# Ironside Resources Inc.

## Condensed Interim Consolidated Financial Statements

## For the Nine Months Ended

## March 31, 2016

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**Notice**

***The following unaudited condensed interim consolidated financial statements of the Company for the period ended March 31, 2016 have been prepared in accordance with International Financial Reporting Standards and are the responsibility of the Company's management. The Company's independent auditors have not performed an audit or a review of these condensed consolidated interim financial statements.***

## 1. Nature and Continuance of Operations

Ironside Resource Inc. (the "Company") is a company incorporated under the Business Corporation Act of British Columbia, Canada. With an effective date of April 20, 2015 the name of the Company was changed from Papuan Precious Metals Corp. to Ironside Resources Inc. The registered office of the Company is 700-595 Howe Street, Vancouver, British Columbia, V6C 2T5. The Principal address and records office of the Company is 700-1620 Dickson Ave., Kelowna, British Columbia, V1Y 9Y2. The Company's shares are publicly listed on the TSX Venture ("TSX-V") under the symbol "IRC" (previously "PAU").

The Company is engaged in the acquisition, exploration and development of exploration and evaluation assets in Papua New Guinea ("PNG") and Saudi Arabia. The Company is considered to be in the exploration stage and to date has not generated significant revenues from operations. The Company has yet to determine whether its exploration and evaluation assets contain economically viable ore reserves and there is no guarantee that mineral deposits will be discovered in the future. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon proving the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production and/or proceeds from the disposition thereof.

The Company has inconsiderable sources of revenue and has significant cash requirements to maintain its mineral property interests and to meet its administrative overhead. These condensed interim consolidated financial statements have been prepared on a going concern basis and do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. The Company's ability to continue as a going concern is dependent on its ability to secure equity, debt or joint venture financing and generate profitable future operations. These material uncertainties may cast significant doubt on the ability of the Company to continue as a going concern.

These condensed interim consolidated financial statements for the nine months ended March 31, 2016 were approved and authorized for issuance by the Board of Directors on May 18, 2016.

## 2. Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS-34") as issued by the International Accounting Standards Board ("IASB") and should be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2015. The annual statements include information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies and the use of judgements and estimates are presented in Note 3 and note 5 of the annual statements. These policies, judgements and estimates have been consistently applied in the preparation of these condensed interim consolidated financial statements. See also note 3.

On May 10, 2015, the Company consolidated its share capital on a five to one basis. All references to common shares reflect this consolidation. See Note 8.

These condensed interim consolidated financial statements have been prepared in Canadian dollars ("CAD") being the Company's presentation and functional currency and are based on a historical cost basis. Unless otherwise noted all figures are in Canadian dollars. These condensed interim consolidated financial statements include the financial information of the 100% wholly owned subsidiaries of Papuan Precious Metals Ltd. ("PPM"), located in PNG and Adan Ventures Limited ("Adan") incorporated in the British Virgin Islands. The functional currency of the Company's subsidiaries are that of the parent company.

(Unaudited – Expressed in Canadian Dollars) TSX.V: **IRC**

Transactions in foreign currencies are translated into the functional currency at exchange rates at the date of the transactions. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when acquired. All gains and losses on translation of these foreign currency transactions are included in the statement of comprehensive loss.

## 3. New Standards, Amendments and Interpretations

The IASB issued a number of new and revised International Accounting Standards, IFRS amendments and related interpretations which are effective for the Company's financial year beginning on or after July 1, 2015. These new or revised standards and amendments are not expected to have any significant impact to the Company's financial statements.

## 4. Amounts Receivable

All amounts receivable are current and, due to their short-term maturities, the fair value of amounts receivable approximates their carrying value. The Company does not have any significant balances that are past due and has not made any allowance for doubtful accounts.

| | **March 31, 2016** | June 30, 2015 |
|---|---|---|
| Amounts receivable | **$ 4,945** | $ 5,029 |

## 5. Property and Equipment

| **Cost** | Geological Equipment | Computer Equipment | Motor Vehicles | Total |
|---|---|---|---|---|
| As at June 30, 2014 | $ 25,751 | $ 2,580 | $ 39,096 | $ 67,427 |
| Additions | - | 663 | - | 663 |
| Disposals | (25,751) | - | (39,096) | (64,847) |
| As at June 30, 2015 | - | 3,243 | - | 3,243 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| **As at March 31, 2016** | **$ -** | **$ 3,243** | **$ -** | **$ 3,243** |
| **Accumulated Depreciation** | | | | |
| As at June 30, 2014 | $ 16,511 | $ 65 | $ 38,118 | $ 54,694 |
| Depreciation | 5,150 | 972 | 978 | 7,100 |
| Disposals | (21,661) | - | (39,096) | (60,757) |
| As at June 30, 2015 | - | 1,037 | - | 1,037 |
| Depreciation | - | 730 | - | 730 |
| Disposals | - | - | - | - |
| **As at March 31, 2016** | **$ -** | **$ 1,767** | **$ -** | **$ 1,767** |
| **Net Book Value** | | | | |
| As at June 30, 2014 | $ 9,240 | $ 2,515 | $ 978 | $ 12,733 |
| As at June 30, 2015 | - | 2,206 | - | 2,206 |
| **As at March 31, 2016** | **$ -** | **$ 1,476** | **$ -** | **$ 1,476** |

(Unaudited – Expressed in Canadian Dollars) TSX.V: **IRC**

## 6. Exploration and Evaluation Assets

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims. The Company has investigated title to its exploration and evaluation assets and to the best of its knowledge the title to its properties are in good standing.

| Tenement | Minerals | Ownership | Carrying Value |
|---|---|---|---|
| EL 1566 - New Hanover | Au-Cu | IRC 100% | $ 4,995,432 |
| Wadi Sawawin | Fe | IRC 25% | 429,196 |
| Exploration and evaluation assets | | | **$ 5,424,628** |

**New Hanover**: license renewal has been granted on May 29, 2015 by the Minister of Mining with effect from May 28, 2014 for a term of two years. Proposed work program commitments of approximately $50,000 per year on EL-1566 have been approved by the Mining Resource Authority. The following is a summary of expenditures on EL-1566:

| **Papua New Guinea** | New Hanover *EL 1566* |
|---|---|
| Balance June 30, 2014 | $ 4,918,665 |
| Camp and field costs | 7,189 |
| Geological and other consulting | 16,456 |
| Geochemistry | 3,556 |
| Tenement expense | 12,235 |
| Project costs | 11,861 |
| Travel | 4,066 |
| Freight | 1,455 |
| Stock-based compensation | - |
| Additions | 56,818 |
| Balance June 30, 2015 | 4,975,483 |
| Camp and field costs | - |
| Geological and other consulting | - |
| Geochemistry | - |
| Tenement expense | 8,181 |
| Project costs | 11,768 |
| Travel | - |
| Freight | - |
| Stock-based compensation | - |
| Additions | **19,949** |
| **Balance March 31, 2016** | **$ 4,995,432** |

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**Mt. Suckling:** During the year ended June 30, 2013, the Company sold to Suckling Minerals Ltd. an undivided 90% interest in the Mt. Suckling tenement and retains a 10% carried interest and a 2% Net Smelter Royalty. Under the terms of the sale agreement, Suckling Minerals and its directors surrendered 1,068,958 common shares of the Company valued at $106,896 in exchange for the 90% interest. The shares surrendered were held in escrow until final tenement transfer was granted by the Mining Resources Authority of PNG. Pending this approval, the escrow shares were subject to a cancellation agreement whereby 25% of the shares were cancelled every 6 months from January 29, 2013.

Suckling Minerals Ltd. (the "Purchaser") had the right at any time and from time to time to abandon the Tenement (EL 1424 – Mt Suckling) and in such event will notify the Company of its intention to abandon the Tenement and the Company will have the right but not an obligation to have all of the right, title and interest of the Purchaser in the Tenement duly reconveyed to them. On May 28, 2015, Suckling Minerals Ltd, under the terms of the sale agreement, notified the Company that they had relinquished their rights to the Mt. Suckling project.

On July 27, 2015 the Company relinquished its right to have the Tenement transferred back to the Company.

The remaining shares held in escrow (68,333) as a part of the Mt. Suckling sale agreement were returned to treasury and cancelled on September 17, 2015.

**Wadi Sawawin:** On April 6, 2015 the Company signed a letter agreement for the formation of a Joint Venture ("JV") with Juniper Capital Partners Limited of London, UK, to acquire a 25% carried interest in the Wadi Sawawin Iron Ore project in Saudi Arabia. The JV has acquired London Mining PLC's contractual equity rights to a 50% interest of the project which is owned by National Mining Company ("NMC") of Saudi Arabia.

The Company is required to provide initial funding to the JV in the amount of US$375,000 with Juniper and the Company then contributing additional funds to the JV pro-rata so that each partner will provide one-half of the additional funds required by the JV. Juniper has agreed to manage the JV's interests in the project for a minimum of two years. During the nine months ended March 31, 2016 the Company expended $20,213 on the acquisition of the interest.

NMC holds Exploration licences for each of the Western, Eastern and Al Hamra Blocks and a 30 year Exploitation licence for part of the Western block where the main deposit is located.

## 7. Accounts Payable and Accrued Liabilities

Accounts payable are indebtedness incurred in the normal course of operations and are typically paid within 30 days. The accrued liabilities are non-interest bearing and are primarily payable to related parties. See Note 11.

| **Due within the year** | | **March 31, 2016** | | June 30, 2015 |
|---|---|---|---|---|
| Accounts payable | **$** | **9,395** | $ | 204,637 |
| Accrued liabilities | | **463,549** | | 380,556 |
| | **$** | **472,944** | $ | 585,193 |

(Unaudited – Expressed in Canadian Dollars) TSX.V: **IRC**

## 8. Share Capital and Reserves

The Company is authorized to issue an unlimited number of common shares without par value. On May 10, 2015, the Company's common shares were consolidated on the basis of one post consolidated share for every five pre-consolidated shares.

All common share, share option and share purchase warrant figures in these consolidated financial statements have been retrospectively restated to present post-consolidation amounts.

*(a) Private Placement Financings*

On June 24, 2014 the Company completed a private placement financing of 1,940,000 units at a price of $0.40 per unit for gross proceeds of $776,000. Finder's Fees of $43,330 were paid in cash and 1,750 shares were issued in lieu of cash. Additionally, other fees of $8,450 were paid. Each unit consists of one common share plus one-half of a common share purchase warrant, with each whole warrant exercisable to purchase a common share at a price of $0.60 for a period of 1 year. A value of $14,533 was attributed to the warrants using the relative fair value approach, included in other capital reserves and is determined based on the Black-Scholes pricing model based on the following assumptions: volatility 106.94%; risk free interest 1.56%; expected life 1 year; dividend rate 0%.

On May 8, 2015 the Company entered into an agreement with Ballyliffin Capital Corp. ("Ballyliffin") in relation to a private placement. Pursuant to the terms of the Agreement, Ballyliffin purchased common shares of the Company at a price of $0.025 per Ironside common share ($0.125 after giving effect to the one for five (1:5) consolidation of the Company's shares) with all of its available net cash reserves except those required to complete the transaction, and pay current and anticipated payables for aggregate consideration of up to approximately $825,000 in cash. The Company and Ballyliffin have common directors and executives.

On July 10, 2015 the Company announced the completion of a private placement with Ballyliffin. Ballyliffin acquired 6,567,600 post-consolidated common shares of the Company at a price of $0.125 per share for gross proceeds of $820,950. The Company shares acquired by Ballyliffin were subsequently distributed to the shareholders of Ballyliffin in exchange for their shareholdings in Ballyliffin on the date of record, July 9, 2015. The Company incurred $32,521 in financing costs in relation to this transaction.

*(b) Stock Options*

The Company has a share-holder approved stock option plan which allows the Board of Directors to grant stock options to directors, officers, employees, contractors and consultants. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less any applicable discount. The options can be granted for a maximum term of five years and vesting terms are determined by the Board of Directors at the date of grant.

As at March 31, 2016, stock options outstanding were:

| **Stock Options** | Number Outstanding | Exercise Price | Number Exercisable | Remaining Life in years |
|---|---|---|---|---|
| As at June 30, 2015 | 970,000 | $ 0.25 | 970,000 | 1.79 |
| Expired | - | - | - | - |
| Vested | - | - | - | - |
| Forfeited | - | - | - | - |
| **As at March 31, 2016** | **970,000** | **$ 0.25** | **970,000** | **1.04** |

(Unaudited – Expressed in Canadian Dollars) TSX.V: **IRC**

Share purchase warrant transactions are summarized as follows:

| **Warrants** | | | |
|---|---|---|---|
| Date issued | Number of Shares Issuable | Exercise Price | Expiry Date |
| As at June 30, 2015 | 970,000 | $ 0.60 | June 24, 2016 |
| Expired | - | - | |
| Issued | - | - | |
| **As at March 31, 2016** | **970,000** | **$ 0.60** | **June 24, 2016** |

*(c) Share-based Compensation*

During the nine months ended March 31, 2016 no stock options were granted and no existing options were exercised. Pursuant to the granting and vesting of options issued, total stock based compensation recognized in the consolidated statements of loss during the nine months ended March 31, 2016 was $nil (March 31, 2015 – $10,334). This amount was also recorded as share-based compensation in other capital reserves on the statements of changes in equity. All options are recorded at fair value as at the grant date determined using the Black-Scholes option pricing model for which the following assumptions were used:

| **Assumptions** | **March 31, 2016** | March 31, 2015 |
|---|---|---|
| Risk Free interest rate | - | 1.47% |
| Expected Life - Years | - | 3 |
| Annualised Volatility | - | 118.86% |
| Dividend Rate | - | 0% |

## 9. Plan of Arrangement

On July 3, 2014 the Company incorporated Pioneer Pacific Finance Corp. (“PPF”) as a wholly owned subsidiary. Through an arrangement agreement (the “arrangement”), the Company transferred a Letter Agreement to PPF in consideration for the issuance of commons shares of PPF, and for the distribution of these common shares to the Company’s shareholders on a pro-rata basis. At the Company’s Annual General Meeting held on August 15, 2014, the shareholders voted unanimously in favour of this arrangement.

Pursuant to the arrangement, the Company spun PPF out in consideration for the issuance of common shares of PPF to Company shareholders and the transfer of the Letter Agreement regarding the acquisition of a Medical Marijuana dispensary in the State of Colorado. The Company completed the distribution of PPF commons shares to the Company shareholders of record on September 30, 2014.

By virtue of the Arrangement and having issued shares to the public, PPF is a “reporting Issuer” as defined by the provincial securities commissions.

The Company incurred transaction costs of $32,152 in connection with the transaction.

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## 10. Supplemental Disclosure with Respect to Cash Flows

Cash and cash equivalents consist of:

| Cash and cash equivalents | | March 31, 2016 | | June 30, 2015 |
|---|---|---|---|---|
| Cash | $ | 36,555 | $ | 27,719 |
| Redeemable term deposits | | 280,000 | | - |
| | $ | 316,555 | $ | 27,719 |

There were no cash payments for interest expense or income taxes during the nine months ended March 31, 2016 and March 31, 2015. During the nine months ended March 31, 2016 the Company earned $3,145 (March 31, 2015 - $3,307) in interest income on its redeemable term deposits.

Non-cash transactions for the nine months ended March 31, 2016 included:

- Recognizing share-based compensation expense of $nil;

Non-cash transactions for the nine months ended March 31, 2015 included:

- Recognizing stock-based compensation expense of $10,334.

## 11. Related Party Transactions

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel for the nine months ended March 31, 2016 were $225,000 (March 31, 2015 - $230,000).

The following transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties:

- Included in accounts payable at March 31, 2016 is $2,264 owing to related companies for rent and general administrative costs (June 30, 2015 – $2,775);
- Included in accrued liabilities at March 31, 2016 is $363,000 owing to officers and directors for consulting fees (June 30, 2015 - $276,000);
- Included in advances to related parties at March 31, 2016 is $81,392 (June 30, 2015 - $52,283);
- Included in note payable to related party at March 31, 2016 is $nil (June 30, 2015 - $50,666). The Company repaid the note payable to a related party, including accrued interest of $920 on July 30, 2015.

## 12. Segmented Information

The Company operates under one business segment being the exploration of mineral property interests operating in three geographical locations; Canada, PNG and Saudi Arabia.

| | March 31, 2016 | | | June 30, 2015 | | |
|---|---|---|---|---|---|---|
| **Non-Current assets by geographic region** | **Canada** | **PNG** | **Saudi Arabia** | Canada | PNG | Saudi Arabia |
| Property and equipment | $ 1,476 | $ - | $ - | $ 2,206 | $ - | $ - |
| Exploration and evaluation assets | - | 4,995,433 | 429,196 | - | 4,975,483 | 408,983 |
| Total | $ 1,476 | $ 4,995,433 | $ 429,196 | $ 2,206 | $ 4,975,483 | $ 408,983 |

## 13. Capital Management

The Company's objectives when managing capital, being its share capital, are to safeguard the Company's ability to continue as a going concern in order to pursue the development and exploration of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company is dependent on external financing to fund its activities. The capital structure of the Company currently consists of common shares, stock options and share purchase warrants. Changes in the equity accounts of the Company are disclosed in the statements of changes in equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or acquire or dispose of assets. Any issuance of common shares requires approval of the Board of Directors.

In order to facilitate management with its capital requirements, the Company prepares annual expenditure budgets which are approved by the Board of Directors and updated as necessary depending on various factors including capital deployment and general market and industry conditions.

The Company anticipates pursuing potential farm-out and joint venture agreements and also continuing to access equity markets to fund the sustained exploration of its Exploration and Evaluation assets and to ensure the future growth of the business.

The Company is not subject to any externally imposed capital restrictions.

## 14. Financial Instruments and Risk Management

IFRS 7 *Financial Instruments: Disclosures* establishes a fair value hierarchy that reflects the significance of the inputs used in making measurements. The fair value hierarchy has the following levels:

*Level 1*: quoted (unadjusted) prices in active markets for identical assets and liabilities

*Level 2:* inputs other than quoted direct prices included in Level 1 that are observable for the asset or liability, either directly(i.e. as prices) or indirectly (i.e. derived from prices)

*Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company's financial instruments consist of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities. For cash and cash equivalents, amounts receivable and payable and accrued liabilities, carrying value is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments.

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity and foreign exchange risks. The Company does not currently have any active hedging or derivative trading policies to manage these risks as it has been determined by management that the current size, scale and pattern of its operations would warrant such hedging activities.

### *(a) Credit Risk*

Credit risk is such that a counterparty to a financial instrument will not discharge its obligations resulting in a financial loss to the Company. The Company has procedures in place to minimize its exposure to credit risk. Company management evaluates credit risk on an ongoing basis including counterparty credit rating and activities related to trade and other receivables and other counterparty concentrations as measured by amount and percentage.

The primary sources of credit risk for the Company arise from cash and cash equivalents and amounts receivable.

The Company has not had any credit losses in the past nor does it anticipate any credit losses in the future. At March 31, 2016, the Company has had no financial assets that are past due or impaired due to credit risk defaults.

The Company's maximum exposure to credit risk is minimal because cash and cash equivalents are deposited with reputable financial institutions, the balances of which are:

| **Cash and cash equivalents** | | **March 31, 2016** | | June 30, 2015 |
|---|---|---|---|---|
| Cash | **$** | **36,555** | $ | 27,719 |
| Redeemable term deposits | | **280,000** | | - |
| | **$** | **316,555** | $ | 27,719 |

*(b) Liquidity Risk*

Liquidity Risk is the risk that the Company will be unable to meet its financial liabilities as they fall due. The Company's financial liabilities are comprised of accounts payable and accrued liabilities. The Company frequently assesses its liquidity position by reviewing the timing of amounts due and its current cash flow position to meet current obligations by monitoring and maintaining sufficient cash and cash equivalents to meet its anticipated operational needs.

The Company's financial liabilities, consisting of accounts payable and accrued liabilities, arise as a result of expenditures directly related to exploration of its exploration and evaluation assets and other corporate expenses. Payment terms on these liabilities are typically 30 to 60 days from receipt of invoice and generally do not bear interest. The following table summarizes the remaining contractual maturities of the Company's financial liabilities:

| **Maturity dates <6 months** | | **March 31, 2016** | | June 30, 2015 |
|---|---|---|---|---|
| Accounts payable | **$** | **9,395** | $ | 204,637 |
| Accrued liabilities | | **463,549** | | 380,556 |
| | **$** | **472,944** | $ | 585,193 |

*(c) Market Risk*

Market risk is the potential that the fair value for assets will fluctuate due to changes in market conditions on items classified as held-for-trading, available-for-sale or future cash flows from assets or liabilities considered to be held-to-maturity, other financial liabilities and loans or receivables of a financial instrument. The Company evaluates market risk on an ongoing basis and has established policies and procedures for mitigating its exposure to foreign exchange fluctuations. The Company is not exposed to interest rate risk as it does not hold debt balances and is not generally charged interest on accounts payable balances.

*(d) Foreign Exchange Risk*

The Company operates on an international basis therefore foreign exchange risk exposures arise from transactions denominated in foreign currencies. Although the functional currency of the Company is Canadian dollars ("CAD"), the Company simultaneously conducts business in US Dollars ("USD"), Papua New Guinea Kina ("PGK") and Saudi Arabian Riyal ("SAU"). Derivative instruments are currently not used to reduce exposure to fluctuations in foreign currency exchange rates.

Changes in the value of USD, PGK and SAU against the CAD affect the costs of operations and resultant capital expenditures. The Company primarily maintains its cash balances in CAD and exchanges currency on an as needed basis thereby reducing the exchange risk on cash balances.

(Unaudited – Expressed in Canadian Dollars) TSX.V: **IRC**

The Company is exposed to currency risk through the following Canadian dollar equivalent of financial assets and liabilities denominated in currencies other than CAD:

| Foreign Exchange Risk | March 31, 2016 | | June 30, 2015 | |
|---|---|---|---|---|
| | PGK | USD | PGK | USD |
| Cash and cash equivalents | $ 14,454 | $ - | $1,344 | $ - |
| Accounts payable and accrued liabilities | - | - | (15,985) | (177) |
| | $ 14,454 | $ - | ($14,641) | $ (177) |

Based on the above net exposures at March 31, 2016, a 10% change for/against the Canadian dollar would result in the following changes to the Company's net losses:

- PGK would result in a change of $1,445 (June 30, 2015 - $1,464)
- USD would result in a change of $nil (June 30, 2015 - $18)