BUCHANS RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND DECEMBER 31, 2016

BUCHANS RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND DECEMBER 31, 2016

INDEX	***PAGE***

UHY McGovern Hurley LLP
Chartered Professional Accountants

251 Consumers Road, Suite 800
Toronto, Ontario
M2J 4R3
Canada

Tel 416-496-1234
Fax 416-496-0125
Email info@uhymh.com
Web www.uhymh.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Buchans Resources Limited

We have audited the accompanying consolidated financial statements of Buchans Resources Limited and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Buchans Resources Limited and its subsidiaries as at December 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 24, 2018

BUCHANS RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017 AND 2016

Expressed in Canadian Dollars	Notes	2017	2016
Assets		**$**	**$**
Current assets			
Cash and cash equivalents	**10**	3,426,194	3,002,645
Marketable securities	**11**	3,143,782	-
Trade and other receivables	**12**	142,617	148,371
Total current assets		6,712,593	3,151,016
Non-current assets			
Exploration and evaluation assets	**8**	14,964,561	16,794,285
Investment in associate - note receivable	**9**	863,600	751,974
Total non-current assets		15,828,161	17,546,259
Total assets		22,540,754	20,697,275
Equity and liabilities			
Current liabilities			
Trade and other payables	**5/13**	304,584	355,235
Prepaid rent received	**13**	90,000	-
Total current liabilities		394,584	355,235
Shareholders' Equity			
Owners' net investment		-	20,342,040
Share capital	**14**	22,319,716	-
Warrants	**15**	43,420	-
Retained earnings		(216,966)	-
Total shareholders' equity		22,146,170	20,342,040
Total shareholders' equity and liabilities		22,540,754	20,697,275

COMMITMENTS AND CONTINGENCIES (Notes 2, 9 and 17)

The financial statements were approved by the Board of Directors on April 24, 2018 and signed on its behalf by:

Signed "John F. Kearney" , Director   Signed "Patrick Downey" , Director

See accompanying notes to the consolidated financial statements

BUCHANS RESOURCES LIMITED

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED

Expressed in Canadian Dollars	Notes	2017	2016
		$	$
General and administrative expenses			
Professional fees		(256,515)	(265,056)
Salaries		(102,325)	(107,861)
Investor and public relations		(41,197)	(50,096)
Office expenses		(299,059)	(390,210)
Loss before other items		(699,096)	(813,223)
Other items:			
Foreign exchange loss		(214,530)	(213,081)
Finance income		55,912	89,114
Impairment of exploration assets	8	(2,842,933)	-
Loss on disposal of marketable securities	11	(523,605)	-
Change in fair value of marketable securities	11	(764,122)	-
Total other items		(4,289,278)	(123,967)
Loss before income taxes		(4,988,374)	(937,190)
Income taxes	17	(22,225)	(113,554)
Net loss and comprehensive loss for the year		(5,010,599)	(1,050,744)
Earnings/(loss) per share			
Basic	6	(0.10)	(0.02)
Diluted	6	(0.10)	(0.02)

See accompanying notes to the consolidated financial statements

BUCHANS RESOURCES LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Expressed in Canadian Dollars

	Share Capital	Shares to be issued	Warrants	Retained Earnings	Owner's net Investment	Total
	$	$	$	$	$	$
Balance as at December 31, 2015	-	-	-	-	21,602,257	21,602,257
Transfers to and from Minco, net	-	-	-	-	(209,473)	(209,473)
Total comprehensive loss for the year	-	-	-	-	(1,050,744)	(1,050,744)
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 2)	20,049,136	-	-	5,043,633	(25,092,769)	-
Shares issued in settlement of debt	160,000	-	-	-	-	160,000
Private placement	2,004,000	-	-	-	-	2,004,000
Shares to be issued	-	250,000	-	(250,000)	-	-
Share issue costs	(143,420)	-	43,420	-	-	(100,000)
Total comprehensive loss for the year	-	-	-	(5,010,599)	-	(5,010,599)
Balance as at December 31, 2017	22,069,716	250,000	43,420	(216,966)	-	22,146,170

See accompanying notes to the consolidated financial statements

BUCHANS RESOURCES LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31

Expressed in Canadian Dollars	Notes	2017 $	2016 $
Cash flow from operating activities			
Loss for the year		**(5,010,599)**	(1,050,744)
Change in fair value of marketable securities		**764,122**	-
Loss on disposal of marketable securities		**523,605**	-
Impairment of exploration assets		**2,842,933**	-
Interest income		**(55,912)**	(89,114)
		(935,851)	(1,139,858)
Movements in working capital			
Increase in trade and other receivables		**12,614**	41,938
Decrease in trade and other payables		**199,349**	26,957
Net cash used in operating activities		**(723,888)**	(1,070,963)
Cash flows from investing activities			
Interest income		**-**	89,114
Proceeds on disposal of marketable securities		**1,947,000**	-
Advances to associate		**(125,336)**	(118,199)
Investment in exploration and evaluation assets		**(1,013,209)**	(1,043,927)
Transfers to Minco Plc		**(292,904)**	(209,473)
Fees related to corporate reorganization	**2**	**(1,334,876)**	-
Net cash used in investing activities		**(819,326)**	(1,282,485)
Cash flows from financing activities			
Proceeds from issue of flow-through shares		**2,004,000**	-
Share issue costs		**(100,000)**	-
Net cash received in financing activities		**1,904,000**	-
Net increase in cash and cash equivalents		**360,786**	(2,353,448)
Effect of foreign exchange rate changes on cash		62,763	-
Cash and cash equivalents at the beginning of the year		**3,002,645**	5,356,093
Cash and cash equivalents at the end of the year	**10**	**3,426,194**	3,002,645
Supplemental information:			
Shares issued in settlement of debt		160,000	-
Broker warrants issued		43,420	-
Shares to be issued for services		250,000	-

See accompanying notes to the consolidated financial statements

1. 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 was a wholly-owned subsidiary of Minco plc until August 30, 2017, at which time all of the shares in the Company were transferred to Minco shareholders, see Note 2.

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 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 year ended December 31, 2017, the Company recorded a loss of $5,010,599, which included impairment of certain exploration assets in the amount of $2,842,933, and, at that date, had positive cash balances of $3,426,194 and marketable securities with a quoted market value of $3,143,782. Accordingly, the Directors are satisfied that it is appropriate to prepare the financial statements of the Company on a going concern basis.

2. CORPORATE REORGANISATION

On June 1, 2017, Minco plc 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 (the "Royalty Disposal"), in return 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 (the "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 was wholly owned by former Minco Shareholders at the time of the demerger.

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 $1,584,876. The balance, in the amount of $4,793,633, was recorded as a capital contribution to Shareholders' Equity and is included in Retained Earnings.

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

3. BASIS OF PRESENTATION

These consolidated financial statements of the Company and its subsidiaries have been prepared applying principles in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies set out below were consistently applied to all the periods presented, unless otherwise noted.

Prior to May 8, 2015, the historical accounts of Buchans were prepared on a carve-out basis from Minco plc and the Statements of Loss and Comprehensive Loss for the years ended December 31, 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 consolidated financial statements were approved by the Board of Directors of Buchans on April 24, 2018.

These consolidated financial statements have been prepared based upon the historical cost basis, with the exception of certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Relationship with Minco

Prior to August 30, 2017, as Buchans was not a separate legal entity for the entire period presented, Minco's net investment in Buchans was shown as owner's net investment in the Company's financial statements. Changes in owner's net investment included 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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, 2017 and 2016.

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, 2017 and 2016, 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (continued)

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.

(j) 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.

(k) 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.

(l) Flow-through financing

The Company finances a portion of its project exploration and development through the issuance of flow-through shares.

Under the terms of the flow-through common share issues, the tax attributes of the related expenditures are renounced to investors and deferred income tax expense and income tax liabilities are increased by the estimated income tax benefits renounced by the Company to the investors. On the date of issuance of the flow-through shares, the premium relating to the proceeds received in excess of the closing market price of the Company's common shares is allocated to liabilities. The premium liability is reduced pro-rata based on the percentage of flow-through expenditures renounced in comparison to renunciations required under the terms of the flow-through share agreement. The reduction to the premium liability in the period of renunciation is recognized through profit or loss.

Where the Company has unused tax benefits on loss carry forwards and tax pools in excess of book value available for deduction which have not been previously accounted for as deferred tax assets, the Company records a deferred tax asset to offset the increase in deferred tax liabilities resulting in an offsetting recovery of deferred income taxes being recognized through profit or loss in the reporting period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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.

(n) 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.

(o) 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, 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

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 3.

Preparation of consolidated financial statements
The preparation of consolidated 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 3.

(p) 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 the company during the years ended December 31, 2017 and 2016 have been excluded from diluted loss per share.

(q) Income taxes
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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Changes in Accounting Policies
During the year ended December 31, 2017, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IAS 7, IAS 12 and IFRS 12. These new standards and changes did not have any material impact on the Company's financial statements.

(s) 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, 2018 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.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB as a complete standard in July 2014 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.

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 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. Earlier adoption is permitted if IFRS 15 has also been applied.

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 non-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.

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

Expressed in Canadian dollars, unless noted and per share amounts

5. RELATED PARTY TRANSACTIONS

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

During 2017 and 2016, the Company entered into various funding agreements with Xtierra Inc., an associate of the Company. See Note 9.

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 years ended December 31, 2017 and 2016.

No salaries were paid by the Company to any Directors of the Company in the year ended December 31, 2017, other than to Warren MacLeod, President of Buchans Minerals Corp., who was paid an amount of Cdn$$210,000 (2016 - $210,000) and Danesh Varma, Chief Financial Officer of the Company, who was paid an amount of $36,000 (2016-$36,000). On the recommendation of an Independent Committee, the Board of Directors also approved the issue of 833,333 shares valued at $0.30 per share to John Kearney, Chairman and Chief Executive Officer, as compensation for management services in the equivalent amount of $250,000 charged to the corporate reorganization (Note 2). The 833,333 shares, which are recorded as to be issued at December 31, 2017, were issued subsequent to year end.

Included in accounts payable and accrued liabilities at December 31, 2017 is $13,098 payable to Steenberglaw Professional Corporation, a corporation controlled by Neil Steenberg, secretary of the Company, for legal services.

In December 2017, the Company settled a total $160,000 of outstanding liabilities due to related parties through the issue of a total of 533,332 shares valued at $0.30 per share, 416,666 shares were issued to Terence McKillen, a director of the Company, in settlement of a liability of $125,000, and 116,666 shares were issued to a company controlled by Danesh Varma, a director of the Company, in settlement of a liability of $35,000. The shares for debt settlements were approved by an independent committee of the Board.

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. At December 31, 2017 prepaid rent of $90,000 had been paid by Labrador Iron Mines Limited, a company with some common directors.

The subsidiaries of the Company at December 31, 2017 were 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	Ardbraccan, Navan, Co. Meath, Ireland	100%	Exploration
Westland Exploration Limited	Ardbraccan, 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

Expressed in Canadian dollars, unless noted and per share amounts

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:

	2017	2016
	$	$
Numerator		
Loss for the year	(5,010,599)	(1,050,744)
Denominator	**No. of Shares**	No. of Shares
Weighted average number of shares - basic	47,883,567	47,814,218
Weighted average number of shares - diluted	47,883,567	47,814,218
Basic and diluted earnings/(loss) per share	(0.10)	(0.02)

7. SEGMENTAL ANALYSIS

Income (loss) by geographical region is as follows:

	2017	2016
	$	$
Canada	(1,980,075)	(621,363)
Ireland	(158,231)	(321,471)
U.K.	(2,850,068)	5,644
Mexico	-	-
Total	(4,988,374)	(937,190)
Income tax expense	(22,225)	(113,554)
Consolidated loss	(5,010,599)	(1,050,744)

There was no revenue from operations earned during the years ended December 31, 2017 or 2016.

Segment assets and liabilities by geographical segment is as follows:

	Assets		Liabilities	
	2017	2016	2017	2016
	$	$	**$**	$
Canada	14,263,176	13,449,262	(290,561)	(164,979)
Ireland	836,924	632,059	(104,023)	(128,201)
U.K.	7,078	2,861,335	-	(62,055)
Mexico (investment in associate)	863,600	751,974	-	-
	15,970,778	17,694,630	(394,584)	(355,235)
Cash and cash equivalents	3,426,194	3,002,645		
Marketable securities	3,143,782	-		
Consolidated	22,540,754	20,697,275	(394,584)	(355,235)

	Additions to non-current assets	
	2017	2016
	$	$
Canada	819,969	799,382
Ireland	193,240	231,105
U.K.	-	13,440
	1,013,209	1,043,927

Expressed in Canadian dollars, unless noted and per share amounts

8. EXPLORATION AND EVALUATION ASSETS

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

	31 December 2017	Impairment	Additions	31 December 2016	Additions	31 December 2015
	$	$	$	$	$	$
Buchans	8,765,017	-	594,665	8,170,352	577,547	7,592,805
Bobbys Pond	784,284	-	40,647	743,637	39,576	704,061
Woodstock	4,622,886	-	184,657	4,438,229	182,259	4,255,970
Ireland	792,374	-	193,240	599,134	231,105	368,029
UK	-	(2,842,933)	-	2,842,933	13,440	2,829,493
Total	14,964,561	(2,842,933)	1,013,209	16,794,285	1,043,927	15,750,359

All exploration and evaluation assets are carried at cost less any applicable impairment provision. An impairment review of the exploration and evaluation assets was carried out at December 31, 2017 and a provision in the amount of $2,842,933 was recorded against the carrying value of mineral exploration assets in the Northern Pennines in the United Kingdom, in accordance with the Company's accounting policies, due to delayed renegotiation of underlying contracts and agreements, and as no drilling had been carried out since 2015. No impairment provision was recognized at December 31, 2016.

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 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. The Company also holds a 20% interest in Prospecting License 1440R in Tatestown, Ireland, the subject of a joint venture between Buchans' wholly owned subsidiary Westland Exploration Ltd. and Boliden Tara 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 Pennines Orefield located in the counties of Cumbria, Northumberland and Durham in northern England.

In 2013, 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.

In 2012, 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 was for a period of five years, subject to the payment of an option fee of £7,000 per year.

The Company, through its wholly owned subsidiary Minco Mining Limited, was 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. The Company had expected, 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.

Due to delayed renegotiation of the underlying contracts and agreements, and as no drilling had been carried out since 2015, an impairment charge in the amount of $2,842,933 was recorded at December 31, 2017 in accordance with the Company's accounting policies. The Company expects to continue the renegotiations with the objective of continuing to evaluate these properties at an appropriate time.

8. INVESTMENT IN ASSOCIATE – NOTE RECEIVABLE

At December 31, 2017, the Company held 30 million shares of Xtierra Inc. ("Xtierra"), a company listed on the TSX Venture Exchange. In accordance with the Company's accounting policies, the carrying value of the Company's share of net assets of Xtierra Inc. was reduced to $nil as a result of impairment charges taken on Xtierra in prior periods. The market value of the shares in Xtierra, which represent an approximate 26% shareholding, as at December 31, 2017 based on the market price of Xtierra shares on the TSX Venture Exchange was $600,000.

At December 31, 2017, the Company also had total Notes receivable from Xtierra in the amount of US$688,094 ($863,600) (2016 - US$559,629 ($751,974)).

On February 14, 2018, in consideration of the issue to Buchans of 13 million, non-transferable warrants, each warrant entitling Buchans to purchase one common share of Xtierra for $0.05 per share for a term of two years, the Company entered into a two-year Support and Standstill Agreement ("Support Agreement") to defer repayment of principal and accrued interest of the Notes, and also to provide additional financial support of up to US$100,000, on the following terms:

- The Notes, including the additional advances, remain secured by a pledge to Buchans of the shares of Orca Minerals Limited, which indirectly holds Xtierra's mineral properties in Mexico (the "Secured Property");
- Accrual of interest is suspended during the term of the Support Agreement;
- Buchans has the option at any time, upon 60 days written notice, to require the transfer of the Secured Property to Buchans in full satisfaction of the Notes, including accrued interest, unless during that 60-day period the debt is repaid in full, in cash;
- Xtierra has the right to repay the Notes, including accrued interest in cash at any time;
- Upon expiry of the term of the Support Agreement, Xtierra may discharge the debt in full by transferring the Secured Property to Buchans.

The payment by Xtierra required to repay the Notes, including accrued interest, and discharge the debt arising from the Support Agreement, and based on an exchange rate of CDN$1.25 to US$1.00, is expected to be approximately $1,000,000.

Expressed in Canadian dollars, unless noted and per share amounts

9. CASH AND CASH EQUIVALENTS

	2017	2016
	$	$
Cash	**3,426,194**	572,262
Cash equivalents	**-**	2,430,383
Immediately available without restriction	**3,426,194**	3,002,645

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

	$	$
US Dollars	**424,035**	107,517
Canadian Dollars	**2,989,710**	68,225
Euro	**2,149**	2,803,787
Sterling	**10,300**	23,116
	3,426,194	3,002,645

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.

10. MARKETABLE SECURITIES

On August 30, 2017, the Company acquired 3,872,666 Dalradian shares with a quoted market value as at that date of $6,378,509, see Note 2. In the fourth quarter of 2017, the Company sold 1,500,000 Dalradian shares. At December 31, 2017, the Company held 2,372,666 shares of Dalradian shares with a quoted market value approximating $3,143,782.

	December 31, 2017	Change in fair value	Loss on disposals	Disposals	August 30, 2017
	$	$	$	$	$
Dalradian Resources Inc.	3,143,782	(764,122)	(523,605)	(1,947,000)	6,378,509
	3,143,782	(764,122)	(523,605)	(1,947,000)	6,378,509

11. TRADE AND OTHER RECEIVABLES

	2017	2016
	$	$
Trade receivables and prepayments	**111,644**	114,231
Sales taxes receivable	**30,973**	34,140
	142,617	148,371

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
	$	$
Trade creditors and accruals	**228,744**	195,235
Amounts due to related parties (Note 5)	**75,840**	160,000
Prepaid rent received	**90,000**	-
	394,584	355,235

In December 2017, the Company settled and discharged a total $160,000 of outstanding liabilities through the issue of a total of 533,332 shares valued at $0.30 per share.

Expressed in Canadian dollars, unless noted and per share amounts

13. CAPITAL STOCK

The Company has an authorized and unlimited number of common shares.

In December 2017, the Company issued 6.6 million shares in a non-brokered, arms-length, private placement financing of flow-through shares for gross proceeds of $2,004,000. The Company has paid an advisory fee of $100,000 to Desjardins Securities Inc. and issued to Desjardins broker warrants entitling the holder to purchase 334,000 common shares at an exercise price of $0.30 per share for a period of one year. See Note 15.

The Company also settled a total $160,000 of outstanding liabilities to related parties through the issue of a total of 533,332 shares valued at $0.30 per share. The shares for debt settlements were approved by an independent committee of the Board.

In December 2017, the Board of Directors approved the issue of 833,333 shares valued at $0.30 per share to John Kearney, Chairman and Chief Executive Officer, as compensation for management services, which are recorded as to be issued at December 31, 2017 and were issued subsequent to year end.

Authorized
Unlimited number of common shares

Issued	Shares	Amount $
Balance at December 31, 2016	47,814,051	20,049,136
Private placement	6,680,000	2,004,000
Share issue costs	-	(143,420)
Shares issued in settlement of debt	533,332	160,000
Balance at December 31, 2017	55,027,383	22,069,716
To be issued	833,333	250,000

14. WARRANTS

In connection with the private placement of $2,004,000, the Company issued to Desjardins Securities Inc. broker warrants entitling the holder to purchase 334,000 common shares, at an exercise price of $0.30 per share, for a period of one year, expiring December 29, 2018. See Note 14 above. The fair value of the warrants, in the amount of $43,420, was estimated on the date of issue using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 115% (based on the historical share price volatility of the Company's shares over the past year), risk free interest rate of 1.64% and an expected life of one year.

15. 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.

The proceeds of the private placement, see Note 14, are intended to be used to incur eligible Canadian Exploration Expenses, as defined under the Income Tax Act (Canada), that were renounced in favour of the purchasers as at December 31, 2017. The funds are intended to be used to explore the Company's mineral properties in Canada during 2018, including the Lundberg, Daniels Pond and Bobbys Pond properties in central Newfoundland. The Company has provided an indemnity to flow through subscribers for any tax amounts that may become payable by such subscribers if the Company does not meet its flow through exploration expenditure commitments.

In connection with the private placement completed in December 2017, Buchans has entered into an Investor Rights Agreement to provide certain liquidity and anti-dilution rights to the Funds which acquired the placement shares. If the Company's shares have not been listed on a recognized stock exchange by June 30, 2018, (subject to extension to September 30, 2018 in certain circumstances) the Funds shall be issued an additional 0.10 of a share for each Placement share at no additional cost and similarly at the end of each successive quarterly interim period after June 30, 2018.

Expressed in Canadian dollars, unless noted and per share amounts

16. INCOME TAXES

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the Canadian statutory rate were as follows:

	2017 $	2016 $
Canadian statutory rate	26.50%	26.50%
(Loss) before income taxes	(4,988,374)	(937,190)
Expected income tax recovery based on statutory rate	(1,322,000)	(248,000)
Adjustment to expected income tax benefit:		
Non-deductible items and other	171,000	-
Change in benefit of tax assets not recognized	1,173,225	361,554
Income tax expense	22,225	113,554

b) Deferred Income Taxes

Recognized deferred tax assets and liabilities:

	2017 $	2016 $
Non-capital loss carry-forwards - Canada	1,930,000	1,930,000
Exploration and evaluation assets - Canada	(1,930,000)	(1,930,000)
Deferred income tax liability	-	-

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences as their recoverability is not considered probable:

	2017 $	2016 $
Non-capital loss carry-forwards - UK and Ireland	8,541,000	5,533,000
Non-capital loss carry-forwards - Canada	3,440,000	1,631,000

No deferred tax asset has been recognized on the temporary differences related to the Company's investment in its associate to the extent that the Company controls the timing of the reversal of the temporary differences and its is probable that these differences will not reverse in the foreseeable future.

The losses in Canada generally expire within 20 years, from 2025 to 2037. The losses in the UK and Ireland do not generally expire.

17. 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 Company has designated its cash equivalents and short-term investments as fair value through profit or loss ("FVTPL"), which are measured at fair value. Cash and receivables and other assets are measured at amortized cost. Trade and other payables and due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost.

As at December 31, 2017, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair Value Hierarchy
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, 2017, 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.

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. The note receivable from Xtierra is subject to higher credit risk, however, management believes that it remains recoverable and has entered into a further agreement with Xtierra in 2018. See Note 9.

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.

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, 2017, the Company had cash of $3,426,194 (2016 - $3,002,645) to settle accounts payable and accrued liabilities of $394,584 (2016 - $355,235). 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. 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.

18. FINANCIAL INSTRUMENTS (CONTINUED)

The impact of foreign currencies has been determined based on the balances of financial assets and liabilities at December 31, 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 $21,000 based on monetary assets and liability balances existing at December 31, 2017.

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.

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, 2017, would affect the net loss by plus or minus $30,000 during a one-year period. A plus or minus change of 10% in the market price of the marketable securities would affect net loss by approximately $314,000 based on the carrying value at December 31, 2017.

19. 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, 2017 and 2016. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.