

BUCHANS RESOURCES LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

As at, and for the nine-month period ended September 30, 2018

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

As at, and for the nine-month period ended September 30, 2018

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BUCHANS RESOURCES LIMITED

Condensed Interim Consolidated Statements of Financial Position

Unaudited

| Expressed in Canadian Dollars | Notes | September 30, 2018 | December 31, 2017 |
|---|-------|--------------------|-------------------|
| Assets | | \$ | \$ |
| Current assets | | | |
| Cash and cash equivalents | 10 | 4,494,750 | 3,426,194 |
| Marketable securities | 11 | - | 3,143,782 |
| Trade and other receivables | 12 | 344,234 | 142,617 |
| Total current assets | | 4,838,984 | 6,712,593 |
| Non-current assets | | | |
| Exploration and evaluation assets | 8 | 16,693,360 | 14,964,561 |
| Investment in associate - note receivable | 9 | 988,404 | 863,600 |
| Total non-current assets | | 17,681,764 | 15,828,161 |
| Total assets | | 22,520,748 | 22,540,754 |
| Equity and liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 5/13 | 657,568 | 304,584 |
| Prepaid rent received | 13 | 39,000 | 90,000 |
| Total current liabilities | | 696,568 | 394,584 |
| Shareholders' Equity | | | |
| Share capital | 14 | 22,319,716 | 22,319,716 |
| Warrants | 15 | 43,420 | 43,420 |
| Retained earnings | | (538,956) | (216,966) |
| Total shareholders' equity | | 21,824,180 | 22,146,170 |
| Total shareholders' equity and liabilities | | 22,520,748 | 22,540,754 |

COMMITMENTS AND CONTINGENCIES (Notes 2, 8 and 16)

The financial statements were approved by the Board of Directors on November 22, 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**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

For the nine month periods ending September 30,

Unaudited

| Expressed in Canadian Dollars | Notes | Three months ended Sept. 30, | | Nine months ended Sept. 30, | |
|--|-------|------------------------------|-------------|-----------------------------|-------------|
| | | 2018 | 2017 | 2018 | 2017 |
| | | \$ | \$ | \$ | \$ |
| General and administrative expenses: | | | | | |
| Professional fees | | (41,902) | (82,737) | (177,959) | (233,195) |
| Salaries | | (15,681) | (15,599) | (62,539) | (86,455) |
| Investor and public relations | | (34,500) | (20,322) | (43,039) | (29,025) |
| Severance payment | | - | - | (210,000) | - |
| Office expenses | | (119,325) | (76,789) | (205,471) | (268,485) |
| Operating loss before other items | | (211,408) | (195,447) | (699,008) | (617,160) |
| Other items: | | | | | |
| Foreign exchange gain/(loss) | | (46,191) | (85,438) | 45,086 | (204,019) |
| Finance income | | 144 | 8,376 | 4,506 | 35,033 |
| Impairment of exploration assets | | - | - | - | - |
| Change in fair value of investments | | - | (1,189,136) | - | (1,189,136) |
| Gain on disposal of marketable securities | | 156,180 | - | 344,037 | - |
| Income tax expense prior year | | - | - | (16,611) | - |
| Total other items | | 110,133 | (1,266,198) | 377,018 | (1,358,122) |
| Total profit/(loss) and comprehensive profit/(loss) for the period | | (101,276) | (1,461,645) | (321,990) | (1,975,282) |
| Earnings/(loss) per share | | | | | |
| Basic and diluted | 6 | (0.002) | (0.031) | (0.006) | (0.028) |

See accompanying notes to the consolidated financial statements

BUCHANS RESOURCES LIMITED**Condensed Interim Consolidated Statements of Changes in Equity****As at September 30, 2018***Unaudited*

Expressed in Canadian Dollars

| | Share Capital \$ | Shares to be issued \$ | Warrants \$ | Retained Earnings \$ | Owner's net Investment \$ | Total \$ |
|---|---------------------------------|---------------------------------------|------------------------|-------------------------------------|--|---------------------|
| Balance as at December 31, 2016 | - | - | - | - | 20,342,040 | 20,342,040 |
| Total comprehensive loss for the period | - | - | - | (1,975,282) | - | (1,975,282) |
| Balance as at September 30, 2017 | - | - | - | (1,975,282) | 20,342,040 | 18,366,758 |
| 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 period | - | - | - | (3,035,317) | - | (3,035,317) |
| Balance as at December 31, 2017 | 22,069,716 | 250,000 | 43,420 | (216,966) | - | 22,146,170 |
| Shares issued | 250,000 | (250,000) | - | - | - | - |
| Total comprehensive loss for the period | - | - | - | (321,990) | - | (321,990) |
| Balance as at September 30, 2018 | 22,319,716 | - | 43,420 | (538,956) | - | 21,824,180 |

See accompanying notes to the consolidated financial statements

BUCHANS RESOURCES LIMITED**Condensed Interim Consolidated Statements of Cash Flow**

For the nine month periods ended September 30,

Unaudited

| Expressed in Canadian Dollars | Notes | 2018 \$ | 2017 \$ |
|--|-------|-------------|-------------|
| Cash flow from operating activities | | | |
| Loss for the period | | (321,990) | (1,975,282) |
| Change in fair value of marketable securities | | - | 1,189,136 |
| Gain on disposal of marketable securities | | (344,037) | - |
| Interest income | | (4,506) | (35,033) |
| | | (670,533) | (821,179) |
| Movements in working capital | | | |
| Increase in trade and other receivables | | (201,617) | 6,023 |
| Decrease in trade and other payables | | 301,984 | 184,284 |
| Net cash used in operating activities | | (570,166) | (630,872) |
| Cash flows from investing activities | | | |
| Interest income | | 4,506 | 35,033 |
| Proceeds on disposal of marketable securities | | 3,487,819 | - |
| Investment in financial assets | | (124,804) | (90,764) |
| Investment in exploration and evaluation assets | | (1,728,799) | (775,481) |
| Transfers to Minco Plc | | - | (292,904) |
| Net cash used in investing activities | | 1,638,722 | (1,124,116) |
| Net decrease in cash and cash equivalents | | 1,068,556 | (1,754,988) |
| Cash and cash equivalents at the beginning of the year | | 3,426,194 | 3,002,645 |
| Cash and cash equivalent at the end of the period | 10 | 4,494,750 | 1,247,657 |

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, 2018
Expressed in Canadian dollars, unless noted and per share amounts

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 nine-month period ended September 30, 2018, the Company recorded a loss of \$321,990, which included a gain on disposal of investments in the amount of \$344,037, and, at that date, had positive cash balances of \$4,494,750. 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 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, 2017 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.

BUCHANS RESOURCES LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
For the nine-month period ended September 30, 2018
Expressed in Canadian dollars, unless noted and per share amounts

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.

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

The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies that are relevant to the Company will be finalized only when the annual IFRS financial statements are prepared for the year ending December 31, 2018. The accounting policies chosen by the Company have been applied consistently to all periods presented.

(a) Accounting Changes

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

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

IFRS Standards issued but not yet effective:

| | |
|----------|---|
| IFRS 2 | Share-based payments |
| IFRS 9 | Financial Instruments |
| IFRS 10 | Consolidated financial statements |
| IFRS 16 | Leases |
| IFRIC 22 | Foreign currency translations and advance consideration |
| IFRIC 23 | Uncertainty Over Income Tax Treatments ("IFRIC 23") |

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

5. 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, 2018 and 2017.

During the nine-month period ended September 30, 2018, the Company paid or accrued \$36,973 to Steenberglaw Professional Corporation, a corporation controlled by Neil Steenberg, secretary of the Company, for legal services.

Included in accounts payable and accrued liabilities at September 30, 2018 is \$3,276 payable to Steenberglaw Professional Corporation for legal services.

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 September 30, 2018 prepaid rent of \$39,000 had been paid by Labrador Iron Mines Limited, a company with some common directors.

BUCHANS RESOURCES LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
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5. RELATED PARTY TRANSACTIONS (CONTINUED)

Effective June 29, 2018, the Company amalgamated Buchans Minerals Corporation, 7980736 Canada Inc. and Centrerock Mining Limited into an amalgamated company named Buchans Minerals Corporation.

The subsidiaries of the Company at September 30, 2018 were as follows:

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

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, 2018 | September 30, 2017 |
|---|----------------------|----------------------|
| | \$ | \$ |
| Numerator | | |
| Loss for the period | (321,990) | (1,975,282) |
| Denominator | No. of Shares | No. of Shares |
| Weighted average number of shares - diluted | 56,528,717 | 47,814,051 |
| Basic and diluted earnings/(loss) per share | <u>(0.006)</u> | <u>(0.041)</u> |

7. SEGMENTAL ANALYSIS

Income (loss) by geographical region is as follows:

| | September 30, 2018 | September 30, 2017 |
|--------------------|--------------------|--------------------|
| | \$ | \$ |
| Canada | (245,975) | (1,815,425) |
| Ireland | (36,304) | (85,536) |
| U.K. | (23,100) | (102,494) |
| Mexico | - | 28,173 |
| Total | <u>(305,379)</u> | <u>(1,975,282)</u> |
| Income tax expense | (16,611) | - |
| Consolidated loss | <u>(321,990)</u> | <u>(1,975,282)</u> |

There was no revenue from operations earned during the nine-month periods ended September 30, 2018 or 2017.

Segment assets and liabilities by geographical segment is as follows:

| | Assets | | Liabilities | |
|----------------------------------|--------------------|-------------------|--------------------|-------------------|
| | September 30, 2018 | December 31, 2017 | September 30, 2018 | December 31, 2017 |
| | \$ | \$ | \$ | \$ |
| Canada | 16,007,405 | 14,263,176 | (609,578) | (290,561) |
| Ireland | 1,027,417 | 836,924 | (86,149) | (104,023) |
| U.K. | 2,771 | 7,078 | (841) | - |
| Mexico (investment in associate) | 988,405 | 863,600 | - | - |
| | <u>18,025,998</u> | <u>15,970,778</u> | <u>(696,568)</u> | <u>(394,584)</u> |
| Cash and cash equivalents | 4,494,750 | 3,426,194 | | |
| Marketable securities | - | 3,143,782 | | |
| Consolidated | <u>22,520,748</u> | <u>22,540,754</u> | <u>(696,568)</u> | <u>(355,235)</u> |

BUCHANS RESOURCES LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
For the nine-month period ended September 30, 2018
Expressed in Canadian dollars, unless noted and per share amounts

7. SEGMENTAL ANALYSIS (CONTINUED)

| | Additions to non-current assets | |
|---------|---------------------------------|--------------------|
| | September 30, 2018 | September 30, 2017 |
| | \$ | \$ |
| Canada | 1,533,560 | 668,548 |
| Ireland | 195,239 | 104,326 |
| U.K. | - | 2,607 |
| | <u>1,728,799</u> | <u>775,481</u> |

8. EXPLORATION AND EVALUATION ASSETS

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

| | September 30 2018 | Additions | December 31 2017 | Impairment | Additions | December 31 2016 |
|-----------|----------------------|------------------|---------------------|--------------------|----------------|---------------------|
| | | | | | | |
| | | | \$ | \$ | \$ | \$ |
| Buchans | 11,075,604 | 1,526,303 | 9,549,301 | - | 594,665 | 8,913,989 |
| Woodstock | 4,630,143 | 7,257 | 4,622,886 | - | 184,657 | 4,438,229 |
| Ireland | 987,613 | 195,239 | 792,374 | - | 193,240 | 599,134 |
| UK | - | - | - | (2,842,933) | - | 2,842,933 |
| Total | <u>16,693,360</u> | <u>1,728,799</u> | <u>14,964,561</u> | <u>(2,842,933)</u> | <u>972,562</u> | <u>16,794,285</u> |

All exploration and evaluation assets are carried at cost less any applicable impairment provision. The Directors reviewed the exploration and evaluation assets at September 30, 2018 and are satisfied that the fair value is not less than the carrying amount and that the exploration projects have potential to achieve mine production and positive cash flows. No impairment provision has been recognized.

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 Buchans Minerals Corp., 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 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., 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.

8. EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

Woodstock – Canada

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

Ireland

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

Buchans, through its wholly owned subsidiary Minco Ireland Limited, has entered into a new joint venture agreement with Boliden Tara Mines on PL 3373, contiguous to the west with PL1440R. Under terms of this agreement, Buchans can earn a 75% joint venture interest through expenditure of €250,000 in staged programmes, by August 31st, 2024. Boliden has the right of off-take to purchase or toll process all ore that may be produced from the Licence area.

Pennines - UK

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

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.

9. INVESTMENT IN ASSOCIATE – NOTE RECEIVABLE

At September 30, 2018, 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 22% shareholding, as at September 30, 2018 based on the market price of Xtierra shares on the TSX Venture Exchange was \$1,200,000.

At September 30, 2018, the Company also had total Notes receivable from Xtierra in the amount of US\$766,477 (\$988,404).

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.

BUCHANS RESOURCES LIMITED
Notes to the Condensed Interim Consolidated Financial Statements
For the nine-month period ended September 30, 2018
Expressed in Canadian dollars, unless noted and per share amounts

10. CASH AND CASH EQUIVALENTS

| | September 30, 2018 | December 31, 2017 |
|---|--------------------|-------------------|
| | \$ | \$ |
| Cash | 4,494,750 | 572,262 |
| Cash equivalents | - | 2,430,383 |
| Immediately available without restriction | <u>4,494,750</u> | <u>3,002,645</u> |

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

| | \$ | \$ |
|------------------|------------------|------------------|
| US Dollars | 123,749 | 107,517 |
| Canadian Dollars | 4,349,261 | 68,225 |
| Euro | 19,724 | 2,803,787 |
| Sterling | 2,016 | 23,116 |
| | <u>4,494,750</u> | <u>3,002,645</u> |

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

11. 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 shares for net proceeds of \$1,947,000 and recorded a loss on disposal of \$523,605.

On June 21, 2018, Dalradian announced that it had entered into an arrangement agreement with Orion Mine Finance whereby Orion agreed to acquire all the outstanding shares of Dalradian by way of a statutory plan of arrangement under the Business Corporations Act (Ontario) for cash consideration of C\$1.47 for each Dalradian Share. Pursuant to the Arrangement, Buchans' remaining 2,372,666 shares of Dalradian were acquired by Orion for proceeds of \$3,487,819 and a gain on disposal of \$344,037 was recorded.

| | Sept. 30, 2018 | Gain on disposals | Disposals | December 31, 2017 | Change in fair value | Loss on disposals | Disposals | August 30, 2017 |
|--------------------------|-------------------|----------------------|--------------------|----------------------|-------------------------|----------------------|--------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Dalradian Resources Inc. | - | 344,037 | (3,487,819) | 3,143,782 | (764,122) | (523,605) | (1,947,000) | 6,378,509 |
| | <u>-</u> | <u>344,037</u> | <u>(3,487,819)</u> | <u>3,143,782</u> | <u>(764,122)</u> | <u>(523,605)</u> | <u>(1,947,000)</u> | <u>6,378,509</u> |

12. TRADE AND OTHER RECEIVABLES

| | September 30, 2018 | December 31, 2017 |
|------------------------|--------------------|-------------------|
| | \$ | \$ |
| Trade receivables | 9,009 | 30,094 |
| Prepaid expenses | 127,330 | 84,138 |
| Sales taxes receivable | 207,895 | 34,140 |
| | <u>344,234</u> | <u>148,371</u> |

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | September 30, 2018 | December 31, 2017 |
|---|--------------------|-------------------|
| | \$ | \$ |
| Trade creditors and accruals | 654,292 | 105,235 |
| Amounts due to related parties (Note 5) | 3,276 | 160,000 |
| Prepaid rent received | 39,000 | 90,000 |
| | <u>696,568</u> | <u>265,235</u> |

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.

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14. 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.

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 | 533,333 | 160,000 |
| Balance at December 31, 2017 | 55,027,384 | 22,069,716 |
| Shares issued as compensation | 833,333 | 250,000 |
| Shares issued further to Investor Rights | 668,000 | - |
| Balance at September 30, 2018 | 56,528,717 | 22,319,716 |

See Note 16.

15. 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.

16. 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 proceeds of the private placement, see Note 14, were 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 being 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. At September 30, 2018, approximately \$1,320,000 had been expended to meet flow-through expenditure commitments.

In connection with the private placement completed in December 2017, Buchans 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, 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. A total of 668,000 shares were issued to the Funds pursuant to this agreement in July 2018 and an additional 668,000 shares were issued to the Funds on October 3, 2018 pursuant to this agreement. See Note 14.

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 September 30, 2018, 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, 2018, 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 September 30, 2018, the Company had cash of \$4,494,750 to settle accounts payable and accrued liabilities of \$657,568. 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.

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Expressed in Canadian dollars, unless noted and per share amounts

17. FINANCIAL INSTRUMENTS (CONTINUED)

The impact of foreign currencies has been determined based on the balances of financial assets and liabilities at September 30, 2018. 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 \$5,000 based on monetary assets and liability balances existing at September 30, 2018.

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 September 30, 2018, would affect the net loss by plus or minus \$45,000 during a one-year period.

18. 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, 2018 and 2017. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.