# MINCO EXPLORATION PLC

## GROUP FINANCIAL STATEMENTS

### 31 DECEMBER 2019 AND 31 DECEMBER 2018

# MINCO EXPLORATION PLC

## GROUP FINANCIAL STATEMENTS

### 31 DECEMBER 2019 AND 31 DECEMBER 2018

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES

**For the period ended 31 December 2019**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable Irish law and regulations.

Irish company law requires the directors to prepare financial statements for each financial period. Under that law, the directors have elected to prepare the financial statements in accordance with Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the profit or loss of the company for that financial year and otherwise comply with the Companies Act 2014. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' Report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the board:

| | |
|---|---|
| *"John F. Kearney"* | *"Danesh Varma"* |
| .............................. | .............................. |
| John F. Kearney | Danesh Varma |
| Director | Director |

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MINCO EXPLORATION PLC

**Opinion**

We have audited the financial statements of Minco Exploration Plc (the 'Company') and its subsidiaries (the 'Group') for the period ended 31 December 2019 which comprise the Group Statement of Financial Position, Company Statement of Financial Position, Group Statement of Income and Comprehensive Income, Group Statement of Changes in Equity, Company Statement of Changes in Equity, Group Statement of Cash Flows and Company Statement of Cash Flows and related notes. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion:

- the group financial statements give a true and fair view of the assets, liabilities and financial position of the group as at 31 December 2019 and of the group's loss for the period then ended;
- the company financial statements give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2019; and
- the group and the company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. 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 financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and 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.

**Emphasis of matter – Going concern**

In forming our opinion of the financial statements, we have considered the adequacy of the disclosures made in note 4 to the financial statements, concerning the Group and Company's ability to continue as a going concern. These matters include assumptions regarding the availability of finance to meet working capital requirements of the Group and finance for the development of the Group's projects becoming available.

While the ultimate outcome of these matters cannot be assessed with certainty at this time, the directors are of the opinion that, based on their experience in the industry that such finance will become available and that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not contain any adjustments that would result if the Group and Company was unable to continue as a going concern.

Our opinion is not qualified in this regard.

**Overview of our audit approach**

**Key audit matters**

Key audit matters are those matters, that in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matters were as follows:

- assessment of the carrying value of exploration and evaluation assets; and
- assessment of the carrying value of investments

There is a significant risk in relation to the recoverability of intangible assets and the investments in subsidiaries given the subjective considerations in performing impairment analyses, which the Directors are required to perform at any time an indicator of impairment exists. The Directors have carried out a review of the carrying value of the intangible assets and of the investments as at 31 December 2019 and no impairment exists at this time.

In addressing the matters, our audit procedures included:

- Review of the directors' impairment assessments and corroboration of the information therein during the course of the audit.

**Audit scope**

- We performed an audit of the complete financial information of the parent company and all its component entities for the period under review.
- We paid particular attention to these components due to the reorganisation that took place during the period under review arising from the spin out of the Minco Exploration Plc assets from Buchans Resources as referenced in Note 2 to the financial statements.

**Our application of materiality and overview of the scope of our audit**

Materiality for the Group financial statements was set at €14,000, determined as a percentage of Group net assets of which it represents 2.03%. We consider net assets to be the most appropriate reference point as it reflects the nature of the business as a mineral resource exploration and evaluation group of companies.

Materiality for the Company financial statements was set at €6,500, determined as a percentage of the Company net assets excluding investments in subsidiaries of which it represents 1.99%.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

**Opinions on other matters prescribed by the Companies Act 2014**

Based solely on the work undertaken in the course of the audit, we report that in our opinion:

- the information given in the Directors' Report is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit

In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited, and the financial statements are in agreement with the accounting records.

**Matters on which we are required to report by exception**

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

We have nothing to report in respect of our obligation under the Companies Act 2014 to report to you if, in our opinion, the disclosures of director's remuneration and transactions specified by sections 305 to 312 of the Act are not made.

**Responsibilities of directors for the financial statements**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the 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 ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA’s website at: http://www.iaasa.ie/Publications/Auditing-standards/International-Standards-on-Auditing-for-use-in-Ire/International-Standards-on-Auditing- (Ireland)/ISA-700-(Ireland). This description forms part of our auditor’s report.

**The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Company’s members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

**Michael Bellew (Statutory Auditor)**

**for and on behalf of UHY Farrelly Dawe White Limited**

**Chartered Certified Accountants**
**Statutory Auditor**
FDW House
Blackthorn Business Park
Coe’s Road
Dundalk
Co. Louth
Ireland

**MINCO EXPLORATION PLC**
**GROUP STATEMENT OF LOSS AND COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 AND 2017**

| Expressed in Euros | Notes | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| | | € | € | € |
| General and administrative expenses: | | | | |
| Professional fees | | 82,094 | 29,298 | 20,095 |
| Shareholders and investors expense | | 11,471 | 4,671 | 13,699 |
| Office expenses | | 24,432 | 14,114 | 4,281 |
| Foreign exchange (gain)/loss | | (792) | 1,042 | 30,342 |
| Management fee | | - | 138,743 | 83,008 |
| Loss before other items | | 117,205 | 187,868 | 151,425 |
| Other items | | | | |
| Interest income | | - | - | (4,863) |
| Impairment of exploration expenditures | | - | - | 1,952,100 |
| Total other items | | - | - | 1,947,237 |
| Loss before income taxes | | 117,205 | 187,868 | 2,098,662 |
| Income taxes | | - | 1,216 | 15,753 |
| Loss for the year | | 117,205 | 189,084 | 2,114,415 |

See accompanying notes to the group financial statements

**MINCO EXPLORATION PLC**

**GROUP STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2019, 2018 AND 2017**

| Expressed in Euros | Notes | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| **Assets** | | **€** | **€** | **€** |
| **Non-current assets** | | | | |
| Exploration and evaluation assets | **9** | 1,030,204 | 789,054 | 579,876 |
| Total non-current assets | | 1,030,204 | 789,054 | 579,876 |
| **Current assets** | | | | |
| Cash and cash equivalents | **12** | 17,872 | 15,682 | 8,899 |
| Trade and other receivables | **11** | 44,338 | 26,880 | 34,347 |
| Total current assets | | 62,210 | 42,562 | 43,246 |
| **Total assets** | | 1,092,414 | 831,616 | 623,122 |
| **Equity and liabilities** | | | | |
| **Capital and reserves** | | | | |
| Owner's investment | | - | 779,332 | 553,956 |
| Share capital | **14** | 2,625,000 | - | - |
| Retained deficit | | (1,937,873) | - | - |
| Total shareholder's equity | | 687,127 | 779,332 | 553,956 |
| **Current liabilities** | | | | |
| Trade and other payables | **13** | 405,287 | 52,284 | 69,166 |
| Total current liabilities | | 405,287 | 52,284 | 69,166 |
| **Total equity and liabilities** | | 1,092,414 | 831,616 | 623,122 |

The financial statements were approved by the Board of Directors on 30 June 2020 and signed on its behalf by:

*"John F. Kearney"*
Director

*"Patrick Downey"*
Director

See accompanying notes to the group financial statements

**MINCO EXPLORATION PLC**
**COMPANY STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2019 AND 2018**

| Expressed in Euros | **Notes** | **2019** |
|---|---|---|
| **Assets** | | **€** |
| | | |
| **Non-current assets** | | |
| Investment in subsidiaries | **10** | 2,196,207 |
| Group Company receivables | | 428,793 |
| Total non-current assets | | 2,625,000 |
| | | |
| **Current assets** | | |
| Cash and cash equivalents | | - |
| Trade and other receivables | **11** | 357 |
| Total current assets | | 357 |
| | | |
| **Total assets** | | 2,625,357 |
| | | |
| **Equity and liabilities** | | |
| | | |
| **Capital and reserves** | | |
| Share capital | **14** | 2,625,000 |
| Retained deficit | | (102,938) |
| Total shareholder's equity | | 2,522,062 |
| | | |
| **Current liabilities** | | |
| Trade and other payables | **13** | 103,295 |
| Total current liabilities | | 103,295 |
| | | |
| **Total equity and liabilities** | | 2,625,357 |

The financial statements were approved by the Board of Directors on 30 June 2020 and signed on its behalf by:

*"John F. Kearney"*
Director

*"Patrick Downey"*
Director

See accompanying notes to the group financial statements

**MINCO EXPLORATION PLC**
**GROUP STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 AND 2017**

Expressed in Euros

| | Share capital | Retained deficit | Owner's investment | Total |
|---|---|---|---|---|
| | € | € | € | € |
| Balance as at 31 December 2016 | - | - | 4,228,386 | 4,228,386 |
| Transfers to/from Buchans | - | - | (1,560,015) | (1,560,015) |
| Total comprehensive loss for the year | - | - | (2,114,415) | (2,114,415) |
| Balance as at 31 December 2017 | - | - | 553,956 | 553,956 |
| Transfers to/from Buchans | - | - | 414,460 | 414,460 |
| Total comprehensive loss for the year | - | - | (189,084) | (189,084) |
| Balance as at 31 December 2018 | - | - | 779,332 | 779,332 |
| Transfers to/from Buchans | - | - | 25,000 | 25,000 |
| Reorganization (Note 2) | 2,625,000 | (1,820,668) | (804,332) | - |
| Total comprehensive loss for the year | - | (117,205) | - | (117,205) |
| Balance as at 31 December 2019 | 2,625,000 | (1,937,873) | - | 687,127 |

**MINCO EXPLORATION PLC**
**COMPANY STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2019**

Expressed in Euros

| | Share capital | Retained deficit | Total |
|---|---|---|---|
| | € | € | € |
| Shares issued (Note 2) | 2,625,000 | - | 2,625,000 |
| Total comprehensive loss for the period | - | (102,938) | (102,938) |
| Balance as at 31 December 2019 | 2,625,000 | (102,938) | 2,522,062 |

***Share capital***

The share capital is comprised of share capital issued for cash and non-cash considerations.

***Owner's investment***

For the year ended 31 December 2018, Buchans' net investment in Minco Exploration is shown as owner's net investment in these financial statements as Minco Exploration was not a separate legal entity for the period presented.

***Retained deficit***

Retained deficit comprise accumulated profit and loss in the current and prior years. Retained deficit also includes the value of expired and terminated share-based payments.

See accompanying notes to the group financial statements

**MINCO EXPLORATION PLC**

**GROUP STATEMENT OF CASH FLOW**

**FOR THE YEARS ENDED 31 DECEMBER 2019, 2018 AND 2017**

| Expressed in Euros | Notes | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| | | € | € | € |
| **Cash flow from operating activities** | | | | |
| Loss for the year | | (117,205) | (189,084) | (2,114,415) |
| Impairment of exploration expenditures | | - | - | 1,952,100 |
| | | (117,205) | (189,084) | (162,315) |
| **Movements in working capital** | | | | |
| (Increase)/decrease in trade and other receivables | | (17,457) | 7,468 | 1,945 |
| Decrease/(increase) in trade and other payables | | 144,917 | 10,998 | (65,359) |
| Net cash flows used in operating activities | | 10,255 | (170,618) | (225,729) |
| | | | | |
| **Cash flows from/used investing activities** | | | | |
| Investment in exploration and evaluation assets | **9** | (33,065) | (237,059) | (132,734) |
| Net cash flows from/(used in) investing activities | | (33,065) | (237,059) | (132,734) |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Increase/(decrease) in advances from owners | | 25,000 | 414,460 | (1,560,015) |
| Net cash flows from financing activities | | 25,000 | 414,460 | (1,560,015) |
| | | | | |
| Net increase/(decrease) in cash and cash equivalents | | 2,190 | 6,783 | (1,918,478) |
| Cash and cash equivalents at the beginning of the year | | 15,682 | 8,899 | 1,927,377 |
| Cash and cash equivalent at the end of the year | **12** | 17,872 | 15,682 | 8,899 |

See accompanying notes to the group financial statement

**MINCO EXPLORATION PLC**

**COMPANY STATEMENT OF CASH FLOW**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

| Expressed in Euros | **Notes** | **2019** |
|---|---|---|
| | | **€** |
| **Cash flow from operating activities** | | |
| Loss for the year | | (102,938) |
| Foreign exchange translation reserve | | - |
| Impairment of investment | | - |
| | | (102,938) |
| **Movements in working capital** | | |
| (Increase)/decrease in trade and other receivables | | (357) |
| Decrease/(increase) in trade and other payables | | 103,295 |
| Net cash flows used in operating activities | | - |
| | | |
| **Cash flows from investing activities** | | |
| Investment in subsidiaries | | - |
| Advances to subsidiaries | | - |
| Net cash flows from/(used in) investing activities | | - |
| | | |
| **Cash flows from financing activities** | | |
| Issue of shares | | - |
| Net cash flows from financing activities | | - |
| | | |
| Net increase/(decrease) in cash and cash equivalents | | - |
| Effect of foreign exchange rate changes on cash | | - |
| Cash and cash equivalents at the beginning of the year | | - |
| Cash and cash equivalent at the end of the year | | - |

See accompanying notes to the group financial statement

## 1. BASIS OF PRESENTATION AND COMPLIANCE

Minco Exploration Plc ("Minco Exploration" or the "Company") was incorporated in Ireland on 28 May 2019 as a wholly owned subsidiary of Buchans Resources Limited ("Buchans") to acquire the shares and receivables in subsidiaries from Buchans, its parent company. At 31 December 2019 Buchans held all of the shares of the Company for distribution to its shareholders. See Note 2.

Minco Exploration and its subsidiaries, (Norsub Limited, Minco Ireland Limited, Minco Mining Limited and Westland Exploration Limited (the "Minco Subsidiaries" and collectively with Minco Exploration the "Group") has interests in exploration and evaluation properties located in Ireland and the United Kingdom. The Minco Subsidiaries had been subsidiaries of Minco plc prior to August 30, 2017 (See Note 2) and have been carrying on the business of exploring and evaluation of mineral properties in Ireland since 1995. Substantially all of the Group's efforts are devoted to financing and exploring its mineral properties.

The Company's head office is located at Coolfore Road, Ardbraccan, Navan, Co. Meath, Ireland and the address of its registered office is 17 Pembroke Street Upper, Dublin 2, Ireland D02 AT22.

In June 2019, in a group reorganization of Buchans, the Company acquired the shares and receivables in subsidiaries from its parent company, Buchans, in consideration for the issue of 59,868,716 ordinary shares of €0.01 each at a deemed value of €2,625,000.

These consolidated financial statements reflect the financial position, statement of loss and comprehensive loss, equity and cash flows related to assets and liabilities of Minco Exploration (the "Minco Exploration Net Assets") which were transferred by its parent company Buchans in 2019. See Note 2.

As Minco Exploration had not historically prepared financial statements for the Minco Exploration Net Assets, and Minco Exploration did not exist as a legal entity prior to 28 May 2019, the financial statements have been prepared from the financial records of Buchans on a carve-out basis. The Statements of Financial Position include all of the Minco Exploration Net Assets. The Statements of Loss and Comprehensive Loss for the years ended 31 December 2019, 2018 and 2017 reflects all expenses and other income directly attributable to the Minco Exploration Net Assets, and an allocation of Buchans and Minco Exploration's general and administrative expenses incurred 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 Exploration. All inter-entity balances and transactions have been eliminated.

The owner's net investment in these consolidated financial statements prior to establishment of the Company is recorded as Buchans' net investment in these assets, as the Company was not a separate legal entity for the entire reporting 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 acquisition of the assets from Buchans for shares of the Company, the owner's investment was reclassified as share capital and deficit.

These financial statements have been prepared based upon the historical cost amounts recorded by Buchans and Minco Exploration, with the exception of certain financial instruments measured at fair value. These 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 entire financial statement reporting periods presented.

The financial statements of Minco Exploration and its subsidiaries have been prepared applying principles in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and their interpretations adopted by the International Accounting Standards Board ("IASB") and comply with Article 4 of the EU IAS Regulation, and in accordance with the Companies Act 2014.

The financial statements were approved by the Board of Directors of Minco Exploration on 30 June 2020.

## 2. GROUP REORGANIZATIONS

Buchans was incorporated on May 8, 2015 under the laws of the Province of Ontario, Canada as a wholly-owned subsidiary of Minco plc to hold all of the assets of Minco plc, including the Minco Subsidiaries, but excluding Minco plc's 2% net smelter return royalty on the Curraghinalt gold deposit in Northern Ireland. Minco plc was a public company incorporated in Ireland and its shares were traded on the Alternative Investment Market (AIM) of the London Stock Exchange until August 30, 2017.

On June 1, 2017, Minco plc and Buchans entered into an agreement with Dalradian Resources Inc. on the terms of the acquisition by Dalradian of Minco plc's 2% 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 plc (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 plc undertook a demerger of Buchans, its wholly owned subsidiary, by way of a transfer in specie of the shares of Buchans to Minco plc Shareholders (the "Demerger") effective August 30, 2017.

## 2. GROUP REORGANIZATIONS (CONTINUED)

On 28 October 2019, the Company entered into an Arrangement Agreement with Buchans (the Company's sole shareholder at that time) 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.

On 31 December 2019, Buchans filed Articles of Arrangement to implement the Plan of Arrangement for the group reorganization and spin-out of subsidiaries, which had been approved by Buchan's shareholders on 10 December 2019, and by the Ontario Superior Court of Justice on 19 December 2019.

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

i. all of the shares of Canadian Manganese Company Inc. ("Canadian Manganese") on the basis of one share of Canadian Manganese for each share of Buchans held; and

ii. exchangeable warrants ("Exchangeable Warrants") entitling shareholders to receive either one share of Minco Exploration ("the Minco Share") or 0.25 additional shares of Buchans, at the shareholder's option, for each share of Buchans held. Any Exchangeable Warrants which remain unexercised on the expiry date, as defined, will be automatically exchanged for shares of Minco Exploration.

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

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) 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 deconsolidated 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 group 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of consolidation (continued)

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 income/ (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 IFRS 9 *financial instruments* or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

### (b) Exploration and evaluation assets

Exploration expenditure relates to the search for economic mineral deposits. Evaluation expenditure arises from a detailed assessment of mineral 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 and evaluation costs are capitalised as an intangible asset until technical feasibility and commercial viability of a mineral deposit, 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.

### (c) 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. Minco Exploration 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 2019, 2018 and 2017.

### (d) 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.

### (e) 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 2019, 2018 and 2017, no joint arrangement existed for accounting purposes.

### (f) Cash and cash equivalents

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.

### (g) Financial instruments

**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 fair value through profit and loss ("FVPL") or fair value through other comprehensive income ("FVOCI"), or "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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Financial instruments (continued)

**Financial assets (continued)**

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.

Cash and trade and other receivable 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 group statements of loss.

**Subsequent measurement – 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 group statements of financial position with changes in fair value recognized in other income or expense in the group statements of loss. The Company measures its cash equivalents at FVPL.

**Subsequent measurement – 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 group 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 group 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 consolidated 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.

**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 group statements of loss.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Financial instruments (continued)

**Financial Liabilities (continued)**

**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 group statements of loss.

### (h) 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 group statement of loss.

### (i) Critical accounting judgements and key sources of estimation uncertainty

*Preparation of financial statements*
The preparation of 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 Company existed in its reorganised form for the financial statement reporting periods presented. See Note 3.

*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.

*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. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material effect in the future on the Company's financial position and results of operation.

*Exploration and evaluation 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 Ireland. The business of 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 mineral deposits, the achievement of profitable operations, and on 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. 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 availability
- price volatility of publicly traded securities
- fluctuating metal prices

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

There has been no determination whether the Company's interests in its exploration and evaluation assets contain mineral resources which are economically recoverable. The recoverability of these exploration and evaluation assets is dependent on the discovery and successful development of economic mineral deposits, including the ability to raise financing to develop future projects. Major expenditures are required to locate and establish mineral deposits, to develop metallurgical processes and to construct mining and processing facilities. Should this prove unsuccessful, the value exploration and evaluation assets included in the statement of financial position would be written off to operations.

In order for the Company to carry out its exploration and evaluation activities, the Company is required to hold various licences and permits. There is no assurance that the Company's existing licences will be renewed or that new licences that have been applied for will be granted. The Group's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards.

*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 rehabilitation provisions and asset retirement obligations and the timing of expenditure*
The estimated future costs associated with legal and constructive obligations relating to the reclamation, rehabilitation and closure of exploration assets are updated annually during the life of a project 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.

*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.

### (j) Taxation

Current 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.

### (k) Changes in Accounting Policies

During the year ended December 31, 2019, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 3, IFRS 16 and IFRIC 23. These new standards and changes did not have any material impact on the Company's financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) 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 January 1, 2020. 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.

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 consolidation of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or consolidation of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

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.

## 4. GOING CONCERN

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 Group and finance for the development of the Group's projects becoming available. Should the going concern basis not be appropriate, adjustments would have to be made to reduce the value of the assets, in particular the exploration and evaluation assets, to their realisable values. Such adjustments could be material.

The Company's continued existence is dependent upon its ability to obtain necessary financing to continue exploration and evaluation of its assets and to complete development and future profitable production or upon proceeds from disposition. If the Company is unable to obtain adequate additional financing, the Company may be required to discontinue operations and exploration activities.

At December 31, 2019, the Company had a working capital deficiency, had not achieved profitable operations, had an accumulated deficit since inception and expects to incur further losses in the development of its business. Prior to 31 December 2019, the Company had been dependent on its parent company, Buchans, to provide financing cash flows. Going forward the Company will have to rely on equity financing to generate additional financial resources to fund its working capital requirements and to fund its planned exploration programs. There are no assurances that the Company will continue to obtain additional financial resources and/or achieve positive cash flows or profitability. Based on the assumptions that such finance will become available, the Directors believe that the going concern basis is appropriate for group financial statements, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. These circumstances represent material uncertainty and cast significant doubt about the ability of Minco Exploration to continue as a going concern.

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

Expressed in Euros, unless noted and per share amounts

## 5. RELATED PARTY TRANSACTIONS

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

**Remuneration of key management personnel**
No fees were paid by the Company to directors for their services as directors of the Company in the years ended 31 December 2019, 2018 and 2017.

Amounts are advanced from the Company to subsidiary companies to finance exploration and evaluation costs and other operating expenses. These amounts are unsecured, non-interest bearing and repayable on demand.

At 31 December 2019, the Company accrued €74,042 payable to Buchans covering an allocation of administration costs and services and inter-company advances.

## 6. INCOME TAX EXPENSE

a) Income Taxes

No charge to corporation tax arises in the current financial year or the prior financial year.

b) Deferred Income Taxes

At the balance sheet date, the Group had unused tax losses of €3,268,310. The deferred tax asset has not been recognised due to the unpredictability of future profits. Losses may be carried forward indefinitely.

The actual charge for the period can be reconciled to the expected credit for the period based on the profit or loss and the standard rate of tax as follows:

| | **2019** |
|---|---|
| | **€** |
| Loss before taxation | (117,205) |
| Expected tax credit based on the standard rate of corporation tax at 12.5% | (14,650) |
| Tax effect of unutulised losses carried forward | 14,650 |
| Taxation (credit)/charge for the period | - |

## 7. 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 the effect of the outstanding share options is anti-dilutive and is therefore excluded. The computation for basic and diluted loss per share is as follows:

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| | **€** | € | € |
| **Numerator** | | | |
| Gain/(loss for the year) | (117,205) | - | - |
| **Denominator** | **No. of Shares** | **No. of Shares** | **No. of Shares** |
| Weighted average number of shares - basic and diluted | 59,868,716 | - | - |
| Basic and diluted (loss) per share | (0.002) | - | - |

Expressed in Euros, unless noted and per share amounts

## 8. AUDITORS' REMUNERATION

The analysis of auditors' remuneration is as follows:

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| | **€** | € | € |
| **Group** | | | |
| Audit fees | **6,500** | 6,500 | 4,500 |
| Other non-audit services | **569** | - | - |
| | **7,069** | 6,500 | 4,500 |

## 9. EXPLORATION AND EVALUATION ASSETS

| | 31 December 2019 | Additions | 31 December 2018 | Additions | 31 December 2017 | Impairment | Additions | 31 December 2016 |
|---|---|---|---|---|---|---|---|---|
| | € | € | € | € | € | € | € | € |
| Navan | 354,158 | 5,848 | 348,310 | 6,717 | 341,593 | - | 64,172 | 277,421 |
| Moate | 333,531 | 82,001 | 251,530 | 13,247 | 238,283 | - | 68,562 | 169,721 |
| Kells | 111,576 | 30,597 | 80,979 | 80,979 | - | - | - | - |
| Slieve Dart | 230,939 | 122,704 | 108,235 | 108,235 | - | - | - | - |
| Pennines | - | - | - | - | - | (1,952,100) | - | 1,952,100 |
| Total | 1,030,204 | 241,150 | 789,054 | 209,178 | 579,876 | (1,952,100) | 132,734 | 2,399,242 |

The net investment in exploration and evaluation assets is recorded as Buchans' historic cost less any applicable impairment provision in these assets, as the Company was not a separate legal entity for the entire reporting period presented. In June 2019, in a group reorganization, the Company acquired the shares and receivables in subsidiaries which held these assets from its parent company, Buchans, in consideration for the issue of 59,868,716 ordinary shares at a deemed fair value of €2,625,000. The Directors reviewed the exploration and evaluation assets at 31 December 2019 and are satisfied that the exploration projects have potential for the discovery of economic mineral deposits and no impairment provision has been recognised.

The realisation of the exploration and evaluation assets is dependent on the successful discovery and development of economic mineral deposits, including the ability to raise finance to develop the projects. Should this prove unsuccessful the value included in the statements of financial position for exploration and evaluation assets would be written off. The Directors are aware that by its nature there is an inherent uncertainty as to the value of the exploration and evaluation assets.

Mineral property title may be subject to government licensing requirements, social licensing requirements, and compliance with other regulatory requirements. The Company's properties may also be subject to the negotiation of mining leases, obtaining planning permissions and permits and increases in taxes and/or state royalties.

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 Group's activities are also subject to a number of significant potential risks, see pages 12-19 (directors report).

**Ireland**

The Company, through its wholly owned subsidiary, holds indirectly a 20% interest in Prospecting Licence 1440R (Navan/Tatestown), which is being explored under a Joint Venture agreement with Boliden Tara Mines DAC (80%), and which hosts part of the small 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. During 2019, the Company incurred expenditures of €30,597 (2018 - €80,979) with respect to the licence and at December 31, 2019 had completed cumulative expenditure of €120,000, and had earned an undivided 25% joint venture interest in the Licence. 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, 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 November 2021.

Expressed in Euros, unless noted and per share amounts

## 9. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

**Ireland (continued)**

The Company, through its wholly owned subsidiary Minco Ireland Limited, has entered into a joint venture agreement with Boliden Tara Mines 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 2019, the Company incurred expenditures of €122,704 (2018 - €108,235) with respect to the licences and earned an undivided 40% joint venture interest in the Licence Area. 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 with the objective of continuing to evaluate these properties at an appropriate time, subject to the renegotiation and /or renewal of the contracts and agreements.

## 10. INVESTMENT IN SUBSIDIARIES

| | **2019** | 2018 | 2017 |
|---|---|---|---|
| | **€** | € | € |
| **Company** | | | |
| Investments at cost: | | | |
| Shares in subsidiaries | **2,196,207** | - | - |

The recovery of the investment in subsidiaries is dependent on the successful realisation of exploration and evaluation assets through the development of economic ore reserves, as outlined in Note 4(d). At the balance sheet date, the Company reviewed the carrying amounts of its subsidiary companies to determine whether there was any indication that those assets have suffered an impairment loss.

The subsidiaries of the Company at 31 December 2019 were as follows:

| Name of Company | Registered or Head office | Effective Holding | Principal Activity |
|---|---|---|---|
| Norsub Limited | St Peter Port Guernsey GY1 1WH | 100% | Holding company |
| Minco Ireland Limited | Ardbraccan, Navan, Co. Meath, Ireland | 100% | Exploration |
| Westland Exploration Limited | Ardbraccan, Navan, Co. Meath, Ireland | 100% | Exploration |
| Minco Mining Limited | 8 Little Trinity Lane, London EC4V 2AN | 100% | Exploration |

## 11. TRADE AND OTHER RECEIVABLES

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | **2019** | 2018 | 2017 |
| | **€** | € | € | **€** | € | € |
| Trade receivables and prepayments | **-** | 1,216 | 4,726 | **-** | - | - |
| Value added tax receivable | **44,338** | 25,664 | 29,621 | **357** | - | - |
| | **44,338** | 26,880 | 34,347 | **357** | - | - |

The carrying value of the receivables approximates to their fair value. In the opinion of the Directors, the amounts above are considered to be fully recoverable.

Expressed in Euros, unless noted and per share amounts

## 12. CASH AND CASH EQUIVALENTS

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | **2019** | 2018 | 2017 |
| | **€** | € | € | **€** | € | € |
| Cash | **17,872** | 15,682 | 8,899 | - | - | - |
| Immediately available without restriction | **17,872** | 15,682 | 8,899 | - | - | - |

Cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Where investments are categorised as cash equivalents, the related balances have a maturity of three months or less from the date of investment. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the cash requirements of the Company, and earn interest at the respective short-term deposit rates at floating rates.

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

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | **2019** | 2018 | 2017 |
| | **€** | € | € | **€** | € | € |
| Euro | **8,736** | 11,788 | 1,445 | - | - | - |
| Sterling | **8,513** | 2,041 | 6,846 | - | - | - |
| US Dollars | **623** | 1,853 | 608 | - | - | - |
| | **17,872** | 15,682 | 8,899 | - | - | - |

## 13. TRADE AND OTHER PAYABLES

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | **2019** | 2018 | 2017 |
| | **€** | € | € | **€** | € | € |
| Trade creditors and accruals | **331,245** | 52,284 | 69,166 | **32,076** | - | - |
| Amounts due to related parties (Note 5) | **74,042** | - | - | **71,219** | - | - |
| | **405,287** | 52,284 | 69,166 | **103,295** | - | - |

It is the Group's normal practice to agree terms of transactions, including payment terms, with suppliers and provided suppliers perform in accordance with the agreed terms, it is the Group's policy that payment is made as they fall due. The carrying value of the trade creditors and accruals approximates to their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The amounts due to related parties are due on demand, unsecured and non-interest bearing.

## 14. SHARE CAPITAL

At 31 December 2019, there were 59,868,716 ordinary shares issued and outstanding.

See Note 18.

## 15. PARENT COMPANY, MINCO EXPLORATION LTD, STATEMENT OF COMPREHENSIVE INCOME

In accordance with section 304(1) of the Companies' Act 2014, the Company is availing of the exemption from presenting its individual Statement of Comprehensive Income to the Annual General Meeting and from filing it with the Registrar of Companies. The loss in the parent Company for the year ended December 31, 2019 amounted to €102,938.

## 16. CAPITAL MANAGEMENT

The primary objective of the capital management of the Group is to ensure that it maintains an adequate capital ratio in order to support its business and enhance shareholder value. The capital structure of the Group consists of issued share capital and reserves. The Group manages its structure and makes adjustments to it, in light of the changes in economic conditions. No changes were made in the objectives, policies or processes during the period ended 31 December 2019.

## 17. FINANCIAL INSTRUMENTS

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

The Group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Group's expenditure. This is achieved by regular monitoring of interest rates and a monthly review of expenditure. The Group has a policy of not hedging and therefore takes market rates in respect of foreign exchange risk; however, it does review its currency exposures regularly and may consider the use of currency hedges in the future.

**Fair Value Hierarchy**
The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). At December 31, 2019, the Company's financial instruments that are carried at fair value, consisting of exchangeable warrants, have been classified as Level 2 within the fair value hierarchy.

**Interest rate risk**
The Group finances its operations through the issue of equity shares, and has no fixed interest rate agreements. The Group had €17,872 in cash and cash equivalents at 31 December 2019. A one percent change in interest rates will result in a corresponding change in interest income of approximately €179 based on cash and cash equivalents balances existing at 31 December 2019.

**Liquidity risk**
The Group's liquidity exposure is confined to meeting obligations under short term trade creditor agreements. This exposure is financed from a combination of cash, additional issues of ordinary equity shares and other financing arrangements.

**Foreign currency risk**
Although the Company is incorporated in Ireland, the Group has operations in UK, and Canada none of which presently generate cash from operations, and holds cash investments in Euros, Sterling or US Dollars. The functional currencies of the majority of the Group's operations are 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 Group also has transactional currency exposures. Such exposures arise from expenses incurred by the Group in currencies other than the functional currency.

The Group seeks to minimise its exposure to currency risk by closely monitoring exchange rates. The Group does not presently utilise swaps or forward contracts to manage its currency exposures, although such facilities may be used where appropriate in the future.

The impact of foreign currencies has been determined based on the balances of financial assets and liabilities at 31 December 2019. 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 €105 based on monetary assets and liability balances existing at 31 December 2019.

**Credit risk**
With respect to credit risk arising from financial assets of the Group, which comprise of cash and cash equivalents, cash deposits give rise to credit risks on the amounts due from counter parties. The Company controls and monitors the distribution of this exposure by ensuring that all financial instruments are held with reputable and financially secure institutions and that exposure to credit risk is distributed across a number of institutions. At 31 December 2019 all cash, short term deposits had a maturity date of 30 days or less. Credit risk is actively managed across the portfolio of institutions by ensuring that material surplus funds are placed with counter parties that are either covered by Government guarantee schemes or have a credit rating of at least BBB-.

## 18. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, Minco Exploration completed a private placement of 10,000,000 new ordinary shares at a price of €0.05 per share, to raise a total of €500,000 to fund its working capital and planned exploration programs.

In April 2020, the Company amended its Articles of Association and converted from a private company to a public limited company.