

# HANNAN METALS LTD.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED AUGUST 31, 2018

This discussion and analysis of financial position and results of operation is prepared as at October 25, 2018 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and the accompanying notes for the three months ended August 31, 2018 of Hannan Metals Ltd. ("Hannan" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars.

### Forward-looking Statements

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated exploration programs and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to identify one or more economic deposits on its properties, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. In particular, the current state of global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via [www.sedar.com](http://www.sedar.com) or the Company's website [www.hannanmetals.com](http://www.hannanmetals.com) and readers are urged to review these materials.

### Company Overview

The Company currently is a reporting issuer in British Columbia and Alberta. The Company's common shares are listed on the TSX Venture Exchange ("TSXV") and trade under the symbol "HAN". The Company's principal, registered and records office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7.

The Company is a junior mineral exploration company currently engaged in the acquisition and exploration of mineral properties. On November 4, 2016 the Company entered into an agreement to acquire prospecting licences in Ireland. On January 9, 2017 the Company completed the acquisition of Hannan Metals BC Ltd. and Hannan Metals Ireland Limited. The Company's flagship property is the Kilbricken base metal project.

On November 14, 2017 the shareholders of the Company passed a special resolution to reduce the Company's capital by \$44,036,006 being an amount equal to the deficit of the Company at May 31, 2013. This deficit arose as a result of unsuccessful business activities previously carried out by the Company under the direction of its former management and board. The reduction of capital resulted in a corresponding elimination of \$44,036,006 of the deficit.

## Property Update

### *Clare Project*

On January 9, 2017 the Company closed the acquisition of Hannan Metals BC Ltd. (“Hannan BC”) which owns Hannan Metals Ireland Limited (“Hannan Ireland”). Hannan Ireland is currently the registered holder of a 100% interest in ten prospecting licences (“PLs”) located in County Clare, Ireland (the “Licences”). Under a separate asset purchase agreement (the “Asset Purchase Agreement”) between Hannan Ireland and Lundin Mining Exploration Limited (“Lundin”), an Irish subsidiary of Lundin Mining Corporation (TSX: LUN), Hannan Ireland purchased all exploration data associated with the Licences from Lundin. Hannan has now made all cash payments totalling US \$1,000,000 to Lundin Mining Ltd to complete its purchase of the project. Lundin will retain a 2% net smelter return royalty on all sales of mineral products extracted from the project area, subject to certain buy back provisions. Hannan Ireland is also required to pay Lundin a one-time bonus payment of US \$5,000,000 within the earlier of (i) Hannan Ireland’s decision to proceed with mine construction or (ii) within 90 days of the establishment of a commercial financing to finance capital costs for mine construction.

The Clare zinc-silver-lead-copper property (the “Clare Project”) currently consists of ten PLs granted and issued by the Exploration and Mining Division (“EMD”) of the Department of Communications, Climate Action and Environment in County Clare, Ireland. The western edge of the prospect area is 1.5km east of the town of Ennis. All prospecting licences of the Clare Project are 100% owned by Hannan Ireland.

The Irish base metal ore field is considered one of the world’s best mineralized zinc provinces and is considered highly prospective for new zinc discoveries. In 2015 Ireland was the world’s 10<sup>th</sup> largest zinc producing nation with 230,000 tonnes produced.

The Clare Project is underlain by Upper Devonian (sandstones) to Lower Carboniferous (sandstones and limestones) rocks. The stratigraphy appears simple; beds are the right way up and most of the major units are consistent in thickness across the property, however syn-rift and/or later structures complicate the geological framework. The stratigraphic succession of the Irish Lower Carboniferous is well constrained throughout, with the exception of the uppermost units. The axis of an open syncline runs southwest-northeast through the centre of the Clare Project. Beds dip at between 10 and 15 degrees towards the centre of the syncline. The Lower Carboniferous sequence includes the Waulsortian Limestone, which hosts most of Ireland’s important zinc-lead sulphide deposits, such as the Lisheen (pre-mining resource 18.9 Mt @ 15.0% Zn+Pb) and Galmoy (pre-mining resource of 6.2 Mt @ 12.4% Zn+Pb) deposits. This data has been sourced from the Irish Exploration, Mining Division website <http://www.mineralsireland.ie/>. The Company has been unable to independently verify the information and states that the information is not necessarily indicative of the mineralization on the Clare Project that is the subject of the technical report.

The Clare Project has a rich history of small scale 19<sup>th</sup> century mining. Modern exploration efforts from the early-1960’s, by Irish Base Metals, Rio-Finex, Central Mining Finance, Billiton and Belmore Resources Ltd followed up some of these earlier historic mines.

There are two known Waulsortian-hosted zinc-lead deposits on the property, the flagship Kilbricken prospect (see below) and the smaller Milltown prospect, where Belmore Resources Ltd (“Belmore”) intersected 13.3m @ 5.8% Pb and 10.5% Zn from 45.4 metres in drill hole 3788/19 in 1994. The lowest part of the sequence is also prospective for copper-silver mineralization and contains numerous copper showings, most notable at Ballyvergin where Irish Base Metals drilled hole BV11 which intersected 31.5m @ 1.0% Cu from 51.7 metres in the 1960s. Given the general flat lying and stratabound nature of mineralization and steep angles of all drillholes mentioned, the true thickness of the mineralized intervals quoted is interpreted to be approximately 95% of the sampled thickness.

Significant historic exploration on the Clare Project has concentrated on three project areas and on identifying other areas of the Clare Project which have the potential to warrant similar investigation. The project areas are:

- Kilbricken
- Ballyvergin
- Kilmurry

In 2008, Belmore, a private Irish company, drill tested the base of the Waulsortian Limestone beneath near-surface sulphidic and calcite veined shelf carbonates at the historic Kilbricken lead mine. The discovery drillhole at

Kilbricken, DH04, intersected 10m @ 13.8% Zn, 5.5% Pb, 0.08% Cu, and 62.8g/t Ag from 448.1 metres at the targeted base of Waulsortian Limestone. Given the general flat lying and stratabound nature of mineralization and steep angles of all drillholes mentioned, the true thickness of the mineralized intervals quoted is interpreted to be approximately 95% of the sampled thickness.

After this initial discovery, Lundin joint ventured Kilbricken and the wider tenure package from Belmore. In 2011, Lundin purchased 100% of Belmore. Drilling by Lundin from 2009 to 2012 continued to intersect sulphide mineralization in the hanging wall of the Chimney fault. Significant intersections from Lundin's drilling programs are shown in Table 1.

**Table 1: Kilbricken Better Mineralized Drill Intersections.**

Hole ID	Mineralized Intersection
DH46	20.5m @ 7.5% Zn, 9.9% Pb, 0.07% Cu, 74.6g/t Ag from 415.3m
DH06	21.3m @ 11% Zn, 4.8% Pb, 0.06% Cu, 94.4g/t Ag from 441.9m
DH50	11.8m @ 9.8% Zn, 5.7% Pb, 0.07% Cu, 178.2g/t Ag from 484.6m
DH43	9.4m @ 4.1% Zn, 12% Pb, 0.52% Cu, 242.8g/t Ag from 442.1m
DH04	10.0m @ 13.8% Zn, 5.5% Pb, 0.08% Cu, 62.8g/t Ag from 448.1m
DH52	19.3m @ 7.2% Zn, 1.2% Pb, 0.18% Cu, 64.6g/t Ag from 425.7m
DH44	17.2m @ 2.9% Zn, 4.4% Pb, 0.11% Cu, 83.5g/t Ag from 447.9m
DH167	4.5m @ 0.8% Zn, 2.6% Pb, 18.91% Cu, 867.6g/t Ag from 616.5m
DH161	10.4m @ 8.4% Zn, 3.9% Pb, 0.09% Cu, 26.5g/t Ag from 607m
DH206	10.0m @ 0.9% Zn, 8.7% Pb, 0.16% Cu, 90.7g/t Ag from 619m
DH111	4.1m @ 21.5% Zn, 5.7% Pb, 0.1% Cu, 95.4g/t Ag from 447.6m

An initial National Instrument 43-101 Mineral Resource estimate for the Kilbricken Project was reported in July 2017 and is listed in Tables 1-3. The calculation was calculated by Mr. Geoff Reed, MAUSIMM (CP), of Reed Leyton Consulting Pty Ltd ("Reed Leyton") from Sydney, Australia. The resource has an effective date of July 10, 2017. The Mineral Resource estimates conform to Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards for Mineral Resources and Mineral Reserves dated May 10, 2014 (CIM definitions).

The maiden resource estimate calculated for Hannan's 100%-owned Kilbricken zinc-lead-silver-copper deposit includes:

- Total indicated mineral resource of 2.7 million tonnes at 8.8% zinc equivalent ("ZnEq"), including 1.4 millions tonnes at 10.8% ZnEq;
- Total inferred mineral resource of 1.7 million tonnes at 8.2% ZnEq, including 0.6 million tonnes at 10.4% ZnEq;

Tables 2, 3 and 4 below outline global indicated and inferred resources for each mineralized body as well as a breakdown of resources by location for various lower cut off grades.

**Table 2: Kilbricken Deposit Indicated Mineral Resources Base Case 5% ZnEq Lower Cut Off Grade**

Zone	Category	Cutoff ZnEq %	Tonnes	Zn %	Pb %	Ag g/t	Cu %	ZnEq %	SG
Chimney	Indicated	5	1,369,000	5.6	4.2	66	0.1	10.8	3.5
Fort	Indicated	5	1,287,000	3.7	1.4	34	0.5	6.7	3.0
<b>Total</b>	<b>Indicated</b>	<b>5</b>	<b>2,656,000</b>	<b>4.7</b>	<b>2.9</b>	<b>50</b>	<b>0.3</b>	<b>8.8</b>	<b>3.2</b>

**Table 3: Kilbricken Deposit Inferred Mineral Resources Base Case 5% ZnEq Lower Cut Off Grade**

Zone	Category	Cutoff ZnEq %	Tonnes	Zn %	Pb %	Ag g/t	Cu %	ZnEq %	SG
Chimney	Inferred	5	635,000	5.9	3.6	61	0.1	10.4	3.4
Fort	Inferred	5	1,046,000	3.4	2.5	30	0.3	6.8	3.0
<b>Total</b>	<b>Inferred</b>	<b>5</b>	<b>1,681,000</b>	<b>4.4</b>	<b>2.9</b>	<b>41</b>	<b>0.2</b>	<b>8.2</b>	<b>3.1</b>

**Table 4: Kilbricken Deposit Indicated and Inferred Mineral Resources for the Chimney and Fort Zones at Various ZnEq Lower Cut Off Grades. The 5% ZnEq base case is highlighted.**

Zone	Category	Cutoff	Tonnes	Zn %	Pb %	Ag g/t	Cu %	ZnEq %	SG
Chimney	Indicated	4	1,444,000	5.4	4.1	64	0.1	10.4	3.4
Fort	Indicated	4	1,452,000	3.6	1.4	33	0.5	6.5	2.9
Chimney	Inferred	4	682,000	5.7	3.5	58	0.1	10.0	3.3
Fort	Inferred	4	1,194,000	3.2	2.4	30	0.3	6.5	3.0
Chimney	Indicated	5	1,369,000	5.6	4.2	66	0.1	10.8	3.5
Fort	Indicated	5	1,287,000	3.7	1.4	34	0.5	6.7	3.0
Chimney	Inferred	5	635,000	5.9	3.6	61	0.1	10.4	3.4
Fort	Inferred	5	1,046,000	3.4	2.5	30	0.3	6.8	3.0
Chimney	Indicated	6	1,291,000	5.8	4.4	67	0.1	11.1	3.5
Fort	Indicated	6	790,000	4.4	1.5	34	0.5	7.5	3.0
Chimney	Inferred	6	586,000	6.1	3.8	63	0.1	10.8	3.4
Fort	Inferred	6	876,000	3.5	2.7	31	0.3	7.0	3.0
Chimney	Indicated	7	1,173,000	6.0	4.5	70	0.1	11.5	3.5
Fort	Indicated	7	407,000	4.8	1.3	43	0.8	8.5	3.0
Chimney	Inferred	7	536,000	6.3	3.9	66	0.1	11.2	3.4
Fort	Inferred	7	267,000	4.2	2.6	44	0.5	8.3	3.0

Note: The zinc equivalent (ZnEq) value was calculated using the following formula:  $ZnEq\% = Zn\% + (Cu\% * 2.102) + Pb\% * 0.815 + (Ag\ g/t * 0.023)$  with assumed prices of Zn \$2587/t; Cu \$5437/t; Pb \$2108/t and Ag \$18.44/oz.

### Technical Summary

Two styles of mineralization are evident at Kilbricken. The upper Chimney zone demonstrates the classic high-grade (>10% ZnEq) Irish stratabound mineralization targeted by Hannan. This body has been drilled within an area of 750 metres by 200 metres and averages 12 metres thickness. The lower Fort Zone was found later than the Chimney zone and has been tested with fewer drill holes. It is structurally hosted, lower grade, but thicker, averaging 40 metres, and drilled within a 400 metre by 200 metres area.

The initial resource is expandable at all scales, from near resource to prospect scale. The Company has already commenced a drill resource expansion program with a three-fold objective:

1. To further delineate the underground potential around the current resource area. As of the date of this MD&A 13 holes have been completed for 6,517 metres.
2. To test conceptual and advanced exploration targets within 1-5 kilometres defined by recent structural and stratigraphic interpretation of re-processed 2D and 3D seismic data, litho geochemistry and soil geochemistry.
3. Test for first order mineralization within the 40 kilometre under-tested Waulsortian host horizon that exists within the Company's 100% owned 35,444 hectares of granted prospecting licences.

Lundin completed significant work on the property. A total of 278 drill holes for 134,000 m of diamond drilling was completed over the entire project. A total of 222 drill holes for 118,000 metres were drilled at the Kilbricken area. Lundin also undertook regional exploration in the remainder of the Clare Project, largely focussed on other Waulsortian-hosted zinc-lead prospects. Lundin carried out 616 metres of drilling at the Ballyvergin prospect with the objective of discovering additional zones of copper-silver mineralization. Lundin drilled a total of 2,370 metres on the Kilmurry Project, located within the Clare project area, 9 kilometres south-east of Kilbricken. In addition, significant surface geochemical and multiple geophysical surveys have been undertaken by Lundin and previous operators on the Clare Project area. Of note are a 3D seismic survey over the main Kilbricken mineralization in 2011, and 2D seismic survey conducted in 2012 that consisted of 8 traverses (each 3 - 3.5km long) over a total 10 kilometre strike length, spaced between 1-2 kilometres across the Kilbricken trend.

Massive sulphide mineralization at Kilbricken most commonly consists of early massive-textured, fine-grained pyrite, galena and sphalerite cross-cut by coarse-grained sphalerite and galena, resembling sulphides found in the overlying veins. It differs from most other Irish zinc/lead prospects in that it is rich in silver, where the silver is generally associated with galena-rich zones.

Readers are encouraged to review the NI 43-101 Technical Report for the Clare Project, August 22, 2017, on The Mineral Resource Estimate for the Kilbricken Zinc-Silver-Lead-Copper Project Co. Clare, Ireland for Hannan Metals Ltd in support of the Company's news release dated [July 10, 2017](#). The report is available on the on the SEDAR website at [www.sedar.com](http://www.sedar.com) or the Company's website at [www.hannanmetals.com](http://www.hannanmetals.com). The NI 43-101 Technical Report was authored by Mr. Geoff Reed of Reed Leyton Consultants and Dr. John Colthurst who are independent "qualified persons" as defined by National Instrument 43-101.

### ***Drill Results***

Hannan commenced drilling at Kilbricken in May 2017 and has subsequently completed 13 holes for a total of 6,517.3 metres. Hannan's drilling initially focused on expanding the resource at Kilbricken with the many holes intersecting significant mineralization and extending both the Fort and Chimney Zones. The true thickness of mineralized intervals at Kilbricken is interpreted to be greater than 95% of the sampled thickness.

Drill highlights include:

DH 17-3679-217 ("DH217") at the Fort Zone, one of the most mineralized ever drilled at the property:

- 8.0 metres @ 4.1% Zn, 33.7% Pb and 174 g/t Ag (37.9% Zn+Pb) from 528 metres, including 3.2 metres @ 8.4% Zn, 72.8% Pb and 388 g/t Ag (81.2% Zn+Pb) from 528 metres;
- 3.4 metres @ 5.2% Zn, 4.3% Pb and 33 g/t Ag (9.5% Zn+Pb) from 570 metres;
- 26.6 metres @ 7.5% Zn, 0.9% Pb and 14 g/t Ag (8.4% Zn+Pb) from 588 metres, including 18.8 metres @ 8.8% Zn, 1.1% Pb, 19 g/t Ag (9.9% Zn+Pb) from 588 metres;

DH 17-3679-218 ("DH218"), drilled at Fort Zone intersected massive sulphides within a down-hole thickness of 55 metres:

- 4.0 metres @ 0.7% Zn, 8.9% Pb and 31 g/t Ag (8.6% ZnEQ) from 526 metres, including 1.4 metres @ 1.6% Zn, 15.2% Pb and 53 g/t Ag from 526 metres and 1.0 metres @ 0.4% Zn, 13.8% Pb and 46 g/t Ag from 529 metres;
- 6.0 metres @ 2.5% Zn, 1.8% Pb and 13 g/t Ag (4.4% ZnEQ) from 544 metres, including 2.1 metres @ 5.0% Zn, 3.7% Pb and 25 g/t Ag from 548 metres;
- 6.4 metres @ 4.8% Zn, 1.3% Pb and 15 g/t Ag (6.3% ZnEQ) from 558 metres, including 1.1 metres @ 13.3% Zn, 3.1% Pb, 34 g/t Ag from 558 metres;
- 10.0 metres @ 3.4% Zn, 1.0% Pb and 13 g/t Ag (4.7% ZnEQ) from 571 metres;

DH 17-3679-219 ("DH219"), a 50 metre step out hole from the Fort Zone intersected massive sulphide mineralization within a total down-hole thickness of 92.9 metres:

- 8.4m @ 8.0% ZnEQ (6.2% Zn, 0.9% Pb, 15 g/t Ag and 0.35% Cu) from 599.0m, including 1.4m @ 20.8% ZnEQ (16.8% Zn, 3.5% Pb, 30 g/t Ag, 0.2% Cu) from 604.0m and;
- 12.8m @ 5.1% ZnEQ (3.2% Zn, 1.8% Pb, 13g/t Ag and 0.05% Cu) from 631.5m, including 0.9m @ 17.8% ZnEQ (15.3% Zn, 2.1% Pb, 25 g/t Ag, 0.1% Cu) from 643.4m.

DH 17-3679-220 ("DH220") first drill hole to test along strike from the Chimney Zone, was a 75 metre step out:

- 3.3m @ 10.4% ZnEQ (3.6% Zn, 6.5% Pb, 58 g/t Ag and 0.1% Cu) from 477.0m, including 1.0m @ 18.6% ZnEQ (3.7% Zn, 14.5% Pb, 121 g/t Ag, 0.2% Cu) from 478.6m

The remaining nine drill holes of the 2017 program (DH 17-3679-221 through to DH 17-3679-229; DH 17-3679-225 was abandoned at 72 metres) were drilled outside the Kilbricken resource area, based primarily on soil anomalies. Hole 17-3679-221 intersected anomalous copper mineralization 300 metres along strike from the Fort Zone. Hole 17-3679-226, drilled up dip from the resource area, intersected hematite alteration which is considered a good indicator of proximity to mineralization. Drill hole 17-3679-228 contained both pyrite at the base of reef with

intense dolomitization and a fault in the stratigraphic footwall, which indicates a drill target at shallower levels up-dip from the resource area. The remaining five holes did not intersect significant mineralization or alteration.

### ***Soil Sampling***

A 1,000 sample soil program focused on acquiring new samples within an area of >40km<sup>2</sup> of unexplored Waulsortian Limestone continues. Soil samples have been acquired by hand auger at 50cm depth on average (up to >1m). The sample material is brown earth, sometimes with a clay/sand/peat or chip components from the A horizon. Thin glacial cover (1-5m thick) is common over the project area. In combination with the re-interpretation and quality control of >18,000 historic soil samples, the new data already released reveals multiple new anomalies of Zn-Pb (with associated trace elements), some at target depths <300m. The anomalies show strong correlation with many prospective faults previously interpreted from aeromagnetic, gravity and seismic data.

New soil sampling results have identified a large and coherent anomaly up-dip from the mineral resource area at Kilbricken. Furthermore, 2 km NE of Kilbricken at the Ballyhickey prospect the survey revealed a 3km long and 600m wide soil anomaly that has never been drill tested. The anomaly identified is similar to the soil anomaly found above known mineralization at the Chimney resource area, and shows a strong correlation with prospective faults identified from gravity, magnetic and seismic data sets. This new anomaly, in combination with known structure, presents a target for immediate follow up, representing the Kilbricken mineralized position at shallower depth.

### ***Regional Soil Sampling***

During January 2018 the Company announced the results of an extensive 961 sample regional soil geochemical survey covering >200km<sup>2</sup> around the deposit. The Kilbricken deposit forms a strong geochemical signature at surface and the geochemical surveys were undertaken to search for new anomalies in a similar geological setting to that of Kilbricken.

Highlights are:

- Multi-element soil samples coverage, from immediately above and regionally around the 100% Kilbricken zinc deposit now extends over >200km<sup>2</sup>.
- All seven main anomalies defined are drill targets. As geochemical anomalies are not necessarily located directly above possible mineralization due to dispersion upwards through structural breaks, the geochemical data will be used in conjunction with gravity data and the recently completed 2D seismic data to better locate drill holes to test these anomalies.
- Further soil sampling on the Clare Project is continuing and focussed around Kilbricken, to infill and extend anomalies that have not been closed off.
- Several strong multipoint anomalies coinciding with structural targets identified from Hannan's seismic survey. This includes In the Kilbricken area 3 targets have been identified, Ballyhickey, Quin and Finanag
- Outside of the main Kilbricken area 5 targets have been prioritized. Each area consist of 2 or more samples with anomalies from by Zn, Cd,+/- As, Pb. Fe and Mn is generally low.

### ***Seismic Survey***

During January 2018 the Company announced completion of a 40.6 line kilometre 2D seismic survey at the Clare Project. The regional seismic survey is a first for the area and has delivered a critical new set of subsurface data across the Company's 35,444 hectare PLs, which will form the basis for current and future drill targeting and prioritization.

The survey traversed the most prospective parts of the Clare Basin within the Company's PLs and was used to identify and map geological structures that may host and control base metal mineralization. The Company's seismic survey propels understanding of the architecture and geological prospectivity of the Clare Basin, in a manner not previously possible. Highlights from the survey are:

- The 40.6 line kilometre 2D seismic survey identified the high-grade zinc mineralized position at Kilbricken and defined multiple new high priority targets in similar settings over a combined 12 kilometres trend immediately along strike and up dip from the Kilbricken resource.

- Over the regional scale, multiple drill targets were also identified across much of the Clare project, including major north dipping faults that are well documented to preferentially host economic zinc deposits in Ireland.
- The 6,000 metre drill program currently being planned will initially test targets over the combined 12 kilometres trend immediately along strike and up dip from the Kilbricken resource.
- In total the Clare project now has 68 kilometres of 2D seismic and 5 square kilometres of 3D seismic surveys which constrain depths and geometry of potentially mineralized targets, which will substantially decrease exploration costs and increase exploration effectiveness.
- Seismic surveying is not a technique commonly used in hard rock mining while is endemic in the oil and gas industry. Hannan is one of few hard rock exploration companies to use the method globally.

### ***Metallurgy***

On March 30, 2017 the Company announced the results of a gap analysis on mineralogical investigations on the Kilbricken project, Ireland by Dr. Kurt Forrester of Arn Perspective Ltd. Based on this study and the available information, it is likely a conventional lead-zinc flotation circuit at Kilbricken would be able to achieve saleable mineral concentrates. It is anticipated that there should be no penalties due to the presence of deleterious elements (arsenic, manganese, cadmium, selenium), subject to confirmation from the assessment of bulk element deportment during lead-zinc flotation. A primary grind of between 100µm to 150µm is anticipated to achieve satisfactory liberation and there are no red flags with the modal mineralogical analysis with respect to mineral processing and beneficiation. Based on the information available, it is anticipated that Kilbricken should be able to achieve high recoveries of both zinc and lead concentrates. Results from limited grade recovery analysis indicated the following recoveries probable using a conventional flowsheet:

- Targeting a sphalerite grade of 85% in the zinc concentrate would result in recoveries in excess of 85%.
- Targeting a galena grade of 70% in the lead concentrate would result in recoveries in excess of 75%.

Recommendations include conducting metallurgical test work across the deposit as part of an ongoing exploration and development program. The first drill hole (DH-217) will be used to collect metallurgical samples for locked cycle flotation testwork.

### ***Future Developments***

On October 3, 2018 the Company announced that a drill program commenced at the Ballyhickey Zinc-Silver-Lead target. A 4,000 meter drill program is planned where 2000m will target Ballyhickey and an additional 2000m will test other zinc-silver-lead targets within the licence block. The estimated budget for the fall drill program is \$500,000.

Other planned work is a detailed gravity grid and then further drilling at the Kilmurry prospect.

Since acquiring the Clare Project in September 2016, the Company has focussed on advancing the technical understanding of the Kilbricken project to develop a rigorous geological model to guide future exploration. The Company has engaged a specialist group of geological experts in rift tectonics, structural geology of Irish Zn-Pb deposits and local geology of the project area to re-interpret the structural controls on mineralization at Kilbricken, and the regional structures that controlled development of the Clare rift basin and subsequent Zn-Pb mineralization. In addition, 28-line kilometres of historic 2D seismic and four square kilometres of 3D seismic data have been re-processed; three airborne magnetic data surveys have been “de-cultured” and had spectral depth filtering applied; gravity data has been reprocessed; and >30,000 soil samples have been re-levelled and combined with geophysical data to define drill targets.

The Company also commenced a formal technical collaboration and agreement with iCRAG at the University College Dublin during 2017. iCRAG is an EU and industry funded research centre with experts in Irish mineral deposits which will aid in geological understanding and targeting of additional mineralization on Hannan’s Clare licences.

## Qualified Person

The qualified person for the Company's projects, Mr. Michael Hudson, the Company's Chairman and CEO, a Fellow of the Australasian Institute of Mining and Metallurgy, has reviewed and verified the contents of this document.

## Selected Financial Data

The following selected quarterly financial information is derived from the unaudited condensed consolidated interim financial statements of the Company and prepared using IFRS.

Three Months Ended	Fiscal 2019	Fiscal 2018				Fiscal 2017		
	Aug 31/18 \$	May 31/18 \$	Feb 28/18 \$	Nov 30/17 \$	Aug 31/17 \$	May 31/17 \$	Feb 28/17 \$	Nov 30/16 \$
<b>Operations:</b>								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(238,862)	(218,684)	(230,675)	(280,938)	(396,426)	(273,491)	(235,591)	(129,868)
Other Items	(3,594)	(14,673)	(2,619)	11,851	18,262	(7,201)	12,052	(6,588)
Net loss	(242,456)	(233,357)	(233,294)	(269,087)	(378,164)	(280,692)	(223,539)	(136,456)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
<b>Statement of Financial Position:</b>								
Working capital (deficiency)	856,200	140,507	678,140	1,676,200	2,585,416	(146,446)	776,408	(23,003)
Total assets	4,805,411	4,064,335	4,907,603	5,166,519	5,793,310	2,846,191	3,034,767	178,786
Total long-term liabilities	327,209	322,093	317,076	312,070	307,010	301,893	837,911	492,754

## Results of Operations

### *Three Months Ended August 31, 2018 Compared to Three Months Ended May 31, 2018*

During the three months ended August 31, 2018 ("Q1/2019") the Company reported a net loss of \$242,456 compared to a net loss of \$233,357 for the three months ended May 31, 2018 ("Q4/2018"), a marginal increase in loss of \$9,099. The fluctuation is mainly attributed to the following:

- (i) incurred \$21,240 (Q4/2018 - \$nil) in audit expenses due to the timing of the audit of fiscal 2018; and
- (ii) management and director compensation increased \$12,847, from \$42,227 in Q4/2018 compared to \$55,074 in Q1/2019. The increase in expenses was due primarily to the decrease in the allocation of the Company's VP Exploration's compensation to exploration and evaluation assets in Q1/2019.

### *Three Months Ended August 31, 2018 Compared to Three Months Ended August 31, 2017*

During the three months ended August 31, 2018 (the "2018 period") the Company reported a net loss of \$242,456 compared to a net loss of \$378,164 for the three months ended August 31, 2017 (the "2017 period"), a decrease in loss of \$135,708.

Expenses decreased by \$157,564 from \$396,426 during the 2017 period to \$238,862 during the 2018 period. Specific expenses of note during the 2018 period are as follows:

- (i) incurred \$4,000 (2017 - \$5,800) with Chase Management Ltd. ("Chase") a private corporation owned by Mr. Nick DeMare, the President and a director of the Company, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare. In addition, during the 2018 period the Company was also billed \$14,949 (2017 - \$14,591) for accounting services provided by a third party accounting firm for ongoing accounting for Hannan Ireland;
- (ii) in the 2017 period the Company recorded \$12,984 accretion of the property acquisition obligation to Lundin, which matured and was paid in March 2018;
- (iii) incurred \$17,804 in the 2018 period for corporate development costs, a decrease of \$20,494 from \$38,298 during the 2017 period. The reduction reflected a significant decrease in levels of corporate development activities and service providers;
- (iv) incurred \$9,153 in the 2018 period compared to \$5,925 in the 2017 period for drill core storage due to an increase in drill core storage facilities required in late 2017;



- (v) office, rent and miscellaneous expenses increased by \$2,870, from \$13,182 in the 2017 period to \$16,052 in the 2018 period, reflecting the additional costs of maintaining an exploration office in the village of Quin in County Clare, Ireland;
- (vi) incurred \$55,074 (2017 - \$71,142) for management and director compensation for services provided by current and former officers and directors of the Company, of which the Company expensed \$41,604 (2017 - \$57,072) and \$20,527 (2017 - \$9,421) was capitalized to exploration and evaluation assets. See also “Transactions with Related Parties”;
- (vii) recorded share-based compensation of \$104,232 on the granting of share options to purchase 425,000 common shares during the 2017 period. No share options were granted during the 2018 period;
- (viii) incurred \$1,000 (2017 - \$12,702) for shareholder costs, a \$11,702 decrease which is primarily attributed to a significant reduction in news releases in the 2018 period. In addition, during the 2017 period the Company engaged translation service providers for news releases; and
- (ix) incurred \$18,527 (2017 - \$28,842) of travel expenses representing a \$10,315 decrease.

In addition, the Company reported a foreign exchange loss of \$2,455 in the 2018 period compared to a foreign exchange gain of \$19,685 in the 2017 period.

The Company holds its cash in interest bearing accounts in major financial institutions. Interest income is generated from the deposits and fluctuates primarily with the levels of cash on deposit. During the 2018 period the Company reported interest income of \$3,978 compared to \$3,694 during the 2017 period.

### Exploration and Evaluation Assets

	<u>Ireland</u> <u>Clare Project</u> \$
<b>Balance at May 31, 2017</b>	<u>1,574,036</u>
<b>Exploration costs</b>	
Airborne geophysics	6,773
Drilling	838,325
Environmental	30,099
Field supplies	3,235
Geochemistry	143,072
Geology	56,614
Ground geophysics	797,940
Metallurgical testing	20,623
Other	<u>67,442</u>
	<u>1,964,123</u>
<b>Balance at May 31, 2018</b>	<u>3,538,159</u>
<b>Exploration costs</b>	
Drilling	15,740
Environmental	7,831
Geochemistry	27,689
Geology	19,894
Ground geophysics	15,020
Metallurgical testing	29,365
Other	<u>19,896</u>
	<u>135,435</u>
<b>Balance at August 31, 2018</b>	<u>3,673,594</u>

With the acquisition of the Clare Project in January 2017 the Company commenced an aggressive drilling program on the Kilbricken Project. During the 2018 period the Company completed reprocessing of data and analyzing its regional soil sampling conducted in early 2018 and focused on developing a drill program directed at the Ballyhickey drill target. See “Property Update - Clare Project”.

## **Financings Activities**

During the 2018 period the Company completed a non-brokered private placement of 7,370,900 units for gross proceeds of \$1,105,635. In addition the Company issued 30,000 common shares for \$3,000 on the exercise of share options.

During the 2017 period the Company completed a non-brokered private placement financing of 12,804,713 units, at a price of \$0.26 per unit for proceeds of \$3,329,225. The Company used the net proceeds to finance exploration expenditures at the Clare Project in Ireland, as well as for general working capital and corporate purposes.

Hannan BC had previously issued promissory notes totaling \$290,000 for advances provided to fund Hannan's Ireland activities incurred prior to the Acquisition, including incorporation costs, completion of the Asset Purchase Agreement and exploration activities prior to the Acquisition. These promissory notes are due and payable on December 31, 2019. During the 2018 period the Company recorded \$5,117 (2017 - \$5,117) of interest expense on the promissory notes. The promissory notes are held by shareholders of the Company including a family trust of the CEO of the Company. The Company expects that it will be successful in extending the maturity dates of the promissory notes as required.

## **Financial Condition / Capital Resources**

As at August 31, 2018 the Company had working capital in the amount of \$856,200. To date the Company has not earned significant revenues and is considered to be in the exploration stage. The Company's operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. Management considers that the Company has adequate resources to maintain its core operations and conduct current planned exploration programs on its existing exploration and evaluation assets. However, the Company recognizes that exploration expenditures may change with ongoing results and may need to secure additional financings in the near future. While the Company has been successful in securing financings in the past there can be no assurance that it will be able to do so in the future.

## **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

## **Proposed Transactions**

The Company has no proposed transactions.

## **Critical Accounting Estimates**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include estimating the fair values of financial instruments, valuation allowances for deferred income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates.

A detailed summary of the Company's critical accounting estimates and sources of estimation is included in Note 3 to the May 31, 2018 audited annual consolidated financial statements.

## **Changes in Accounting Policies**

There are no changes in accounting policies other than:

### ***Financial Instruments***

Effective June 1, 2018, the Company adopted IFRS 9 - *Financial Instruments* ("IFRS 9") using the modified retrospective approach. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities. The standard did not have an impact on the carrying amounts of the Company's financial instruments at the transition date. IFRS 9 uses a single approach to determine whether a financial asset is classified and

measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

A detailed summary of all the Company's significant accounting policies and accounting standards and interpretations issued but not yet effective, is included in Note 3 to the May 31, 2018 audited annual consolidated financial statements.

## Transactions with Related Parties

### (a) Transactions with Key Management Personnel

The Company has determined that key management personnel consists of the executive members of the Company. During the 2018 and 2017 periods the following amounts were incurred with respect to the Company's CEO (Mr. Hudson), President (Mr. DeMare), VP Exploration (Mr. Dahlenborg) and the CFO (Mr. Lim):

	2018 \$	2017 \$
Professional fees - Mr. Hudson <sup>(1)</sup>	24,000	24,000
Professional fees - Mr. DeMare	2,250	4,800
Professional fees - Mr. Dahlenborg <sup>(2)</sup>	33,631	36,193
Professional fees - Mr. Lim	2,250	1,500
	<u>62,131</u>	<u>66,493</u>

(1) Appointed January 9, 2017

(2) Appointed January 17, 2017

During the 2018 period the Company allocated the \$62,131 (2017 - \$66,493) fees based on the nature of the services provided: expensed \$41,604 (2017 - \$57,072) to management and director compensation; and capitalized \$20,527 (2017 - \$9,421) to exploration and evaluation assets. As at August 31, 2018 \$139,939 (May 31, 2018, - \$132,845) remained unpaid.

### (b) Transactions with Other Related Parties

(i) During the 2018 and 2017 periods the following amounts were incurred with respect to non-management current and former directors (David Henstridge, Michael Iannacone, Georgina Carnegie and Ciara Talbot) and the Corporate Secretary (Mariana Bermudez) of the Company:

	2018 \$	2017 \$
Professional fees - Mr. Henstridge	2,250	3,300
Professional fees - Mr. Iannacone <sup>(3)</sup>	-	2,250
Professional fees - Ms. Carnegie <sup>(4)</sup>	2,250	1,800
Professional fees - Ms. Talbot <sup>(5)</sup>	2,250	-
Professional fees - Ms. Bermudez <sup>(6)</sup>	6,720	6,720
	<u>13,470</u>	<u>14,070</u>

(3) Resigned October 4, 2017

(4) Appointed March 28, 2017

(5) Appointed October 4, 2017

(6) Since June 1, 2017 Ms. Bermudez's compensation was billed by a private corporation owned by Ms. Bermudez. Prior thereto, Ms. Bermudez was employed by Mawson Resources Limited ("Mawson") and her time was allocated to the Company.

As at August 31, 2018 \$65,850 (May 31, 2018 - \$73,600) remained unpaid relating to the professional fees.

- (ii) During the 2018 period the Company incurred a total of \$4,000 (2017 - \$5,800) to Chase, a private corporation owned by Mr. DeMare, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare. As at August 31, 2018 \$3,200 (May 31, 2018 - \$5,700) remained unpaid.
- (c) The Company has issued \$290,000 in promissory notes which bear interest at 7% per annum. The principal amounts and accrued interest are currently scheduled to be due and payable on December 31, 2019. During the 2018 period the Company recorded \$5,117 (2017 - \$5,117) of interest expense. The promissory notes are held by shareholders of the Company including a family trust of the CEO of the Company.
- (d) During the 2018 period directors, officers and close family members purchased 1,333,333 units (2017 - 886,000 units) of the private placement for \$200,000 (2017 - \$230,360).

### **Risks and Uncertainties**

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should consider investing in the Company's common shares.

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

### **Outstanding Share Data**

The Company's authorized share capital is unlimited common shares with no par value. As at October 25, 2018, there were 47,664,602 issued and outstanding common shares, 14,866,335 warrants outstanding at exercise prices ranging from \$0.10 to \$0.40 per share and 2,236,000 share options outstanding at exercise prices ranging from \$0.10 to \$0.45 per share.