

HANNANANS LTD

ABN 52 099 862 129

Financial Report for the half-year ended 31 December 2016

www.hannansreward.com

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CORPORATE DIRECTORY

Board of Directors

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

Principal Office

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ABN 52 099 862 129

Auditors

Ernst & Young
Ernst & Young Building
11 Mounts Bay Road, Perth, Western Australia, 6005

Registered Office

6 Outram Street, West Perth, Western Australia, 6005

Social Network Sites

Twitter – @hannansreward
Facebook – Hannans Reward

Share Registry

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

Lawyers

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

DIRECTORS' REPORT

The Directors of Hannans Ltd (**Group** or **Company**) submit the financial report for the half-year ended 31 December 2016. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

The names of the Directors of the Company who have held office during and since the end of the half-year are:

Non-Executive Chairman

Mr Jonathan Murray (*appointed on 29 November 2016, previously Non-Executive Director*)

Executive Director

Mr Damian Hicks (*appointed on 29 November 2016, previously Managing Director*)

Non-Executive Directors

Mr Markus Bachmann

Mr Clay Gordon (*appointed on 5 October 2016*)

Mr Olof Forslund (*resigned on 5 October 2016*)

Ms Amanda Scott (*appointed 29 November 2016*)

The Directors held their position throughout the entire half-year period and up to the date of this report unless stated otherwise.

Principal activities

The principal activity of the Group during the half-year period was exploration and evaluation of mineral interests.

Results

The consolidated net gain of the Group for the half-year period after income tax expense was \$11,905,354 (2015: \$277,723 loss).

Review of operations

During the half-year period the Company announced core drilling was carried out at the Forrestania Project and the Queen Victoria Rocks Project. Subject to receipt of government approvals, Hannans will commence an aircore drilling program targeting rocks prospective for lithium mineralisation at the Forrestania Project.

On 27 September 2016 the Company completed an in-specie distribution of shares to its shareholders in the unlisted wholly owned subsidiary, Critical Metals Ltd, the registered owner of the Swedish companies holding the Swedish copper-gold (Pahtohavare), iron (Rakkurijoki and Paljasjarvi) and lithium (Varutrask) projects.

On 29 September 2016 the strategic collaboration with Neometals Ltd (ASX:NMT) was finalised wherein the Company took ownership of Reed Exploration Pty Ltd.

On 21 December 2016 the Company sold its Lake Johnston exploration database to Montezuma Mining Company Ltd (ASX:MZM) in consideration for which Hannans received a 15% interest in Montezuma's Lake Johnston Nickel-Gold-Lithium Project. Hannans' interest will be free-carried through to a Decision to Mine. Sale of the exploration database enables Hannans shareholders to share in success achieved by Montezuma without the requirement to fund exploration. If Montezuma makes a Decision to Mine and Hannans chooses not to participate, Hannans' interest will revert to a 1% net smelter return royalty.

Subsequent events

No matters or circumstances have arisen since 31 December 2016 that may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years except as stated below.

- (a) On 16 February 2017 the Supreme Court handed down its decision to dismiss Mine Builder Pty Ltd's application to set aside Hannans' statutory demand. Mine Builder had until 8 March 2017 to pay the claimed amount. If payment is not received by 8 March 2017 Hannans can apply for a winding up order against Mine Builder in the Federal Court; and
- (b) On 9 March 2017 the Company received a bank cheque of \$300,000 and 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 Pty Ltd if the payments are made in accordance with the amended timetable.

Auditor's independence declaration

The auditor's independence declaration is included on page 4 and forms part of the Directors' report for the six months ended 31 December 2016.

Signed in accordance with a resolution of directors.

On behalf of the Directors



Damian Hicks

Executive Director

16 March 2017

DIRECTORS' DECLARATION

The Directors declare that in the Directors' opinion:

- (a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Australian Accounting Standard AASB 134 and the *Corporations Regulations 2001* as disclosed in note 2 and giving a true and fair view of the financial position and performance of the consolidated entity for the half-year ended 31 December 2016.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Damian Hicks

Executive Director

Perth, Western Australia this 16th of March 2017

INDEPENDENCE DECLARATION TO THE DIRECTORS OF HANNANS LTD



Ernst & Young
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Perth WA 6000 Australia
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Auditor's Independence Declaration to the Directors of Hannans Limited

As lead auditor for the review of Hannans Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Gavin Buckingham
Partner
16 March 2017

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF HANNANS LTD



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To the members of Hannans Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Hannans Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The Directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the Directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hannans Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hannans Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
16 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half-year ended 31 December 2016

	Half-year ended 31 Dec 2016 \$	Half-year ended 31 Dec 2015 \$
Continuing operations		
Other income	402,022	272,098
Net gain from settlement of liability	910,000	-
Gain on disposal of exploration and evaluation assets	17 11,730,140	-
Employee and contractors expenses	(296,122)	(190,248)
Depreciation expense	(11,242)	(15,461)
Consultants expenses	(80,435)	(95,401)
Interest expense	(4)	(1,301)
Occupancy expenses	(108,421)	(22,934)
Marketing expenses	(11,475)	(4,297)
Exploration and evaluation expenses	(415,391)	(26,488)
Impairment of exploration and evaluation expenses	-	(123,656)
Other expenses	(213,718)	(70,035)
Gain/(Loss) from continuing operations before income tax benefit	11,905,354	(277,723)
Income tax benefit	-	-
Gain/(Loss) attributable to members of the parent entity	11,905,354	(277,723)
Other comprehensive income/(loss) for the period		
Items that may be reclassified subsequently to profit or loss		
Reclassification of foreign currency translation reserve to profit and loss on disposal of foreign operations	322,150	-
Foreign currency translation differences – foreign operations	(52,270)	51,070
Total items that may be reclassified subsequently to profit or loss	269,880	51,070
Total comprehensive gain/(loss) for the period	12,175,234	(226,653)
Net gain/(loss) attributable to the parent entity	11,905,354	(277,723)
Total comprehensive gain/(loss) attributable to the parent entity	12,175,234	(226,653)
Earnings/(loss) per share:		
Basic (cents per share)	0.90	(0.04)
Diluted (cents per share)	0.89	(0.04)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	Note	31 Dec 2016 \$	30 Jun 2016 \$
Current assets			
Cash and cash equivalents		1,575,439	1,425,160
Trade and other receivables	4	367,966	71,079
Other financial assets	4	60,150	1,301
		2,003,555	1,497,540
Assets held for distribution		-	1,631,931
Total current assets		2,003,555	3,129,471
Non-current assets			
Other receivables		56,000	56,000
Property, plant and equipment		1,325	12,047
Other financial assets	4	95,150	53,582
Capitalised mineral exploration and evaluation expenditure	5	2,688,000	-
Total non-current assets		2,840,475	121,629
TOTAL ASSETS		4,844,030	3,251,100
Current liabilities			
Trade and other payables	6	353,873	830,230
Provisions	7	100,345	121,727
Other financial liabilities	8	28,471	32,472
		482,689	984,429
Liabilities directly associated with the assets held for distribution		-	1,243,569
Total current liabilities		482,689	2,227,998
Non-current liabilities			
Other financial liabilities	8	121,885	119,884
Total non-current liabilities		121,885	119,884
TOTAL LIABILITIES		604,574	2,347,882
NET ASSETS		4,239,456	903,218
Equity			
Issued capital	9	37,250,740	46,285,309
Reserves	10	297,378	118,155
Reserves directly associated with the assets held for distribution		-	(269,880)
Accumulated losses	11	(33,308,662)	(45,230,366)
TOTAL EQUITY		4,239,456	903,218

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2016

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2015

	Attributable to equity holders					
For the half-year ended 31 December 2015	Issued capital \$	Option Reserves \$	Revaluation Reserves \$	Foreign Currency Translation Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2015	44,577,512	75,380	-	(313,350)	(44,265,979)	73,563
Total comprehensive income						
Loss for the period	-	-	-	-	(277,723)	(277,723)
Other comprehensive income for the period	-	-	-	51,070	-	51,070
Total comprehensive income/(loss) for the period	-	-	-	51,070	(277,723)	(226,653)
Transactions with owners recorded direct to equity						
Issue of options	-	32,892	-	-	-	32,892
Total transactions with owners	-	32,892	-	-	-	32,892
Balance as at 31 December 2015	44,577,512	108,272	-	(262,280)	(44,543,702)	(120,198)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

for the half-year ended 31 December 2016

	Half-year ended 31 Dec 2016 \$	Half-year ended 31 Dec 2015 \$
Cash flows from operating activities		
Receipts of other income	78,920	149,215
(Payments)/Receipts for exploration and evaluation	(354,499)	28,641
Payments to suppliers and employees	(630,665)	(370,519)
Interest received	13,581	4,603
Interest paid	-	(1,215)
Net cash used in operating activities	(892,663)	(189,275)
Cash flows from investing activities		
Payments for exploration and evaluation	-	(76,100)
Proceeds on sale of investment securities	-	5,420
Proceeds on sale of fixed assets	-	7,330
Amounts advanced to outside entities	(95,150)	-
Payment for property, plant and equipment	(520)	-
Release of security bonds	-	50,262
Cash forgone on disposal of subsidiaries	17	(250,000)
Cash acquired from acquisition of subsidiary	5	1,000,000
Payments for acquisition of subsidiary	5	(121,521)
Net cash received/(used) by investing activities	532,809	(13,088)
Cash flows from financing activities		
Proceeds from exercise of options	270,833	-
Payment for share issue costs	(7,125)	-
Proceeds from borrowings	-	250,000
Repayment of finance leases	-	(2,546)
Net cash received in financing activities	263,708	247,454
Net (decrease)/increase in cash and cash equivalents	(96,146)	45,091
Cash and cash equivalents at the beginning of the financial period	1,675,160	345,497
Effects of exchange rate fluctuations on cash held	(3,575)	9,338
Cash and cash equivalents at the end of the financial period	1,575,439	399,926

The accompanying notes form part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2016

1. Reporting Entity

Hannans Ltd (**Hannans or the Company**) is a company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Securities Exchange. The consolidated half-year financial report of the Group as at and for the six months ended 31 December 2016 comprises the Company and its subsidiaries (together referred to as **the Group**).

The financial report of Hannans for the half-year ended 31 December 2016 was authorised for issue by the Directors on 16 March 2017.

The nature of the operations and principal activities of the consolidated entity are described in the Directors' Report.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2016 is available upon request from the Company's registered office or at www.hannansreward.com.

2. Basis of preparation and changes to the accounting policies

(a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2016 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2016 and considered together with any public announcements made by the Company during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The half-year financial report has been prepared on a historical cost basis except for available-for-sale financial assets which are measured at fair value.

Apart from the changes in accounting policy in note 2(b), the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

(b) Changes in accounting policies

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

All other new standards and interpretations effective from 1 July 2016 were adopted with the main impact being disclosure changes. Changes to accounting policies due to the adoption of these standards and interpretations are not considered significant for the Group.

	31 Dec 2016 \$	30 Jun 2016 \$
3. Current trade and other receivables		
Trade receivables (i)	9,270	2,023
Net goods and services tax (GST) receivable	34,899	33,262
Other receivable (ii)	323,797	35,794
	367,966	71,079

- (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.

Other receivables consists of \$300,000 in relation to the ongoing Mine Builder Pty Ltd (**Mine Builder**) matter. Hannans entered into a legally binding unconditional agreement with Mine Builder for the sale of Hannans' interest in gold rights on Mining Lease M77/544 for \$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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2016

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

Hannans issued a statutory demand against Mine Builder on 21 October 2016 for the outstanding debt in the sum of approximately \$1.16 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 is not received by 8 March 2017 Hannans can apply for a winding up order against Mine Builder in the Federal Court.

On 9 March 2017 the Company received a bank cheque of \$300,000 and signed a Deed of Acknowledgement of Debt with Mine Builder Pty Ltd resetting the timetable for payments for the acquisition of the North Ironcap Gold Rights and undertaking not to wind up Mine Builder if the payments are made in accordance with the amended timetable.

Due to the historical uncertainty of receiving payments from Mine Builder the balance of the outstanding amount will be accounted for during the period where payments are received.

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

	31 Dec 2016 \$	30 Jun 2016 \$
4. Other financial assets		
Current		
Quoted equity shares (i)	980	1,300
Unquoted equity shares (ii)	1	1
Loan to outside entities (iii)	59,169	-
	60,150	1,301

- (i) Investments in listed entities include the following:
- 20,000 ordinary fully paid shares in Brighton Mining Group Ltd; and
 - 20,000 ordinary fully paid shares in Lithex Resources Ltd.
- (ii) Hannans holds 1 share at \$1 in Equity & Royalty Investments Ltd. Equity & Royalty Investments Ltd has 100 million ordinary shares on issue. The principal activity of the Company is the investment in equity and royalties in other companies with the objective of realising gains through equity and generating an income stream through the royalties.
- (iii) Errawarra Resources Ltd (**Errawarra**), of which Mr Damian Hicks, Mr Jonathan Murray, and Mr Markus Bachmann are the Directors, was provided with a loan facility of \$50,000 at an interest rate of 20% per annum. The loan is secured against Errawarra's rights, title and interest in the agreement executed between Errawarra, Reid Systems Inc and Reid Systems (Australia) Pty Ltd. Errawarra has fully drawdown on the loan facility. Interest accrued to 31 December 2016 amounts to \$3,582. The loan is repayable by Errawarra on 1 July 2017. Refer to note 16 for further information.

Non-current

Loan to outside entities (iii)	-	53,582
Loan to outside entities (iv)	95,150	-
	95,150	53,582

- (iv) The loan arose on the equal reduction of capital and a pro rata in-specie distribution of Critical Metals Ltd (**Critical Metals**) shares to Hannans shareholders. The loan is unsecured, non-interest bearing and has no fixed terms of repayment. Critical Metals Ltd drawdown \$95,150 during the period. Refer to note 16 for further information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2016

	31 Dec 2016 \$	30 Jun 2016 \$
5. Capitalised mineral exploration and evaluation expenditure		
Balance at beginning of financial period	-	1,356,340
Capitalised acquisition costs (i)	2,688,000	-
Exploration expenditure during the period	-	97,599
Foreign currency translation movement during the period	-	17,648
LESS: Write off costs	-	(123,945)
LESS: Transfer to assets held for distribution	-	(1,347,642)
Balance at end of financial period	2,688,000	-

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

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

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

	31 Dec 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	3,688,000

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

	31 Dec 2016 \$	30 Jun 2016 \$
6. Current trade and other payables		
Trade payables (i)	242,918	494,170
Accruals	27,500	290,678
Other payable	83,455	45,382
	353,873	830,230

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2016

	31 Dec 2016 \$	30 Jun 2016 \$
7. Provisions		
Current		
Employee benefits	100,345	111,067
Rent – unoccupied space (i)	–	10,660
	100,345	121,727
(i) The provision was recognised on the basis that Hannans occupied and subleased part of its West Perth office premises and a portion of the space was surplus to the requirement of the Group. The provision for the unoccupied space was calculated based on the difference between the Company's full operating office lease commitment to the end of the lease term on 14 December 2016 and the current occupied and subleased space.		
8. Other financial liabilities		
Current		
Payroll related liabilities	28,471	32,472
	28,471	32,472
Non-current		
Payroll related liabilities	121,885	119,884
	121,885	119,884
9. Issued capital		
1,679,363,603 fully paid ordinary shares (30 Jun 2016: 970,707,755)	37,250,740	46,285,309
	37,250,740	46,285,309

	31 Dec 2016		30 Jun 2016	
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of financial period	970,707,755	46,285,309	721,966,133	44,577,512
Placement of shares – 9 March 2016	–	–	62,500,000	250,000
Placement of shares – 23 May 2016	–	–	17,666,665	212,000
Share Purchase Plan – 26 May 2016	–	–	73,999,957	887,999
Placement of shares – 3 June 2016	–	–	88,325,000	393,300
Exercise of options to shares – 21 June 2016	–	–	6,250,000	25,000
Exercise of options to shares – 11 July 2016	25,000,000	100,000	–	–
Exercise of options to shares – 19 July 2016	4,166,667	20,833	–	–
Exercise of options to shares – 15 August 2016	6,250,000	25,000	–	–
In-specie distribution to shareholders – 20 Sep 2016	–	(13,245,562)	–	–
Acquisition of Reed Exploration Pty Ltd – 29 Sep 2016	620,833,333	3,566,479	–	–
Issue of shares and options to directors in lieu of outstanding fees – 14 November 2016	17,032,584	306,587	–	–
Issue of shares and options to company secretary in lieu of outstanding fees – 14 November 2016	4,123,264	74,219	–	–
Exercise of options to shares – 9 December 2016	31,250,000	125,000	–	–
Share issue costs	–	(7,125)	–	(60,502)
Balance at end of financial period	1,679,363,603	37,250,740	970,707,755	46,285,309

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2016

	31 Dec 2016 \$	30 Jun 2016 \$
10. Reserves		
Balance at the beginning of the financial period	118,155	(237,970)
Option reserve	179,223	42,775
Foreign currency translation differences	-	43,470
	297,378	(151,725)
Reserves of assets held for distribution	-	269,880
Balance at the end of the period	297,378	118,155
The balance of reserves is made up as follows:		
Option reserve	297,378	118,155
Foreign currency translation reserve	-	(269,880)
	297,378	(151,725)

Share options

As at 31 December 2016, options over 57,201,681 (Jun 2016: 102,712,500) ordinary shares in aggregate are as follow:

Issuing entity	No of shares under option	Class of shares	Exercise price of option	Expiry date of option
Hannans Ltd	12,016,668	Ordinary	0.8 cents each	20 Nov 2017
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	-	Ordinary	0.4 cents each	10 Mar 2018
Hannans Ltd	4,162,500	Ordinary	0.4 cents each	03 Jun 2018
Hannans Ltd	21,155,848	Ordinary	1.8 cents each	15 Sep 2020

Share options are all unlisted, carry no rights to dividends and no voting rights. A total of 21,155,848 were issued during the period. A total of 66,666,667 were exercised during the period.

	31 Dec 2016 \$	30 Jun 2016 \$
11. Accumulated losses		
Balance at the beginning of the financial period	(45,230,366)	(44,265,979)
Loss attributable to members of the parent entity	11,905,354	(964,387)
Items of other comprehensive income recognised directly in retained earnings		
Options exercised	16,350	-
Realised foreign exchange gain from disposal of subsidiaries in prior periods (i)	-	-
Balance at the end of the financial period	(33,308,662)	(45,230,366)

(i) On 27 September 2016 the Company completed an equal reduction of capital and a pro rata in-specie distribution of Critical Metals shares to Hannans shareholders.

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for the half-year ended 31 December 2016

12. Segment reporting

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's Chief Operating Decision Maker which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of comprehensive income and statement of financial position. The Group operates in the mineral exploration industry, both in Australia and overseas. 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:

	31 Dec 2016 \$	31 Dec 2015 \$
Segment revenue – Other income		
Australia	402,022	176,422
Scandinavia	-	95,676
Consolidated	402,022	272,098
Segment result		
Australia	10,956,436	(174,319)
Scandinavia	948,918	(103,404)
Loss before income tax benefit	11,905,354	(277,723)
Income tax benefit	-	-
Loss for the period	11,905,354	(277,723)

Segment assets and liabilities	Assets		Liabilities	
	31 Dec 2016 \$	30 Jun 2016 \$	31 Dec 2016 \$	30 Jun 2016 \$
Australia	4,844,030	1,619,169	604,574	1,104,313
Scandinavia	-	1,631,931	-	1,243,569
Consolidated	4,844,030	3,251,100	604,574	2,347,882

13. Contingencies and commitments

In early 2013, the Office of State Revenue ('OSR') informed the Company that it has raised a Duties Investigation regarding the restructure involving the Mineral Rights Deed between the Company and Errawarra Resources Ltd. OSR has requested preliminary supporting information to assess the duty on the transaction. The Company does not consider it probable a stamp duty liability will arise.

14. Financial instruments

The fair value of financial assets and financial liabilities of the Group approximated their carrying amount. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The table below analyses financial instruments carried at fair value by value measurement hierarchy.

Quantitative disclosures fair value measurement hierarchy	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
31 Dec 2016				
Assets measured at fair value				
Available-for-sale financial assets (note 4):				
Quoted equity shares (i)	980	-	-	980
Unquoted equity shares (ii)	-	-	1	1
	980	-	1	981

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for the half-year ended 31 December 2016

14. Financial instruments (cont'd)

Quantitative disclosures fair value measurement hierarchy	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
30 Jun 2016				
Assets measured at fair value				
Available-for-sale financial assets:				
Quoted equity shares (i)	1,300	-	-	1,300
Unquoted equity shares (ii)	-	-	1	1
	1,300	-	1	1,301

The management assessed that cash and short-term deposits, trade receivables, trade payables, related party loans and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the financial assets is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair value:

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

15. Share-based payment

The following share-based payment arrangements existed at 31 December 2016:

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

On 15 September 2016 Hannans shareholders approved the issue of ordinary shares in lieu of the directors' and company secretary's outstanding salary and fees totalling \$380,806, together with one free attaching option for each ordinary shares issued. The ordinary shares were issued at a deemed price of 1.8 cents per share. On 14 November 2016 the shareholders approved 21,155,848 share options were issued to Directors.

The outstanding option terms and conditions are shown below.

Option 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	12,016,668	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

The fair value of the options granted is issued and valued at the date of grant using a Black Scholes model for the option series 20 November 2014, 20 November 2015, 20 November 2016 and 29 September 2016. The option series 29 September 2016 was issued in as part of payment for outstanding directors' and company secretary fees. There is no cash settlement of the options.

The following reconciles the outstanding share options granted during the period:

	31 Dec 2016		31 Dec 2015	
	Number of options No.	Weighted ave exercise price \$	Number of options No.	Weighted ave exercise price \$
Balance at beginning of period	36,050,000	0.015	36,050,000	0.015
Granted during the period	21,155,848	0.010	-	-
Exercised during the period	(4,166,667)	-	-	-
Expired during the period	-	-	-	-
Balance at end of period	53,039,181	0.019	36,050,000	0.015
Exercisable at end of period	53,039,181	0.019	24,033,336	0.007

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for the half-year ended 31 December 2016

16. Related party disclosures

(a) Loans to key management personnel (KMP) and their related parties

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

	Opening balance \$	Closing balance \$	Interest charged \$	Number in group
31 Dec 2016				
Total for KMP (i)	-	-	-	-
Total for other related parties (ii)(iii)	53,582	154,319	5,587	2
Total for KMP and their related parties	53,582	154,319	5,587	2
30 Jun 2016				
Total for KMP (i)	168,985	-	-	-
Total for other related parties (ii)(iii)	-	53,582	3,582	1
Total for KMP and their related parties	168,985	53,582	3,582	1

(i) On 15 September 2016 Hannans held a General Meeting and shareholders approved forgiveness of the loan of \$168,985 to Damian Hicks used to exercise options to acquire shares in Hannans at 20 cents per share. The loan is unrecoverable and was derecognised as a receivable as at 30 June 2016.

(ii) 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.

(iii) A loan arose on the deconsolidation of Critical Metals Ltd (Critical Metals), of which Mr Damian Hicks and Mr Jonathan Murray are the Directors. The loan is unsecured, non-interest bearing and has no fixed terms of repayment. Critical Metals made a total drawdown of \$95,150 during the period.

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

On 15 September 2016 Hannans held a General Meeting and shareholders approved the issue of ordinary shares in lieu of the outstanding directors' salary and fees, together with one free attaching option for each ordinary shares issued. The ordinary shares and attaching options were issued on 15 November 2016.

The table below provides the share options issued during the period ended 31 December 2016.

	Bal at 1 Jul 2016	Granted as remunerat ion	Exercised	Bal at 31 Dec 2016	Bal vested at 31 Dec 2016	Vested but not exercis- able	Vested and exerci- sable	Options vested during period
Directors								
D Hicks	9,500,000	7,859,667	-	17,359,667	17,359,667	-	17,359,667	3,166,666
J Murray	1,500,000	3,237,500	-	4,737,500	4,737,500	-	4,737,500	500,000
M Bachmann	1,500,000	2,697,917	-	4,197,917	4,197,917	-	4,197,917	500,000
C Gordon	-	-	-	-	-	-	-	-
A Scott	9,500,000	-	(1,000,000)	8,500,000	8,500,000	-	8,500,000	500,000
O Forslund	1,500,000	3,237,500	-	4,737,500	4,737,500	-	4,737,500	3,166,666
Total	23,500,000	17,032,584	(1,000,000)	39,532,584	39,532,584	-	39,532,584	7,833,332

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17. Disposal of exploration and evaluation assets

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

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

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

(a) Details of the disposal

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

	30 Sep 2016 \$
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2016

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

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

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

18. Subsequent events

No matters or circumstances have arisen since 31 December 2016 that may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years except as stated below.

- (a) On 16 February 2017 the Supreme Court handed down its decision to dismiss Mine Builder Pty Ltd's application to set aside Hannans' statutory demand. Mine Builder had until 8 March 2017 to pay the claimed amount. If payment is not received by 8 March 2017 Hannans can apply for a winding up order against Mine Builder in the Federal Court; and
- (b) On 9 March 2017 the Company received a bank cheque of \$300,000 and 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 Pty Ltd if the payments are made in accordance with the amended timetable.