

**BUCHANS MINERALS CORPORATION**

(formerly Royal Roads Corp.)

**CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

**SEPTEMBER 30, 2010**

Notice of disclosure of non-auditor review of consolidated interim financial statements pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators.

The accompanying consolidated financial statements of the Company for the period ended September 30, 2010 have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the Company's management. The Company's independent auditors, Wasserman Ramsay & Associates, have not performed an audit or a review of these interim financial statements.

Dated: November 9, 2010

**BUCHANS MINERALS CORPORATION**  
(formerly Royal Roads Corp.)  
**CONSOLIDATED BALANCE SHEETS**

	September 30 2010	December 31 2009
<b>ASSETS</b>		
Current		
Cash and short term investments	\$ 1,756,498	\$ 3,233,380
Taxes receivable	31,408	56,070
Marketable securities	11,375	22,750
Prepaid expenses and deposits	59,630	67,092
	1,858,911	3,379,292
Property, plant and equipment (Note 5)	71,094	28,791
Mineral resource properties (Note 6)	13,221,990	12,570,437
	\$ 15,151,995	\$ 15,978,520
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 149,226	\$ 85,507
Due to Acadian Mining Corporation (Note 10)	-	60,979
	149,226	146,486
Future income taxes	1,107,228	1,107,228
	1,256,454	1,253,714
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 7)	15,725,899	16,616,774
Contributed surplus (Note 8)	2,671,713	1,512,436
Deficit	(4,502,071)	(3,404,404)
	13,895,541	14,724,806
	\$ 15,151,995	\$ 15,978,520

**BUCHANS MINERALS CORPORATION**  
(formerly Royal Roads Corp.)  
**CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT**

(Unaudited)

For the period ended September 30	2010		2009	
	3 Months	9 Months	3 Months	9 Months
Operator fees	\$ 6,923	\$ 38,423	\$ -	\$ -
Interest income	3,904	13,538	64,745	212,665
	<u>10,827</u>	<u>51,961</u>	<u>64,745</u>	<u>212,665</u>
Expenses				
Professional fees	64,098	192,144	19,867	85,974
Amortization	3,230	7,254	2,508	10,017
Director fees (Note 10)	8,000	19,500	-	-
Office and general (Note 10)	21,514	49,501	30,711	60,133
Salaries and consulting fees (Note 10)	80,592	412,189	71,511	231,605
Rent (Note 10)	10,561	45,929	13,374	40,120
Promotion, travel and entertainment	14,603	22,726	2,344	9,471
Property investigation costs	-	28,928	-	-
Filing fees	2,302	15,000	599	12,338
Investor relations and information	9,299	22,801	7,124	36,882
Stock-based compensation	20,402	268,402	-	-
Transfer agent fees	9,300	12,467	8,217	10,320
Interest and bank charges	200	200	-	-
Provincial capital taxes	6,000	41,212	-	-
Unrealized loss on held for trading financial instruments	3,250	11,375	-	-
	<u>253,351</u>	<u>1,149,628</u>	<u>156,255</u>	<u>496,860</u>
Net loss and comprehensive loss for the period	(242,524)	(1,097,667)	(91,510)	(284,195)
Deficit, beginning of period	(4,259,547)	(3,404,404)	(3,504,804)	(3,312,119)
Deficit, end of period	<u>\$ (4,502,071)</u>	<u>\$ (4,502,071)</u>	<u>\$ (3,596,314)</u>	<u>\$ (3,596,314)</u>
Loss per share - basic and diluted	<u>\$ (0.002)</u>	<u>\$ (0.010)</u>	<u>\$ (0.001)</u>	<u>\$ (0.003)</u>

**BUCHANS MINERALS CORPORATION**  
(formerly Royal Roads Corp.)  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

(Unaudited)

	2010		2009	
	3 Months	9 Months	3 Months	9 Months
<b>For the period ended September 30</b>				
Cash provided by (used in) the following activities				
Operations				
Net loss for the period	\$ (242,524)	\$ (1,097,667)	\$ (91,510)	\$ (284,195)
Amortization	3,230	7,254	2,508	10,017
Unrealized loss on held for trading financial instruments	3,250	11,375	-	-
Stock-based compensation	20,402	268,402	-	-
Net change in non-cash working capital items (Note 9)	(14,143)	34,864	(25,859)	(12,218)
	<u>(229,785)</u>	<u>(775,772)</u>	<u>(114,861)</u>	<u>(286,396)</u>
Investing				
Expenditures on mineral resource properties	(249,262)	(850,600)	(257,967)	(420,802)
Acquisition of capital assets	(11,466)	(49,557)	-	-
	<u>(260,728)</u>	<u>(900,157)</u>	<u>(257,967)</u>	<u>(420,802)</u>
Financing				
Government assistance received (Note 6)	-	199,047	-	-
Flow-through funds received	-	-	268,435	387,979
	<u>-</u>	<u>199,047</u>	<u>268,435</u>	<u>387,979</u>
Net change in cash for the period	(490,513)	(1,476,882)	(104,393)	(319,219)
Cash, beginning of the period	<u>2,247,011</u>	<u>3,233,380</u>	<u>1,059,750</u>	<u>1,274,576</u>
Cash, end of the period	<u>\$ 1,756,498</u>	<u>\$ 1,756,498</u>	<u>\$ 955,357</u>	<u>\$ 955,357</u>

**BUCHANS MINERALS CORPORATION**  
(formerly Royal Roads Corp.)  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2010**

**1 NATURE OF OPERATIONS**

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., which became a wholly owned subsidiary of the Company effective July 28, 2008.

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 the development, and upon future profitable production. 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 would be necessary to the carrying values of assets and liabilities, the reported loss and the balance sheet classifications used.

**2 SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Company have been prepared using accounting policies applicable to a going concern, which assumes the Company will continue in operation for a reasonable period of time and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles in Canada, using the same accounting policies and methods as per the annual consolidated financial statements for the year ended December 31, 2009. These statements do not include all the disclosures required by generally accepted accounting principles and should be read in conjunction with the most recent annual financial statements of the Company.

**3 CHANGE IN ACCOUNTING POLICIES**

**Accounting pronouncements applicable to future periods**

(i) International Financial Reporting Standards ("IFRS")

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 Company has implemented a four stage conversion process into IFRS. Phase 1 – preliminary plan and scoping, Phase 2 – detailed assessment, conversion planning and development, Phase 3 – Implementation and parallel reporting and Phase 4 – ongoing monitoring and IFRS updates. As of September 30, 2010 the Company is finalizing Phase 2 which includes an impact assessment and gap analysis, drafting IFRS policies, planning and tracking a conversion approach and application of IFRS 1 "First Time Adoption of International Financial Reporting Standards".

(ii) Business Combinations

In January 2009, the CICA issued Handbook Section 1582, "Business combinations," which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

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**3 CHANGE IN ACCOUNTING POLICIES (continued)**

**Accounting pronouncements applicable to future periods (continued)**

(iii) Non-controlling interests

In January 2009, the CICA issued Handbook Section 1602, "Non-controlling interests," which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for 2011. Earlier adoption is permitted. Management does not expect adoption of this standard to impact the Company's consolidated financial statements.

(iv) Consolidated financial statements

In January 2009, the CICA issued Handbook Section 1601, "Consolidated financial statements," which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

**4 CAPITAL MANAGEMENT**

The Company manages its capital to ensure that the Company will be able to continue as a going concern while attempting to maximize the return to shareholders through the optimization of a reasonable equity balance commensurate with current operating requirements. The strategy remains unchanged from 2009. 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 September 30, 2010 compared to the year ended December 31, 2009.

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

**5 PROPERTY, PLANT AND EQUIPMENT**

	<b>September 30, 2010</b>			December 31 2009
	Cost	Accumulated Amortization	Net	Net
<b>Vehicles</b>	\$ 31,555	\$ 2,104	\$ 29,451	\$ -
<b>Leasehold Improvements</b>	11,616	11,616	-	-
<b>Office equipment</b>	82,292	40,649	41,643	28,791
	<u>\$ 125,463</u>	<u>\$ 54,369</u>	<u>\$ 71,094</u>	<u>\$ 28,791</u>

**6 MINERAL RESOURCE PROPERTIES**

	Balance December 31, 2008	Expenditures during the year	Balance December 31, 2009	Expenditures during the period (i)	Balance September 30, 2010
<b>Acquisition costs</b>					
Tulks North	\$ 550,919	\$ 14,758	\$ 565,677	\$ 125	\$ 565,802
Buchans	1,029,998	6,670	1,036,668	4,430	1,041,098
Long Range	64,354	-	64,354	6,250	70,604
Woodstock	-	-	-	28,660	28,660
	<u>\$ 1,645,271</u>	<u>\$ 21,428</u>	<u>\$ 1,666,699</u>	<u>\$ 39,465</u>	<u>\$ 1,706,164</u>
<b>Deferred exploration costs</b>					
Tulks North	\$ 4,254,595	\$ (11,140)	\$ 4,243,455	\$ -	\$ 4,243,455
Buchans	5,611,919	744,584	6,356,503	268,544	6,625,047
Long Range	18,220	285,560	303,780	318,161	621,941
Woodstock	-	-	-	25,383	25,383
	<u>\$ 9,884,734</u>	<u>\$ 1,019,004</u>	<u>\$ 10,903,738</u>	<u>\$ 612,088</u>	<u>\$ 11,515,826</u>
	<u>\$ 11,530,005</u>	<u>\$ 1,040,432</u>	<u>\$ 12,570,437</u>	<u>\$ 651,553</u>	<u>\$ 13,221,990</u>

(i) Net of government assistance received of \$199,407 for Buchans

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**6 MINERAL RESOURCE PROPERTIES (continued)**

The Company and its subsidiary have been issued approximately 2,877 mineral licenses covering various areas of Newfoundland, including the historic Buchans Mining Camp and all the Camp's former producing Mines, certain of which are subject to the option arrangements as disclosed below. In addition, the Company owns 165 mineral licenses near Woodstock, New Brunswick.

A summary of the claims by mineral property, outlining the geographical area and minerals being sought, is as follows:

<b>Property</b>	<b>Number of Claims</b>	<b>Geographical Area</b>	<b>Minerals Sought</b>
Buchans	512	Central Newfoundland	Zinc, lead, copper, silver and gold
Barasway de Serf	12	South Coast Newfoundland	Zinc, lead, copper, silver and gold
West Tally	25	Central Newfoundland	Zinc, lead, copper, silver and gold
Burnt Pond	15	Central Newfoundland	Zinc, lead, copper, silver and gold
Burtons Pond	29	North Central Newfoundland	Gold and copper
Tulks Hill Joint Venture	20	Central Newfoundland	Zinc, lead, copper, silver and gold
Granite Lake Joint Venture	23	Central Newfoundland	Molybdenum, tungsten and tin
Great Northern Zinc	30	Central Newfoundland	Zinc
Tulks North	685	Central Newfoundland	Zinc, lead, copper, silver and gold
Long Range Joint Venture	1526	Central Newfoundland	Nickel, copper and cobalt
Woodstock Manganese	165	New Brunswick	Manganese and iron

**Buchans**

The Buchans property is located in central Newfoundland and is owned 100% by the Company. The property covers 13,433 hectares including the former producing Buchans Mine, one of Canada's richest base metal mines which produced 16.2 million tonnes between 1928 and 1984 grading 14.51% zinc, 1.33% copper, 7.56% lead, 126 g/t silver and 1.37g/t gold.

**Tulks North**

The Tulks North property comprises nine contiguous mineral claim licenses located in the Victoria Lake Mining district of west-central Newfoundland.

**Long Range Joint Venture**

The Long Range Nickel joint venture is located in central Newfoundland and Labrador, 65km southwest of Buchans and is comprised of 38,150 hectares (382 km<sup>2</sup>) in six properties. The company is the project operator and holds a 50% interest in the joint venture, while Benton Resources Corp. owns the remaining 50%. 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.

**Burtons Pond**

In December 2004, the Company finalized a joint venture agreement with Prominex Resources Corp ("Prominex") (formerly Sino Pacific Development Limited) for the Company's Burton's Pond property for which Prominex had an option to earn a 70% interest over a four year period by incurring exploration expenses of \$625,000, making cash payments totaling \$35,000 and issuing 400,000 free trading common shares over a three year period. As of December 31, 2007, \$35,000 in option payments and 400,000 shares had been received; however, Prominex expenditures were approximately \$250,000 short of the required amount. In March 2009, Prominex terminated its option on the property and returned the entire property including adjacent claims staked by Prominex (total 29 claims, 7.25 km<sup>2</sup>) to the Company. The Company now controls a 100% interest in the property.

**Tulks Hill**

In December 2005, the Company finalized a joint venture agreement with Prominex for its Tulks Hill property hosting the Tulks Hill base metal, massive sulphide deposit in central Newfoundland. The agreement granted Prominex the option to earn a 51% interest in the property over a four year period by incurring exploration expenses of \$1,000,000, making cash payments of \$70,000 and issuing 900,000 free trading shares to the Company over a three year period, all of which was completed by November 2007. Upon earning its interest, a joint venture was formed pursuant to which further work will be funded jointly by Prominex and the Company, with Prominex being the operator. An exploration budget and program for 2010 has not been determined.

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**6 MINERAL RESOURCE PROPERTIES (continued)**

**Granite Lake**

In January 2006, the Company finalized a joint venture agreement with Playfair Mining Ltd. ("Playfair") for the Company's tin-tungsten-molybdenum Granite Lake property in central Newfoundland. The agreement granted Playfair the right to earn up to a 100% interest in the property over three years by incurring exploration expenses of \$50,000 and issuing the Company 100,000 free trading shares, all of which was completed in January 2008.

The Company now holds a 3% net smelter royalty ("NSR"), 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 (\$500,000 for 0.5% NSR or \$1.5 million for 1.5% NSR).

**Woodstock**

In August 2010, the Company acquired a 100% interest in the Woodstock Manganese Property in New Brunswick. The property covers 470 hectares and is located 5 kilometres northwest of the town of Woodstock. The Company has also staked additional claims, expanding its land position to 3,700 hectares (37 km<sup>2</sup>). The property is host to three zones of sediment-hosted-manganese and iron mineralization, including the historic Plymouth deposit. Together, these deposits potentially represent one of the largest undeveloped manganese resources in North America.

**7 SHARE CAPITAL**

**Authorized**

Unlimited common shares and unlimited preference shares

Capital stock is made up as follows:

	<b>September 30 2010</b>	December 31 2009
Common shares	<b>\$ 15,725,899</b>	\$ 15,725,899
Warrants	-	890,875
	<b><u>\$ 15,725,899</u></b>	<u>\$ 16,616,774</u>
<i>(i) Common shares issued:</i>	<b># of shares</b>	<b>\$</b>
At December 31, 2008, December 31, 2009 and September 30, 2010	<b><u>112,127,490</u></b>	<b><u>\$ 15,725,899</u></b>
<i>(ii) Warrants outstanding:</i>	<b>Warrants Outstanding</b>	<b>\$</b>
At December 31, 2008	12,118,500	\$ 1,011,012
Expired	(3,581,002)	(120,137)
At December 31, 2009	8,537,498	890,875
Expired	(8,537,498)	(890,875)
At September 30, 2010	<u>-</u>	<u>\$ -</u>

**Share purchase warrants:**

A summary of the Company's warrants at September 30, 2010 is as follows:

	Warrants Outstanding	Weighted-Average Exercise Price
At December 31, 2008	12,118,500	\$ 0.32
Expired	(3,581,002)	\$ 0.37
At December 31, 2009, March 31, 2010 and June 30, 2010	8,537,498	\$ 0.44
Expired	(8,537,498)	\$ (0.44)
At September 30, 2010	<u>-</u>	<u>\$ -</u>

**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.

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**FOR THE PERIOD ENDED SEPTEMBER 30, 2010**

**7 SHARE CAPITAL (continued)**

A summary of the Company's options at September 30, 2010 and December 31, 2009 for the periods then ended is presented below:

	Options Outstanding	Weighted-Average Exercise price
At December 31, 2008	7,725,500	0.32
Expired	(937,500)	0.27
At December 31, 2009	6,788,000	0.28
Issued	6,580,000	0.10
Expired	(4,530,000)	0.26
At September 30, 2010	<u>8,838,000</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 180%, risk-free interest rate of 1.53% and expected life of 18 months.

The following table summarizes information about the options outstanding at September 30, 2010:

Exercise Price	Options outstanding and exercisable	Options not vested	Remaining contractual life (in years)
\$ 0.10	5,661,250	918,750	4.44
\$ 0.15	46,500		0.35
\$ 0.23	790,500		1.22
\$ 0.25	341,000		1.71
\$ 0.35	1,080,000		1.57
	<u>7,919,250</u>	<u>918,750</u>	<u>3.67</u>

The following table summarizes information about the options outstanding at December 31, 2009:

Exercise Price	Options outstanding and exercisable	Remaining contractual life (in years)
\$ 0.15	46,500	1.10
\$ 0.22	3,084,625	1.30
\$ 0.25	949,375	2.40
\$ 0.30	77,500	2.75
\$ 0.35	2,630,000	2.40
	<u>6,788,000</u>	<u>2.30</u>

**8 CONTRIBUTED SURPLUS**

Balance, December 31, 2008	\$ 1,392,299
Transfer to contributed surplus for expired warrants	120,137
Balance, December 31, 2009	1,512,436
Transfer to contributed surplus for expired warrants	890,875
Stock options expense	268,402
Balance September 30, 2010	<u>\$ 2,671,713</u>

**9 SUPPLEMENTAL CASH FLOW INFORMATION**

	2010	2009
Change in non-cash working capital:		
Accounts receivable	\$ 24,662	\$ (14,493)
Prepaid expenses and deposits	7,462	(3,256)
Accounts payable and accrued liabilities	63,719	(190,314)
Due to Acadian Mining Corporation	(60,979)	195,845
	<u>\$ 34,864</u>	<u>\$ (12,218)</u>

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**10 RELATED PARTY TRANSACTIONS**

Previously, 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. During the quarter \$15,000 was charged by Acadian as office overhead costs and charged to loss for the period. The services provided by Acadian were completed on July 31, 2010.

The Company rents its head office from an officer and director effective May 1, 2010. During the quarter, the Company paid or accrued \$3,600 (2009 - \$Nil) in rent to the officer and director, which was charged to loss for the period.

During the quarter, the Company paid \$98,237 in salaries and fees to directors and officers and an immediate family member of a director, of which \$66,987 was charged to loss for the period and \$31,250 was charged to mineral resource properties.

During the quarter, the Company paid or accrued \$8,000 (2009 - \$Nil) in director fees to non-management directors of the Company, which was charged to loss for the period.

During the quarter, the Company paid or accrued \$7,750 (2009 - \$Nil) in consulting fees to a director 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 \$13,407 (2009 - receivable from Acadian Mining of \$2,583,566). 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.

**11 FINANCIAL INSTRUMENTS**

***Credit Risk***

The Company financial assets are cash and cash equivalents and Harmonized Sales Tax receivable. The Company's maximum exposure to credit risk as at the financial statement date is the carrying value of its financial assets. The Company holds its cash in low-risk, secure, Canadian dollar investments with Canadian chartered banks and investment firms and the risk of default is considered to be remote.

***Fair value of financial instruments***

The book value of cash and cash equivalents, receivables, and accounts payable and accrued liabilities all approximate their fair values at the period end. The marketable securities owned by the Company at the financial statement date were marked to market resulting in a loss of \$3,250 for the quarter in accordance with the Company's accounting policies.

***Interest rate risk***

The Company's debt is limited to accounts payable and there is limited exposure to interest rate risk.

***Foreign currency rate risk***

The Company does not currently have any hedges in place for foreign currency risk and minimal expenses are denominated in foreign currencies. Expenses denominated in foreign currencies are recorded using the average exchange rate for the period.

***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 September 30, 2010, the Company had cash and cash equivalent balances of \$1,756,498 (2009 - \$955,357) to settle current liabilities of \$149,226 (2009 - \$53,487). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

***Sensitivity Analysis***

The Company has designated its cash and cash equivalents and marketable securities as held-for-trading, which are measured at fair value. Financial instruments included in amounts receivable and prepaid expenses are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. As at the period end, the carrying and fair value amounts of the Company's financial instruments, other than the marketable securities which are reflected at fair value, are the same.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

- (a) For cash balances, sensitivity to a plus or minus 0.5% change in rates would not materially affect net loss on an annualized basis.
- (b) Price risk is remote since the Company is not a producing entity.

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**12 SUBSEQUENT EVENT**

On October 15, 2010, the Company issued 12,500,000 Units at \$0.08 per Unit for cash of \$1,000,000. Each Unit consists of one flow through share and one-half of one common share purchase warrant. Each 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 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 Company will use the proceeds of the offering to fund mineral exploration expenses on its Long Range and Buchans North properties which are held by the Company's wholly owned subsidiary, Buchans River Ltd.