

BUCHANS RESOURCES LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the nine-month period ended September 30, 2020

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

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Unaudited

For the nine-month period ended September 30, 2020

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BUCHANS RESOURCES LIMITED

Condensed Interim Consolidated Statements of Financial Position

As at September 30, 2020

Unaudited

Expressed in Canadian Dollars	Notes	September 30, 2020	December 31, 2019
Assets		\$	\$
Current assets			
Cash and cash equivalents	11	883,377	1,443,246
Trade and other receivables	12	242,167	247,247
		1,125,544	1,690,493
Assets held for distribution	2	1,995,520	1,554,909
Total current assets		3,121,064	3,245,402
Non-current assets			
Exploration and evaluation assets	9	13,064,688	12,797,123
Right-of-use asset, lease	8	327,653	511,958
Investment in associates	10	2,827,497	1,109,295
Total non-current assets		16,219,838	14,418,376
Total assets		19,340,902	17,663,778
Equity and liabilities			
Current liabilities			
Trade and other payables	13/16	289,480	203,048
Current portion of lease obligation	8	275,957	248,741
		565,437	451,789
Liabilities held for distribution	2	151,399	487,790
Total current liabilities		716,836	939,579
Long term liabilities			
Exchangeable warrants	2/5	4,118,423	4,370,873
Lease obligation	8	99,479	310,761
Total long term liabilities		4,217,902	4,681,634
Shareholders' Equity			
Share capital	14	13,861,726	13,419,018
Retained earnings (deficit)		(732,807)	(1,376,453)
Equity attributable to equity holders of the company		13,128,919	12,042,564
Non-controlling interest		1,277,245	-
Total equity		14,406,164	12,042,564
Total shareholders' equity and liabilities		19,340,902	17,663,777

COMMITMENTS AND CONTINGENCIES (Notes 1, 5 and 10)

The financial statements were approved by the Board of Directors on November 25, 2020 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**Condensed Interim Consolidated Statements of Income and Loss and Comprehensive Loss****For the three and nine month periods ended September 30, 2020 and 2019***Unaudited*

Expressed in Canadian Dollars	Notes	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
		\$	\$	\$	\$
General and administrative expenses:					
Professional fees		(18,985)	(35,597)	(64,041)	(97,042)
Salaries		(14,785)	(15,362)	(45,891)	(65,508)
Shareholders and investors expense		(2,662)	(7,776)	(25,129)	(12,468)
Lease depreciation	8	(61,435)	(61,435)	(184,305)	(163,827)
Office expenses		(8,911)	(10,438)	(19,289)	(38,723)
Loss from continuing operations before other items		(106,778)	(130,610)	(338,655)	(377,568)
Other items:					
Foreign exchange gain/(loss)		(31,471)	(3,107)	17,818	(52,814)
Canada Emergency Wage Subsidy revenue		18,750	-	18,750	-
Interest income		-	-	-	161
Non-cash deemed interest expense	8	(10,388)	(16,250)	(35,753)	(46,131)
Value of Xtierra warrants received	10	-	-	259,234	-
Change in fair value of Xtierra warrants	10	945,331	35,531	1,096,143	(178,482)
Change in fair value of exchangeable warrants	2	(93,204)	-	(307,778)	-
Total other items		829,018	16,174	1,048,414	(277,266)
Net gain/(loss) from continuing operations		722,240	(114,436)	709,759	(654,834)
Loss attributable to discontinued operations	5	(13,192)	(23,406)	(66,113)	(101,108)
Income/(loss) and comprehensive gain/(loss) for the period		709,048	(137,842)	643,646	(755,942)
Loss per share					
Basic and diluted gain/(loss) per share	6	0.012	(0.002)	0.011	(0.013)
Basic and diluted gain/(loss) per share from continuing operations	6	0.012	(0.002)	0.012	(0.011)
Basic and diluted loss per share from discontinued operati	6	(0.000)	(0.000)	(0.001)	(0.002)

See accompanying notes to the consolidated financial statements

BUCHANS RESOURCES LIMITED**Condensed Interim Statements of Changes in Equity****As at September 30, 2020***Unaudited*

Expressed in Canadian Dollars	Share Capital \$	Retained Earnings \$	Attributable to equity holders of the company \$	Non- Controlling Interest \$	Total \$
Balance as at December 31, 2018	22,319,716	(215,849)	22,103,867	-	22,103,867
Total comprehensive loss for the period	-	(755,942)	(755,942)	-	(755,942)
Balance as at September 30, 2019	22,319,716	(971,791)	21,347,925	-	21,347,925
Canadian Manganese distribution	(4,529,825)	-	(4,529,825)	-	(4,529,825)
Minco Exploration warrants distribution	(4,370,873)	-	(4,370,873)	-	(4,370,873)
Total comprehensive loss for the period	-	(404,662)	(404,662)	-	(404,662)
Balance as at December 31, 2019	13,419,018	(1,376,453)	12,042,565	-	12,042,565
Exchangeable warrants exercised into Buchans shares	442,708	-	442,708	-	442,708
Shares issued	-	-	-	833,333	833,333
Exchangeable warrants exercised	-	-	-	452,839	452,839
Total comprehensive loss for the period	-	643,646	643,646	(8,927)	634,719
Balance as at September 30, 2020	13,861,726	(732,807)	13,128,919	1,277,245	14,406,164

See accompanying notes to the consolidated financial statements

BUCHANS RESOURCES LIMITED**Condensed Interim Consolidated Statements of Cash Flows****For the nine-month periods ended September 30, 2020 and 2019***Unaudited*

Expressed in Canadian Dollars	Notes	September 30, 2020	September 30, 2019
		\$	\$
Cash flow from operating activities			
Loss for the period		643,646	(755,942)
Lease depreciation	8	184,305	163,827
Non-cash foreign exchange (gain)/loss		(17,818)	52,814
Value of Xtierra warrants received	10	(259,234)	-
Change in fair value of Xtierra warrants	10	(1,096,143)	178,482
Change in fair value of exchangeable warrants	2	307,778	-
Non-cash deemed interest expense	8	35,753	46,131
Losses from discontinued operations	5	66,113	101,108
Interest income		-	(161)
		(135,600)	(213,741)
Movements in working capital			
Decrease in trade and other receivables		(20,304)	97,257
Increase/(decrease) in trade and other payables		86,431	(68,100)
Net cash flows from operating activities		(69,473)	(184,583)
Cash flows from investing activities			
Interest income		-	161
Investment in associate - note receivable		-	(34,075)
Investment in exploration and evaluation assets	9	(267,565)	(588,913)
Net cash flows from investing activities		(267,565)	(622,827)
Cash flows from financing activities			
Payment of lease obligation	8	(219,819)	(167,097)
Net cash flows from financing activities		(219,819)	(167,097)
Net (decrease) in cash and cash equivalents		(556,857)	(974,507)
Effect of foreign exchange rate changes on cash		(3,013)	(28,710)
Cash and cash equivalents at the beginning of the year		1,443,246	2,895,188
Cash and cash equivalent at the end of the period	11	883,377	1,891,971

See accompanying notes to the consolidated financial statements

BUCHANS RESOURCES LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
For the nine-month period ended September 30, 2020
Expressed in Canadian dollars, unless noted and per share amounts

1. NATURE OF OPERATIONS AND GOING CONCERN

Buchans Resources Limited (the “Company” or “Buchans”) is incorporated under the laws of the province of Ontario, Canada.

The Company is in the business of exploring its exploration and evaluation properties and has not yet determined whether its exploration and evaluation assets 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.

For the nine-month period ended September 30, 2020, the Company recorded a gain of \$643,646, including \$259,234 financial income on the renewal of the Xtierra warrants, a gain in fair value of investments in the amount of \$1,096,143 and a negative foreign exchange revaluation of the exchangeable warrants in the amount of \$307,778, and, at that date, had positive cash balances of \$883,377. 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. Accordingly, the Directors are satisfied that it is appropriate to prepare the financial statements of the Company on a going concern basis. 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.

The Company’s operations could be significantly adversely affected by the effects of the global spread of the contagious coronavirus disease, causing the worldwide outbreak of COVID-19 respiratory illness which was declared a pandemic by the World Health Organization on March 11, 2020. The Company cannot predict the impact the COVID-19 pandemic will have on its operations, including uncertainties relating to the duration of the outbreak, the impact on schedules and timelines for planned operations or exploration programs and the length of travel and quarantine restrictions imposed by governmental authorities. In addition, this widespread health crisis has adversely affected the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations.

2. PLAN OF ARRANGEMENT

On December 31, 2019, the Company filed Articles of Arrangement to implement a group reorganization whereby the shares of two wholly-owned subsidiaries were distributed to shareholders pursuant to a Plan of Arrangement, which was approved by shareholders on December 10, 2019, and sanctioned by the Ontario Superior Court of Justice on December 19, 2019.

Under the Plan of Arrangement, shareholders retained their existing shares of Buchans, and the Company distributed to its shareholders, pro rata:

- i. all of the shares of Canadian Manganese Company Inc. (“Canadian Manganese”) on the basis of one share of Canadian Manganese for each share of Buchans held; and
- ii. exchangeable warrants entitling shareholders to receive either one share of Minco Exploration plc (“Minco Exploration”) or 0.25 additional shares of the Company, at the shareholders’ option, for each share of Buchans held (the “Exchangeable Warrants”). Any Exchangeable Warrants which remain unexercised on the expiry date, as defined, will be automatically exchanged for shares of Minco Exploration (“Minco Shares”).

Under the terms of the warrant indenture governing the Exchangeable Warrants, the expiry date is defined as the earlier of December 31, 2020 or, at Buchans’ option, the fifth business day following the effective date a “Liquidity Event”. A “Liquidity Event” is defined as the completion by Minco Exploration of (i) a distribution to the public of Minco Shares and the concurrent admission to trading of Minco Shares on the Irish Stock Exchange, or (ii) another transaction as a result of which all outstanding Minco Shares, or the securities of another issuer issued in exchange for all such outstanding Minco Shares, are traded on the Irish Stock Exchange or other exchange in the United Kingdom or Europe and are freely tradable (subject to control block restrictions).

Canadian Manganese Company. Inc.

The Company recorded the distribution of Canadian Manganese in accordance with IFRIC 17– *Distribution of non-cash assets to owners* and IFRS 5 – *Non-current assets held for sale and discontinued operations* on December 31, 2019 as a reduction of shareholders’ equity through the share capital account.

BUCHANS RESOURCES LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
For the nine-month period ended September 30, 2020
Expressed in Canadian dollars, unless noted and per share amounts

2. PLAN OF ARRANGEMENT (CONTINUED)

Minco Exploration plc

As the Exchangeable Warrants are settleable in shares of Minco Exploration or of the Company, they have been presented as a financial liability in accordance with IAS 32, *financial instruments: presentation*. The Company has recorded the effects of the Plan of Arrangement on its investment in Minco Exploration in accordance with IFRS 5, *non-current assets held for sale and discontinued operations*.

At December 31, 2019, the 59,868,716 Exchangeable Warrants were initially recorded at their estimated fair value of \$4,370,873, based on the value of Minco Exploration shares, as determined by the price per share of a subsequent private placement financing completed by Minco Exploration. During the nine-month period ended September 30, 2020, 5,762,596 Exchangeable Warrants were exercised into Buchans shares and 1,524,030 warrants were exercised into Minco Exploration shares.

The 52,582,090 remaining Exchangeable Warrants are recorded at their current estimated fair value of \$4,118,423, and a reduction in fair value in the amount of \$307,778, due to a foreign exchange adjustment in the value of the Canadian dollar against the Euro, was recorded on the Statement of Income and Loss.

The following assets and liabilities of Minco Exploration have been included in the assets and liabilities held for distribution on the consolidated statement of financial position as at September 30, 2020 and December 31, 2019:

<u>Minco Exploration Plc.</u>	September 30, 2020	December 31, 2019
Assets held for distribution	\$	\$
Cash	309,796	26,095
Accounts receivable	221,651	64,741
Exploration and evaluation assets	<u>1,464,073</u>	<u>1,464,073</u>
Total assets held for distribution	<u>1,995,520</u>	<u>1,554,909</u>
Liabilities held for distribution	<u>(151,399)</u>	<u>(487,790)</u>

As long as Buchans is the registered holder of the shares of Minco Exploration, Buchans has agreed, to the extent permitted by applicable law, to vote the shares (including execution of resolutions outside a shareholders' meeting) in the manner directed by Minco Exploration; provided, that in no event shall Minco Exploration direct such voting power in any manner contrary to or inconsistent with the terms of the Arrangement Agreement.

In the event that as a result of the exchange of any exchangeable warrants for Buchans Shares at any time on or before the Expiry Date Buchans should hold any share of Minco Exploration ("Minco Warrant Shares"), Buchans has agreed with Minco Exploration that Buchans will sell any such Minco Warrant Shares to purchasers to be identified by Minco Exploration, at the book carrying value of the Minco shares, as at June 30, 2019, as recorded in the auditor reviewed carve-out financial statements of Minco Exploration for the period ended June 30, 2019, disclosed in Schedule E to the Management Information Circular dated November 8, 2019 provided to shareholders of Buchans in connection with the Special Meeting of Shareholders held to approve the Arrangement.

3. BASIS OF PRESENTATION

These condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared applying principles 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 consolidated financial statements for the year ended December 31, 2019 prepared in accordance with IFRS.

These condensed interim 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

Basis of consolidation

The condensed interim 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.

BUCHANS RESOURCES LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
For the nine-month period ended September 30, 2020
Expressed in Canadian dollars, unless noted and per share amounts

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-controlling interests in subsidiaries are identified separately from the Company's equity therein. 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.

5. DISCONTINUED OPERATIONS

Minco Exploration plc

In accordance with IFRS 5, *non-current assets held for sale and discontinued operations*, the results for the periods ended September 30, 2020 and 2019 for Minco Exploration included in loss attributable to discontinued operations on the consolidated statement of loss are as follows:

Expressed in Canadian Dollars	Nine months ended September 30,	
	2020	2019
General and administrative expenses:	\$	\$
Professional fees	(52,182)	(11,783)
Shareholders and investors expense	(17,060)	(313)
Office expenses	(5,798)	(29,012)
Management fee	-	(60,000)
Total loss and comprehensive loss for the period	(75,040)	(101,108)
Less minority interest	8,927	-
Non-controlling interest for the period	(66,113)	(101,108)

Cash flows from Minco Exploration and recorded within results from discontinued operations for the period prior to September 30, 2020 and 2019 are presented below:

Expressed in Canadian dollars	Nine months ended September 30,	
	2020	2019
Cash flows from operating activities	\$	\$
Loss for the period	(66,113)	(101,108)
Loss from minority interests	(8,927)	-
Total loss	(75,040)	(101,108)
Movements in working capital		
(Increase)/decrease in trade and other receivables	(156,910)	34,705
Increase/(decrease) in trade and other payables	(307,432)	13,145
Net cash flows from operating activities	(539,382)	(154,366)
Cash flows from/used investing activities		
Investment in exploration and evaluation assets	-	(34,446)
Net cash flows from investing activities	-	(34,446)
Cash flows from financing activities		
Increase/(decrease) in advances from owners	-	88,994
Private placements subscriptions	833,333	-
Net cash flows from financing activities	833,333	88,994
Net increase in cash and cash equivalents	293,951	(99,818)
Effect of foreign exchange rate changes on cash	(10,251)	-
Cash and cash equivalents at the beginning of the year	26,096	24,469
Cash and cash equivalent at the end of the period	309,796	(75,349)

During the nine-month period ended September 30, 2020, Minco Exploration completed a private placement financing through subscriptions for 11,000,000 new ordinary shares at a price of €0.05 per share to raise a total of €550,000 (\$833,333) to fund its working capital and planned exploration programs.

BUCHANS RESOURCES LIMITED
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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:

	September 30, 2020	September 30, 2019
	\$	\$
Numerator		
Net gain/(loss) from continuing operations	709,759	(654,834)
Loss attributable to discontinued operations	(66,113)	(101,108)
Total gain/(loss) for the period	<u>643,646</u>	<u>(755,942)</u>
Denominator		
Weighted average number of shares - basic and diluted	<u>No. of Shares</u> 59,903,597	<u>No. of Shares</u> 57,475,049
Earnings/(loss) per share		
Basic and diluted gain/(loss) per share	0.011	(0.013)
Basic and diluted gain/(loss) per share from continuing operations	0.012	(0.011)
Basic and diluted loss per share from discontinued operations	<u>(0.001)</u>	<u>(0.002)</u>

7. SEGMENTAL ANALYSIS

Income (loss) by geographical region is as follows:

	September 30, 2020	September 30, 2019
	\$	\$
Canada	709,759	(654,834)
Ireland	(66,113)	(101,108)
Consolidated loss	<u>643,646</u>	<u>(755,942)</u>

There was no revenue from operations earned during the nine-month periods ended September 30, 2020 or 2019.

Segment assets and liabilities by geographical segment is as follows:

	Assets		Liabilities	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
	\$	\$	\$	\$
Canada	16,462,005	14,665,623	(4,783,339)	(5,133,423)
Ireland	1,995,520	1,554,909	(151,399)	(487,790)
	<u>18,457,525</u>	<u>16,220,532</u>	<u>(4,934,738)</u>	<u>(5,621,213)</u>
Cash and cash equivalents	883,377	1,443,246		
Consolidated	<u>19,340,902</u>	<u>17,663,778</u>	<u>(4,934,738)</u>	<u>(5,621,213)</u>

	Additions to exploration and evaluation assets	
	September 30, 2020	September 30, 2019
	\$	\$
Canada	267,565	111,804
Ireland	-	4,772
	<u>267,565</u>	<u>116,576</u>

8. LEASES

On February 1, 2019, the Company entered into a lease for its office premises, which expires January 31, 2022. The yearly rental payments amount to approximately \$294,000, approximately half of which the Company expects to recover from other corporations, some with common directors and officers, that share part of the office premises.

In accordance with IFRS 16, on February 1, 2019, the Company recorded a Right-of-use ("ROU") asset, recognizing the Company's office facility in the amount of \$737,220 and a corresponding lease liability in the amount of \$737,220.

The following table reflects the lease obligations as per the initial application of IFRS 16 and the remaining liability:

<u>Right-of-use Asset</u>	\$
Lease obligations recognized at February 1, 2019	737,220
Payments made	(458,529)
Non-cash deemed interest expense	96,745
Net lease obligations at September 30, 2020	<u>375,436</u>

BUCHANS RESOURCES LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
For the nine-month period ended September 30, 2020
Expressed in Canadian dollars, unless noted and per share amounts

8. LEASES (CONTINUED)

Lease Obligations

Within one year	275,957
Between one and two years	99,479
Net lease obligations at September 30, 2020	<u>375,436</u>

9. EXPLORATION AND EVALUATION ASSETS

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

	September 30 2020	Additions	December 31 2019	Plan of arrangement (Note 2)	Additions	December 31 2018
	\$	\$	\$	\$	\$	\$
Buchans	13,064,688	267,565	12,797,123	-	654,818	12,142,305
Woodstock	-	-	-	(4,653,700)	16,367	4,637,333
Ireland	-	-	-	(1,464,073)	352,116	1,111,957
Total	<u>13,064,688</u>	<u>267,565</u>	<u>12,797,123</u>	<u>(6,117,773)</u>	<u>1,023,301</u>	<u>17,891,595</u>

All exploration and evaluation assets are carried at cost less any applicable impairment provision. No impairment provision was recognized at September 30, 2020.

The realisation of the exploration and evaluation assets is dependent on the successful discovery and development of mineral economic resources, including the ability to raise finance to develop the projects. Should this prove unsuccessful the value included in the statement of financial position would be impaired. By its nature there is inherent uncertainty as in the asset value.

In June 2020 the Minister of Natural Resources announced measures to assist the mining, and mineral exploration industries in Newfoundland and Labrador during the COVID-19 global pandemic, including deferring rental and fee payments and waiving mineral expenditure requirements for 2020. The measures include deferral of rental and fee payments associated with land tenure issued under the Mineral Act until December 31, 2020 and waiver of mineral assessment expenditure requirements for mineral licences for one year – from March 18, 2020 to March 17, 2021. Items deferred include mining and surface lease rentals and mineral licence renewal fees.

Buchans – Canada

The Company holds interests in four undeveloped base metal deposits in central Newfoundland, Canada, including the Buchans property (which covers the former producing Buchans Mine and contains the large, lower grade Lundberg deposit), as well as the Tulks North property (which contains the Daniels Pond deposit), the Bobbys Pond property (which contains the Bobbys Pond deposit), and the Tulks Hill property (which contains the Tulks Hill deposit), and each with exploration potential. Certain of the claims or portions thereof are subject to net smelter royalties ranging from 1% to 3%, some of which are subject to buy-back agreements.

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.

In November 2019, the Company, through its wholly owned subsidiary Buchans Minerals Corp., expanded its land position in the Buchans mining camp through the purchase of a 100% interest in six mineral claims covering the former MacLean mine property for the payment of a total of \$25,000, in cash or shares, in instalments over three years and the grant of a 2% net smelter royalty (NSR) to the vendors, (of which half (1%) can be purchased by the Company for \$1.5 million).

The Tulks North property is 100% owned by the Company, through its wholly owned subsidiary Buchans Minerals Corp., and is located in the Victoria Lake Mining camp of west-central Newfoundland. The Tulks North property 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 Buchans Minerals Corp. 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, holds a 100% interest in the Tulks Hill property, subject to underlying net smelter royalties ranging between 0.75% and 2%.

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Expressed in Canadian dollars, unless noted and per share amounts

9. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

In Labrador the Company, through its wholly owned subsidiary, holds several properties, including 38 claims at South Voisey's Bay and 5 claims in the immediate Voisey's Bay area and the 46 claims Tasiuyak gold property.

Woodstock (See Note 2)

Prior to December 31, 2019, the Company held interests in the Woodstock manganese project located northwest of the town of Woodstock, New Brunswick, through its wholly owned subsidiary Canadian Manganese. On December 31, 2019, the Company distributed to its shareholders, pro rata, all of the shares of Canadian Manganese on the basis of one share of Canadian Manganese for each share of Buchans held.

Ireland (See Note 2)

Prior to December 31, 2019, the Company, through its wholly owned subsidiary Minco Exploration Limited, held interests in zinc-lead prospecting licences in Ireland, either alone or in joint venture with Boliden Tara Mines. The investment in these exploration and evaluation assets is included in assets held for distribution.

10. INVESTMENT IN ASSOCIATES

	September 30, 2020	December 31, 2019
	\$	\$
Xtierra note receivable	1,064,351	1,036,845
Xtierra warrants	1,427,827	72,450
Shares in Minco Exploration Plc	335,319	-
	<u>2,827,497</u>	<u>1,109,295</u>

Xtierra – Note receivable and warrants

At September 30, 2020 and December 31, 2019, the Company held 30 million shares of Xtierra Inc. ("Xtierra"), a company listed on the TSX Venture Exchange, which represent an approximate 18.4% shareholding. 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 losses in Xtierra in prior periods. The market value of the shares in Xtierra, as at September 30, 2020 based on the market price of Xtierra shares on the TSX Venture Exchange was \$4,650,000 (December 31, 2019 - \$1,350,000).

At September 30, 2020, the Company also had total Notes receivable from Xtierra in the amount of US\$796,477 (\$1,064,351) (2019 - US\$796,477 (\$1,036,845)).

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 which had become due, and also to provide additional financial support of 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.

These warrants expired on February 14, 2020 and the remaining value in the amount of \$72,450 was written off.

By an Extension Agreement dated as of February 7, 2020, as amended by an Amending Agreement dated April 30, 2020, the term of the Support Agreement was extended for an additional period to April 30, 2021, in consideration of the issue to Buchans, following TSXV approval, 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 to April 30, 2021.

The value of the warrants received was estimated to be \$259,234 at April 30, 2020 based on the Black-Scholes model and the following assumptions: expected dividend yield 0%, expected volatility 125%, life one year, a risk free interest rate 1.85% and share price of \$0.045. The value of the warrants received was included in finance income on the Statement of Income and Loss.

At September 30, 2020, the value of the warrants was adjusted to their estimated fair value of \$1,427,827 at that date using the Black-Scholes model and the following assumptions: expected dividend yield 0%, expected volatility 125%, life 0.83 year, risk free interest rate 1.85% and share price of \$0.07. The change in value in the amount of \$1,096,143 is included in change in fair value of Xtierra warrants in the Statement of Income and Loss.

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10. INVESTMENT IN ASSOCIATES (CONTINUED)

Shares in Minco Exploration Plc

During the nine-month period ended September 30, 2020, 5,762,596 Exchangeable Warrants were exercised into Buchans shares and accordingly at September 30, 2020, the Company held 5,762,596 shares of Minco Exploration, as investment in associate and not held for distribution. See Note 2.

11. CASH AND CASH EQUIVALENTS

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

	September 30, 2020	December 31, 2019
	\$	\$
Cash	818,392	1,364,444
Cash (US dollars)	64,985	78,802
Immediately available without restriction	883,377	1,443,246

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.

12. TRADE AND OTHER RECEIVABLES

	September 30, 2020	December 31, 2019
	\$	\$
Trade receivables	52,653	46,974
Receivable from related parties (Note 15)	128,191	142,191
Prepayments	46,736	43,756
Sales taxes receivable	14,587	14,326
	242,167	247,247

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2020	December 31, 2019
	\$	\$
Trade creditors and accruals	203,500	120,088
CEBA loans payable	80,000	-
Amounts due to related parties (Note 15)	5,980	82,960
	289,480	203,048

On May 26, 2020, the Government of Canada launched the Canada Emergency Business Account (CEBA), which was implemented by eligible financial institutions. The Company and its subsidiary Buchans Minerals each received loans of \$40,000. The loans are interest-free until December 31, 2022 and can be extended for an additional 3-year term bearing an interest rate of 5% per annum.

14. CAPITAL STOCK

Authorized

Unlimited number of common shares

Issued

	Shares	Amount \$
Balance at December 31, 2018	57,196,716	22,319,716
Shares issued further to Investor Rights	2,672,000	-
Elimination of Canadian Manganese capital	-	(4,529,825)
Exchangeable Warrants distribution	-	(4,370,873)
Balance at December 31, 2019	59,868,716	13,419,018
Exchangeable Warrants exercised into Buchans shares	1,440,642	442,708
Balance at September 30, 2020	61,309,358	13,861,726

As a result of the Plan of Arrangement, which became effective December 31, 2019, the Company distributed to its shareholders 59,868,716 shares of Canadian Manganese, on the basis of one share of Canadian Manganese for each share of Buchans held; and reduced its capital stock by \$4,529,825. See Notes 2 and 5.

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14. CAPITAL STOCK (CONTINUED)

On December 31, 2019, the Company also distributed 59,868,716 Exchangeable Warrants entitling shareholders to receive either one share of Minco Exploration, or 0.25 additional shares of the Company, at their option, for each share of Buchans held, and reduced its capital stock by the estimated fair value of the exchangeable warrants of \$4,370,873.

During the nine-month period ended September 30, 2020, 5,762,596 Exchangeable Warrants were exercised for Buchans shares and accordingly the Company issued 1,297,917 new shares in consideration of 5,762,596 shares of Minco Exploration plc. See Note 2.

15. 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 periods ended September 30, 2020 and 2019.

During the nine-month period ended September 30, 2020, the Company paid or accrued \$28,896 (September 30, 2019 - \$72,492) to Steenberglaw Professional Corporation, a corporation controlled by Neil Steenberg, secretary of the Company, for legal services.

Included in accounts receivable at September 30, 2020 is a total of \$128,191 (December 31, 2019 - \$142,191) including \$119,191 (December 31, 2019 - \$109,191) receivable from Canadian Manganese and \$9,000 (December 31, 2019 - \$33,000) receivable from Labrador Iron Mines for rent.

Included in accounts payable and accrued liabilities at September 30, 2020 is \$5,980 (September 30, 2019 - \$30,517) payable to Steenberglaw Professional Corporation for legal services.

The subsidiaries of the Company at September 30, 2020 were as follows:

Name of Company	Registered office	Effective Holding	Principal Activity
Buchans Minerals Corporation	55 University Ave., Suite 1805 Toronto, ON M5J 2H7, Canada	100%	Exploration
Minco Exploration Limited	Ardraccan, Navan, Co. Meath, Ireland	100%	Holding company
Norsub Limited	18-20 Le Pollet, St. Peter Port, Guernsey, GY1 1WH	100%	Holding company
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

16. 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 short-term investments as fair value through profit or loss ("FVPL"), 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 September 30, 2020, 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 September 30, 2020, 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.

16. FINANCIAL INSTRUMENTS (CONTINUED)

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 extension with Xtierra in 2020. See Note 10.

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 metals.

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 September 30, 2020, the Company had cash of \$883,377 (December 31, 2019 - \$1,443,246) to settle accounts payable and accrued liabilities of \$565,437 (December 31, 2019 - \$451,789). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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 currency of the Company's operations is the Canadian Dollar. However, expenditures are not considered to be a monetary asset, and have 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 impact of foreign currencies has been determined based on the balances of financial assets and liabilities at September 30, 2020. 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 \$3,000 based on monetary assets and liability balances existing at September 30, 2020.

17. 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 periods ended September 30, 2020 and 2019. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.