
HANNAN METALS LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2023

(Unaudited - Expressed in Canadian Dollars)

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

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

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

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

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

	Note	February 28, 2023 \$	May 31, 2022 \$
ASSETS			
Current assets			
Cash		2,264,159	2,376,850
GST/VAT receivable		11,697	6,665
Prepaid expenses		<u>95,349</u>	<u>56,695</u>
Total current assets		<u>2,371,205</u>	<u>2,440,210</u>
Non-current assets			
Equipment	4	16,944	21,544
Exploration and evaluation assets	5, 7(a)	<u>8,081,281</u>	<u>5,881,161</u>
Total non-current assets		<u>8,098,225</u>	<u>5,902,705</u>
TOTAL ASSETS		<u>10,469,430</u>	<u>8,342,915</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	<u>311,050</u>	<u>283,539</u>
TOTAL LIABILITIES		<u>311,050</u>	<u>283,539</u>
SHAREHOLDERS' EQUITY			
Share capital	6	17,575,815	14,977,095
Share-based payments reserve		4,943,537	4,307,777
Deficit		<u>(12,360,972)</u>	<u>(11,225,496)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>10,158,380</u>	<u>8,059,376</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>10,469,430</u>	<u>8,342,915</u>

Nature of Operations - Note 1

Events after the Reporting Period - Note 11

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on April 28, 2023 and are signed on its behalf by:

/s/ Nick DeMare
Nick DeMare
Director

/s/ Michael Hudson
Michael Hudson
Director

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

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

	Note	Three Months Ended		Nine Months Ended	
		February 28, 2023 \$	February 28, 2022 \$	February 28, 2023 \$	February 28, 2022 \$
Expenses					
Accounting and administration	7(b)(ii)	13,184	15,596	61,698	60,581
Audit		-	-	49,500	35,000
Corporate development		13,515	16,945	82,773	52,782
Depreciation	4	3,699	6,155	10,719	18,425
Director and officer compensation	7	67,030	48,528	189,530	212,743
Drill core storage		2,899	10,110	8,267	16,705
General exploration		7,826	-	8,704	-
Insurance		5,487	2,779	14,664	8,678
Investor relations		21,895	21,878	62,745	66,643
Legal		35,232	873	37,912	4,869
Marketing		-	-	-	12,835
Office		15,190	5,233	27,006	18,951
Professional fees		31,556	37,251	95,575	109,711
Regulatory fees		2,150	708	10,541	8,623
Share-based compensation	6(d)	654,160	16,800	654,160	76,825
Shareholder costs		1,874	-	5,450	7,708
Transfer agent fees		1,723	1,012	9,208	8,072
Travel		-	-	9,893	-
		<u>877,420</u>	<u>183,868</u>	<u>1,338,345</u>	<u>719,151</u>
Loss before other items		<u>(877,420)</u>	<u>(183,868)</u>	<u>(1,338,345)</u>	<u>(719,151)</u>
Other items					
Interest income		27,795	3,886	58,778	12,075
Foreign exchange		42,778	(46,908)	144,091	(44,493)
		<u>70,573</u>	<u>(43,022)</u>	<u>202,869</u>	<u>(32,418)</u>
Net loss and comprehensive loss for the period		<u>(806,847)</u>	<u>(226,890)</u>	<u>(1,135,476)</u>	<u>(751,569)</u>
Basic and diluted loss per common share		<u>\$(0.01)</u>	<u>\$(0.00)</u>	<u>\$(0.01)</u>	<u>\$(0.01)</u>
Weighted average number of common shares outstanding		<u>102,100,498</u>	<u>92,300,509</u>	<u>98,260,905</u>	<u>91,013,798</u>

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

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

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

Nine Months Ended February 28, 2022					
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Shareholders' Equity \$
	Number of Shares	Amount \$			
Balance at May 31, 2021	85,075,644	13,017,064	4,338,292	(10,344,430)	7,010,926
Common shares issued for:					
- share options exercised	1,011,000	138,600	-	-	138,600
- warrants exercised	6,735,465	1,714,091	-	-	1,714,091
Transfer on exercise of share options	-	107,340	(107,340)	-	-
Share-based compensation	-	-	76,825	-	76,825
Net loss for the period	-	-	-	(751,569)	(751,569)
Balance at February 28, 2022	92,822,109	14,977,095	4,307,777	(11,095,999)	8,188,873

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)

	<u>Nine Months Ended</u>	
	<u>February 28,</u> <u>2023</u> \$	<u>February 28,</u> <u>2022</u> \$
Operating activities		
Net loss for the period	(1,135,476)	(751,569)
Adjustments for:		
Depreciation	10,719	18,425
Share-based compensation	654,160	76,825
Changes in non-cash working capital items:		
GST/VAT receivable	(5,032)	9,763
Prepaid expenses	(38,654)	17,531
Accounts payable and accrued liabilities	<u>27,511</u>	<u>10,491</u>
Net cash used in operating activities	<u>(486,772)</u>	<u>(618,534)</u>
Investing activities		
Exploration and evaluation asset expenditures, net of recoveries	(2,200,120)	19,051
Equipment purchases	<u>(6,119)</u>	<u>(11,272)</u>
Net cash provided by (used in) investing activities	<u>(2,206,239)</u>	<u>7,779</u>
Financing activities		
Issuance of common shares	2,599,150	1,852,691
Share issue costs	<u>(18,830)</u>	<u>-</u>
Net cash provided by financing activities	<u>2,580,320</u>	<u>1,852,691</u>
Net change in cash during the period	(112,691)	1,241,936
Cash at beginning of period	<u>2,376,850</u>	<u>1,799,811</u>
Cash at end of period	<u>2,264,159</u>	<u>3,041,747</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 28, 2023
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations

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

The Company is a junior mineral exploration company engaged in the acquisition and exploration of mineral properties. As at February 28, 2023 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’s primary mineral properties are located in Peru and, consequently, the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

The Company has a history of losses with no operating revenues and, as at February 28, 2023, the Company had working capital of \$2,060,155. The Company’s San Martin JV Project is funded by an arms length party, as described in Note 5(a)(i), under an option agreement and its other mineral property interests and operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. As at February 28, 2023 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.

On April 24, 2023 the Company announced that it was conducting a non-brokered private placement financing to raise up to \$1,340,000, as described in Note 11(b).

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, 2022, 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, 2022.

Basis of Measurement

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

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

3. Subsidiaries

The subsidiaries of the Company are as follows:

<u>Company</u>	<u>Location of Incorporation</u>	<u>Ownership Interest</u>
Hannan Metals BC Ltd.	Canada	100%
Hannan Metals Peru Ltd.	Canada	100%
Hannan Metals Ireland Limited	Ireland	100%
Hannan Metals Peru S.A.C.	Peru	100%
Hannan Resources Peru S.A.C.	Peru	100%
Hannan Servicios Peru S.A.C.	Peru	100%

4. Equipment

	<u>Field Equipment \$</u>	<u>Office Equipment \$</u>	<u>Total \$</u>
Cost:			
Balance at May 31, 2021	125,438	10,966	136,404
Additions	12,911	4,479	17,390
Reclassification	(125,438)	-	(125,438)
Balance at May 31, 2022	12,911	15,445	28,356
Additions	3,364	2,755	6,119
Balance at February 28, 2023	16,275	18,200	34,475
Accumulated Depreciation:			
Balance at May 31, 2021	(15,680)	(312)	(15,992)
Depreciation	(4,638)	(1,862)	(6,500)
Reclassification	15,680	-	15,680
Balance at May 31, 2022	(4,638)	(2,174)	(6,812)
Depreciation	(9,561)	(1,158)	(10,719)
Balance at February 28, 2023	(14,199)	(3,332)	(17,531)
Carrying Value:			
Balance at May 31, 2022	8,273	13,271	21,544
Balance at February 28, 2023	2,076	14,868	16,944

5. Exploration and Evaluation Assets

	<u>February 28, 2023</u>			<u>May 31, 2022</u>		
	<u>Acquisition Costs \$</u>	<u>Deferred Exploration Costs \$</u>	<u>Total \$</u>	<u>Acquisition Costs \$</u>	<u>Deferred Exploration Costs \$</u>	<u>Total \$</u>
Peru						
- San Martin JV Project	-	572,861	572,861	-	427,624	427,624
- San Martin 100% Project	348,395	19,271	367,666	258,508	11,691	270,199
- Valiente Project	707,204	2,525,626	3,232,830	493,146	765,324	1,258,470
Ireland - Clare Project	1,452,949	2,468,603	3,921,552	1,452,949	2,468,603	3,921,552
Other	3,316	-	3,316	3,316	-	3,316
	<u>2,511,864</u>	<u>5,586,361</u>	<u>8,098,225</u>	<u>2,207,919</u>	<u>3,673,242</u>	<u>5,881,161</u>

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited - Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets

	Peru			Ireland	Other	Total \$
	San Martin JV Project \$	San Martin 100% Project \$	Valiente Project \$	Clare Project \$	\$	
Balance at May 31, 2021	601,602	201,948	511,750	3,921,552	3,316	5,240,168
Exploration costs						
Assays	-	-	61,418	-	-	61,418
Community	10,003	-	645	-	-	10,648
Consulting	1,250,321	-	356,491	-	-	1,606,812
Field supplies	109,758	-	-	-	-	109,758
Insurance	5,431	-	887	-	-	6,318
Legal	3,632	1,007	4,524	-	-	9,163
Logistics	247,512	-	112,437	-	-	359,949
Salaries	90,597	-	68,966	-	-	159,563
VAT incurred	145,680	-	66,153	-	-	211,833
	<u>1,862,934</u>	<u>1,007</u>	<u>671,521</u>	<u>-</u>	<u>-</u>	<u>2,535,462</u>
Acquisition costs						
License applications and fees	438,031	67,244	75,199	-	-	580,474
Other						
Cost recoveries	(2,241,884)	-	-	-	-	(2,241,884)
Management fees	(233,059)	-	-	-	-	(233,059)
	<u>(2,474,943)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,474,943)</u>
Balance at May 31, 2022	<u>427,624</u>	<u>270,199</u>	<u>1,258,470</u>	<u>3,921,552</u>	<u>3,316</u>	<u>5,881,161</u>
Exploration costs						
Assays	12,383	-	119,968	-	-	132,351
Community	5,388	-	22,611	-	-	27,999
Consulting	199,589	4,847	192,098	-	-	396,534
Equipment rental	91,048	-	-	-	-	91,048
Geology	369,179	-	367,643	-	-	736,822
Geophysics	-	-	589,910	-	-	589,910
Insurance	6,419	-	2,432	-	-	8,851
Legal	16,733	-	5,513	-	-	22,246
Logistics	85,195	2,733	224,152	-	-	312,080
Travel	-	-	9,339	-	-	9,339
VAT incurred	68,741	-	226,636	-	-	295,377
	<u>854,675</u>	<u>7,580</u>	<u>1,760,302</u>	<u>-</u>	<u>-</u>	<u>2,622,557</u>
Acquisition costs						
License applications and fees	-	89,887	214,058	-	-	303,945
Other						
Cost recoveries	(649,645)	-	-	-	-	(649,645)
Management fees	(59,793)	-	-	-	-	(59,793)
	<u>(709,438)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(709,438)</u>
Balance at February 28, 2023	<u>572,861</u>	<u>367,666</u>	<u>3,232,830</u>	<u>3,921,552</u>	<u>3,316</u>	<u>8,098,225</u>

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5. Exploration and Evaluation Assets (continued)

(a) **Peru**

(i) *San Martin JV Project*

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

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

JOGMEC, at its election, can then earn:

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

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

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

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

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

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

(ii) *San Martin 100% Project*

The San Martin 100% Project is located in the Huallaga Basin, north-eastern Peru.

(iii) *Valiente Project*

The Valiente Project is located in central eastern Peru.

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5. Exploration and Evaluation Assets (continued)

(b) **Ireland**

Clare Project

The Company holds a 100% interest in prospecting licences located in County Clare, Ireland (the “Licences”) pursuant to an assignment agreement. Under a separate asset purchase agreement dated June 3, 2016 (the “Asset Purchase Agreement”) between the Company and Lundin Mining Exploration Limited (“Lundin”), the Company purchased all exploration data associated with the Licences for cash payments totalling \$1,249,383 (US \$1,000,000). The Company is also required to pay Lundin a one-time bonus payment of US \$5,000,000 within the earlier of: (i) a decision to proceed with mine construction, or: (ii) within 90 days of the establishment of a commercial financing to finance capital costs for mine construction. Lundin retains a 2% net smelter return royalty on all sales of mineral products extracted from the area of land subject to the Licences, subject to a 0.5% buy back right of the Company for US \$5,000,000, which must be exercised within one year from the date of commercial production.

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 28, 2023

On September 23, 2022 (the “Closing Date”) the Company completed a private placement and issued 9,180,000 common shares of the Company at \$0.28 per share (the “Issue Price”), to Teck Resources Limited (“Teck”) for cash proceeds of \$2,570,400. In connection with the private placement, the Company granted Teck an equity participation right to maintain its pro-rata ownership in the Company for so long as Teck’s ownership in the Company remains greater than 5.0%. In addition, the Company granted Teck a price protection right, pursuant to which, if within 90 days of the Closing Date the Company issues common shares under certain transactions, at a price per common share that is less than the Issue Price (the “Lower Price”), Teck shall be entitled to receive from the Company (for no additional consideration) additional common shares in an amount such that, when added to the number of common shares purchased on the Closing Date, will equal the number of common shares that the aggregate Issue Price paid by Teck on the Closing Date would have purchased at the Lower Price.

The Company incurred \$18,830 for legal and other costs associated with this private placement.

See also Note 11(b).

Fiscal 2022

During fiscal 2022 the Company did not complete any equity financings.

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6. Share Capital (continued)

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at February 28, 2023 and 2022 and the changes for the nine months ended on those dates, is as follows:

	2023		2022	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of period	2,000,000	0.35	20,767,729	0.29
Exercised	-	-	(6,735,465)	0.25
Expired	<u>(2,000,000)</u>	0.35	<u>(12,032,264)</u>	0.30
Balance, end of period	<u>-</u>		<u>2,000,000</u>	0.35

As at February 28, 2023 no warrants to purchase common shares were outstanding.

(d) *Share Option Plan*

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

During the nine months ended February 28, 2023 the Company granted share options to purchase 3,848,000 common shares and recorded compensation expense of \$654,160 on the granting of share options.

During the nine months ended February 28, 2022 the Company granted share options to purchase 425,000 common shares and recorded compensation expense of \$77,200 on the granting of share options and a recovery of \$375 on the vesting of share options previously granted.

The fair value of share options granted during the nine months ended February 28, 2023 and 2022 was estimated using the Black-Scholes Option Pricing Model using the following assumptions:

	<u>2023</u>	<u>2022</u>
Risk-free interest rate	3.6%	0.43% - 1.22%
Estimated volatility	94%	97% - 105%
Expected life	3 years	2 years - 3 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The estimated volatility was based on the historical share prices of the Company. The weighted average grant date fair value of all share options granted during the nine months ended February 28, 2023 was \$0.17 (2022 - \$0.18) 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.

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6. Share Capital (continued)

A summary of the Company's share options at February 28, 2023 and 2022 and the changes for the nine months ended on those dates, is as follows:

	2023		2022	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of period	4,770,000	0.27	5,356,000	0.25
Granted	3,848,000	0.25	425,000	0.27
Exercised	(115,000)	0.25	(1,011,000)	0.14
Expired	<u>(3,180,000)</u>	0.25	<u>-</u>	-
Balance, end of period	<u>5,323,000</u>	0.27	<u>4,770,000</u>	0.27

The following table summarizes information about the share options outstanding and exercisable at February 28, 2023:

Number	Exercise Price \$	Expiry Date
100,000	0.28	May 28, 2023
250,000	0.44	July 21, 2023
250,000	0.455	August 11, 2023
250,000	0.13	September 4, 2023
100,000	0.365	October 8, 2023
100,000	0.435	December 2, 2023
275,000	0.285	June 14, 2024
30,000	0.285	October 4, 2024
120,000	0.235	December 3, 2024
<u>3,848,000</u>	0.25	December 28, 2025
<u>5,323,000</u>		

See also Note 11(a).

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 28, 2023 the Company incurred a total of \$230,597 (2022 - \$263,415) to key management personnel for their services which have been allocated based on the nature of the services provided: expensed \$113,030 (2022 - \$144,303) to director and officer compensation; and capitalized \$127,980 (2022 - \$119,112) to exploration and evaluation assets. As at February 28, 2023 \$83,396 (May 31, 2022 - \$49,868) remained unpaid and has been included in accounts payable and accrued liabilities.

During the nine months ended February 28, 2023 the Company also recorded \$249,050 share-based compensation for share options granted to key management personal.

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7. Related Party Transactions (continued)

(b) *Transactions with Other Related Parties*

(i) During the nine months ended February 28, 2023 the Company incurred \$76,500 (2022 - \$68,440) director and officer compensation with respect to the positions of non-management directors and the Corporate Secretary of the Company. As at February 28, 2023 \$131,750 (May 31, 2022 - \$120,500) remained unpaid and has been included in accounts payable and accrued liabilities.

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

(ii) During the nine months ended February 28, 2023 the Company incurred a total of \$35,650 (2022 - \$35,800) for accounting and administration services provided by Chase Management Ltd., a private corporation owned by a director of the Company. As at February 28, 2023 \$4,850 (May 31, 2022 - \$4,200) remained unpaid and has been included in accounts payable and accrued liabilities.

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 28, 2023 \$	May 31, 2022 \$
Cash	Amortized cost	2,264,159	2,376,850
Accounts payable and accrued liabilities	Amortized cost	(311,050)	(283,539)

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

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

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for cash and accounts payable and accrued liabilities approximate their fair value.

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.

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8. Financial Instruments and Risk Management (continued)

Liquidity Risk

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

	Contractual Maturity Analysis at February 28, 2023				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	2,264,159	-	-	-	2,264,159
Accounts payable and accrued liabilities	(311,050)	-	-	-	(311,050)

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 had interest bearing debt at fixed rates and was therefore not subject to fluctuating interest rate risk on its promissory note payable.

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar. The Company maintains foreign currency bank accounts to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At February 28, 2023, 1 Canadian Dollar was equal to 2.77 Peruvian Nuevo Soles, 0.69 Euro, and 0.73 US Dollar.

Balances are as follows

	Nuevo Soles	Euros	US Dollars	CDN \$ Equivalent
Cash	266,747	3,593	74,014	202,895
VAT receivable	-	5,008	-	7,258
Accounts payable and accrued liabilities	(185,353)	(6,080)	(12,000)	(92,165)
	<u>81,394</u>	<u>2,521</u>	<u>62,014</u>	<u>117,988</u>

Based on the net exposures as of February 28, 2023 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Peruvian Nuevo Soles, Euro and US Dollar would result in the Company's loss and comprehensive loss being approximately \$11,000 higher (or lower).

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8. Financial Instruments and Risk Management (continued)

Capital Risk Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital and cash. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

9. Segmented Information

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

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

	As at February 28, 2023			
	Canada	Ireland	Peru	Total
	\$	\$	\$	\$
Current assets	2,103,850	12,509	254,846	2,371,205
Equipment	-	-	16,944	16,944
Exploration and evaluation assets	-	3,921,552	4,159,729	8,081,281
	<u>2,103,850</u>	<u>3,934,061</u>	<u>4,431,519</u>	<u>10,469,430</u>
	As at May 31, 2022			
	Canada	Ireland	Peru	Total
	\$	\$	\$	\$
Current assets	1,711,407	15,793	713,010	2,440,210
Equipment	-	-	21,544	21,544
Exploration and evaluation assets	-	3,921,552	1,959,609	5,881,161
	<u>1,711,407</u>	<u>3,937,345</u>	<u>2,694,163</u>	<u>8,342,915</u>

10. Supplemental Cash Flow Information

During the nine months ended February 28, 2023 and 2022 non-cash activities conducted by the Company as follows:

	2023	2022
	\$	\$
Financing activities		
Share-based payments reserve	(18,400)	(107,340)
Issuance of common shares	18,400	-
Transfer on exercise of share options and finders's warrants	-	107,340
	<u>-</u>	<u>-</u>

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11. Event after the Reporting Period

- (a) Subsequent to February 28, 2023 the Company granted share options to purchase 150,000 common shares at an exercise price of \$0.28 per share expiring March 1, 2026.
- (b) On April 24, 2023 the Company announced its intention to conduct a non-brokered private placement financing (the "Offering") of up to 5,360,000 units of the Company at a price of \$0.25 per unit for gross proceeds of up to \$1,340,000. Each unit will comprise one common share and one-half of one common share purchase warrant. Each full warrant will entitle the holder to purchase one additional share of the Company at an exercise price of \$0.35 for a period of three years from closing. The Company will have the right to force conversion of the warrants, if at any time from and after the date of issuance, the weighted average closing price of the Company's common shares on the TSXV, equals or exceeds \$0.50 for 20 consecutive trading days. The expiry date of the warrants will then be 30 days from the date of issue of a news release announcing the forced conversion.

Finder's fees may be payable on a portion of the Offering. Certain insiders of the Company will participate in the Offering.