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**HANNAN METALS LTD.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED FEBRUARY 29, 2020**

*(Unaudited - Expressed in Canadian Dollars)*

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

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

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

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

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

	Note	February 29, 2020 \$	May 31, 2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		1,965,998	371,663
GST/VAT receivable		8,831	10,099
Prepaid expenses		<u>116,478</u>	<u>39,398</u>
<b>Total current assets</b>		<u>2,091,307</u>	<u>421,160</u>
<b>Non-current assets</b>			
Exploration and evaluation assets	4	<u>4,514,115</u>	<u>4,207,842</u>
<b>Total non-current assets</b>		<u>4,514,115</u>	<u>4,207,842</u>
<b>TOTAL ASSETS</b>		<u>6,605,422</u>	<u>4,629,002</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	280,013	294,573
Due to related party	7(c)	20,000	-
Promissory notes payable	5	<u>212,292</u>	<u>-</u>
<b>Total non-current assets</b>		<u>512,305</u>	<u>294,573</u>
<b>Non-current liabilities</b>			
Promissory notes payable	5	<u>-</u>	<u>342,393</u>
<b>TOTAL LIABILITIES</b>		<u>512,305</u>	<u>636,966</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	10,454,991	7,869,329
Share-based payments reserve		4,276,394	3,709,194
Deficit		<u>(8,638,268)</u>	<u>(7,586,487)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>6,093,117</u>	<u>3,992,036</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>6,605,422</u>	<u>4,629,002</u>

**Nature of Operations and Continuing Operations - Note 1**

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on April 28, 2020 and are signed on its behalf by:

/s/ Nick DeMare  
 Nick DeMare  
 Director

/s/ Michael Hudson  
 Michael Hudson  
 Director

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

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

	Note	Three Months Ended		Nine Months Ended	
		February 29, 2020 \$	February 28, 2019 \$	February 29, 2020 \$	February 28, 2019 \$
<b>Expenses</b>					
Accounting and administration	7(b)	6,918	20,248	41,154	69,397
Audit		-	-	20,000	21,420
Community work		41,444	-	41,444	-
Corporate development		40,359	21,952	51,715	56,841
Drill core storage		2,933	9,095	7,805	27,207
General exploration		-	4,392	-	28,612
Insurance		3,040	8,832	10,674	28,528
Legal		1,383	39	9,077	6,766
Office, rent and miscellaneous		13,978	21,966	32,272	50,855
Management and director compensation	7	43,350	52,093	103,073	154,020
Professional fees		51,044	13,302	51,044	86,461
Regulatory fees		3,193	1,345	9,162	7,188
Salaries and wages		-	17,989	33,108	38,392
Share-based compensation	6(e)	567,200	22,290	567,200	78,100
Shareholder costs		7,695	3,056	17,826	9,033
Transfer agent fees		2,151	1,018	7,299	7,023
Travel		15,472	47,645	35,705	84,191
Vehicle rental		-	6,211	829	22,546
		<u>800,160</u>	<u>251,473</u>	<u>1,039,387</u>	<u>776,580</u>
<b>Loss before other items</b>		<u>(800,160)</u>	<u>(251,473)</u>	<u>(1,039,387)</u>	<u>(776,580)</u>
<b>Other items</b>					
Interest income		2,678	2,053	4,443	10,011
Foreign exchange		3,249	(337)	(1,938)	(5,789)
Interest expense	5	<u>(4,722)</u>	<u>(5,006)</u>	<u>(14,899)</u>	<u>(15,183)</u>
		<u>1,205</u>	<u>(3,290)</u>	<u>(12,394)</u>	<u>(10,961)</u>
<b>Net and comprehensive loss for the period</b>		<u>(798,955)</u>	<u>(254,763)</u>	<u>(1,051,781)</u>	<u>(787,541)</u>
<b>Basic and diluted loss per common share</b>		<u>\$(0.01)</u>	<u>\$(0.01)</u>	<u>\$(0.02)</u>	<u>\$(0.02)</u>
<b>Weighted average number of common shares outstanding</b>		<u>60,062,242</u>	<u>47,664,602</u>	<u>55,200,909</u>	<u>46,710,054</u>

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

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

Nine Months Ended February 29, 2020					
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Equity \$
	Number of Shares	Amount \$			
<b>Balance at May 31, 2019</b>	52,664,602	7,869,329	3,709,194	(7,586,487)	3,992,036
Common shares issued for:					
- private placements	20,937,109	2,661,489	-	-	2,661,489
- warrants	1,062,500	122,500	-	-	122,500
Share issue costs	-	(198,327)	-	-	(198,327)
Share-based compensation	-	-	567,200	-	567,200
Net loss for the period	-	-	-	(1,051,781)	(1,051,781)
<b>Balance at February 29, 2020</b>	<u>74,664,211</u>	<u>10,454,991</u>	<u>4,276,394</u>	<u>(8,638,268)</u>	<u>6,093,117</u>

Nine Months Ended February 28, 2019					
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Equity \$
	Number of Shares	Amount \$			
<b>Balance at May 31, 2018</b>	40,263,702	6,290,147	3,632,469	(6,566,043)	3,356,573
Common shares issued for:					
- private placement	7,370,900	1,105,635	-	-	1,105,635
- share options	30,000	3,000	-	-	3,000
Share issue costs	-	(21,447)	1,280	-	(20,167)
Share-based compensation	-	-	78,100	-	78,100
Transfer on exercise of share options	-	2,655	(2,655)	-	-
Net loss for the period	-	-	-	(787,541)	(787,541)
<b>Balance at February 28, 2019</b>	<u>47,664,602</u>	<u>7,379,990</u>	<u>3,709,194</u>	<u>(7,353,584)</u>	<u>3,735,600</u>

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

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

	<b>Nine Months Ended</b>	
	<b>February 29, 2020 \$</b>	<b>February 28, 2019 \$</b>
<b>Operating activities</b>		
Net loss for the period	(1,051,781)	(787,541)
Adjustments for:		
Interest expense	14,899	15,183
Share-based compensation	567,200	78,100
Changes in non-cash working capital items:		
GST/VAT receivable	1,268	(34,387)
Prepaid expenses	(77,080)	18,678
Accounts payable and accrued liabilities	(35,614)	14,168
Due to related party, net of \$30,000 repayment	20,000	-
<b>Net cash used in operating activities</b>	<u>(561,108)</u>	<u>(695,799)</u>
<b>Investing activity</b>		
Exploration and evaluation asset expenditures	<u>(285,219)</u>	<u>(653,515)</u>
<b>Net cash used in investing activity</b>	<u>(285,219)</u>	<u>(653,515)</u>
<b>Financing activities</b>		
Issuance of common shares	2,783,989	1,108,635
Share issue costs	(198,327)	(20,167)
Repayment of promissory notes	<u>(145,000)</u>	<u>-</u>
<b>Net cash provided by financing activities</b>	<u>2,440,662</u>	<u>1,088,468</u>
<b>Net change in cash during the period</b>	1,594,335	(260,846)
<b>Cash at beginning of period</b>	<u>371,663</u>	<u>477,866</u>
<b>Cash at end of period</b>	<u>1,965,998</u>	<u>217,020</u>

**Supplemental cash flow information - Note 10**

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

**HANNAN METALS LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED FEBRUARY 29, 2020**  
*(Unaudited - Expressed in Canadian Dollars)*

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**1. Nature of Operations and Continuing Operations**

The Company was incorporated under the provisions of the Company Act (British Columbia). The Company's common shares currently trade on the TSX Venture Exchange ("TSXV") under the symbol "HAN". The Company's principal, registered and records office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7.

The Company is a junior mineral exploration company engaged in the acquisition and exploration of mineral properties. As at February 29, 2020 the Company has not earned any production revenue, nor has it determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral resource interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and upon future profitable production. Mineral resource interests represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. As a mineral Company in the exploration stage the ability of the Company to complete the exploration and development of its mineral property interests will be affected primarily by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and other means.

The Company has a history of losses with no operating revenues and, as at February 29, 2020, the Company had working capital of \$1,579,002 and an accumulated deficit of \$8,638,268. 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. As at February 29, 2020 management considers that the Company has adequate resources to maintain its core operations, conduct planned exploration programs on its existing exploration and evaluation assets and discharge its obligations as they become due in the next twelve months. Most recently, there was a global outbreak of a novel coronavirus identified as "COVID-19". On March 11, 2020 the World Health Organization ("WHO") declared a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. Peru has declared a state of emergency and strict isolation measures that have been extended to at least May 11, 2020. The Company has implemented safety and physical distancing procedures, including working from home and ceased all travel. In Peru, local social work continues to build on relationships remotely with existing stakeholders. Activities in Ireland have been restricted to minimal care and maintenance levels. The Company will continue to monitor the impact of the COVID-19 outbreak, the duration and impact which is unknown at this time, as is the efficacy of any intervention. It is not possible to reliably estimate the length and severity of these developments, however the Company remains well funded and will have Peruvian teams back in the field when it is safe and appropriate to do so.

These condensed consolidated interim financial statements do not reflect any adjustments related to conditions that occurred subsequent to February 29, 2020.

**2. Basis of Preparation**

***Statement of Compliance***

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

**HANNAN METALS LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED FEBRUARY 29, 2020**  
*(Unaudited - Expressed in Canadian Dollars)*

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**2. Basis of Preparation** (continued)

***Changes in Accounting Policies - IFRS 16***

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

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

***Basis of Measurement***

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

**3. Subsidiaries**

The subsidiaries of the Company are as follows:

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



**HANNAN METALS LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED FEBRUARY 29, 2020**  
*(Unaudited - Expressed in Canadian Dollars)*

**4. Exploration and Evaluation Assets**

	<u>Ireland</u>	<u>Peru</u>	
	<u>Clare Project</u>	<u>San Martin</u>	<u>Total</u>
	<u>\$</u>	<u>Project</u>	<u>\$</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Balance at May 31, 2018</b>	<u>3,538,159</u>	<u>-</u>	<u>3,538,159</u>
<b>Exploration costs</b>			
Drilling	187,087	-	187,087
Environmental	7,831	-	7,831
Geochemistry	35,896	-	35,896
Geological	39,261	55,359	94,620
Ground geophysics	28,295	-	28,295
Metallurgical testing	35,780	-	35,780
Other	34,055	15,273	49,328
Personnel	-	2,406	2,406
Sampling	-	7,481	7,481
	<u>368,205</u>	<u>80,519</u>	<u>448,724</u>
<b>Acquisition costs</b>			
License applications	-	220,959	220,959
<b>Balance at May 31, 2019</b>	<u>3,906,364</u>	<u>301,478</u>	<u>4,207,842</u>
<b>Exploration costs</b>			
Field supplies	-	46,674	46,674
Geological	-	83,064	83,064
Other	-	25,871	25,871
Sampling	-	6,680	6,680
Travel	-	19,610	19,610
	<u>-</u>	<u>181,899</u>	<u>181,899</u>
<b>Acquisition costs</b>			
License applications and fees	3,659	120,715	124,374
<b>Balance at February 29, 2020</b>	<u>3,910,023</u>	<u>604,092</u>	<u>4,514,115</u>

***Clare Project***

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

The Company is also required to pay Lundin a one-time bonus payment of US \$5,000,000 within the earlier of: (i) a decision to proceed with mine construction, or: (ii) within 90 days of the establishment of a commercial financing to finance capital costs for mine construction. Lundin retains a 2% net smelter return royalty on all sales of mineral products extracted from the area of land subject to the Licences, subject to a 0.5% buy back right of the Company for US \$5,000,000, which must be exercised within one year from the date of commercial production.

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

**HANNAN METALS LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED FEBRUARY 29, 2020**  
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**4. Exploration and Evaluation Assets**

***San Martin Project***

As at February 29, 2020 the Company had 42 mineral concessions granted and 45 mineral concessions under application (the "San Martin Project") located in San Martin Province of the Department of San Martin, northern Peru.

**5. Promissory Notes Payable**

	February 29, 2020 \$	May 31, 2019 \$
Promissory notes	145,000	290,000
Accrued interest	<u>67,292</u>	<u>52,393</u>
	<u>212,292</u>	<u>342,393</u>

The promissory notes have been issued by Hannan BC and bear interest at 7% per annum. The principal amounts and accrued interest are due December 31, 2020. During the nine months ended February 29, 2020 the Company recorded \$14,899 (February 28, 2019 - \$15,183) of interest expense and repaid \$145,000 of principal. The promissory notes are held by shareholders of the Company, including a family trust of the CEO of the Company.

**6. Share Capital**

(a) *Authorized Share Capital*

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

(b) *Equity Financings*

*Nine Months ended February 29, 2020*

During the nine months ended February 29, 2020 the Company completed non-brokered private placements as follows:

- (i) 4,753,847 common shares, at \$0.065 per share, for gross proceeds of \$309,000. Certain directors and officers of the Company purchased a total of 653,847 common shares for \$42,500;
- (ii) 1,500,000 common shares at \$0.10 per share, for gross proceeds of \$150,000; and
- (iii) 14,683,262 units, at \$0.15 per unit, for gross proceeds of \$2,202,489. Each unit comprised one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.30 per share, expiring February 18, 2022.

The Company paid a total of \$97,600 finder's fee to two finders in respect to a portion of the private placement.

The Company has incurred a total of \$100,727 for legal and filing costs associated with these private placements.

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

*Fiscal 2019*

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

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

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

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

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

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at February 29, 2020 and February 28, 2019 and the changes for the nine months ended on those dates, is as follows:

	2020		2019	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	17,267,385	0.29	7,885,185	0.37
Issued	14,683,262	0.30	7,390,900	0.25
Exercised	(1,062,500)	0.12	-	-
Expired	(6,638,985)	0.40	(508,700)	0.35
Balance, end of period	24,249,162	0.27	14,767,385	0.31

**HANNAN METALS LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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*(Unaudited - Expressed in Canadian Dollars)*

**6. Share Capital (continued)**

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at February 29, 2020:

Number	Exercise Price \$	Expiry Date
1,852,500	0.15	April 24, 2021
322,500	0.15	April 30, 2021
7,390,900	0.25	July 6, 2021
<u>14,683,262</u>	0.30	February 18, 2022
<u>24,249,162</u>		

(e) *Share Option Plan*

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

During the nine months ended February 29, 2020 the Company granted share options to purchase 3,545,000 (February 28, 2019 - 1,037,000) common shares and recorded compensation expense of \$567,200 (February 28, 2019 - \$78,100). The fair value of share options granted is estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>2020</u>	<u>2019</u>
Risk-free interest rate	1.47%	1.80% - 2.15%
Estimated volatility	100%	82% - 92%
Expected life	3 years	5 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average grant date fair value of all share options granted during the nine months ended February 29, 2020 was \$0.16 (February 28, 2019 - \$0.11) per share option.

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

A summary of the Company's share options at February 29, 2020 and February 28, 2019 and the changes for the nine months ended on those dates, is as follows:

	<u>2020</u>		<u>2019</u>	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	2,743,000	0.17	1,766,000	0.18
Granted	3,545,000	0.25	1,037,000	0.14
Exercised	-	-	(30,000)	0.10
Expired	(285,000)	0.22	(30,000)	0.10
Forfeited	<u>(327,000)</u>	0.15	<u>-</u>	-
Balance, end of period	<u>5,676,000</u>	0.22	<u>2,743,000</u>	0.17

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

The following table summarizes information about the share options outstanding and exercisable at February 29, 2020:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
65,000	65,000	0.45	May 12, 2020
75,000	75,000	0.40	July 4, 2020
100,000	100,000	0.30	July 21, 2020
250,000	250,000	0.26	August 28, 2020
50,000	50,000	0.28	November 8, 2020
921,000	921,000	0.10	November 14, 2021
120,000	120,000	0.10	November 15, 2021
50,000	50,000	0.26	February 1, 2022
3,545,000	3,545,000	0.25	January 23, 2023
<u>500,000</u>	<u>250,000</u>	0.13	September 4, 2023
<u>5,676,000</u>	<u>5,426,000</u>		

**7. Related Party Transactions**

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

(a) *Transactions with Key Management Personnel*

The Company has determined that key management personnel consists of the Chief Executive Officer, the President and the Chief Financial Officer of the Company. During the nine months ended February 29, 2020 and February 28, 2019 the following amounts were incurred with respect to these positions:

	2020 \$	2019 \$
Management compensation paid	140,352	177,414
Share-based compensation	<u>205,600</u>	<u>-</u>
	<u>345,952</u>	<u>177,414</u>

During the nine months ended February 29, 2020 the Company allocated the \$140,352 (February 28, 2019 - \$177,414) management fees based on the nature of the services provided: expensed \$71,343 (February 28, 2019 - \$117,810) to management and director compensation; and capitalized \$69,009 (February 28, 2019 - \$59,604) to exploration and evaluation assets. As at February 29, 2020 \$117,608 (May 31, 2019 - \$131,628) remained unpaid and has been included in accounts payable and accrued liabilities.

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**7. Related Party Transactions** (continued)

(b) *Transactions with Other Related Parties*

(i) During the nine months ended February 29, 2020 and February 28, 2019 the following amounts were incurred with respect to the positions of non-management directors and the Corporate Secretary of the Company:

	2020 \$	2019 \$
Director and officer compensation	31,730	36,210
Share-based compensation	<u>156,000</u>	<u>-</u>
	<u>187,730</u>	<u>36,210</u>

As at February 29, 2020 \$68,600 (May 31, 2019 - \$78,350) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) During the nine months ended February 29, 2020 the Company incurred a total of \$24,250 (February 28, 2019 - \$34,950) for accounting and administration services provided by Chase Management Ltd., a private corporation owned by the President of the Company. As at February 29, 2020 \$1,200 (May 31, 2019 - \$881) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) During the nine months ended February 29, 2020, \$50,000 of outstanding accounts payable of the Company was satisfied by a private company owned by a director of the Company, of which the Company has repaid \$30,000. The amount is currently without specific terms of interest or repayment.

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

**8. Financial Instruments and Risk Management**

*Categories of Financial Assets and Financial Liabilities*

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

Financial Instrument	Category	February 29, 2020 \$	May 31, 2019 \$
Cash	FVTPL	1,965,998	371,663
Accounts payable and accrued liabilities	Amortized cost	(280,013)	(294,573)
Due to related party	Amortized cost	(20,000)	-
Promissory notes payable	Amortized cost	(212,292)	(342,393)

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

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

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**8. Financial Instruments and Risk Management (continued)**

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

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

*Credit Risk*

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

*Liquidity Risk*

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

	<b>Contractual Maturity Analysis at February 29, 2020</b>				
	<b>Less than 3 Months</b>	<b>3 - 12 Months</b>	<b>1 - 5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash	1,965,998	-	-	-	1,965,998
Accounts payable and accrued liabilities	(280,013)	-	-	-	(280,013)
Due to related party	(20,000)	-	-	-	(20,000)
Promissory notes payable	-	(212,292)	-	-	(212,292)

*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.

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**8. Financial Instruments and Risk Management (continued)**

(b) Foreign Currency Risk

The Company has operations in Canada, Ireland and Peru. The Company's functional currency is the Canadian dollar and major transactions are conducted in Canadian Dollars, US Dollars and Euros. The Company maintains Euro bank accounts in Ireland and a US Dollar bank account with its Canadian bank to support the cash needs of its foreign operations. The Company has minimal transactions in Peruvian Nuevos Soles. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At February 29, 2020, 1 Canadian Dollar was equal to 0.67 Euro and 0.74 US Dollar.

Balances are as follows:

	Euros	US Dollars	CDN \$ Equivalent
Cash	6,791	92,901	135,678
VAT receivable	2,250	-	3,358
Accounts payable and accrued liabilities	<u>(1,601)</u>	<u>(15,525)</u>	<u>(23,369)</u>
	<u>7,440</u>	<u>77,376</u>	<u>115,667</u>

Based on the net exposures as of February 29, 2020 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Euro and US Dollar would result in the Company's comprehensive loss being approximately \$11,000 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.

**9. Segmented Information**

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

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

	As at February 29, 2020			
	Canada \$	Ireland \$	Peru \$	Total \$
Current assets	2,075,322	15,985	-	2,091,307
Exploration and evaluation assets	<u>-</u>	<u>3,910,023</u>	<u>604,092</u>	<u>4,514,115</u>
	<u>2,075,322</u>	<u>3,926,008</u>	<u>604,092</u>	<u>6,605,422</u>



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**9. Segmented Information** (continued)

	<b>As at May 31, 2019</b>			<b>Total</b>
	<b>Canada</b>	<b>Ireland</b>	<b>Peru</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current assets	387,143	34,017	-	421,160
Exploration and evaluation assets	-	3,906,364	301,478	4,207,842
	<u>387,143</u>	<u>3,940,381</u>	<u>301,478</u>	<u>4,629,002</u>

**10. Supplemental Cash Flow Information**

During the nine months ended February 29, 2020 and February 28, 2019 non-cash activities were conducted by the Company as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Operating activity		
Accounts payable and accrued liabilities	<u>21,054</u>	<u>43,920</u>
Investing activity		
Exploration and evaluation assets	<u>(21,054)</u>	<u>(43,920)</u>
Financing activities		
Share-based payments reserve	-	(1,375)
Share issue costs	-	(1,280)
Transfer on exercise of share options	-	<u>2,655</u>
	<u>-</u>	<u>-</u>