

BUCHANS MINERALS CORPORATION
(formerly Royal Roads Corp.)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Buchans Minerals Corporation:

We have audited the accompanying consolidated financial statements of Buchans Minerals Corporation and its subsidiary, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of loss and comprehensive loss, changes in shareholders equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

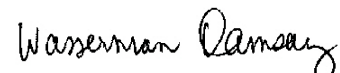
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Buchans Minerals Corporation and its subsidiary as at December 31, 2010 and 2009, and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Markham, Ontario
April 8, 2011



Chartered Accountants
Licensed Public Accountants

BUCHANS MINERALS CORPORATION
(formerly Royal Roads Corp.)
AUDITED CONSOLIDATED BALANCE SHEETS
As at December 31

	2010	2009
ASSETS		
Current		
Cash and cash equivalents	\$ 1,287,748	\$ 3,233,380
Cash and cash equivalents, restricted (Note 5)	601,500	-
Amounts receivable	157,838	56,070
Marketable securities	14,625	22,750
Prepaid expenses and deposits (Note 11)	61,631	67,092
	2,123,342	3,379,292
Capital assets (Note 6)	71,686	28,791
Mineral resource properties (Note 7)	13,590,923	12,570,437
	\$ 15,785,951	\$ 15,978,520
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 11)	\$ 277,465	\$ 146,486
Future income taxes (Note 12)	675,469	1,107,228
SHAREHOLDERS' EQUITY		
Capital stock (Note 8)	16,252,323	15,725,899
Warrants (Note 8)	379,642	890,875
Contributed surplus	2,526,602	1,512,436
Deficit	(4,325,550)	(3,404,404)
	14,833,017	14,724,806
	\$ 15,785,951	\$ 15,978,520

See Nature of business and going concern (Note 1)

Approved on behalf of the the Board:

"Warren MacLeod"
Warren MacLeod, Director

"Steve Poad"
Steve Poad, Director

The accompanying notes form an integral part of these consolidated financial statements.

BUCHANS MINERALS CORPORATION
(formerly Royal Roads Corp.)
AUDITED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended December 31

	2010	2009
Expenses		
Professional fees	\$ 227,643	\$ 107,956
Amortization	10,817	21,379
General and administrative (Notes 10 and 11)	819,105	584,568
Property investigation costs	28,928	-
Stock-based compensation	244,791	-
Unrealized loss (gain) on held for trading financial instruments	8,125	(8,125)
	1,339,409	705,778
Net loss before undernoted items	(1,339,409)	(705,778)
Interest income (Note 11)	18,143	241,421
Write-down of mineral resource properties	(248,456)	-
Operator fees (Note 7)	47,517	-
	(1,522,205)	(464,357)
Future income tax recovery	601,059	372,072
Net loss and comprehensive loss for the year	\$ (921,146)	\$ (92,285)
Loss per share - basic and diluted	\$ (0.01)	\$ (0.00)
Weighted average number of shares outstanding - basic and diluted	114,759,069	112,127,489

The accompanying notes form an integral part of these consolidated financial statements.

BUCHANS MINERALS CORPORATION
(formerly Royal Roads Corp.)
AUDITED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the years ended December 31

	COMMON SHARES WITHOUT PAR VALUE		WARRANTS	CONTRIBUTED SURPLUS	DEFICIT	TOTAL SHAREHOLDERS' EQUITY
	NUMBER	AMOUNT				
Balance, December 31, 2008	112,127,490	\$ 15,725,899	\$ 1,011,012	1,392,299	\$ (3,312,119)	\$ 14,817,091
Expiry of warrants			(120,137)	120,137		-
Net loss for the year					(92,285)	(92,285)
Balance, December 31, 2009	112,127,490	15,725,899	890,875	1,512,436	(3,404,404)	14,724,806
Issue of securities for cash:						
Private placement at \$0.08 per Unit	12,500,000	581,000	419,000			1,000,000
Share issuance costs		(54,576)	(39,358)			(93,934)
Expiry of warrants			(890,875)	890,875		-
Tax effect of expired warrants				(169,300)		(169,300)
Stock-based compensation				292,591		292,591
Net loss for the year					(921,146)	(921,146)
Balance, December 31, 2010	124,627,490	\$ 16,252,323	\$ 379,642	\$ 2,526,602	\$ (4,325,550)	\$ 14,833,017

The accompanying notes form an integral part of these consolidated financial statements.

BUCHANS MINERALS CORPORATION
(formerly Royal Roads Corp.)
AUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31

	2010	2009
Cash provided by (used in) the following activities		
Operating:		
Net loss for the year	\$ (921,146)	\$ (92,285)
Items not requiring cash:		
Amortization	10,817	21,379
Unrealized loss on held for trading financial instruments	8,125	(8,125)
Stock-based compensation	244,791	-
Write-down of mineral resource properties	248,456	-
Future income tax recovery	(601,059)	(372,072)
Net change in non-cash working capital items (Note 9)	(144,055)	(157,206)
	(1,154,071)	(608,309)
Investing:		
Expenditures on mineral resource properties	(1,241,462)	(1,040,432)
Government assistance received (Note 7)	199,047	-
Acquisition of capital assets	(53,712)	-
Loan repayment from Acadian Mining Corporation	-	2,779,411
	(1,096,127)	1,738,979
Financing:		
Proceeds from issuance of capital stock, net of issuance costs	906,066	-
Net change in restricted cash	(601,500)	828,134
	304,566	828,134
Net change in cash and cash equivalents for the year	(1,945,632)	1,958,804
Cash and cash equivalents, beginning of the year	3,233,380	1,274,576
Cash and cash equivalents, end of the year	\$ 1,287,748	\$ 3,233,380

See Supplemental cash flow information (Note 9)

The accompanying notes form an integral part of these consolidated financial statements.

BUCHANS MINERALS CORPORATION
(formerly Royal Roads Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

1 NATURE OF OPERATIONS AND GOING CONCERN

Buchans Minerals Corporation (the "Company"), considered to be in the development stage, is in the process of exploring mineral properties in Canada and has not yet determined whether these properties contain economic reserves. These financial statements include the accounts of Buchans River Ltd., a wholly owned subsidiary of the Company.

While these financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business, adverse conditions could cast doubt upon the validity of this assumption. Management has estimated that the Company will have adequate funds from existing working capital to meet its corporate, administrative and property obligations for the coming year. If the Company is to advance or develop its mineral properties further, it will be necessary to obtain additional financing, and while the Company has been successful in the past, there can be no assurance that it will be able to do so in the future.

The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete their development, and upon future profitable production or proceeds from the disposition of its interests. The amounts shown as mineral properties represent net costs to date and do not necessarily represent present or future values. If the going concern assumption was not appropriate for these financial statements, then adjustments might be necessary to the carrying values of assets and liabilities, the reported loss and the balance sheet classifications used.

2 SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect the following significant accounting policies:

(a) Basis of Consolidation

These financial statements are consolidated with Buchans River Ltd, a wholly owned subsidiary of the Company.

(b) Cash and Cash Equivalents

Cash and cash equivalents consists of cash, demand deposits and high-interest savings vehicles.

(c) Mineral Resource Properties

The Company is in the exploration stage and defers all expenditures related to its resource properties until such time as the properties are put into commercial production, sold or abandoned. Under this method, the amounts shown as resource properties represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values. If a property is put into commercial production, the deferred expenditures relating to that property will be depleted based upon the proven reserves available. If a property is sold or abandoned, the expenditures relating to the property will be charged to operations.

The carrying values of resource interests are reviewed by management on a property-by-property basis at each financial statement date to determine if they have become impaired. If impairment is determined to have occurred, the resource property will be written down to its fair value. The ultimate recoverability of the amounts capitalized for resource properties is dependent upon the delineation of economically recoverable ore reserves, the ability to obtain the necessary financing to complete their development and the ability to realize profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in various projects are based on current conditions. However, it is possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write-downs of capitalized property carrying values.

(d) Capital Assets and Amortization

Capital assets are recorded at cost and amortized over their estimated useful lives using the following rates and methods:

Leasehold improvements	3 years straight line
Office fixtures and equipment	20% declining balance

(e) Stock-based Compensation

The Company uses the fair value method of accounting for employee share-based compensation and other share-based payments made in exchange for goods and services. Under this method, compensation expense for all awards made to employees is measured at the fair value on the date of grant using the Black-Scholes option pricing model and expensed or capitalized, depending on the nature of the grant, over the period in which the options vest. The fair value of options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to income upon re-measurement. Upon exercise or settlement of stock options, consideration received, together with amounts previously recorded in contributed surplus, are recorded as an increase in share capital.

(f) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Provided that they are not anti-dilutive, diluted earnings per share amounts is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate.

BUCHANS MINERALS CORPORATION
(formerly Royal Roads Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Flow-through Shares

The Company has financed certain of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers. The Company recognizes the foregone tax benefit at the time of the renouncement, provided there is reasonable assurance that the expenditures will be incurred.

(h) Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized in the period in which it occurs and when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is charged to earnings using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revision to either the timing or the amount of the original estimate of undiscounted cash flow. No liability accrual has been recorded as the Company has determined that it has no legal obligation for reclamation and remediation costs.

(i) Joint Ventures

A portion of the Company's exploration activities is conducted jointly with others wherein the Company enters into agreements that provide for a specified percentage interest in mineral properties. The Company's share of expenditures on these properties is capitalized to mineral properties. Joint venture accounting which reflects the Company's proportionate interest in mineral properties is applied by the Company only when the parties enter into formal comprehensive agreements for ownership and mineral participation.

(j) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes. The more significant areas are as follows:

The amounts recorded for stock-based compensation are based on estimates. The Black Scholes model is based on estimates of assumptions for expected volatility, risk-free interest rates and expected life of the options.

The recoverability of amounts shown for mineral properties is dependent on the discovery of economical reserves, the ability of the Company to obtain financing to complete development of the properties and on future production or proceeds of disposition.

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values. Future income tax assets also result from unused loss carryforwards and other deductions. The valuation of future income tax assets is adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material.

(k) Income Taxes

Income taxes are calculated using the asset and liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future tax assets are recognized to the extent that they are considered more likely than not to be realized. Future income tax liabilities or assets are calculated using the tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

3 CHANGE IN ACCOUNTING POLICIES

Accounting pronouncements applicable to future periods

International Financial Reporting Standards

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The standard also requires that the comparative figures for 2010 be based on IFRS. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of 2011 when the Company will prepare both the current and comparative financial information using IFRS. The Company must also present an opening IFRS statement of financial position as at January 1, 2010, its date of transition to IFRS, which will form part of its interim financial report for the quarter ending March 31, 2011.

From January 1, 2011, the Company will prepare its consolidated financial statements in accordance with IFRS; accordingly, future accounting changes to Canadian GAAP are not discussed in these consolidated financial statements as they will not be applied by the Company.

BUCHANS MINERALS CORPORATION
(formerly Royal Roads Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

4 CAPITAL MANAGEMENT

The Company manages its capital to maintain adequate levels of funding to support the acquisition and exploration of mineral properties and to maintain the necessary corporate and administrative functions to support these activities. The capital structure consists of working capital and shareholders' equity. The Company raises capital, as necessary, to meet its needs and to take advantage of perceived opportunities and therefore, does not have a numeric target for its capital structure. There were no changes to the Company's approach to capital management during the period ended December 31, 2010 compared to the year ended December 31, 2009.

The Company does not have any covenants respecting its capital ratios.

5 CASH - FLOW-THROUGH FUNDS

The Company raised \$1,000,000 on a flow-through Unit offering during the year. Prior to December 31, 2011, \$987,500 is required to be spent on Canadian Exploration Expenditures ("CEE"). As at December 31, 2010, the Company had spent \$386,000 on expenditures that qualify as CEE, and \$601,500 of the Company's cash is restricted for expenditures that qualify as CEE.

6 CAPITAL ASSETS

	December 31, 2010		
	Cost	Accumulated Amortization	Net
Vehicles	\$ 31,555	\$ 3,155	\$ 28,400
Leasehold Improvements	11,616	11,616	-
Office equipment	86,447	43,161	43,286
	<u>\$ 129,618</u>	<u>\$ 57,932</u>	<u>\$ 71,686</u>
	December 31, 2009		
	Cost	Accumulated Amortization	Net
Leasehold Improvements	\$ 11,616	\$ 11,616	\$ -
Office equipment	64,290	35,499	28,791
	<u>\$ 75,906</u>	<u>\$ 47,115</u>	<u>\$ 28,791</u>

7 MINERAL RESOURCE PROPERTIES

	Balance December 31, 2009	Acquisition Costs	Exploration Expenditures ⁽¹⁾	Write-downs	Balance December 31, 2010
Buchans	\$ 7,393,171	\$ (1,270)	\$ 712,710	\$ (248,456)	\$ 7,856,155
Tulks North	4,809,132	-	-	-	4,809,132
Long Range	368,134	19,040	463,378	-	850,552
Woodstock	-	28,060	38,630	-	66,690
Other	-	3,245	5,149	-	8,394
	<u>\$ 12,570,437</u>	<u>\$ 49,075</u>	<u>\$ 1,219,867</u>	<u>\$ (248,456)</u>	<u>\$ 13,590,923</u>
	Balance December 31, 2008	Acquisition Costs	Exploration Expenditures	Write-downs	Balance December 31, 2009
Buchans	\$ 6,641,917	\$ 6,670	\$ 744,584	\$ -	\$ 7,393,171
Tulks North	4,805,514	14,758	(11,140)	-	4,809,132
Long Range	82,574	-	285,560	-	368,134
Woodstock	-	-	-	-	-
Other	-	-	-	-	-
	<u>\$ 11,530,005</u>	<u>\$ 21,428</u>	<u>\$ 1,019,004</u>	<u>\$ -</u>	<u>\$ 12,570,437</u>

⁽¹⁾ Net of government assistance received of \$199,047 for Buchans

Buchans

The 100%-owned Buchans property is located in central Newfoundland and covers the former producing Buchans Mine, one of Canada's richest base metal mines.

Tulks North

The Tulks North property is 100% owned by the Company and is located in the Victoria Lake Mining district of west-central Newfoundland.

BUCHANS MINERALS CORPORATION
(formerly Royal Roads Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

7 MINERAL RESOURCE PROPERTIES (continued)

Long Range Joint Venture

The Long Range Property is under a 50/50 joint venture agreement with Benton Resources Inc. and is located in central Newfoundland and Labrador. The company is the project operator. The property is subject to net smelter royalties of up to 2% of which 1% can be purchased for \$1.0 million. Portions of the property are also subject to underlying option agreements requiring cash payments and share issuances for the joint venture to earn a 100% interest.

Woodstock

The Company holds a 100% interest in the Woodstock Manganese Property located 5 kilometres northwest of the town of Woodstock, New Brunswick.

Other

Burtons Pond

The 100%-owned Burtons Pond property is located in north central Newfoundland.

Tulks Hill

The Company's 49% interest in the Tulks Hill property, a base metal, massive sulphide deposit in central Newfoundland, is held under a joint venture agreement with Prominex Resource Corp. which is the project operator.

Granite Lake

The Company holds a 3% net smelter royalty ("NSR") on Playfair Mining Ltd.'s ("Playfair") tin-tungsten-molybdenum Granite Lake property in central Newfoundland, of which the Company must pay two-thirds to Newfoundland Mining & Exploration Ltd. Playfair has the right to purchase up to one-half of the royalty for \$500,000 for each one-sixth of the NSR acquired.

8 SHARE CAPITAL

Authorized

Unlimited common shares and unlimited preference shares

Issued and outstanding

On October 15, 2010, the Company issued 12,500,000 Units at \$0.08 per Unit for gross proceeds of \$1,000,000. Each Unit consists of one flow through share and one-half of one common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at a price of \$0.12 until October 15, 2011 and at a price of \$0.15 until their expiry on October 15, 2012. The Company paid a cash finders' fee of \$54,000 in connection with certain subscriptions, \$39,934 in due diligence and legal fees, and issued 787,500 non-transferable Finders Warrants, each exercisable into one common share of the Company at a price of \$0.12 until October 15, 2011 and at a price of \$0.15 until their expiry on October 15, 2012. The fair value of the Unit warrants issued of \$372,000 and the Finders Warrants issued of \$47,000 was recorded to warrants and was estimated using the Black-Scholes model with the following assumptions: dividend yield of 0%, expected volatility of 180%, risk-free interest rate of 1.53% and expected life of 24 months.

Share purchase warrants

The change in warrants during the years ended December 31, 2010 and 2009 is as follows:

	Number of Warrants	Weighted-Average Exercise Price
At December 31, 2008	12,118,500	\$ 0.32
Expired	<u>(3,581,002)</u>	<u>(0.37)</u>
At December 31, 2009	8,537,498	0.44
Expired	<u>(8,537,498)</u>	<u>(0.44)</u>
Issued	<u>7,037,500</u>	0.135
At December 31, 2010	<u><u>7,037,500</u></u>	<u><u>\$ 0.135</u></u>

Details of the outstanding share purchase warrants at December 31, 2010 are as follows:

<u>Expiry date</u>	<u>Exercise price per share</u>	<u>Number of shares</u>
<u>October 15, 2012</u>	<u>\$ 0.12</u>	<u>7,037,500</u>

The outstanding warrants are exercisable at a price of \$0.12 until October 15, 2011 and at a price of \$0.15 until their expiry.

BUCHANS MINERALS CORPORATION
(formerly Royal Roads Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

8 SHARE CAPITAL (continued)

Stock-based Compensation

The Company has a common share purchase option plan (the "Plan") for directors, officers, employees, and consultants. Options granted under the Plan generally have a five-year term. Options are granted at a price no lower than the market price of the common shares at the time of the grant. Employee options are generally fully vested at the time of the grant and consultant options vest over the term of service.

For the year ended December 31, 2010, stock-based compensation of \$244,791 (2009 - \$Nil) was charged to loss and \$47,800 (2009 - \$Nil) was charged to mineral properties.

The change in stock options during the years ended December 31, 2010 and 2009 is as follows:

	Number of Options	Weighted-Average Exercise price
At December 31, 2008	7,725,500	\$ 0.32
Expired	<u>(937,500)</u>	<u>(0.27)</u>
At December 31, 2009	6,788,000	0.28
Issued	6,655,000	0.10
Expired	<u>(4,530,000)</u>	<u>(0.26)</u>
At December 31, 2010	<u>8,913,000</u>	<u>\$ 0.15</u>

The fair value of the stock options issued in 2010 has been estimated using a Black-Scholes option pricing model with the following assumptions: dividend yield of 0%, expected volatility of 182%, risk-free interest rate of 1.53% and expected life of 18 months.

The following table summarizes information about options outstanding at December 31, 2010:

Exercise Price	Options outstanding and exercisable	Options not vested	Remaining contractual life (in years)
\$ 0.10	6,042,500	612,500	4.19
\$ 0.14	46,500		0.10
\$ 0.22	155,000		0.97
\$ 0.23	635,500		1.97
\$ 0.25	341,000		1.46
\$ 0.35	<u>1,080,000</u>		<u>1.32</u>
	<u>8,300,500</u>	<u>612,500</u>	<u>3.50</u>

9 SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash working capital:

	2010	2009
Amounts receivable	\$ (101,768)	\$ (24,904)
Prepaid expenses and deposits	5,461	(34,987)
Accounts payable and accrued liabilities	<u>(47,748)</u>	<u>(97,315)</u>
	<u>\$ (144,055)</u>	<u>\$ (157,206)</u>
Stock based compensation charged to mineral properties	\$ 47,800	\$ -
Expenditures for resource properties in accounts payable	<u>\$ 178,727</u>	<u>\$ -</u>

10 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist of the following:

	2010	2009
Director fees	\$ 27,500	\$ -
Office and general	124,698	164,839
Salaries and consulting fees	479,466	329,134
Promotion, travel and entertainment	34,023	24,941
Filing and transfer agent fees	30,257	27,175
Investor relations and shareholder information	75,949	38,479
Provincial capital taxes	<u>47,212</u>	<u>-</u>
	<u>\$ 819,105</u>	<u>\$ 584,568</u>

BUCHANS MINERALS CORPORATION
(formerly Royal Roads Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

11 RELATED PARTY TRANSACTIONS

To July 31, 2010, the Company shared certain employment, rent and office costs with Acadian Mining Corporation ("Acadian") a company which owned 29.18% of the Company up to April 30, 2010. From January 1, 2010 to July 31, 2010, the Company paid \$105,000 to Acadian for office overhead costs which was charged to loss for the period.

During the year, the Company received \$Nil (2009 - \$236,081) in interest income in relation to a loan to Acadian which was paid in full on November 25, 2009.

The Company rents its head office from an officer and director effective May 1, 2010. During the year, the Company paid or accrued \$9,600 (2009 - \$Nil) in rent to the officer and director, which was charged to loss for the period.

During the year, the Company paid or accrued \$486,082 in salaries and fees to directors and officers and an immediate family member of a director, of which \$358,678 was charged to loss for the period and \$127,404 was charged to mineral properties.

During the year, the Company paid or accrued \$27,500 (2009 - \$Nil) in director fees to non-management directors of the Company, which was charged to loss for the period.

During the year, the Company paid or accrued \$28,750 (2009 - \$Nil) in consulting fees to directors of the Company, which was charged to loss for the period.

Included in accounts payable and accrued liabilities are amounts owing to related parties of \$4,070 (2009 - \$60,979). Included in prepaid expenses is an amount of \$3,600 (2009 - \$Nil) representing a retainer on a services contract with an officer of the Company.

The above transactions were in the normal course of operations and were measured at the exchange amount, which are the amounts agreed to by the related parties.

12 INCOME TAXES

The Company has available approximately \$6,012,000 (2009 - \$5,086,100) in non-capital loss carryforwards which can be used to reduce future taxable income until their expiry. The potential benefit associated with this item has been recognized in these financial statements to offset a portion of the future income tax liability related to flow-through renunciations.

These loss carryforwards expire, if unused, as follows:

2014	130,000
2015	138,500
2026	329,600
2027	1,874,400
2028	1,799,000
2029	725,000
2030	1,015,500
	<u>\$ 6,012,000</u>

In addition to the above noted loss carryforwards, the Company has approximately \$5,350,000 in Canadian Development Expenditures and Canadian Exploration Expenditures which can be used to reduce future taxable income without expiry.

The following reconciles the effective tax rate to the statutory rate on a percentage basis:

	<u>2010</u>	<u>2009</u>
Statutory tax rate	34.00 %	35.00 %
Recognition of loss carryforwards	14.70	53.40
Expenses not deductible for tax purposes	(11.20)	(8.30)
Other	2.00	-
Effective tax rate	<u>39.50 %</u>	<u>80.10 %</u>

The Company has the following future income tax assets / (liabilities):

	<u>2010</u>	<u>2009</u>
Non-capital loss carry forwards	\$ 1,863,948	\$ 1,475,000
Other	\$ 100,583	\$ -
Mineral properties	(2,557,000)	(2,582,228)
Valuation allowance	(83,000)	-
Liability recognized in the financial statements	<u>\$ (675,469)</u>	<u>\$ (1,107,228)</u>

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13 COMMITMENTS

As at December 31, 2010, the Company has a lease commitment for office space expiring on March 31, 2013. Minimum lease payments, including estimated taxes and operating expenses to the end of the lease are as follows:

December 31, 2011	\$	28,176
December 31, 2012	\$	28,176
December 31, 2013	\$	7,044
	\$	<u>63,396</u>

14 FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, marketable securities, and accounts payable and accrued liabilities. Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. Cash and cash equivalents and marketable securities are designated as held-for-trading and measured at fair value. Amounts receivable are designated as loans and receivables and measured at amortized cost. Accounts payable and accrued liabilities are designated as other financial liabilities and measured at amortized cost. The recorded values of all financial instruments approximate their current fair values because of their nature and respective maturity dates or durations. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

Credit Risk

The Company financial assets are cash and cash equivalents and amounts receivable. The Company holds its cash and cash equivalents with a Canadian chartered bank and the risk of default is considered to be remote. Amounts receivable include an amount receivable from a joint venture partner from which management believes the risk of loss to be limited based on historical experience.

Interest rate risk

Interest rate risk is the risk that future cash flows of the Company's assets and liabilities can change due to a change in interest rates. The company is not exposed to interest rate risk as all financial instruments that bear interest do so at a fixed rate of interest.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2010, the Company had cash and cash equivalent balances of \$1,889,248 (2009 - \$3,233,380) to settle current liabilities of \$275,465 (2009 - \$146,486). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

15 COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform with the presentation adopted for the current year.

16 SUBSEQUENT EVENTS

In February 2011, the Company issued 23,293,362 Units at a price of \$0.11 per Unit for gross proceeds of \$2,562,270, and 2,977,693 Flow-Through Units at a price of \$0.13 per Flow-Through Unit for gross proceeds of \$387,100. Each Unit consists of one common share and one common share purchase warrant ("Warrant"), with each Warrant entitling the holder to acquire one common share at an exercise price of \$0.17 on or before February 18, 2013. Each Flow-Through Unit consists of one flow-through common share and one half of one common share purchase warrant ("Flow-through Warrant"). Each whole Flow-Through Warrant entitles the holder to acquire one common share at an exercise price of \$0.18 on or before February 18, 2013. The Company issued Broker Warrants to acquire 2,101,684 Units exercisable at \$0.11 per Unit on or before February 18, 2013. Each Hard Dollar Warrant issued upon exercise of the Broker Warrants will be exercisable for one common share at an exercise price of \$0.17 per Common Share on or before February 18, 2013. The Company paid a cash commission of \$235,950 and incurred legal and filing fees in connection with the offering.