BUCHANS RESOURCES LIMITED

CARVE-OUT FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Minco plc

We have audited the accompanying carve-out financial statements of Buchans Resources Limited, which comprise the carve-out statements of financial position as at December 31, 2016 and 2015, and the carve-out statements of operations and comprehensive loss, carve-out statements of changes in equity and carve-out statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carve-out Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the financial position of Buchans Resources Limited as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 16, 2017

BUCHANS RESOURCES LIMITED
CARVE-OUT CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

Expressed in Canadian Dollars	Notes	2016	2015
Assets		**$**	**$**
Current assets			
Cash and cash equivalents	**10**	3,002,645	5,356,093
Trade and other receivables	**11**	148,371	190,309
Total current assets		3,151,016	5,546,402
Non-current assets			
Exploration and evaluation assets	**8**	16,782,167	15,738,240
Investment in associate - note receivable	**9**	751,974	633,775
Prepaid expenses and other non-current assets		12,118	12,118
Total non-current assets		17,546,259	16,384,133
Total assets		20,697,275	21,930,535
Current liabilities			
Trade and other payables	**12**	355,235	328,277
Total current liabilities		355,235	328,277
Owner's equity			
Owner's net investment	**13**	20,342,040	21,602,258
Total owner's equity and liabilities		20,697,275	21,930,535

COMMITMENTS AND CONTINGENCIES (Notes 2, 8, 14, and 17)

The financial statements were approved by the Board of Directors on June 16, 2017 and signed on its behalf by:

Signed "John F. Kearney" , Director   Signed "Danesh K. Varma" , Director

See accompanying notes to the carve-out financial statements

BUCHANS RESOURCES LIMITED

CARVE-OUT CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED

Expressed in Canadian Dollars, except for per share amounts	**Notes**	**2016**	**2015**
		$	**$**
General and administrative expenses		(813,223)	(699,523)
Foreign exchange (loss)/gain		(213,081)	932,850
Operating loss		(1,026,304)	233,327
Finance income		89,114	63,459
(Loss)/income before taxation		(937,190)	296,786
Income tax		(113,554)	(17,675)
(Loss)/income and comprehensive (loss)/income for the year		(1,050,744)	279,111
Earnings/(loss) per share			
Basic	**6**	(0.02)	0.01
Diluted	**6**	(0.02)	0.01

See accompanying notes to the carve-out financial statements

BUCHANS RESOURCES LIMITED
CARVE-OUT CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

	Owner's Net Investment $
Balance as at December 31, 2014	21,382,989
Transfers to and from Minco, net	(59,843)
Net income for the year	279,111
Balance as at December 31, 2015	21,602,257
Transfers to and from Minco, net	(209,473)
Total comprehensive loss for the year	(1,050,744)
Balance as at December 31, 2016	20,342,040

See accompanying notes to the carve-out financial statements

BUCHANS RESOURCES LIMITED

CARVE-OUT CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER

Expressed in US Dollars	Notes	2016	2015
		$	$
Cash flow from operating activities			
(Loss)/income for the year		(1,050,744)	279,111
Interest income		(89,114)	(63,459)
		(1,139,858)	215,652
Movements in working capital			
Increase/(decrease) in trade and other receivables		41,938	(64,019)
Decrease/(increase) in trade and other payables		26,957	153,710
Net cash used in operating activities		(1,070,963)	305,343
Cash flows from investing activities			
Interest income		89,114	63,459
Transfers to Minco		(209,473)	(59,843)
Investment in financial assets		(118,199)	(45,074)
Investment in intangible assets		(1,043,927)	(1,349,804)
Net cash used in investing activities		(1,282,485)	(1,391,262)
Net decrease in cash and cash equivalents		(2,353,448)	(1,085,919)
Cash and cash equivalents at the beginning of the year		5,356,093	6,442,012
Cash and cash equivalent at the end of the year	**10**	3,002,645	5,356,092

See accompanying notes to the carve-out financial statements

1. BASIS OF PRESENTATION

These carve-out financial statements reflect the financial position, statement of operations and comprehensive loss, equity and cash flows related to assets and liabilities (the "Buchans Net Assets") which were transferred to Buchans Resources Limited ("Buchans") by its parent company Minco plc ("Minco") in May 2015.

As Buchans has not historically prepared financial statements for the Buchans Net Assets, and Buchans did not exist as a legal entity prior to May 8, 2015, the carve-out financial statements have been prepared from the financial records of Minco on a carve-out basis. The Carve-out Statements of Financial Position include all of the Buchans Net Assets. The Carve-out Statements of Operations and Comprehensive Loss for each of the years ended December 31, 2016 and 2015 reflect all expenses and other income directly attributable to the Buchans Net Assets and Minco's general and administrative expenses incurred in each of those years, as these expenditures were shared by the Buchans Net Assets. In some instances, certain expenses were not allocated as they would have related directly to Minco. All inter-entity balances and transactions have been eliminated.

The carve-out financial statements were approved by the Board of Directors of Minco on June 16, 2017

The carve-out financial statements of the Buchans have been prepared applying principles in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These carve-out financial statements have been prepared based upon the historical cost amounts recorded by Minco, with the exception of certain financial instruments measured at fair value. These carve-out financial statements may not be indicative of Buchans financial performance and do not necessarily reflect what its financial position, results of operations, and cash flows would have been had Buchans operated as an independent entity during the years presented.

2. NATURE OF OPERATIONS AND GOING CONCERN

Buchans Resources Limited (the "Company" or "Buchans") was incorporated on May 8, 2015 under the laws of the Province of Ontario, Canada. The Company is a wholly owned subsidiary of Minco plc. The Company has interests in exploration and evaluation properties located in Canada, Ireland and the United Kingdom, and indirectly in base metal and silver projects in Mexico. Substantially all of the Company's efforts are devoted to financing and developing these properties. The Company's head office is located at 55 University Ave, Suite 1805, Toronto, Ontario, M5J 2H7.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. The Company's properties may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and regulatory, environmental and social requirements.

These consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Relationship with Minco

Minco's net investment in Buchans is shown as owner's net investment in these carve-out financial statements, as Buchans was not a separate legal entity for the entire period presented. Changes in owner's net investment include net (loss)/income and net transfers to and from Minco.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to December 31 each year. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

The results of subsidiaries acquired or disposed of are included in the consolidated statement of loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-company transactions, balances, income and expenses are eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

Non-controlling interests in subsidiaries are identified separately from the Company's equity therein. The interests of non-controlling shareholders may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive loss is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Company loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of the retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognized in other comprehensive loss in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities are disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

(c) Investment in Associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss. Where a company entity transacts with an associate of the Company, profits and losses are eliminated to the extent of the Company's interest in the relevant associate.

(d) Exploration and evaluation assets

Exploration expenditure relates to the search for precious and base metals. Evaluation expenditure arises from a detailed assessment of deposits that have been identified as having economic potential. The costs of exploration properties and leases, which include the cost of acquiring prospective properties and exploration rights and costs incurred in exploration and evaluation activities, are capitalised as part of exploration and evaluation assets.

Exploration costs are capitalised as an intangible asset until technical feasibility and commercial viability of extraction of reserves are demonstrable, when the capitalised exploration costs are re-classed to property, plant and equipment. Exploration costs include an allocation of administration and salary costs (including share-based payments) as determined by management, where they relate to specific projects. Prior to reclassification to property, plant and equipment, exploration and evaluation assets are assessed for impairment and any impairment loss recognised immediately in the statement of (loss)/income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Rehabilitation Provisions

The Company will record a liability for the estimated future costs associated with legal and constructive obligations relating to the reclamation and closure of its exploration assets. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion expense on the discounted liability. An equivalent amount is recorded as an increase to exploration assets and amortized over the useful life of these assets. Management is currently not aware of any existing significant legal or constructive obligations relating to the reclamation of its interest in exploration assets and therefore no such liability has been recorded at December 31, 2016 and 2015.

(f) Impairment of non-financial assets

At the end of each reporting period, non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Any impairment is recognized in loss.

(g) Interests in joint arrangements

A joint arrangement involves the use of assets and/or other resources of the Company and other venturers rather than the establishment of a corporation, partnership or other entity. The Company accounts for the assets it controls and the liabilities and expenses it incurs. As at December 31, 2016 and 2015, no joint arrangement existed for accounting purposes.

(h) Cash

Cash is comprised of cash on hand, deposits in banks and highly liquid investments having original terms to maturity of 90 days or less when acquired.

(i) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. Marketable securities are included in this category. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of loss. Gains and losses arising from changes in fair value are presented in the statement of loss in the period in which they arise.

(ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company does not have any instruments classified in this category. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income (loss) to the statement of loss and are included in other gains and losses.

(iii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and amounts receivable. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iv) Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(h) Functional and presentation currencies
The Company's presentation currency is the Canadian dollar ("$"). The functional currency of the Company and its subsidiaries is the Canadian dollar. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items denominated in foreign currencies are retranslated at the rates prevailing on the transaction dates. Foreign currency translation differences are recognized in the consolidated statement of loss.

(i) Share-based payments
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The Company records compensation cost using the fair value method of accounting for share-based payments. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as share-based payments expense and share-based payment reserve. When options are exercised, the proceeds received, together with any related amount in share-based payment reserve, will be credited to share capital.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. On expiry, any related amount in share-based payment or warrant reserve will be credited to deficit.

(k) Operating loss
Operating loss comprises general administrative costs incurred by the Company, which are not specific to evaluation and exploration projects, and all impairment charges relating to exploration assets and financial assets during the year. Operating loss is stated before change in fair value of investments.

(l) Critical accounting judgements and key sources of estimation uncertainty
Critical accounting judgements
In the process of applying the Company's accounting policies above, management has identified the judgemental areas that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations), which are dealt with below:

Exploration assets
The assessment of whether general administration costs and salary costs are capitalised or expensed involves judgement. Management considers the nature of each cost incurred and whether it is deemed appropriate to capitalise it within exploration assets. Costs which can be demonstrated as project related are included within exploration assets. Exploration assets relate to prospecting, exploration and related expenditure in Canada. The Company's exploration activities are subject to a number of significant and potential risks including:

Exploration assets (continued)

- exploration, development and operating risk
- no assurance of production
- factors beyond the Company's control
- failure to obtain additional financing
- insurance and uninsured risks
- environmental risks and hazards
- government regulation and permitting
- delays
- infrastructure
- price volatility of publicly traded securities
- fluctuating mineral prices

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Critical accounting judgements and key sources of estimation uncertainty (continued)

The recoverability of these exploration assets is dependent on the discovery and successful development of economic reserves, including the ability to raise financing to develop future projects. Should this prove unsuccessful, the value included in the consolidated statement of financial position would be written off to operations.

Key sources of estimation uncertainty
Preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty are discussed below:

Mineral reserve estimates
The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions and could have a material effect in the future on the Company's financial position and results of operation.

Income, value added, withholding and other taxes
The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Impairment of exploration and evaluation assets
The assessment of exploration and evaluation assets for any indications of impairment involves judgement. If an indication of impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that carrying amount exceeds recoverable amount. Recoverable amount is estimated as the higher of fair value less costs to sell and value in use. The assessment requires judgement as to the likely future commerciality of the asset and when such commerciality should be determined; future revenues, capital and operating costs and the discount rate to be applied to such revenues and costs.

Estimation of asset retirement obligations and the timing of expenditure
The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is estimated based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Investment in associate, note receivable
The recoverability of the note receivable from associate is dependent on successful negotiations with Xtierra and other creditors. Management believes that the amount is recoverable given the security in place, however, there is no assurance the amount will be fully recovered. See Note 9.

Preparation of carve-out financial statements
The preparation of carve-out financial statements requires management to make judgments related to the allocation of assets, liabilities and expenses. The actual results may differ from the results presented had the entity existed in its planned form for the periods presented. See Note 1.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Loss per share
Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share. As a result, all outstanding convertible securities of Minco during the years ended December 31, 2016 and 2015 have been excluded from diluted loss per share.

(m) Income taxes
Buchans Resources Limited is not a legal entity and as such is not a standalone taxable entity. Current and deferred income taxes and income tax expense have been recognized in the carve-out financial statements as if Buchans Resources Limited was a separate taxable entity, using a standalone taxpayer approach. Income tax expense is comprised of current and deferred income tax. Current and deferred income taxes are recognized in net loss except to the extent that they relate to a business combination, or to items recognized directly in equity or other comprehensive income.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Changes in Accounting Policies
During 2016, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS7, IAS1, IAS27 and IAS 38. These new standards and changes did not have any material impact on the Company's financial statements.

(o) New standards and interpretations not yet adopted
Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 2 – Share-based Payment ("IFRS 2") was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IFRS 12 – Disclosure of Interests in Other Entities ("IFRS 12") was amended to clarify the scope of the standard to include interests that are classified as held for sale; held for distribution or as discontinued operations in accordance with IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations. The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) New standards and interpretations not yet adopted (continued)

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted.

IAS 7 – Statement of Cash Flows ("IAS 7") was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted.

IAS 12 – Income Taxes ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted.

IAS 40 – Transfers of Investment Property ("IAS 40") was amended to clarify that an investment property shall be transferred to, or from, investment property when, and only when, there is evidence of a change in use. IAS 40 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22") was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognised in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is noon-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

4. REORGANIZATION OF SUBSIDIARIES

In May 2015, in a company reorganization, the Company acquired the shares and receivables in subsidiaries from its parent company, Minco, in consideration for the issue of 47,814,208 shares.

Minco's net investment in Buchans is shown as owner's net investment in these carve-out financial statements, as Buchans was not a separate legal entity for the entire period presented. Changes in owner's net investment include net income/(loss) and net transfers to and from Minco.

5. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

In May 2015, pursuant to three asset purchase agreements, Buchans acquired from Minco all the shares and intercompany advances as at May 1, 2015 of Minco`s three subsidiaries, Norsub Limited, Buchans Minerals Corporation and Centrerock Mining Limited in consideration for $20,049,126 which was satisfied by the issue of a total of 47,814,208 Common Shares to Minco. The acquisition cost of these assets was equal to Minco's book value of the assets acquired.

No fees were paid by the Company to directors for their services as directors of the Company in the years ended December 31, 2016 and 2015.

No salaries were paid by the Company to any Directors of the Company in the period ended December 31, 2016, other than to Warren MacLeod, President of Buchans Minerals Corp., was paid an amount of Cdn$17,500 per month, or $210,000 (2015 - $210,000).

Included in accounts payable and accrued liabilities at December 31, 2016 is $160,000 due to related parties, including $125,000 due to Terence N. McKillen, Director of Minco plc, and $35,000 due to Juno, a company controlled by Danesh K. Varma, Director of Minco plc. See Note 12. Such amounts are due on demand, unsecured and non-interest bearing.

5. RELATED PARTY TRANSACTIONS (CONTINUED)

The subsidiaries of the Company at December 31, 2016 were as follows:

Name of Company	Registered office	Effective Holding	Principal Activity
Buchans Minerals Corporation Centrerock Mining Limited Canadian Manganese Company Inc. 7980736 Canada Inc.	55 University Ave., Suite 1805 Toronto, ON M5J 2H7, Canada	100% 100% 100% 100%	Exploration Exploration Exploration Exploration
Norsub Limited	Box 25, Regency Court, Glategny St. Peter Port, Guernsey, GY1 3AP	100%	Investment Holding Company
Minco Ireland Limited Westland Exploration Limited	Ardbraccan, Navan, Co. Meath, Ireland Ardbraccan, Navan, Co. Meath, Ireland	100% 100%	Exploration Exploration
Minco Mining Limited Zacatecas Exploration Limited	9 Little Trinity Lane, London EC4V 2AN 9 Little Trinity Lane, London EC4V 2AN	100% 100%	Exploration Management services

6. EARNINGS / (LOSS) PER SHARE

Basic loss per share is computed by dividing the loss after taxation for the period available to ordinary shareholders by the sum of the weighted average number of ordinary shares in issue and ranking for dividend during the period. Diluted loss per share is computed by dividing the loss after taxation for the period by the weighted average number of ordinary shares in issue, adjusted for the effect of all potential dilutive ordinary shares that were outstanding during the period. Basic and diluted losses per share are the same as there are no convertible instruments. The computation for basic and diluted loss per share is as follows:

	2016 $	2015 $
Numerator		
Earnings/(loss) for the year	(1,050,744)	279,111
Denominator	No. of Shares	No. of Shares
Weighted average number of shares	47,814,218	47,814,218
Basic earnings/(loss) per share	(0.02)	0.01

7. SEGMENTAL ANALYSIS

Income/(loss) by geographical segment is as follows:

	2016	2015
	$	$
Canada	(621,363)	(642,635)
Ireland	(321,471)	938,119
U.K.	5,644	1,302
Mexico	-	-
Total	(937,190)	296,786
Income tax expense	(113,554)	(17,675)
(Loss)/income for the year	(1,050,744)	279,111

There was no revenue from operations earned during 2016 or 2015.

Segment assets and liabilities by geographical segment is as follows:

	Assets		Liabilities	
	2016	2015	2016	2015
	$	$	$	$
Canada	13,449,262	12,724,460	(164,979)	(93,063)
Ireland	632,059	368,379	(128,201)	(143,854)
U.K.	2,861,335	2,847,828	(62,055)	(91,360)
Mexico (investment in associate)	751,974	633,775	-	-
	17,694,630	16,574,442	(355,235)	(328,277)
Cash and cash equivalents	3,002,645	5,356,093	-	-
Consolidated	20,697,275	21,930,535	(355,235)	(328,277)

	Additions to non-current assets	
	2016	2015
	$	$
Canada	577,547	1,077,795
Ireland	452,940	22,788
U.K.	13,440	249,222
	1,043,927	1,349,804

8. EXPLORATION AND EVALUATION EXPENDITURES ASSETS

The following table shows the Company's exploration and evaluation expenditures assets:

	31 December 2016	Additions	31 December 2015	Additions	31 December 2014
	$	$	$	$	$
Buchans	8,158,234	577,547	7,580,687	807,800	6,772,887
Bobbys Pond	743,637	39,576	704,061	56,747	647,314
Woodstock	4,438,229	182,259	4,255,970	213,247	4,042,723
Ireland	599,134	231,105	368,029	22,788	345,241
UK	2,842,933	13,440	2,829,493	249,222	2,580,271
	16,782,167	1,043,927	15,738,240	1,349,804	14,388,436

All exploration and evaluation assets are carried at cost less any applicable impairment provision. The Directors of Minco reviewed the exploration and evaluation assets at December 31, 2016 and 2015 and are satisfied that the exploration projects have potential to achieve mine production and positive cash flows. No impairment provision has been recognised.

Exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believe its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The realisation of the exploration and evaluation assets is dependent on the successful development of economic resources, including the ability to raise finance to develop the projects. Should this prove unsuccessful the value included in the balance sheet would be written off. By its nature there is inherent uncertainty in such expenditure as to the value of the asset.

Buchans – Canada

Buchans is located in central Newfoundland and covers the former producing Buchans Mine and the Company's undeveloped Lundberg deposit. The Buchans base metal project comprises four advanced base metal properties in the Buchans area of central Newfoundland that contain numerous exploration prospects; namely the 100% owned Buchans property (which contains the Lundberg deposit), the 100% owned Tulks North property (which contains the Daniels Pond deposit), the 100% owned Bobbys Pond property (which contains the Bobbys Pond deposit), and a 49% joint venture interest in the Tulks Hill property (which contains the Tulks Hill deposit).

The Company through its wholly-owned subsidiary, holds two mining leases near the town of Buchans in central Newfoundland, each with a 25-year term from 2013 that require total annual lease payments of $154,500. The leases cover the former producing Buchans Mine and the Company's undeveloped Lundberg deposit. Certain of the claims and portions thereof are subject to net smelter royalties ranging from 1% to 3%, certain of which are subject to buy-back agreements.

The Tulks North project is 100% owned by the Company, through its wholly-owned subsidiary Buchans Minerals Corp., and is located in the Victoria Lake Mining district of west-central Newfoundland. The Tulks North project includes the Daniels Pond deposit which is subject to a 1.5% net smelter royalty as well as a 50% back-in option held by Glencore should a single deposit of 15 million tonnes or greater be discovered and deemed economic upon the completion of a feasibility study.

The Bobbys Pond deposit, adjacent to Tulks North, is 100% owned by the Company, through its wholly-owned subsidiary Centrerock Mining Limited. Bobbys Pond is held under a mining lease with a 25 year term from 2004, which requires an annual lease payment of $29,000. The Bobbys Pond property is also subject to a 1% net smelter return royalty and a 2% net smelter royalty.

The Company, through its wholly-owned subsidiary Buchans Minerals Corp., has a 49% interest in the Tulks Hill project in central Newfoundland which is held under a joint exploration agreement with Prominex Resource Corp. which is the project operator. The property is covered by a mining lease with a 5-year term from 2013, which requires an annual lease payment of $8,700. The property is subject to a 2% net smelter royalty.

Woodstock – Canada

The Company, through its wholly-owned subsidiary Canadian Manganese Corp., holds a 100% interest in the Woodstock project located northwest of the town of Woodstock, New Brunswick. A portion of the project is subject to a 1% gross sales royalty upon commencement of commercial production, with the Company retaining certain rights to buy back one half of the royalty.

8. EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

Ireland
The Company, through its wholly owned subsidiary Minco Ireland Limited, holds three Prospecting Licenses, 1228, 1229 and 3981, in County Westmeath, Ireland. Minco also holds a 20% interest in Prospecting License 1440R in Tatestown, Ireland, the subject of a joint venture between Westland Exploration Ltd. (100% Minco subsidiary) and Tara-Boliden Mines Limited.

Pennines - UK
The Company, through its wholly owned subsidiary Minco Mining Limited, has entered into various agreements, licences and options with certain owners of mineral rights in the North Pennine Orefield located in the counties of Cumbria, Northumberland and Durham in northern England.

The Company, through its wholly owned subsidiary Minco Mining Limited, entered into an Option Agreement with the Crown Commissioners on behalf of the Crown Estates pursuant to which, in consideration of the payment of an option fee of £5,000, the Company was granted the option to take a lease of Crown Minerals, subject to having obtained planning permission, on any part of the option area which covers approximately 20,000 hectares in Northumberland and County Durham. The Lease would be subject to an annual rent of £20,000 pounds sterling and subject to a royalty of 4% of the Net Realisable Value of gold or silver mined from the area.

The Company, through its wholly owned subsidiary Minco Mining Limited, entered into Heads of Terms for a Prospecting Licence and Option Agreement to take a Lease with the Church Commissioners for England on Demised Minerals, (including lead, zinc, pyrite, copper, fluorspar, bartyes and associated any intermingled minerals) owned by the Church Commissioners at West Weardale in County Durham subject to the rights of the surface owners. The Option is for a period of five years, subject to the payment of an option fee of £7,000 per year, and may be extended for a further period of five years. The Lease would be subject to planning permission and subject to an annual rent of £25,000 and a royalty of 2.5% of the Net Smelter Return earned on the Demised Minerals.

The Company, through its wholly owned subsidiary Minco Mining Limited, has been granted mineral exploration licences or permissions by the Trustees of the Allendale Settled Estates in Northumberland and by the Trustees for Roman Catholic Purposes on the Alston Estate in Cumbria. Under these mineral exploration licences the Company was granted the right to explore and test for minerals, subject to the rights of the surface owners, for various terms. The Company expects, subject to the registration of ownership of mineral rights, to enter into Option Agreements to take Mineral Leases with the Allendale Estate in Northumberland and with the Alston Estate in Cumbria which are expected to be on similar terms to the Option Agreement with the Church Commissioners in Durham.

The Company is negotiating extensions or amendments to certain of the exploration licences and option agreements, and expects to conclude the various Option Agreements in due course. If the proposed Option Agreements cannot be concluded on acceptable terms, impairment may be recorded.

9. NOTES RECEIVABLE

The Company holds indirectly 30 million shares, representing an approximate 26% shareholding of Xtierra Inc., a company listed on the TSX Venture Exchange. The value of the Company's share of net assets of Xtierra Inc. is $nil as a result of the Company's accounting policy. The fair value of the investment in Xtierra as at April 10, 2017 based on market price of Xtierra shares on the TSX Venture Exchange was $1,200,000.

In December 2013, the Company agreed to provide working capital financing to Xtierra, and agreed to purchase US$250,000 principal amount of 5% working capital notes due March 31, 2014. In April 2014, the Company agreed to provide a further working capital advance to Xtierra of US$125,000 which together with the US$254,000 working capital Notes, including US$4,000 interest, were rolled into new non-convertible 5% secured notes (total US$379,000) due 30 April 2015.

On April 29, 2015, Pacific Road and Minco plc, both agreed to extend the due dates of the non-convertible 5% secured notes in the amount of US$965,000 from April 30, 2015 to August 31, 2015, and to provide further advances up to US$15,000 each. During 2015 Minco assigned the Notes to Buchans. On August 24, 2015, Pacific Road and Buchans both agreed to further extend the due dates of the Notes from August 31, 2015 to January 31, 2016 and to provide further advances of up to US$17,500 each to fund Xtierra's property maintenance costs and working capital. Xtierra agreed to a fee of US$29,000 to obtain the extension, which amount was added to the principal amount of the Notes. On January 31, 2016, Pacific Road and Buchans both agreed to an extension of the maturity dates of the secured notes to April 30, 2016.

The Notes matured and became due and payable on April 30, 2016. Pacific Road and Buchans have not made demands for payment to provide Xtierra additional time to assess its strategic alternatives and are discussing possible solutions with Xtierra on a without prejudice basis. Xtierra has made certain settlement or restructuring proposals to each of Pacific Road and Buchans.

9. NOTES RECEIVABLE (CONTINUED)

On July 26, 2016, the Company made an advance in the amount of US$50,000 and on December 8, 2016, the Company made a further advance in the amount of $25,000 in Notes to fund Xtierra's working capital and maintain its mineral properties. As at December 31, 2016, the Company had total Notes receivable from Xtierra in the amount of US$559,629 (Cdn$751,974). Pacific Road had notes receivable from Xtierra in the amount of US$691,000.

Subsequent to December 31, 2016, the Company made further advances to Xtierra in Notes in the aggregate amount of US$70,000.

The Notes are secured, pari-passu with Pacific Road Company of Funds (another significant shareholder of Xtierra), by the pledge by Xtierra of the shares of its wholly owned subsidiary Orca Minerals Limited, which indirectly holds Xtierra's Mexican assets. The security includes various standard provisions, including the right of the lenders to enforce their security in an event of default, including default in payment on the notes when due, which enforcement remedies include foreclosure against the pledged shares of Orca Minerals Limited. Pacific Road has advised Xtierra that Pacific Road desires to see this process come to a conclusion in the near term and, in the absence of an acceptable outcome, Pacific Road reserves all its rights to demand repayment of the Notes and if necessary to initiate foreclosure actions

10. CASH AND CASH EQUIVALENTS

	2016	2015
	$	$
Cash	**572,262**	455,520
Cash equivalents	**2,430,383**	4,900,573
Immediately available without restriction	**3,002,645**	5,356,093

The currency profile of cash and cash equivalents at the end of the year is as follows:

	$	$
Canadian Dollars	**107,517**	107,575
Euro	**68,225**	70,835
US Dollars	**2,803,787**	5,129,707
Sterling	**23,116**	47,976
	3,002,645	5,356,093

Cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value, with a maturity of three months or less from the date of investment.

11. TRADE AND OTHER RECEIVABLES

	2016	2015
	$	$
Trade receivables and prepayments	**114,231**	157,150
Sales taxes receivable	**34,140**	33,159
	148,371	190,309

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
	$	$
Trade creditors and accruals	**195,235**	168,277
Amounts due to related parties (Note 5)	**160,000**	160,000
	355,235	328,277

13. CAPITAL STOCK

The Company has authorized and unlimited number of common shares. At December 31, 2016 and 2015, 47,814,218 common shares were issued.

14. COMMITMENTS AND CONTINGENCIES

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company's wholly-owned subsidiary Buchans Minerals Corporation has entered into a lease for its office premises, which expires on January 31, 2019. The yearly rental payments amount to approximately $160,000 approximately half of which the Company expects to recover from other corporations with some common directors and officers that share part of the office premises.

15. FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures.

Fair value
The carrying amounts for cash, marketable securities, amounts receivable and accounts payable and accrued liabilities on the consolidated statements of financial position approximate fair value because of the limited term of these instruments. The marketable securities are stated at the quoted market value.

Interest rate risk
The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by major banks with a credit rating of at least BBB-. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Credit risk
Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing by the Company. Management's assessment of the Company's risk is low as it is primarily attributable to funds held in banks.

Commodity price risk
The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals, particularly gold.

Fair Value Hierarchy and Liquidity Risk Disclosure
The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted 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 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). At December 31, 2016, the Company's financial instruments that are carried at fair value, consisting of marketable securities, have been classified as Level 1 within the fair value hierarchy.

Liquidity Risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2016, the Company had cash of $3,002,644 to settle accounts payable and accrued liabilities of $355,234 (2015- $301,368). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk
Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The Company is exposed to market risk with respect to its marketable securities and unfavourable market conditions could result in dispositions of marketable securities at less than favorable prices.

Capital Risk
The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain and explore its exploration assets. The capital structure of the Company consists of shareholders' equity.

Foreign currency risk
Although the Company is incorporated in Canada, the Company has significant operations in Ireland, UK and Mexico, none of which presently generate cash from operations, and holds cash investments in Canadian and US Dollars, Euros or Sterling. The functional currencies of the majority of the Company's operations are the Canadian Dollar, UK Sterling, and the Euro; the reporting currency of the Company is the US Dollar. However, the expenditure is not considered to be a monetary asset, and has been translated to the functional currency at the rates of exchange ruling at the dates of the original transactions. The Company also has transactional currency exposures. Such exposures arise from expenses incurred by the Company in currencies other than the functional currency.

15. FINANCIAL INSTRUMENTS (CONTINUED)

The impact of foreign currencies has been determined based on the balances of financial assets and liabilities at December 31, 2016. The sensitivity analysis includes outstanding foreign currency denominated monetary items and largely results from payables and receivables, and adjusts their translation at the period end for a 5% change in foreign currency rates. A five percent change in the US Dollar exchange rate could result in a foreign exchange impact to the net income of approximately $104,000 based on monetary assets and liability balances existing at December 31, 2016.

Sensitivity Analysis
The Company has designated its marketable securities as fair value through profit or loss, which are measured at fair value. Cash and amounts receivable are classified as loans and receivables, which are measured at amortized costs. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

As at December 31, 2016, the carrying value of the Company's financial instruments approximate their fair value.

Cash is invested in investment-grade short-term deposit certificates. Based on management's knowledge and experience in the financial markets, sensitivity to a plus or minus 1% change in rates, based on the current balance of cash at December 31, 2016, would affect the net income by plus or minus $30,000 during a one-year period.

16. CAPITAL MANAGEMENT

The capital of the Company consists primarily of its shareholders' equity.

The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition, development and exploration of mineral properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. All equity financings require the approval of the Board of Directors.

The Company invests all capital that is surplus to its immediate operational needs in short term, highly-liquid financial instruments, such as short term guaranteed investment certificates, held with a major Canadian financial institution.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no significant changes to the Company's approach to capital management during the years ended December 31, 2016 and 2015. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

17. SUBSEQUENT EVENT

On June 1, 2017 Minco announced, under Rule 2.5 of the Irish Takeover Panel Act, Takeover Rules 2013, that Dalradian and Minco had reached agreement on the terms of the acquisition of Minco's 2% net smelter return royalty on the Curraghinalt gold deposit currently being developed by Dalradian (the "Royalty Disposal") in return for the issue of a total of 15,490,666 new Dalradian Shares valued at C$20,000,000, in total, based on the volume weighted average price of Dalradian shares on the Toronto Stock Exchange for the five trading day period ending on the day prior to March 21, 2017, (being the date Minco announced that it was in discussions with Dalradian regarding the possible disposal of the Royalty).

It is proposed that the Royalty Disposal will be structured as an offer by Dalradian for the acquisition of the entire issued share capital of Minco (the "Offer"). It is intended that the Offer would be implemented by means of a scheme of arrangement, under Chapter 1 of Part 9 of the Companies Act 2014 of Ireland ("Scheme"). As part of the Scheme, it is proposed that Minco will undertake a demerger of its wholly owned subsidiary Buchans by way of a transfer in specie of the 47,814,218 shares of Buchans to Minco Shareholders (the "Demerger") on the basis of one (1) share of Buchans for every 10 existing Minco ordinary shares in issue at the Voting Record Time (as defined in the Scheme Document).

Following the Demerger Minco shareholders will be issued 11,618,000 new Dalradian Shares which would represent 75% of the total shares to be issued by Dalradian in connection with the Royalty Disposal. The balance of 3,872,666 new Dalradian Shares, being 25% of the total, will be issued directly to Buchans, which will then be wholly owned by Minco Shareholders.