

BUCHANS RESOURCES LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

As at, and for the nine-month period ended September 30, 2017

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

BUCHANS RESOURCES LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the nine-month period ended September 30, 2017

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BUCHANS RESOURCES LIMITED

Condensed Interim Consolidated Statements of Financial Position

Unaudited

Expressed in Canadian Dollars	Notes	September 30, 2017	December 31, 2016
Assets		\$	\$
Current assets			
Cash and cash equivalents	12	1,247,657	3,002,645
Marketable securities	13	5,189,373	-
Trade and other receivables	14	142,348	148,371
Total current assets		6,579,378	3,151,016
Non-current assets			
Exploration and evaluation assets	10	17,557,648	16,782,167
Investment in associate - note receivable	11	842,737	751,974
Prepaid expenses and other non-current assets		12,118	12,118
Total non-current assets		18,412,503	17,546,259
Total assets		24,991,881	20,697,275
Equity and liabilities			
Current liabilities			
Trade and other payables	15	539,518	355,235
Other current liabilities	15	1,334,876	-
Total current liabilities		1,874,394	355,235
Shareholders' Equity			
Owners' net investment		-	20,342,040
Share capital	16	20,049,136	-
Retained earnings		3,068,351	-
Total shareholders' equity		23,117,487	20,342,040
Total equity and liabilities		24,991,881	20,697,275

COMMITMENTS AND CONTINGENCIES (Notes 4, 10 and 18)

The financial statements were approved by the Board of Directors on November 23, 2017 and signed on its behalf by:

Signed "John F. Kearney" , Director

Signed "Danesh K. Varma" , Director

See accompanying notes to the condensed interim consolidated financial statements

BUCHANS RESOURCES LIMITED

Condensed Interim Consolidated Statement of Operations and Comprehensive Loss

For the nine-month periods ended September 30,

Unaudited

Expressed in Canadian Dollars	Notes	Three months ended September 30,		Nine months ended September 30,	
		2017	2016	2017	2016
		\$	\$	\$	\$
General and administrative expenses	8	(195,447)	(176,804)	(617,160)	(617,155)
Foreign exchange loss		(85,438)	(71,710)	(204,019)	(170,767)
Operating loss before other items		(280,885)	(248,514)	(821,179)	(787,922)
Finance income		8,376	18,984	35,033	54,459
Change in fair value of investments	13	(1,189,136)	-	(1,189,136)	-
		(1,180,760)	18,984	(1,154,103)	54,459
Loss before and after taxation		(1,461,645)	(229,530)	(1,975,282)	(733,463)
Income tax		-	(113,001)	-	(129,146)
Total loss and comprehensive loss for the period		(1,461,645)	(342,531)	(1,975,282)	(862,609)
Earnings/(loss) per share					
Basic	9	(0.03)	(0.01)	(0.04)	(0.02)
Diluted	9	(0.03)	(0.01)	(0.04)	(0.02)

See accompanying notes to the condensed interim consolidated financial statements

BUCHANS RESOURCES LIMITED

Condensed Interim Consolidated Statement of Changes in Equity

Unaudited

Expressed in Canadian Dollars

	Share Capital \$	Retained Earnings \$	Owner's net Investment \$	Total \$
Balance as at December 31, 2015	-	-	21,602,256	21,602,256
Transfers to and from Minco, net	-	-	(241,199)	(241,199)
Total comprehensive loss for the period	-	-	(862,609)	(862,609)
Balance as at September 30, 2016	-	-	20,498,448	20,498,448
Transfers to and from Minco, net	-	-	31,726	31,726
Total comprehensive loss for the period	-	-	(188,134)	(188,134)
Balance as at December 31, 2016	-	-	20,342,040	20,342,040
Transfers to and from Minco, net	-	-	4,750,729	4,750,729
Reorganization (Note 3)	20,049,136	5,043,633	(25,092,769)	-
Total comprehensive loss for the period	-	(1,975,282)	-	(1,975,282)
Balance as at September 30, 2017	20,049,136	3,068,351	-	23,117,487

See accompanying notes to the condensed interim consolidated financial statements

BUCHANS RESOURCES LIMITED

Condensed Interim Consolidated Statement of Cash Flow

For the nine month periods ended September 30,

Unaudited

Expressed in Canadian Dollars	Notes	2017	2016
		\$	\$
Cash flow from operating activities			
Loss for the period		(1,975,282)	(862,609)
Change in fair value of marketable securities		1,189,136	-
Interest income		(35,033)	(54,459)
		(821,179)	(917,068)
Movements in working capital			
Increase in trade and other receivables		6,023	94,329
Decrease in trade and other payables		184,284	111,956
Net cash used in operating activities		(630,872)	(710,783)
Cash flows from investing activities			
Interest income net of accrued interest receivable		35,033	54,459
Investment in financial assets		(90,764)	(105,431)
Investment in exploration and evaluation assets		(775,481)	(755,218)
Transfers to Minco Plc		(292,904)	(218,549)
Net cash used in investing activities		(1,124,116)	(1,024,739)
Net decrease in cash and cash equivalents		(1,754,988)	(1,735,522)
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	12	1,247,657	3,620,571

See accompanying notes to the condensed interim consolidated financial statement

BUCHANS RESOURCES LIMITED

Notes to the Condensed Interim Consolidated Financial Statements

For the nine-month period ended September 30, 2017

Expressed in Canadian Dollars, unless otherwise noted

1. BASIS OF PRESENTATION

Buchans Resources Limited (the “Company” or “Buchans”) was incorporated on May 8, 2015 under the laws of the Province of Ontario, Canada. The Company was a wholly-owned subsidiary of Minco plc (“Minco”) until August 30, 2017, at which time all of the shares in the Company were transferred to Minco shareholders, see Note 4.

Prior to May 8, 2015, the historical accounts of Buchans were prepared on a carve-out basis from Minco plc and the Statements of Operations and Comprehensive Loss for each of the periods ended September 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 (to August 30, 2017), 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 consolidated financial statements have been prepared based upon the historical cost amounts recorded by Minco, with the exception of certain financial instruments and marketable securities measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information. These 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 prior to August 30, 2017.

These condensed interim consolidated financial statements are expressed in Canadian Dollars and 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 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 financial statements were approved by the Board on November 23, 2017.

2. NATURE OF OPERATIONS

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.

BUCHANS RESOURCES LIMITED

Notes to the Condensed Interim Consolidated Financial Statements

For the nine-month period ended September 30, 2017

Expressed in Canadian Dollars, unless otherwise noted

3. BASIS OF MEASUREMENT AND GOING CONCERN

These 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.

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 Company and finance for the development of the Company'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 may 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 nine months ended September 30, 2017, the Company recorded a loss of \$1,975,282 and, at that date, had positive cash balances of \$1,247,657 and marketable securities with a quoted market value of \$5,189,373. Accordingly, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

4. CORPORATE REORGANISATION

On June 1, 2017, Minco and the Company 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 in Ireland (the "Royalty Disposal"), in consideration for the issue of a total of 15,490,666 new Dalradian Shares valued at \$20,000,000.

The Royalty Disposal was structured as an offer by Dalradian for the acquisition of the entire issued share capital of Minco (the "Offer"). The Offer was implemented by means of a scheme of arrangement, under Section 450 of the Companies Act 2014 of Ireland ("Scheme").

As part of the Scheme, Minco undertook 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").

Following the Demerger Minco shareholders were issued 11,618,000 new Dalradian Shares which represented 75% of the total shares issued by Dalradian in connection with the Royalty Disposal. The balance of 3,872,666 new Dalradian Shares, being 25% of the total, were issued directly to the Company, which is now wholly owned by former Minco Shareholders.

On August 30, 2017, the closing date of the transaction, the market value of the 3,872,666 Dalradian shares was \$6,378,509. Pursuant to the terms of the agreement, the Company assumed all liabilities owed by Minco including transaction costs and expenses, which amounted to a total of \$1,334,876. The balance, in the amount of \$5,043,633, was recorded as a capital contribution to Shareholders' Equity and is included in Retained Earnings.

The Company has also provided certain indemnities to Minco and Dalradian. As the Company is not aware of any material obligations that would be covered by the indemnities, no provision has been made in these financial statements related to the indemnities.

BUCHANS RESOURCES LIMITED

Notes to the Condensed Interim Consolidated Financial Statements

For the nine-month period ended September 30, 2017

Expressed in Canadian Dollars, unless otherwise noted

5. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

(a) Relationship with Minco

Minco's net investment in Buchans was recorded as owner's net investment in these financial statements, as Buchans was not a separate legal entity for the entire period presented and the net amount was converted to share capital on August 30, 2017. Changes in owner's net investment include net (loss)/income and net transfers to and from Minco.

(b) 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 that are relevant to the Company 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.

(c) 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 Consolidated Financial Statements

For the nine-month period ended September 30, 2017

Expressed in Canadian Dollars, unless otherwise noted

6. 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 Company to directors for their services as directors of the Company in the nine-months ended September 30, 2017 or 2016.

No salaries were paid by the Company to any Directors of the Company in the nine-month periods ended September 30, 2017 or September 30, 2016, other than Danesh Varma, Chief Financial Officer of the Company, was paid an amount \$36,000 (2016 – \$36,000), and Warren MacLeod, President of Buchans Minerals Corp., was paid an amount of \$157,500.

Included in accounts payable and accrued liabilities at December 31, 2016 and September 30, 2017 is \$160,000 due to related parties, including \$125,000 due to Terence N. McKillen, Director and \$35,000 due to Juno, a company controlled by Danesh K. Varma, Chief Financial Officer of the Company. Such amounts are due on demand, unsecured and non-interest bearing. See Note 15

The direct and indirect subsidiaries of the Company at September 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, Glategny St. Peter Port, Guernsey, GY1 3AP	100%	Investment
Minco Ireland Limited	Ardraccan, Navan, Co. Meath, Ireland	100%	Exploration
Westland Exploration Limited	Ardraccan, 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

BUCHANS RESOURCES LIMITED

Notes to the Condensed Interim Consolidated Financial Statements

For the nine-month period ended September 30, 2017

Expressed in Canadian Dollars, unless otherwise noted

7. SEGMENTAL ANALYSIS

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

	September 30, 2017	September 30, 2016
	\$	\$
Canada	(1,815,425)	(487,408)
Ireland	(85,536)	(139,906)
U.K.	(102,494)	(129,712)
Mexico	28,173	23,563
Total	<u>(1,975,282)</u>	<u>(733,463)</u>
Income tax expense	-	(129,146)
Consolidated loss	<u>(1,975,282)</u>	<u>(862,609)</u>

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

Segment assets and liabilities by geographical segment is as follows:

	Assets		Liabilities	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
	\$	\$	\$	\$
Canada	14,116,240	13,449,262	(1,702,464)	(164,979)
Ireland	736,643	632,059	(113,391)	(128,201)
U.K.	2,859,231	2,861,335	(58,539)	(62,055)
Mexico (investment in associate)	842,737	751,974	-	-
	<u>18,554,851</u>	<u>17,694,630</u>	<u>(1,874,394)</u>	<u>(355,235)</u>
Cash and cash equivalents	1,247,657	3,002,645		
Marketable securities	5,189,373	-		
Consolidated	<u>24,991,881</u>	<u>20,697,275</u>	<u>(1,874,394)</u>	<u>(355,235)</u>

	Additions to non-current assets	
	September 30, 2017	September 30, 2016
	\$	\$
Canada	668,548	664,701
Ireland	104,326	66,654
U.K.	2,607	23,863
	<u>775,481</u>	<u>755,218</u>

8. OPERATING LOSS

	September 30, 2017	September 30, 2016
	\$	\$
General and administrative expenses of the Group comprise:		
Professional fees including audit and legal	(233,195)	(189,869)
Company Directors' remuneration expense	(86,455)	(81,761)
Office expenses	(222,532)	(187,388)
Investor and public relations	(29,025)	(93,673)
Sundry expense	(45,953)	(64,464)
	<u>(617,160)</u>	<u>(617,155)</u>
Foreign exchange loss	(204,019)	(170,767)
Operating loss before taxes	<u>(821,179)</u>	<u>(787,922)</u>

BUCHANS RESOURCES LIMITED

Notes to the Condensed Interim Consolidated Financial Statements

For the nine-month period ended September 30, 2017

Expressed in Canadian Dollars, unless otherwise noted

9. 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:

	2017	2016
	\$	\$
Numerator		
Loss for the period	(1,975,282)	(862,609)
Denominator	No. of Shares	No. of Shares
Weighted average number of shares - basic	47,814,051	47,814,218
Weighted average number of shares - diluted	47,814,051	47,814,218
Basic earnings/(loss) per share	(0.04)	(0.02)
Diluted earnings/(loss) per share	(0.04)	(0.02)

10. EXPLORATION AND EVALUATION ASSETS

	September 30, 2017	Additions	31 December 2016	Additions	31 December 2015
	\$		\$	\$	\$
Buchans	8,652,070	493,836	8,158,234	577,547	7,580,687
Bobbys Pond	782,869	39,232	743,637	39,576	704,061
Woodstock	4,573,710	135,481	4,438,229	182,259	4,255,970
Ireland	703,459	104,325	599,134	231,105	368,029
UK	2,845,540	2,607	2,842,933	13,440	2,829,493
Total	17,557,648	775,481	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 September 30, 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/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 Company'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).

BUCHANS RESOURCES LIMITED

Notes to the Condensed Interim Consolidated Financial Statements

For the nine-month period ended September 30, 2017

Expressed in Canadian Dollars, unless otherwise noted

10. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

The Company through its wholly-owned subsidiary Buchans Minerals Corporation, 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 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 Corporation, 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. The Company 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 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.

BUCHANS RESOURCES LIMITED

Notes to the Condensed Interim Consolidated Financial Statements

For the nine-month period ended September 30, 2017

Expressed in Canadian Dollars, unless otherwise noted

11. INVESTMENT IN ASSOCIATE – NOTE RECEIVABLE

The Company holds approximately 30 million shares in Xtierra Inc. (“Xtierra”), a company listed on the TSX Venture Exchange under the symbol “XAG”, representing an approximate 26% interest. The fair value of the investment in Xtierra as at November 23, 2017 based on market price of Xtierra shares on the TSX Venture Exchange was \$600,000.

Xtierra holds mineral properties located in the State of Zacatecas in the Central Mineral Belt of Mexico. The Bilbao Project is a polymetallic sulphide and oxide replacement silver-lead-zinc-copper deposit located approximately 500km northwest of Mexico City in the southeastern part of the State of Zacatecas. Xtierra also holds an extraction licence for the silver-rich La Laguna Pedernalillo (“Laguna”) tailings deposit located near the city of Zacatecas in Mexico.

At September 30, 2017, the Company had total Notes and accrued interest receivable from Xtierra in the amount of US\$676,061 (Cdn\$842,737). During the nine-month period ended September 30, 2017, Buchans advanced an additional amount of US\$93,000 to Xtierra to fund working capital and maintain its properties.

The Notes are secured, pari-passu with Pacific Road Group of Funds (“Pacific Road”), (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.

The Notes matured and became due and payable on April 30, 2016. Pacific Road and Buchans have not made demands for payment 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. 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.

12. CASH AND CASH EQUIVALENTS

	September 30, 2017 \$	31 December 2016 \$
Cash	1,247,657	572,262
Cash equivalents	-	2,430,383
Immediately available without restriction	<u>1,247,657</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 nine-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 nine-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	1,087,319	107,517
Canadian Dollars	148,012	68,225
Euro	10,040	2,803,787
Sterling	2,286	23,116
	<u>1,247,657</u>	<u>3,002,645</u>

BUCHANS RESOURCES LIMITED

Notes to the Condensed Interim Consolidated Financial Statements

For the nine-month period ended September 30, 2017

Expressed in Canadian Dollars, unless otherwise noted

13. MARKETABLE SECURITIES

On August 30, 2017, 3,872,666 Dalradian shares with a market value as at that date of \$6,378,509 were issued to the Company, see Note 4. The market value at September 30, 2017, was \$5,189,373 and an unrealized mark to market loss of \$1,189,136 was recorded on the statement of operations. See Note 19.

14. TRADE AND OTHER RECEIVABLES

	September 30, 2017	31 December 2016
	\$	\$
Trade receivables and prepayments	125,527	114,231
Sales taxes receivable	16,821	34,140
	<u>142,348</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.

15. TRADE AND OTHER PAYABLES

	September 30, 2017	31 December 2016
	\$	\$
Trade creditors and accruals	379,518	195,235
Amounts due to related parties (Note 6)	160,000	160,000
Other current liabilities (See Note 4)	1,334,876	-
	<u>1,874,394</u>	<u>355,235</u>

It is the Company'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 Company'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 Company 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.

16. CAPITAL STOCK

The Company has authorized an unlimited number of common shares. At December 31, 2016, 47,814,218 common shares were issued. On August 30, 2017, as a result of the demerger, 167 shares were canceled and at September 30, 2017, 47,814,051 common shares were issued and outstanding.

17. FINANCIAL INSTRUMENTS

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

The Company's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Company's expenditure. This is achieved by regular monitoring of interest rates and a monthly review of expenditure. The Company 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.

BUCHANS RESOURCES LIMITED

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Expressed in Canadian Dollars, unless otherwise noted

17. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value

The carrying amounts for cash and cash equivalents, 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 finances its operations through the issue of equity shares, and has no fixed interest rate agreements. The Company had \$1,247,657 in cash and cash equivalents at September 30, 2017. A one percent change in interest rates will result in a corresponding change in interest income of approximately \$12,477 based on cash equivalent balances existing at September 30, 2017.

Liquidity risk

The Company'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 Company'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 Company consists of issued share capital and reserves. The Company 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 September 30, 2017. The Company's only capital requirement is its authorised minimum capital as a plc.

Foreign currency risk

Although the Company is incorporated in Canada, the Company has significant assets in UK, Ireland and indirectly in Mexico, none of which presently generate cash from operations, and holds cash investments in Canadian and US Dollars, Euros and UK Sterling. The functional currencies of the majority of the Company's operations are Canadian Dollar, UK Sterling and the Euro; the reporting currency of the Company is the Canadian 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.

The Company seeks to minimise its exposure to currency risk by closely monitoring exchange rates. The Company 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 Company'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 Company was as follows:

The impact of foreign currencies has been determined based on the balances of financial assets and liabilities at September 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 Canadian Dollar exchange rate could result in a foreign exchange impact to the net income of approximately \$54,000 based on monetary assets and liability balances existing at September 30, 2017.

BUCHANS RESOURCES LIMITED

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Expressed in Canadian Dollars, unless otherwise noted

17. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

With respect to credit risk arising from financial assets of the Company, which comprise of cash and cash equivalents. Cash deposits give rise 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 September 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-.

18. COMMITMENTS AND CONTINGENCIES

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.

See Notes 4 and 10.

19. SUBSEQUENT EVENTS

On October 19, 2017, the Company sold 500,000 Dalradian shares for net proceeds of \$649,000.