
HANNAN METALS LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2022

(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	August 31, 2022 \$	May 31, 2022 \$
ASSETS			
Current assets			
Cash		1,546,151	2,376,850
GST/VAT receivable		4,206	6,665
Prepaid expenses		<u>74,479</u>	<u>56,695</u>
Total current assets		<u>1,624,836</u>	<u>2,440,210</u>
Non-current assets			
Equipment	4	21,501	21,544
Exploration and evaluation assets	5, 7(a)	<u>6,638,008</u>	<u>5,881,161</u>
Total non-current assets		<u>6,659,509</u>	<u>5,902,705</u>
TOTAL ASSETS		<u>8,284,345</u>	<u>8,342,915</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	<u>287,391</u>	<u>283,539</u>
TOTAL LIABILITIES		<u>287,391</u>	<u>283,539</u>
SHAREHOLDERS' EQUITY			
Share capital	6	14,977,095	14,977,095
Share-based payments reserve		4,307,777	4,307,777
Deficit		<u>(11,287,918)</u>	<u>(11,225,496)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>7,996,954</u>	<u>8,059,376</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>8,284,345</u>	<u>8,342,915</u>

Nature of Operations - Note 1

Event after the Reporting Period - Note 10

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on October 27, 2022 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 August 31,	
		2022 \$	2021 \$
Expenses			
Accounting and administration	7(b)(ii)	15,153	12,226
Audit		-	2,284
Corporate development		19,580	21,300
Depreciation		3,407	8,298
Director and officer compensation	7	45,250	116,260
Drill core storage		2,639	2,965
Insurance		3,690	3,122
Investor relations		20,009	22,464
Legal		78	1,623
Marketing		-	12,835
Office		5,014	3,561
Professional fees		30,106	40,240
Regulatory fees		1,850	2,125
Share-based compensation	6(d)	-	54,625
Shareholder costs		595	3,570
Transfer agent fees		1,099	2,358
Travel		2,519	-
		<u>150,989</u>	<u>309,856</u>
Loss before other items		<u>(150,989)</u>	<u>(309,856)</u>
Other items			
Interest income		6,982	3,894
Foreign exchange		81,585	39,457
		<u>88,567</u>	<u>43,351</u>
Net loss and comprehensive loss for the period		<u>(62,422)</u>	<u>(266,505)</u>
Basic and diluted loss per common share		<u>\$(0.00)</u>	<u>\$(0.00)</u>
Weighted average number of common shares outstanding		<u>92,822,109</u>	<u>89,155,418</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)*

	Three Months Ended August 31, 2022				
	Share Capital				
	Number of Shares	Amount \$	Share-Based Payments Reserve \$	Deficit \$	Total Shareholders' Equity \$
Balance at May 31, 2022	92,822,109	14,977,095	4,307,777	(11,225,496)	8,059,376
Net loss for the period	-	-	-	(62,422)	(62,422)
Balance at August 31, 2022	92,822,109	14,977,095	4,307,777	(11,287,918)	7,996,954

	Three Months Ended August 31, 2021				
	Share Capital				
	Number of Shares	Amount \$	Share-Based Payments Reserve \$	Deficit \$	Total Shareholders' Equity \$
Balance at May 31, 2021	85,075,644	13,017,064	4,338,292	(10,344,430)	7,010,926
Common shares issued for:					
- warrants exercised	6,130,967	1,532,742	-	-	1,532,742
Share-based compensation	-	-	54,625	-	54,625
Net loss for the period	-	-	-	(266,505)	(266,505)
Balance at August 31, 2021	91,206,611	14,549,806	4,392,917	(10,610,935)	8,331,788

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)

	Three Months Ended	
	August 31,	
	2022	2021
	\$	\$
Operating activities		
Net loss for the period	(62,422)	(266,505)
Adjustments for:		
Depreciation	3,407	8,298
Share-based compensation	-	54,625
Changes in non-cash working capital items:		
GST/VAT receivable	2,459	10,457
Prepaid expenses	(17,784)	17,316
Accounts payable and accrued liabilities	3,852	104,821
Net cash used in operating activities	(70,488)	(70,988)
Investing activities		
Exploration and evaluation asset expenditures, net of recoveries	(756,847)	(13,577)
Equipment purchases	(3,364)	(7,099)
Net cash used in investing activities	(760,211)	(20,676)
Financing activity		
Issuance of common shares	-	1,532,742
Net cash provided by financing activity	-	1,532,742
Net change in cash during the period	(830,699)	1,441,078
Cash at beginning of period	2,376,850	1,799,811
Cash at end of period	1,546,151	3,240,889

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 THREE MONTHS ENDED AUGUST 31, 2022
(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 August 31, 2022 the Company has not earned any production revenue, nor has it determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral resource interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and upon future profitable production. Mineral resource interests represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. As a mineral company in the exploration stage the ability of the Company to complete the exploration and development of its mineral property interests will be affected primarily by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and other means.

The Company has a history of losses with no operating revenues and, as at August 31, 2022, the Company had working capital of \$1,337,445. 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 August 31, 2022 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. In addition, in September 2022 the Company raised a further \$2,570,040, as described in Note 10.

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
FOR THE THREE MONTHS ENDED AUGUST 31, 2022
(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

	Field Equipment \$	Office Equipment \$	Total \$
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	-	3,364
Balance at August 31, 2022	16,275	15,445	31,720
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	(2,843)	(564)	(3,407)
Balance at August 31, 2022	(7,481)	(2,738)	(10,219)
Carrying Value:			
Balance at May 31, 2022	8,273	13,271	21,544
Balance at August 31, 2022	8,794	12,707	21,501

5. Exploration and Evaluation Assets

	August 31, 2022			May 31, 2022		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total \$
Peru						
- San Martin JV Project	-	633,512	633,512	-	427,624	427,624
- San Martin 100% Project	343,143	15,242	358,385	258,508	11,691	270,199
- Valiente Project	756,147	965,096	1,721,243	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>2,555,555</u>	<u>4,082,453</u>	<u>6,638,008</u>	<u>2,207,919</u>	<u>3,673,242</u>	<u>5,881,161</u>

HANNAN METALS LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED AUGUST 31, 2022

(Unaudited - Expressed in Canadian Dollars)

5. Exploration and Evaluation Assets

	Peru			Ireland	Other	
	San Martin JV Project \$	San Martin 100% Project \$	Valiente Project \$	Clare Project \$	\$	Total \$
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
	1,862,934	1,007	671,521	-	-	2,535,462
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)
	(2,474,943)	-	-	-	-	(2,474,943)
Balance at May 31, 2022	427,624	270,199	1,258,470	3,921,552	3,316	5,881,161
Exploration costs						
Assays	954	-	-	-	-	954
Consulting	328,444	-	164,961	-	-	493,405
Insurance	1,781	-	250	-	-	2,031
Legal	4,813	-	1,462	-	-	6,275
Logistics	65,059	3,551	-	-	-	68,610
VAT incurred	31,323	-	33,099	-	-	64,422
	432,374	3,551	199,772	-	-	635,697
Acquisition costs						
License applications and fees	-	84,635	263,001	-	-	347,636
Other						
Cost recoveries	(203,653)	-	-	-	-	(203,653)
Management fees	(22,833)	-	-	-	-	(22,833)
	(226,486)	-	-	-	-	(226,486)
Balance at August 31, 2022	633,512	358,385	1,721,243	3,921,552	3,316	6,638,008

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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5. Exploration and Evaluation Assets (continued)

(a) Peru

San Martin

(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 Oil, Gas and Metals National Corporation ("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.

HANNAN METALS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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5. Exploration and Evaluation Assets (continued)

Valiente Project

The Valiente Project is located in central eastern Peru.

(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 an initial cash payment of \$191,910 (US \$150,000) in fiscal 2017 and additional cash payments totalling \$1,057,473 (US \$850,000) in fiscal 2018.

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

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*

Three Months Ended August 31, 2022

During the three months ended August 31, 2022 the Company did not complete any equity financings. See also Note 10.

Fiscal 2022

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

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

6. Share Capital (continued)

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at August 31, 2022 and 2021 and the changes for the three months ended on those dates, is as follows:

	<u>2022</u>		<u>2021</u>	
	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	-	-	(6,130,967)	0.25
Expired	<u>(2,000,000)</u>	0.35	<u>(119,333)</u>	0.25
Balance, end of period	<u>-</u>		<u>14,517,429</u>	0.31

As at August 31, 2022 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 three months ended August 31, 2022 the Company did not grant any share options.

During the three months ended August 31, 2021 the Company granted share options to purchase 275,000 common shares and recorded compensation expense of \$55,000 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 three months ended August 31, 2021 was estimated using the Black-Scholes Option Pricing Model using the following assumptions:

	<u>2021</u>
Risk-free interest rate	0.43% - 0.54%
Estimated volatility	98% - 105%
Expected life	2 years - 3 years
Expected dividend yield	0%
Estimated forfeiture rate	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 three months ended August 31, 2021 was \$0.20 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.

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

6. Share Capital (continued)

A summary of the Company's share options at August 31, 2022 and 2021 and the changes for the three months ended on those dates, is as follows:

	2022		2021	
	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	-	-	275,000	0.285
Balance, end of period	<u>4,770,000</u>	0.27	<u>5,631,000</u>	0.25

The following table summarizes information about the share options outstanding and exercisable at August 31, 2022:

Number	Exercise Price \$	Expiry Date
3,295,000	0.25	January 23, 2023
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
<u>120,000</u>	0.235	December 3, 2024
<u>4,770,000</u>		

7. Related Party Transactions

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

(a) Transactions with Key Management Personnel

The Company has determined that key management personnel consists of the Chief Executive Officer, the President and the Chief Financial Officer of the Company. During the three months ended August 31, 2022 the Company incurred a total of \$59,803 (2021 - \$124,200) to key management personnel for their services which have been allocated based on the nature of the services provided: expensed \$19,750 (2021 - \$87,320) to director and officer compensation; and capitalized \$40,053 (2021 - \$36,880) to exploration and evaluation assets. As at August 31, 2022 \$26,517 (May 31, 2022 - \$49,868) remained unpaid and has been included in accounts payable and accrued liabilities.

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

7. Related Party Transactions (continued)

(b) *Transactions with Other Related Parties*

- (i) During the three months ended August 31, 2022 the Company incurred \$25,500 (2021 - \$28,940) director and officer compensation with respect to the positions of non-management directors and the Corporate Secretary of the Company. As at August 31, 2022 \$123,000 (May 31, 2022 - \$120,500) remained unpaid and has been included in accounts payable and accrued liabilities.
- (ii) During the three months ended August 31, 2022 the Company incurred a total of \$5,800 (2021 - \$6,000) for accounting and administration services provided by Chase Management Ltd., a private corporation owned by a director of the Company. As at August 31, 2022 \$3,500 (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	August 31, 2022 \$	May 31, 2022 \$
Cash	Amortized cost	1,546,151	2,376,850
Accounts payable and accrued liabilities	Amortized cost	(287,391)	(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.

HANNAN METALS LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2022***(Unaudited - Expressed in Canadian Dollars)***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 August 31, 2022				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	1,546,151	-	-	-	1,546,151
Accounts payable and accrued liabilities	(287,391)	-	-	-	(287,391)

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 August 31, 2022, 1 Canadian Dollar was equal to 2.95 Peruvian Nuevo Soles, 0.77 Euro, and 0.76 US Dollar.

Balances are as follows

	Nuevo Soles	Euros	US Dollars	CDN \$ Equivalent
Cash	118,097	5,063	516,448	726,144
VAT receivable	-	2,831	-	3,677
Accounts payable and accrued liabilities	(158,517)	(3,596)	(93,660)	(181,641)
	<u>40,420</u>	<u>4,298</u>	<u>422,788</u>	<u>548,180</u>

Based on the net exposures as of August 31, 2022 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 \$53,000 higher (or lower).

HANNAN METALS LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2022***(Unaudited - Expressed in Canadian Dollars)***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 August 31, 2022				
	Canada \$	Ireland \$	Peru \$	Total \$
Current assets	1,044,649	10,274	569,913	1,624,836
Equipment	-	-	21,501	21,501
Exploration and evaluation assets	-	3,921,552	2,716,456	6,638,008
	<u>1,044,649</u>	<u>3,931,826</u>	<u>3,307,870</u>	<u>8,284,345</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. Event after the Reporting Period

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 has agreed to grant 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 has 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.