
HANNAN METALS LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 29, 2024

(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	February 29, 2024 \$	May 31, 2023 \$
ASSETS			
Current assets			
Cash		1,228,110	3,318,801
GST/VAT receivable		8,523	23,655
Prepaid expenses		<u>130,834</u>	<u>97,842</u>
Total current assets		<u>1,367,467</u>	<u>3,440,298</u>
Non-current assets			
Equipment	4	21,495	23,152
Exploration and evaluation assets	5	<u>5,569,286</u>	<u>8,234,616</u>
Total non-current assets		<u>5,590,781</u>	<u>8,257,768</u>
TOTAL ASSETS		<u>6,958,248</u>	<u>11,698,066</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	<u>329,090</u>	<u>347,540</u>
TOTAL LIABILITIES		<u>329,090</u>	<u>347,540</u>
SHAREHOLDERS' EQUITY			
Share capital	6	19,374,374	19,313,969
Share-based payments reserve		5,781,775	4,966,037
Deficit		<u>(18,526,991)</u>	<u>(12,929,480)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>6,629,158</u>	<u>11,350,526</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>6,958,248</u>	<u>11,698,066</u>

Nature of Operations - Note 1

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on April 26, 2024 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 NET LOSS AND COMPREHENSIVE LOSS***(Unaudited - Expressed in Canadian Dollars)*

	Note	Three Months Ended		Nine Months Ended	
		February 29, 2024 \$	February 28, 2023 \$	February 29, 2024 \$	February 28, 2023 \$
Expenses					
Accounting and administration	7(b)(ii)	13,207	13,184	60,438	61,698
Audit		2,365	-	66,274	49,500
Corporate development		17,772	13,515	46,758	82,773
Depreciation	4	1,301	3,699	3,835	10,719
Director and officer compensation	7	66,489	67,030	198,991	189,530
Drill core storage		2,924	2,899	8,737	8,267
General exploration		72,604	7,826	108,641	8,704
Insurance		6,230	5,487	18,202	14,664
Investor relations		4,555	21,895	19,417	62,745
Legal		3,872	35,232	10,394	37,912
Office		12,276	15,190	25,105	27,006
Professional fees		32,286	31,556	103,007	95,575
Regulatory fees		2,176	2,150	11,465	10,541
Share-based compensation	6(d)	-	654,160	843,643	654,160
Shareholder costs		-	1,874	3,020	5,450
Transfer agent fees		1,058	1,723	8,270	9,208
Travel		3,254	-	61,833	9,893
		<u>242,369</u>	<u>877,420</u>	<u>1,598,030</u>	<u>1,338,345</u>
Loss before other items		<u>(242,369)</u>	<u>(877,420)</u>	<u>(1,598,030)</u>	<u>(1,338,345)</u>
Other items					
Interest income		18,791	27,795	77,815	58,778
Impairment provision	5(b)	(4,076,953)	-	(4,076,953)	-
Foreign exchange		(18,108)	42,778	(343)	144,091
		<u>(4,076,270)</u>	<u>70,573</u>	<u>(3,999,481)</u>	<u>202,869</u>
Net loss and comprehensive loss for the period		<u>(4,318,639)</u>	<u>(806,847)</u>	<u>(5,597,511)</u>	<u>(1,135,476)</u>
Basic and diluted loss per common share		<u>\$(0.04)</u>	<u>\$(0.01)</u>	<u>\$(0.05)</u>	<u>\$(0.01)</u>
Weighted average number of common shares outstanding		<u>109,411,569</u>	<u>102,100,498</u>	<u>109,330,088</u>	<u>98,260,905</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 SHAREHOLDERS' EQUITY***(Unaudited - Expressed in Canadian Dollars)*

Nine Months Ended February 29, 2024					
Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Shareholders' Equity \$	
Number of Shares	Amount \$				
Balance at May 31, 2023	109,161,569	19,313,969	4,966,037	(12,929,480)	11,350,526
Common shares issued for:					
- share options exercised	250,000	32,500	-	-	32,500
Transfer on exercise of share options	-	27,905	(27,905)	-	-
Share-based compensation	-	-	843,643	-	843,643
Net loss for the period	-	-	-	(5,597,511)	(5,597,511)
Balance at February 29, 2024	109,411,569	19,374,374	5,781,775	(18,526,991)	6,629,158

Nine Months Ended February 28, 2023					
Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Shareholders' Equity \$	
Number of Shares	Amount \$				
Balance at May 31, 2022	92,822,109	14,977,095	4,307,777	(11,225,496)	8,059,376
Common shares issued for:					
- private placement	9,180,000	2,570,400	-	-	2,570,400
- share options exercised	115,000	28,750	-	-	28,750
Share issue costs	-	(18,830)	-	-	(18,830)
Transfer on exercise of share options	-	18,400	(18,400)	-	-
Share-based compensation	-	-	654,160	-	654,160
Net loss for the period	-	-	-	(1,135,476)	(1,135,476)
Balance at February 28, 2023	102,117,109	17,575,815	4,943,537	(12,360,972)	10,158,380

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)

	Nine Months Ended	
	February 29, 2024 \$	February 28, 2023 \$
Operating activities		
Net loss for the period	(5,597,511)	(1,135,476)
Adjustments for:		
Depreciation	3,835	10,719
Share-based compensation	843,643	654,160
Impairment provision	4,076,953	-
Changes in non-cash working capital items:		
GST/VAT receivable	15,132	(5,032)
Prepaid expenses	(32,992)	(38,654)
Accounts payable and accrued liabilities	(18,450)	27,511
Net cash used in operating activities	<u>(709,390)</u>	<u>(486,772)</u>
Investing activities		
Exploration and evaluation asset expenditures, net of recoveries	(1,411,623)	(2,200,120)
Equipment purchases	(2,178)	(6,119)
Net cash provided by (used in) investing activities	<u>(1,413,801)</u>	<u>(2,206,239)</u>
Financing activities		
Issuance of common shares	32,500	2,599,150
Share issue costs	-	(18,830)
Net cash provided by financing activities	<u>32,500</u>	<u>2,580,320</u>
Net change in cash during the period	(2,090,691)	(112,691)
Cash at beginning of period	<u>3,318,801</u>	<u>2,376,850</u>
Cash at end of period	<u>1,228,110</u>	<u>2,264,159</u>

Supplemental cash flow information - See 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 NINE MONTHS ENDED FEBRUARY 29, 2024
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations

Hannan Metals Ltd. (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 February 29, 2024 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.

Certain of the Company’s primary mineral properties are located in Peru and, consequently, the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

The Company has a history of losses with no operating revenues and, as at February 29, 2024, the Company had working capital of \$1,038,377. The Company’s San Martin JV Project is funded by an arms length party, as described in Note 5(a)(i), under an option agreement and its other mineral property interests and 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. Although management considers that the Company has adequate resources 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, the Company recognizes that exploration expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. 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.

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, 2023, 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, 2023.

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.

HANNAN METALS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 29, 2024
(Unaudited - Expressed in Canadian Dollars)

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.	Canada	100%
Hannan Metals Peru Ltd.	Canada	100%
Hannan Metals Ireland Limited	Ireland	100%
Hannan Metals Peru S.A.C.	Peru	100%
Hannan Resources Peru S.A.C.	Peru	100%
Hannan Servicios Peru S.A.C.	Peru	100%

4. Equipment

	<u>Field Equipment \$</u>	<u>Office Equipment \$</u>	<u>Total \$</u>
Cost:			
Balance at May 31, 2022	12,911	15,445	28,356
Additions	<u>1,692</u>	<u>4,427</u>	<u>6,119</u>
Balance at May 31, 2023	14,603	19,872	34,475
Additions	<u>-</u>	<u>2,178</u>	<u>2,178</u>
Balance at February 29, 2024	<u>14,603</u>	<u>22,050</u>	<u>36,653</u>
Accumulated Depreciation:			
Balance at May 31, 2022	(4,638)	(2,174)	(6,812)
Depreciation	<u>(1,612)</u>	<u>(2,899)</u>	<u>(4,511)</u>
Balance at May 31, 2023	(6,250)	(5,073)	(11,323)
Depreciation	<u>(1,255)</u>	<u>(2,580)</u>	<u>(3,835)</u>
Balance at February 29, 2024	<u>(7,505)</u>	<u>(7,653)</u>	<u>(15,158)</u>
Carrying Value:			
Balance at May 31, 2023	<u>8,353</u>	<u>14,799</u>	<u>23,152</u>
Balance at February 29, 2024	<u>7,098</u>	<u>14,397</u>	<u>21,495</u>

5. Exploration and Evaluation Assets

	<u>February 29, 2024</u>			<u>May 31, 2023</u>		
	<u>Acquisition Costs \$</u>	<u>Deferred Exploration Costs \$</u>	<u>Total \$</u>	<u>Acquisition Costs \$</u>	<u>Deferred Exploration Costs \$</u>	<u>Total \$</u>
Peru						
- San Martin JV Project	-	568,118	568,118	-	457,274	457,274
- Valiente Project	964,412	4,036,756	5,001,168	708,636	3,004,237	3,712,873
Ireland - Clare Project	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,452,949</u>	<u>2,611,520</u>	<u>4,064,469</u>
	<u>964,412</u>	<u>4,604,874</u>	<u>5,569,286</u>	<u>2,161,585</u>	<u>6,073,031</u>	<u>8,234,616</u>

HANNAN METALS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 29, 2024
(Unaudited - Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

	Peru			Ireland	Other	Total \$
	San Martin JV Project \$	Valiente Project \$	San Martin 100% Project \$	Clare Project \$	\$	
Balance at May 31, 2022	<u>427,624</u>	<u>1,258,470</u>	<u>270,199</u>	<u>3,921,552</u>	<u>3,316</u>	<u>5,881,161</u>
Exploration costs						
Assays	16,507	185,463	-	-	-	201,970
Community	7,828	23,256	-	-	-	31,084
Consulting	294,765	244,509	3,153	8,775	-	551,202
Drilling	-	-	-	134,142	-	134,142
Equipment rental	101,395	70,923	-	-	-	172,318
Geology	522,617	484,966	-	-	-	1,007,583
Geophysics	-	594,292	-	-	-	594,292
Insurance	10,129	3,667	-	-	-	13,796
Legal	17,182	5,814	1,730	-	-	24,726
Logistics	171,626	247,042	2,753	-	-	421,421
Travel	-	9,005	-	-	-	9,005
VAT incurred	88,269	245,102	-	-	-	333,371
	<u>1,230,318</u>	<u>2,114,039</u>	<u>7,636</u>	<u>142,917</u>	<u>-</u>	<u>3,494,910</u>
Acquisition costs						
License applications and fees	162,742	215,490	90,555	-	-	468,787
Other						
Cost recoveries	(1,313,057)	-	-	-	-	(1,313,057)
Management fees	(106,727)	-	-	-	-	(106,727)
Reclassification	56,374	124,874	(181,248)	-	-	-
Impairment	-	-	(187,142)	-	(3,316)	(190,458)
	<u>(1,363,410)</u>	<u>124,874</u>	<u>(368,390)</u>	<u>-</u>	<u>(3,316)</u>	<u>(1,610,242)</u>
Balance at May 31, 2023	<u>457,274</u>	<u>3,712,873</u>	<u>-</u>	<u>4,064,469</u>	<u>-</u>	<u>8,234,616</u>
Exploration costs						
Assays	12,246	84,764	-	-	-	97,010
Community	13,829	29,126	-	-	-	41,955
Consulting	287,861	170,920	-	1,350	-	460,131
Equipment rental	26,516	47,513	-	-	-	74,029
Field workers	-	54,354	-	-	-	54,354
Geology	331,469	357,766	-	-	-	689,235
Insurance	6,530	2,927	-	-	-	9,457
Legal	22,606	12,106	-	-	-	34,712
Logistics	178,034	139,432	-	-	-	317,466
Travel	29,623	44,456	-	-	-	74,079
VAT incurred	67,432	89,155	-	-	-	156,587
	<u>976,146</u>	<u>1,032,519</u>	<u>-</u>	<u>1,350</u>	<u>-</u>	<u>2,010,015</u>
Acquisition costs						
License applications and fees	-	255,776	-	11,134	-	266,910
Other						
Cost recoveries	(786,513)	-	-	-	-	(786,513)
Management fees	(78,789)	-	-	-	-	(78,789)
Impairment	-	-	-	(4,076,953)	-	(4,076,953)
	<u>(865,302)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,942,255)</u>
Balance at February 29, 2024	<u>568,118</u>	<u>5,001,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,569,286</u>

HANNAN METALS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 29, 2024
(Unaudited - Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets (continued)

(a) **Peru**

(i) *San Martin JV Project*

On November 27, 2020, as amended, the Company entered into a binding letter agreement for an option and joint venture agreement (the "Agreement") with Japan Organization for Metals and Energy Security ("JOGMEC"). Under the Agreement, JOGMEC has the option to earn up to a 75% interest in mining concessions in San Martin Province of the Department of San Martin, northern Peru (the "San Martin JV Project").

The Agreement grants JOGMEC the option to earn an initial 51% interest by funding US \$8,000,000 in project expenditures on the San Martin JV Project by March 31, 2026, subject to acceleration at JOGMEC's discretion.

JOGMEC, at its election, can then earn:

- an additional 16% interest for a total 67% interest by achieving either a prefeasibility study or funding a further US \$12,000,000 in project expenditures in amounts of at least US \$1,000,000 per annum (for a US \$20,000,000 total expenditure); and,
- subject to owning a 67% interest, a further 8% interest for a total 75% interest by achieving either a feasibility study or funding a further US \$15,000,000 in project expenditures in amounts of at least US \$1,000,000 per annum (for a US \$35,000,000 total expenditure).

Should JOGMEC not proceed to a prefeasibility study or spend US \$20,000,000 in total, the Company shall have the right to purchase from JOGMEC for US \$1, a 2% interest, whereby the Company's interest will be increased to 51% and JOGMEC's interest will be reduced to 49%.

At the completion of a feasibility study, JOGMEC has the right to either:

- purchase up to an additional 10% interest from the Company (for a total 85% interest) at fair value as determined in accordance with internationally recognized professional standards by an agreed upon independent third-party valuator; or
- receive up to an additional 10% interest from the Company (for a total 85% interest) in consideration of JOGMEC's agreement to fund development of the San Martin JV Project, by loan carrying the Company until the San Martin JV Project generates positive cash flow.

After US \$35,000,000 has been spent by JOGMEC and before a feasibility study has been achieved, both parties will fund expenditures pro rata or dilute via a standard industry dilution formula:

- if the interest in any party is diluted to less than 5% then that party's interest will be automatically converted to a 2% net smelter royalty ("NSR"), and the other party may at any time purchase 1% of the 2% NSR for a cash payment of US \$1,000,000; and
- the Company will manage exploration at least until JOGMEC earns a 51% interest, after which the majority interest holder will be entitled to act as the operator of the San Martin JV Project.

(ii) *Valiente Project*

The Valiente Project is located in central eastern Peru.

HANNAN METALS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 29, 2024
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5. Exploration and Evaluation Assets (continued)

(iii) *San Martin 100% Project*

During fiscal 2023 the Company abandoned and impaired certain of its claim concessions and recorded an impairment of \$187,142. In addition certain concessions, totalling \$56,374, were transferred to the San Martin JV Project and \$124,874 to the Valiente Project. As a result, as of May 31, 2023 the Company no longer held any claim concessions in the San Martin 100% Project.

(b) **Ireland**

Clare Project

The Company holds a 100% interest in 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 cash payments totalling \$1,249,383 (US \$1,000,000). 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 has determined to relinquish certain of its non-core licenses as they come due for renewal. While the Company's core licences remain in good standing the Company has determined to impair all capitalized exploration and evaluation costs on the Clare Project and, accordingly, recorded an impairment provision of \$4,076,953.

(c) *Other*

During fiscal 2023 the Company recorded an impairment of \$3,316 for miscellaneous exploration and evaluation amounts incurred.

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***

Nine Months Ended February 29, 2024

During the nine months ended February 29, 2024 Company did not complete any equity financings.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 29, 2024
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6. Share Capital (continued)

Fiscal 2023

During fiscal 2023 the Company completed the following equity financings:

- (i) On September 23, 2022 the Company completed a private placement and issued 9,180,000 common shares of the Company at \$0.28 per share, to Teck Resources Limited (“Teck”), for cash proceeds of \$2,570,400. In connection with the private placement the Company granted Teck an equity participation right to maintain its pro-rata ownership in the Company for so long as Teck’s ownership in the Company remains greater than 5.0%.
- (ii) On May 9, 2023 the Company completed a non-brokered private placement and issued 7,044,460 units of the Company at \$0.25 per unit for gross proceeds of \$1,761,115. Each unit comprised one common share and one-half share purchase warrant. Each full warrant entitles the holder to purchase one additional share of the Company at an exercise price of \$0.35 expiring May 9, 2026. The Company has the right to force conversion of the warrants, if at any time from and after the date of issuance, the weighted average closing price of the Company’s common shares on the TSXV, equals or exceeds \$0.50 for 20 consecutive trading days. The expiry date of the warrants will then be 30 days from the date of issue of a news release announcing the forced conversion.

Directors and officers of the Company purchased a total of 180,000 units. In addition, Teck purchased 1,120,000 units of this private placement.

The Company paid a finder’s fee of \$2,250 cash to an arm’s length party.

The Company incurred a total of \$39,541 for legal and other costs associated with these private placements.

(c) **Warrants**

A summary of the number of common shares reserved pursuant to the Company’s outstanding warrants at February 29, 2024 and February 28, 2023 and the changes for the nine months ended on those dates, is as follows:

	2024		2023	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	3,522,230	0.35	2,000,000	0.35
Expired	-	-	<u>(2,000,000)</u>	0.35
Balance, end of period	<u>3,522,230</u>	0.35	<u>-</u>	-

As at February 29, 2024 the Company had warrants outstanding to purchase 3,522,230 common shares of the Company at an exercise price of \$0.35 per share, expiring May 9, 2026.

(d) **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.

HANNAN METALS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 29, 2024
(Unaudited - Expressed in Canadian Dollars)

6. Share Capital (continued)

During the nine months ended February 29, 2024 the Company granted share options to purchase 4,510,000 (February 28, 2023 - 3,848,000) common shares of the Company and recorded compensation expense of \$843,643 (February 28, 2023 - \$654,160).

The fair value of share options granted during the nine months ended February 29, 2024 and February 28, 2023 was estimated using the Black-Scholes Option Pricing Model using the following assumptions:

	<u>2024</u>	<u>2023</u>
Risk-free interest rate	4.0%	3.6%
Estimated volatility	96%	94%
Expected life	5 years	3 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The estimated volatility was based on the historical share prices of the Company. The weighted average grant date fair value of all share options granted and vested during the nine months ended February 29, 2024 was \$0.19 (February 28, 2023 - \$0.17) 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 February 29, 2024 and February 28, 2023 and the changes for the nine months ended on those dates, is as follows:

	<u>2024</u>		<u>2023</u>	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	5,373,000	0.29	4,770,000	0.27
Granted	4,510,000	0.25	3,848,000	0.25
Exercised	(250,000)	0.13	(115,000)	0.25
Expired	(700,000)	0.43	(3,180,000)	0.25
Balance, end of period	<u>8,933,000</u>	0.26	<u>5,323,000</u>	0.27

The following table summarizes information about the share options outstanding and exercisable at February 29, 2024:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
275,000	275,000	0.285	June 14, 2024
30,000	30,000	0.285	October 4, 2024
120,000	120,000	0.235	December 3, 2024
3,848,000	3,848,000	0.28	December 28, 2025
150,000	150,000	0.28	March 1, 2026
<u>4,510,000</u>	<u>4,435,000</u>	0.25	August 22, 2028
<u>8,933,000</u>	<u>8,858,000</u>		

Subsequent to February 29, 2024 the Company issued 71,500 common shares on the exercise of share options for \$17,875 cash proceeds.

HANNAN METALS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 29, 2024
(Unaudited - Expressed in Canadian Dollars)

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 (“CEO”), the President and the Chief Financial Officer (“CFO”) of the Company. During the nine months ended February 29, 2024 the Company incurred a total of \$228,753 (February 28, 2023 - \$230,597) to key management personnel for their services which have been allocated based on the nature of the services provided: expensed \$131,241 (February 28, 2023 - \$113,030) to director and officer compensation; and capitalized \$97,512 (February 28, 2023 - \$127,980) to exploration and evaluation assets. As at February 29, 2024 \$53,217 (May 31, 2023 - \$33,217) remained unpaid and has been included in accounts payable and accrued liabilities.

During the nine months ended February 29, 2024 the Company also recorded \$291,650 (February 28, 2023 - \$249,050) share-based compensation for share options granted to the key management personnel.

The Company has a management agreement with its CEO which provides that in the event the CEO’s services are terminated without cause or upon a change of control of the Company, a termination payment of one year of compensation is payable. If the termination had occurred on February 29, 2024 the amount payable under the agreement would be \$120,000.

The Company has a management agreement with its President which provides that in the event the President’s services are terminated without cause or upon a change of control of the Company, a termination payment of one year of compensation is payable. If the termination had occurred on February 29, 2024 the amount payable under the agreement would be \$170,004.

(b) *Transactions with Other Related Parties*

(i) During the nine months ended February 29, 2024 the Company incurred \$67,750 (February 28, 2023 - \$76,500) director and officer compensation with respect to the positions of non-management directors and the Corporate Secretary of the Company. As at February 29, 2024 \$119,250 (May 31, 2023 - \$115,500) remained unpaid and has been included in accounts payable and accrued liabilities.

During the nine months ended February 29, 2024 the Company also recorded \$323,000 (February 28, 2023 - \$259,250) share-based compensation for share options granted to non-executive directors.

(ii) During the nine months ended February 29, 2024 the Company incurred a total of \$34,600 (February 28, 2023 - \$35,650) for accounting and administration services provided by Chase Management Ltd. (“Chase”), a private corporation owned by a director of the Company. As at February 29, 2024 \$6,200 (May 31, 2023 - \$5,000) remained unpaid and has been included in accounts payable and accrued liabilities.

During the nine months ended February 29, 2024 the Company also recorded \$28,500 (February 28, 2023 - \$nil) share-based compensation for share options granted to Chase.

HANNAN METALS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 29, 2024
(Unaudited - Expressed in Canadian Dollars)

8. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: fair value through profit or loss (“FVTPL”); amortized cost; and fair value through other comprehensive income (“FVOCI”). The carrying values of the Company’s financial instruments are classified into the following categories:

Financial Instrument	Category	February 29, 2024 \$	May 31, 2023 \$
Cash	Amortized cost	1,228,110	3,318,801
Accounts payable and accrued liabilities	Amortized cost	(329,090)	(347,540)

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.

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 cash and accounts payable and accrued liabilities approximate their fair value due to the short term to maturity.

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 February 29, 2024				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	1,228,110	-	-	-	1,228,110
Accounts payable and accrued liabilities	(329,090)	-	-	-	(329,090)

HANNAN METALS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 29, 2024
(Unaudited - Expressed in Canadian Dollars)

8. Financial Instruments and Risk Management (continued)

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 no interest bearing debt.

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar. The Company maintains foreign currency bank accounts to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At February 29, 2024, 1 Canadian Dollar was equal to 2.78 Peruvian Nuevo Soles, 0.68 Euro, and 0.74 US Dollar.

Balances are as follows

	Nuevo Soles	Euros	US Dollars	CDN \$ Equivalent
Cash	464,646	4,539	4,815	180,320
VAT receivable	-	2,650	-	3,897
Accounts payable and accrued liabilities	<u>(249,305)</u>	<u>(2,405)</u>	<u>(33,520)</u>	<u>(138,512)</u>
	<u>215,341</u>	<u>4,784</u>	<u>(28,705)</u>	<u>45,705</u>

Based on the net exposures as of February 29, 2024 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Peruvian Nuevo Sole, Euro and US Dollar would result in the Company's loss and comprehensive loss being approximately \$4,500 higher (or lower).

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 and cash. 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.

The Company's share capital is not subject to any external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any currently contemplated. There have been no changes to the Company's approach to capital management during the period.

HANNAN METALS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 29, 2024
(Unaudited - Expressed in Canadian Dollars)

9. Segmented Information

The Company operates in one reportable segment, being the exploration and evaluation 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 February 29, 2024</u>			
	<u>Canada</u>	<u>Ireland</u>	<u>Peru</u>	<u>Total</u>
	\$	\$	\$	\$
Current assets	1,086,213	10,592	270,662	1,367,467
Equipment	-	-	21,495	21,495
Exploration and evaluation assets	-	-	<u>5,569,286</u>	<u>5,569,286</u>
	<u>1,086,213</u>	<u>10,592</u>	<u>5,861,443</u>	<u>6,958,248</u>
	<u>As at May 31, 2023</u>			
	<u>Canada</u>	<u>Ireland</u>	<u>Peru</u>	<u>Total</u>
	\$	\$	\$	\$
Current assets	2,972,843	42,868	424,587	3,440,298
Equipment	-	-	23,152	23,152
Exploration and evaluation assets	-	<u>4,064,469</u>	<u>4,170,147</u>	<u>8,234,616</u>
	<u>2,972,843</u>	<u>4,107,337</u>	<u>4,617,886</u>	<u>11,698,066</u>

10. Supplemental Cash Flow Information

During the nine months ended February 29, 2024 and February 28, 2023 non-cash activities were conducted by the Company as follows:

	<u>2024</u>	<u>2023</u>
	\$	\$
Financing activities		
Share-based payments reserve	(27,905)	(18,400)
Issuance of common shares	<u>27,905</u>	<u>18,400</u>
	<u>-</u>	<u>-</u>