
HANSA RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016

(Expressed in Canadian Dollars)



Independent Auditor's Report

To the Shareholders of Hansa Resources Limited

We have audited the accompanying consolidated financial statements of Hansa Resources Limited, which comprise the consolidated statements of financial position as at June 30, 2017 and June 30, 2016, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years ended June 30, 2017 and June 30, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hansa Resources Limited as at June 30, 2017 and June 30, 2016, and its financial performance and its cash flows for the years ended June 30, 2017 and June 30, 2016 in accordance with International Financial Reporting Standards.

Vancouver, B.C.
October 27, 2017

"D&H Group LLP"

Chartered Professional Accountants

HANSA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Notes	June 30, 2017 \$	June 30, 2016 \$
ASSETS			
Current assets			
Cash		1,377,315	1,019,572
GST receivable		5,569	6,258
Prepaid expense		<u>2,600</u>	<u>2,600</u>
Total current assets		<u>1,385,484</u>	<u>1,028,430</u>
Non-current asset			
Deposit		<u>136,070</u>	<u>-</u>
Total non-current asset		<u>136,070</u>	<u>-</u>
TOTAL ASSETS		<u>1,521,554</u>	<u>1,028,430</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	195,939	50,928
Payment obligation	4	<u>129,770</u>	<u>64,935</u>
TOTAL LIABILITIES		<u>325,709</u>	<u>115,863</u>
SHAREHOLDERS' EQUITY			
Share capital	5	10,956,188	10,956,188
Share-based payments reserve	5	1,399,441	1,399,441
Deficit		<u>(11,159,784)</u>	<u>(11,443,062)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>1,195,845</u>	<u>912,567</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>1,521,554</u>	<u>1,028,430</u>

Nature of Operations - see Note 1

These consolidated financial statements were approved for issue by the Board of Directors on October 27, 2017 and are signed on its behalf by:

/s/ Robert G. Atkinson
 Robert G. Atkinson
 Director

/s/ John Nugent
 John Nugent
 Director

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

HANSA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)

	Note	Year Ended June 30,	
		2017 \$	2016 \$
Expenses			
Accounting and administrative	6(b)(ii)	14,700	14,575
Audit		14,892	19,110
General exploration		284,310	178,443
Legal		58,175	109,654
Management fees	6(a)	60,000	60,000
Office		5,794	6,663
Professional fees	6	48,000	48,000
Regulatory fees		7,879	7,379
Rent	6(b)(ii)	4,020	4,020
Shareholder costs		1,533	837
Transfer agent		10,786	10,197
Travel		531	20,908
		<u>510,620</u>	<u>479,786</u>
Loss before other items		<u>(510,620)</u>	<u>(479,786)</u>
Other items			
Interest income		5,619	5,733
Assignment of Zhumba Property	4	797,436	-
Foreign exchange		(9,157)	49,945
		<u>793,898</u>	<u>55,678</u>
Comprehensive income (loss) for the year		<u>283,278</u>	<u>(424,108)</u>
Basic and diluted income (loss) per common share		<u>\$0.00</u>	<u>\$(0.01)</u>
Weighted average number of common shares outstanding		<u>57,413,317</u>	<u>57,413,317</u>

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

HANSA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Year Ended June 30, 2017				
	Share Capital		Share-Based Payments Reserve	Deficit	Total Equity
	Number of Shares	Amount \$	\$	\$	\$
Balance at June 30, 2016	57,413,317	10,956,188	1,399,441	(11,443,062)	912,567
Net income for the year	-	-	-	283,278	283,278
Balance at June 30, 2017	<u>57,413,317</u>	<u>10,956,188</u>	<u>1,399,441</u>	<u>(11,159,784)</u>	<u>1,195,845</u>
	Year Ended June 30, 2016				
	Share Capital		Share-Based Payments Reserve	Deficit	Total Equity
	Number of Shares	Amount \$	\$	\$	\$
Balance at June 30, 2015	57,413,317	10,956,188	1,399,441	(11,018,954)	1,336,675
Net loss for the year	-	-	-	(424,108)	(424,108)
Balance at June 30, 2016	<u>57,413,317</u>	<u>10,956,188</u>	<u>1,399,441</u>	<u>(11,443,062)</u>	<u>912,567</u>

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

HANSA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	<u>Year Ended June 30,</u>	
	2017 \$	2016 \$
Operating activities		
Net income (loss) for the year	283,278	(424,108)
Adjustments for:		
Assignment of Zhumba Property	(797,436)	-
Changes in non-cash working capital items:		
GST receivable	689	6,789
Accounts payable and accrued liabilities	145,011	7,512
Payment obligation	64,835	64,935
Net cash used in operating activities	<u>(303,623)</u>	<u>(344,872)</u>
Investing activities		
Proceeds from assignment of Zhumba Property	797,436	-
Deposit	(136,070)	-
Net cash provided by investing activities	<u>661,366</u>	<u>-</u>
Net change in cash during the year	357,743	(344,872)
Cash at beginning of year	<u>1,019,572</u>	<u>1,364,444</u>
Cash at end of year	<u>1,377,315</u>	<u>1,019,572</u>

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

HANSA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016
(Expressed in Canadian Dollars)

1. Nature of Operations

Hansa Resources Limited (the “Company”) was incorporated on March 19, 1980 under the provisions of the Company Act (British Columbia). The Company is listed and traded on the TSX Venture Exchange (“TSXV”) under the symbol “HRL”. The Company’s head office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7 Canada.

During fiscal 2017 the Company concluded an agreement whereby it acquired a majority interest in the rights to explore and develop the Zhumba Property in Kazakhstan. The Company subsequently completed an assignment of the rights and work commitments on the Zhumba Property to Kazzinc Limited (“Kazzinc”), a major international mining corporation. See also Note 4. As at June 30, 2017 the Company had working capital of \$1,059,775 and expects that it has sufficient financial resources to fund corporate administration for the next twelve months and to conduct due diligence identifying and evaluating potential business acquisitions. The Company’s operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

2. Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of Measurement

The Company’s consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. The consolidated financial statements are presented in Canadian dollars unless otherwise stated.

Details of the Group

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all entities over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

As at June 30, 2017 and 2016 the subsidiaries of the Company were:

<u>Company</u>	<u>Location of Incorporation</u>	<u>Ownership Interest</u>
Altynor Resources LLP	Kazakhstan	90%
Altyn-Komir LLP	Kazakhstan	90%

HANSA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- (i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- (ii) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant, the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- (i) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. As at June 30, 2017 and 2016 the Company did not have any cash equivalents.

Amounts Receivable

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivables. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

HANSA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Accounts Payable and Accrued Liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Payables are classified as other financial liabilities initially at fair value and subsequently measured at amortized cost using the effective interest method.

Exploration and Development Costs

Mineral exploration and development costs are expensed as incurred until such time as either mineral reserves are proven or permits to operate the mineral resource property are received and financing to complete development has been obtained. Following confirmation of mineral reserves or receipt of permits to commence mining operations and obtaining necessary financing, development expenditures are capitalized as deferred development expenditures included within resource interests.

Exploration and Evaluation Assets

Exploration and evaluation assets include acquired mineral use rights for mineral property held by the Company. The amount of consideration paid (in cash or share value) for exploration and evaluation assets is capitalized. The amounts shown for exploration and evaluation assets represent costs of acquisition incurred to date, less recoveries or write-offs, and do not necessarily reflect present or future values. These costs will be amortized against revenue from future production or written off if the exploration and evaluation assets are abandoned or sold.

Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon estimated proven and probable reserves.

The carrying values of exploration and evaluation assets are reviewed by management at least annually to determine if they have become impaired. If impairment is determined to exist, the resource interest will be written down to its net recoverable value.

Ownership in exploration and evaluation assets involves certain inherent risks, including geological, metal prices, operating costs, and permitting risks. Many of these risks are outside the Company's control.

The ultimate recoverability of the amounts capitalized for the exploration and evaluation assets is dependent upon the delineation of economically recoverable ore reserves, obtaining the necessary financing to complete their development, obtaining the necessary permits to operate a mine, and realizing profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in its exploration and evaluation assets have been based on current and expected conditions. However, it is possible that changes could occur which could adversely affect management's estimates and may result in future write downs of exploration and evaluation assets carrying values.

Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, according to the usual industry standards for the stage of exploration of such interests, these procedures do not guarantee the Company's title. Such interests may be subject to prior agreements or transfers and title may be affected by undetected defects.

From time to time, the Company will acquire or dispose of interests pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as exploration and evaluation assets costs or recoveries when the payments are made or received.

HANSA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Impairment of Assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Decommissioning Provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. As at June 30, 2017 and 2016 the Company does not have any interests in mineral properties and, therefore, does not have any decommissioning obligations.

Financial Instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). Cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. As at June 30, 2017 and 2016 the Company has not classified any financial assets as loans and receivables.

Financial assets classified as available-for-sale ("AFS") are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. As at June 30, 2017 and 2016 the Company has not classified and financial assets as AFS.

Transaction costs associated with FVTPL are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities and payment obligation are classified as other financial liabilities.

HANSA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). At June 30, 2017 and 2016 the Company has not classified any financial liabilities as FVTPL.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company has adopted the residual value method with respect to the allocation of proceeds received on sale of units to the underlying common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in private placements is determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Share-Based Payment Transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Current and Deferred Income Taxes

Income tax expense comprises current and deferred income tax. Income tax is recognized in the statement of comprehensive income (loss), except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity. In this case the income tax is also recognized in other comprehensive income (loss) or directly in equity, respectively.

Current Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

HANSA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Deferred Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax relating to items recognized directly in equity or other comprehensive income ("OCI") is recognized in equity or OCI and not in the consolidated statement of comprehensive income (loss).

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Income (Loss) Per Share

Basic income (loss) per share is computed by dividing income available (loss attributable) to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted income (loss) per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share.

Foreign Currency Translation

Functional and Presentation Currency

The financial statements of each of the Company's subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of each subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. Each subsidiary's functional currency, being the currency of the primary economic environment in which the subsidiary operates, is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Exchange rates published by the Bank of Canada were used to translate subsidiary financial statements into the consolidated financial statements. Income and expenses for each statement of comprehensive income (loss) presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive income (loss).

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive income (loss).

HANSA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Accounting Standards and Interpretations Issued but Not Yet Effective

As at the date of these consolidated financial statements, the following standards have not been applied in these consolidated financial statements:

- (i) The completed version of IFRS 9, *Financial Instruments*, was issued in July 2014. The completed standard provides for revised guidance on the classification and measurement of financial assets. It also introduces a new expected credit loss model for calculating impairment for financial assets. The new hedging guidance that was issued in November 2013 is incorporated into this new final standard. This final version of IFRS 9 will be effective for periods beginning on or after January 1, 2018, with early adoption permitted.
- (ii) IFRS 15, *Revenue from Contracts with Customers*, outlines the principles for recognizing revenue from contracts with customers. The new standard establishes a new five-step model for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard is effective for annual periods beginning on or after January 1, 2018, and is applicable to all entities and will supersede all current revenue recognition requirements under IFRS.
- (iii) IFRS 16, *Leases*, specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

Management is currently assessing the impact of these new standards on the Company's accounting policies and consolidated financial statement presentation.

4. Assignment of Zhumba Property

Since 2012 the Company has been conducting prospect generation activities. The Company identified the Zhumba gold prospect (the "Zhumba Property"), which consists of two claims located in the Kokepektinsky and Ulansky districts in eastern Kazakhstan, and has been working to obtain tenure to the Zhumba Property. The Company has worked to deal with all government agencies in regards to the Zhumba Property and, after extensive negotiations in fiscal 2017, was advised by the government of Kazakhstan, through the Ministry of Industry and New Technologies, that the concession to the Zhumba Property had been granted.

On June 23, 2017 the Company completed all conditions precedent and finalized the farm out of its 90% interest in the Zhumba Property to Kazzinc. As consideration the Company has received payment of \$797,436. The Company will also receive a 1.9% net smelter return royalty on the 90% interest from production at the Zhumba Property.

The Company is obligated to pay US \$100,000 to the former owner of the Zhumba Property.

HANSA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016
(Expressed in Canadian Dollars)

5. 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. In addition the Company also has an unlimited number of preferred shares without par value.

(b) *Reconciliation of Changes in Share Capital*

There were no equity financings conducted by the Company during fiscal 2017 or 2016.

(c) *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 five years.

No share options were granted or vested during fiscal 2017 and 2016.

A summary of the Company's share options at June 30, 2017 and 2016, and the changes for the years ended on those dates, is as follows:

	2017		2016	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	4,000,000	0.05	4,500,000	0.06
Expired	-	-	(500,000)	0.10
Balance, end of year	4,000,000	0.05	4,000,000	0.05

As at June 30, 2017 options to purchase 4,000,000 common shares were outstanding and exercisable at an exercise price of 0.05 per share expiring April 22, 2019.

6. Related Party Disclosures

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*

During fiscal 2017 and 2016 the following amounts were incurred with respect to the Chief Executive Officer and President (the "CEO") and the Chief Financial Officer ("CFO") of the Company:

	2017 \$	2016 \$
Management fees - CEO	60,000	60,000
Professional fees - CFO	12,000	12,000
	72,000	72,000

HANSA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. Related Party Disclosures (continued)

As at June 30, 2017, \$27,005 (2016 - \$27,005) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) *Transactions with Other Related Parties*

(i) During fiscal 2017 and 2016 the following amounts were paid to the non-executive directors of the Company:

	2017 \$	2016 \$
Professional fees	<u>36,000</u>	<u>36,000</u>

(ii) During fiscal 2017 the Company incurred a total of \$14,700 (2016 - \$14,575) with Chase Management Ltd. ("Chase"), a private corporation owned by the CFO of the Company, for accounting and administrative services provided by Chase personnel, excluding the CFO, and \$4,020 (2016 - \$4,020) for rent. As at June 30, 2017, \$4,085 (2016 - \$2,285) remained unpaid and has been included in accounts payable and accrued liabilities.

7. Income Taxes

Deferred income tax assets and liabilities of the Company as at June 30, 2017 and 2016 are as follows:

	2017 \$	2016 \$
Deferred income tax assets		
Losses carried forward	1,232,200	1,140,700
Mineral resource interests	<u>545,100</u>	<u>545,100</u>
	1,777,300	1,685,800
Valuation allowance	<u>(1,777,300)</u>	<u>(1,685,800)</u>
Net deferred income tax asset	<u>-</u>	<u>-</u>

The recovery of (provision for) income taxes shown in the consolidated statements of comprehensive income (loss) differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2017 \$	2016 \$
Income tax rate reconciliation		
Combined federal and provincial income tax rate	<u>26%</u>	<u>26%</u>
Expected income tax recovery (provision)	(73,700)	110,300
Application of prior years' losses	73,700	-
Unrecognized benefit of income tax losses	<u>-</u>	<u>(110,300)</u>
Deferred income tax recovery	<u>-</u>	<u>-</u>

As at June 30, 2017 the Company has accumulated non-capital losses of approximately \$3,656,300 (2016 - \$3,304,300) and accumulated resource and other pools of approximately \$2,096,600 (2016 - \$2,096,600) carried forward for income tax purposes and are available to reduce taxable income of future years. The non-capital losses expire commencing in 2027 through 2037. The Company also has accumulated capital losses of approximately \$2,165,800 (2016 - \$2,165,800) carried forward for income tax purposes and are available to reduce capital gains of future years.

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8. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following five categories: FVTPL; held-to-maturity investments; loans and receivables; AFS; and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	June 30, 2017 \$	June 30, 2016 \$
Cash	FVTPL	1,377,315	1,019,572
Accounts payable and accrued liabilities	Other financial liabilities	(195,939)	(50,928)
Payment obligation	Other financial liabilities	(129,770)	(64,935)

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 accounts payable and accrued liabilities and payment obligation approximate their fair value due to their short-term nature. The Company's fair value of cash under the fair value hierarchy are measured using Level 1 inputs.

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 financial instruments included in cash is remote.

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. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. 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.

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8. Financial Instruments and Risk Management (continued)

	Contractual Maturity Analysis at June 30, 2017				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	1,377,315	-	-	-	1,377,315
Accounts payable and accrued liabilities	(195,939)	-	-	-	(195,939)
Payment obligation	(129,770)	-	-	-	(129,770)

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 and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk

The Company's operating expenses are incurred in Canadian Dollars. The Company maintains a US Dollar bank account in Canada to support the cash needs of its foreign operations. The fluctuation of the Canadian Dollar in relation to the US Dollar will have an impact upon the profitability of the Company and the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks. At June 30, 2017, 1 Canadian Dollar was equal to \$0.77 US Dollar.

Balances are as follows:

	US Dollar	CDN \$ Equivalent
Cash	977,291	1,269,209
Accounts payable and accrued liabilities	(125,308)	(162,738)
Payment obligation	(100,000)	(129,770)
	<u>751,983</u>	<u>976,701</u>

Based on the net exposures as of June 30, 2017 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the US Dollar would result in the Company's net loss being approximately \$97,000 higher (or lower).

Capital 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, cash and cash equivalents and short-term investments. 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.

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9. Segmented Information

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. The Company's exploration activities have been conducted in Kazakhstan and its corporate assets 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 and operations are segmented geographically as follows:

	<u>June 30, 2017</u>		
	<u>Canada</u>	<u>Kazakhstan</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total assets	<u>742,934</u>	<u>778,620</u>	<u>1,521,554</u>
Net (loss) income for the year	<u>(188,976)</u>	<u>472,254</u>	<u>283,278</u>
	<u>June 30, 2016</u>		
	<u>Canada</u>	<u>Kazakhstan</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total assets	<u>1,028,430</u>	<u>-</u>	<u>1,028,430</u>
Net loss for the year	<u>(137,809)</u>	<u>(286,299)</u>	<u>(424,108)</u>