MINCO EXPLORATION LIMITED

CARVE-OUT CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018, 31 DECEMBER 2017
AND 31 DECEMBER 2016

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INDEX ***PAGE***

Independent Auditor's Report	1
Carve-out Statements of Financial Position	4
Carve-out Statements of Operations and Comprehensive Loss	5
Carve-out Statements of Changes in Equity	6
Carve-out Statements of Cash Flows	7
Notes to the Carve-out Financial Statements	8 -19

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Independent Auditor's Report

To the Directors of Buchans Resources Limited

Opinion

We have audited the carve-out consolidated financial statements of Minco Exploration Limited (the "Company"), which comprise the carve-out consolidated statements of financial position as at December 31, 2018, 2017 and 2016, and the carve-out consolidated statements of loss and comprehensive loss, carve-out consolidated statements of changes in equity and carve-out consolidated statements of cash flow for the years then ended, and notes to the carve-out consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying carve-out consolidated financial statements present fairly, in all material respects, the carve-out consolidated financial position of the Company as at December 31, 2018, 2017 and 2016, and its carve-out consolidated financial performance and its carve-out consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the carve-out consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the carve-out consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the carve-out consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the carve-out consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the carve-out consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of carve-out consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve-out consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the carve-out consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the carve-out consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these carve-out consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the carve-out consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the carve-out consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the carve-out consolidated financial statements, including the disclosures, and whether the carve-out consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Glen McFarland.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
October 28, 2019

MINCO EXPLORATION LIMITED

CARVE-OUT CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018, 2017 AND 2016

Expressed in Euros	Notes	2018	2017	2016
Assets		€	€	€
Current assets				
Cash and cash equivalents	6	15,682	8,899	1,927,377
Trade and other receivables	7	26,880	34,347	36,292
Total current assets		42,562	43,246	1,963,669
Non-current assets				
Exploration and evaluation assets	5	789,054	579,876	2,399,242
Total non-current assets		789,054	579,876	2,399,242
Total assets		831,616	623,122	4,362,911
Equity and liabilities				
Current liabilities				
Trade and other payables	8	52,284	69,166	134,525
Total current liabilities		52,284	69,166	134,525
Shareholder's Equity				
Owner's investment		779,332	553,956	4,228,386
Total shareholder's equity		779,332	553,956	4,228,386
Total shareholder's equity and liabilities		831,616	623,122	4,362,911

COMMITMENTS AND CONTINGENCIES (Notes 3 and 12)

The financial statements were approved by the Board of Directors on 28 October 2019 and signed on its behalf by:

Signed "John F. Kearney", Director

Signed "Patrick Downey", Director

See accompanying notes to the carve-out financial statements

MINCO EXPLORATION LIMITED

CARVE-OUT CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED

Expressed in Euros	Notes	2018	2017	2016
		€	€	€
General and administrative expenses:				
Professional fees		29,298	20,095	18,506
Corporate expense		-	13,699	11,543
Office expenses		14,114	4,281	49,274
Management fee expense	4	143,414	83,008	89,690
Foreign exchange (gain)/loss		1,042	30,342	(35,555)
Loss before other items		187,868	151,425	133,458
Other Items				
Interest income		-	(4,863)	(63,011)
Impairment of exploration expenditures	5	-	1,952,100	-
Total other items		-	1,947,237	(63,011)
Loss before income taxes		187,868	2,098,662	70,447
Income taxes		1,216	15,753	80,292
Total loss and comprehensive loss for the year		189,084	2,114,415	150,739

See accompanying notes to the carve-out financial statements

MINCO EXPLORATION LIMITED

CARVE-OUT CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016

Expressed in Euros

	Owner's Investment €
Balance as at 31 December 2015	5,806,043
Transfers to/from Buchans	(1,426,918)
Total comprehensive loss for the year	(150,739)
Balance as at 31 December 2016	4,228,386
Transfers to/from Buchans	(1,560,015)
Total comprehensive loss for the year	(2,114,415)
Balance as at 31 December 2017	553,956
Transfers to/from Buchans	414,460
Total comprehensive loss for the year	(189,084)
Balance as at 31 December 2018	779,332

See accompanying notes to the carve-out financial statements

MINCO EXPLORATION LIMITED

CARVE-OUT CONSOLIDATED STATEMENTS OF CASH FLOW

FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016

Expressed in Euros	Notes	2018	2017	2016
		€	€	€
Cash flow from operating activities				
Loss for the year		(189,084)	(2,114,415)	(150,739)
Impairment of exploration assets		-	1,952,100	-
		(189,084)	(162,315)	(150,739)
Movements in working capital				
Decrease/(increase) in trade and other receivables		7,468	1,945	(23,940)
(Increase) in trade and other payables		(16,883)	(65,359)	(20,962)
Net cash flows used in operating activities		(198,499)	(225,729)	(195,642)
Cash flows from investing activities				
Investment in exploration and evaluation assets		(209,178)	(132,734)	(186,130)
Net cash flows from/(used in) investing activities		(209,178)	(132,734)	(186,130)
Cash flows from financing activities				
Increase/(decrease) in advances from owners		414,460	(1,560,015)	(1,426,918)
Net cash flows from financing activities		414,460	(1,560,015)	(1,426,918)
Net increase/(decrease) in cash and cash equivalents		6,783	(1,918,478)	(1,808,690)
Effect of foreign exchange rate changes on cash		-	-	325,292
Cash and cash equivalents at the beginning of the year		8,899	1,927,377	3,410,775
Cash and cash equivalent at the end of the year	**6**	15,682	8,899	1,927,377

See accompanying notes to the carve-out financial statements

1. BASIS OF PRESENTATION

These carve-out financial statements reflect the financial position, statement of operations and comprehensive loss, equity and cash flows related to assets and liabilities (the "Minco Exploration Net Assets") ("Minco") which were transferred to Minco Exploration Limited ("Minco Exploration" or "the Company") by its parent company Buchans Resources Limited ("Buchans") in 2019, and which had been previously transferred to Buchans Resources Limited by its then parent company, Minco plc in 2017 and 2015.

As Minco Exploration has not historically prepared financial statements for the Minco Exploration Net Assets, and Minco Exploration did not exist as a legal entity prior to 31 December 2018, the carve-out financial statements have been prepared from the financial records of Buchans on a carve-out basis. The Carve-out Statements of Financial Position include all of the Minco Exploration Net Assets. The Carve-out Statements of Operations and Comprehensive Loss for each of the years ended 31 December 2018, 2017 and 2016 reflect all expenses and other income directly attributable to the Minco Exploration Net Assets, and an allocation of Buchans and Minco's general and administrative expenses incurred in each of those years, presented as management fees, as these expenditures were shared by the Minco Exploration Net Assets. In some instances, certain expenses were not allocated as they would have related directly to Buchans or Minco. All inter-entity balances and transactions have been eliminated.

The carve-out financial statements were approved by the Board of Directors of Minco Exploration on 28 October 2019.

The carve-out financial statements of Minco Exploration have been prepared applying principles in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB").

These carve-out financial statements have been prepared based upon the historical cost amounts recorded by Buchans and Minco, with the exception of certain financial instruments measured at fair value. These carve-out financial statements may not be indicative of Minco Exploration financial performance and do not necessarily reflect what its financial position, results of operations, and cash flows would have been had Minco Exploration operated as an independent entity during the years presented.

2. NATURE OF OPERATIONS AND GOING CONCERN

Minco Exploration Plc (the "Company" or "Minco Exploration") was incorporated on 28 May 2019 under the laws of Ireland. The Company is a wholly owned subsidiary of Buchans Resources Limited. The Company has interests in exploration and evaluation properties located in Ireland and the United Kingdom. Substantially all of the Company's efforts are devoted to financing and developing these properties. The Company's head office is located at Coolfore Road QME, Ardbraccan, Navan, Co. Meath, Ireland.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. The Company's properties may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and regulatory, environmental and social requirements.

Minco Exploration has incurred losses in all periods provided and has a working capital deficiency at 31 December 2018. Minco Exploration has been dependent on its parent company, Buchans, to provide financing cash flows to date. There can be no assurance that financing activities will continue, or if the Company will be able to arrange other sources of financing. These results represent material uncertainty and cast significant doubt about the ability of Minco Exploration to continue as a going concern. These consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Relationship with Buchans

Buchans' net investment in Minco Exploration is shown as owner's net investment in these carve-out financial statements, as Minco Exploration was not a separate legal entity for the entire period presented. Changes in owner's net investment include net (loss)/income and net transfers to and from Buchans.

(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 31 December 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.

(c) 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 as an intangible asset 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.

(d) 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 31 December 2018, 2017 and 2016.

(e) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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 31 December 2018, 2017 and 2016, no joint arrangement existed for accounting purposes.

(g) 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.

(h) Financial instruments

Accounting policy under IFRS 9 applicable from 1 January 2018

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either FVPL or FVOCI, and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Accounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of operations.

Subsequent measurement – financial assets at Fair Value through Profit and Loss (“FVPL”)

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations. The Company measures its marketable securities at FVPL.

Subsequent measurement – financial assets at Fair Value through Other Comprehensive Income (“FVOCI”)

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive loss in the consolidated statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statements of operations when the right to receive payments is established.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company’s only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accruals, notes payable and other liability of subsidiary, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of operations.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of operations.

Accounting policy under IAS 39 applicable prior to 1 January 2018

The accounting policy under IAS 39 for the comparative information presented in respect of financial assets and liabilities, was similar to the accounting policy adopted in 2018. The policy was as follows:

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.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (continued)

Impairment of financial assets (continued)
An impairment loss in respect of (continued) 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.

(i) Functional and presentation currencies
The Company's presentation currency is the Euro ("€"). The functional currency of the Company and its subsidiaries is the Euro. 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.

(j) 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.

(k) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

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 1.

(l) Income taxes

Minco Exploration Plc is not a legal entity and as such is not a standalone taxable entity. Current and deferred income taxes and income tax expense have been recognized in the carve-out financial statements as if Minco Exploration Plc was a separate taxable entity, using a standalone taxpayer approach. Income tax expense is comprised of current and deferred income tax. Current and deferred income taxes are recognized in net loss except to the extent that they relate to a business combination, or to items recognized directly in equity or other comprehensive income.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Changes in Accounting Policies

During the year ended 31 December 2018, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 2, IFRS 9 and IFRIC 22. These new standards and changes did not have any material impact on the Company's financial statements.

IFRS 9, *Financial Instruments*

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

	Financial instrument classification	
	Under IAS 39	**Under IFRS 9**
Financial assets		
Cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Notes receivable	Loans and receivables	Amortized cost
Marketable securities	Held for trading	FVPL
Financial liabilities		
Trade and other payables	Other financial liabilities	Amortized cost

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the years ended 31 December 2017 and 2016 were accounted for in accordance with the Company's previous accounting policy under IAS 39. Note 4 (i) outlines the current and previous accounting policies pertaining to financial instruments.

(n) New standards and interpretations not yet adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after 1 January 2019. 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.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IFRS 3 – Business Combinations ("IFRS 3") was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IFRS 3 – Business Combinations ("IFRS 3") and IFRS 11 – Joint Arrangements ("IFRS 11") were amended in December 2017. IFRS 3 was amended to clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, it re-measures previously held interests in that business. IFRS 11 was amended to clarify that when a party that participates in, but does not have joint control of, a joint operation obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) New standards and interpretations not yet adopted (continued)

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 1 January 2019.

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 1 January 2019.

4. RELATED PARTY TRANSACTIONS

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

No fees were paid by the Company to directors for their services as directors of the Company in the years ended 31 December 2018, 2017 and 2016.

These carve-out financial statements include an allocation of general and administrative expenses estimated to relate to the Company and presented as management fees in the statement of loss.

The subsidiaries of the Company at 31 December 2018 were as follows:

Name of Company	Registered office	Effective Holding	Principal Activity
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

5. EXPLORATION AND EVALUATION EXPENDITURES ASSETS

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

	31 December 2018	Additions	31 December 2017	Impairment	Additions	31 December 2016
	€	€	€	€	€	€
Navan	348,310	6,717	341,593	-	64,172	277,421
Moate	251,530	13,247	238,283	-	68,562	169,721
Kells	80,979	80,979	-	-	-	-
Slieve Dart	108,235	108,235	-	-	-	-
Pennines	-	-	-	(1,952,100)	-	1,952,100
Total	789,054	209,178	579,876	(1,952,100)	132,734	2,399,242

All exploration and evaluation assets are carried at cost less any applicable impairment provision. No impairment provision was recognized at 31 December 2018. An impairment review of the exploration and evaluation assets carried out at 31 December 2017 resulted in a provision in the amount of €1,952,100 being 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.

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 statement of financial position would be written off. By its nature there is inherent uncertainty in such expenditure as to the value of the asset.

Ireland
The Company, through its wholly owned subsidiary Minco Ireland Limited, holds two Prospecting Licenses, 1228 and 1229, in County Westmeath, Ireland. Under the terms of these licences, Minco is required to spend a total of €150,000 in staged programmes, by March 1, 2024.

The Company holds indirectly a 20% interest in Licence 1440R (Tatestown), which is being explored under a Joint Venture agreement with Boliden Tara Mines Limited (80%), and which hosts part of the Tatestown–Scallanstown zinc-lead mineral deposit located adjacent to Boliden's large Tara zinc-lead mine at Navan, County Meath, about 50 km northwest of Dublin.

The Company, through its wholly owned subsidiary Minco Ireland Limited, has entered into a joint venture agreement with Boliden Tara Mines on PL 3373, at Kells near Navan, County Meath, contiguous to the west with PL 1440R. Under the terms of this agreement, the Company can earn a 75% joint venture interest through expenditures of €250,000 in staged programmes, by March 2024. Boliden has the right of off-take to purchase or toll process all ore that may be produced from the license area.

The Company, through its wholly owned subsidiary Minco Ireland Limited, has entered into an agreement with Boliden Tara Mines, subject to the approval of the Minister, on twelve licenses at Slieve Dart in County Galway. Minco can earn a 50% interest through expenditure of €385,000 in staged programmes, by 31 July 2024. During 2018, the Company incurred expenditures of €108,235 with respect to the licences and earned the right to a 20% joint venture interest. Boliden has the right of off-take to purchase or toll process all ore that may be produced from the license area.

Pennines - UK
The Company, through its wholly owned subsidiary Minco Mining Limited, previously 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 €1,952,100 was recorded at 31 December 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.

6. CASH AND CASH EQUIVALENTS

	2018	2017	2016
	€	€	€
Cash	15,682	8,899	1,927,377
Immediately available without restriction	15,682	8,899	1,927,377

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

	2018	2017	2016
	€	€	€
Euro	11,788	1,429	48,240
Sterling	2,041	6,872	16,345
US Dollars	1,853	598	1,862,792
	15,682	8,900	1,927,377

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.

7. TRADE AND OTHER RECEIVABLES

	2018	2017	2016
	€	€	€
Trade receivables and prepayments	1,216	20,689	17,625
Sales taxes receivable	25,664	13,658	18,667
	26,880	34,347	36,292

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017	2016
	€	€	€
Trade creditors and accruals	52,284	69,166	134,525
	52,284	69,166	134,525

9. 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.

10. 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 carrying amounts for cash, marketable securities, amounts receivable and accounts payable and accrued liabilities on the consolidated statements of financial position approximate fair value because of the limited term of these instruments. The marketable securities are stated at the quoted market value.

Interest rate risk
The Company 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.

10. FINANCIAL INSTRUMENTS (CONTINUED)

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.

Fair Value Hierarchy and Liquidity Risk Disclosure
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 31 December 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.

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 31 December 2018, the Company had cash of €15,682 to settle accounts payable and accrued liabilities of €52,284 (2017- €69,166). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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.

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.

Foreign currency risk
Although the Company is incorporated in Ireland, the Company has operations in UK, none of which presently generate cash from operations, and holds cash investments in US Dollars, Euros or Sterling. The functional currencies of the majority of the Company's operations are the Euro and UK Sterling; the reporting currency of the Company is the Euro. 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 31 December 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 and UK Sterling exchange rate will not lead to material impact on net income.

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.

As at 31 December 2018, the carrying value of the Company's financial instruments approximate their fair value.

11. 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.

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 31 December 2018, 2017 and 2016. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

12. SUBSEQUENT EVENTS

Reorganization of subsidiaries

In June 2019, in a group reorganization, the Company acquired the shares and receivables in subsidiaries from its parent company, Buchans, in consideration for the issue of 600,000 ordinary shares of €1.00 each at a deemed fair value of €2,625,000.

The owner's net investment in these carve-out financial statements is recorded as Buchans' net investment in these assets, as the Company was not a separate legal entity for the entire period presented. Changes in owner's net investment include net income/(loss) and net transfers to and from Buchans at the book values recorded by Buchans.

On October 3, 2019, the authorised capital of the Company was subdivided into 100,000,000 ordinary shares of €0.01 each. Subsequently on October 28, 2019, 141,284 subdivided shares previously issued to Buchans were canceled, resulting in a total of 59,868,716 ordinary shares outstanding at that date.

On October 28, 2019, the Company entered into an Arrangement Agreement with Buchans and Canadian Manganese Company Inc. to effect a Plan of Arrangement involving a group reorganisation whereby Buchans agreed to distribute to its shareholders, pro rata, all of the shares of Canadian Manganese Company Inc.; and exchangeable warrants entitling such shareholders to receive shares of the Company or additional shares of Buchans, at their option.

Under the Plan of Arrangement, if approved, one share of Canadian Manganese and one Buchans exchangeable warrant will be issued to Buchans shareholders for each Buchans share held, with such exchangeable warrant entitling such shareholders to acquire one share of the Company or 0.25 additional shares of Buchans for each exchangeable warrant held. Any exchangeable warrants which remain unexercised on the first anniversary of the date the Plan of Arrangement becomes effective will be automatically exchanged for shares of the Company.