

BUCHANS MINERALS CORPORATION (formerly Royal Roads Corp.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and nine months ended September 30, 2011

The following management's discussion and analysis of the financial position and results of operations of Buchans Minerals Corporation (the "Company"), prepared as of November 14, 2011, should be read in conjunction with the unaudited condensed consolidated interim financial statements and the notes thereto for the three and nine months ended September 30, 2011, prepared in accordance with International Accounting Standard 34, using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise noted.

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical fact, that address reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects, are forward-looking statements. Similarly, statements about the need for future financings are also forward-looking statements. These statements include assumptions regarding exploration and development expenditures, liquidity to support operations, completion of National Instrument 43-101 (NI 43-101) compliant technical reports for the Company's exploration properties, ongoing participation of joint exploration partners, establishment and estimates of mineral reserves and resources, cash operating costs, timing and issuance of any future permits, the ability to obtain financing to fund estimated expenditures, and the impact of adoption of new accounting standards. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration results, continued availability of capital and financing and general economic, market or business conditions. These factors are not intended to represent a complete list of the general or specific factors that may affect the Company. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. The information contained herein is subject to change and the Company does not assume the obligation to revise or update these forward-looking statements, except as may be required under applicable securities laws.

This MD&A has been prepared in accordance with the provisions of National Instrument 51-102, Section 5 and Form 51-102F1 and has been approved by the Company's Board of Directors.

Description of Business

Buchans Minerals Corporation (TSX-V: BMC) is a mineral exploration company engaged in the process of acquiring, exploring and developing mineral properties. The Company has interests in properties located on the island of Newfoundland within the province of Newfoundland and Labrador, Canada and in the province of New Brunswick, Canada. The majority of the Company's properties are currently at an exploration stage, whilst the Lundberg property is in the pre-development stage with the recent completion of a Preliminary Economic Assessment ("PEA"). The Company has no producing properties, no operating income or cash flow and funds its operations through the proceeds from equity financings.

Mineral Resource Properties

The Company is focused on exploration and development of its base metal and gold properties and deposits located in the vicinity of the famous Buchans mining camp in central Newfoundland and its manganese properties near Woodstock, New Brunswick.

The Company has three main properties in and around the Buchans area that contain numerous exploration prospects, namely the 100% owned Buchans property (which contains the Lundberg deposit), the 100% owned Tulks North property (which contains the Daniels Pond deposit) and the 50% joint-ventured Long Range base metal and gold property. The NI 43-101 compliant Lundberg deposit is an Inferred Resource on which an NI 43-101 compliant PEA was completed this quarter. Lundberg is located at the heart of the former Buchans Mine which was one of Canada's richest base metal mines that processed 16.2 million tonnes of ore between 1928 and 1984, averaging 14.51% zinc, 1.33% copper, 7.56% lead, 126 g/t silver and 1.37g/t gold.

The Woodstock manganese property is located near the town of Woodstock in western New Brunswick where historical work outlined uncategorized historical resource estimates for manganese and iron. While these historical estimates are not compliant with NI 43-101, nor have they been independently confirmed by the Company and

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should not be relied upon, the Company believes the historic resource estimates are an indication of the exploration and development potential of the project as a significant target resource or exploration target. Acquisition of the project was largely based upon the Company's review of previous detailed metallurgical test work on the project as well as recognition of an optimistic outlook for the future of the manganese market.

Resource Development

Lundberg Deposit

During the second quarter, the Company announced the results of a positive Preliminary Economic Assessment ("PEA") on its 100% owned Lundberg base metal project near the town of Buchans in central Newfoundland (see news releases of June 29th, 2011 and August 11th, 2011). The PEA is compliant with NI 43-101 and was completed by Wardrop Engineering, a Tetra Tech Company ("Wardrop"). The PEA is based on a 5,000 tonne per day open pit mining and milling operation over a 10 year life of mine ("LOM"). The project's base case is forecast to provide a pre-tax internal rate of return ("IRR") of **43.94%** and a net present value ("NPV") at a 6% discount rate of **\$217.8 million**.

Development Strategy

With positive PEA results indicating potential for Lundberg to become a stand-alone mine, the Company has embarked upon a development strategy of seeking a partner to continue development of the Lundberg deposit towards completion of a pre-feasibility and final feasibility study. The Company is investigating both options of either joint venturing the project to an experienced mining company or spinning the project into another public company that will be managed and financed independently.

PEA Highlights

- Pre-tax IRR of **43.94%** and an NPV at a 6% discount rate of **\$217.8 million** on total LOM cash-flow of **\$471.5 million**.
- Average operating costs for the first five years of the project are **\$24.53** per tonne on net revenue of **\$61.76** per tonne. This translates to a revenue to cost ratio of **2.5 to 1**. For the current estimated LOM, the average operating costs are **\$23.79** per tonne on net revenue of **\$52.95** per tonne for a revenue-to-cost ratio of **2.2 to 1**.
- Payback for the project is estimated at 1.4 years on initial capital of \$119.6 million and sustaining capital of \$32.4 million over the LOM, for total capital expenditures of \$152.0 million. Capital estimates includes \$10.2 million indirect costs, \$3.8 million owners' costs and \$19.1 million contingency.
- Average throughput of 5,000 tonnes per day, with a stripping ratio of 3.06 to 1, producing separate zinc, copper and lead concentrates with silver credits in both the lead concentrate and to a lesser degree the copper concentrate.
- Average annual production of metal in the concentrate is estimated to be **27.1 million** pounds of zinc ("Zn"), **5.5 million** pounds of copper ("Cu"), **16.3 million** pounds of lead ("Pb") and **47.9 thousand** ounces of silver ("Ag").
- A NI 43-101 Inferred Resource was used by Wardrop in the conceptual open pit design. The open pit design is comprised of 17.28 million tonnes of the Inferred Resource averaging grades of 1.63% Zn, 0.69% Pb, 0.40% Cu and 5.96 g/t Ag over the LOM. In the event metal prices improve in the future, the remaining in situ inferred resource that is excluded from the current Wardrop open pit mine design of 4.93 million tonnes may be included in a future economic evaluation.

The PEA is based on Inferred Mineral Resources, which are not Mineral Reserves and do not have demonstrated economic viability. Inferred Mineral Resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves and there is therefore no certainty that the conclusions of the PEA will be realized.

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PEA Qualified Persons

Mike McLaughlin, P.Eng., is a project manager with Wardrop and is acting as Qualified Person for the financial analysis.

Dan Gagnon, P.Eng., is an open pit mine engineering with Wardrop and is acting as Qualified Person for the open pit mine design and the associated estimated capital and operating cost for the open pit mine.

Daniel Coley, MBA, B.Sc., P.Eng., Senior Process Engineer with Wardrop, is a Qualified Person as defined by NI 43-101 and has reviewed and approved the results of the metallurgical test work conducted by SGS Canada for Buchans Minerals Corporation regarding the Lundberg deposit.

Peter Webster, P.Geo., is President of Mercator Geological Services Limited and is acting as Qualified Person for the Mineral Resource Estimate.

PEA Technical Report

The full PEA has been filed under the Company's profile on SEDAR at www.sedar.com and can be downloaded from the Company's website at www.buchansminerals.com.

Daniels Pond Deposit

Given the close proximity of the Company's 100% owned Daniels Pond deposit to the Lundberg deposit, it will be included in any possible joint venture or spin-out of the Lundberg deposit, with the aim of evaluating Daniels Pond as a possible satellite mine to the central Lundberg processing plant. Daniels Pond is a volcanogenic massive sulphide ("VMS") deposit located on the Company's Tulks North property south of Red Indian Lake, and approximately 90 kilometres by road from the Lundberg deposit. Daniels Pond hosts a NI 43-101 compliant Indicated resource at a 1.5% Zn cut-off of 1.16 million tonnes grading 4.44% zinc, 2.12% lead, 0.31% copper, 87.79 g/t silver and 0.60 g/t gold, as well as an Inferred Resource totaling 0.45 million tonnes grading 3.88% Zn, 1.74% Pb, 0.27% Cu, 81.63 g/t Ag and 0.52 g/t Au (see Table 3). The bulk of these resources occur within 150 metres of surface in two lobes of mineralization.

Table 3. Daniels Pond Deposit Mineral Resource Estimate ¹

Category	Cut-off (Zn %)	Tonnes	Combined Zn%+Pb%+Cu %	Zn %	Pb %	Cu %	Ag g/t	Au g/t
Indicated	1.5	1,162,000	6.88	4.44	2.12	0.31	87.79	0.60
	2.0	929,000	7.98	5.13	2.50	0.34	101.40	0.63
	2.5	787,000	8.79	5.65	2.77	0.37	111.03	0.68
Inferred	1.5	445,000	5.89	3.88	1.74	0.27	81.63	0.52
	2.0	332,000	7.04	4.61	2.13	0.30	85.86	0.53
	2.5	236,000	8.70	5.59	2.79	0.32	112.31	0.55

¹ Based on Revised Technical Report on the Daniels Pond Deposit and Property Holdings of Buchans Minerals Corporation (formerly Royal Roads Corp.), Red Indian Lake Area, Newfoundland, Canada, prepared by Peter Webster, P.Geo., James Barr, B.Sc., and Rafael de Albuquerque, B.Sc., Mercator Geological Services Limited, effective date April 29th, 2008, revised date June 13, 2008. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Woodstock Manganese Deposits

Since August of 2010, the Company has acquired mineral properties comprised of 5,800 hectares (58 square kilometres) known as the Woodstock manganese property. This property is reported to host three zones of sediment-hosted-manganese and iron mineralization, which together potentially represent one of the largest

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undeveloped manganese resources in North America. In 1957, previous operators, Strategic Manganese Corporation, estimated a non NI 43-101 compliant, historic, uncategorized resource estimate for the Plymouth deposit of 51.2 million tons² (46.5 million tonnes) averaging 10.9% Mn (manganese) and 13.3% Fe (iron) and 50 million tons² (45 million tonnes) for each of the East and West Hartford deposits averaging 8.0% Mn and 12% Fe.

A review of past metallurgical test work completed in 1987 on the Plymouth deposit by Witteck Development Inc., ("Witteck") revealed that manganese recoveries as high as 80% could be achieved by employing hydrometallurgical processing techniques to the mineralization. Witteck evaluated ten hydrometallurgical processing techniques designed to produce high-purity manganese products, of which they identified two prospective processes with positive operating margins that may have been potentially economic in 1987 - one producing electrolytic manganese metal (EMM) and the other producing manganese precipitate.

A key breakthrough by Witteck was the utilization of hydrometallurgical techniques to successfully leach the manganese from the Plymouth deposit (one of the three Woodstock deposits owned by the Company). In terms of the world EMM market, the potential significance of the leach-ability of manganese has recently been demonstrated by American Manganese Inc. on their Artillery Peak deposit in Arizona, who recently published a PEA indicating they can potentially produce electrolytic manganese metal at an average on-site operating cost of US \$0.44 per pound; in comparison to estimated operating costs of ~US \$0.99 per pound by Chinese producers, who currently supply approximately 97% of the world's EMM. With current EMM market prices of approximately US \$1.50 per pound (CIF Rotterdam), the potential profitability and competitiveness of operations that can successfully utilize hydrometallurgical techniques to undercut most of the world's EMM producers is a significant incentive to advance the Company's Woodstock project and evaluate its potential to become a low cost EMM producer.

The Company completed a 5-hole drill program on the Plymouth manganese deposit in July, 2011 that confirmed historical grades and widths (see below), and provided fresh samples to complete a hydrometallurgical program before the end of 2011 to confirm the leach-ability of manganese from the mineralized rock. Results from the drill program include intersections of 11.43% Mn over 89.0 metres, 11.41% Mn over 45.0 metres and 9.22% Mn over 63.0 metres in a north fence of holes; while a second fence of holes located approximately 100 metres to the south returned intersections of 8.61% Mn over 44.0 metres and 12.51% Mn over 78.0 metres in one hole, and 11.27% Mn over 101.0 metres and 11.67% Mn over 78.0 metres in a second hole. True widths are estimated to be 87% of reported intercept lengths.

The leach test results will determine if the project proceeds to a preliminary economic assessment to determine the economic viability of producing high-value manganese products (such as EMM). Should the Company receive positive leach recoveries, the future development strategy will be to seek a partner by way of either a joint venture or spin-out into a separately financed company. In addition, the Company has taken preliminary steps towards the completion of a preliminary economic assessment by completing an internal dynamic economic model to assist in the ongoing evaluation and development of the Plymouth deposit.

² *Quoted historic estimates are based on data obtained and prepared by previous operators. The Company has not located the original assay sheets or details of the estimation methodology completed, nor has the Company undertaken the work necessary to verify or classify the mineral resource estimate. The Company is not treating the mineral resource estimate as a NI 43-101 defined resource verified by a qualified person, and the estimate should not be relied upon. Verification and classification of the resource will require considerable further evaluation, the scope of which is currently being assessed by the Company's management.*

Exploration Projects

The Company has a number of exploration prospects that are a mix of more advanced and early stage exploration prospects. The most active of its exploration properties is the 50/50 joint exploration arrangement with Benton Resources Corp. exploring for gold, copper and nickel on the Long Range property. The Long Range property covers a previously unexplored region of central Newfoundland where exploration under the joint exploration agreement over the past three years has yielded encouraging results on a number of prospects; including recent discoveries of gold at several early stage prospects. One of these gold prospects, known as Goldquest, was the target of an initial exploration drilling program during the quarter; the results of which are pending. In addition to the Long Range property, the Company has two base metal prospects of merit on its 100% owned Buchans property, the Buchans

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North and Clementine West prospects. Both prospects are considered excellent prospects for discovery of high-grade Buchans style mineralization, and while the Company is currently seeking joint exploration partners to explore these prospects, it is also considering conducting further exploration of these targets on its own. In addition, the Company has a 100% interest in the Tulks North property, which hosts the Daniels Pond deposit, and is located in a prolific geologic region known to host several VMS-style base metal deposits (Bobby's Pond, Boomerang, Hurricane, Duck Pond, and Tulks Hill).

Long Range

The Long Range property, located 65 kilometres southwest of Buchans, covers 38,125 hectares (381.25 km²) and is operated under a 50/50 joint exploration agreement between Buchans Minerals and Benton Resources (the "Companies"), with Buchans Minerals as the operator. Exploration at Long Range originally focused on discovery of magmatic nickel sulphide deposits akin to a Voisey's Bay style deposit; however, exploration since 2008 has discovered a variety of prospects for other commodities, including the recently discovered Goldquest gold prospect and the Range copper prospect. As a result, much of the Companies' recent exploration has focused on discovery of vein-hosted gold and silver deposits throughout the property area, as well as at the Goldquest prospect, and discovery of copper bearing massive sulphide mineralization at the Range prospect. Recent results from this work have included discovery of a new gold prospect in September of 2011, known as the Goldrange prospect; where gold-bearing quartz float was discovered on the eastern margin of the property, approximately 26 kilometres east of the Goldquest prospect.

Originally discovered in December of 2010, work at the Goldquest prospect has included prospecting, soil sampling and limited trenching; and to date has yielded results that include assays from quartz in bedrock and float of up to 123.81 g/t gold and 425.7 g/t Ag. Of 52 samples collected from mineralized quartz float and bedrock in this area, assays for gold and silver range between 0.005 g/t and 123.8 g/t gold and average 12.8 g/t gold; while returning silver assays ranging between 0.2 g/t and 425.7 g/t silver and averaging 75.9 g/t. Included in these samples are grab samples from outcrop assaying 8.52 g/t gold and 30.7 g/t silver. In October of 2011, the Companies completed an eight-hole diamond drilling program designed to test the bedrock showing, known as the Goldquest North area, as well as test an area of concentrated quartz float located 750 metres south, along strike of the bedrock showing, known as the Goldquest South area. Results from this program are pending.

Other recent prospecting activities have identified an area of gold-bearing quartz float similar to that observed at Goldquest, known as the Goldrange gold prospect. At this prospect prospectors uncovered a cluster of sub-angular quartz float measuring up to 15 centimetres in diameter, from which a total of four samples returned assays of 25.8 g/t Au and 130.2 g/t Ag, 20.6 g/t Au and 87.1 g/t Ag, 5.3 g/t Au and 2.2 g/t Ag, and, 2.1 g/t Au and 72.9 g/t Ag. The float is believed to be locally derived, as outcrop composed of altered granitic rock hosting sulphide-bearing quartz veins is located less than 10 metres away and returns grab sample assays of 0.83 g/t gold and 0.64 g/t gold (two samples collected). A trenching program was completed at this location in October of 2011 and results are pending.

In addition to its gold exploration efforts, the Companies anticipate undertaking further work in 2011 to further explore the Range copper prospect. This work is to include undertaking additional geophysical surveys over the prospect to better determine its size and depth potential. Drilling completed in March of 2011 extended copper-bearing sulphide mineralization over a minimum strike length of 200 metres at this prospect and confirmed the zone strikes in a northwesterly direction parallel to previous geophysical surveys. As a result, the zone remains open in both strike directions and at depth and requires additional geophysical surveys to better characterize this potentially significant zone of sulphide mineralization. Results from the 2011 drilling program further suggest the prospect's overall sulphide abundance, thickness and copper grade may be increasing to the north, and include intersections of 12.9 metres (estimated true width) averaging 0.48% copper and 0.023% cobalt, including 0.91 metres averaging 2.24% copper and 0.011% cobalt.

The Companies are currently operating within an approved 2011 exploration budget and program that includes a firm commitment of \$0.5 million, focused largely on further exploration for gold and select base metal targets. Depending on results generated by the initial \$0.5 million program, the Companies have conditionally approved additional expenditures to fund additional drilling of select targets that could see the current program expanded to \$1.0 million. If approved, the additional expenditures would be incurred over the first six months of 2012.

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Buchans North (located within the Buchans property)

The 100% owned Buchans North prospect, located within the Buchans property (12,383 ha or 123.8 km²), was discovered by the previous mine operator, Asarco, in the early 1950s, approximately 500 metres northwest of the former Oriental Mine, where Asarco mined 3.3 million tonnes averaging 14.18% Zn, 7.90% lead, 1.47% copper, 154.0 g/t silver and 1.96 g/t gold between 1935 and 1983³. The prospect was last drilled by Asarco in 1967, and occurs approximately 290 metres below surface within a less explored, fault repeat of the same horizon that hosts the Oriental mine. Interpretation of previous drilling suggests the Buchans North horizon may still be open in several directions and further exploration may track mineralization into less explored areas where additional sizeable deposits similar to Oriental may yet be discovered. The Company first completed a two-hole diamond drill program in late 2009 to assess the prospect's continuity and extents. The first hole intersected massive sulphides assaying 15.50% copper, 1.85% lead, 5.80% zinc, 214.8 g/t silver and 2.92 g/t gold over 0.30 metres (core length), and the second hole intersected massive sulphides averaging 15.52% zinc, 7.61% lead, 0.92% copper, 148.9 g/t silver and 1.15 g/t gold over 2.1 metres (core length). A further five-hole drilling program comprising approximately 2,100 metres was undertaken in late 2010 to further test for extensions to the mineralization. Results of the 2010 program include a 3.1 metre drilled intersection (core length) of semi-massive to massive sulphides averaging 7.32% zinc, 3.93% lead, 0.40% copper, 75.0 g/t silver & 1.75 g/t gold. This intercept represents a 41 metre step-out from previous high-grade sulphide drill intersections and extends the zone down plunge. Each of the other holes drilled in 2010 intersected favorably altered and variably mineralized felsic volcanic rocks at the target horizon, including disseminated and stockwork mineralization similar to that typically seen adjacent to massive sulphide deposits in the Buchans Camp. Based on these results, the Company believes additional drilling is warranted in this area, and is assessing options to undertake additional drilling of this important target in the near future.

³ Past production figures for the Oriental Mine were obtained from an article written by Thurlow, G.J., and Swanson, E.A., 1981: *Geology and ore deposits of the Buchans area, central Newfoundland*. In: Swanson, E.A., Strong, D.F., and Thurlow, J.G., editors), *The Buchans Orebodies: Fifty Years of Geology and Mining*. Geological Association of Canada Special Paper 22. page 123.

Clementine West (located within the Buchans property)

Located within the Company's 100% owned Buchans property, the Clementine West prospect hosts intercepts of stringer-stockwork mineralization measuring up to 121 metres in length. This mineralization is similar to that observed beneath the former, high-grade massive sulphide Lucky Strike mine, where historic mining by Asarco produced 5.6 million tonnes averaging 18.4% zinc, 8.6% lead, 1.6% copper, 112 g/t silver and 1.7 g/t gold. Results obtained from drilling completed by the Company in 2008 and 2010 suggest the prospect may be part of a large stockwork zone that may be associated with a large, as yet undiscovered, accumulation of massive sulphides analogous to those previously mined in Buchans. The prospect remains essentially unexplored at depths below 200 metres along its minimum 1.5 kilometre strike length. The Company believes additional drilling is warranted to test this target and is considering undertaking additional drilling of this important target in early 2012.

Tulks North

The 100% owned Tulks North property covers 16,025 hectares (approximately 160 km²) situated within the Victoria Lake mining camp, located south of Red Indian Lake in central Newfoundland. The property is considered highly prospective, being located within the north half of the Tulks Volcanic belt, the same belt of rocks that hosts Messina Minerals' Boomerang, Hurricane and Tulks East base metal deposits, as well as the Tulks Hill deposit jointly owned by Buchans Minerals (49%) and joint exploration partner Prominex Resources (51%). The Company's Daniels Pond deposit is located within the Tulks North property, less than 10 kilometres southwest of Mountain Lake Resources Inc.'s Bobby's Pond base metal deposit, and less than 30 kilometres west of Teck Resources Limited's operating Duck Pond mine. In addition to the Daniels Pond deposit, the property is host to a number of prospective targets that remain partially evaluated through limited past exploration.

Tulks Hill

The Tulks Hill property, located 25 kilometres southwest of the Daniels Pond deposit, covers approximately 500 hectares (5 km²) operated under a 51/49 joint exploration agreement between Prominex Resources Corp ("Prominex"), and Buchans Minerals, with Prominex as the operator. In August of 2011, Prominex announced its

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intention to undertake a summer/fall exploration program on this volcanogenic massive sulphide (VMS) project, after Buchans Minerals declared it would not be participating in the program. Under terms of the joint venture agreement, Buchans Minerals' interest in this project may be further diluted, should Prominex undertake this program. Prominex estimates that Buchans Minerals interest may dilute by approximately 10% should Prominex fund and complete the \$500,000 program planned for 2011. To date, Prominex has made no further disclosure on the progress of its activities at Tulks Hill.

Prominex has announced the 2011 exploration program may consist of prospecting and surface evaluation in areas identified by a previous exploration and up to 2,800 metres of additional in fill diamond drilling to further test several of the properties known massive sulphide prospects. In 2008, Prominex announced the T3 Lens of the Tulks Hill deposit contains some 431,000 tonnes⁴ of Indicated Mineral Resources at an average grade of 0.89% Cu, 3.97% Zn, 1.61% Pb, 35.09 g/t Ag and 1.17 g/t Au.

⁴ *Technical Report On The Tulks Hill Cu-Zn Project, Newfoundland & Labrador, Canada Prepared For The Tulks Hill Joint Venture Between Prominex Resources Corp (Operator) And Buchans River Limited, NI 43-101 Report by Hrayr Agnerian, M.Sc.(Applied), P.Geo. effective date July 22, 2008. Mineral resources that are not mineral reserves do not have demonstrated economic viability.*

Qualified Person

Paul Moore, M.Sc., P.Geo., (NL), Vice President of Exploration, is acting as Qualified Person in compliance with National Instrument 43-101 with respect to the technical information provided in this Management's Discussion and Analysis and has reviewed the contents for accuracy.

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The review of results of operations should be read in conjunction with the unaudited condensed consolidated financial statements of the Company for the three and nine months ended September 30, 2011.

Three months ended September 30, 2011 and 2010

The Company's projects are at the exploration and pre-development stages, and it has generated no revenue from operations to date. The Company capitalizes all exploration costs. For the three months ended September 30, 2011, the Company capitalized exploration costs of \$492,746 (2010 - \$249,262). The net amounts capitalized to each project were as follows: Buchans \$100,228 (2010 - \$108,686); Long Range \$102,940 (2010 - \$86,533); Woodstock \$286,403 (2010 - \$54,043); Tulks North \$975 (2010 - \$Nil); and other properties \$2,200 (2010 - \$Nil).

The Company had a net loss for the quarter of \$268,225 compared to a net loss in the same quarter of the previous year of \$242,524. Expenses increased to \$376,675 (2010 - \$253,351) primarily due to an increase in shareholder relations and communications activities.

Expenses for the three months ended September 30, 2011 and 2010 are as follows:

Expenses	2011 \$	2010 \$
Professional fees	54,477	64,098
Depreciation	4,382	3,230
Director fees	7,000	8,000
Office and general	41,990	32,275
Salaries and consulting fees	90,296	80,592
Promotion and travel	66,108	14,603
Filing and transfer agent fees	(160)	11,602
Investor relations and shareholder information	96,491	9,299
Provincial capital taxes	14,080	6,000
Property investigation costs	386	-
Share-based payments	-	20,402
Unrealized loss on fair value through profit and loss financial assets	1,625	3,250
Total	376,675	253,351

Nine months ended September 30, 2011 and 2010

For the nine months ended September 30, 2011, the Company capitalized exploration costs of \$1,149,509, offset by a government grant of \$185,080 for Long Range (2010 - \$850,960, offset by a government grant of \$199,407 for Buchans). The net amounts capitalized to each project were as follows: Buchans \$409,917 (2010 - \$272,974); Long Range \$112,543 (2010 - \$324,411); Woodstock \$423,700 (2010 - \$54,043); Tulks North \$975 (2010 - \$125); and other properties \$17,294 (2010 - \$Nil).

The Company had a net loss for the nine months ended September 30, 2011 of \$733,488 compared to a net loss in the same period in the previous year of \$1,097,667. Expenses decreased to \$958,430 (2010 - \$1,149,628) primarily due to a decrease in share-based payments related to the timing of vesting of stock options and a decrease in salaries and consulting fees due to a severance payment made in the prior year, partially offset by an increase in shareholder relations and communications activities. A future tax recovery of \$178,586 was recorded in the current period (2010: \$Nil).

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Expenses for the nine months ended September 30, 2011 and 2010 are as follows:

Expenses	2011 \$	2010 \$
Professional fees	146,035	192,144
Depreciation	11,726	7,254
Director fees	24,500	19,500
Office and general	149,967	95,630
Salaries and consulting fees	224,120	412,189
Promotion and travel	138,155	22,726
Filing and transfer agent fees	26,807	27,467
Investor relations and shareholder information	187,176	22,801
Provincial capital taxes	21,580	41,212
Property investigation costs	386	28,928
Share-based payments	27,978	268,402
Unrealized gain on fair value through profit and loss financial assets	-	11,375
Total	958,430	1,149,628

Summary of Quarterly Results

The following is selected quarterly information for each of the eight most recently completed quarters:

Quarter	Revenue \$	Expenses \$	Net income (loss) \$	Net income (loss) per share - basic and diluted \$
Q3/11	Nil	376,675	(268,225)	(0.002)
Q2/11	Nil	322,584	(248,236)	(0.002)
Q1/11	Nil	259,171	(217,027)	(0.002)
Q4/10	Nil	189,781	276,521	0.003
Q3/10	Nil	253,351	(242,524)	(0.002)
Q2/10	Nil	546,394	(545,787)	(0.005)
Q1/10	Nil	349,883	(309,356)	(0.003)
Q4/09*	Nil	208,918	191,910	0.002

** Prepared in accordance with Canadian GAAP*

Expenses were higher in the first and second quarters of 2010 primarily due to severance expenses associated with a restructuring of staff and professional fees associated with the sale of a major shareholder's interest in the Company. Expenses are higher in the second and third quarters of 2011 primarily due to increased shareholder relations and communications activities. Net loss is generally consistent with the trend in administrative expenditures, with the exception of the fourth quarter of 2010 in which the net income was related to a tax recovery of \$701,059 associated with a reduction in the future tax liability, partially offset by a write-down of mineral resource properties of \$248,456, and the fourth quarter of 2009 in which net income was related to a tax recovery of \$372,072.

Liquidity and Capital Resources

As at September 30, 2011, the Company had working capital of \$2,562,333 compared to \$1,845,877 at December 31, 2010. As at September 30, 2011, the Company had \$2,344,315 in unrestricted cash compared to \$1,287,748 in unrestricted cash at December 31, 2010. The increase in unrestricted cash of \$1,056,567 in the nine months ended

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September 30, 2011 (2010 - use of cash of \$1,476,882) was attributable to financing activities generating \$3,036,375 in cash (2010 - \$Nil) resulting from a private placement of \$2,572,545 in net proceeds (2010 - \$Nil), government grants of \$185,080 (2010 - \$199,047), and the use of \$278,750 (2010 - \$Nil) of restricted cash, offset by the use of cash in operating activities of \$709,684 (2010 - \$775,772) and the expenditure of cash on exploration and evaluation assets of \$1,250,834 (2010 - \$850,600) and on capital assets of \$19,290 (2010 - \$49,557).

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. Of these amounts, \$987,500 is required to be spent on Canadian Exploration Expenditures ("CEE") prior to December 31, 2011 and \$387,100 is required to be spent on CEE prior to December 31, 2012. As at September 30, 2011, the Company had spent \$1,051,850 on expenditures that qualify as CEE, and \$322,750 of the Company's cash is restricted for expenditures that qualify as CEE.

The Company's principal assets are at the exploration and evaluation stage and as a result the Company has no current source of operating cash flow. The Company's activities are funded primarily through equity financing. In the previous twelve months, the Company raised \$3.9 million in equity financing.

Management has estimated that the Company will have adequate funds from existing working capital to meet its corporate, administrative and property obligations and exploration plans for the next twelve months. If the Company is to advance or develop its mineral properties more quickly than planned, it may be necessary to obtain additional financing. While the Company has been successful in obtaining financing in the past, there can be no assurance that it will be able to do so in the future.

Risks and Uncertainties

Under Canadian reporting requirements, management of the Company is required to identify and comment on significant risks and uncertainties associated with its business activities. For a summary of potentially significant inherent risks and uncertainties that management considers to be particularly unique to its operations and business plans in the upcoming years, please refer to the Company's 2010 Management Discussion and Analysis, which is available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Outstanding Share Data

The share capital of the Company consists of an unlimited number of common shares, without nominal or par value and an unlimited number of preferred shares, without nominal or par value of which 150,898,545 common shares were issued and outstanding as at the date of this MD&A. There are no preferred shares issued and outstanding.

Warrants outstanding:

<u>Expiry date</u>	<u>Exercise price per share</u>	<u>Number of Shares</u>
October 15, 2012	\$0.15	7,037,500
February 18, 2013	\$0.17	23,293,362
February 18, 2013	\$0.11	2,101,684
February 18, 2013	\$0.18	1,488,846
		<u>33,921,392</u>

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Stock options outstanding:

Expiry date	Exercise price per share	Number of Shares
May 9, 2015	\$0.10	5,180,000
May 27, 2015	\$0.10	250,000
August 16, 2013	\$0.10	750,000
September 22, 2015	\$0.10	400,000
December 21, 2015	\$0.10	75,000
December 18, 2011	\$0.22	155,000
December 20, 2012	\$0.23	635,500
May 28, 2012	\$0.25	139,500
June 25, 2012	\$0.25	201,500
December 18, 2011	\$0.35	200,000
May 23, 2012	\$0.35	880,000
		<u>8,866,500</u>

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 nine months ended September 30, 2011 and 2010 the Company paid or accrued the following amounts to related parties:

Related Party	Item	3 months ended September 30		9 months ended September 30	
		2011 \$	2010 \$	2011 \$	2010 \$
Director	Rent charged to statement of loss	3,600	3,600	7,200	6,000
Key management personnel	Salaries and fees charged to statement of loss	66,900	82,737	224,912	200,887
	Salaries and fees charged to mineral properties	33,000	31,250	97,833	31,250
	Share-based payments charged to statement of loss	-	-	-	200,100
	Share-based payments charged to mineral properties	-	-	-	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 \$34,127 (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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Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, restricted cash, amounts receivable, marketable securities, accounts payable and accrued liabilities and flow-through share premium liability. As at September 30, 2011, there were no significant differences between the carrying amounts of these financial instruments as reported on the balance sheets and their estimated fair values. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

The Company's financial assets that are exposed to credit risk are cash and cash equivalents, restricted cash and amounts receivable. The Company holds its cash and cash equivalents and restricted cash 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.

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.

Contractual Obligations

As at September 30, 2011, the Company has a lease commitment for office space expiring on March 31, 2013. Total minimum lease payments, including estimated taxes and operating expenses, to the end of the lease are \$108,999.

Off-balance Sheet Arrangements

At the quarter end, the Company had no off-balance sheet arrangements.

Changes in Accounting Policies

International Financial Reporting Standards

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The condensed consolidated interim financial statements for the three and nine months ended September 30, 2010 are the Company's third financial statements prepared in accordance with International Accounting Standards 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 to the financial statements are consistent with IFRS as expected to be effective on December 31, 2011, which will be the Company's first annual IFRS reporting date.

Impact of Adopting IFRS on the Company's Business

The adoption of IFRS has resulted in minimal changes to the Company's accounting systems and business processes. The Company has not identified any contractual arrangements that are significantly impacted by the adoption of IFRS. The Company's staff and advisers involved in the preparation of financial statements have been appropriately trained in the relevant aspects of IFRS and the changes to accounting policies. The Board of Directors and Audit Committee have been regularly updated through the Company's IFRS transition process, and are aware of the key aspects of IFRS affecting the Company.

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. In addition, IFRS 1 provides for certain optional exemptions and mandatory exceptions to this retrospective treatment. The optional exemptions applied by the Company in preparing its opening statement of financial position at January 1, 2010 were as follows:

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- **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)**
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**
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.

Impact of Adopting IFRS on the Company's 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 nine months ended September 30, 2010 and the twelve months ended December 31, 2010. The changes to accounting policies 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.

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.

At the Transition Date, this change in accounting policy resulted in an increase in capital stock of \$88,436 (December 31, 2010: \$161,564) and an increase in the deficit of \$88,436 (December 31, 2010: decrease of \$11,564). The increase in net loss for the nine months ended September 30, 2010 was \$Nil (December 31, 2010: decrease of \$100,000).

Where flow-through shares were issued at a premium but expenditures were not incurred by the end of the reporting period, a liability is shown in "flow-through share premium liability". This resulted in a liability of \$Nil on the date of transition (June 30, 2010 - \$Nil; December 31, 2010 - \$150,000).

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.

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

Accounting pronouncements applicable to future periods

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.

Additional Information

The financial statements and additional information regarding the Company, including the Company's certificates of annual and interim filings, news releases and technical reports referred to herein, are available on SEDAR at www.sedar.com.