

# **IRONSIDE RESOURCES INC.**

**Management's Discussion and Analysis**

**For the Nine Months Ended**

**March 31, 2017**

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For the Nine Months Ended March 31, 2017

TSX.V: **IRC**

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## Overview

The following management's discussion and analysis ("MD&A") of the financial position and results of operations of Ironside Resources Inc. ("the Company" or "IRC"), as prepared at May 29, 2017, should be read in conjunction with the condensed interim consolidated financial statements and related notes for the nine months ended March 31, 2017. The reader should also refer to the audited consolidated financial statements and MD&A for the year ended June 30, 2016.

The Company's consolidated financial statements have been prepared in accordance with and using accounting policies consistent 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"). All dollar amounts included in the following MD&A are expressed in Canadian dollars except where noted.

Additional information regarding the Company and its activities is available on SEDAR at [www.sedar.com](http://www.sedar.com), and also on the Company's web site at [www.ironsideresources.com](http://www.ironsideresources.com), or by requesting further information from the Company's head office located in Kelowna, British Columbia, Canada.

## Forward-Looking Statements

Statements in this report that are not historically based fact are forward looking statements involving known and unknown risks and uncertainties which could cause actual results to vary considerably. Readers are cautioned not to place undue reliance on forward-looking statements.

## Description of Business

IRC is a Canadian company incorporated under the Business Corporation Act of British Columbia. The Company was formed on September 28, 2010 with the amalgamation of Papuan Precious Metals Corp. ("Papuan") and Jalna Minerals Ltd. ("Jalna"). With an effective date of April 20, 2015 the name of the Company was changed from Papuan Precious Metals Corp. to Ironside Resources Inc. Trading under the symbol "IRC" on the TSX Venture Exchange commenced on April 21, 2015. Previously, trading under the symbol "PAU.V" commenced on October 1, 2010.

IRC is a mineral exploration company engaged in the acquisition, exploration and development of mineral properties (exploration and evaluation assets). The Company's primary objective is to locate, acquire and evaluate mineral properties and to finance their exploration and potential development by way of joint venture, equity financing, option agreements or by other means. In March of 2015, the Company incorporated Adan Ventures Ltd., a British Virgin Islands corporation, in order to facilitate the purchase of the interest in the Wadi Sawawin project in Saudi Arabia. The Company also has a wholly owned subsidiary, Papuan Precious Metals Ltd. ("PPML"), located in Port Moresby, Papua New Guinea ("PNG"). As the Company no longer holds any rights to mineral tenements in PNG, PPML is considered dormant.

There are a number of inherent risks and uncertainties related to exploration and development, including, but not limited to: the ability to raise sufficient capital to fund further exploration and development; changes in economic conditions and/or financial markets; increases in input costs; litigation, legislation, environmental and/or other judicial, regulatory, political and competitive factors; technological or operational difficulties, inability to obtain access and/or permits; labour relations matters and economic issues that could materially affect precious metals exploration and mining.

## Liquidity and Capital Resources

Ironside is an exploration and evaluation company and has yet to determine whether its properties contain mineral resources that are economically viable. The recoverability of the amounts shown for exploration and evaluation assets, including acquisition costs and related exploration and evaluation costs, are dependent upon the existence of economically recoverable reserves, the ability of the

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Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

The Company has no significant source of revenue and has certain cash requirements to maintain its mineral property interests and to meet its administrative overhead. Management has determined that the Company will be able to continue as a going concern for the foreseeable future and realize its assets and discharge its liabilities and commitments in the normal course of business, and therefore, the annual consolidated financial 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.

The accompanying condensed interim consolidated financial statements for the nine months ended March 31, 2017 have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company is actively pursuing joint venture partners and has minimized its exploration activities and over-all operations in an effort to conserve cash until global market conditions improve.

The Company had cash and cash equivalents of \$15,513 as at March 31, 2017 with a negative working capital balance of \$190,772. As at June 30, 2016, the Company had cash and cash equivalents of \$203,551 and working capital balance of \$163,126. The decrease in working capital is due to the continual administrative expenses being recognized without continued increase in financial resources. The Company's negative working capital balance is expected to grow unless new forms of financing are realized or the administrative expenses are reduced or eliminated.

Accounts payable and accrued liabilities at March 31, 2017 were \$209,559 compared to \$46,281 as at June 30, 2016. The increase is due to continued recognition of administrative expenses accrued and related party financing.

## Overall Performance

The expenses incurred by the Company are typical of junior exploration and development companies that do not have an established cash flow from mining operations. Changes in these expenditures from quarter to quarter are impacted directly by non-recurring activities or events.

The Company's net and comprehensive loss for the nine months ended March 31, 2017 was \$354,072 compared to the corresponding previous period loss of \$344,661 in 2016.

## Selected Annual Information (audited)

	For the year ended June 30,	2016	2015	2014
Net loss and comprehensive loss	\$	<b>(5,373,228)</b>	\$ (720,023)	\$ (864,223)
Total assets		<b>628,238</b>	5,522,146	6,013,977
Total liabilities		<b>46,281</b>	585,193	335,497
Shareholders' equity		<b>581,957</b>	4,936,953	5,678,480
Basic and diluted loss per common share	\$	<b>(0.77)</b>	\$ (0.14)	\$ (0.19)

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### Summary of Quarterly Results (unaudited)

Quarter Ended	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Total assets	\$ 437,444	\$ 488,088	\$ 549,467	\$ 628,238
Working capital	(190,772)	(67,072)	64,710	171,741
Net (loss) for the period	(114,772)	(132,026)	(107,274)	(5,028,567)
Basic and diluted loss per common share	(0.01)	(0.01)	(0.01)	(0.48)

Quarter Ended	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
Total assets	\$ 5,853,662	\$ 5,926,751	\$ 6,038,519	\$ 5,522,146
Working capital	(126,774)	(23,424)	110,008	(502,002)
Net (loss) for the period	(94,258)	(116,331)	(134,072)	(205,607)
Basic and diluted loss per common share	(0.01)	(0.02)	(0.02)	(0.04)

### Analysis of Three Months Ended March 31, 2017

The Company's net loss was \$114,772 for the current period compared to \$94,258 in the prior period. The increase in net loss is attributed to an increase in wage benefits paid in the current period due to human resource activity changes.

### Analysis of Nine Months Ended March 31, 2017

The Company's net loss was \$354,072 in the current period compared to \$344,661 in the prior period. The decrease is primarily due to a small decrease in professional fees and a significant decrease in transfer agent filing fees directly related to the prior financings.

### Exploration and Evaluation Assets

#### Wadi Sawawin:

IRC announced on April 6, 2015, the formation of a Joint Venture ("JV") with Juniper Capital Partners Limited to acquire an interest in the highly strategic Wadi Sawawin Iron Ore project in Saudi Arabia. The JV has acquired London Mining PLC's contractual equity rights to a 25% carried interest of the project which is owned by National Mining Company ("NMC") of Saudi Arabia.

The Company is obligated 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. Juniper is a natural resources focused investment and advisory business with offices in Singapore, London and representation in Riyadh.

The Wadi Sawawin property is an advanced-stage iron ore exploration project located in the Northern Hijaz region of the Kingdom of Saudi Arabia. Situated 125km from Tabuk and just 60km from the port of Duba on the Red Sea, the open pit project could supply Saudi Arabia with a domestic source of DRI (direct reduced iron) pellets for use in the DRI steel plants which account for 90 percent of steel production in the Middle East and North Africa region.

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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. Within the Western Block, the project hosts Algoma-type Jaspilitic iron ore which forms a bedded deposit in a sequence of volcanoclastic and sedimentary rocks whose primary iron mineral is hematite (Fe<sub>2</sub>O<sub>3</sub>) and secondary iron mineral is magnetite (Fe<sub>3</sub>O<sub>4</sub>).

### **New Hanover:**

During the year ended June 30, 2016, a loss of \$4,998,763 was recognized upon the relinquishment of the 100% PPM owned EL-1566 – New Hanover. The Company no longer holds any exploration permits in Papua New Guinea.

### **Related Party Transactions**

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for current and former key management personnel for the nine months ended March 31, 2017 were \$225,000 (March 31, 2016 - \$225,000).

Included in accounts payable and accrued liabilities at March 31, 2017 is \$208,151 (June 30, 2016 - \$19,102) owing to current and former officers, companies controlled by directors/officers and corporations with common directors and executives.

On June 30, 2016, the Company completed a debt settlement agreement with the CEO and directors of the Company. As a result, a total of 3,311,111 shares at a value of \$223,500 were issued and a gain of \$147,500 was recognized through profit and loss with an obligation to issue 118,518 common shares valued at \$8,000 at a future date.

Included in advances to related parties as of March 31, 2017 is \$nil (June 30, 2016 - \$nil) receivable from PPF. The amount is unsecured, non-interest bearing and has no specified terms of repayment. As at March 31, 2017, a provision for doubtful accounts totalling \$96,972 is being carried on the records of the Company.

The note payable to a related party of \$25,000 due to a private company owned by the CEO and director of the Company is included in accounts payable. The note is due on demand with no fixed term of repayment or stated interest.

### **Outstanding Share Data**

As at the date of this report, the Company had 10,425,677 common shares outstanding.

As at the date of this report, there were no stock options outstanding.

### **Private Placement Financings**

On July 10, 2015, the Company announced the completion of a private placement with Ballyliffin. Ballyliffin acquired 2,189,200 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. The Company incurred \$34,218 in financing costs in relation to this transaction. The record date is July 9, 2015.

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## Financial Instruments and 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.

### 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's maximum exposure to credit risk is minimal as cash and cash equivalents are deposited with reputable financial institutions.

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*(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:

<b>Maturity dates &lt;6 months</b>	<b>March 31, 2017</b>		June 30, 2016	
Accounts payable	\$	<b>3,896</b>	\$	20,687
Accrued liabilities		<b>180,663</b>		25,594
Note payable		<b>25,000</b>		-
	\$	<b>209,559</b>	\$	46,281

*(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.

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

<b>Foreign Exchange Risk</b>	<b>March 31, 2017</b>		June 30, 2016	
	<b>PGK</b>	<b>USD</b>	PGK	USD
Cash and cash equivalents	\$ 1,469	\$ -	\$2,919	\$ -
Accounts payable and accrued liabilities	-	-	(1,344)	-
	\$ 1,469	\$ -	\$1,575	\$ -

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### **Significant Accounting Policies**

A summary of the Company's significant accounting policies is included in Note 3 of the audited consolidated financial statements for the year ended June 30, 2016.

### **New Standards, Amendments and Interpretations**

The IASB has 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, 2016. None of the new or revised standards or amendments is expected to have any significant impact to the Company's financial statements.

### **Critical Accounting Estimates**

The preparation of consolidated financial statements in conformity with IAS 3 requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Accounts that require significant estimates as the basis for determining the stated amounts include exploration and evaluation expenditures and share-based payments. The assessment of any impairment of exploration and evaluation assets is based on the estimated recovery of future exploitation or sale where the activities have not reached a stage which permits a reasonable assessment of existence of reserves. Share-based payment expense is calculated using Black-Scholes pricing model which requires significant judgment as to considerations such as stock option lives and stock volatility.