
HANNAN METALS LTD.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2019**

(Unaudited - Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

HANNAN METALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	Note	November 30, 2019 \$	May 31, 2019 \$
ASSETS			
Current assets			
Cash		301,627	371,663
GST/VAT receivable		10,529	10,099
Prepaid expenses		<u>28,711</u>	<u>39,398</u>
Total current assets		<u>340,867</u>	<u>421,160</u>
Non-current assets			
Exploration and evaluation assets	4	<u>4,348,867</u>	<u>4,207,842</u>
Total non-current assets		<u>4,348,867</u>	<u>4,207,842</u>
TOTAL ASSETS		<u>4,689,734</u>	<u>4,629,002</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	245,900	294,573
Due to related party	7(c)	<u>50,000</u>	<u>-</u>
Total non-current assets		<u>295,900</u>	<u>294,573</u>
Non-current liabilities			
Promissory notes payable	5	<u>352,570</u>	<u>342,393</u>
TOTAL LIABILITIES		<u>648,470</u>	<u>636,966</u>
SHAREHOLDERS' EQUITY			
Share capital	6	8,171,383	7,869,329
Share-based payments reserve		3,709,194	3,709,194
Deficit		<u>(7,839,313)</u>	<u>(7,586,487)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>4,041,264</u>	<u>3,992,036</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>4,689,734</u>	<u>4,629,002</u>

Nature of Operations and Continuing Operations - Note 1

Events after the Reporting Period - Note 11

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on January 23, 2020 and are signed on its behalf by:

/s/ Nick DeMare
 Nick DeMare
 Director

/s/ Michael Hudson
 Michael Hudson
 Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

HANNAN METALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

Note	Three Months Ended November 30		Six Months Ended November 30		
	2019 \$	2018 \$	2019 \$	2018 \$	
Expenses					
Accounting and administration	7(b)	19,945	30,200	34,236	49,149
Audit		20,000	-	20,000	21,420
Corporate development		2,000	17,085	11,356	34,889
Drill core storage		2,914	8,859	4,872	18,112
General exploration		-	23,477	-	24,220
Insurance		3,022	8,941	7,634	19,696
Legal		3,630	3,294	7,694	6,727
Office, rent and miscellaneous		9,941	12,837	18,294	28,889
Management and director compensation	7	14,916	46,853	59,723	101,927
Professional fees		-	31,442	-	73,159
Regulatory fees		3,949	3,949	5,969	5,843
Salaries and wages		-	6,749	33,108	20,403
Share-based compensation	6(e)	-	55,810	-	55,810
Shareholder costs		10,131	4,977	10,131	5,977
Transfer agent		4,116	4,390	5,148	6,005
Travel		994	18,019	20,233	36,546
Vehicle rental		-	9,263	829	16,335
		<u>95,558</u>	<u>286,145</u>	<u>239,227</u>	<u>525,107</u>
Loss before other items		<u>(95,558)</u>	<u>(286,145)</u>	<u>(239,227)</u>	<u>(525,107)</u>
Other items					
Interest income		532	3,980	1,765	7,958
Foreign exchange		(661)	(2,997)	(5,187)	(5,452)
Interest expense	5	<u>(5,060)</u>	<u>(5,060)</u>	<u>(10,177)</u>	<u>(10,177)</u>
		<u>(5,189)</u>	<u>(4,077)</u>	<u>(13,599)</u>	<u>(7,671)</u>
Net and comprehensive loss for the period		<u>(100,747)</u>	<u>(290,222)</u>	<u>(252,826)</u>	<u>(532,778)</u>
Basic and diluted loss per common share		<u>\$(0.00)</u>	<u>\$(0.01)</u>	<u>\$(0.00)</u>	<u>\$(0.01)</u>
Weighted average number of common shares outstanding		<u>52,823,064</u>	<u>47,664,602</u>	<u>52,743,833</u>	<u>46,240,605</u>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

HANNAN METALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian Dollars)

Six Months Ended November 30, 2019					
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Equity \$
	Number of Shares	Amount \$			
Balance at May 31, 2019	52,664,602	7,869,329	3,709,194	(7,586,487)	3,992,036
Common shares issued for:					
- private placement	4,753,847	309,000	-	-	309,000
Share issue costs	-	(6,946)	-	-	(6,946)
Net loss for the period	-	-	-	(252,826)	(252,826)
Balance at November 30, 2019	<u>57,418,449</u>	<u>8,171,383</u>	<u>3,709,194</u>	<u>(7,839,313)</u>	<u>4,041,264</u>

Six Months Ended November 30, 2018					
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Equity \$
	Number of Shares	Amount \$			
Balance at May 31, 2018	40,263,702	6,290,147	3,632,469	(6,566,043)	3,356,573
Common shares issued for:					
- private placement	7,370,900	1,105,635	-	-	1,105,635
- share options	30,000	3,000	-	-	3,000
Share issue costs	-	(21,447)	1,280	-	(20,167)
Share-based compensation	-	-	55,810	-	55,810
Transfer on exercise of share options	-	2,655	(2,655)	-	-
Net loss for the period	-	-	-	(532,778)	(532,778)
Balance at November 30, 2018	<u>47,664,602</u>	<u>7,379,990</u>	<u>3,686,904</u>	<u>(7,098,821)</u>	<u>3,968,073</u>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

HANNAN METALS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Six Months Ended November 30,	
	2019 \$	2018 \$
Operating activities		
Net loss for the period	(252,826)	(532,778)
Adjustments for:		
Interest expense	10,177	10,177
Share-based compensation	-	55,810
Changes in non-cash working capital items:		
GST/VAT receivable	(430)	(28,970)
Prepaid expenses	10,687	1,706
Accounts payable and accrued liabilities	(48,673)	(3,085)
Due to related party	50,000	-
Net cash used in operating activities	<u>(231,065)</u>	<u>(497,140)</u>
Investing activity		
Expenditures on exploration and evaluation assets	<u>(141,025)</u>	<u>(473,803)</u>
Net cash used in investing activity	<u>(141,025)</u>	<u>(473,803)</u>
Financing activities		
Issuance of common shares	309,000	1,108,635
Share issue costs	<u>(6,946)</u>	<u>(20,167)</u>
Net cash provided by financing activities	<u>302,054</u>	<u>1,088,468</u>
Net change in cash during the period	(70,036)	117,525
Cash at beginning of period	<u>371,663</u>	<u>477,866</u>
Cash at end of period	<u>301,627</u>	<u>595,391</u>

Supplemental cash flow information - Note 10

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

HANNAN METALS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2019
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations and Continuing Operations

The Company was incorporated under the provisions of the Company Act (British Columbia). The Company's common shares currently trade on the TSX Venture Exchange ("TSXV") 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 engaged in the acquisition and exploration of mineral properties. As at November 30, 2019 the Company has not earned any production revenue, nor has it determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral resource interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and upon future profitable production. Mineral resource interests represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. As a mineral Company in the exploration stage the ability of the Company to complete the exploration and development of its mineral property interests will be affected primarily by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and other means.

The Company has a history of losses with no operating revenues and, as at November 30, 2019, the Company had working capital of \$44,967 and an accumulated deficit of \$7,839,313. 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. 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. These condensed consolidated interim financial statements do not reflect any adjustments which could be material to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern. See also Note 11.

These condensed consolidated interim financial statements do not reflect any adjustments related to conditions that occurred subsequent to November 30, 2019.

2. Basis of Preparation

Statement of Compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended May 31, 2019, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's audited consolidated financial statements for the year ended May 31, 2019 other than the adoption of IFRS 16 - *Leases* ("IFRS 16").

Changes in Accounting Policies - IFRS 16

The Company adopted all of the requirements of IFRS 16, effective June 1, 2019. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

There was no material impact on the Company's condensed consolidated interim financial statements upon the adoption of this new standard.

HANNAN METALS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2019
(Unaudited - Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

Basis of Measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. These condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted.

3. Subsidiaries

The subsidiaries of the Company are as follows:

<u>Company</u>	<u>Location of Incorporation</u>	<u>Ownership Interest</u>
Hannan Metals BC Ltd. ("Hannan BC")	British Columbia, Canada	100%
Hannan Metals Ireland Limited ("Hannan Ireland")	Ireland	100%

4. Exploration and Evaluation Assets

	<u>Ireland</u>	<u>Peru</u>	
	<u>Clare Project</u>	<u>San Martin Project</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balance at May 31, 2018	<u>3,538,159</u>	<u>-</u>	<u>3,538,159</u>
Exploration costs			
Drilling	187,087	-	187,087
Environmental	7,831	-	7,831
Geochemistry	35,896	-	35,896
Geological	39,261	55,359	94,620
Ground geophysics	28,295	-	28,295
Metallurgical testing	35,780	-	35,780
Other	34,055	15,273	49,328
Personnel	-	2,406	2,406
Sampling	-	7,481	7,481
	<u>368,205</u>	<u>80,519</u>	<u>448,724</u>
Acquisition costs			
License applications	-	220,959	220,959
Balance at May 31, 2019	<u>3,906,364</u>	<u>301,478</u>	<u>4,207,842</u>
Exploration costs			
Geological	-	37,183	37,183
Other	-	5,122	5,122
Sampling	-	5,345	5,345
	<u>-</u>	<u>47,650</u>	<u>47,650</u>
Acquisition costs			
License applications	-	93,375	93,375
Balance at November 30, 2019	<u>3,906,364</u>	<u>442,503</u>	<u>4,348,867</u>

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4. Exploration and Evaluation Assets (continued)

Clare Project

The Company holds a 100% interest in seven prospecting licences located in County Clare, Ireland (the “Licences”) pursuant to an assignment agreement. Under a separate asset purchase agreement dated June 3, 2016 (the “Asset Purchase Agreement”) between the Company and Lundin Mining Exploration Limited (“Lundin”), the Company purchased all exploration data associated with the Licences for an initial cash payment of \$191,910 (US \$150,000) in fiscal 2017 and additional cash payments totalling \$1,057,473 (US \$850,000) in fiscal 2018.

The Company is also required to pay Lundin a one-time bonus payment of US \$5,000,000 within the earlier of: (i) a 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. Lundin retains a 2% net smelter return royalty on all sales of mineral products extracted from the area of land subject to the Licences, subject to a 0.5% buy back right of the Company for US \$5,000,000, which must be exercised within one year from the date of commercial production.

The Company also holds a further 15 prospecting licences which have been granted.

San Martin Project

The Company currently has 25 mineral concessions granted and 41 mining concessions under application (the “San Martin Project”) located in San Martin Province of the Department of San Martin, northern Peru.

5. Promissory Notes Payable

	November 30, 2019 \$	May 31, 2019 \$
Promissory notes	290,000	290,000
Accrued interest	<u>62,570</u>	<u>52,393</u>
	<u>352,570</u>	<u>342,393</u>

The promissory notes have been issued by Hannan BC and bear interest at 7% per annum. The principal amounts and accrued interest are due December 31, 2020. During the six months ended November 30, 2019 the Company recorded \$10,177 (2018 - \$10,177) of interest expense. The promissory notes are held by shareholders of the Company, including a family trust of the CEO of the Company.

6. Share Capital

(a) *Authorized Share Capital*

The Company’s authorized share capital consists of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) *Equity Financings*

Six Months ended November 30, 2019

On November 27, 2019 the Company completed a non-brokered private placement of 4,753,847 common shares, at \$0.065 per share, for gross proceeds of \$309,000. Certain directors and officers of the Company purchased a total of 653,847 common shares for \$42,500.

The Company incurred \$6,946 for legal and filing costs associated with the private placement.

HANNAN METALS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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6. Share Capital (continued)

Fiscal 2019

- (i) On July 6, 2018 the Company completed a non-brokered private placement for 7,370,900 units, at \$0.15 per unit, for gross proceeds of \$1,105,635. Each unit comprised one common share and one common share purchase warrant to purchase an additional share of the Company, with an exercise price of \$0.25 per share, expiring July 6, 2021. Each warrant is subject to a forced conversion once the common shares trade above a weighted average trading price of \$0.45 per share for any 20 consecutive trading days commencing at any time after November 7, 2018. Directors and officers of the Company and a close family member purchased a total of 1,333,333 units for \$200,000.

The Company paid a finder's fee of \$3,000 in cash and issued 20,000 finder's warrants. The finder's warrants have the same terms as the warrants issued in the private placement. The fair value of the finder's warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 1.98%; expected volatility of 84%; an expected life of 3 years; a dividend yield of 0%; and an expected forfeiture rate of 0%. The value assigned to the finder's warrants was \$1,280.

The Company incurred \$17,167 for legal and filing costs associated with the private placement.

- (ii) During April 2019 the Company completed a non-brokered private placement for 5,000,000 units, at \$0.10 per unit, for gross proceeds of \$500,000. Each unit comprised one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.15 per share, expiring two years from closing. Certain officers and directors of the Company purchased 1,450,000 units for \$145,000.

The Company paid a finder's fee of \$600 in cash. The Company incurred \$10,061 for legal and filing costs associated with the private placement.

See also Note 11.

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at November 30, 2019 and 2018 and the changes for the six months ended on those dates, is as follows:

	2019		2018	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	17,267,385	0.29	7,885,185	0.37
Issued	-	-	7,390,900	0.25
Expired	<u>(6,638,985)</u>	0.40	<u>(389,750)</u>	0.40
Balance, end of period	<u>10,628,400</u>	0.22	<u>14,886,335</u>	0.31

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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6. Share Capital (continued)

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at November 30, 2019:

Number	Exercise Price \$	Expiry Date
737,500	0.10	March 5, 2020
2,102,500	0.15	April 24, 2021
397,500	0.15	April 30, 2021
<u>7,390,900</u>	0.25	July 6, 2021
<u>10,628,400</u>		

(e) *Share Option Plan*

The Company has established a rolling share option plan (the "Plan") in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years.

During the six months ended November 30, 2019 the Company did not grant any share options.

During the six months ended November 30, 2018 the Company granted share options to purchase 500,000 common shares and recorded compensation expense of \$55,810. The fair value of share options granted is estimated using the Black-Scholes option pricing model using the following assumptions: a risk-free interest rate of 2.15 %; expected volatility of 82%; an expected life of 5 years; a dividend yield of 0%; and an expected forfeiture rate of 0%.

The weighted average grant date fair value of all share options granted during the six months ended November 30, 2018 was \$0.13 per share option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide a reliable measure of the fair value of the Company's share options.

A summary of the Company's share options at November 30, 2019 and 2018 and the changes for the six months ended on those dates, is as follows:

	<u>2019</u>		<u>2018</u>	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	2,743,000	0.17	1,766,000	0.18
Granted	-	-	500,000	0.13
Exercised	-	-	(30,000)	0.10
Expired	(210,000)	0.15	-	-
Forfeited	<u>(327,000)</u>	0.15	<u>-</u>	-
Balance, end of period	<u>2,206,000</u>	0.17	<u>2,236,000</u>	0.17

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6. Share Capital (continued)

The following table summarizes information about the share options outstanding and exercisable at November 30, 2019:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
75,000	75,000	0.40	February 13, 2020
65,000	65,000	0.45	May 12, 2020
75,000	75,000	0.40	July 4, 2020
100,000	100,000	0.30	July 21, 2020
250,000	250,000	0.26	August 28, 2020
50,000	50,000	0.28	November 8, 2020
921,000	921,000	0.10	November 14, 2021
120,000	120,000	0.10	November 15, 2021
50,000	50,000	0.26	February 1, 2022
<u>500,000</u>	<u>250,000</u>	0.13	September 4, 2023
<u>2,206,000</u>	<u>1,956,000</u>		

7. Related Party Transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

The Company has determined that key management personnel consists of the Chief Executive Officer, the President and the Chief Financial Officer of the Company. During the six months ended November 30, 2019 and 2018 the following amounts were incurred with respect to these positions:

	2019 \$	2018 \$
Management compensation paid	<u>80,026</u>	<u>120,965</u>

During the six months ended November 30, 2019 the Company allocated the \$80,026 (2018 - \$120,965) management fees based on the nature of the services provided: expensed \$42,843 (2018 - \$76,247) to management and director compensation; and capitalized \$37,183 (2018 - \$44,718) to exploration and evaluation assets. As at November 30, 2019 \$118,187 (May 31, 2019 - \$131,628) remained unpaid and has been included in accounts payable and accrued liabilities.

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7. Related Party Transactions (continued)

(b) *Transactions with Other Related Parties*

(i) During the six months ended November 30, 2019 and 2018 the following amounts were incurred with respect to the positions of non-management directors and the Corporate Secretary of the Company:

	2019 \$	2018 \$
Director and officer compensation	<u>16,880</u>	<u>25,680</u>

As at November 30, 2019 \$69,100 (May 31, 2019 - \$78,350) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the six months ended November 30, 2019 the Company incurred a total of \$19,000 (2018 - \$25,000) for accounting and administration services provided by Chase Management Ltd., a private corporation owned by the President of the Company. As at November 30, 2019 \$1,200 (May 31, 2019 - \$881) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) During the six months ended November 30, 2019, \$50,000 of outstanding accounts payable of the Company was satisfied by a private company owned by a director of the Company. The amount is currently without specific terms of interest or repayment.

(d) See also Notes 5 and 6(b).

8. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: FVTPL; amortized cost; FVOCI; and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	November 30, 2019 \$	May 31, 2019 \$
Cash	FVTPL	301,627	371,663
Accounts payable and accrued liabilities	Amortized cost	(245,900)	(294,573)
Due to related party	Amortized cost	(50,000)	-
Promissory notes payable	Amortized cost	(352,570)	(342,393)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

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8. Financial Instruments and Risk Management (continued)

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for accounts payable and accrued liabilities, due to related party and promissory notes payable approximate their fair value. The Company's cash under the fair value hierarchy is measured using Level 1 inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Management believes that the credit risk concentration with respect to cash is remote as cash is held with high quality financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

	Contractual Maturity Analysis at November 30, 2019				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	301,627	-	-	-	301,627
Accounts payable and accrued liabilities	(245,900)	-	-	-	(245,900)
Due to related party	(50,000)	-	-	-	(50,000)
Promissory notes payable	-	-	(352,570)	-	(352,570)

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears floating rates of interest. The interest rate risk on cash is not considered significant. The Company has interest bearing debt at fixed rates and is therefore not subject to fluctuating interest rate risk on its non-current loans.

(b) Foreign Currency Risk

The Company has operations in Canada, Ireland and Peru. The Company's functional currency is the Canadian dollar and major transactions are conducted in Canadian Dollars, US Dollars and Euros. The Company maintains Euro bank accounts in Ireland and a US Dollar bank account with its Canadian bank to support the cash needs of its foreign operations. The Company has minimal transactions in Peruvian Nuevos Soles. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At November 30, 2019, 1 Canadian Dollar was equal to 0.68 Euro and 0.75 US Dollar.

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8. Financial Instruments and Risk Management (continued)

Balances are as follows:

	Euros	US Dollars	CDN \$ Equivalent
Cash	8,954	1,067	14,590
VAT receivable	1,597	-	2,349
Accounts payable and accrued liabilities	<u>(5,306)</u>	<u>(3,560)</u>	<u>(12,550)</u>
	<u>5,245</u>	<u>(2,493)</u>	<u>4,389</u>

Based on the net exposures as of November 30, 2019 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Euro and US Dollar would result in the Company's comprehensive loss being insignificant.

Capital Risk Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, cash and cash equivalents and short-term investments. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

9. Segmented Information

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. The Company's exploration and evaluation assets are located in Ireland and Peru and its corporate assets, comprising mainly of cash, are located in Canada. The Company is in the exploration stage and has no reportable segment revenues or operating results.

The Company's total assets are segmented geographically as follows:

	<u>As at November 30, 2019</u>			
	Canada \$	Ireland \$	Peru \$	Total \$
Current assets	309,398	20,601	10,868	340,867
Exploration and evaluation assets	<u>-</u>	<u>3,906,364</u>	<u>410,853</u>	<u>4,348,867</u>
	<u>309,398</u>	<u>3,926,965</u>	<u>421,721</u>	<u>4,689,734</u>
	<u>As at May 31, 2019</u>			
	Canada \$	Ireland \$	Peru \$	Total \$
Current assets	387,143	34,017	-	421,160
Exploration and evaluation assets	<u>-</u>	<u>3,906,364</u>	<u>301,478</u>	<u>4,207,842</u>
	<u>387,143</u>	<u>3,940,381</u>	<u>301,478</u>	<u>4,629,002</u>

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10. Supplemental Cash Flow Information

During the six months ended November 30, 2019 and 2018 non-cash activities were conducted by the Company as follows:

	2019 \$	2018 \$
Operating activity		
Accounts payable and accrued liabilities	-	36,998
Investing activity		
Exploration and evaluation assets	-	(36,998)
Financing activities		
Share-based payments reserve	-	(1,375)
Share issue costs	-	(1,280)
Transfer on exercise of share options	-	2,655
	-	-

11. Events after the Reporting Period

On January 6, 2020 the Company completed a non-brokered private placement of 1,500,000 common shares, at \$0.10 per share, for gross proceeds of \$150,000.

On January 15, 2020 the Company announced its intention to conduct a non-brokered private placement of up to 14,667,667 units, at \$0.15 per unit, for gross proceeds of up to \$2,200,000, with each unit to comprise one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase an additional common share of the Company at an exercise price of \$0.30 per share, for a period of two years from closing.