

# **BUCHANS RESOURCES LIMITED**

## **CONDENSED INTERIM CARVE-OUT CONSOLIDATED FINANCIAL STATEMENTS**

*Unaudited*

**As at, and for the six-month period ended June 30, 2017**

# BUCHANS RESOURCES LIMITED

## CONDENSED INTERIM CARVE-OUT CONSOLIDATED FINANCIAL STATEMENTS

*Unaudited*

**For the six-month period ended June 30, 2017**

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# BUCHANS RESOURCES LIMITED

## Condensed Interim Carve-out Consolidated Statements of Financial Position

*Unaudited*

Expressed in Canadian Dollars	Notes	June 30, 2017	December 31, 2016
Assets		\$	\$
<b>Current assets</b>			
Cash and cash equivalents	11	2,005,852	3,002,645
Trade and other receivables	10	136,253	148,371
Total current assets		2,142,105	3,151,016
<b>Non-current assets</b>			
Exploration and evaluation assets	8	17,191,225	16,782,167
Investment in associate - note receivable	9	866,776	751,974
Prepaid expenses and other non-current assets		12,118	12,118
Total non-current assets		18,070,119	17,546,259
<b>Total assets</b>		<b>20,212,224</b>	<b>20,697,275</b>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12	439,121	355,235
Total current liabilities		439,121	355,235
<b>Owner's equity</b>			
Owner's equity	13	19,773,103	20,342,040
<b>Total equity and liabilities</b>		<b>20,212,224</b>	<b>20,697,275</b>

### COMMITMENTS AND CONTINGENCIES (Notes 8, 15 and 16)

See accompanying notes to the condensed interim consolidated financial statements

## BUCHANS RESOURCES LIMITED

### Condensed Interim Carve-out Consolidated Statement of Operations and Comprehensive Loss

For the six-month periods ended June 30,

*Unaudited*

Expressed in Canadian Dollars, except for per share amounts	Notes	Three months ended June 30,		Six months ended June 30,	
		2017	2016	2017	2016
				\$	\$
<b>Continuing operations</b>					
General and administrative expenses	6	(222,987)	(244,697)	(421,713)	(440,351)
Foreign exchange gain/(loss)		(83,741)	159,620	(118,582)	(99,057)
Operating loss before finance income		(306,728)	(85,077)	(540,295)	(539,408)
Finance income		10,305	16,043	26,657	35,475
Loss before taxation		(296,423)	(69,034)	(513,638)	(503,933)
Income tax		-	(16,145)	-	(16,145)
Total loss and comprehensive loss for the period		(296,423)	(85,179)	(513,638)	(520,078)
<b>Earnings/(loss) per share</b>					
Basic	7	(0.006)	(0.002)	(0.011)	(0.011)
Diluted	7	(0.006)	(0.002)	(0.011)	(0.011)

See accompanying notes to the condensed interim consolidated financial statements

## BUCHANS RESOURCES LIMITED

### Condensed Interim Carve-out Consolidated Statement of Changes in Equity

*Unaudited*

Expressed in Canadian Dollars	Owner's Net Investment \$
Balance as at December 31, 2015	21,602,257
Transfers to and from Minco, net	(241,199)
Total comprehensive loss for the period	<u>(520,078)</u>
Balance as at June 30, 2016	<u>20,840,980</u>
Transfers to and from Minco, net	31,726
Total comprehensive loss for the period	<u>(530,666)</u>
Balance as at December 31, 2016	<u>20,342,040</u>
Transfers to and from Minco, net	(55,299)
Total comprehensive loss for the period	<u>(513,638)</u>
Balance as at June 30, 2017	<u>19,773,103</u>

See accompanying notes to the condensed interim consolidated financial statements

**BUCHANS RESOURCES LIMITED****Condensed Interim Carve-out Consolidated Statement of Cash Flow****For the six month periods ended June 30,***Unaudited*

Expressed in Canadian Dollars	Notes	2017	2016
		\$	\$
<b>Cash flow from operating activities</b>			
Loss for the period		(513,638)	(520,078)
Interest income		(26,657)	(35,475)
		(540,295)	(555,553)
<b>Movements in working capital</b>			
Increase/(decrease) in trade and other receivables		12,118	157,774
Decrease/(increase) in trade and other payables		83,886	(78,667)
Net cash used in operating activities		(444,291)	(476,446)
<b>Cash flows from investing activities</b>			
Interest income net of accrued interest receivable		26,657	35,475
Investment in financial assets		(114,802)	(17,942)
Investment in intangible assets		(421,408)	(402,199)
Transfers to/from Minco		(55,299)	(241,199)
Net cash used in investing activities		(564,852)	(625,865)
Net decrease in cash and cash equivalents		(1,009,143)	(1,102,311)
Foreign exchange translation adjustment		12,350	-
Cash and cash equivalents at the beginning of the period		3,002,645	5,356,093
Cash and cash equivalent at the end of the period	11	2,005,852	4,253,782

See accompanying notes to the condensed interim consolidated financial statement

# **BUCHANS RESOURCES LIMITED**

## **Notes to the Condensed Interim Carve-out Consolidated Financial Statements**

**For the six-month period ended June 30, 2017**

*Expressed in Canadian Dollars, unless noted*

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### **1. NATURE OF OPERATIONS**

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.

#### **Basis of measurement and going concern**

The Company is in the process of exploring its exploration and evaluation properties and has not yet determined whether its exploration and evaluation properties contain economically recoverable mineral reserves. The underlying value and the recoverability of the exploration and evaluation properties is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the exploration and evaluation properties, and the generation of future profitable production or proceeds from the disposition of the exploration and evaluation properties.

The preparation of financial statements requires an assessment on the validity of the going concern assumption. The validity of the going concern concept is dependent on finance being available for the continuing working capital requirements of the Group and finance for the development of the Group's projects becoming available. Based on the assumptions that such finance will become available, the Directors believe that the going concern basis is appropriate for these accounts. Should the going concern basis not be appropriate, adjustments would have to be made to reduce the value of the assets, in particular the exploration and evaluation assets, to their realisable values. Such adjustments could be material.

For the six months ended June 30, 2017, the Company recorded a loss of \$513,638 and, at that date, had positive cash balances of \$2,005,852. Accordingly, the Directors are satisfied that it is appropriate to prepare the financial statements of the Company on a going concern basis.

## **BUCHANS RESOURCES LIMITED**

### **Notes to the Condensed Interim Carve-out Consolidated Financial Statements**

**For the six-month period ended June 30, 2017**

*Expressed in Canadian Dollars, unless noted*

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#### **2. BASIS OF PREPARATION**

These condensed interim 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 Operations and Comprehensive Loss for each of the periods ended June 30, 2017 and 2016 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 periods, 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.

These condensed interim carve-out consolidated financial statements of the Company were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

These condensed interim carve-out consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited carve-out consolidated financial statements for the year ended December 31, 2016 prepared in accordance with IFRS.

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 periods presented.



# BUCHANS RESOURCES LIMITED

## Notes to the Condensed Interim Carve-out Consolidated Financial Statements

For the six-month period ended June 30, 2017

Expressed in Canadian Dollars, unless noted

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### 3. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

#### (a) Basis of consolidation

The condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Company. All material intra-Company transactions, balances, income and expenses are eliminated on consolidation.

The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual report that are relevant to these condensed interim financial statements will be finalized only when the annual IFRS financial statements are prepared for the year ending December 31, 2017. The accounting policies chosen by the Company have been applied consistently to all periods presented.

#### (b) Accounting Changes

The Company did not adopt any new International Financial Reporting Standards (IFRSs) or Interpretations in the period that had a material impact on the Company's Financial Statements.

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 Standards issued but not yet effective:

IFRS 2	Share-based payments
IFRS 9	Financial Instruments
IFRS 10	Consolidated financial statements
IFRS 12	Disclosure of interests in other entities
IFRS 16	Leases
IAS 7	Statement of cash flows
IAS 12	Income taxes
IAS 40	Transfers of investment property
IFRIC 22	Foreign currency translations and advance consideration

The Company has not yet determined the impact of these amendments on its financial statements.

## BUCHANS RESOURCES LIMITED

### Notes to the Condensed Interim Carve-out Consolidated Financial Statements

For the six-month period ended June 30, 2017

Expressed in Canadian Dollars, unless noted

#### 4. RELATED PARTY TRANSACTIONS

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

The remuneration of Directors, who are the key management personnel of the Company, is set out below in accordance with IAS 24 'Related Party Disclosures'.

No fees were paid by the Group to directors for their services as directors of the Company in the six-months ended June 30, 2017 or 2016.

No salaries were paid by the Company to any Directors of the Company in the six-month periods ended June 30, 2017 or June 30, 2016, other than to Danesh Varma, Finance Director and Secretary of Minco was paid an amount \$36,000 (2016 – \$25,000), and Warren MacLeod, President of Buchans Minerals Corp., was paid an amount of \$105,000.

The subsidiaries of the Company at June 30, 2017 are as follows:

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

#### 5. SEGMENTAL ANALYSIS

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

	June 30, 2017	June 30, 2016
	\$	\$
Canada	(370,296)	(416,671)
Ireland	(89,227)	(109,429)
U.K.	(73,911)	(69,449)
Mexico	19,796	22,341
Total	(513,638)	(573,207)
Income tax expense	-	(16,144)
Consolidated loss	(513,638)	(589,352)

There was no revenue from operations earned during the six-month periods ended June 30, 2017 or 2016.

## BUCHANS RESOURCES LIMITED

### Notes to the Condensed Interim Carve-out Consolidated Financial Statements

For the six-month period ended June 30, 2017

Expressed in Canadian Dollars, unless noted

#### 5. SEGMENTAL ANALYSIS (CONTINUED)

Segment assets and liabilities by geographical segment is as follows:

	Assets		Liabilities	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
	\$	\$	\$	\$
Canada	13,761,453	13,449,262	(259,687)	(164,979)
Ireland	720,442	632,059	(109,513)	(128,201)
U.K.	2,857,700	2,861,335	(69,921)	(62,055)
Mexico (investment in associate)	866,776	751,974	-	-
	<u>18,206,371</u>	<u>17,694,630</u>	<u>(439,121)</u>	<u>(355,235)</u>
Cash and cash equivalents	2,005,853	3,002,645	-	-
Consolidated	<u>20,212,224</u>	<u>20,697,275</u>	<u>(439,121)</u>	<u>(355,235)</u>

	Additions to non-current assets	
	June 30, 2017	June 30, 2016
	\$	\$
Canada	324,190	304,982
Ireland	95,922	95,922
U.K.	1,295	1,295
	<u>421,407</u>	<u>402,199</u>

#### 6. OPERATING LOSS

	June 30, 2017	June 30, 2016
	\$	\$
<b>General and administrative expenses of the Group comprise:</b>		
Professional fees including audit and legal	(150,461)	(179,160)
Company Directors' remuneration expense	(70,856)	(55,266)
Office expenses	(168,298)	(111,979)
Investor and public relations	(8,703)	(51,347)
Sundry expense	(23,395)	(42,599)
	<u>(421,713)</u>	<u>(440,351)</u>
Foreign exchange gain	(118,582)	(99,057)
Operating loss before taxes	<u>(540,295)</u>	<u>(539,408)</u>

#### 7. 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:

	June 30, 2017	June 30, 2016
	\$	\$
<b>Numerator</b>		
Earnings/(loss) for the year	(513,638)	(520,078)
<b>Denominator</b>	<b>No. of Shares</b>	<b>No. of Shares</b>
Weighted average number of shares - basic	47,814,218	47,814,218
Weighted average number of shares - diluted	<u>47,814,218</u>	<u>47,814,218</u>
Basic earnings/(loss) per share	(0.01)	(0.01)
Diluted earnings/(loss) per share	<u>(0.01)</u>	<u>(0.01)</u>

## BUCHANS RESOURCES LIMITED

### Notes to the Condensed Interim Carve-out Consolidated Financial Statements

For the six-month period ended June 30, 2017

Expressed in Canadian Dollars, unless noted

#### 8. EXPLORATION AND EVALUATION ASSETS

	June 30, 2017	Additions	31 December 2016	Additions	31 December 2015
	\$		\$	\$	\$
Buchans	8,370,815	224,931	8,158,234	577,547	7,580,687
Bobbys Pond	754,116	10,479	743,637	39,576	704,061
Woodstock	4,527,010	88,781	4,438,229	182,259	4,255,970
Ireland	695,056	95,922	599,134	231,105	368,029
UK	2,844,228	1,295	2,842,933	13,440	2,829,493
Total	17,191,225	421,408	16,782,167	1,043,927	15,738,240

All exploration and evaluation assets are carried at cost less any applicable impairment provision. The Directors reviewed the exploration and evaluation assets at March 31, 2017 and are satisfied that the fair value is not less than the carrying amount and 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/Group 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 Group's activities are also subject to a number of significant potential risks.

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. The Directors are aware that by its nature there is an inherent uncertainty 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.

## **BUCHANS RESOURCES LIMITED**

### **Notes to the Condensed Interim Carve-out Consolidated Financial Statements**

**For the six-month period ended June 30, 2017**

*Expressed in Canadian Dollars, unless noted*

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#### **8. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

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.

The Long Range project is under a 50/50 joint exploration agreement with Benton Resources Inc. ("Benton") and is located in central Newfoundland. The Company, through its wholly-owned subsidiary Buchans Minerals Corp., is the project operator. Benton elected to not participate in certain work programs on the Long Range Property and Benton is subject to dilution. The property is subject to net smelter royalties of up to 2% of which 1% can be purchased for \$1,000,000.

##### **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.

##### **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% Buchans 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, barytes 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.

## **BUCHANS RESOURCES LIMITED**

### **Notes to the Condensed Interim Carve-out Consolidated Financial Statements**

**For the six-month period ended June 30, 2017**

*Expressed in Canadian Dollars, unless noted*

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#### **8. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

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. INVESTMENT IN ASSOCIATE – NOTE RECEIVABLE**

The Group holds indirectly 30 million shares, representing an approximate 26% shareholding of Xtierra Inc., a company listed on the TSX Venture Exchange. The carrying value of the Group'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 June 6, 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 June 30, 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 April 30, 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. On August 24, 2015, Pacific Road and Minco 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 Minco 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 Minco 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 Minco.

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 US\$25,000 in Notes to fund Xtierra's working capital and maintain its mineral properties. As at 31 December 2016, the Company had total Notes receivable from Xtierra in the amount of US\$590,000 (2016 - US\$559,000), and Pacific Road had notes receivable from Xtierra in the amount of US\$691,000.

During the period ended June 30, 2017, the Company made further advances to Xtierra in Notes in the aggregate amount of US\$114,802.

The Notes are secured, pari-passu with Pacific Road Group 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.

## BUCHANS RESOURCES LIMITED

### Notes to the Condensed Interim Carve-out Consolidated Financial Statements

For the six-month period ended June 30, 2017

Expressed in Canadian Dollars, unless noted

#### 10. TRADE AND OTHER RECEIVABLES

	June 30, 2017	31 December 2016
	\$	\$
Trade receivables and prepayments	120,760	114,231
Sales taxes receivable	15,493	34,140
	<u>136,253</u>	<u>148,371</u>

The carrying value of the receivables approximates to their fair value. In the opinion of Directors, the amounts above are considered to be fully recoverable.

#### 11. CASH AND CASH EQUIVALENTS

	June 30, 2017	31 December 2016
	\$	\$
Cash	2,005,852	572,262
Cash equivalents	-	2,430,383
Immediately available without restriction	<u>2,005,852</u>	<u>3,002,645</u>

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. Where investments are categorised as cash equivalents, the related balances have a maturity of six-months or less from the date of investment. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and six-months, depending on the cash requirements of the Company, and earn interest at the respective short-term deposit rates at floating rates.

The currency profile of cash and cash equivalents at the end of the period was as follows:

US Dollars	1,786,920	107,517
Canadian Dollars	166,768	68,225
Euro	27,485	2,803,787
Sterling	24,679	23,116
	<u>2,005,852</u>	<u>3,002,645</u>

#### 12. TRADE AND OTHER PAYABLES

	June 30, 2017	31 December 2016
	\$	\$
Trade creditors and accruals	279,121	195,235
Amounts due to related parties (Note 4)	160,000	160,000
	<u>439,121</u>	<u>355,235</u>

It is the Group's normal practice to agree terms of transactions, including payment terms, with suppliers and provided suppliers perform in accordance with the agreed terms, it is the Group's policy that payment is made as they fall due. The carrying value of the trade creditors and accruals approximates to their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The amounts due to related parties are due on demand, unsecured and non-interest bearing.

#### 13. CAPITAL STOCK

The Company has authorized and unlimited number of common shares. At June 30, 2017 and December 31, 2016, 47,814,218 common shares were issued.

## **BUCHANS RESOURCES LIMITED**

### **Notes to the Condensed Interim Carve-out Consolidated Financial Statements**

**For the six-month period ended June 30, 2017**

*Expressed in Canadian Dollars, unless noted*

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#### **14. FINANCIAL INSTRUMENTS**

The Group's financial instruments comprise cash balances and various items such as trade receivables and trade payables which arise directly from trading operations. The Group also enters into derivative transactions, primarily warrants and convertible notes. The main purpose of these financial instruments is to provide working capital to finance Group operations. The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Group's cash balances are held in Euro, Sterling, US and Canadian Dollars.

The Group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Group's expenditure. This is achieved by regular monitoring of interest rates and a monthly review of expenditure. The Group has a policy of not hedging and therefore takes market rates in respect of foreign exchange risk; however, it does review its currency exposures regularly and may consider the use of currency hedges in the future.

##### **Interest rate risk**

The Group finances its operations through the issue of equity shares, and has no fixed interest rate agreements. The Group had \$2,005,852 in cash and cash equivalents at June 30, 2017. A one percent change in interest rates will result in a corresponding change in interest income of approximately \$20,059 based on cash equivalent balances existing at June 30, 2017.

##### **Liquidity risk**

The Group's liquidity exposure is confined to meeting obligations under short term trade creditor agreements. This exposure is financed from a combination of cash, additional issues of ordinary equity shares and other financing arrangements.

##### **Capital management**

The primary objective of the Group's capital management is to ensure that it maintains an adequate capital ratio in order to support its business and enhance shareholder value. The capital structure of the Group consists of issued share capital and reserves. The Group manages its structure and makes adjustments to it, in light of the changes in economic conditions. No changes were made in the objectives, policies or processes during the period ended June 30, 2017. The Group's only capital requirement is its authorised minimum capital as a plc.

##### **Foreign currency risk**

Although the Company is incorporated in Ireland, the Group has significant operations in UK, Canada and Mexico, none of which presently generate cash from operations, and holds cash investments in Euros, Sterling, Canadian or US Dollars. The functional currencies of the majority of the Group's operations are UK Sterling, the Euro and the Canadian Dollar; the reporting currency of the Group 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 Group also has transactional currency exposures. Such exposures arise from expenses incurred by the Group in currencies other than the functional currency.

The Group seeks to minimise its exposure to currency risk by closely monitoring exchange rates. The Group does not presently utilise swaps or forward contracts to manage its currency exposures, although such facilities may be used where appropriate in the future. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting dates are set out below. The net currency exposure of the gross monetary assets of the Group was as follows:

The impact of foreign currencies has been determined based on the balances of financial assets and liabilities at June 30, 2017. 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 \$89,000 based on monetary assets and liability balances existing at June 30, 2017.



## **BUCHANS RESOURCES LIMITED**

### **Notes to the Condensed Interim Carve-out Consolidated Financial Statements**

**For the six-month period ended June 30, 2017**

*Expressed in Canadian Dollars, unless noted*

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#### **14. FINANCIAL INSTRUMENTS (CONTINUED)**

##### **Credit risk**

With respect to credit risk arising from financial assets of the Group, which comprise of cash and cash equivalents. Cash deposits give risk to credit risks on the amounts due from counter-parties. The Company controls and monitors the distribution of this exposure by ensuring that all financial instruments are held with reputable and financially secure institutions and that exposure to credit risk is distributed across a number of institutions. At June 30, 2017 all cash, short term deposits had a maturity date of 30 days or less. Credit risk is actively managed across the portfolio of institutions by ensuring that material surplus funds are placed with counter-parties that are either covered by Government guarantee schemes or have a credit rating of at least BBB-.

#### **15. COMMITMENTS**

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.

#### **16. CORPORATE REORGANISATION**

On June 1, 2017, the Company's parent company, Minco plc, announced, that it had reached agreement with Dalradian Resources Inc on the terms of the acquisition by Dalradian of Minco's 2% net smelter return royalty on the Curraghinalt gold deposit (the "Royalty Disposal"), in return for the issue of a total of 15,490,666 new Dalradian Shares valued at C\$20,000,000.

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 Section 450 of the Companies Act 2014 of Ireland ("Scheme").

As part of the Scheme, it is proposed that Minco would undertake a demerger of the Company, its wholly owned subsidiary, by way of a transfer in specie of the shares of the Company to Minco Shareholders (the "Demerger").

On 26 July 2017, Minco's shareholders approved the Scheme including the Demerger. The Court Hearing to sanction the Scheme is to be heard on 28 August 2017. Completion of the Demerger remains subject to satisfaction or waiver of the other Conditions set out in the Scheme Document including the sanction by the Court of the Scheme at the Court Hearing.

Following the Demerger Minco shareholders would 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, would be issued directly to the Company, which would then be wholly owned by Minco Shareholders.