Exploration, evaluation & development (expenditure commitments)		
Not longer than 1 year	169,000	74,000
Longer than 1 year and not longer than 5 years	676,000	456,000
Longer than 5 years	–	–
	845,000	530,000
Future minimum rentals payable under non-cancellable operating leases as at 30 June 2018 are as follows: (i)		
Not longer than 1 year	4,000	3,000
Longer than 1 year and not longer than 5 years	–	–
Longer than 5 years	–	–
	4,000	3,000

(i) The Group has an office lease on a month by month basis, expiring 31 December 2018 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

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's Chief Operating Decision Maker which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of comprehensive income and statement of financial position. The Group operates in the mineral exploration industry in Australia. The segment information provided to the Board for the reportable segments is as follows and the financial results from these segments are equivalent to the financial statements of the Group as a whole. On 15 September 2016 Hannans held a General Meeting and shareholders approved the equal reduction of capital and a pro rata in-specie distribution of Critical Metals shares to Hannans shareholders. The Swedish projects are part of the Critical Metals group (refer to note 25 for further information).

Revenue analysis by geographic area

	Revenue		Total revenue and other income	
	2018 $	2017 $	2018 $	2017 $
Australia	38,924	33,792	462,126	921,754
Scandinavia	–	–	–	–
Consolidated	38,924	33,792	462,126	921,754

	2018 $	2017 $
Result analysis by geographic area		
Australia	(1,379,271)	10,774,861
Sweden	–	888,919
Loss/(Profit) before income tax benefit	(1,379,271)	11,663,780
Income tax benefit/(expense)	–	–
(Loss)/Profit for the year	**(1,379,271)**	**11,663,780**

Assets and liabilities analysis by geographic area

	Assets		Liabilities	
	2018 $	2017 $	2018 $	2017 $
Australia	6,927,722	4,551,036	139,415	507,277
Scandinavia	–	–	–	–
Consolidated	6,927,722	4,551,036	139,415	507,277

25. Disposal of subsidiaries

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

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

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

(a) Details of the disposal

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

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

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

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

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

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

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

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

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

26. Joint operations

Name of project	Principal activity	Interest 2018 %	Interest 2017 %
Lake Johnston (i)	Exploration	15	–
Forrestania (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) Reed Exploration entered into a joint venture with Montezuma Mining Company Ltd (**Montezuma**) (ASX: MZM) whereby Reed Exploration retained a 15% interest in the Lake Johnston Project which is free-carried until a decision to mine has been made, at which point Reed Exploration may elect to contribute or revert to a 1% net smelter royalty. Montezuma is required to meet all exploration expenditure to keep the project in good standing.

(ii) Reed Exploration entered into a joint venture with Classic Minerals Ltd (**Classic**) (ASX: CLZ) whereby Reed Exploration retained a 20% interest in the Forrestania gold rights which is free-carried until a decision to mine has been made. Classic is required to meet all exploration expenditure to keep the project in good standing.

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 26 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 2019. 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:

27. Related party disclosures (cont'd)

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

	Opening Balance $	Closing Balance $	Interest charged $	Number in group at 30 June
30 June 2018				
Total for KMP	–	–	–	–
Total for other related parties (i)	65,338	79,672	14,334	1
Total for key management personnel and their related parties 2018	65,338	79,672	14,334	1
30 June 2017				
Total for KMP	–	–	–	–
Total for other related parties (i)	53,582	65,338	11,756	1
Total for key management personnel and their related parties 2017	53,582	65,338	11,756	1

(i) The Company provided a loan facility of $50,000 at an interest rate of 20% per annum to Errawarra Resources Ltd (**Errawarra**), of which Mr Damian Hicks, Mr Jonathan Murray and Mr Markus Bachmann are the Directors. The loan is secured against Errawarra's rights, title and interest in the agreement executed between Errawarra, Reid Systems Inc and Reid Systems (Australia) Pty Ltd. Errawarra made a loan drawdown of $25,000 on 10 February 2016 and a further loan drawdown of $25,000 on 9 March 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	2018	–	9,757	–	–
	2017	–	36,354	–	–
Corporate Board Services	2018	3,700	150,000	1,827	–
	2017	–	150,000	–	–
Amberley Minerals Pty Ltd	2018	–	–	–	–
	2017	–	12,690	–	–

* 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

No matters or circumstances have arisen since 30 June 2018 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.

	2018 $	2017 $
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:		
Cash and cash at bank	1,382,079	781,828
Term deposit	2,700,000	700,000
	4,082,079	1,481,828
(b) Reconciliation of loss for the year to net cash flows from operating activities		
(Loss)/Profit for the year	(1,379,271)	11,663,780
Profit on disposal of exploration and evaluation assets	–	(11,730,140)
Net gain from settlement of transaction	–	(910,000)
Net gain from sale of tenement	(371,013)	(640,000)
Impairment of available-for-sale investments	3,711	640
Depreciation of non–current assets	1,270	11,613
Equity settled share-based payments	579,660	195,573
Interest on loan to outside entity	(14,334)	(11,755)
Foreign exchange differences	–	48,589
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
Decrease in assets:		
Trade and other receivables	42,919	16,293
Decrease in liabilities:		
Trade and other payables and provisions	(375,861)	(204,645)
Net cash from operating activities	(1,512,919)	(1,560,052)
Non–cash investing activities		
In-specie distribution of Critical Metals Ltd (refer note 25)	–	(13,245,562)
Acquisition of exploration and evaluation asset	–	2,688,000

Non–cash financing activities

During the current year, the Group did not enter into any non-cash 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 2018, 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 2018 it is also exposed to market price risk. The Group does not enter into derivative financial instruments to manage its exposure to interest rate.

(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 2017:

	Profit or Loss		Equity	
	1% increase	1% decrease	1% increase	1% decrease
2018				
Variable rate instruments	30,317	(30,317)	30,317	(30,317)
Cash flow sensitivity	30,317	(30,317)	30,317	(30,317)
2017				
Variable rate instruments	14,818	(14,818)	14,818	(14,818)
Cash flow sensitivity	14,818	(14,818)	14,818	(14,818)

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

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

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

			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 $
2018							
Financial assets:							
Cash and cash equivalents	0.60%	3,031,651	–	–	–	1,050,428	4,082,079
Trade and other receivables	–	–	–	–	–	41,965	41,965
Other financial assets	20.00%	–	79,672	–	–	–	79,672
Other receivables – non-current	2.55%	56,000					56,000
		3,087,651	79,672	–	–	1,092,393	4,259,716
Financial liabilities:							
Trade and other payables	–	–	–	–	–	124,690	124,690
Other financial liabilities	–	–	14,725	–	–	–	14,725
		–	14,725	–	–	124,690	139,415
2017							
Financial assets:							
Cash and cash equivalents	1.31%	1,481,764	–	–	–	64	1,481,828
Trade and other receivables	–	–	–	–	–	256,883	256,883
Other financial assets	20.00%	–	65,338	–	–	–	65,338
Other receivables – non-current	2.30%	56,000	–	–	–	–	56,000
		1,537,764	65,338	–	–	256,947	1,860,049
Financial liabilities:							
Trade and other payables	–	–	–	–	–	244,317	244,317
Other financial liabilities	–	–	96,290	63,555	–	–	159,845
	–	–	96,290	63,555	–	244,317	404,162

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

(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 $
2018					
Trade and other payables	124,690	–	–	–	124,690
Other financial liabilities	14,725	–	–	–	14,725
	139,415	–	–	–	139,415
2017					
Trade and other payables	244,317	–	–	–	244,317
Other financial liabilities	41,814	54,476	63,555		159,845
	286,131	54,476	63,555	–	404,162

(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 $69 (2017: $6) 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 $49 (2017: $5).

(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 2018 was $6,788,307 (30 June 2017: $4,083,759). 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 2018 the Group does not hold any external debt funding (30 June 2017: 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
2018				
Assets measured at fair value				
Available-for-sale financial assets (note 11):				
Quoted equity shares (i)	6,949	–	–	6,949
Unquoted equity shares (ii)	–	–	1	1
	6,949	–	1	6,950
2017				
Assets measured at fair value				
Available-for-sale financial assets (note 11):				
Quoted equity shares (i)	660	–	–	660
Unquoted equity shares (ii)	–	–	1	1
	660	–	1	661

The management assessed that cash and short-term deposits, trade receivables, trade payables 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 30(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 2018.
The information presented here has been prepared using consistent accounting policies as presented in note 2.

	2018 $	2017 $
Results of the parent entity		
Loss for the year	(1,115,848)	(1,741,408)
Other comprehensive income	–	–
Total comprehensive income/(loss) for the year	**(1,115,848)**	**(1,741,408)**
Financial position of parent entity at year end		
Current assets	1,181,779	1,090,336
Non-current assets	5,496,732	2,811,668
Total Assets	**6,678,511**	**3,902,004**
Current liabilities	117,348	285,258
Non-current liabilities	–	63,555
Total Liabilities	**117,348**	**348,813**
Total equity of the parent entity comprising of:		
Share capital	54,814,869	51,270,709
Reserves	838,321	297,378
Accumulated losses	(49,092,027)	(48,014,896)
Total Equity	**6,561,163**	**3,553,191**

(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 2018 and 30 June 2017.

(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 2018 and 30 June 2017.

HANNANS LTD
T: +61 8 9324 3388
E: admin@hannansreward.com
W: www.hannansreward.com

@Hannans Reward
Hannans Reward
HannansReward