

# HANNAN METALS LTD.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED FEBRUARY 28, 2019

This discussion and analysis of financial position and results of operation is prepared as at April 26, 2019 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and the accompanying notes for the nine months ended February 28, 2019 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. The Company's flagship property is the Kilbricken base metal project located in County Clare, Ireland. The Company has also staked claim applications for copper in Peru. The claim applications currently total 35,400 hectares in three different project areas named Tabalosos, Gera and Sacanche.

### *Change of Officers*

On January 25, 2019 Mr. Lars Dahlenborg, Vice-President of Exploration for the Company since January 2017, was promoted to the position of President of the Company to lead the next phase of exploration for the Company. Mr. Dahlenborg is an exploration geologist with ten years of experience. He began his career as an underground mapping geologist at LKAB in Kiruna, Sweden. Before joining Hannan, Mr. Dahlenborg worked for Mawson Resources Limited's exploration team in Finland, Sweden and Peru from 2007 to 2016. Mr. Dahlenborg holds a MSc geology from Lund University in Sweden and is a member of the Australian Institute of Geoscientists. To facilitate this appointment, Mr. Nick DeMare resigned as President of the Company. Mr. DeMare continues to serve as a director of the Company.

## Property Update

### *San Martin Copper-Silver, Peru*

In September 2018 the Company identified an opportunity to diversify its base metal portfolio and staked claim applications for copper in Peru. Since then the Company has staked 35,400 hectares in three different project areas named Tabalosos, Gera and Sacanche. The San Martin project area application is 100% owned by Hannan, and is located about 30 kilometres northwest of Tarapoto, in the Cordillera Ayu Mayo. The mineral claim applications cover 76 kilometres of combined strike of the prospective host horizon within a 110 kilometre long basin. Project access is excellent via a proximal paved highway, while the altitude varies between 800 metres to 1,600 metres in a region of high rainfall and predominantly forest cover.

Key points are:

- Big, unexplored sediment-hosted high-grade copper-silver district in Peru.
- Style, commodity and country for the majors, Zambian copper-belt analogies. First mover into basin.
- Exploration target of considerable scale. Permit applications now cover 35,400 ha and provide Hannan with first mover advantage of an area exceeding 72km of strike.
- First prospected area, mineralized boulders (>0.1% copper) range in grade from 0.1% to 8.3% copper and 0.2 g/t silver to 109 g/t silver with an average grade of 2.8% copper and 27.2 g/t silver over 15 kilometre area.
- Multiple gossans up 80 metres in thickness have been recorded over multiple kilometres of strike.
- Three teams on ground from May-Sept 2019 to prospect/define mineralization over 110 kilometres.

During late 2018, initial sampling was conducted in one of the 3 claim areas, Tabalosos. While only a smaller proportion of the claims were accessible owing to seasonal rains, four separate areas of high-grade mineralized copper-silver boulders were discovered over a 15-kilometre strike, across multiple structures. Grab samples taken from nineteen mineralized boulders (>0.1% copper) within creeks which drain outcrop returned values ranging from 0.1 to 8.3% copper and 0.2 to 109 g/t silver with an average grade of 2.8% copper and 27.2 g/t Ag over 15 kilometres of strike across two structural corridors, highlighting the potential for discovery of a strike extensive near-surface, sediment-hosted copper deposit. Grab samples are selected samples and not necessarily representative of the mineralization hosted on the property.

The [Gera](#) claim application covers 10,000 hectares and is located immediately NW of Tabalosos along an anticline that exposes the prospective Saraquillo Formation for an additional 25km of strike.

The [Sacanche claims](#) are an extension of the sediment-hosted copper-silver mineralized position discovered in [Gera](#) and [Tabalosos](#) claim applications. A total of 5,900 hectares of claim applications have been lodged for the Sacanche area, located 44 kilometres south of the central and initial Tabalosos claim application. Early stage historic exploration at Sacanche identified both sediment-hosted copper and lead-zinc-copper gossans. Multiple gossans up 80 metres in thickness have been recorded over multiple kilometres of strike. Scant historic sampling records grab samples from river float assaying significant copper and silver discovered intermittently along the 25 kilometre strike of the Sacanche claim application area.

At the date of this MD&A the claim applications are in process and have not been granted. Hannan had a community liaison team on the ground before sampling took place and looks forward to working closely with all the communities in the area. Although copper mineralization is developed within a 110-kilometre-long corridor, mineralized widths remain unknown and will be the focus of upcoming work programs.

The San Martin project lies in the Sub-Andean zone of Andean Cordillera. Since the 1970's the area has principally been explored for petroleum, delivering large seismic datasets similar to those being used by Hannan for targeting of zinc in Ireland. Seismically-defined basin structures and stratigraphy are now being interpreted in the context of sediment-hosted copper mineralization.

The Sub-Andean zone is underlain by a series of retro-arc foreland basins that were inverted during the Mid-Eocene and the Miocene. The inversion exposed a rift sequence initiated in the late Permian, composed of red beds and thick basin-wide evaporites. These rocks are contemporary to the Pucara and Mitu Groups in western Peru. The

geological history shows a strong similarity to sedimentary basins which host giant sediment hosted copper deposits with respect to the stratigraphy, basin architecture, presence of thick evaporites and long periods of quiescence.

Copper and silver mineralization is hosted by the 150 Ma Saraquillo Formation, which was deposited in an intra-continental basin during the Jurassic-Early Cretaceous period. The Saraquillo Formation is 1.2-1.8 kilometres thick and extends for over 1,000 kilometres of strike. The Saraquillo Formation is spatially associated with salt domes which supports the seismic observations of widespread evaporitic strata, with several small artisanal salt and copper mines present in the area. Copper mineralization discovered to date is associated with the contact of fine-grained reduced carbonaceous sandstones with highly oxidized red beds of the Saraquillo Formation. Chalcocite is the dominant copper sulphide and it is always found together with carbonaceous material. Chalcocite occurs as fine disseminations, fracture filling and centimetre-sized massive aggregates. Secondary copper minerals are common on exposed surfaces. Albitization and silicification is associated with the mineralization, where the former dominates in more strongly mineralized samples.

Management of Hannan have had significant prior experience in Peru, which is the world's second largest copper producer, with steady growth predicted over the coming years. The country's copper output is forecast to increase from 2.5 million tonnes ("Mt") in 2018 to 3.8Mt by 2027, averaging 4.7% annual growth. Sediment-hosted deposits are the world's second most important source of copper accounting for approximately 20% of world production.

#### *Future Developments*

Hannan will commence the 2019 dry-season exploration program with field reconnaissance and plans to have a multi-team exploration program commence from late April 2019. The exploration work will mainly be composed of project wide mapping and prospecting to identify the best zones for initial drill testing.

#### ***Clare Zinc-Lead-Silver Project, Ireland***

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.

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

*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.

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.

### *Drill Results*

Hannan commenced drilling at Kilbricken in May 2017 and has subsequently completed 16 holes for a total of 7,189.3 metres. Hannan's drilling initially focused around Kilbricken with 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 Kilbricken, 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 Kilbricken, 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. The remaining five holes did not intersect significant mineralization or alteration.

In October 2018 the Company drilled three drill holes at the Ballyhickey prospect located two kilometres NE of Kilbricken. Drill targets had been developed from seismic and surface geochemistry. The drilling confirmed the geological model and encounter significant faulting similar to the faults controlling the Kilbricken deposits. One of the drill holes intersected weak calcite pyrite alteration at the base of the Waulsortian limestone.

In February 2019 the Company extended a pre-existing drill hole (11-3643-10) at the Kilmurry prospect located 9km south of the Kilbricken prospect. The target was a seismic and detailed gravity defined structural and stratigraphic target mapped by Hannan over greater than 15 kilometres strike and 1-2 kilometres width. Historic drilling identified significant alteration and mineralization immediately south in the footwall of the Kilmurry target. Hannan's extension of hole 11-3643-10 encountered intense hydrothermal hematite for 4 metres at the base of the potential mineralized position and calcite/dolomite breccia over more than 60 metres thickness, with sporadic gossanous patches after pyrite and calcite textures suggesting replacement of barite. The hydrothermal hematite alteration is highly significant as it lies proximal to mineralization at Irish-style deposits such as Lisheen, Tynagh and Silvermines and can be considered a near-miss indicator. Further drilling is required.

### *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 Kilbricken. Furthermore, 2km 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 zone, and shows a strong correlation with prospective faults identified from gravity, magnetic and seismic data sets. This new anomaly was drill tested in October 2018. One of three drill holes intersected weak alteration at the base of the Waulsortian limestone.

### *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 three targets which have been identified in the Kilbricken area, 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 deposit.
- 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 Kilbricken.
- 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.

### *Gravity Survey*

In October 2018 the Company completed a gravity survey over the Kilmurry prospect, 12km South of Kilbricken. The survey was designed to map the area between two seismic profiles where significant faults were mapped (the Kilmurry fault zone) during the seismic survey. The gravity survey confirmed the existence of the faults and also highlighted the possibility of a fault relay zone between the two seismic profiles.



## Future Developments

The current focus in Ireland is the Kilmurry prospect which ticks all the boxes of a significant drill target. The Kilmurry fault zone, mapped by seismic surveys, gravity and supported by historic drilling, has been traced over 10 kilometres of strike. Further drilling is recommended at Kilmurry, with four priority targets defined within the ramp-relay system over 6 kilometres. However, the Company's immediate plans are to focus on the dry-season field exploration program at its Peruvian San Martin [sediment-hosted copper-silver project](#) where field work on new areas is set to start in April 2019.

## 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	
	Feb 28/19 \$	Nov 30/18 \$	Aug 31/18 \$	May 31/18 \$	Feb 28/18 \$	Nov 30/17 \$	Aug 31/17 \$	May 31/17 \$
<b>Operations:</b>								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(251,473)	(286,145)	(238,862)	(218,684)	(230,675)	(280,938)	(396,426)	(273,491)
Other Items	(3,290)	(4,077)	(3,594)	(14,673)	(2,619)	11,851	18,262	(7,201)
Net loss	(254,763)	(290,222)	(242,456)	(233,357)	(233,294)	(269,087)	(378,164)	(280,692)
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)	(16,629)	397,472	856,200	140,507	678,140	1,676,200	2,585,416	(146,446)
Total assets	4,370,544	4,573,836	4,805,411	4,064,335	4,907,603	5,166,519	5,793,310	2,846,191
Total long-term liabilities	337,276	332,270	327,209	322,093	317,076	312,070	307,010	301,893

## Results of Operations

### Three Months Ended February 28, 2019 Compared to Three Months Ended November 30, 2018

During the three months ended February 28, 2019 ("Q3") the Company reported a net loss of \$254,763 compared to a net loss of \$290,222 for the three months ended November 30, 2018 ("Q2"), a decrease in loss of \$35,459. The fluctuation is mainly attributed to the following:

- (i) \$22,290 share-based compensation recorded during Q3 on the granting of 537,000 share options compared to share-based compensation of \$55,810 in Q2 on the granting of 500,000 share options;
- (ii) travel expenses increased by \$29,626, from \$18,019 in Q2 to \$47,645 in Q3, primarily attributable to additional travel incurred by Company management; and
- (iii) during Q3 the Company incurred \$4,392 for general exploration comprising \$3,427 in Peru and \$965 in the USA. During Q2 the Company incurred \$23,477 for general exploration comprising \$13,442 for Peru and \$10,035 in Europe.

### Nine Months Ended February 28, 2019 Compared to Nine Months Ended February 28, 2018

During the nine months ended February 28, 2019 (the "2019 period") the Company reported a net loss of \$787,541 compared to net loss of \$880,545 for the nine months ended February 28, 2018 (the "2018 period"), a decrease in loss of \$93,004.

Expenses decreased by \$131,459, from \$908,039 during the 2018 period to \$776,580 during the 2019 period. Specific expenses of note during the 2019 period are as follows:



- (i) incurred \$56,841 in the 2019 period for corporate development costs, a decrease of \$35,706 from \$92,546 during the 2018 period. The reduction reflected a significant decrease in levels of corporate development activities and service providers;
- (ii) salaries and wages expense increased by \$34,138, from \$4,254 in the 2018 period to \$38,392 in the 2019 period reflecting a decrease in allocation of salaries and wages for the Company's geologists to exploration and evaluation assets during the 2019 period;
- (iii) recorded share-based compensation of \$78,100 (2018 - \$111,785) on the granting of share options to purchase 1,037,000 (2018 - 475,000) common shares;
- (iv) incurred \$213,624 (2018 - \$228,575) for management and director compensation for services provided by current and former officers and directors of the Company, of which the Company expensed \$154,020 (2018 - \$183,119) and \$59,604 (2018 - \$45,456) was capitalized to exploration and evaluation assets. See also "Transactions with Related Parties";
- (v) during the 2018 period the Company recorded \$24,073 accretion of the property acquisition obligation to Lundin, which matured and was paid in March 2018;
- (vi) professional fees decreased by \$19,602, from \$106,064 in the 2018 period to \$86,461 in the 2019 period, reflecting a reduction of services provided to the Company;
- (vii) incurred \$9,033 (2018 - \$26,005) for shareholder costs, a \$16,972 decrease which is primarily attributed to a significant reduction in dissemination of news releases in the 2019 period. In addition, during the 2018 period the Company engaged translation service providers for news releases;
- (viii) incurred \$84,191 (2018 - \$71,233) of travel expenses representing a \$12,958 increase due to additional travel to Peru;
- (ix) during the 2019 period the Company incurred \$28,612 for general exploration compared to \$41,535 in the 2018 period, a decrease of \$12,923;
- (x) office, rent and miscellaneous expenses increased by \$9,430, from \$41,425 in the 2018 period to \$50,855 in the 2019 period;
- (xi) incurred \$18,075 in the 2018 period, compared to \$27,207 in the 2019 period, for increased drill core storage facilities required; and
- (xii) incurred \$34,950 (2018 - \$29,600) 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 2019 period the Company was also billed \$34,447 (2018 - \$48,200) for accounting services provided by a third party accounting firm for ongoing accounting for Hannan Ireland.

In addition, the Company reported a foreign exchange loss of \$5,789 in the 2019 period compared to a foreign exchange gain of \$23,557 in the 2018 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 2019 period the Company reported interest income of \$10,011 compared to \$19,120 during the 2018 period, reflecting reduce funds held.

## Exploration and Evaluation Assets

	<u>Ireland</u>	<u>Peru</u>	
	<u>Clare Project</u>	<u>San Martin</u>	<u>Total</u>
	\$	Project	\$
	\$	\$	\$
<b>Balance at May 31, 2017</b>	1,574,036	-	1,574,036
<b>Exploration costs</b>			
Airborne geophysics	6,773	-	6,773
Drilling	838,325	-	838,325
Environmental	30,099	-	30,099
Field supplies	3,235	-	3,235
Geochemistry	143,072	-	143,072
Geology	56,614	-	56,614
Ground geophysics	797,940	-	797,940
Metallurgical testing	20,623	-	20,623
Other	67,442	-	67,442
	<u>1,964,123</u>	<u>-</u>	<u>1,964,123</u>
<b>Balance at May 31, 2018</b>	<u>3,538,159</u>	<u>-</u>	<u>3,538,159</u>
<b>Exploration costs</b>			
Drilling	185,679	-	185,679
Environmental	7,831	-	7,831
Geochemistry	34,338	-	34,338
Geology	29,045	26,905	55,950
Ground geophysics	28,295	-	28,295
Metallurgical testing	29,365	-	29,365
Other	28,654	3,497	32,151
Personnel	-	243	243
Sampling	-	2,719	2,719
	<u>343,207</u>	<u>33,364</u>	<u>376,571</u>
<b>Acquisition costs</b>			
License applications	-	174,775	174,775
<b>Balance at February 28, 2019</b>	<u>3,881,366</u>	<u>208,139</u>	<u>4,089,505</u>

With the acquisition of the Clare Project in January 2017 the Company commenced an aggressive drilling program on the Kilbricken Project. During the 2019 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. During the 2019 period the Company conducted initial field work and submitted 49 mineral claim applications for the San Martin Project located in north-central Peru. See also "Property Update".

## Financings Activities

During the 2019 period the Company completed a non-brokered private placement of 7,370,900 units for gross proceeds of \$1,105,635. The Company is using the net proceeds to finance exploration expenditures at the Clare Project and the San Martin Project, as well as for general working capital and corporate purposes.

During the 2018 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.

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, 2020. During the 2019 period the Company recorded \$15,183 (2018 - \$15,183) 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.

## **Financial Condition / Capital Resources**

As at February 28, 2019 the Company had a working capital deficit in the amount of \$16,629. 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 will require additional financing to maintain its core operations, conduct planned exploration programs on its existing exploration and evaluation assets and discharge its obligations as they become due in the next twelve months. 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. If the Company is unable to obtain adequate additional financing the Company will be required to curtail operations and exploration and development activities. These factors cast significant doubt about the Company's ability to continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

Subsequent to February 28, 2019 the Company announced a non-brokered private placement financing of up to 5,000,000 units of the Company at a price of \$0.10 per unit for gross proceeds of up to \$500,000. Each unit comprises one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share of the Company at an exercise price of \$0.15 for a period of two years from closing. On April 24, 2019 the Company closed on the first tranche of the private placement for 4,205,000 units for gross proceeds of \$420,500. The proceeds will be used to fund exploration expenditures at the Company's projects in Peru and Ireland, as well as for general working capital.

## **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 2019 and 2018 periods the following amounts were incurred with respect to the Company's CEO (Mr. Hudson), former President (Mr. DeMare), current President and former VP Exploration (Mr. Dahlenborg) and the CFO (Mr. Lim):

	2019 \$	2018 \$
Professional fees - Mr. Hudson	72,000	72,000
Professional fees - Mr. DeMare <sup>(1)</sup>	6,750	9,300
Professional fees - Mr. Dahlenborg <sup>(1)</sup>	91,914	104,135
Professional fees - Mr. Lim	6,750	6,000
	<u>177,414</u>	<u>191,435</u>

(1) On January 25, 2019 Mr. DeMare resigned as the President of the Company and Mr. Dahlenborg was appointed as the President and resigned as VP Exploration.

During the 2019 period the Company allocated the \$177,414 (2018 - \$191,435) management fees based on the nature of the services provided: expensed \$117,810 (2018 - \$145,979) to management and director compensation; and capitalized \$59,604 (2018 - \$45,456) to exploration and evaluation assets. As at February 28, 2019, \$139,643 (May 31, 2018 - \$132,845) remained unpaid.

(b) *Transactions with Other Related Parties*

(i) During the 2019 and 2018 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:

	2019 \$	2018 \$
Professional fees - Mr. Henstridge	6,750	7,800
Professional fees - Mr. Iannacone <sup>(3)</sup>	-	3,750
Professional fees - Ms. Carnegie <sup>(4)</sup>	6,750	6,300
Professional fees - Ms. Talbot <sup>(5)</sup>	6,750	3,750
Professional fees - Ms. Bermudez	15,960	15,540
	<u>36,210</u>	<u>37,140</u>

(3) Resigned October 4, 2017

(4) Appointed March 28, 2017

(5) Appointed October 4, 2017

As at February 28, 2019, \$62,100 (May 31, 2018 - \$73,600) remained unpaid relating to the professional fees.

(ii) During the 2019 period the Company incurred a total of \$34,950 (2018 - \$29,600) to Chase, a private corporation owned by Mr. DeMare, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare. As at February 28, 2019 \$9,250 (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, 2020. During the 2019 period the Company recorded \$15,183 (2018 - \$15,183) 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 2019 period directors, officers and a close family member purchased 1,333,333 units (2018 - 886,000 units) of the private placement for \$200,000 (2018 - \$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 April 26, 2019, there were 51,869,602 issued and outstanding common shares, 16,869,885 warrants outstanding at exercise prices ranging from \$0.10 to \$0.40 per share and 2,743,000 share options outstanding at exercise prices ranging from \$0.10 to \$0.45 per share.