

BUCHANS MINERALS CORPORATION

(formerly Royal Roads Corp.)

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011

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 interim financial statements of the Company for the three and six months ended June 30, 2011 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards and are the responsibility of the Company's management. The Company's auditors have not performed an audit or a review of these interim financial statements.

Dated: August 15, 2011

BUCHANS MINERALS CORPORATION
(formerly Royal Roads Corp.)
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	As at June 30 2011 \$	As at December 31 2010 (Note 13) \$	As at January 1 2010 (Note 13) \$
ASSETS			
Current assets			
Cash and cash equivalents	2,839,388	1,287,748	3,233,380
Cash and cash equivalents, restricted (Note 5a)	668,600	601,500	-
Amounts receivable	38,714	157,838	56,070
Marketable securities (Note 4)	16,250	14,625	22,750
Prepaid expenses and deposits	46,589	61,631	67,092
	3,609,541	2,123,342	3,379,292
Non-current assets			
Exploration and evaluation assets (Note 7)	14,062,606	13,590,923	12,570,437
Property, plant and equipment (Note 6)	74,633	71,686	28,791
	17,746,780	15,785,951	15,978,520
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	180,534	277,465	146,486
Non-current liabilities			
Flow-through share premium liability (Note 5b)	161,800	150,000	-
Deferred taxes	675,469	675,469	1,107,228
SHAREHOLDERS' EQUITY			
Capital stock (Note 8)	17,413,669	16,090,759	15,814,335
Warrants	1,539,977	379,642	890,875
Contributed surplus	2,554,580	2,526,602	1,512,436
Deficit	(4,779,249)	(4,313,986)	(3,492,840)
	16,728,977	14,683,017	14,724,806
	17,746,780	15,785,951	15,978,520

See Nature of operations and going concern (Note 1)

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

BUCHANS MINERALS CORPORATION
(formerly Royal Roads Corp.)
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Three months ended June 30		Six months ended June 30	
	2011	2010 (Note 13)	2011	2010 (Note 13)
	\$	\$	\$	\$
Expenses				
Professional fees	55,530	99,928	91,558	128,046
Depreciation	3,760	2,585	7,344	4,024
Director fees	11,000	11,500	17,500	11,500
Office and general	78,798	38,958	107,977	163,356
Salaries and consulting fees	64,656	92,160	133,824	331,597
Promotion and travel	36,425	4,929	72,047	8,123
Filing and transfer agent fees	15,602	7,830	26,967	15,865
Investor relations and shareholder information	50,122	3,451	90,685	13,501
Provincial capital taxes	-	35,212	7,500	35,212
Property investigation costs	-	28,928	-	28,928
Share based payments	191	248,000	27,978	248,000
Unrealized loss (gain) on fair value through profit and loss financial assets	6,500	8,125	(1,625)	8,125
	322,584	581,606	581,755	896,277
Net loss before undernoted items	(322,584)	(581,606)	(581,755)	(896,277)
Operator fees	24,146	31,500	24,146	31,500
Interest income	10,202	4,319	14,846	9,634
Net loss before income tax	(288,236)	(545,787)	(542,763)	(855,143)
Deferred tax recovery	40,000	-	77,500	-
Net loss and comprehensive loss for the period	(248,236)	(545,787)	(465,263)	(855,143)
Loss per share – basic and diluted	(0.002)	(0.005)	(0.003)	(0.008)
Weighted average number of shares outstanding – basic and diluted	150,898,545	112,127,490	136,887,316	112,127,490

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

BUCHANS MINERALS CORPORATION
(formerly Royal Roads Corp.)
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGE IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Common Shares Without Par Value			Contributed		Total
	Shares	Amount	Warrants	Surplus	Deficit	Shareholders'
	#	\$	\$	\$	\$	Equity
						\$
Balance, January 1, 2010	112,127,490	15,814,335	890,875	1,512,436	(3,492,840)	14,724,806
Share based payments	-	-	-	248,000	-	248,000
Net loss and comprehensive loss for the period	-	-	-	-	(855,143)	(855,143)
Balance, June 30, 2010	112,127,490	15,814,335	890,875	1,760,436	(4,347,983)	14,117,663
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)
Flow-through share premium liability	-	(250,000)	-	-	-	(250,000)
Expiry of warrants	-	-	(890,875)	890,875	-	-
Tax effect of expired warrants	-	-	-	(169,300)	-	(169,300)
Share based payments	-	-	-	44,591	-	44,591
Net income (loss) and comprehensive income (loss) for the remainder of the year	-	-	-	-	33,997	33,997
Balance, December 31, 2010	124,627,490	16,090,759	379,642	2,526,602	(4,313,986)	14,683,017
Issue of securities for cash:						
Private placement at \$0.11 per unit	23,293,362	1,357,970	1,204,300	-	-	2,562,270
Private placement at \$0.13 per flow-through unit	2,977,693	261,100	126,000	-	-	387,100
Share issuance costs	-	(206,860)	(169,965)	-	-	(376,825)
Flow-through share premium liability	-	(89,300)	-	-	-	(89,300)
Share based payments	-	-	-	27,978	-	27,978
Net loss and comprehensive loss for the period	-	-	-	-	(465,263)	(465,263)
Balance, June 30, 2011	150,898,545	17,413,669	1,539,977	2,554,580	(4,779,249)	16,728,977

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

BUCHANS MINERALS CORPORATION
(formerly Royal Roads Corp.)
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
		(Note 13)		(Note 13)
	\$	\$	\$	\$
Cash provided by (used in) the following activities				
Operating:				
Net loss and comprehensive loss for the period	(248,236)	(545,787)	(465,263)	(855,143)
Items not requiring cash:				
Amortization	3,760	2,585	7,344	4,024
Unrealized loss (gain) on fair value to profit and loss financial assets	6,500	8,125	(1,625)	8,125
Share based payments	191	248,000	27,978	248,000
Future income tax recovery	(40,000)	-	(77,500)	-
Net change in non-cash working capital items (Note 9)	(2,945)	(323,252)	190,751	49,007
	(280,730)	(610,329)	(318,315)	(545,987)
Investing:				
Expenditures on exploration and evaluation assets	(578,002)	(233,060)	(810,279)	(601,338)
Acquisition of property, plant and equipment	(7,757)	(6,536)	(10,291)	(38,091)
	(585,759)	(239,596)	(820,570)	(639,429)
Financing:				
Proceeds from issuance of capital stock, net of issuance costs	-	-	2,572,545	-
Government assistance	185,080	199,047	185,080	199,047
Net change in restricted cash	166,700	-	(67,100)	-
	351,780	199,047	2,690,525	199,047
Net change in cash and cash equivalents for the period	(514,709)	(650,878)	1,551,640	(986,369)
Cash and cash equivalents, beginning of the period	3,354,097	2,897,889	1,287,748	3,233,380
Cash and cash equivalents, end of the period	2,839,388	2,247,011	2,839,388	2,247,011

Interest income is included in operating activities.

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 Corp.)
NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011
(Expressed in Canadian Dollars)

1 NATURE OF OPERATIONS AND GOING CONCERN

Buchans Minerals Corporation (the "Company") is continued under the *Canada Business Corporations Act* and its principal business activity is the exploration of mineral properties. The address of the Company's registered office is 247 Dill Road, Windsor, Nova Scotia, BON 2T0. These financial statements include the accounts of Buchans River Ltd. and Canadian Manganese Company Inc., wholly owned subsidiaries of the Company.

The Company is 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. 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

(a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS"). These are the Company's second IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements. The accounting policies have been selected to be consistent with IFRS as is expected to be effective on December 31, 2011, the Company's first annual IFRS reporting date. Previously, the Company prepared its interim and annual financial statements in accordance with Canadian GAAP. The adoption of IFRS resulted in changes to the Company's accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented. They also have been applied in the preparation of an opening IFRS statement of financial position as at January 1, 2010 as required by IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from Canadian GAAP is explained in Note 13. This note includes reconciliations of equity and total comprehensive loss for comparative periods and of equity at the date of transition reported under previous Canadian GAAP to those reported for those periods and at the date of transition under IFRS. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's December 31, 2010 year end consolidated financial statements.

(b) Basis of Measurement

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis using the accrual basis of accounting except for cash flow information.

(c) Basis of Consolidation

These financial statements are consolidated with Buchans River Ltd. and Canadian Manganese Company Inc., both wholly-owned subsidiaries of the Company. All intercompany balances and transactions are eliminated upon consolidation.

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(d) Presentation Currency

The Company's presentation currency and functional currency is the Canadian dollar ("C\$").

(e) Significant Accounting Judgments and Estimates

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and notes. By their nature, these estimates, judgments and assumptions are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The more significant areas are as follows:

Critical accounting estimates

The amounts recorded for share-based payment transactions are based on estimates. The Black-Scholes model is based on estimates of assumptions for expected volatility, expected number of options to vest, dividend rate, risk-free interest rate and expected life of the options.

The recoverability of amounts shown for exploration and evaluation assets 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.

Management's assumption of no material restoration, rehabilitation and environmental obligation, is based on the facts and circumstances that existed during the period.

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 carry-forwards 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.

Critical accounting judgments

The following accounting policies involve judgments or assessments made by management:

- The determination of categories of financial assets and financial liabilities;
- The determination of a cash-generating unit for assessing and testing impairment;
- The allocation of exploration costs to cash-generating units; and
- The determination of when an exploration and evaluation asset moves from the exploration stage to the development stage.

(f) Business Combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given up, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the subsidiary. Acquisition related costs are recognized in profit and loss as incurred.

Business combinations that occurred prior to January 1, 2010 were not accounted for in accordance with IFRS 3 Business Combinations or IAS 27 Consolidated and Separate Financial Statements in accordance with the IFRS 1 First-Time Adoption of International Financial Reporting Standards exemption discussed in Note 13 (a).

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(g) Cash and Cash Equivalents

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

(h) Foreign Currency Translation

In preparing the financial statements, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period-end exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the consolidated statement of loss and comprehensive loss.

(i) Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

It is management's judgement that none of the Company's exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets.

(j) Property, Plant and Equipment

Items of property, plant and equipment are recorded at cost and depreciated over their estimated useful lives. The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of loss and comprehensive loss during the financial period in which they are incurred.

Depreciation is recognized using the following rates and methods:

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

Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate.

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(k) Impairment of Non-Financial Assets

The Company's tangible assets are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated. Long-lived assets that are not amortized are subject to an annual impairment assessment.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company considers each mineral property to be a cash-generating unit. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

(l) Share-based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and services providers. The board of directors grants such options for periods of up to ten years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of share purchase options granted is recognized as an expense or charged to mineral properties as appropriate, with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value for share purchase options granted to employees or those providing services similar to those provided by a direct employee is measured at the grant date and each tranche is recognized using the accelerated method basis over the period during which the share purchase options vest. The fair value of the share purchase options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

The fair value for share purchase options granted to non-employees for services provided is measured at the date the services are received. The fair value of the share purchase options granted is measured at the fair value of the services received, unless the fair value of services received cannot be estimated reliably, in which case the fair value of the share purchase options is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

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(m) Income Taxes

Income tax on profit or loss consists of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred 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 the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- goodwill not deductible for tax purposes; and
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(n) Loss per Share

Loss per share is computed by dividing the net loss attributable to common shareholders by the weighted average number of shares outstanding during the period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

(o) Comprehensive Loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive loss, components of other comprehensive income and cumulative translation adjustments are presented in the consolidated statements of comprehensive loss and the consolidated statements of changes in equity.

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(p) Financial Instruments

The Company does not have any derivative financial instruments.

All financial assets are classified into one of the following four categories: fair value through profit or loss ("FVTPL"), held to maturity ("HTM"), available for sale ("AFS") and loans and receivables.

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. Financial assets classified as FVTPL are stated at fair value and changes are recognized in profit or loss. HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. AFS financial assets subsequent to initial recognition are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company's cash and cash equivalents, restricted cash and marketable securities have been classified as FVTPL financial assets. The amount receivable from a joint exploration partner has been classified as loans and receivables. The Company does not presently have any financial assets designated as AFS. The carrying value of the Company's cash, cash equivalents, and restricted cash approximates their fair value due to their short-term nature.

The Company has the following non-derivative financial liabilities: amounts payable and accrued liabilities and flow-through share premium liability. The carrying value of financial liabilities approximates their fair value due to their short-term nature. Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Impairment of financial assets:

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period.

Financial assets are assessed for indicators of impairment at the end of each reporting period.

Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(q) Flow-through Shares

The Company will, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders and the premium liability is reversed. The reversal of the premium liability and the deferred tax liability are recognized as tax recoveries to the extent that suitable deferred tax assets are available.

(r) Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

(s) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance expense ("notional interest").

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed. The Company presently does not have any amounts considered to be provisions.

(t) 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

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interest in mineral properties is applied by the Company only when the parties enter into formal comprehensive agreements for ownership and mineral participation.

(u) Accounting Standards Issued but not yet Effective

IFRS 9, Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning January 1, 2013 and has not yet considered the potential impact of the adoption of IFRS 9.

In May 2011, the IASB issued the following standards, effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, which have not yet been adopted by the Company. The Company has not yet begun to assess the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

International Financial Reporting Standard 10, Consolidation ("IFRS 10")

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation – Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*.

International Financial Reporting Standard 11, Joint Arrangements ("IFRS 11")

IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionally consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Controlled Entities – Non-monetary Contributions by Venturers*.

International Financial Reporting Standard 12, Disclosure of Interests in Other Entities ("IFRS 12")

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

International Financial Reporting Standard 13, Fair Value Measurement ("IFRS 13")

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

International Accounting Standard 28, Investments in Associates and Joint Ventures ("IAS 28")

As a consequence of the issuance of IFRS 10, IFRS 11, and IFRS 12, IAS 28 has been amended and will further provide accounting guidance for investments in associates and will set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This standard will be applied by the Company when there is joint control or significant influence over an investee.

3 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

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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 three months ended June 30, 2011 compared to the year ended December 31, 2010.

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

4 MARKETABLE SECURITIES

Marketable securities are comprised of 325,000 common shares of Prominex Resource Corp., a publicly-traded company. The investment is stated at fair value and changes in fair value are recognized in profit or loss.

5 RESTRICTED CASH AND FLOW-THROUGH SHARE PREMIUM LIABILITY

- a) The Company raised \$1,000,000 on a flow-through Unit offering during 2010 and \$387,100 on a flow-through Unit offering in February 2011. Prior to December 31, 2011, \$1,374,600 is required to be spent on Canadian Exploration Expenditures ("CEE"). As at June 30, 2011, the Company had spent \$706,000 on expenditures that qualify as CEE, and \$668,600 of the Company's cash is restricted for expenditures that qualify as CEE.
- b) The Company recognises a flow-through share premium liability when it issues flow-through shares equal to the estimated premium, if any, investors pay for the flow-through feature. The liability is reduced pro-rata as the flow-through expenditures are incurred. The components of the liability are as follows:

	October 2010	February 2011	
	flow-through	flow-through	Total
	share issuance	share issuance	\$
	\$	\$	\$
As at January 1, 2010	-	-	-
Liability recognized on issuance of flow-through shares	250,000	-	250,000
Reduction of liability for expenditures incurred	(100,000)	-	(100,000)
As at December 31, 2010	150,000	-	150,000
Liability recognized on issuance of flow-through shares	-	89,300	89,300
Reduction of liability for expenditures incurred	(77,500)	-	(77,500)
As at June 30, 2011	72,500	89,300	161,800

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6 PROPERTY, PLANT AND EQUIPMENT

COST	January 1, 2010	Additions	December 31, 2010	Additions	June 30, 2011
	\$	\$	\$	\$	\$
Vehicles	-	31,555	31,555	-	31,555
Leasehold improvements	11,616	-	11,616	-	11,616
Office equipment	64,292	22,155	86,447	10,291	96,738
	<u>75,908</u>	<u>53,710</u>	<u>129,618</u>	<u>10,291</u>	<u>139,909</u>

ACCUMULATED DEPRECIATION	January 1, 2010	Additions	December 31, 2010	Additions	June 30, 2011
	\$	\$	\$	\$	\$
Vehicles	-	3,155	3,155	2,840	5,995
Leasehold improvements	11,616	-	11,616	-	11,616
Office equipment	35,501	7,660	43,161	4,504	47,665
	<u>47,117</u>	<u>10,815</u>	<u>57,932</u>	<u>7,344</u>	<u>65,276</u>

CARRYING AMOUNTS	January 1, 2010	December 31, 2010	June 30, 2011
	\$	\$	\$
Vehicles	-	28,400	25,560
Leasehold improvements	-	-	-
Office equipment	28,791	43,286	49,073
	<u>28,791</u>	<u>71,686</u>	<u>74,633</u>

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7 EXPLORATION AND EVALUATION ASSETS

	Balance December 31, 2010 \$	Acquisition and Claim Costs \$	Exploration Expenditures ⁽¹⁾ \$	Write-downs \$	Balance June 30, 2011 \$
Buchans	7,856,155	675	309,014	-	8,165,844
Tulks North	4,809,132	-	-	-	4,809,132
Long Range	850,552	(10,460)	20,063	-	860,155
Woodstock	66,690	3,120	134,177	-	203,987
Other	8,394	-	15,094	-	23,488
	<u>13,590,923</u>	<u>(6,665)</u>	<u>478,348</u>	<u>-</u>	<u>14,062,606</u>

	Balance January 1, 2010 \$	Acquisition And Claim 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>

⁽¹⁾ Net of government assistance received of \$185,080 for Long Range (2010: \$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.

Long Range

The Long Range Property is under a 50/50 joint exploration 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 exploration companies 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

Burtens Pond

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

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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 exploration 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 February 18, 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. The fair value of the warrants issued of \$1,330,300 (Warrants - \$1,104,600; Flow-Through Warrants - \$126,000; and Broker Warrants - \$99,700) was recorded to warrants and was estimated using the relative fair values and the Black-Scholes model with the following assumptions: dividend yield of 0%, expected volatility of 187%, risk-free interest rate of 1.53% and expected life of 24 months.

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 six months ended June 30, 2011 and the twelve months ended December 31, 2010 is as follows:

	Number of Warrants	Weighted-Average Exercise Price \$
At January 1, 2010	8,537,498	0.440
Expired	(8,537,498)	(0.440)
Issued	7,037,500	0.135
At December 31, 2010	7,037,500	0.135
Issued	26,883,892	0.166
At June 30, 2011	33,921,392	0.156

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Details of the outstanding share purchase warrants at June 30, 2011 are as follows:

Expiry date	Exercise price per share \$	Number of shares
* October 15, 2012	0.12	7,037,500
February 18, 2013	0.17	23,293,362
February 18, 2013	0.18	1,488,846
February 18, 2013	0.11	2,101,684
		33,921,392

* Exercisable at a price of \$0.12 until October 15, 2011 and at a price of \$0.15 until their expiry.

Share based payments

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 three months ended June 30, 2011, share-based payments of \$191 (2010 - \$248,000) was charged to loss.

The change in stock options during the year ended December 31, 2010 and the six months ended June 30, 2011 is as follows:

	Number of Options	Weighted-Average Exercise Price \$
At January 1, 2010	6,788,000	0.28
Issued	6,655,000	0.10
Expired	(4,530,000)	(0.26)
At December 31, 2010	8,913,000	0.15
Expired	(46,500)	(0.15)
At June 30, 2011	8,866,500	0.15

The fair value of the stock options issued in 2010 was 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 June 30, 2011:

Exercise Price \$	Options outstanding and exercisable	Options not vested	Remaining contractual life (in years)
0.10	6,497,500	187,500	3.69
0.22	155,000		0.47
0.23	635,500		1.47
0.25	341,000		0.96
0.35	1,080,000		0.82
	8,679,000	187,500	2.90

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9 SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
Change in non-cash working capital:				
Amounts receivable	73,899	(18,570)	119,124	14,120
Prepaid expenses	7,886	(4,991)	15,042	2,053
Accounts payable and accrued liabilities	(84,730)	(299,691)	56,585	93,813
Due to Acadian Mining Corporation	-	-	-	(60,979)
	(2,945)	(323,252)	190,751	49,007
Change in liability for tax deductions related to flow-through shares	(40,000)	-	11,800	-
Change in expenditures for exploration and evaluation assets in accounts payable	(155,007)	-	(153,516)	-

10 RELATED PARTY TRANSACTIONS

The Company's related parties consist of executive officers and directors, the spouse of an executive officer, and companies controlled by executive officers and directors.

During the three and six months ended June 30, the Company paid or accrued the following amounts to related parties:

Related Party	Item	3 months ended June 30		6 months ended June 30	
		2011	2010	2011	2010
		\$	\$	\$	\$
Director	Rent charged to statement of loss	3,600	2,400	7,200	2,400
Key management personnel	Salaries and fees charged to statement of loss	77,312	74,267	158,012	118,150
	Salaries and fees charged to mineral properties	33,000	-	64,833	-
	Share-based payments charged to statement of loss	-	200,100	-	200,100
	Share-based payments charged to mineral properties	-	23,900	-	23,900
	Post-retirement and other long-term benefits	-	-	-	-
	Termination benefits charged to statement of loss	-	-	-	101,000

Included in accounts payable and accrued liabilities are amounts owing to related parties of \$31,951 (2010 - \$Nil). Included in prepaid expenses is an amount of \$3,600 (2010 - \$3,600) 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.

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11 CONTINGENCIES AND COMMITMENTS

The Company has a lease commitment for office space expiring on March 31, 2015. Remaining minimum lease payments to the end of the lease are as follows:

	\$
December 31, 2011	14,088
December 31, 2012	30,401
December 31, 2013	31,143
December 31, 2014	32,255
December 31, 2015	8,156
	<u>116,043</u>

12 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate).

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 from time to time include amounts receivable from a joint exploration partner from which management believes the risk of loss to be limited based on historical experience.

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 June 30, 2011, the Company had unrestricted cash and cash equivalents of \$2,839,388 (2010 - \$2,247,011) to settle current liabilities of \$180,534 (2010 - \$179,320). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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.

13 CONVERSION TO IFRS

Overview

These are the Company's second condensed consolidated interim financial statements prepared in accordance with IAS 34 using accounting policies consistent with IFRS. Previously, the Company prepared its financial statements in accordance with Canadian GAAP. The accounting policies described in Note 2 are consistent with IFRS as expected to be effective on December 31, 2011, the Company's first annual IFRS reporting date. These policies have been applied in the preparation of these unaudited condensed consolidated interim financial statements, including all comparative information.

First-Time Adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). IFRS 1 requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires retrospective application of IFRS effective at the end of its first annual reporting period, which for the Company will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions to this retrospective treatment.

In preparing the Company's opening IFRS consolidated financial statements, the Company has adjusted amounts reported previously in the consolidated financial statements prepared in accordance with Canadian GAAP.

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The Company has elected to apply the following optional exemptions in its preparation of an opening statement of financial position dated January 1, 2010, the Company's "Transition Date":

- **Business Combinations**
To apply IFRS 3 Business Combinations prospectively from the Transition Date, therefore not restating business combinations that occurred prior to January 1, 2010.
- **Share-based payment transactions**
To apply IFRS 2 Share-based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- **Consolidated and Separate Financial Statements**
To apply IAS 27 Consolidated and Separate Financial Statements prospectively, as the Company has elected to apply IFRS 3 Business Combinations prospectively.
- **Restoration, rehabilitation and environmental obligations (Decommissioning Liabilities)**
The company has elected to apply the exemption from full retrospective application of decommissioning provisions allowed under IFRS 1. As a result, the company has re-measured the provisions at January 1, 2010 under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose.
- **Lease Arrangements**
The Company has elected to apply the transition provisions of IFRIC 4 Determining Whether an Arrangement Contains a Lease, therefore determining if arrangements existing at the Transition Date contain a lease based on the circumstances existing at that date. The Company has no leases at the Transition Date.
- **Financial Instruments**
The Company has elected to designate its financial assets classified as held-for-trading at the Transition Date as fair value through profit and loss (FVTPL) financial assets. This designation applies to cash and cash equivalents, restricted cash and marketable securities. The fair value of financial assets designated as FVTPL at the Transition Date was \$3,256,130.

The estimates previously made by the Company under Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that these estimates were in error. Estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those made under Canadian GAAP.

Changes to Accounting Policies

The Company has changed certain accounting policies to be consistent with IFRS effective or available for early adoption on December 31, 2011, the Company's first annual IFRS reporting date. Adoption of IFRS has had no material impact on the Company's statements of cash flows for the three and six months ended June 30, 2010 and the twelve months ended December 31, 2010. The changes to accounting policies and the impact on the Company's financial statements are as follows:

a) **Share-based payment transactions**

Under IFRS, each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value for share purchase options granted to non-employees for services provided is measured at the date the services are received. The fair value of the share purchase options granted is measured at the fair value of the services received, unless the fair value of services received cannot be estimated reliably, in which case they are valued using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

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Under Canadian GAAP, the fair value of stock-based awards to employees with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight line basis over the vesting period. Forfeitures of awards are recognized as they occur.

The Company's accounting policies relating to share-based payment transactions have been changed to reflect these differences. There is no impact on the financial statements.

b) Impairment of (non-financial) Assets

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP required a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies relating to impairment of non-financial assets have been changed to reflect these differences and there is no impact on the financial statements.

c) Restoration, Rehabilitation and Environmental Obligations (Decommissioning Liabilities)

IFRS requires the recognition of a decommissioning liability for legal or constructive restoration, rehabilitation and environmental obligations, while Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. Management has determined that it has no legal or constructive obligations and accordingly, there is no impact on the financial statements.

d) Flow-through Shares

The Company will, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. Under IFRS, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders and the premium liability is reversed. The reversal of the premium liability and the deferred tax liability are recognized as tax recoveries to the extent that suitable deferred tax assets are available. Under Canadian GAAP, the Company recorded the tax cost of expenditures renounced to subscribers on the date the deductions were renounced to the subscribers. Share capital was reduced and future income tax liabilities were increased by the tax cost of expenditures renounced to the subscribers, except that the amount was recognized as a tax recovery to the extent that suitable future tax assets were available.

The net effects of these changes are as follows:

Effect on Statement of Financial Position:	January 1, 2010	June 30, 2010	December 31, 2010
	\$	\$	\$
Increase share capital	88,436	88,436	161,564
Recognize the flow-through share premium liability	-	-	150,000
Increase (decrease) the deficit	88,436	88,436	(11,564)
Effect on Statement of Earnings:			
Record tax recovery as the liability is reduced based on the pro-rata flow-through expenditures in the period		-	100,000

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e) Provisions

Under IFRS, a provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Under Canadian GAAP, a liability was recognized for legal obligations.

The Company's accounting policies relating to provisions has been changed to reflect this difference and there is no impact on the financial statements.

Reconciliation of Canadian GAAP to IFRS

The Canadian GAAP statement of financial position as at January 1, 2010 has been reconciled to IFRS as follows:

	Note	January 1, 2010		
		Canadian GAAP \$	Effect of transition to IFRS \$	IFRS \$
ASSETS				
Current assets				
Cash and cash equivalents		3,233,380	-	3,233,380
Cash and cash equivalents, restricted		-	-	-
Amounts receivable		56,070	-	56,070
Marketable securities		22,750	-	22,750
Prepaid expenses and deposits		67,092	-	67,092
		3,379,292	-	3,379,292
Non-current assets				
Exploration and evaluation assets		12,570,437	-	12,570,437
Property, plant and equipment		28,791	-	28,791
		15,978,520	-	15,978,520
EQUITY AND LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		146,486	-	146,486
Non-current liabilities				
Deferred taxes		1,107,228	-	1,107,228
Shareholders' equity				
Capital stock	13(d)	15,725,899	88,436	15,814,335
Warrants		890,875	-	890,875
Contributed surplus		1,512,438	-	1,512,436
Deficit	13(d)	(3,404,404)	(88,436)	(3,492,840)
		14,724,806	-	14,724,806
		15,978,520	-	15,978,520

BUCHANS MINERALS CORPORATION
(formerly Royal Roads Corp.)
NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011
(Expressed in Canadian Dollars)

The Canadian GAAP statement of financial position as at June 30, 2010 has been reconciled to IFRS as follows:

		June 30, 2010		
	Note	Canadian GAAP \$	Effect of transition to IFRS \$	IFRS \$
ASSETS				
Current assets				
Cash and cash equivalents		2,247,011	-	2,247,011
Amounts receivable		41,950	-	41,950
Marketable securities		14,625	-	14,625
Prepaid expenses and deposits		65,039	-	65,039
		2,368,625	-	2,368,625
Non-current assets				
Exploration and evaluation assets		12,972,728	-	12,972,728
Property, plant and equipment		62,858	-	62,858
		15,404,211	-	15,404,211
EQUITY AND LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		179,320	-	179,320
Non-current liabilities				
Deferred taxes		1,107,228	-	1,107,228
Shareholders' equity				
Capital stock	13(d)	15,725,899	88,436	15,814,335
Warrants		890,875	-	890,875
Contributed surplus		1,760,436	-	1,760,436
Deficit	13(d)	(4,259,547)	(88,436)	(4,347,983)
		14,117,663	-	14,117,663
		15,404,211	-	15,404,211

BUCHANS MINERALS CORPORATION
(formerly Royal Roads Corp.)
NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011
(Expressed in Canadian Dollars)

The Canadian GAAP statement of financial position at December 31, 2010 has been reconciled to IFRS as follows:

	Note	December 31, 2010		
		Canadian GAAP \$	Effect of transition to IFRS \$	IFRS \$
ASSETS				
Current assets				
Cash and cash equivalents		1,287,748	-	1,287,748
Cash and cash equivalents, restricted		601,500	-	601,500
Amounts receivable		157,838	-	157,838
Marketable securities		14,625	-	14,625
Prepaid expenses and deposits		61,631	-	61,631
		2,123,342	-	2,123,342
Non-current assets				
Exploration and evaluation assets		13,590,923	-	13,590,923
Property, plant and equipment		71,686	-	71,686
		15,785,951	-	15,785,951
EQUITY AND LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		277,465	-	277,465
Non-current liabilities				
Flow-through share premium liability	13(d)	-	150,000	150,000
Deferred taxes		675,469	-	675,469
Shareholders' equity				
Capital stock	13(d)	16,252,323	(161,564)	16,090,759
Warrants		379,642	-	379,642
Contributed surplus		2,526,602	-	2,526,602
Deficit	13(d)	(4,325,550)	11,564	(4,313,986)
		14,833,017	-	14,683,017
		15,785,951	-	15,785,951

BUCHANS MINERALS CORPORATION
(formerly Royal Roads Corp.)
NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011
(Expressed in Canadian Dollars)

The Canadian GAAP statement of comprehensive loss for the three months ended June 30, 2010 has been reconciled to IFRS as follows:

	Note	3 months ended June 30, 2010		
		Canadian GAAP \$	Effect of transition to IFRS \$	IFRS \$
Expenses				
Professional fees		99,928	-	99,928
Depreciation		2,585	-	2,585
Director fees		11,500	-	11,500
Office and general		38,958	-	38,958
Salaries and consulting fees		92,160	-	92,160
Promotion and travel		4,929	-	4,929
Filing and transfer agent fees		7,830	-	7,830
Investor relations and shareholder information		3,451	-	3,451
Provincial capital taxes		35,212	-	35,212
Property investigation costs		28,928	-	28,928
Share-based payments		248,000	-	248,000
Unrealized loss on fair value through profit and loss financial instruments		8,125	-	8,125
		581,606	-	581,606
Net loss before undernoted items		(581,606)	-	(581,606)
Operator fees		31,500	-	31,500
Interest income		4,319	-	4,319
Net loss before income tax		(545,787)	-	(545,787)
Deferred tax (expense) recovery		-	-	-
Net loss and comprehensive loss for the period		(545,787)	-	(545,787)

BUCHANS MINERALS CORPORATION
(formerly Royal Roads Corp.)
NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011
(Expressed in Canadian Dollars)

The Canadian GAAP statement of comprehensive loss for the six months ended June 30, 2010 has been reconciled to IFRS as follows:

	Note	6 months ended June 30, 2010		
		Canadian GAAP \$	Effect of transition to IFRS \$	IFRS \$
Expenses				
Professional fees		128,046	-	128,046
Depreciation		4,024	-	4,024
Director fees		11,500	-	11,500
Office and general		63,356	-	63,356
Salaries and consulting fees		331,597	-	331,597
Promotion and travel		8,123	-	8,123
Filing and transfer agent fees		15,865	-	15,865
Investor relations and shareholder information		13,501	-	13,501
Provincial capital taxes		35,212	-	35,212
Property investigation costs		28,928	-	28,928
Share-based payments		248,000	-	248,000
Unrealized loss on fair value through profit and loss financial instruments		8,125	-	8,125
		896,277	-	896,277
Net loss before undernoted items		(896,277)	-	(896,277)
Operator fees		31,500	-	31,500
Interest income		9,634	-	9,634
Net loss before income tax		(855,143)	-	(855,143)
Deferred tax (expense) recovery		-	-	-
Net loss and comprehensive loss for the period		(855,143)	-	(855,143)

BUCHANS MINERALS CORPORATION
(formerly Royal Roads Corp.)
NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011
(Expressed in Canadian Dollars)

The Canadian GAAP statement of comprehensive loss for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	Note	12 months ended December 31, 2010		
		Canadian GAAP \$	Effect of transition to IFRS \$	IFRS \$
Expenses				
Professional fees		227,643	-	227,643
Depreciation		10,817	-	10,817
Director fees		27,500	-	27,500
Office and general		124,698	-	124,698
Salaries and consulting fees		479,466	-	479,466
Promotion and travel		34,023	-	34,023
Filing and transfer agent fees		30,257	-	30,257
Investor relations and shareholder information		75,949	-	75,949
Provincial capital taxes		47,212	-	47,212
Property investigation costs		28,928	-	28,928
Share-based payments		244,791	-	244,791
Unrealized loss on fair value through profit and loss financial instruments		8,125	-	8,125
		1,339,409	-	1,339,409
Interest income		(18,143)	-	(18,143)
Write-down of exploration and evaluation assets		248,456	-	248,456
Operator fees		(47,517)	-	(47,517)
		182,796	-	182,796
Net loss before income tax		1,522,205	-	1,522,205
Deferred tax recovery	13(d)	(601,059)	(100,000)	(701,059)
Net loss and comprehensive loss		921,146	(100,000)	821,146