

# HANSA RESOURCES LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

This discussion and analysis of financial position and results of operation is prepared as at October 28, 2019 and should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the years ended June 30, 2019 and 2018 of Hansa Resources Limited ("Hansa" or "the Company"). The following disclosure and associated consolidated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management's discussion and analysis ("MD&A") are quoted in Canadian dollars.

### Forward Looking Statements

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated exploration programs and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. In particular, the current state of the global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via [www.sedar.com](http://www.sedar.com) and readers are urged to review these materials.

### Company Overview

The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange ("TSXV") under the symbol "HRL". The Company is a junior resource company engaged in the acquisition, exploration and development of unproven mineral interests. The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia.

Since 2012 the Company had been conducting prospect generation activities. The Company had previously identified the Zhumba gold prospect (the "Zhumba Property"), which consisted of two claims located in the Kokepektinsky and Ulansky districts in eastern Kazakhstan. Over the years the Company worked to deal with all government agencies to obtain tenure to the Zhumba Property and, after extensive negotiations, in fiscal 2017 the Company was advised 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 Limited ("Kazzinc"). As consideration the Company received payment of \$797,436 in fiscal 2017. In fiscal 2019 the Company received a further \$89,621 upon the settlement of accounts payables and release of remaining funds held. The Company will also receive a 1.9% net smelter return royalty on the 90% interest from production at the Zhumba Property.

The Company was obligated to pay US \$100,000 to the former owner of the Zhumba Property of which US \$50,000 was paid in fiscal 2019. As at June 30, 2019 the Company has a remaining obligation of US \$50,000 (2018 - US \$100,000).

On February 1, 2018 the Company entered into a mineral property option agreement (the "Option Agreement") with Poseidon Offshore Minerals Inc. ("Poseidon"). Poseidon had applied for an offshore mineral reconnaissance license (the "License") to explore for gold, diamonds and heavy minerals on the continental shelf of Ghana. Pursuant to the Option Agreement, Poseidon granted to the Company an exclusive option to acquire 60% of Poseidon's direct and

indirect interest in and to the License, which would represent a 54% interest in the License taking into account the interests of the Government of Ghana. To earn the interest the Company was required to fund work programs totaling US \$4,000,000 over the 36 month period following the effective date, of which \$136,070 (US \$100,000) (the “Option Advance”) was paid by the Company.

During fiscal 2018 the Company made a deposit of \$131,680 (US \$100,000) (the “License Deposit”) to the Government of Ghana, Minerals Commission in respect to the review process for the granting of the License. In August 2018 the Company was informed of delays in the License process which impacted the Company’s ability to conduct a financing. As there was no time table for the granting of the License the Company received a refund of the License Deposit in October 2018, and accordingly, during fiscal 2018 the Company determined to record a write-off of the Option Advance with the termination of the Option Agreement.

Management is continuing with its due diligence on identifying other potential mineral exploration and evaluation licenses.

### Selected Financial Data

The following selected financial information is derived from the audited annual consolidated financial statements of the Company.

	Years Ended June 30,		
	2019 \$	2018 \$	2017 \$
<b>Operations:</b>			
Revenues	Nil	Nil	Nil
Expenses	(399,171)	(387,888)	(510,620)
Other items	101,211	(118,094)	793,898
Comprehensive (loss) income	(297,960)	(505,982)	283,278
Basic and diluted (loss) income per share	(0.01)	(0.01)	0.00
Dividends per share	Nil	Nil	Nil
<b>Balance Sheet:</b>			
Working capital	551,903	558,183	1,059,775
Total assets	647,492	988,581	1,521,554
Total long-term liabilities	Nil	Nil	Nil

The following selected financial information is derived from the unaudited condensed interim consolidated financial statements of the Company.

	Fiscal 2019				Fiscal 2018			
	Jun. 30 2019 \$	Mar. 31 2019 \$	Dec. 31 2018 \$	Sep. 30 2018 \$	Jun. 30 2018 \$	Mar. 31 2018 \$	Dec. 31 2017 \$	Sep. 30 2017 \$
<b>Operations:</b>								
Revenues	Nil							
Expenses	(208,590)	(45,458)	(65,195)	(79,928)	(145,511)	(80,837)	(92,850)	(68,690)
Other items	80,086	(10,718)	41,950	(10,107)	(120,538)	31,646	12,175	(41,377)
Net loss	(128,504)	(56,176)	(23,245)	(90,035)	(266,049)	(49,191)	(80,675)	(110,067)
Basic and diluted loss per share	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)
Dividends per share	Nil							
<b>Balance Sheet:</b>								
Working capital	551,903	520,407	576,583	470,378	558,183	814,760	869,033	949,708
Total assets	647,492	775,095	882,596	889,336	988,581	1,247,995	1,303,506	1,417,392
Total long-term liabilities	Nil							

### Results of Operations

*Three Months Ended June 30, 2019 Compared to Three Months Ended March 31, 2019*

During the three months ended June 30, 2019 (“Q4”) the Company reported a net loss of \$128,504 compared to a net loss of \$56,176 during the three months ended March 31, 2019 (“Q3”). The \$72,328 increase in loss is attributed to

the recognition of share-based compensation of \$160,000 in Q4 on the granting of share options which was partially offset by the receipt of a further \$89,621 upon settlement of accounts payable and release of remaining funds held from the sale of the Zhumba Property.

#### *Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018*

During the three months ended June 30, 2019 (“Q4/2019”) the Company reported a net loss of \$128,504 compared to a net loss of \$266,049 during the three months ended June 30, 2018 (“Q4/2018”). The decrease in loss is mainly attributed to:

- (i) during Q4/2019 the Company recorded \$89,621 proceeds received from the settlement of accounts payable and release of remaining funds held from the sale of the Zhumba Property;
- (ii) during Q4/2018 the Company recorded a write-off of the Option Advance of \$136,070 paid to Poseidon; and
- (iii) during Q4/2018 the Company incurred significant expenses in anticipation of the granting of the license in Ghana.

The above amounts were partially offset by the Company recognizing \$160,000 share-based compensation on the granting of options during Q4/2019.

#### *Year Ended June 30, 2019 (“fiscal 2019”) Compared to Year Ended June 30, 2018 (“fiscal 2018”)*

During fiscal 2019 the Company recorded a net loss of \$297,960 compared to a net loss of \$505,982 for fiscal 2018. The fluctuation is mainly attributed to:

- (i) the write-off of the Option Advance of \$136,070 paid to Poseidon during fiscal 2018
- (ii) during fiscal 2019 the Company received a further \$89,621 upon the settlement of accounts payables and release of remaining funds held from the sale of the Zhumba Property.

The Company recorded a minor increase in general and administrative expenses, from \$387,888 during fiscal 2018 to \$399,171 during fiscal 2019. During fiscal 2019 the Company incurred:

- (i) share-based compensation of \$160,000 on the granting of options to purchase 4,000,000 common shares of the Company. No options were granted during fiscal 2018;
- (ii) \$22,515 for legal services compared to \$77,086 in fiscal 2018. During fiscal 2018 period significant services were incurred to complete the closing of the disposition of the Zhumba property and other legal costs. Legal expenses in fiscal 2019 were incurred for ongoing legal correspondence on the Zhumba property and the application process for granting of the License in Ghana;
- (iii) corporate development fees of \$28,446 (2018 - \$55,577) were incurred. During fiscal 2018 and the first quarter of fiscal 2019 the Company engaged various firms to provide corporate information on the Company through various marketing campaigns in anticipation of the Company’s focus on exploration in Ghana;
- (iv) website costs of \$5,468 compared to \$18,452 during fiscal 2018. During fiscal 2018 there were additional fees for the set-up and development of the Company’s website;
- (v) office and miscellaneous expenses of \$3,288 (2018 - \$14,809) were incurred. During fiscal 2018 the Company paid certain office and support fees in Kazakhstan for personnel attending to the finalization of the farm-out agreement of the Zhumba property to Kazzinc and maintenance of the subsidiary companies; and
- (vi) professional fees of \$180 were incurred compared to \$32,029 during fiscal 2018. During fiscal 2018 the Company engaged a consulting firm for corporate advisory services.

#### **Financial Condition / Capital Resources**

As at June 30, 2019 the Company had working capital of \$551,903, and considers that it has adequate resources to maintain anticipated levels of corporate administration for the next twelve months. However, the Company anticipates that it will be required to raise additional capital to continue conducting due diligence on identifying and evaluating potential mineral interest acquisitions or other business opportunities. The Company’s operations are typically 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.

In order to conserve the Company's working capital, the Company's CEO, John Nugent, voluntarily ceased to receive his compensation of \$5,000 per month effective September 1, 2019 and, effective October 1, 2019, the directors of the Company ceased to receive their \$1,500 monthly compensation. The Company will consider reinstating compensation arrangements upon completion of new business opportunities and sufficient financing.

### Contractual Commitments

The Company has no contractual commitments.

### Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

### Proposed Transactions

The Company has no proposed transactions.

### Changes in Accounting Principles

(i) IFRS 9 - *Financial Instruments* ("IFRS 9")

The Company adopted all of the requirements of IFRS 9 as of July 1, 2018. IFRS 9 replaces IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9 management has changed its accounting policy for financial assets retrospectively for assets that continued to be recognized at the date of initial application.

	Original Under IAS 39		New Under IFRS 9	
	Classification	Carrying Amount \$	Classification	Carrying Amount \$
Cash	Fair value through profit or loss	832,767	Fair value through profit or loss	832,767
Accounts payable and accrued liabilities	Other financial liabilities	(298,718)	Amortized cost	(298,718)

As the standard permits on transition to IFRS 9, the Company has not restated prior periods with respect to the new amortized cost measurement for financial assets and impairment requirements.

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit or to the opening deficit on July 1, 2018.

(ii) IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15")

The Company adopted all of the requirements of IFRS 15 as of July 1, 2018. This new accounting pronouncement establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

There was no impact on the Company's consolidated financial statements upon the adoption of IFRS 15.

A detailed summary of all the Company's significant accounting policies is included in Note 3 to the annual financial statements for June 30, 2019 and 2018.

## 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. The Company has determined that key management personnel consists of members of the Company's Board of Directors and Executive Officers.

- (a) During fiscal 2019 and 2018 the Company incurred executive management compensation to key management personnel as follows:

	2019 \$	2018 \$
Mr. Nugent - President, CEO and Director	60,000	60,000
Mr. DeMare - CFO, Corporate Secretary and Director	12,000	12,000
Mr. Atkinson - Director	12,000	12,000
Mr. DiPasquale - Director	12,000	12,000
Mr. Siemens - Director	12,000	12,000
	<u>108,000</u>	<u>108,000</u>

As at June 30, 2019 \$27,005 (2018 - \$27,005) remained unpaid.

In addition the Company recorded share-based compensation as follows:

	2019 \$	2018 \$
Mr. Nugent	60,000	-
Mr. DeMare	16,000	-
Mr. Atkinson	30,000	-
Mr. DiPasquale	20,000	-
Mr. Siemens	24,000	-
	<u>150,000</u>	<u>-</u>

See also "Financial Condition / Capital Resources".

- (b) During fiscal 2019 the Company incurred a total of \$13,150 (2018 - \$17,800) with Chase Management Ltd. ("Chase"), a private corporation owned by Mr. DeMare, for accounting and administrative services provided by Chase personnel, excluding Mr. DeMare, and \$4,020 (2018 - \$4,020) for rent. As at June 30, 2019 \$2,135 (2018 - \$3,335) remained unpaid.

## Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value and unlimited preferred shares without par value. As at October 28, 2019, there were 57,413,317 outstanding common shares and 4,000,000 share options outstanding with an exercise price of \$0.05 per common share.