HANNAN METALS LTD.

(*formerly Mitchell Resources Ltd.*)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2017 AND 2016

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Hannan Metals Ltd. (formerly Mitchell Resources Ltd.)

We have audited the accompanying consolidated financial statements of Hannan Metals Ltd. (formerly Mitchell Resources Ltd.), which comprise the consolidated statements of financial position as at May 31, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Hannan Metals Ltd. (formerly Mitchell Resources Ltd.) as at May 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

September 27, 2017

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HANNAN METALS LTD. *(formerly Mitchell Resources Ltd.)*
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	May 31, 2017 $	May 31, 2016 $
ASSETS			
Current assets			
Cash		1,172,836	39,752
GST/VAT receivable		71,077	121
Prepaid expenses		28,242	3,900
Total current assets		1,272,155	43,773
Non-current assets			
Exploration and evaluation assets	5	1,574,036	-
Total non-current assets		1,574,036	-
TOTAL ASSETS		2,846,191	43,773
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	301,797	154,300
Property acquisition obligation	7	1,116,804	-
Total current liabilities		1,418,601	154,300
Non-current liabilities			
Promissory notes and loans payable	6	301,893	528,970
Total non- current liabilities		301,893	528,970
TOTAL LIABILITIES		1,720,494	683,270
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	8	47,142,801	44,856,869
Share-based payments reserve		3,471,043	3,311,839
Deficit		(49,488,147)	(48,808,205)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		1,125,697	(639,497)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		2,846,191	43,773

Nature of Operations and Name Change - Note 1

Events after the Reporting Period - Note 14

These consolidated financial statements were approved for issue by the Board of Directors on September 27, 2017 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 consolidated financial statements.

HANNAN METALS LTD. *(formerly Mitchell Resources Ltd.)*
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	Year Ended May 31, 2017 $	2016 $
Expenses			
Accounting and administration	10	38,910	14,600
Accretion of property acquisition obligation	7	17,048	-
Audit		9,500	10,710
Corporate development		71,341	-
General exploration		54,259	-
Insurance		983	-
Legal		16,965	267
Office		41,408	794
Management and director compensation	10	150,020	54,600
Professional fees		15,280	-
Regulatory fees		18,083	8,119
Share-based compensation	8(e)	150,727	26,598
Shareholder costs		7,700	1,629
Transfer agent		18,189	5,649
Travel		60,883	-
		671,296	122,966
Loss before other items		(671,296)	(122,966)
Other items			
Interest income		4,219	609
Foreign exchange gain		10,045	18
Interest expense	6	(22,910)	(28,077)
		(8,646)	(27,450)
Net loss and comprehensive loss for the year		(679,942)	(150,416)
Basic and diluted loss per common share		$(0.04)	$(0.01)
Weighted average number of common shares outstanding - basic and diluted		16,726,978	10,464,221

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

HANNAN METALS LTD. *(formerly Mitchell Resources Ltd.)*
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Year Ended May 31, 2017				
	Share Capital				
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Total (Deficiency) Equity $
Balance at May 31, 2016	10,522,989	44,856,869	3,311,839	(48,808,205)	(639,497)
Common shares issued for cash:					
- private placements	16,286,000	2,294,450	-		2,294,450
- exercise of share options	612,500	61,250	-	-	61,250
- exercise of warrants	37,500	3,750	-		3,750
Share issue costs	-	(98,874)	33,833	-	(65,041)
Transfer on exercise of share options	-	25,356	(25,356)	-	-
Share-based compensation	-	-	150,727	-	150,727
Net loss for the year	-	-	-	(679,942)	(679,942)
Balance at May 31, 2017	27,458,989	47,142,801	3,471,043	(49,488,147)	1,125,697

	Year Ended May 31, 2016				
	Share Capital				
	Number of Shares	Amount $	Share-Based Payments Reserve $	Deficit $	Total Deficiency $
Balance at May 31, 2015	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
Share-based compensation	-	-	26,598	-	26,598
Net loss for the year	-	-	-	(150,416)	(150,416)
Balance at May 31, 2016	10,522,989	44,856,869	3,311,839	(48,808,205)	(639,497)

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

HANNAN METALS LTD. *(formerly Mitchell Resources Ltd.)*
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended May 31,	
	2017 $	2016 $
Operating activities		
Net loss for the year	(679,942)	(150,416)
Adjustments for:		
Accretion of property acquisition obligation	17,048	-
Foreign exchange on property acquisition obligation	18,705	-
Interest expense	22,910	28,077
Share-based compensation	150,727	26,598
Changes in non-cash working capital items:		
GST/VAT receivable	(32,919)	307
Prepaid expenses	(24,342)	5,000
Accounts payable and accrued liabilities	69,396	50,776
Net cash used in operating activities	(458,417)	(39,658)
Investing activities		
Cash acquired on Acquisition	7,514	-
Cash paid on Acquisition	(20)	-
Acquisition costs incurred	(28,929)	-
Advances to Hannan BC prior to Acquisition	(67,000)	-
Exploration and evaluation asset expenditures	(70,491)	-
Net cash used in investing activities	(158,926)	-
Financing activities		
Issuance of common shares	2,359,450	15,700
Share issue costs	(65,041)	-
Repayment of loans and accrued interest	(543,982)	(11,700)
Net cash provided by financing activities	1,750,427	4,000
Net change in cash during the year	1,133,084	(35,658)
Cash at beginning of year	39,752	75,410
Cash at end of year	1,172,836	39,752

Supplemental cash flow information - Note 13

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

1. Nature of Operations 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 January 9, 2017 the Company closed on an agreement to acquire prospecting licenses in Ireland, as described in Note 4. On the basis of information to date, the Company has not yet 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 at May 31, 2017 the Company had a working capital deficit in the amount of $146,446. These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business operations for the foreseeable future. To date the Company has not earned significant revenues and is considered to be in the exploration stage. The Company's operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. Subsequent to May 31, 2017 the Company completed a private placement financing to raise $3,329,225, as described in Note 14(a). 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 retire its property acquisition obligation as it becomes 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. These consolidated financial statements do not reflect any adjustments related to conditions that occurred subsequent to May 31, 2017.

2. Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Measurement

The consolidated 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 or loss, which are stated at fair value. These consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Details of the Group

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

2. Basis of Preparation (continued)

The subsidiaries of the Company as at May 31, 2017 are as follows:

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

3. Summary of Significant Accounting Policies

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

(i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

(ii) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

(iii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

(iv) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized to the extent of the amount expected to be utilized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 9.

3. Summary of Significant Accounting Policies (continued)

(v) Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset requires the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 - *Business Combinations*. If an acquired set of assets and liabilities includes goodwill, the set is presumed to be a business. Based on an assessment of the relevant facts and circumstances, the Company concluded that the acquisition disclosed in Note 4 was acquisition of assets. The allocation of the purchase price to the net assets in the acquisition are based on numerous estimates and judgements including discount rates and timing of future payments.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(i) The cost estimates are updated periodically during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. As at May 31, 2017 there were no decommissioning liabilities.

(ii) Determining the fair value of warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity (deficiency).

(iii) The assessment of any impairment of exploration and evaluation assets is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful lives of assets. Management has concluded there were no impairment indicators with respect to exploration and evaluation assets in fiscal 2017.

(iv) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. As at May 31, 2017 and 2016 the Company did not have any cash equivalents.

Amounts Receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivables. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

3. Summary of Significant Accounting Policies (continued)

Accounts Payable and Accrued Liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are classified as other financial liabilities initially at fair value and are subsequently measured at amortized cost using the effective interest method.

Exploration and Evaluation Assets

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that an exploration expenditure is not expected to be recovered, it is charged to the results of operations.

Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Impairment of Assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. Summary of Significant Accounting Policies (continued)

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Decommissioning Provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted each period for the unwinding of the discount rate and for changes to the current market-based discount rate and amount or timing of the underlying cash flows needed to settle the obligation. As at May 31, 2017 the Company does not have any decommissioning obligations.

Financial Instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). Cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. As at May 31, 2017 and 2016 the Company does not have any amounts receivable.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. As at May 31, 2017 and 2016 the Company does not have any investments.

Transaction costs associated with financial assets at FVTPL are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities, property acquisition obligation and promissory notes and loans payable are classified as other financial liabilities.

Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). At May 31, 2017 and 2016 the Company has not classified any financial liabilities as FVTPL.

3. Summary of Significant Accounting Policies (continued)

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company adopted a residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in the private placements is determined by the closing quoted bid price on the price reservation date, if applicable, or the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Share-Based Payment Transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Current and Deferred Income Taxes

The tax expense comprises current and deferred tax. Tax is recognized separately in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3. Summary of Significant Accounting Policies (continued)

Deferred Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax relating to items recognized directly in equity or other comprehensive income ("OCI") is recognized in equity or OCI and not in the statement of comprehensive loss.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Loss Per Share

Basic loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share.

Foreign Currency Translation

Functional and Presentation Currency

The financial statements of each of the Company's subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of each subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. Each subsidiary's functional currency, being the currency of the primary economic environment in which the subsidiary operates, is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Exchange rates published by the Bank of Canada were used to translate subsidiary financial statements into the consolidated financial statements. Income and expenses for each statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive loss.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive loss.

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Accounting Standards and Interpretations Issued but Not Yet Effective

As at the date of these consolidated financial statements, the following standards have not been applied in these financial statements:

(i) The completed version of IFRS 9, *Financial Instruments*, was issued in July 2014. The completed standard provides for revised guidance on the classification and measurement of financial assets. It also introduces a new expected credit loss model for calculating impairment for financial assets. The new hedging guidance that was issued in November 2013 is incorporated into this new final standard. This final version of IFRS 9 will be effective for periods beginning on or after January 1, 2018, with early adoption permitted.

(ii) IFRS 15, *Revenue from Contracts with Customers*, outlines the principles for recognizing revenue from contracts with customers. The new standard establishes a new five-step model for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard is effective for annual periods beginning on or after January 1, 2018, and is applicable to all entities and will supersede all current revenue recognition requirements under IFRS.

(iii) IFRS 16, *Leases*, 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. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

Management is currently assessing the impact of these new standards on the Company's accounting policies and consolidated financial statement presentation.

4. Acquisition

On January 9, 2017 the Company completed an agreement (the "Share Purchase Agreement") with the shareholders of Hannan BC, a private British Columbia company, to acquire all of the issued and outstanding shares of Hannan BC (the "Acquisition") for cash consideration of $20 and the assumption of all debts owed by Hannan BC and its wholly-owned subsidiary, Hannan Ireland. See also Note 5.

The Company incurred $28,929 for legal, filing and other costs associated with the transactions conducted pursuant to the Acquisition. These transactions costs were capitalized to exploration and evaluation assets.

The Acquisition was accounted for as an acquisition of the net assets, as follows:

	$
Cash paid	20
Assumption of accounts payable	12,317
Assumption of promissory notes and accrued interest payable	293,995
Advances to Hannan BC prior to Acquisition	67,000
Property acquisition obligation	1,081,051
Costs incurred	28,929
Acquisition cost	1,483,312

The Acquisition cost was allocated to the individual identifiable assets on the basis of their relative fair value at the date of purchase. The results of operations have been recorded in the consolidated statements of comprehensive loss from January 9, 2017.

(Expressed in Canadian Dollars)

4. Acquisition (continued)

Assets acquired consists of:

	$
Cash and VAT	45,551
Exploration and evaluation assets	1,437,761
Assets acquired	1,483,312

5. Exploration and Evaluation Assets

	Ireland Clare Project $
Balance at May 31, 2016	-
Acquisition cost (Note 4)	1,437,761
Exploration costs	
Drilling	70,883
Geochemistry	761
Geology	17,533
Ground geophysics	40,649
Other	6,449
	136,275
Balance at May 31, 2017	1,574,036

Hannan Ireland is the registered holder of a 100% interest in seven prospecting licences located in County Clare, Ireland (the “Licences”), which were transferred to Hannan Ireland effective September 21, 2016 pursuant to an Assignment Agreement (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 an initial cash payment of US $150,000 and two additional cash payments of US $425,000. See also Note 7.

Hannan Ireland is also required to pay Lundin a one-time bonus payment of US $5,000,000 within the earlier of: (i) Hannan Ireland’s decision to proceed with mine construction, or: (ii) within 90 days of the establishment of a commercial financing to finance capital costs for mine construction. 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 for US $10,000,000 or greater within 18 months of the execution of the Asset Purchase Agreement. 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”).

The Company also holds a further three prospecting licenses which have been granted or are under application.

The Company’s minimum expenditure requirements over the next five years are approximately $500,000.

(Expressed in Canadian Dollars)

6. Promissory Notes and Loans

	May 31, 2017 $	May 31, 2016 $
Promissory notes (a)	290,100	-
Loans payable (b)	-	462,848
	290,100	462,848
Accrued interest and financing fee	11,793	66,122
	301,893	528,970

(a) The promissory notes bear interest at 7% per annum. The principal amounts and accrued interest are due and payable on December 31, 2018. During fiscal 2017 the Company recorded $7,898 of interest expense. The promissory notes are held by an individual shareholder and two private corporations owned by officers of the Company.

(b) The Company had previously received loans from DNG Capital Corp. ("DNG") a private company owned by the President of the Company. The loans bore interest at a rate of 6% per annum and during fiscal 2017 the Company recorded $15,012 (2016 - $28,077) of interest expense. The Company repaid the principal balance of $462,848 and the outstanding accrued interest of $81,134 during fiscal 2017.

7. Property Acquisition Obligation

On January 9, 2017 the Company completed the Share Purchase Agreement, as described in Notes 4 and 5. Pursuant to the Asset Purchase Agreement the Company must make two additional cash payments of US $425,000 on each of September 21, 2017 and March 21, 2018. The obligation has been measured at the discounted value of the future payments. The discounted value is accreted to the future value over the period of payment obligation. As at May 31, 2017 the Company applied a discount rate of 5% to the future payments.

A continuity of the property acquisition obligation for the Licences is as follows:

	$
Property acquisition obligation recorded on acquisition	1,081,051
Accretion of property acquisition obligation	17,048
Foreign exchange adjustment	18,705
Balance at May 31, 2017	1,116,804

See also Note 14(c).

8. 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) *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 consolidated financial statements to reflect the share consolidation.

(Expressed in Canadian Dollars)

8. Share Capital (continued)

(c) *Equity Financings*

During fiscal 2017 the Company:

(i) completed a non-brokered private placement of 10,486,000 common shares, at a price of $0.075 per share for proceeds of $786,450. Directors, officers and close family members purchased 2,870,084 common shares for $215,256; and

(ii) completed a non-brokered private placement financing of 5,800,000 units, at a price of $0.26 per unit for proceeds of $1,508,000. Each unit consisted of one common share of the Company and one half of one non-transferable warrant. Each whole warrant entitles the holder to purchase an additional common share, at an exercise price of $0.40 per share, expiring February 17, 2018.

The Company paid a finder's fee of $35,880 cash and issued 138,000 finder's warrants. The finder's warrants have the same terms as the private placement warrants. 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 0.64%; expected volatility of 173%; an expected life of one year; a dividend yield of 0%; and an expected forfeiture rate of 0%. The value assigned to the finder's warrants was $33,833. The weighted average fair value of the finder's warrants issued was $0.24 per warrant.

The Company incurred a total of $29,161 for legal and filing costs associated with these private placements.

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

See also Note 14(a).

(d) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at May 31, 2017 and 2016 and the changes for the years ended on those dates, is as follows:

	2017		2016	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance, beginning of year	1,283,700	0.20	1,440,700	0.19
Issued	3,038,000	0.40	-	-
Exercised	(37,500)	0.10	(157,000)	0.10
Balance, end of year	4,284,200	0.34	1,283,700	0.20

(Expressed in Canadian Dollars)

8. 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 May 31, 2017:

Number	Exercise Price $	Expiry Date
3,038,000	0.40	February 17, 2018
277,250	0.40	August 2, 2018
112,500	0.40	August 12, 2018
118,950	0.20	November 12, 2018
737,500	0.10	March 5, 2020
4,284,200		

(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 fiscal 2017 the Company granted share options to purchase 1,261,000 (2016 - 642,500) common shares and recorded compensation expense of $150,727 (2016 - $26,598).

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

	2017	2016
Risk-free interest rate	0.63% - 1.19%	0.53%
Estimated volatility	118.72% - 141.53%	134.17%
Expected life	3 years - 5 years	3 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average grant date fair value of all share options granted during fiscal 2017 was $0.12 (2016 - $0.04) 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 May 31, 2017 and 2016 and the changes for the years ended on those dates, is as follows:

	2017		2016	
	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $
Balance, beginning of year	642,500	0.10	-	-
Granted	1,261,000	0.14	642,500	0.10
Exercised	(612,500)	0.10	-	-
Balance, end of year	1,291,000	0.14	642,500	0.10

(Expressed in Canadian Dollars)

8. Share Capital (continued)

The following table summarizes information about the share options outstanding and exercisable at May 31, 2017:

Number	Exercise Price $	Expiry Date
30,000	0.10	December 3, 2018
75,000	0.40	February 13, 2020
65,000	0.45	May 12, 2020
921,000	0.10	November 14, 2021
150,000	0.10	November 15, 2021
50,000	0.26	February 1, 2022
1,291,000		

9. Income Tax

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2017 $	2016 $
Loss before income taxes	(679,942)	(150,416)
Expected income tax recovery	(177,000)	(39,000)
Effect of change in tax rates and other	(24,000)	(1,400)
Permanent difference	35,000	-
Change in deductible temporary differences	166,000	40,400
	-	-

Tax attributes are subject to review and potential adjustment by tax authorities.

The significant components of the Company's unrecognized temporary differences and unused tax losses are as follows:

	2017		2016	
	$	Expiry Dates	$	Expiry Dates
Exploration and evaluation assets	(87,000)	n/a	-	-
Share issue costs	62,000	2038 to 2021	15,000	2036 to 2039
Allowable capital losses	462,000	n/a	462,000	n/a
Non-capital losses available for future periods	7,950,000	2028 to 2037	7,328,000	2028 to 2036

10. 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*

The Company has determined that key management personnel consists of the Chief Executive Officer, the President, the Vice-President of Exploration and the Chief Financial Officer of the Company. During fiscal 2017 and 2016 the following amounts were incurred with respect to these positions:

(Expressed in Canadian Dollars)

10. Related Party Disclosures (continued)

	2017 $	2016 $
Management compensation paid	127,330	32,400
Share-based compensation	15,928	9,832
	143,258	42,232

During fiscal 2017 the Company expensed $112,920 (2016 - $32,400) to management and director compensation and $15,928 (2016 - $9,832) for share-based compensation. In addition the Company capitalized $14,410 (2016 - $nil) in management fees to exploration and evaluation assets.

As at May 31, 2017, $136,867 (2016 - $97,200) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) *Transactions with Other Related Parties*

(i) During fiscal 2017 and 2016 the following amounts were incurred with respect to the positions of non-management directors of the Company:

	2017 $	2016 $
Director compensation	23,400	22,200
Share-based compensation	20,795	10,557
	44,195	32,757

As at May 31, 2017, $70,000 (2016 - $56,600) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During fiscal 2017 the Company incurred a total of $27,250 (2016 - $14,600) for accounting and administration services provided by Chase Management Ltd., a private corporation owned by the President of the Company. As at May 31, 2017, $7,700 (2016 - $300) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) The Company shares personnel with a public company with certain common directors. During fiscal 2017 the Company was charged $13,700 (2016 - $nil) for an allocation of services provided by the Company's Corporate Secretary, which has been included in management and director compensation. As at May 31, 2017, $3,625 remained unpaid and has been included in accounts payable and accrued liabilities.

(d) See also Notes 6 and 8(c).

11. 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:

(Expressed in Canadian Dollars)

11. Financial Instruments and Risk Management (continued)

Financial Instrument	Category	May 31, 2017 $	May 31, 2016 $
Cash	FVTPL	1,172,836	39,752
Accounts payable and accrued liabilities	Other financial liabilities	(301,797)	(154,300)
Property acquisition obligation	Other financial liabilities	(1,116,804)	-
Promissory notes and loans	Other financial liabilities	(301,893)	(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:

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 accounts payable and accrued liabilities, property acquisition obligation and promissory notes and loans payable approximate their fair value due to their short-term nature. 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 a high quality financial institution.

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. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. 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 May 31, 2017				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	1,172,836	-	-	-	1,172,836
Accounts payable and accrued liabilities	(301,797)	-	-	-	(301,797)
Property acquisition obligation	(558,402)	(558,402)	-	-	(1,116,804)
Promissory notes and loans	-	-	(301,893)	-	(301,893)

11. Financial Instruments and Risk Management (continued)

	Contractual Maturity Analysis at May 31, 2016				
	Less than 3 Months $	3 - 12 Months $	1 - 5 Years $	Over 5 Years $	Total $
Cash	39,752	-	-	-	39,752
Accounts payable and accrued liabilities	(154,300)	-	-	-	(154,300)
Promissory notes and loans	-	-	(528,970)	-	(528,970)

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, US Dollars and Euros. The Company maintains Euros bank accounts in Ireland and a US Dollar bank account with its Canadian bank 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 May 31, 2017, 1 Canadian Dollar was equal to 0.66 Euro and 0.74 US Dollar.

Balances are as follows:

	Euros	US Dollars	CDN $ Equivalent
Cash	25,463	557,437	791,186
VAT receivable	46,024	-	69,852
Accounts payable and accrued liabilities	(3,557)	-	(5,400)
Property acquisition obligation	-	(825,681)	(1,116,804)
	67,930	(268,244)	(261,166)

Based on the net exposures as of May 31, 2017 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 net loss being approximately $29,000 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, 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.

(Expressed in Canadian Dollars)

12. Segmented Information

On January 9, 2017 the Company completed the purchase of the Licences, as described in Note 4. 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 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:

	As a May 31, 2017		
	Canada $	**Ireland** $	**Total** $
Current assets	1,159,451	112,704	1,272,155
Exploration and evaluation assets	-	1,574,036	1,574,036
	1,159,451	1,686,740	2,846,191

13. Supplemental Cash Flow Information

During fiscal 2017 and 2016 non-cash activities were conducted by the Company as follows:

	2017 $	**2016** $
Investing activities		
Property acquisition obligation	(1,081,051)	-
Assumption of accounts payable on Acquisition	(293,995)	-
Assumption of promissory notes and accrued interest payable on Acquisition	(12,317)	-
Exploration and evaluation assets included in accounts payable	(65,784)	-
	(1,453,147)	-
Financing activities		
Share issue costs	(33,833)	-
Transfer on exercise of share options	25,356	-
	(8,477)	-

14. Events after the Reporting Period

Subsequent to May 31 ,2017 the Company:

(a) completed a non-brokered private placement of 12,804,713 units for gross proceeds of $3,329,225. The Company paid $61,519 finders' fees, issued 236,630 finders' warrants and incurred $17,570 for share issue costs. Directors and officers of the Company and close family members, purchased a total of 886,000 units for $230,360;

(b) granted share options to purchase up to 425,000 common shares of the Company at exercise prices ranging from $0.26 to $0.40 per share, expiring three years from the dates of grants; and

(c) made a US $425,000 cash payment pursuant on account of the property acquisition obligation.