

COMPLETION OF THE IN-SPECIE DISTRIBUTION

Extract from Hannans Ltd (ASX: HNR) 4th Quarter Activities Report 2016/2017

Hannans Ltd (Hannans) shareholders are advised that the in-specie distribution of shares in Critical Metals Ltd (Critical Metals) will be considered a return of capital by the Australian Taxation Office (ATO). The taxation impact of this decision is twofold, Hannans shareholders will need to reduce the cost base of their Hannans shares by 0.124 cents per share; and furthermore, the initial tax cost base for each share received in Critical Metals Limited is deemed to be 1.24 cents per share. Hannans shareholders need to include this information in their Income Tax Return for the year ended 30 June 2017.

By way of further information in September 2016 Hannans applied to the ATO for a Class Ruling confirming Hannans shareholders would be entitled to concessional tax treatment under the demerger relief provisions of the Income Tax Assessment Act in relation to the in-specie distribution. Hannans recently withdrew its Class Ruling application after receiving feedback from the Company's advisers and the ATO that the application was unlikely to be successful, due to a very restrictive interpretation of the law by the ATO. Despite the additional certainty provided by a Class Ruling the impact on Hannans shareholders was not deemed to be sufficiently material to justify the time and cost of seeking orders confirming the tax position. An example of how to calculate the tax cost base of your Hannans shares and the starting cost base for your Critical Metals shares is included below.

The following is an example of how to calculate your new Hannans tax cost base and Critical Metals tax cost base.

EXAMPLE

Mary owned 100,000 Hannans shares with an aggregate cost base of \$1,000 (\$0.01 cents per share) prior to the in-specie distribution. She received 9,938 shares in Critical Metals Ltd representing a non-assessable return of capital.

- Step 1:** Mary assesses if the non-assessable return of capital (i.e. the value of the Critical Metals shares) is more or less than the cost base of her shares in Hannans.
- Step 2:** In this instance, the non-assessable return of capital of \$120 (100,000 Hannans shares x \$0.0012) is less than her Hannans cost base of \$1,000.
- Step 3:** Mary reduces the tax cost base of her Hannans shares by the non-assessable return of capital (\$1,000 – \$120 = \$880).
- Step 4:** Mary records the new tax cost base for her Hannans shares and Critical Metals shares as follows:
- ∂ Hannans tax cost base for 100,000 shares of \$880 (\$0.0088 cents per share)
 - ∂ Critical Metals tax cost base for 9,938 shares of \$123.23 (\$0.0124 per share)

Note: On 11 May 2017, the Company shareholders approved the consolidation of capital where the issued capital of Critical Metals be consolidated on the basis that every 5.4134085 Shares be consolidated into 1 Share. The consolidation shareholding statement was sent to Critical Metals shareholders on 8 June 2017.

Please note that Shareholders should seek their own independent tax advice in relation to the preparation of their income tax returns and the use of the amounts in the table above.

Shareholders and or their taxation advisers are welcome to contact Mrs Mindy Ku at Corporate Board Services Pty Ltd (CBS) via email mindyk@corpbservices.com for clarification of the taxation calculations.