

# **BUCHANS RESOURCES LIMITED**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*Unaudited*

**For the three months ended March 31, 2022**

### **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

**BUCHANS RESOURCES LIMITED**

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*Unaudited*

**For the three months ended March 31, 2022**

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**BUCHANS RESOURCES LIMITED****Condensed Interim Consolidated Statements of Financial Position****As at March 31, 2022***Unaudited*

Expressed in Canadian Dollars	Notes	March 31, 2022	December 31, 2021
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	1,247,114	1,070,738
Trade and other receivables	9	56,076	43,957
Prepaid expenses	9	129,627	39,276
Marketable securities		17,100	25,500
<b>Total current assets</b>		<b>1,449,917</b>	<b>1,179,471</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	6	13,210,581	13,184,110
Right-of-use asset, lease	5	560,848	20,478
Financial instruments	7	51,926	73,831
Non current portion of note receivable	7	250,996	251,673
Investment in associates	7	851,704	851,704
<b>Total non-current assets</b>		<b>14,926,055</b>	<b>14,381,796</b>
<b>Total assets</b>		<b>16,375,972</b>	<b>15,561,267</b>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	216,546	60,537
Current portion of lease obligation	5	182,312	-
Deferred exploration expenditures	6	228,839	-
<b>Total current liabilities</b>		<b>627,697</b>	<b>60,537</b>
<b>Long term liabilities</b>			
CEBA loans payable	11	120,000	120,000
Lease obligation	5	382,359	-
<b>Total long term liabilities</b>		<b>502,359</b>	<b>120,000</b>
<b>Total liabilities</b>		<b>1,130,056</b>	<b>180,537</b>
<b>Shareholders' Equity</b>			
Share capital	12	14,619,425	14,619,425
Retained earnings		626,491	761,305
<b>Total equity</b>		<b>15,245,916</b>	<b>15,380,730</b>
<b>Total shareholders' equity and liabilities</b>		<b>16,375,972</b>	<b>15,561,267</b>

**COMMITMENTS AND CONTINGENCIES (Notes 1, 6 and 7)**

The financial statements were approved by the Board of Directors on May 26, 2022 and signed on its behalf by:

Signed "John F. Kearney" , Director

Signed "Patrick Downey" , Director

See accompanying notes to the consolidated financial statements

**BUCHANS RESOURCES LIMITED****Condensed Interim Consolidated Statements of Income and Loss and Comprehensive Loss****For the three months ended March 31, 2022 and 2021***Unaudited*

Expressed in Canadian Dollars	Notes	March 31, 2022	March 31, 2021
		\$	\$
General and administrative expenses:			
Professional fees		(12,000)	(5,246)
Shareholders and investors expense		(2,606)	(3,759)
Lease depreciation	5	(53,469)	(61,435)
Office (expense)/recovery		(28,858)	6,170
Loss before other items		(96,933)	(64,270)
Other items:			
Foreign exchange loss		(4,614)	(12,712)
Canada Emergency Wage Subsidy revenue		-	3,765
Non-cash deemed interest expense		(6,061)	(7,176)
Interest income	5	3,099	-
Change in fair value of Xtierra warrants	7	(21,905)	-
Change in fair value of marketable securities	6	(8,400)	-
Total other items		(37,881)	(16,123)
Net (loss) and comprehensive (loss) for the period		(134,814)	(80,393)
<b>Loss per share</b>			
Basic and diluted (loss)/income per share	4	(0.002)	(0.001)
Weighted average common shares outstanding	4	64629386	62138460

See accompanying notes to the consolidated financial statements

**BUCHANS RESOURCES LIMITED**  
**Condensed Interim Statements of Changes in Equity**  
**As at March 31, 2022**  
*Unaudited*

Expressed in Canadian Dollars	Share Capital	(Deficit) Retained Earnings	Total
	\$	\$	\$
Balance as at December 31, 2020	14,122,282	2,170,426	16,292,708
Total comprehensive loss for the period	-	(80,393)	(80,393)
Balance as at March 31, 2021	<u>14,122,282</u>	<u>2,090,033</u>	<u>16,212,315</u>
Minco Exploration warrants exercise adjustment	(2,857)	-	(2,857)
Proceeds from private placements	500,000	-	500,000
Total comprehensive loss for the period	-	(1,328,728)	(1,328,728)
Balance as at December 31, 2021	<u>14,619,425</u>	<u>761,305</u>	<u>15,380,730</u>
Total comprehensive loss for the period	-	(134,814)	(134,814)
Balance as at March 31, 2022	<u>14,619,425</u>	<u>626,491</u>	<u>15,245,916</u>

See accompanying notes to the consolidated financial statements

**BUCHANS RESOURCES LIMITED****Condensed Interim Consolidated Statements of Cash Flows  
For the three months ended March 31, 2022 and 2021***Unaudited*

Expressed in Canadian Dollars	Notes	March 31, 2022	March 31, 2021
		\$	\$
<b>Cash flow from operating activities</b>			
(Loss)/income for the period		(134,814)	(80,393)
Lease depreciation	5	53,469	61,435
Non-cash foreign exchange loss		3,776	11,940
Change in fair value of Xtierra warrants	7	21,905	-
Change in fair value of marketable securities	6	8,400	-
Reduction in lease obligations		-	(36,026)
Non-cash deemed interest expense	5	6,061	7,176
Non-cash interest income	7	(3,099)	-
		(44,302)	(35,868)
<b>Movements in working capital</b>			
Decrease/(increase) in trade and other receivables		(12,119)	20,580
(Increase) in prepaid expenses		(90,350)	-
(Decrease) in trade and other payables		156,009	(95,010)
Net cash flows from operating activities		9,238	(110,298)
<b>Cash flows from investing activities</b>			
Contributions to exploration expenditures received	6	320,000	454,500
Exploration expenditures applied to Buchans Projects	6	(91,161)	(116,741)
Investment in other exploration and evaluation assets	6	(26,471)	(83,116)
Net cash flows from investing activities		202,368	254,643
<b>Cash flows from financing activities</b>			
Payment of lease obligation	5	(35,229)	(39,242)
CEBA loans	11	-	40,000
Net cash flows from financing activities		(35,229)	758
Net increase/(decrease) in cash and cash equivalents		176,376	145,103
Cash and cash equivalents at the beginning of the period		1,070,738	780,219
Cash and cash equivalent at the end of the period		1,247,114	925,322

See accompanying notes to the consolidated financial statements

## **BUCHANS RESOURCES LIMITED**

### **Notes to the Condensed Interim Consolidated Financial Statements**

#### **For the three months ended March 31, 2022 and 2021**

Expressed in Canadian dollars, unless noted and per share amounts

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## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Buchans Resources Limited (the “Company” or “Buchans”) is incorporated under the laws of the province of Ontario, Canada.

The Company is in the business of exploring its exploration and evaluation properties and has not yet determined whether its exploration and evaluation assets contain economically recoverable mineral reserves. The underlying value and the recoverability of the exploration and evaluation properties is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the exploration and evaluation properties, and the generation of future profitable production or proceeds from the disposition of the exploration and evaluation properties.

For the three-month period ended March 31, 2022, the Company recorded a loss of \$134,814, and, at that date, had positive cash balances of \$1,247,114. The preparation of financial statements requires an assessment on the validity of the going concern assumption. The validity of the going concern concept is dependent on finance being available for the continuing working capital requirements of the Company and finance for the development of the Company’s projects becoming available. Accordingly, the Directors are satisfied that it is appropriate to prepare the financial statements of the Company on a going concern basis. Should the going concern basis not be appropriate, adjustments would have to be made to reduce the value of the assets, in particular the exploration and evaluation assets, to their realisable values. Such adjustments could be material.

The Company cannot accurately predict the impact the Covid-19 pandemic may have on its operations, including uncertainties relating to the duration of the pandemic, potential travel and quarantine restrictions imposed by governmental authorities, and the impact on schedules and timelines for planned operations or exploration programs. In addition, this pandemic and related economic uncertainty may adversely affect the Company’s ability to finance its planned operations.

## **2. BASIS OF PRESENTATION**

These condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared applying principles in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated 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 audited consolidated financial statements for the year ended December 31, 2021 prepared in accordance with IFRS.

These condensed interim consolidated financial statements have been prepared based upon the historical cost basis, with the exception of certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of consolidation**

The condensed interim consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Company. All material intra-Company transactions, balances, income and expenses are eliminated on consolidation.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2022 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS Standards issued but not yet effective:

IAS 1	Presentation of financial statements
IAS 37	Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”)
IAS 16	Property, Plant and Equipment (“IAS 16”)
IFRS 3	Business Combinations (“IFRS 3”)
IFRS 10	Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”)

**BUCHANS RESOURCES LIMITED****Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2022 and 2021**

Expressed in Canadian dollars, unless noted and per share amounts

**4. EARNINGS / (LOSS) PER SHARE**

Basic loss per share is computed by dividing the loss after taxation for the period available to ordinary shareholders by the sum of the weighted average number of ordinary shares in issue and ranking for dividend during the period. Diluted loss per share is computed by dividing the loss after taxation for the period by the weighted average number of ordinary shares in issue, adjusted for the effect of all potential dilutive ordinary shares that were outstanding during the period. Basic and diluted losses per share are the same as there are no convertible instruments. The computation for basic and diluted loss per share is as follows:

	March 31, 2022 \$	March 31, 2021 \$
<b>Numerator</b>		
Net (loss)	(134,814)	(80,393)
Total (loss) for the period	<u>(134,814)</u>	<u>(80,393)</u>
<b>Denominator</b>	<b>No. of Shares</b>	<b>No. of Shares</b>
Weighted average number of shares - basic and diluted	<u>64,629,386</u>	<u>62,138,460</u>
<b>Earnings/(loss) per share</b>		
Basic and diluted (loss)/income per share	<u>(0.002)</u>	<u>(0.001)</u>

**5. LEASES**

On February 1, 2022, the Company extended the lease for its office premises for three years, expiring January 31, 2025.

In accordance with IFRS 16, the Company recorded a right-of-use ("ROU") asset, recognizing the Company's office facility for the three year extension in the amount of \$593,839 and a corresponding lease liability in the amount of \$593,839. During the period ending March 31, 2022, the Company recognized a non-cash depreciation expense in the amount of \$53,469 and recognized a non-cash interest expense in the amount of \$6,061, and \$34,807 was recovered from other corporations that share part of the office premises.

Right-of-use Asset

	March 31, 2022 \$	December 31, 2021 \$
Opening balance	20,478	266,218
Right-of-use asset recognized	593,839	-
Accumulated depreciation	(53,469)	(245,740)
Net book value at March 31, 2022	<u>560,848</u>	<u>20,478</u>

The following table reflects the lease obligations recognized:

	\$	\$
Opening balance	-	310,761
Recognition of Right-of-use liability	593,839	-
Lease payments made	(35,229)	(179,030)
Reduction in lease obligations recognized	-	(145,477)
Interest expense	6,061	18,171
Prepaid rent	-	(20,753)
Amount transferred to current liabilities	-	16,328
Net lease obligations at end of period	<u>564,671</u>	<u>-</u>
	\$	\$
Within one year	182,312	-
Between one and two years	382,359	-
Net lease obligations at end of period	<u>564,671</u>	<u>-</u>



**BUCHANS RESOURCES LIMITED****Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2022 and 2021**

Expressed in Canadian dollars, unless noted and per share amounts

**6. EXPLORATION AND EVALUATION ASSETS**

The following table shows the Company's exploration and evaluation assets:

	March 31 2022	Additions	December 31 2021	Additions	December 31 2020
	\$	\$	\$	\$	\$
Buchans/Lundberg	9,173,295	18,586	9,154,709	44,498	9,110,211
Bobby's Pond	1,747,185	-	1,747,185	29,894	1,717,291
Tulks North	1,423,533	6,400	1,417,133	29,652	1,387,481
Lake Douglas/Long Range	639,228	-	639,228	614	638,614
South Voisey Bay/Tasiuyak	227,340	1,485	225,855	9,709	216,146
	<u>13,210,581</u>	<u>26,471</u>	<u>13,184,110</u>	<u>114,367</u>	<u>13,069,743</u>

All exploration and evaluation assets are carried at cost less any applicable impairment provision. No impairment provision was recognized at March 31, 2022.

The realisation of the exploration and evaluation assets is dependent on the successful discovery and development of mineral economic resources, including the ability to raise finance to develop the projects. Should this prove unsuccessful the value included in the statement of financial position would be impaired. By its nature there is inherent uncertainty as in the asset value.

The Company holds interests in four undeveloped base metal deposits in central Newfoundland, Canada, including the Buchans property (which covers the former producing Buchans Mine and contains the large, lower grade Lundberg deposit), as well as the Tulks North property (which contains the Daniels Pond deposit), the Bobby's Pond property (which contains the Bobby's Pond deposit), and the Tulks Hill property (which contains the Tulks Hill deposit). Certain of the claims or portions thereof are subject to net smelter royalties ranging from 1% to 3%, some of which are subject to buy-back agreements.

The Company holds two mining leases near the town of Buchans in central Newfoundland, each with a 25-year term from 2013 that require total annual lease payments of \$154,500. The leases cover the former producing Buchans Mine and the Company's undeveloped Lundberg deposit.

In 2021, Buchans entered into a Collaboration Agreement with Boliden Mineral AB ("Boliden") under which Boliden is evaluating the Company's Buchans VMS property for possible future investment and participation. Under the Agreement Boliden was granted exclusivity on the project until December 31, 2021 over which time Boliden may complete its evaluation and negotiate an Earn-in and Option Agreement and a JV Agreement.

During 2021, Boliden contributed \$600,000 to Buchans towards the costs of maintaining the property and exploration and evaluation programs, of which \$544,500 was received in cash, the balance was to be contributed in services.

In an Amendment to the Collaboration Agreement dated December 21, 2021 Boliden and the Company confirmed their intention to enter into an Earn in and Option Agreement under which Boliden will be granted an option to earn an interest in the Property and agreed to an extension of the exclusivity granted to Boliden from December 31, 2021, until March 31, 2022 and the agreement was further extended to May 15, 2022. Boliden made a payment of \$320,000 in January 2022 to cover costs and expenses to maintain the properties during the extended exclusivity period.

The Bobby's Pond deposit, adjacent to Tulks North, is 100% owned by the Company. Bobby's Pond is held under a mining lease with a 25-year term from 2004, which requires an annual lease payment of \$29,000. The Bobby's Pond property is also subject to a 1% net smelter royalty and a 2% net smelter royalty.

The Tulks North property is 100% owned by the Company and is located in the Victoria Lake Mining camp of west-central Newfoundland. The Tulks North property includes the Daniels Pond deposit which is subject to a 1.5% net smelter royalty as well as a 50% back-in option held by Glencore Canada Corporation should a single deposit of 15 million tonnes or greater be discovered and deemed economic upon the completion of a feasibility study.

The Company also holds a 100% interest in the Tulks Hill property, including the Tulks Hill VMS deposit, subject to underlying net smelter royalties ranging between 0.75% and 2%.

On July 26, 2021, the Company signed a letter of intent ("LOI") with Quadro Resources Ltd ("Quadro") on Buchans' Tulks South Property in central Newfoundland. Under the LOI, Buchans granted Quadro an option to acquire a 51% interest in Buchans' Tulks South property by the expenditure of \$500,000 over five years, followed by the right to acquire an additional 19% interest in the event that Buchans elects not to participate in work programs after Quadro has earned its initial 51% interest.

**BUCHANS RESOURCES LIMITED****Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2022 and 2021**

Expressed in Canadian dollars, unless noted and per share amounts

**6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

The Long Range Project includes claims held in a 51%:49% arrangement with Benton Resources Inc. (TSXV-BEX). On May 31, 2021, the Long Range Project was expanded through the acquisition of additional properties.

Buchans owns a 100% interest in the Lake Douglas gold property. On August 4, 2021, the Company entered into an option and joint venture agreement with C2C Gold ("C2C") wherein Buchans granted C2C an option to acquire up to a 70% ownership interest in Buchans' Lake Douglas and South Tally properties by the expenditure of \$1,500,000 over four years to earn 51%, an additional \$1,000,000 to earn 70%, and the issue of 100,000 shares in C2C.

In Labrador the Company holds several properties, including claims at South Voisey's Bay and claims in the immediate Voisey's Bay area, and the Tasiuyak gold property.

**7. INVESTMENT IN ASSOCIATES, WARRANTS AND NOTE RECEIVABLE**

	March 31, 2022	December 31, 2021
	\$	\$
Shares in Minco Exploration Plc	851,704	851,704
Xtierra - 43,000,003 common shares	-	1,170,013
Investment in associates	851,704	2,021,717
Xtierra note receivable	250,996	251,673
Xtierra - 5,000,000 warrants	51,926	73,831
Share of Xtierra loss of associate	-	(1,170,013)
Total investment in associates	1,154,626	1,177,208

**Minco Exploration Plc**

On December 30, 2021, the Company subscribed for 2,000,000 additional shares of Minco Exploration by converting its receivable from Minco Exploration in the amount of \$143,829 into 2,000,000 Minco Exploration shares. At March 31, 2022, the Company held 11,227,879 shares of Minco Exploration, representing a 14.4% interest in Minco Exploration as an investment in associate and not held for distribution.

**Xtierra Inc.**

At March 31, 2022, the Company held 43,000,003 shares and 5,000,000 share purchase warrants of Xtierra Inc. ("Xtierra"), a company listed on the TSX Venture Exchange, which represents an approximate 24.5% shareholding. The market value of the company's 43,000,003 shares in Xtierra, as at March 31, 2022 based on the market price of Xtierra shares on the TSX Venture Exchange, was \$1,720,000 (December 31, 2021 - \$1,720,000).

As the Company accounts for its investment in Xtierra as an Associate, in accordance with IFRS and the Company's Accounting Policies, the Company records its proportionate share of the income or losses of Xtierra. Xtierra's Accounting Policy is to expense all its exploration and evaluation costs and administrative expenditures, and therefore Xtierra reported significant net losses in prior periods, of which the Company was required under IFRS to recognise its proportionate share. However, as the Company's proportionate share of prior losses recorded by Xtierra was greater than the carrying value of the Company's investment, the Investment was reduced to Nil. Accordingly, in the period ended December 31, 2021 the Company was required under IFRS to recognize such losses not previously recognized, and again reduce the carrying value of the investment to nil, which resulted in the Company recording a non-cash loss on its investment in Associate of \$1,170,013. The unrecognized share of loss of Xtierra for the period ended March 31, 2022 was approximately \$13,000, for a total cumulative unrecognized share of loss of Xtierra to approximately \$4,447,000.

On April 27, 2021, Buchans exercised Xtierra warrants and acquired 13,000,000 shares of Xtierra for a consideration of \$650,000, through settlement in part of the notes receivable from Xtierra, plus the \$520,013 market value of the warrants exercised at April 27, 2021, for a total consideration of \$1,170,013. The Company also recorded a charge on the change in fair value of the 2020 warrants on the date of exercise of \$103,847. On April 27, 2021, the Company received a payment of \$100,000 from Xtierra as part payment of the notes receivable, reducing the notes receivable by Buchans to \$237,882 (US\$191,798).

By a Second Extension Amendment Agreement dated April 27, 2021, the 2018 Support Agreement between the Company and Xtierra, was further amended to provide that interest on the remaining balance of the notes receivable by Buchans in the amount of \$237,882 (US\$191,798) resumes to accrue at the rate of 5% per annum effective May 1, 2021, until paid, and the term of the Support Agreement was extended for a further period to April 30, 2023.

**BUCHANS RESOURCES LIMITED****Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2022 and 2021**

Expressed in Canadian dollars, unless noted and per share amounts

**7. INVESTMENT IN ASSOCIATES, WARRANTS AND NOTE RECEIVABLE (CONTINUED)**

In connection with the Second Extension Amendment Agreement, Xtierra agreed to issue to Buchans, 5,000,000 share purchase warrants, each warrant entitling Buchans to purchase one common share of Xtierra at a price of \$0.10 per share for a term of two years, subject to TSXV approval ("2021 Warrants"). At March 31, 2022, the value of the 2021 Warrants was adjusted to their estimated fair value of \$51,926 using the Black-Scholes model and the following assumptions: expected dividend yield 0%, expected volatility 125%, life 1.82 year, risk free interest rate 1.85% and share price of \$0.04. The decrease in value in the amount of \$21,905 was included in change in fair value of 2021 Xtierra Warrants in the Statement of (Loss)/Income for the period ended March 31, 2022.

At March 31, 2022, the Company held notes receivable from Xtierra in the amount of US\$191,798 (\$243,558) plus accrued interest in the amount of US\$6,393 (\$8,115), for a total of \$251,673.

**8. CASH AND CASH EQUIVALENTS**

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

	March 31, 2022	December 31, 2021
	\$	\$
Cash	1,192,670	1,015,456
Cash (US dollars)	54,444	55,282
Immediately available without restriction	<u>1,247,114</u>	<u>1,070,738</u>

Cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value, with a maturity of three months or less from the date of investment.

**9. TRADE AND OTHER RECEIVABLES**

	March 31, 2022	December 31, 2021
	\$	\$
Receivables	31,000	34,000
Receivable from related parties (Note 13)	10,954	4,478
Sales taxes receivable	14,122	5,479
	<u>56,076</u>	<u>43,957</u>

**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	March 31, 2022	December 31, 2021
	\$	\$
Trade creditors and accruals	216,546	59,350
Amounts due to related parties	-	1,187
	<u>216,546</u>	<u>60,537</u>

**11. LONG TERM DEBT**

On May 26, 2020, the Government of Canada launched the Canada Emergency Business Account (CEBA), which was implemented by eligible financial institutions. The Company and its subsidiary, Buchans Minerals, each received loans of \$40,000, for a total amount of \$80,000.

The loans are interest-free until December 31, 2022 and can be extended for an additional 3-year term bearing an interest rate of 5% per annum. Repaying the balance of the loan on or before December 31, 2022 will result in a loan forgiveness of 25% or \$10,000 for each company, for a total amount of \$20,000.

In January 2021, the Company received additional CEBA loans in the amount of \$40,000, under the same terms and conditions as the first loans.

**BUCHANS RESOURCES LIMITED****Notes to the Condensed Interim Consolidated Financial Statements****For the three months ended March 31, 2022 and 2021**

Expressed in Canadian dollars, unless noted and per share amounts

**12. CAPITAL STOCK****Authorized**

Unlimited number of common shares

**Issued**

	Shares	Amount \$
<b>Balance at December 31, 2020</b>	62,138,460	14,122,282
Reduction in Exchangeable Warrants exercised	(9,074)	(2,857)
Shares issued	2,500,000	500,000
<b>Balance at December 31, 2021 and March 31, 2022</b>	<u>64,629,386</u>	<u>14,619,425</u>

On December 29, 2021, the Company completed a private placement financing of \$500,000 through the issue of 2,500,000 flow-through shares at a price of \$0.20 per flow through share. John F. Kearney, Chairman, purchased the 2,500,000 flow-through shares for gross proceeds of \$500,000. The proceeds of \$500,000 from the issuance of flow-through shares must be spent on qualifying Canadian Exploration Expenditures by December 31, 2023.

**13. RELATED PARTY TRANSACTIONS**

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

The directors are considered key management personnel of the Company in accordance with IAS 24 'Related Party Disclosures'. No fees were paid by the Company to directors for their services as directors of the Company in the three months ended March 31, 2022 and 2021.

During the three months ended March 31, 2022, the Company recovered \$26,500 from related corporations that share part of the office premises, including \$14,000 from Canadian Manganese Co. Inc. (2021 - \$6,000), \$9,500 from Labrador Iron Mines Limited (2021 - \$Nil), and \$3,000 from Energold Minerals Inc. (2021 - \$Nil). These companies are related through directors in common.

Included in accounts receivable at March 31, 2022 is \$10,954 (December 31, 2021 - \$4,478) receivable from related parties, including \$9,674 (December 31, 2021 - \$4,478) from Canadian Manganese Co. Inc. in respect of geological services, \$1,280 (December 31, 2021 - \$Nil) from Minco Exploration Plc in respect of administrative services.

All amounts owing to or from related parties are non-interest bearing, unsecured and due on demand unless otherwise stated.

On December 29, 2021, the Company completed a private placement financing of \$500,000 through the issue of 2,500,000 flow-through shares at a price of \$0.20 per flow through share to John F. Kearney, Chairman of the Company. See Note 11.

At March 31, 2022, the Company had only one subsidiary, Buchans Minerals Corporation.

**14. FINANCIAL INSTRUMENTS**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures.

**Fair value**

The Company has designated its short-term investments as fair value through profit or loss ("FVPL"), which are measured at fair value. Cash and receivables and other assets are measured at amortized cost. Trade and other payables and due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost.

As at March 31, 2022, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

## BUCHANS RESOURCES LIMITED

### Notes to the Condensed Interim Consolidated Financial Statements

#### For the three months ended March 31, 2022 and 2021

Expressed in Canadian dollars, unless noted and per share amounts

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## 14. FINANCIAL INSTRUMENTS (CONTINUED)

### Fair Value Hierarchy

The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). At March 31, 2022, the Company's financial instruments that are carried at fair value, consisting of marketable securities, have been classified as Level 1 within the fair value hierarchy.

### Credit risk

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing by the Company. Management's assessment of the Company's risk is low as it is primarily attributable to funds held in banks. The note receivable from Xtierra is subject to higher credit risk, however, management believes that it remains recoverable. See Note 8.

### Commodity price risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of metals.

### Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At March 31, 2022, the Company had cash of \$1,247,114 (December 31, 2021 - \$1,070,738) to settle accounts payable and accrued liabilities of \$536,546 (December 31, 2021 - \$60,537). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

### Foreign currency risk

Although the Company is incorporated in Canada, the Company has investments in Ireland and Mexico, none of which presently generate cash from operations, and holds cash investments in Canadian and US Dollars, Euros or Sterling. The functional currency of the Company's operations is the Canadian Dollar. However, expenditures are not considered to be a monetary asset, and have been translated to the functional currency at the rates of exchange ruling at the dates of the original transactions. The Company also has transactional currency exposures. Such exposures arise from expenses incurred by the Company in currencies other than the functional currency.

The impact of foreign currencies has been determined based on the balances of financial assets and liabilities at March 31, 2022. The sensitivity analysis includes outstanding foreign currency denominated monetary items and largely results from payables and receivables and adjusts their translation at the period end for a 5% change in foreign currency rates. A five percent change in the US Dollar exchange rate could result in a foreign exchange impact to the net income of approximately \$3,000 based on monetary assets and liability balances existing at March 31, 2022.

## 14. CAPITAL MANAGEMENT

The capital of the Company consists primarily of its shareholders' equity.

The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition, development and exploration of mineral properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. All equity financings require the approval of the Board of Directors.

The Company invests all capital that is surplus to its immediate operational needs in short term, highly liquid financial instruments, such as short term guaranteed investment certificates, held with a major Canadian financial institution.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no significant changes to the Company's approach to capital management during the periods ended March 31, 2022 and 2021. Neither the Company nor its subsidiary are subject to externally imposed capital requirements.