

**HANNAN METALS LTD.**  
*(formerly Mitchell Resources Ltd.)*

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2017**

The following management's discussion and analysis ("MD&A") and financial review, prepared as at April 28, 2017, should be read in conjunction with the unaudited condensed interim financial statements and related notes for the nine months ended February 28, 2017 of Hannan Metals Ltd. (*formerly Mitchell Resources Ltd.*) ("Hannan" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars.

**Forward-looking Statements**

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated exploration programs and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to identify one or more economic deposits on its properties, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. In particular, the current state of global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via [www.sedar.com](http://www.sedar.com) and readers are urged to review these materials.

**Company Overview**

The Company currently is a reporting issuer in British Columbia and Alberta. On July 6, 2016 the Company completed a consolidation of its share capital on a one new for two old basis. All share and per share amounts have been adjusted within this MD&A to reflect the share consolidation. On January 10, 2017 the Company changed its name from Mitchell Resources Ltd. to Hannan Metals Ltd. The Company's common shares are listed on the TSX Venture Exchange ("TSXV") and trade under the symbol "HAN". The Company's principal, registered and records office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7.

The Company is a junior mineral exploration company currently engaged in the acquisition and exploration of mineral properties. On November 4, 2016 the Company entered into an agreement to acquire prospecting licenses in Ireland. On January 9, 2017 the Company completed the acquisition of Hannan Metals BC Ltd., as described in "Acquisition of Hannan BC".

**Board of Directors and Officers**

On December 13, 2016, the shareholders of the Company re-elected Messrs. Nick DeMare, David Henstridge, Harvey Lim and Michael Iannacone as directors of the Company. Following the shareholders meeting, the Board appointed Mr. DeMare as President and Chief Executive Officer ("CEO"), Mr. Lim as Chief Financial Officer ("CEO") and Ms. Mariana Bermudez as Corporate Secretary.

On January 9, 2017 (concurrent with the closing of the Acquisition), Mr. Michael Hudson was appointed as a director of the Company and the Company's Chairman, and CEO. During the last 26 years Mr. Hudson has developed and financed mineral exploration properties worldwide. He graduated from the University of Melbourne in 1990 with a B.Sc. (Hons 1st) in Geology and more recently received the Tolhurst Noall Prize for "Mining Investment Analysis" in Victoria, Australia for the FINSIA Graduate Diploma. Starting his career in Broken Hill in 1990 underground for three years with Pasminco Ltd, the largest global integrated zinc producer during the 1990's, he spent ten years exploring or developing zinc-lead projects world-wide from exploration to pre-feasibility projects in Pakistan, Australia and Peru. Moving into the Canadian capital markets 16 years ago, he has raised more than US \$100,000,000 for primarily European focussed exploration and project development in Finland, Spain, Portugal, Sweden and Ireland. He is a Fellow of the Australasian Institute of Mining and Metallurgy and Member of both the Society for Economic Geologists and Australian Institute of Geoscientists.

Concurrent with the appointment of Mr. Hudson, Mr. DeMare resigned as the CEO. Mr. DeMare remains a director and the President of the Company.

On January 17, 2017 the Company appointed Mr. Lars Dahlenborg as Vice President of Exploration ("VP Exploration"). Mr. Dahlenborg obtained his MSc geology from Lund University in Sweden and is a Member of the Australian Institute of Geoscientists. He has over 10 years of global experience in exploration from Sweden, Finland and Peru.

On March 28, 2017 the Company appointed Ms. Georgina Carnegie as a director of the Company. An economist and experienced corporate director, Ms. Carnegie holds a bachelor's degree in economics from Monash University and a master's degree in public administration from the Kennedy School of Government, Harvard University. Ms. Carnegie is the managing director of Carnegie Enterprises and has held senior positions in Australian government and management and board positions in the insurance, airline and resources sectors.

Concurrent with the appointment of Ms. Carnegie, Mr. Harvey Lim resigned as a director. Mr. Lim continues to serve as the Company's Chief Financial Officer.

## **Acquisition of Hannan BC**

### ***Acquisition Agreement***

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

Hannan Ireland is the registered holder of a 100% interest in seven prospecting licences located in County Clare, Ireland (the "Licences"), which were transferred to Hannan Ireland effective September 21, 2016 pursuant to an Assignment Agreement dated September 21, 2016 (the "Assignment Agreement"). Under a separate asset purchase agreement dated June 3, 2016 (the "Asset Purchase Agreement") between Hannan Ireland and Lundin Mining Exploration Limited ("Lundin"), Hannan Ireland purchased all exploration data associated with the Licences from Lundin for a cash payment of US \$150,000 and must make two additional cash payments to Lundin of US \$425,000 on each of September 21, 2017 and March 21, 2018. Pursuant to the Asset Purchase Agreement, Hannan Ireland is required to pay Lundin a one-time bonus payment of US \$5,000,000 within the earlier of (i) Hannan Ireland's decision to proceed with mine construction or (ii) within 90 days of the establishment of a commercial financing to finance capital costs for mine construction. Additionally, Hannan Ireland will be required to pay a one-time cash fee of US \$2,000,000 less cash payments already made to Lundin, if it transfers its rights to the Licences to an arm's length party (which excludes the Company) for US \$10,000,000 or greater within 18 months of the execution of the Asset Purchase Agreement. Pursuant to a royalty agreement dated June 3, 2016 (the "Royalty Agreement") between Hannan Ireland and Lundin, Lundin retained a 2% net smelter return royalty (the "NSR") on all sales of mineral products extracted from the area of land subject to the Licences, subject to a 0.5% buy back right of Hannan Ireland for US \$5,000,000, which must be exercised within one year from the date of commercial production (the "Buy-Back Option").

On January 9, 2017 the Company closed the Acquisition and the Company acquired a 100% interest in the Licences and the Company assumed all obligations of Hannan BC and Hannan Ireland.

### *Clare Project*

The Clare Project consists of seven prospecting licences (“PLs”) and two PL applications for a total of 32,223 hectares located in County Clare, Ireland, the western edge of which is 1.5 km east of the town of Ennis. PLs 3509, 3640, 3643, 3679, 3787, 3788 and 3789, are granted and issued by the Exploration and Mining Division (“EMD”) of the Department of Communications, Climate Action and Environment while PLs 3508 and 3642 remain under application. All prospecting licences of the Clare Property are 100% owned by Hannan Ireland.

The Irish base metal ore field is one of the world’s best mineralized zinc provinces and is considered highly prospective for new zinc discoveries. In 2015, Ireland was the world’s 10<sup>th</sup> largest zinc producing nation with 230,000 tonnes produced.

The Clare Project is underlain by Upper Devonian (sandstones) to Lower Carboniferous (sandstones and limestones) rocks. The stratigraphy appears simple; beds are the right way up and most of the major units are consistent in thickness across the property, however syn-rift and/or later structures appear to complicate the geological framework. The stratigraphic succession of the Irish Lower Carboniferous is well constrained throughout, with the exception of the uppermost units. The axis of an open syncline runs southwest-northeast through the centre of the Clare Project. Beds dip at between 10 and 15 degrees towards the centre of the syncline. The Lower Carboniferous sequence includes the Waulsortian Limestone, which hosts most of Ireland’s important zinc-lead sulphide deposits, such as the Lisheen (pre-mining resource 18.9 Mt @ 15.0% Zn+Pb) and Galmoy (pre-mining resource of 6.2 Mt @ 12.4% Zn+Pb) deposits. This data has been sourced from the Irish Exploration, Mining Division website <http://www.mineralsireland.ie/>. The Company has been unable to independently verify the information and states that the information is not necessarily indicative of the mineralization on the Clare Project that is the subject of the technical report.

The Clare Project has a rich history of small scale 19<sup>th</sup> century mining. Modern exploration efforts from the early-1960’s, by Irish Base Metals, Rio-Finex, Central Mining Finance, Billiton and Belmore Resources Ltd followed up some of these earlier historic mines.

There are two known Waulsortian-hosted zinc-lead deposits on the property, the flagship Kilbricken prospect (see below) and the smaller Milltown prospect, where Belmore Resources Ltd (“Belmore”) intersected 13.3m @ 5.8% Pb and 10.5% Zn from 45.4 metres in drill hole 3788/19 in 1994. The lowest part of the sequence is also prospective for copper-silver mineralization and contains numerous copper showings, most notable at Ballyvergin where Irish Base Metals drilled hole BV11 which intersected 31.5m @ 1.0% Cu from 51.7 metres in the 1960s. Given the general flat lying and stratabound nature of mineralization and steep angles of all drillholes mentioned, the true thickness of the mineralized intervals quoted is interpreted to be approximately 95% of the sampled thickness.

Significant historic exploration on the Clare Project has concentrated on three project areas and on identifying other areas of the Clare Project which have the potential to warrant similar investigation. The project areas are:

- Kilbricken
- Ballyvergin
- Kilmurry

In 2008, Belmore, a private Irish company, drill tested the base of the Waulsortian Limestone beneath near-surface sulphidic and calcite veined shelf carbonates at the historic Kilbricken lead mine. The discovery drillhole at Kilbricken, DH04, intersected 10m @ 13.8% Zn, 5.5% Pb, 0.08% Cu, and 62.8g/t Ag from 448.1 metres at the targeted base of Waulsortian Limestone. Given the general flat lying and stratabound nature of mineralization and steep angles of all drillholes mentioned, the true thickness of the mineralized intervals quoted is interpreted to be approximately 95% of the sampled thickness.

After this initial discovery, Lundin joint ventured Kilbricken and the wider tenure package from Belmore. In 2011, Lundin purchased 100% of Belmore. Drilling by Lundin from 2009 to 2012 continued to intersect sulphide mineralization in the hanging wall of the Main Kilbricken fault. Significant intersections from Lundin’s drilling programs are shown in Table 1.

Table 1: Kilbricken Better Mineralized Drill Intersections.

Hole ID	Mineralized Intersection
DH46	20.5m @ 7.5% Zn, 9.9% Pb, 0.07% Cu, 74.6g/t Ag from 415.3m
DH06	21.3m @ 11% Zn, 4.8% Pb, 0.06% Cu, 94.4g/t Ag from 441.9m
DH50	11.8m @ 9.8% Zn, 5.7% Pb, 0.07% Cu, 178.2g/t Ag from 484.6m
DH43	9.4m @ 4.1% Zn, 12% Pb, 0.52% Cu, 242.8g/t Ag from 442.1m
DH04	10.0m @ 13.8% Zn, 5.5% Pb, 0.08% Cu, 62.8g/t Ag from 448.1m
DH52	19.3m @ 7.2% Zn, 1.2% Pb, 0.18% Cu, 64.6g/t Ag from 425.7m
DH44	17.2m @ 2.9% Zn, 4.4% Pb, 0.11% Cu, 83.5g/t Ag from 447.9m
DH167	4.5m @ 0.8% Zn, 2.6% Pb, 18.91% Cu, 867.6g/t Ag from 616.5m
DH161	10.4m @ 8.4% Zn, 3.9% Pb, 0.09% Cu, 26.5g/t Ag from 607m
DH206	10.0m @ 0.9% Zn, 8.7% Pb, 0.16% Cu, 90.7g/t Ag from 619m
DH111	4.1m @ 21.5% Zn, 5.7% Pb, 0.1% Cu, 95.4g/t Ag from 447.6m

The main Kilbricken mineralization has been drilled within an area of 1,500 metres by 800 metres in plan view and remains open in most directions. Mineralization, defined as  $\geq 4.0\text{m} @ \geq 4.00\% \text{Zn Eq}$  or  $16\text{m}\% \text{Zneq}$  where  $\text{Zn Eq} = \text{Zn}\% + (\text{Pb}\% \times 1.15) + (\text{Ag ppm} \times 0.037917)$ , ranges in thickness from 2 metres to 31 metres thick and averages 7.5 metres thickness.

Given the general flat lying and stratabound nature of mineralization and steep angles of all drillholes mentioned, the true thickness of the mineralized intervals quoted in Table 1 are interpreted to be approximately 95% of the sampled thickness.

Two main mineralized zones have been discovered to date:

- The Zinc Zone, being the initial discovery area, which has been drilled within an area of 950 metres by 400 metres, between 360-440 metres vertically below surface. Significant drill results in this zone include DH46: 20.5m @ 7.5% Zn, 9.9% Pb, 0.07% Cu, 74.6g/t Ag from 415.3m and DH06: 21.3m @ 11% Zn, 4.8% Pb, 0.06% Cu, 94.4g/t Ag from 441.9m.
- The Copper Zone was found later in the Lundin program and is drilled within an area of 400 metres by 200 metres, between 520-670 metres vertically below surface. Significant drill results in the Copper Zone include DH167: 4.5m @ 0.8% Zn, 2.6% Pb, 18.91% Cu, 867.6g/t Ag from 616 metres.

Given the general flat lying and stratabound nature of mineralization and steep angles of all drillholes mentioned, the true thickness of the mineralized interval quoted is interpreted to be approximately 95% of the sampled thickness.

Lundin completed significant work on the property. A total of 278 drillholes for 134,000 m of diamond drilling was completed over the entire project. A total of 222 drill holes for 118,000 metres were drilled at the Kilbricken area. Lundin also undertook regional exploration in the remainder of the Clare Project, largely focussed on other Waulsortian-hosted zinc-lead prospects. Lundin carried out 616 metres of drilling at the Ballyvergin prospect with the objective of discovering additional zones of copper-silver mineralization. Lundin drilled a total of 2,370 metres on the Kilmurry Project, located within the Clare Project area, 9 kilometres south-east of Kilbricken. In addition, significant surface geochemical and multiple geophysical surveys have been undertaken by Lundin and previous operators on the Clare Project area. Of note are a 3D seismic survey over the main Kilbricken mineralization in 2011, and 2D seismic survey conducted in 2012 that consisted of 8 traverses (3-3.5 km long) over a total 10 kilometre strike length, spaced between 1-2 kilometre across the regional Kilbricken extensions.

Massive sulphide mineralization at Kilbricken most commonly consists of early massive-textured, fine-grained pyrite, galena and sphalerite cross-cut by coarse-grained sphalerite and galena, resembling sulphides found in the overlying veins. It differs from most other Irish zinc/lead prospects in that it is rich in silver, where the silver is generally associated with galena-rich zones.

The Kilbricken Project is considered to be highly prospective for discovering and developing important zinc-lead-silver sulphide deposits. The Kilbricken deposit, as currently delineated, is open along strike and both in an up-dip and down-dip direction. All projects on the Clare Project are at an exploration stage; there are no mine development or mining operations.

Readers are encouraged to review the NI 43-101 Technical Report for the Clare Project, dated December 23, 2016, available on the on the SEDAR website at [www.sedar.com](http://www.sedar.com) or the Company's website at [www.hannanmetals.com](http://www.hannanmetals.com). The Technical Report was authored by Dr. John Colthurst, PGeo, EurGeol, who is an independent "qualified person" as defined by National Instrument 43-101.

### ***Metallurgy***

On March 30, 2017, the Company announced the results of a gap analysis on mineralogical investigations on the Kilbricken project, Ireland by Dr. Kurt Forrester of Arn Perspective Ltd. Based on this study and the available information, it is likely a conventional lead-zinc flotation circuit at Kilbricken would be able to achieve saleable mineral concentrates. It is anticipated that there should be no penalties due to the presence of deleterious elements (arsenic, manganese, cadmium, selenium), subject to confirmation from the assessment of bulk element deportment during lead-zinc flotation. A primary grind of between 100µm to 150µm is anticipated to achieve satisfactory liberation and there are no red flags with the modal mineralogical analysis with respect to mineral processing and beneficiation. Based on the information available, it is anticipated that Kilbricken should be able to achieve high recoveries of both zinc and lead concentrates. Results from limited grade recovery analysis indicated the following recoveries probable using a conventional flowsheet:

- Targeting a sphalerite grade of 85% in the zinc concentrate would result in recoveries in excess of 85%.
- Targeting a galena grade of 70% in the lead concentrate would result in recoveries in excess of 75%.

Recommendations include conducting metallurgical test work across the deposit as part of an ongoing exploration and development program. To this end, the Company plans to start drilling at Kilbricken during May 2017. The first two drill holes will collect metallurgical samples for locked cycle flotation testwork.

The findings were based on a gap analysis performed by Dr. Kurt Forrester of Arn Persepective Ltd, based on a report by SGS Mineral Services, Lakefield Facility, dated September 2010 and titled: "An Investigation by High Definition Mineralogy into the mineralogical characteristics of Fourteen Rock Samples from A Carbonate Hosted Base Metal Deposit, Ireland, prepared for Lundin Mining Exploration". The study examined fourteen mineralized samples from Kilbricken and was carried out with X-ray diffraction (XRD), QEMSCAN™, electron microprobe and chemical analysis. The purpose of the mineralogical appraisal test program was to determine the overall mineral assemblage and textural characteristics in each sample, and the liberation characteristics. Material employed in these analyses were taken from zones across a number of mineralogical domains identified in 2010 during historical exploration undertaken by Lundin and there is no guarantee that the samples analyzed will form part of any future resource area.

### ***Future Developments***

Over the next three months an active work program is planned in Ireland, and will consist of:

- Diamond drilling from May 2017 at Kilbricken. Permitting for the first part of the program is now complete.
  - The early part of the program (3 holes for 1,500m) will focus on extracting metallurgical samples and expanding the footprint of the known mineralization beyond the current 1,500 metres strike length.
  - The second stage of the drill program (10 holes for 5,000m) will test semi-regional targets within 1 to 2 kilometres from the Kilbricken project.
  - The third stage will focus on testing regional structural targets that may host additional mineralized bodies.
- Delivery of an initial resource and accompanying NI43-101 report for the Kilbricken project by independent resource evaluation geologists. This work is ongoing and planned for completion during Q2 2017.
- Other field based activities including soil sampling, paleo-dating and field mapping.

Later in 2017, the Company plans to:

- Collect additional 2D seismic data, commencing with a 25 kilometre regional line across the Company's 32,223 hectare prospecting licences followed by infill 2D seismic lines along the Kilbricken structural trend.
- Expand its drill activities to test regional targets in combination with continued drilling in and around the Kilbricken deposit.

Since acquiring the Clare Project in September 2016, Hannan Ireland has focussed on advancing the technical understanding of the Kilbricken project to develop a rigorous geological model to guide future exploration. The Company has engaged a specialist group of geological experts in rift tectonics, structural geology of Irish Zn-Pb deposits and local geology of the project area to re-interpret the structural controls on mineralization at Kilbricken, and the regional structures that controlled development of the Clare rift basin and subsequent Zn-Pb mineralization. In addition, 28-line kilometres of 2D seismic and four square kilometres of 3D seismic data have been re-processed; three airborne magnetic data surveys have been "de-cultured" and had spectral depth filtering applied; gravity data has been reprocessed; and >30,000 soil samples have been re-levelled and combined with geophysical data to define drill targets.

The Company has also commenced a formal technical collaboration with iCrag at the University College Dublin, an EU and industry funded research centre with experts in Irish mineral deposits.

### Qualified Person

The qualified person for the Company's projects, Mr. Michael Hudson, the Company's Chairman and CEO, a Fellow of the Australasian Institute of Mining and Metallurgy, has reviewed and verified the contents of this document.

### Selected Financial Data

The following selected quarterly financial information is derived from the unaudited condensed interim financial statements of the Company and prepared using IFRS.

Three Months Ended	Fiscal 2017			Fiscal 2016				Fiscal 2015
	Feb 28/17 \$	Nov 30/16 \$	Aug 31/16 \$	May 31/16 \$	Feb 29/16 \$	Nov 30/15 \$	Aug 31/15 \$	May 31/15 \$
<b>Operations:</b>								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(235,591)	(129,868)	(32,346)	(17,705)	(47,399)	(25,269)	(32,593)	(24,000)
Other Items	12,052	(6,588)	(6,909)	(6,879)	(6,790)	(6,837)	(6,944)	(4,192)
Net loss	(223,539)	(136,456)	(39,255)	(24,584)	(54,189)	(32,106)	(39,537)	(28,192)
Basic and diluted loss per share	(0.01)	(0.01)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)
<b>Statement of Financial Position:</b>								
Working capital (deficiency)	776,408	(23,003)	(142,782)	(110,527)	(92,924)	(72,244)	(51,146)	(18,786)
Total assets	3,034,767	178,786	36,926	43,773	50,176	58,982	71,950	84,738
Total long-term liabilities	837,911	492,754	535,970	528,970	521,989	515,078	519,770	512,593

### Results of Operations

#### *Three Months Ended February 28, 2017 Compared to Three Months Ended November 30, 2016*

During the three months ended February 28, 2017 ("Q3") the Company reported a net loss of \$223,539 compared to a net loss of \$136,456 for the prior three months ended November 30, 2016 ("Q2"), an increase in loss of \$87,083, reflecting the increased corporate activities and costs incurred subsequent to the Company's acquisition of the Clare Prospect. Specific expenses of note are as follows:

- incurred \$58,992 (Q2 - \$13,650) for compensation to management and directors of the Company. The increase of \$31,692 was due to the impact of the addition of Mr. Hudson as the CEO and Mr. Dahlenborg, as the Company's Vice-President of Exploration. Mr. Hudson is paid \$8,000 per month and

- Mr. Dahlenberg bills the Company based on his time spent on Company business. See also “Related Party Transactions and Balances”;
- (ii) incurred \$35,118 (Q2 - \$nil) for professional services for the preparation and review of the Technical Report (see “Acquisition of Hannan BC - Clare Project”), and to provide corporate and financial advisory services;
  - (iii) incurred \$8,522 (Q2 - \$3,810) for transfer agent fees, an increase of \$4,712 mainly related to the incremental costs incurred for the Company’s name change;
  - (iv) incurred a total of \$45,647 (Q2 - \$nil) for general exploration costs and travel expenses incurred for general due diligence, review and travel related to the Clare Project.

*Nine Months Ended February 28, 2017 Compared to Nine Months Ended February 29, 2016*

During the nine months ended February 28, 2017 (the “2017 period”) the Company reported a net loss of \$399,250 (\$0.03 per share) compared to net loss of \$125,832 (\$0.01 per share) for the nine months ended February 29, 2016 (the “2016 period”), an increase in loss of \$273,418, reflecting the increase in corporate activities and incremental costs incurred and additions to management due to the Company’s acquisition of the Clare Project.

Expenses increased by \$292,544, from \$105,261 during the 2016 period to \$397,805 during the 2017 period. Specific expenses of note during the 2017 period are as follows:

- (i) recorded share-based compensation of \$130,255 (2016 - \$26,598) on the granting of share options to purchase 1,196,000 (2016 - 642,500) common shares;
- (ii) incurred \$18,250 (2016 - \$12,300) with Chase Management Ltd. (“Chase”) a private corporation owned by Mr. Nick DeMare, the President and former CEO of the Company, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare. In addition, the Company was also billed \$3,292 for accounting services provided by a third party accounting firm for ongoing accounting for Hannan Ireland;
- (iii) incurred \$86,292 (2016 - \$40,950) for management and director compensation for services provided by current and former officers and directors of the Company. The \$45,342 increase was attributed to the incremental remuneration paid to Messrs. Hudson and Dahlenborg;
- (iv) incurred \$9,500 (2016 - \$10,710) for audit fees, reflecting the reduced scope for the audit of the fiscal 2016 year-end financial statements compared to fiscal 2015;
- (v) an increase of \$22,198 in legal, regulatory and transfer agent fees, from \$12,353 during the 2016 period to \$34,551 during the 2017 period, relating to additional services provided and costs incurred for the Company’s share consolidation of its share capital and name change and incremental costs due to financings conducted during the 2017 period;
- (vi) incurred \$35,118 (2016 - \$nil) for professional services for the preparation and review of the Technical Report and to provide corporate and financial advisory services; and
- (vii) incurred a total of \$45,647 (2016 - \$nil) for general exploration and travel expenses incurred mainly for general due diligence, review and travel relating to the Clare Project.

The Company had previously received ongoing loans form DNG Capital Corp. (“DNG”) a private company owned by Nick DeMare. During the 2017 period the Company repaid DNG the principal balances of \$462,848 and accrued interest of \$81,134.

Hannan BC had issued promissory notes totaling \$290,100 for advances provided to fund Hannan’s Ireland activities incurred prior to the Acqsuition, including incorporation costs, completion of the Asset Purchase Agreement and exploration activities prior to the Acquisition. These promissory notes are due and payable on December 31, 2018. See also “Transactions with Related Parties”.

**Cash Flows**

During the 2017 period the Company completed non-brokered private placements of:

- (i) 10,486,000 common shares, at a price of \$0.075 per share for gross proceeds of \$786,450; and
- (ii) 5,800,000 units, at a price of \$0.26 per unit for gross proceeds of \$1,508,000.

In addition the Company issued 612,500 common shares for \$61,250 on the exercise of share options and issued 37,500 common shares for \$3,750 on the exercise of warrants.

During the 2016 period the Company issued 157,000 common shares for \$15,700 on the exercise of warrants.

### **Financial Condition / Capital Resources**

As at February 28, 2017 the Company had working capital in the amount of \$776,408. 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. Although management considers that the Company has adequate resources to maintain its core operations, conduct planned exploration programs on its existing exploration and evaluation assets and 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.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Proposed Transactions**

The Company has no proposed transactions.

### **Critical Accounting Estimates**

#### *Critical Judgments and Sources of Estimation Uncertainty*

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities in future years.

#### *Estimation Uncertainty*

The information about significant areas of estimation uncertainty considered by management in preparing the financial statements is as follows:

(i) **Income taxes**

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred income tax provisions or recoveries could be affected.

#### *Critical Judgments*

The preparation of the financial statements requires management to make judgments regarding the going concern of the Company as well as the determination of functional currency.



A detailed summary of all the Company's significant accounting policies is included in Note 3 to the May 31, 2016 audited annual financial statements.

### Changes in Accounting Policies

There are no changes in accounting policies. For accounting standards adopted during fiscal 2016 and for accounting standards and interpretations issued but not yet effective, refer to Note 3 in the May 31, 2016 audited annual financial statements.

### Transactions with Related Parties

#### (a) Transactions with Key Management Personnel

Management personnel include those persons having authority or responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that the management personnel consists of the executive members of the Company. During the 2017 and 2016 periods the following amounts were incurred with respect to the Company's CEO (Mr. Hudson), President and former CEO (Mr. DeMare), VP Exploration (Mr. Dahlenborg) and the CFO (Mr. Lim):

	2017 \$	2016 \$
Professional fees - Mr. Hudson <sup>(1)</sup>	16,000	-
Professional fees - Mr. DeMare	14,400	14,400
Professional fees - Mr. Dahlenborg <sup>(2)</sup>	21,292	-
Professional fees - Mr. Lim	9,900	9,900
Share-based compensation - Mr. DeMare	10,619	5,175
Share-based compensation - Mr. Lim	5,309	4,657
	<u>77,520</u>	<u>34,132</u>

(i) Appointed January 9, 2017

(ii) Appointed January 17, 2017

As at February 28, 2017, \$136,442 (May 31, 2016 - \$97,200) remained unpaid relating to the professional fees.

#### (b) Transactions with Other Related Parties

(i) During the 2017 and 2016 periods the following amounts were incurred with respect to non-management directors (Messrs. Henstridge and Iannacone) and the Corporate Secretary (Ms. Bermudez) of the Company:

	2017 \$	2016 \$
Professional fees - Mr. Henstridge	9,900	9,900
Professional fees - Mr. Iannacone	6,750	6,750
Share-based compensation - Mr. Henstridge	10,619	5,175
Share-based compensation - Mr. Iannacone	4,424	4,140
Share-based compensation - Ms. Bermudez	5,752	1,242
	<u>37,445</u>	<u>27,207</u>

As at February 28, 2017, \$63,250 (May 31, 2016 - \$56,600) remained unpaid relating to the professional fees.

(ii) During the 2017 period the Company incurred a total of \$18,250 (2016 - \$12,300) to Chase, a private corporation owned by Mr. DeMare, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare. As at February 28, 2017, \$5,900 (May 31, 2016 - \$300) remained unpaid.

- (c) The Company shares personnel, office and other costs with Mawson Resources Limited (“Mawson”), a public company. Messrs. Hudson, DeMare and Henstridge are also directors of Mawson. During the 2017 period the Company incurred \$8,050 (2016 - \$nil) for expenses which remained unpaid as at February 28, 2017.
- (d) The Company had previously received loans from DNG Capital Corp. (“DNG”) a private company owned by Mr. DeMare. The loans bore interest at a rate of 6% per annum on all outstanding principal amounts. During the 2017 period the Company recorded \$15,012 (2016 - \$21,096) of interest expense. The Company then repaid the principal balance of \$462,848 and the outstanding accrued interest of \$81,134.
- (e) During the 2017 period the Company issued \$290,100 in promissory notes. The promissory notes bear interest at 7% per annum. The principal amounts and accrued interest are due and payable on December 31, 2018. During the 2017 period the Company recorded \$6,676 of interest expense. The promissory notes are held by an individual shareholder and two private corporations that are shareholders of the Company.

### **Risks and Uncertainties**

An investment in the Company’s common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should consider investing in the Company’s common shares.

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

### **Outstanding Share Data**

The Company’s authorized share capital is unlimited common shares with no par value. As at April 28, 2017, there were 27,458,989 issued and outstanding common shares, 4,284,200 warrants outstanding at exercise prices ranging from \$0.10 to \$0.40 per share and 1,226,000 share options outstanding at exercise prices ranging from \$0.10 to \$0.40 per share.