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**HANNAN METALS LTD.**

*(formerly Mitchell Resources Ltd.)*

CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2016

*(Unaudited - Expressed in Canadian Dollars)*

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**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED 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 interim financial statements they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed 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 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.** (formerly Mitchell Resources Ltd.)  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited - Expressed in Canadian Dollars)

|   | Note  | November 30,<br>2016<br>\$ | May 31,<br>2016<br>\$ |
|---|-------|----------------------------|-----------------------|
| <b>ASSETS</b>   |       |                            |                       |
| <b>Current assets</b>                                 |       |                            |                       |
| Cash  |       | 124,603                    | 39,752                |
| GST receivable  |       | 881                        | 121                   |
| Prepaid expenses                                      |       | <u>5,256</u>               | <u>3,900</u>          |
| <b>Total current assets</b>                           |       | <u>130,740</u>             | <u>43,773</u>         |
| <b>Non-current assets</b>                             |       |                            |                       |
| Advance   | 3     | 45,000                     | -                     |
| Deferred share issue costs                            | 10(a) | <u>3,046</u>               | <u>-</u>              |
| <b>Total non-current assets</b>                       |       | <u>48,046</u>              | <u>-</u>              |
| <b>TOTAL ASSETS</b>                                   |       | <u>178,786</u>             | <u>43,773</u>         |
| <b>LIABILITIES</b>                                    |       |                            |                       |
| <b>Current liabilities</b>                            |       |                            |                       |
| Accounts payable and accrued liabilities              | 6     | 153,743                    | 154,300               |
| <b>Non-current liabilities</b>                        |       |                            |                       |
| Loans   | 4     | <u>492,754</u>             | <u>528,970</u>        |
| <b>TOTAL LIABILITIES</b>                              |       | <u>646,497</u>             | <u>683,270</u>        |
| <b>SHAREHOLDERS' DEFICIENCY</b>                       |       |                            |                       |
| Share capital   |       | 44,943,475                 | 44,856,869            |
| Share-based payments reserve                          |       | 3,381,255                  | 3,311,839             |
| Share subscriptions received                          | 10(a) | 191,475                    | -                     |
| Deficit   |       | <u>(48,983,916)</u>        | <u>(48,808,205)</u>   |
| <b>TOTAL SHAREHOLDERS' DEFICIENCY</b>                 |       | <u>(467,711)</u>           | <u>(639,497)</u>      |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b> |       | <u>178,786</u>             | <u>43,773</u>         |

**Nature of Operations, Going Concern and Name Change - Note 1**

**Events after the Reporting Period - Note 10**

These condensed interim financial statements were approved for issue by the Board of Directors on January 25, 2017 and are signed on its behalf by:

/s/ Nick DeMare  
Nick DeMare  
Director

/s/ Harvey Lim  
Harvey Lim  
Director

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

**HANNAN METALS LTD.** (formerly Mitchell Resources Ltd.)  
**CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**  
(Unaudited - Expressed in Canadian Dollars)

|   | Note     | Three Months Ended<br>November 30 |                   | Six Months Ended<br>November 30 |                   |
|---|----------|-----------------------------------|-------------------|---------------------------------|-------------------|
|   |          | 2016<br>\$                        | 2015<br>\$        | 2016<br>\$                      | 2015<br>\$        |
| <b>Expenses</b>   |          |                                   |                   |                                 |                   |
| Accounting and administration                                   | 6(b)(ii) | 5,000                             | 5,700             | 7,700                           | 9,900             |
| Audit   |          | -                                 | -                 | 9,500                           | 10,710            |
| Legal   |          | 5,402                             | 267               | 5,402                           | 267               |
| Office  |          | 307                               | 125               | 431                             | 616               |
| Professional fees   | 6        | 13,650                            | 13,650            | 27,300                          | 27,300            |
| Regulatory fees   |          | 4,804                             | 2,979             | 9,119                           | 4,279             |
| Share-based compensation  | 5(e)     | 94,772                            | -                 | 94,772                          | -                 |
| Shareholder costs   |          | 2,123                             | 1,553             | 2,548                           | 1,553             |
| Transfer agent  |          | 3,810                             | 995               | 5,442                           | 3,237             |
|   |          | <u>129,868</u>                    | <u>25,269</u>     | <u>162,214</u>                  | <u>57,862</u>     |
| <b>Loss before other items</b>                                  |          | <u>(129,868)</u>                  | <u>(25,269)</u>   | <u>(162,214)</u>                | <u>(57,862)</u>   |
| <b>Other items</b>  |          |                                   |                   |                                 |                   |
| Interest income   |          | 105                               | 168               | 196                             | 377               |
| Foreign exchange gain   |          | 91                                | 3                 | 91                              | 27                |
| Interest expense  | 4        | <u>(6,784)</u>                    | <u>(7,008)</u>    | <u>(13,784)</u>                 | <u>(14,185)</u>   |
|   |          | <u>(6,588)</u>                    | <u>(6,837)</u>    | <u>(13,497)</u>                 | <u>(13,781)</u>   |
| <b>Net and comprehensive<br/>loss for the period</b>            |          | <u>(136,456)</u>                  | <u>(32,106)</u>   | <u>(175,711)</u>                | <u>(71,643)</u>   |
| <b>Basic and diluted loss per common share</b>                  |          | <u>\$(0.01)</u>                   | <u>\$(0.00)</u>   | <u>\$(0.02)</u>                 | <u>\$(0.00)</u>   |
| <b>Weighted average number of<br/>common shares outstanding</b> |          | <u>10,688,236</u>                 | <u>10,445,361</u> | <u>10,605,161</u>               | <u>10,405,463</u> |

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

**HANNAN METALS LTD.** (formerly Mitchell Resources Ltd.)  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN DEFICIENCY**  
(Unaudited - Expressed in Canadian Dollars)

| Six Months Ended November 30, 2016    |                     |                   |  |   |                     |                           |
|---------------------------------------|---------------------|-------------------|--|---|---------------------|---------------------------|
|                                       | Share Capital       |                   | Share-Based<br>Payments<br>Reserve<br>\$ | Share<br>Subscriptions<br>Reserve<br>\$ | Deficit<br>\$       | Total<br>Deficiency<br>\$ |
|                                       | Number of<br>Shares | Amount<br>\$      |  |   |                     |                           |
| <b>Balance at May 31, 2016</b>        | 10,522,989          | 44,856,869        | 3,311,839                                | -                                       | (48,808,205)        | (639,497)                 |
| Common shares issued for cash:        |                     |                   |  |   |                     |                           |
| - exercise of share options           | 612,500             | 61,250            | -  | -                                       | -                   | 61,250                    |
| Share subscriptions received          | -                   | -                 | -  | 191,475                                 | -                   | 191,475                   |
| Transfer on exercise of share options | -                   | 25,356            | (25,356)                                 | -                                       | -                   | -                         |
| Share-based compensation              | -                   | -                 | 94,772                                   | -                                       | -                   | 94,772                    |
| Net loss for the period               | -                   | -                 | -  | -                                       | (175,711)           | (175,711)                 |
| <b>Balance at November 30, 2016</b>   | <u>11,135,489</u>   | <u>44,943,475</u> | <u>3,381,255</u>                         | <u>191,475</u>                          | <u>(48,983,916)</u> | <u>(467,711)</u>          |

| Six Months Ended November 30, 2015  |                     |                   |  |                     |                           |
|-------------------------------------|---------------------|-------------------|--|---------------------|---------------------------|
|                                     | Share Capital       |                   | Share-Based<br>Payments<br>Reserve<br>\$ | Deficit<br>\$       | Total<br>Deficiency<br>\$ |
|                                     | Number of<br>Shares | Amount<br>\$      |  |                     |                           |
| <b>Balance at May 31, 2015</b>      | 10,365,989          | 44,841,169        | 3,285,241                                | (48,657,789)        | (531,379)                 |
| Common shares issued for cash:      |                     |                   |  |                     |                           |
| - exercise of warrants              | 157,000             | 15,700            | -  | -                   | 15,700                    |
| Net loss for the period             | -                   | -                 | -  | (71,643)            | (71,643)                  |
| <b>Balance at November 30, 2015</b> | <u>10,522,989</u>   | <u>44,856,869</u> | <u>3,285,241</u>                         | <u>(48,729,432)</u> | <u>(587,322)</u>          |

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

**HANNAN METALS LTD.** (formerly Mitchell Resources Ltd.)  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited - Expressed in Canadian Dollars)

|  | Six Months Ended<br>November 30, |                 |
|--|----------------------------------|-----------------|
|  | 2016<br>\$                       | 2015<br>\$      |
| <b>Operating activities</b>                      |                                  |                 |
| Net income (loss) for the period                 | (175,711)                        | (71,643)        |
| Adjustments for:                                 |                                  |                 |
| Interest expense                                 | 13,784                           | 14,185          |
| Share-based compensation                         | 94,772                           | -               |
| Changes in non-cash working capital items:       |                                  |                 |
| GST receivable                                   | (760)                            | (127)           |
| Prepaid expenses                                 | (1,356)                          | 7,600           |
| Accounts payable and accrued liabilities         | (557)                            | 27,702          |
| <b>Net cash used in operating activities</b>     | <u>(69,828)</u>                  | <u>(22,283)</u> |
| <b>Financing activities</b>                      |                                  |                 |
| Issuance of common shares                        | 61,250                           | 15,700          |
| Share subscriptions received                     | 191,475                          | -               |
| Share issue costs                                | (3,046)                          | -               |
| Repayment of loans                               | (50,000)                         | (11,700)        |
| <b>Net cash provided by financing activities</b> | <u>199,679</u>                   | <u>4,000</u>    |
| <b>Investing activities</b>                      |                                  |                 |
| Advance  | (45,000)                         | -               |
| <b>Net cash used in investing activities</b>     | <u>(45,000)</u>                  | <u>-</u>        |
| <b>Net change in cash during the period</b>      | 84,851                           | (18,283)        |
| <b>Cash at beginning of period</b>               | <u>39,752</u>                    | <u>75,410</u>   |
| <b>Cash at end of period</b>                     | <u>124,603</u>                   | <u>57,127</u>   |

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

**HANNAN METALS LTD.** (formerly Mitchell Resources Ltd.)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED NOVEMBER 30, 2016**  
(Unaudited - Expressed in Canadian Dollars)

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**1. Nature of Operations, Going Concern and Name Change**

The Company was incorporated under the provisions of the Company Act (British Columbia). On January 10, 2017 the Company changed its name from Mitchell Resources Ltd. to Hannan Metals Ltd. 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 currently engaged in the acquisition and exploration of mineral properties. On November 4, 2016 the Company entered into an agreement to acquire prospecting licenses in Ireland. See Note 3. The Company's ability to continue as a going concern and the recoverability of the amounts to be capitalized as exploration and evaluation assets are dependent upon the ability of the Company to raise additional financing in order to complete the acquisition, exploration and development of its mineral property interests, the discovery of economically recoverable reserves and obtaining future profitable production or proceeds from disposition of the Company's mineral properties. As a mineral company in the exploration stage the ability of the Company to complete the acquisition, exploration and development of its mineral property interests will be affected principally 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 revenue and, as at November 30, 2016, has an accumulated deficit of \$48,983,916 and a working capital deficit of \$23,003. The Company will be required to raise additional capital in order to complete the acquisition of the mineral property interest referred to in Note 3, conduct exploration and development activities on its current and future mineral property interests and maintain operations. These conditions raise significant doubt about the Company's ability to continue as a going concern. There can be no assurances that the Company will be able to obtain additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing the Company will be required to curtail operations, exploration and development activities and there would be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

These condensed 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 10.

**2. Basis of Preparation**

*Statement of Compliance*

These condensed 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 interim financial statements should be read in conjunction with the audited financial statements for the year ended May 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed interim financial statements are consistent with those applied in the Company's audited financial statements for the year ended May 31, 2016.

*Basis of Measurement*

The condensed interim financial statements of the Company have been prepared on an accrual basis except for cash flow information, and are based on historical costs except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at fair value. The financial statements are presented in Canadian dollars unless otherwise noted.

**HANNAN METALS LTD.** (formerly *Mitchell Resources Ltd.*)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED NOVEMBER 30, 2016**  
*(Unaudited - Expressed in Canadian Dollars)*

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**3. Proposed Acquisition**

On November 4, 2016 the Company entered into an agreement (the “Share Purchase Agreement”) with the shareholders of Hannan Metals BC Ltd. (“Hannan Canada”), a private British Columbia company, to acquire all of the issued and outstanding shares of Hannan Canada (the “Proposed Acquisition”) for nominal cash consideration of \$20 and the assumption of all debts owed by Hannan Canada and its wholly-owned subsidiary, Hannan Metals Ireland Limited (“Hannan Ireland”).

Hannan Ireland is the registered holder of a 100% interest in seven prospecting licences located in County Clare, Ireland (the “Licences”), which were acquired by Hannan Ireland effective September 21, 2016 pursuant to an Assignment Agreement dated September 21, 2016 (the “Assignment Agreement”). Under a separate asset purchase agreement dated June 3, 2016 (the “Asset Purchase Agreement”) between Hannan Ireland and Lundin Mining Exploration Limited (“Lundin”), Hannan Ireland purchased all exploration data associated with the Licences from Lundin for a cash payment of US \$150,000 and must make two additional cash payments to Lundin of US \$425,000 on each of September 21, 2017 and March 21, 2018. Pursuant to the Asset Purchase Agreement, Hannan Ireland is 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. Additionally, Hannan Ireland will be required to pay a one-time cash fee of US \$2,000,000 less cash payments already made to Lundin, if it transfers its rights to the Licences to an arm’s length party (which excludes the Company) for US \$10,000,000 or greater within 18 months of the execution of the Asset Purchase Agreement. Pursuant to a royalty agreement dated June 3, 2016 (the “Royalty Agreement”) between Hannan Ireland and Lundin, Lundin retained a 2% net smelter return royalty (the “NSR”) 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 Hannan Ireland for US \$5,000,000, which must be exercised within one year from the date of commercial production (the “Buy-Back Option”). Completion of the Proposed Acquisition is subject to, among other things, the Company completing a “part-and-parcel” financing (the “Financing”) of up to approximately 10,480,000 shares at \$0.075 per share for aggregate gross proceeds of up to approximately \$786,000.

As at November 30, 2016 the Company has advanced \$45,000 to Hannan Canada.

See also Note 10.

**4. Loans**

|                                    | November 30,<br>2016<br>\$ | May 31,<br>2016<br>\$ |
|------------------------------------|----------------------------|-----------------------|
| Principal amounts                  | 412,848                    | 462,848               |
| Accrued interest and financing fee | <u>79,906</u>              | <u>66,122</u>         |
|                                    | <u>492,754</u>             | <u>528,970</u>        |

The Company has received ongoing loans from DNG Capital Corp. (“DNG”) a private company owned by the President of the Company. The loans bear interest at a rate of 6% per annum on all outstanding principal amounts. During the six months ended November 30, 2016 the Company repaid \$50,000 and recorded \$13,784 (2015 - \$14,185) of interest expense.

See also Note 10(c).

**5. 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.



**HANNAN METALS LTD.** (formerly Mitchell Resources Ltd.)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED NOVEMBER 30, 2016**  
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**5. Share Capital** (continued)

(b) *Share Consolidation*

On July 6, 2016 the Company completed a consolidation of its share capital on a one new for two old basis. The shares and per share amounts have been adjusted within these financial statements to reflect the share consolidation.

(c) *Equity Financings*

No equity financings were completed by the Company during the six months ended November 30, 2016. See also Note 10(a).

No equity financings were completed by the Company during fiscal 2016.

(d) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at November 30, 2016 and 2015 and the changes for the six months ended on those dates, is as follows:

|                              | 2016      |  | 2015      |  |
|------------------------------|-----------|--|-----------|--|
|                              | Number    | Weighted<br>Average<br>Exercise<br>Price<br>\$ | Number    | Weighted<br>Average<br>Exercise<br>Price<br>\$ |
| Balance, beginning of period | 1,283,700 | 0.20   | 1,440,700 | 0.19   |
| Exercised                    | -         | -  | (157,000) | 0.10   |
| Balance, end of period       | 1,283,700 | 0.20   | 1,283,700 | 0.20   |

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at November 30, 2016:

| Number    | Exercise Price<br>\$ | Expiry Date       |
|-----------|----------------------|-------------------|
| 277,250   | 0.40                 | August 2, 2018    |
| 112,500   | 0.40                 | August 12, 2018   |
| 118,950   | 0.20                 | November 12, 2018 |
| 775,000   | 0.10                 | March 5, 2020     |
| 1,283,700 |                      |                   |

(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, 2016 the Company granted share options to purchase 1,071,000 (2015 - nil) common shares and recorded compensation expense of \$94,772 (2015 - \$nil).

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**5. Share Capital (continued)**

The fair value of share options granted is estimated using the Black-Scholes option pricing model using the following assumptions:

|                           | <u>2016</u> |
|---------------------------|-------------|
| Risk-free interest rate   | 0.63%       |
| Estimated volatility      | 140.22%     |
| Expected life             | 5 years     |
| Expected dividend yield   | 0%          |
| Estimated forfeiture rate | 0%          |

The weighted average grant date fair value of all share options granted during the six months ended November 30, 2016 was \$0.09 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, 2016 and 2015 and the changes for the six months ended on those dates, is as follows:

|                              | <u>2016</u>                         |   | <u>2015</u>                         |   |
|------------------------------|-------------------------------------|---|-------------------------------------|---|
|                              | Number of<br>Options<br>Outstanding | Weighted<br>Average Exercise<br>Price<br>\$ | Number of<br>Options<br>Outstanding | Weighted<br>Average Exercise<br>Price<br>\$ |
| Balance, beginning of period | 642,500                             | 0.10  | -                                   | -   |
| Granted                      | 1,071,000                           | 0.10  | -                                   | -   |
| Exercised                    | <u>(612,500)</u>                    | 0.10  | <u>-</u>                            | <u>-</u>                                    |
| Balance, end of period       | <u>1,101,000</u>                    | 0.10  | <u>-</u>                            | <u>-</u>                                    |

The following table summarizes information about the share options outstanding and exercisable at November 30, 2016:

| Number           | Exercise<br>Price<br>\$ | Expiry Date       |
|------------------|-------------------------|-------------------|
| 30,000           | 0.10                    | December 3, 2018  |
| 921,000          | 0.10                    | November 14, 2021 |
| <u>150,000</u>   | 0.10                    | November 15, 2021 |
| <u>1,101,000</u> |                         |                   |

**6. Related Party Disclosures**

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*

Management personnel include those persons having authority or responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that the management personnel consists of the executive members of the Company. During the six months ended November 30, 2016 and 2015 the following amounts were incurred with respect to the President and Chief Executive Officer ("President/CEO") and the Chief Financial Officer ("CFO") of the Company:

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**6. Related Party Disclosures** (continued)

|                          | 2016<br>\$    | 2015<br>\$    |
|--------------------------|---------------|---------------|
| Professional fees        | 16,200        | 16,200        |
| Share-based compensation | <u>15,928</u> | <u>-</u>      |
|                          | <u>32,128</u> | <u>16,200</u> |

As at November 30, 2016, \$102,150 (May 31, 2016 - \$97,200) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) *Transactions with Other Related Parties*

(i) During the six months ended November 30, 2016 and 2015 the following amounts were incurred with respect to non-management directors of the Company:

|                          | 2016<br>\$    | 2015<br>\$    |
|--------------------------|---------------|---------------|
| Professional fees        | 11,100        | 11,100        |
| Share-based compensation | <u>20,795</u> | <u>-</u>      |
|                          | <u>31,895</u> | <u>11,100</u> |

As at November 30, 2016, \$45,200 (May 31, 2016 - \$56,600) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the six months ended November 30, 2016 the Company incurred a total of \$7,700 (2015 - \$9,900) for accounting and administration services provided by Chase Management Ltd., a private corporation owned by the current President/CEO of the Company. As at November 30, 2016, \$3,000 (May 31, 2016 - \$300 ) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) See also Notes 4 and 10(a).

**7. 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”); held-to-maturity investments; loans and receivables; available-for-sale; and other financial liabilities. The carrying values of the Company’s financial instruments are classified into the following categories:

| Financial Instrument                     | Category                    | November 30,<br>2016<br>\$ | May 31,<br>2016<br>\$ |
|--|-----------------------------|----------------------------|-----------------------|
| Cash                                     | FVTPL                       | 124,603                    | 39,752                |
| GST receivable                           | Loans and receivables       | 881                        | 121                   |
| Advance                                  | Loans and receivables       | 45,000                     | -                     |
| Accounts payable and accrued liabilities | Other financial liabilities | (153,743)                  | (154,300)             |
| Loans                                    | Other financial liabilities | (492,754)                  | (528,970)             |

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:

**HANNAN METALS LTD.** (formerly Mitchell Resources Ltd.)  
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**7. Financial Instruments and Risk Management** (continued)

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 GST receivable, advance, accounts payable and accrued liabilities and loans 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, GST receivable and advance. Management believes that the credit risk concentration with respect to cash and GST receivable is remote as cash is held with a high quality financial institution and GST receivable represents amounts due from the Government of Canada. As at November 30, 2016 the credit risk in respect to advance was considered to be high as the Company had not completed the Proposed Acquisition. See Note 10(b).

*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 Company has financial liabilities classified as current that are due within the next fiscal period. The Company will need to obtain additional financing to meet the obligations as they come due. See Notes 1 and 10(a).

*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's functional currency is the Canadian dollar and major transactions are transacted in Canadian Dollars and US Dollars. The Company maintains minimal cash deposits in US Dollars with its Canadian bank. As such, the fluctuation of the Canadian Dollar in relation to the US Dollar will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' deficiency. However, as the Company does not maintain significant cash balances in US Dollars and settles any transactions in US Dollars quickly, its exposure to currency risk is considered insignificant as at November 30, 2016.

**HANNAN METALS LTD.** (formerly Mitchell Resources Ltd.)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED NOVEMBER 30, 2016**  
(Unaudited - Expressed in Canadian Dollars)

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**8. 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 development of the business. The Company defines capital that it manages as components of shareholders' deficiency. 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. There were no changes to the approach to capital management during the period.

The Company does not expect its current capital resources will be sufficient to meet all of its operating requirements and debt retirement obligations and is dependent upon future equity or debt transactions to meet these obligations. See also Notes 1 and 10.

**9. Segmented Information**

The Company has previously operated in one segment - the acquisition, exploration and development of unproven mineral property interests. As at November 30, 2016 the Company does not have any mineral property interests. Its corporate assets, comprising mainly of cash, are located in Canada. The Company has no reportable segment revenues or operating results.

**10. Events after the Reporting Period**

- (a) On January 6, 2017 the Company completed a non-brokered private placement financing of 10,486,000 common shares at \$0.075 per share for gross proceeds of \$786,450. Director and officers of the Company and close family members purchased 2,870,084 common shares for \$215,256.

As at November 30, 2016 the Company had received \$191,475 on account of the private placement and incurred \$3,046 legal and filing costs.

- (b) On January 9, 2017 the Company closed the Proposed Acquisition.
- (c) Subsequent to November 30, 2016 the Company repaid all of the loans and all accrued interest and financing fee.