
HANSA RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018

(Expressed in Canadian Dollars)



Independent Auditor's Report

To the Shareholders of Hansa Resources Limited

Opinion

We have audited the consolidated financial statements of Hansa Resources Limited (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2019 and June 30, 2018, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2019 and June 30, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Gordon Cummings.

Vancouver, B.C.
October 28, 2019

Chartered Professional Accountants

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

	Notes	June 30, 2019 \$	June 30, 2018 \$
ASSETS			
Current assets			
Cash		642,209	832,767
GST receivable		2,683	8,611
Prepaid expense		<u>2,600</u>	<u>15,523</u>
Total current assets		<u>647,492</u>	<u>856,901</u>
Non-current assets			
Deposit	5	<u>-</u>	<u>131,680</u>
Total non-current assets		<u>-</u>	<u>131,680</u>
TOTAL ASSETS		<u>647,492</u>	<u>988,581</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	4 & 7	<u>95,589</u>	<u>298,718</u>
TOTAL LIABILITIES		<u>95,589</u>	<u>298,718</u>
SHAREHOLDERS' EQUITY			
Share capital	6	10,956,188	10,956,188
Share-based payments reserve		1,559,441	1,399,441
Deficit		<u>(11,963,726)</u>	<u>(11,665,766)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>551,903</u>	<u>689,863</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>647,492</u>	<u>988,581</u>

Nature of Operations and Going Concern- see Note 1

These consolidated financial statements were approved for issue by the Board of Directors on October 28, 2019 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 LOSS
(Expressed in Canadian Dollars)

	Note	Year Ended June 30,	
		2019	2018
		\$	\$
Expenses			
Accounting and administrative	7(b)	13,150	17,800
Audit		16,320	18,870
Corporate development		28,446	55,577
Executive management compensation	7(a)	108,000	108,000
Legal		22,515	77,086
Office and miscellaneous		3,278	14,809
Professional fees		180	32,029
Regulatory fees		6,979	9,351
Rent	7(b)	4,020	4,020
Share-based compensation	6(c)	160,000	-
Shareholder costs		1,062	2,157
Transfer agent		11,081	11,202
Travel		18,672	18,535
Website costs		5,468	18,452
		<u>399,171</u>	<u>387,888</u>
Loss before other items		<u>(399,171)</u>	<u>(387,888)</u>
Other items			
Interest income		16,011	12,359
Write-off of deposit	5	-	(136,070)
Additional proceeds on Zhumba property	4	89,621	-
Foreign exchange		(4,421)	5,617
		<u>101,211</u>	<u>(118,094)</u>
Comprehensive loss for the year		<u>(297,960)</u>	<u>(505,982)</u>
Basic and diluted loss per common share		<u>\$(0.01)</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, 2019				
	Share Capital		Share-Based Payments Reserve	Deficit	Total Equity
	Number of Shares	Amount \$	\$	\$	\$
Balance at June 30, 2018	57,413,317	10,956,188	1,399,441	(11,665,766)	689,863
Share-based compensation	-	-	160,000	-	160,000
Net loss for the year	-	-	-	(297,960)	(297,960)
Balance at June 30, 2019	57,413,317	10,956,188	1,559,441	(11,963,726)	551,903

	Year Ended June 30, 2018				
	Share Capital		Share-Based Payments Reserve	Deficit	Total Equity
	Number of Shares	Amount \$	\$	\$	\$
Balance at June 30, 2017	57,413,317	10,956,188	1,399,441	(11,159,784)	1,195,845
Net loss for the year	-	-	-	(505,982)	(505,982)
Balance at June 30, 2018	57,413,317	10,956,188	1,399,441	(11,665,766)	689,863

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

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

	Year Ended June 30,	
	2019	2018
	\$	\$
Operating activities		
Net loss for the year	(297,960)	(505,982)
Adjustments for:		
Share-based compensation	160,000	-
Foreign exchange	-	1,910
Write-off of deposit	-	136,070
Changes in non-cash working capital items:		
GST receivable	5,928	(3,042)
Prepaid expenses	12,923	(12,923)
Accounts payable and accrued liabilities	<u>(203,129)</u>	<u>(28,901)</u>
Net cash used in operating activities	<u>(322,238)</u>	<u>(412,868)</u>
Investing activities		
Deposit	-	(131,680)
Refund of deposit	<u>131,680</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>131,680</u>	<u>(131,680)</u>
Net change in cash during the year	(190,558)	(544,548)
Cash at beginning of year	<u>832,767</u>	<u>1,377,315</u>
Cash at end of year	<u>642,209</u>	<u>832,767</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, 2019 AND 2018
(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

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 Note 4. On February 1, 2018 the Company entered into an agreement to agree to form a joint venture to hold and conduct exploration and development on an exploration license for the entire continental shelf of Ghana. There were significant delays in awarding the exploration license and the joint venture has been terminated. See also Note 5. 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.

These consolidated financial statements do not reflect any adjustments, which could be material to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

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

These consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. These consolidated financial statements are presented in Canadian dollars unless otherwise noted.

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, 2019 and 2018 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, 2019 AND 2018
(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 consolidated 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.
- (iii) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized to the extent of the amount expected to be utilized. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 8.

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) Determining the fair value of warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity (deficiency).
- (ii) 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.

HANSA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

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, 2019 and 2018 the Company did not have any cash equivalents.

Amounts Receivable

Receivables are recognized initially at fair value and classified as amortized cost. Receivables are subsequently measured at amortized cost using the effective interest method, less expected credit losses. At each reporting date, the Company records credit losses at an amount equal to the lifetime expected credit losses using a present value and probability-weighted model.

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 amortized cost initially at fair value and are 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.

HANSA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

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.

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, 2019 and 2018 the Company does not have any interests in mineral properties and, therefore, does not have any decommissioning obligations.

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

3. Summary of Significant Accounting Policies (continued)

Financial Instruments

The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value through profit or loss (“FVTPL”); (ii) those to be measured subsequently at fair value through other comprehensive income (“FVOCI”); and (iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

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.

HANSA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

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.

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.

HANSA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

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).

Adoption of New Accounting Standards

(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	FVTPL	832,767	FVTPL	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.

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3. Summary of Significant Accounting Policies (continued)

Accounting Standards and Interpretations Issued but Not Yet Effective

The standard and interpretation that has been issued, but are not yet effective, up to the date of the issuance of these consolidated financial statements is discussed below.

In January 2016 the IASB issued IFRS 16 - *Leases*, which replaces IAS 17 - *Leases* and its associated interpretative guidance. 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 applies to annual reporting periods beginning on or after January 1, 2019. Management has assessed the impact of adopting IFRS 16 and has determined that, as at July 1 2019, there will be no impact on the Company's accounting policies and consolidated financial statement presentation.

4. Assignment of Zhumba Property

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, and worked to deal with all government agencies in regards to obtaining title to the Zhumba Property. 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. As consideration the Company received an initial 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 recorded the remaining obligation of US \$50,000 (2018 - US \$100,000) in accounts payable and accrued liabilities.

5. Deposit

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.

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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. 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 2019 or 2018.

(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.

During fiscal 2019 the Company granted share options to purchase 4,000,000 common shares and recorded compensation expense of \$160,000. The fair value of share options granted and vested during fiscal 2019 is estimated using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 1.60%; estimated volatility of 205%; expected life of 5 years; expected dividend yield of 0%; and estimated forfeiture rate of 0%.

The weighted average measurement date fair value of all share options recognized during fiscal 2019 was \$0.04 per share option. The weighted average remaining contractual life of outstanding share options at June 30, 2019 was 4.82 (2018 - 0.81) years.

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.

No share options were granted during fiscal 2018.

A summary of the Company's share options at June 30, 2019 and 2018 and the changes for the years ended on those dates, is as follows:

	2019		2018	
	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	4,000,000	0.05
Granted	4,000,000	0.05	-	-
Expired	<u>(4,000,000)</u>	0.05	<u>-</u>	-
Balance, end of year	<u>4,000,000</u>	0.05	<u>4,000,000</u>	0.05

As at June 30, 2019 options to purchase 4,000,000 common shares were outstanding and exercisable at an exercise price of \$0.05 per share expiring April 23, 2024.

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7. 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 the Company incurred \$108,000 (2018 - \$108,000) for executive management compensation and \$150,000 (2018 - \$nil) for share-based compensation to key management personnel. As at June 30, 2019, \$27,005 (2018 - \$27,005) remained unpaid and has been included in accounts payable and accrued liabilities.
- (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 the CFO of the Company, for accounting and administrative services provided by Chase personnel, excluding the CFO, and \$4,020 (2018 - \$4,020) for rent. As at June 30, 2019, \$2,135 (2018 - \$3,335) remained unpaid and has been included in accounts payable and accrued liabilities.

During fiscal 2019 the Company also recorded \$10,000 (2018 - \$nil) for share-based compensation for share options granted to Chase.

8. Income Taxes

Deferred income tax assets and liabilities of the Company as at June 30, 2019 and 2018 are as follows:

	2019 \$	2018 \$
Deferred income tax assets		
Losses carried forward	1,234,300	1,379,500
Mineral resource interests	<u>602,800</u>	<u>602,800</u>
	1,837,100	1,982,300
Valuation allowance	<u>(1,837,100)</u>	<u>(1,982,300)</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:

	2019 \$	2018 \$
Income tax rate reconciliation		
Combined federal and provincial income tax rate	<u>27.0%</u>	<u>26.5%</u>
Expected income tax recovery (provision)	80,400	134,100
Effect of income tax rate changes	33,300	39,600
Other	(43,200)	(36,000)
Unrecognized benefit of income tax losses	<u>(70,500)</u>	<u>(137,700)</u>
Deferred income tax recovery	<u>-</u>	<u>-</u>

As at June 30, 2019 the Company has accumulated non-capital losses of approximately \$3,488,600 (2018 - \$4,026,200) and accumulated resource and other pools of approximately \$2,232,700 (2018 - \$2,232,700) 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 2039. The Company also has accumulated capital losses of approximately \$2,165,800 (2018 - \$2,165,800) carried forward for income tax purposes and are available to reduce capital gains of future years.

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9. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: 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	June 30, 2019 \$	June 30, 2018 \$
Cash	FVTPL	642,209	832,767
Accounts payable and accrued liabilities	Amortized cost	(95,589)	(298,718)

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 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.

	Contractual Maturity Analysis at June 30, 2019				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	642,209	-	-	-	642,209
Accounts payable and accrued liabilities	(95,589)	-	-	-	(95,589)

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9. Financial Instruments and Risk Management (continued)

	Contractual Maturity Analysis at June 30, 2018				Total \$
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	
Cash	832,767	-	-	-	832,767
Accounts payable and accrued liabilities	(298,718)	-	-	-	(298,718)

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, 2019, 1 Canadian Dollar was equal to \$0.76 US Dollar.

Balances are as follows:

	US Dollar	CDN \$ Equivalent
Cash	484,395	637,362
Accounts payable and accrued liabilities	<u>(50,000)</u>	<u>(65,789)</u>
	<u>434,395</u>	<u>571,573</u>

Based on the net exposures as of June 30, 2019 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 \$54,000 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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10. Segmented Information

The Company operates in one reportable segment, the exploration and development of unproven exploration and evaluation assets. 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, 2019</u>		
	<u>Canada</u>	<u>Kazakhstan</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total assets	<u>647,492</u>	<u>-</u>	<u>647,492</u>
Net (loss) income for the year	<u>(387,581)</u>	<u>89,621</u>	<u>(297,960)</u>
	<u>June 30, 2018</u>		
	<u>Canada</u>	<u>Ghana</u>	<u>Kazakhstan</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total assets	<u>791,061</u>	<u>131,680</u>	<u>65,840</u>
Net loss for the year	<u>(329,718)</u>	<u>(136,070)</u>	<u>(40,194)</u>
	<u>(505,982)</u>		