

HANNANS **LTD**

ABN 52 099 862 129

Financial Report for the half-year ended 31 December 2020

www.hannans.com

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CORPORATE DIRECTORY

Board of Directors

Non-Executive Chairman	Mr Jonathan Murray	Company Secretary	Mr Ian Gregory
Executive Director	Mr Damian Hicks		
Non-Executive Director	Mr Markus Bachmann		
Non-Executive Director	Mr Clay Gordon		
Non-Executive Director	Ms Amanda Scott		

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ABN 52 099 862 129

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Share Registry

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Lawyers

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16 Milligan Street, Perth, Western Australia, 6000

DIRECTORS' REPORT

The Directors of Hannans Ltd (**Hannans, Group or Company**) submit the financial report for the half-year ended 31 December 2020. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

The names of the Directors of the Company who have held office during and since the end of the half-year are:

Non-Executive Chairman

Mr Jonathan Murray

Executive Director

Mr Damian Hicks

Non-Executive Directors

Mr Markus Bachmann

Mr Clay Gordon

Ms Amanda Scott

The Directors held their position throughout the entire half-year period and up to the date of this report unless stated otherwise.

Principal activities

The principal activity of the Group during the half-year period was exploration and evaluation of mineral interests.

Results

The consolidated net loss of the Group for the half-year period after income tax expense was \$907,275 (Dec 2019: loss \$1,028,397).

Review of operations

Projects

Southern Cross Gold & Nickel Project

Hannans signed an option to purchase a 90% interest in exploration license application E77/2691 located between Southern Cross and Bullfinch in Western Australia. Hannans believes the Tenement is both strategic and prospective due to:

- its location adjacent to historic gold mines that are undergoing renewed gold exploration activity due to high gold prices (refer Adaman Resources and Altan Rio);
- the minimal amount of sustained exploration for nickel sulphides that has been undertaken in the Southern Cross area;
- its location between known nickel sulphide locations (Forrestania nickel deposits to the south, Trough Well to the north); and
- the presence of what appear to be fertile host rocks for nickel sulphides within the Tenement (both komatiite-hosted and layered mafic intrusion related).

Hannans commenced a detailed historic data review and target generation process. The Tenement is expected to be granted in the 2nd Quarter of 2021 following which approvals will be sought to commence:

- ground geophysical surveys targeting ultramafic rocks that have the potential to host nickel sulphide mineralisation; and
- aircore / RC drilling targeting high grade gold mineralisation.

Fraser Range

Hannans signed an agreement to earn a 70% interest in granted exploration license E63/1772 located 100km east of Norseman, Western Australia. Access to the Tenement is excellent, with Highway 1 passing through the Tenement.

The Tenement covers prospective rocks and is favourably located in the context of the Fraser Range, being half-way between the Nova-Bollinger mine (owned by IGO Ltd) and the Talbot / Gnama South nickel occurrences. It is on the western 'edge' of the gravity anomaly (area of high gravity gradient) where other nickel sulphide occurrences are noted along strike. There has been a total lack of surface electromagnetic (EM) coverage of the Tenement, despite the presence of historic geochemical and magnetic anomalies of interest, and this represents an opportunity to rapidly progress exploration.

Hannans commenced a detailed historic data review and target generation process over the Tenement. A site visit was completed late 2020 in preparation for the first ground EM survey scheduled for early 2021. The ground EM survey was planned to target prospective rocks that might represent the host to economic nickel-copper mineralisation. If targets are generated, approvals will be sought to test the targets with deeper drilling.

Forrestania Nickel Project

Hannans completed its second phase of nickel sulphide focussed drilling at Forrestania located approximately 120km south of Southern Cross and 80km east of Hyden, Western Australia.

Forrestania is an attractive region to be targeting nickel sulphide mineralisation. The ultramafic belts at Forrestania host some of the most attractive nickel sulphide deposits in Australia and possibly the world. Its nickel sulphide endowment is remarkable having four mines with two open pits and nickel sulphides persisting beyond 1 km depth. All the mineralised belts that host the mines, resources, and prospects at Forrestania are represented within the Hannans ground package, particularly the Western Ultramafic belt that contains the highest-grade nickel deposits. It is principally for these reasons that Hannans persists with its methodical exploration process targeting a new nickel sulphide discovery.

Eight RC holes were drilled targeting several Moving Loop Electromagnetic (MLEM) anomalies, geological and geochemical targets generated earlier in the year. Downhole Electromagnetic surveys (DHEM) were completed late 2020 in the RC holes and several DHEM anomalies (both in-hole and off-hole) resulted from this work. A review of the geophysical modelling (DHEM & MLEM) and geological interpretation is ongoing and will be completed prior to determining which anomalies require follow-up in 2021. Assays from the RC drilling confirmed the Forrestania Nickel Project contains prospective ultramafic lithologies. Disseminated sulphide intersections with anomalous nickel and copper were also intersected. This information will form the basis for further exploration in the Western Ultramafic sequence at Forrestania in 2021.

Hannans initiated planning the third phase of nickel sulphide exploration drilling which is scheduled to start early 2021.

Forrestania Gold Project

Hannans joint venture partner at the Forrestania Gold Project (FGP) continued to deliver encouraging gold exploration results. Hannans is free-carried at the FGP which means shareholders retain a 20% interest in the gold rights at Forrestania without the need to fund exploration costs.

Moogie Gold & Nickel-Copper Project

The Moogie Project is located approximately 260km north-west of Meekatharra and 270km east of Carnarvon, Western Australia.

A third round of surface sampling was also completed and main Moogie tenement is expected to be granted in 2021, after which heritage surveys and aircore drilling can be planned if justified.

Hannans also applied for two new tenement applications over structural targets prospective for gold. Airborne geophysical surveys over the new applications will commence late March 2021.

Corporate

Capital raising

Hannans completed a share purchase plan (SPP) and Placement that raised \$1.605 million at an issue price of 0.44 cents per share. The SPP raised \$1,055,000 and the Placement raised \$550,000.

Hannans hold 687,594 ordinary shares in ASX listed Errawarra Resources Ltd and 575,000 ordinary shares in unlisted Critical Metals Ltd (last capital raising price 40c in February 2021).

Governance

Constitution

Hannans shareholders approved adoption of a new Constitution at the annual general meeting. The new constitution is available on the Company's web site.

Annual General Meeting

All resolutions put to shareholders were carried on a poll. No votes were cast against any of the resolutions put to shareholders.

Health & Safety

No accidents or lost time injuries occurred during the period to Hannans employees and or contractors.

Litigation

Hannans is not a party to any litigation. Hannans received a letter during the period alleging a breach of a confidentiality agreement.

Subsequent events

No matters or circumstances have arisen since 31 December 2020 that may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Auditor's independence declaration

The auditor's independence declaration is included on page 6 and forms part of the Directors' report for the six months ended 31 December 2020.

Signed in accordance with a resolution of directors.

On behalf of the Directors

A handwritten signature in black ink that reads "Damian Hicks". The signature is written in a cursive, flowing style.

Damian Hicks

Executive Director

12 March 2021

DIRECTORS' DECLARATION

The Directors declare that in the Directors' opinion:

- (a) subject to the achievement of matters noted in note 2(a), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Australian Accounting Standard AASB 134 and the *Corporations Regulations 2001* as disclosed in note 2 and giving a true and fair view of the financial position and performance of the consolidated entity for the half-year ended 31 December 2020.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Damian Hicks

Executive Director

Perth, Western Australia this 12th of March 2021

INDEPENDENCE DECLARATION TO THE DIRECTORS OF HANNANS LTD



**Building a better
working world**

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Auditor's independence declaration to the directors of Hannans Ltd

As lead auditor for the review of the half-year financial report of Hannans Ltd for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Hannans Ltd and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

V L Hoang
Partner
12 March 2021

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF HANNANS LTD



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Independent auditor's review report to the members of Hannans Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Hannans Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 2(a) of the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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MH:DA:HANNANS:005



A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

V L Hoang
Partner
Perth
12 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half-year ended 31 December 2020

	Note	Half-year ended 31 Dec 2020 \$	Half-year ended 31 Dec 2019 \$
Continuing operations			
Other income		47,740	28,773
Employee and contractors expenses		(101,568)	(235,056)
Depreciation expense		(1,968)	(2,135)
Consultants expenses		(95,815)	(112,544)
Occupancy expenses		(750)	(1,375)
Marketing expenses		(4,027)	(4,463)
Exploration and evaluation expenses		(814,084)	(619,700)
Fair value changes in financial assets designated at fair value through P&L		151,271	–
Other expenses		(72,074)	(81,897)
Loss from continuing operations before income tax benefit		(907,275)	(1,028,397)
Income tax benefit		–	–
Loss attributable to members of the parent entity		(907,275)	(1,028,397)
Other comprehensive income for the period		–	–
Total comprehensive loss for the period		(907,275)	(1,028,397)
Net loss attributable to the parent entity		(907,275)	(1,028,397)
Total comprehensive loss attributable to the parent entity		(907,275)	(1,028,397)
Loss per share:			
Basic (cents per share)		(0.05)	(0.05)
Diluted (cents per share)		(0.05)	(0.05)

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Note	31 Dec 2020 \$	30 Jun 2020 \$
Current assets			
Cash and cash equivalents		1,622,027	855,949
Trade and other receivables	3	63,810	85,760
Other financial assets at fair value through profit and loss	4	55,000	12,603
Total current assets		1,740,837	954,312
Non-current assets			
Other receivables		30,000	30,000
Property, plant and equipment		21,321	23,288
Other financial assets at fair value through profit and loss	4	245,022	143,751
Capitalised mineral exploration and evaluation expenditure	5	2,240,000	2,256,000
Total non-current assets		2,536,343	2,453,039
TOTAL ASSETS		4,277,180	3,407,351
Current liabilities			
Trade and other payables	6	441,417	238,497
Provisions	7	7,385	11,076
Total current liabilities		448,802	249,573
TOTAL LIABILITIES		448,802	249,573
NET ASSETS		3,828,378	3,157,778
Equity			
Issued capital	8	42,442,550	40,872,810
Reserves	9	632,577	1,092,358
Accumulated losses	10	(39,246,749)	(38,807,390)
TOTAL EQUITY		3,828,378	3,157,778

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2020

Attributable to equity holders				
For the half-year ended 31 December 2020	Issued Capital \$	Option Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2020	40,872,810	1,092,358	(38,807,390)	3,157,778
Total comprehensive income				
Loss for the period	–	–	(907,275)	(907,275)
Total comprehensive loss for the period	–	–	(907,275)	(907,275)
Transactions with owners recorded direct to equity				
Issue of shares	1,605,000	–	–	1,605,000
Share based payments	50,750	8,135	–	58,885
Lapse of options	–	(467,916)	467,916	–
Shares Issue expense	(86,010)	–	–	(86,010)
Total transactions with owners	1,569,740	(459,781)	467,916	1,577,875
Balance as at 31 December 2020	42,442,550	632,577	(39,246,749)	3,828,378

Attributable to equity holders				
For the half-year ended 31 December 2019	Issued capital \$	Option Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2019	40,872,810	1,061,897	(36,945,552)	4,989,155
Total comprehensive income				
Loss for the period	–	–	(1,028,397)	(1,028,397)
Other comprehensive income for the period	–	–	–	–
Total comprehensive loss for the period	–	–	(1,028,397)	(1,028,397)
Transactions with owners recorded direct to equity				
Share based payments	–	69,143	–	69,143
Exercise/lapse of options	–	(38,682)	38,682	–
Total transactions with owners	–	30,461	38,682	69,143
Balance as at 31 December 2019	40,872,810	1,092,358	(37,935,267)	4,029,901

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

for the half-year ended 31 December 2020

	Half-year ended 31 Dec 2020 \$	Half-year ended 31 Dec 2019 \$
Cash flows from operating activities		
Payments for exploration and evaluation	(645,540)	(451,836)
Payments to suppliers and employees	(263,337)	(288,439)
Interest received	581	17,653
Government rebates (COVID-19 measures)	62,258	–
Net cash used in operating activities	(846,038)	(722,622)
Cash flows from investing activities		
Payment for purchase of investment securities	(21,932)	(3,250)
Proceeds on sale of investment securities	29,048	–
Amount advanced to outside entities	–	(115,000)
Net cash from/(used in) investing activities	7,116	(118,250)
Cash flows from financing activities		
Proceeds from issues of equity securities	1,605,000	–
Net cash received from financing activities	1,605,000	–
Net increase/(decrease) in cash and cash equivalents	766,078	(840,872)
Cash and cash equivalents at the beginning of the financial period	855,949	2,686,790
Cash and cash equivalents at the end of the financial period	1,622,027	1,845,918

The accompanying notes form part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2020

1. Reporting Entity

Hannans Ltd (**Hannans** or **the Company**) is a company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Securities Exchange. The consolidated half-year financial report of the Group as at and for the six months ended 31 December 2020 comprises the Company and its subsidiaries (together referred to as **the Group**).

The consolidated financial statements are presented in Australian Dollars, which is the Group's functional and presentation currency.

The financial report of Hannans for the half-year ended 31 December 2020 was authorised for issue by the Directors on 12 March 2021.

The nature of the operations and principal activities of the consolidated entity are described in the Directors' Report.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2020 is available upon request from the Company's registered office or at www.hannans.com.

2. Basis of preparation and changes to the accounting policies

(a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2020 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and considered together with any public announcements made by the Company during the half-year ended 31 December 2020 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The half-year financial report has been prepared on a historical cost basis except for financial assets which are measured at fair value through profit and loss.

Apart from the changes in accounting policy in note 2(b), the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Going concern basis of preparation

The Group recorded a loss of \$907,275 (Dec 2019: \$1,028,397) for the half-year ended 31 December 2020 and had a net cash outflow from operating and investing activities of \$838,922 (Dec 2019: \$840,872 net outflow) for the half-year ended 31 December 2020. The Group had cash and cash equivalents at 31 December 2020 of \$1,622,027 (Jun 2020: \$855,949) and has a working capital surplus of \$1,292,035 (Jun 2020: \$704,739 surplus).

The Group's cashflow forecast for the period 1 February 2021 to 31 December 2022 reflects that the Group will need to raise additional working capital during the quarter ending 31 December 2021 to enable the Group to continue to meet its current committed administration and exploration expenditure.

Notwithstanding the above matters, the Directors are satisfied they will be able to raise additional working capital as required and thus it is appropriate to prepare the financial statements on a going concern basis. In arriving at this position the Directors have considered the following pertinent matters:

- The planned exploration expenditure is staged and expenditure may or may not be spent depending on the result of the prior exploration stage; and
- The Directors are satisfied that they will be able to raise additional funds by either an equity raising and/or implementation of joint ventures agreements to fund ongoing exploration commitments and for working capital.

In the event that the Group is unable to raise additional funds to meet the Group's ongoing working capital requirements when required, there is a significant uncertainty as to whether the Group will be able to meet its debts as and when they fall due and thus continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2020

2. Basis of preparation and changes to the accounting policies (cont'd)

(b) Changes in accounting policies

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2020, except for the adoption of new standards effective as of 1 July 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim consolidated financial statements of the Group.

	31 Dec 2020 \$	30 Jun 2020 \$
3. Current trade and other receivables		
Trade receivables ⁽ⁱ⁾	7,601	4,682
Net goods and services tax (GST) receivable	36,370	24,928
Other receivable	19,839	56,150
	63,810	85,760

(i) The average credit period on purchases of goods and services is 30 days. No interest is charged on the trade payables for the first 30 to 60 days from the date of invoice. Thereafter, interest is charged at various penalty rates. The consolidated entity has financial risk management policies in place to ensure that all receivables are paid within the credit timeframe.

4. Other financial assets at fair value through profit and loss

Current

Equity instruments

Quoted equity shares ⁽ⁱ⁾	55,000	12,603
	55,000	12,603

Non-current

Equity instruments

Quoted equity shares ⁽ⁱ⁾	96,271	–
Unquoted equity shares ⁽ⁱⁱ⁾	148,751	143,751
	245,022	143,751

(i) Investments in listed entities include the following:

(a) 687,594 ordinary fully paid shares in Errawarra Resources Limited where 437,594 ordinary fully paid shares are escrowed to 14 December 2022.

(ii) Investments in unlisted public entities include the ordinary shares in Critical Metals Ltd, New Energy Metals Ltd and Equity & Royalty Investments Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2020

	31 Dec 2020 \$	30 Jun 2020 \$
5. Capitalised mineral exploration and evaluation expenditure		
Balance at beginning of financial period	2,256,000	2,256,000
LESS: Write off costs	(16,000)	–
Balance at end of financial period	2,240,000	2,256,000

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the continuance of the consolidated entities right to tenure of the interest, the results of future exploration and the successful development and commercial exploration, or alternatively, sale of the respective area of interest. For those areas of interest de-recognised during the half year, exploration results indicates the subsequent successful development and commercial exploration may be unlikely and the decision was made to discontinue activities in these areas, resulting in full de recognition of the capitalised exploration and evaluation in relation to the related areas of interest.

6. Current trade and other payables

Trade payables ⁽ⁱ⁾	239,720	66,746
Accruals ⁽ⁱⁱ⁾	165,419	139,973
Other payable	36,278	31,778
	441,417	238,497

(i) The average credit period on purchases of goods and services is 30 days. No interest is charged on the trade payables for the first 30 to 60 days from the date of invoice. Thereafter, interest is charged at various penalty rates. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

(ii) On 30 November 2020 the Company signed an option to purchase 90% interest in E77/2691 for \$100,000 payable in three instalments, \$25,000 on acceptance of the offer, \$50,000 on grant of the Tenement and \$25,000 within six months of grant. The Company paid cash of \$25,000 upon signing. If the tenement is not granted, the \$25,000 option fee paid will be refunded to the Company.

7. Provisions

Current

Employee benefits	7,385	11,076
	7,385	11,076

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2020

	31 Dec 2020 \$	30 Jun 2020 \$
8. Issued capital		
2,359,977,192 fully paid ordinary shares (Jun 2020: 1,987,954,539)	42,442,550	40,872,810
	42,442,550	40,872,810

	31 Dec 2020		30 Jun 2020	
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of financial period	1,987,954,539	40,872,810	1,987,954,539	40,872,810
Issue of shares for broker fee	7,250,000	50,750	–	–
Share Purchase Plan	124,999,999	550,000		
Placement of Shares	239,772,654	1,055,000		
Share issue costs	–	(86,010)	–	–
Balance at end of financial period	2,359,977,192	42,442,550	1,987,954,539	40,872,810

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Option reserve \$	Total reserve \$
9. Reserves		
Balance at 1 July 2019	1,061,897	1,061,897
Share based payment expense	69,143	69,143
Lapse/exercise of options	(38,682)	(38,682)
Balance at 1 July 2020	1,092,358	1,092,358
Share based payment expense	8,135	8,135
Lapse/exercise of options	(467,916)	(467,916)
Balance at 31 December 2020	632,577	632,577

Share options

As at 31 December 2020, options over 129,500,000 (Jun 2020: 108,655,848) ordinary shares in aggregate are as follow:

Issuing entity	No of shares under option	Class of shares	Exercise price of option	Expiry date of option
Hannans Ltd	28,000,000	Ordinary	1.8 cents each	27 Oct 2021
Hannans Ltd	28,000,000	Ordinary	1.5 cents each	27 Oct 2022
Hannans Ltd	3,500,000	Ordinary	1.5 cents each	19 Nov 2022
Hannans Ltd	10,000,000	Ordinary	1.2 cents each	30 Oct 2021
Hannans Ltd	15,000,000	Ordinary	1.7 cents each	30 Oct 2021
Hannans Ltd	20,000,000	Ordinary	2.2 cents each	30 Oct 2022
Hannans Ltd	25,000,000	Ordinary	2.7 cents each	30 Oct 2022

Share options are all unlisted, carry no rights to dividends and no voting rights. A total of 70,000,000 were issued during the period. A total of 49,155,848 lapsed during the period. Refer to note 14 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the half-year ended 31 December 2020

	31 Dec 2020 \$	30 Jun 2020 \$
10. Accumulated losses		
Balance at the beginning of the financial period	(38,807,390)	(36,945,552)
Loss attributable to members of the parent entity	(907,275)	(1,900,520)
Items of other comprehensive income recognised directly in retained earnings		
Options lapsed/exercised	467,916	38,682
Balance at the end of the financial period	(39,246,749)	(38,807,390)

11. Contingencies and commitments

(a) Exploration and evaluation and associate commitments

Tenement commitments for the group total \$730,240 (Jun 2020: \$579,320).

(b) Other

In early 2013, the Office of State Revenue ('OSR') informed the Company that it has raised a Duties Investigation regarding the restructure involving the Mineral Rights Deed between the Company and Errawarra Resources Ltd. OSR has requested preliminary supporting information to assess the duty on the transaction. The Company does not consider it probable a stamp duty liability will arise.

12. Segment reporting

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's Chief Operating Decision Maker which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of comprehensive income and statement of financial position. The Group operates in the mineral exploration industry in Australia. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

13. Related party disclosures

(a) Loans to key management personnel (KMP) and their related parties

Errawarra Resources Ltd (**Errawarra**), of which Mr Damian Hicks, Mr Jonathan Murray, and Mr Markus Bachmann are the Directors, was provided with a loan facility of \$50,000 at an interest rate of 20% per annum. The interest rate was reduced to 12.5% starting from 1 July 2019 onwards. The loan was secured against Errawarra's rights, title and interest in the agreement executed between Errawarra, Reid Systems Inc and Reid Systems (Australia) Pty Ltd. Errawarra has fully drawdown on the loan facility. Interest on the loan facility to 30 June 2020 amounted to \$60,016. The loan was carried at its fair value and is measured to nil as the loan was considered non-recoverable. On 8 September 2020 the Company agreed to convert the outstanding loan of \$110,016 to 687,594 fully paid ordinary shares in Errawarra at \$0.16 per share on an arm's length basis and waive all rights to interest from 1 July 2020 until the date of the conversion. On 30 October 2020 Errawarra fully repaid the loan by converting the outstanding loan to equity. The settlement of the loan was completed at the fair value of \$110,016 and the impairment was reversed to the consolidated statement of profit or loss.

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13. Related party disclosures (cont'd)

(b) Transactions with key management personnel and their related parties

Director transactions

Corporate Board Services (**CBS**), of which Mr Damian Hicks is a Director, provided management, financial, company secretary and administrative services amounting to \$75,000 (Jun 2020: \$143,750) during the period. The services provided were on arm's length commercial terms. There was no amount owing to CBS at 31 December 2020 (Jun 2020: nil).

Steinepreis Paganin (**Stein Pag**), of which Mr Jonathan Murray is a Partner, provided legal services amounting to \$11,783 during the period (Jun 2020: \$4,983). The services provided were on arm's length commercial terms. At 31 December 2020 \$6,389 was owing to Stein Pag (Jun 2020: nil).

Scott Geological (**Scott Geo**), of which Ms Amanda Scott is a Director, provided geological services amounting to \$5,825 during the period (Jun 2020: \$13,639). The services provided were on arm's length commercial terms. There was no amount owing to Scott Geo at 31 December 2020 (Jun 2020: \$5,029).

14. Share-based payment

The following share-based payment arrangements existed at 31 December 2020:

- £ On 7 December 2020 Hannans issued 7,250,000 fully paid ordinary shares to Sorrento (UK) for acting as the broker introducing the Fraser Range Project. The ordinary shares were issued at a deemed price of 0.7 cents per share.
- £ On 27 October 2017 Hannans shareholders approved the issue of 56,000,000 share options to directors of the Group.
- £ On 19 November 2019 the Company issued 3,500,000 unlisted options to an unrelated third party.

There following unlisted options were issued during the period.

Option series	Number	Grant date	Expiry date	Exercise price (cents)
(O13) 30 Oct 2021 ⁽ⁱ⁾	10,000,000	29 October 2020	30 October 2021	1.2
(O14) 30 Oct 2021 ⁽ⁱⁱ⁾	15,000,000	29 October 2020	30 October 2021	1.7
(O14) 30 Oct 2022 ⁽ⁱⁱⁱ⁾	20,000,000	29 October 2020	30 October 2022	2.2
(O15) 30 Oct 2022 ^(iv)	25,000,000	29 October 2020	30 October 2022	2.7

The options will vest when the vesting conditions are met as follows:

- (i) The Group intersecting a nickel sulphide (NiS) drill intercept equivalent to 10m% at grade >1% NiS in a drill program designed and managed by Newexco Exploration Pty Ltd (Newexco). By way of example only, 10 metres at 1% NiS or 5 metres at 2% NiS. If this Target 1 is met prior to the Target 1 Expiry Date then 10,000,000 options will vest, exercisable at 1.2 cents per option.
- (ii) Hannans intersecting a NiS intercept equivalent to 20m% at grade >1% NiS in a drill program designed and managed by Newexco. By way of example, 20 metres at 1% NiS, 10 metres at 2% NiS or 5 metres at 4% NiS. If this Target 2 is met prior to the Target 2 Expiry Date then 15,000,000 options will vest, exercisable at 1.7 cents per option.
- (iii) Hannans outlining an equivalent 5,000 nickel metals tonnes grading not less than 2% NiS on a project where no previous nickel metal tonnes have been identified, and where that project is managed by Newexco. If this Target 3 is met prior to the Target 3 Expiry Date then 20,000,000 options will vest, exercisable at 2.2 cents per option.
- (iv) Hannans outlining an equivalent 10,000 nickel metal tonnes grading greater than 2% NiS on a project where no previous nickel metal tonnes have been identified (other than those as a result of reaching Target 3), and where that project is managed by Newexco. If this Target 4 is met prior to the Target 4 Expiry Date then 25,000,000 options will vest, exercisable at 2.7 cents per option.

The fair value of the options granted is issued and valued at the date of grant using the Black Scholes model for the option shown below. There is no cash settlement of the options.

Option series	Share price at grant date	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
(O13) 30 Oct 2021	0.6 cents	100%	Nil	0.11%	0.11 cents
(O14) 30 Oct 2021	0.6 cents	100%	Nil	0.11%	0.07 cents
(O14) 30 Oct 2022	0.6 cents	100%	Nil	0.11%	0.14 cents
(O15) 30 Oct 2022	0.6 cents	100%	Nil	0.11%	0.11 cents

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15. Financial instruments

The fair value of financial assets and financial liabilities of the Group approximated their carrying amount. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The table below analyses financial instruments carried at fair value by value measurement hierarchy.

Quantitative disclosures fair value measurement hierarchy	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
31 Dec 2020				
Assets measured at fair value				
Equity instruments (note 4):				
Quoted equity shares ⁽ⁱ⁾	151,271	–	–	151,271
Unquoted equity shares ⁽ⁱⁱ⁾	–	–	148,751	148,751
	151,271	–	148,751	300,022
30 Jun 2020				
Assets measured at fair value				
Equity instruments (note 4):				
Quoted equity shares ⁽ⁱ⁾	12,603	–	–	12,603
Unquoted equity shares ⁽ⁱⁱ⁾	–	–	143,751	143,751
	12,603	–	143,751	156,354

The management assessed that cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the financial assets is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair value:

- (i) Fair value of equity instruments and financial assets is derived from quoted market prices in active markets.
- (ii) The lowest level input has been used to fair value unquoted ordinary shares. The investment was fair valued using the most recent capital raise dated May 2020.

16. Subsequent events

No matters or circumstances have arisen since 31 December 2020 that may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.