

# **BUCHANS RESOURCES LIMITED**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*Unaudited*

**For the three and six-month periods ended June 30, 2021**

### **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**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*Unaudited*

**For the three and six-months period ended June 30, 2021**

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**BUCHANS RESOURCES LIMITED****Condensed Interim Consolidated Statements of Financial Position****As at June 30, 2021***Unaudited*

Expressed in Canadian Dollars	Notes	June 30, 2021 \$	December 31, 2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	748,859	780,219
Trade and other receivables	10	362,519	344,426
Prepaid expenses		40,778	38,441
Current portion of note receivable	8	-	750,000
<b>Total current assets</b>		<b>1,152,156</b>	<b>1,913,086</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	7	13,296,758	13,069,743
Right-of-use asset, lease	6	143,348	266,218
Financial instruments	8	186,844	623,860
Non current portion of note receivable	8	239,881	264,785
Investment in associates	8	1,879,538	709,525
<b>Total non-current assets</b>		<b>15,746,369</b>	<b>14,934,131</b>
<b>Total assets</b>		<b>16,898,525</b>	<b>16,847,217</b>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	78,719	163,748
Current portion of lease obligation	6	171,961	285,583
Deferred exploration expenditures	7	277,660	-
<b>Total current liabilities</b>		<b>528,340</b>	<b>449,331</b>
<b>Long term liabilities</b>			
CEBA loans payable	12	120,000	80,000
Lease obligation		-	25,178
<b>Total long term liabilities</b>		<b>120,000</b>	<b>105,178</b>
<b>Total liabilities</b>		<b>648,340</b>	<b>554,509</b>
<b>Shareholders' Equity</b>			
Share capital	13	14,122,282	14,122,282
Retained earnings		2,127,903	2,170,426
<b>Total equity</b>		<b>16,250,185</b>	<b>16,292,708</b>
<b>Total shareholders' equity and liabilities</b>		<b>16,898,525</b>	<b>16,847,217</b>

**SUBSEQUENT EVENTS (Note 17)**

The financial statements were approved by the Board of Directors on August 25, 2021 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 and six months ended June 30, 2021 and 2020***Unaudited*

Expressed in Canadian Dollars	Notes	Three months ended June 30,		Six months ended June 30,	
		2021	2020	2021	2020
		\$	\$	\$	\$
General and administrative expenses:					
Professional fees		(6,233)	(5,515)	(11,479)	(45,056)
Shareholders and investors expense		(8,628)	(3,544)	(12,387)	(22,468)
Lease depreciation	6	(61,435)	(61,435)	(122,870)	(122,870)
Office expense recovery		33,437	(16,111)	39,607	(41,484)
Loss from continuing operations before other items		(42,859)	(86,605)	(107,129)	(231,878)
Other items:					
Foreign exchange gain/(loss)		(15,869)	(36,726)	(28,581)	49,289
Canada Emergency Wage Subsidy revenue		17,055	-	20,820	-
Non-cash deemed interest expense	6	(5,453)	(11,932)	(12,630)	(25,365)
Interest income		1,999	-	1,999	-
Value of 2021 Xtierra warrants received		273,648	259,234	273,648	259,234
Change in fair value of 2020 Xtierra warrants		(103,847)	72,450	(103,847)	-
Change in fair value of 2021 Xtierra warrants		(86,804)	223,262	(86,804)	150,812
Change in fair value of exchangeable warrants		-	81,995	-	(214,574)
Total other items		80,728	588,283	64,606	219,396
Net gain/(loss) from continuing operations		37,869	501,678	(42,523)	(12,482)
Loss attributable to discontinued operations		-	(6,505)	-	(52,920)
Net gain/(loss) and comprehensive gain/(loss) for the period		37,869	495,173	(42,523)	(65,402)
<b>Loss per share</b>					
Basic and diluted loss per share	5	0.001	(0.002)	(0.001)	(0.001)
Basic and diluted loss per share from continuing operations	5	0.001	-	(0.001)	(0.000)
Basic and diluted loss per share from discontinued operations	4	-	(0.002)	-	(0.001)

See accompanying notes to the consolidated financial statements

**BUCHANS RESOURCES LIMITED**  
**Condensed Interim Statements of Changes in Equity**  
**As at June 30, 2021**  
*Unaudited*

Expressed in Canadian Dollars	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Attributable to equity holders of the company</b>	<b>Non- Controlling Interest</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance as at December 31, 2019	13,419,018	(1,376,453)	12,042,565	-	12,042,565
Total comprehensive loss for the period	-	(65,402)	(65,402)	-	(65,402)
Balance as at June 30, 2020	13,419,018	(1,441,855)	11,977,163	-	11,977,163
Minco Exploration warrants exercised into Buchans shares	703,264	-	703,264	-	703,264
Recognition of non-controlling interest	-	598,566	598,566	314,560	913,126
Total comprehensive income/(loss) for the period	-	3,013,715	3,013,715	(17,523)	2,996,192
Derecognition of non-controlling interest on loss of control of subsidiary	-	-	-	(297,037)	(297,037)
Balance as at December 31, 2020	14,122,282	2,170,426	16,292,708	-	16,292,708
Total comprehensive loss for the period	-	(42,523)	(42,523)	-	(42,523)
Balance as at June 30, 2021	14,122,282	2,127,903	16,250,185	-	16,250,185

See accompanying notes to the consolidated financial statements

**BUCHANS RESOURCES LIMITED****Condensed Interim Consolidated Statements of Cash Flows****For the six months ended June 30, 2021 and 2020***Unaudited*

Expressed in Canadian Dollars	Notes	2021 \$	2020 \$
<b>Cash flow from operating activities</b>			
Loss for the period		(42,523)	(65,402)
Loss from discontinued operations		-	52,920
Lease depreciation		122,870	122,870
Non-cash foreign exchange (gain)/loss		28,581	(49,289)
Value of 2021 Xtierra warrants received		(273,648)	(259,234)
Change in fair value of 2020 Xtierra warrants		103,847	-
Reduction in lease obligations		(72,510)	-
Change in fair value of 2021 Xtierra warrants		86,804	(150,812)
Change in fair value of exchangeable warrants		-	214,574
Non-cash deemed interest expense		12,630	25,365
Non-cash interest income		(1,999)	-
		(35,949)	(109,008)
<b>Movements in working capital</b>			
Decrease in trade and other receivables		(20,430)	6,675
(Decrease) in trade and other payables		(85,029)	(2,303)
Net cash flows from operating activities		(141,408)	(104,636)
<b>Cash flows from investing activities</b>			
Payment received in reduction of Xtierra note	8	100,000	-
Contribution to exploration expenditures received	7	454,500	-
Exploration expenditures applied to Buchans Project	7	(176,840)	-
Investment in exploration and evaluation assets	7	(227,015)	(214,368)
Net cash flows from investing activities		150,645	(214,368)
<b>Cash flows from financing activities</b>			
Payment of lease obligation		(78,920)	(146,338)
CEBA loans	12	40,000	-
Net cash flows from financing activities		(38,920)	(146,338)
Net (decrease) in cash and cash equivalents		(29,683)	(465,342)
Effect of foreign exchange rate changes on cash		(1,677)	(1,662)
Cash and cash equivalents at the beginning of the period		780,219	1,443,246
Cash and cash equivalent at the end of the period		748,859	976,242

See accompanying notes to the consolidated financial statements

**BUCHANS RESOURCES LIMITED**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the six-month periods ended June 30, 2021 and 2020**  
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 six-month period ended June 30, 2021, the Company recorded a loss of \$42,523, and, at that date, had positive cash balances of \$748,859. 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 predict the impact the COVID-19 pandemic will have on its operations, including uncertainties relating to the duration of the outbreak, the impact on schedules and timelines for planned operations or exploration programs and the length of travel and quarantine restrictions imposed by governmental authorities. In addition, this widespread health crisis has adversely affected the economies and financial markets of many countries, resulting in an economic downturn that could affect the Company’s operations and ability to finance its 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, 2020 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, 2021 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 six-month periods ended June 30, 2021 and 2020**  
Expressed in Canadian dollars, unless noted and per share amounts

**4. DISCONTINUED OPERATIONS**

**Minco Exploration plc**

In accordance with IFRS 5, *non-current assets held for sale and discontinued operations*, the results for the period ended June 30, 2020 for Minco Exploration included in loss attributable to discontinued operations on the consolidated statement of loss are as follows:

Expressed in Canadian Dollars	Six months ended June 30, 2020
General and administrative expenses:	\$
Professional fees	(41,770)
Shareholders and investors expense	(14,981)
Office expenses	(2,808)
Management fee	-
Total loss and comprehensive loss for the period	(59,559)
Less minority interest	6,639
Non-controlling interest for the period	(52,920)

**5. 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:

	June 30, 2021 \$	June 30, 2020 \$
<b>Numerator</b>		
Net gain/(loss) from continuing operations	(42,523)	(12,482)
Loss attributable to discontinued operations	-	(52,920)
Total income/(loss) for the period	(42,523)	(65,402)
<b>Denominator</b>	<b>No. of Shares</b>	<b>No. of Shares</b>
Weighted average number of shares - basic and diluted	62,138,460	59,423,383
<b>Earnings/(loss) per share</b>		
Basic and diluted gain/(loss) per share	(0.001)	(0.001)
Basic and diluted gain/(loss) per share from continuing operations	(0.001)	(0.000)
Basic and diluted loss per share from discontinued operations	-	(0.001)

**6. LEASES**

On February 1, 2019, the Company entered into a lease for its office premises, which expires January 31, 2022.

In accordance with IFRS 16, the Company recorded a right-of-use ("ROU") asset, recognizing the Company's office facility in the amount of \$737,220 and a corresponding lease liability in the amount of \$737,220 during the year ended December 31, 2019. During the period ending June 30, 2021, the Company recognized a non-cash depreciation expense in the amount of \$122,870 and recognized a non-cash interest expense in the amount of \$12,629, and \$73,637 was recovered from other corporations that share part of the office premises.

Right-of-use Asset

	June 30, 2021 \$	December 31, 2020 \$
Opening balance	266,218	511,958
Accumulated depreciation	(122,870)	(245,740)
Net book value at December 31	143,348	266,218

Lease Obligations

	\$	\$
Opening balance	310,761	559,502
Lease payments made	(78,920)	(183,079)
Reduction in lease obligations recognized	(72,510)	(110,220)
Interest expense	12,630	44,558
Net lease obligations at end of period	171,961	310,761



**BUCHANS RESOURCES LIMITED**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the six-month periods ended June 30, 2021 and 2020**  
Expressed in Canadian dollars, unless noted and per share amounts

**6. LEASES (CONTINUED)**

The following table reflects the lease obligations recognized:

	\$	\$
Within one year	171,961	285,583
Between one and two years	-	25,178
Net lease obligations at end of period	<u>171,961</u>	<u>310,761</u>

**7. EXPLORATION AND EVALUATION ASSETS**

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

	June 30 2021	Additions	December 31 2020	Additions	December 31 2019
	\$	\$	\$	\$	\$
Buchans/Lundberg	9,240,172	129,961	9,110,211	317,989	8,792,222
Bobby's Pond	1,734,739	17,448	1,717,291	11,980	1,705,311
Tulks	1,466,473	78,992	1,387,481	(51,699)	1,439,180
Lake Douglas/Long Range	639,228	614	638,614	386	638,227
South Voisey Bay/Tasiuyak	216,146	-	216,146	(6,036)	222,183
	<u>13,296,758</u>	<u>227,015</u>	<u>13,069,743</u>	<u>272,620</u>	<u>12,797,123</u>

All exploration and evaluation assets are carried at cost less any applicable impairment provision. No impairment provision was recognized at June 30, 2021.

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 Bobbys Pond property (which contains the Bobbys Pond deposit), and the Tulks Hill property (which contains the Tulks Hill deposit), and each with exploration potential. 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 through its wholly owned subsidiary Buchans Minerals Corporation, 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.

On January 5, 2021, Buchans entered into a Collaboration Agreement with Boliden Mineral AB under which Boliden is evaluating the Company's Buchans VMS property for possible future investment and participation. Under the Agreement Boliden has been 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 this period Boliden is contributing \$600,000 to Buchans towards the costs of maintaining the Property and exploration and evaluation programs to be undertaken jointly by Buchans and Boliden. At June 30, 2021, Boliden has contributed \$454,500 to fund these activities, of which \$176,840 was expended on the Buchans Project and \$277,660 is deferred exploration expenditures.

The Bobbys Pond deposit, adjacent to Tulks North, is 100% owned by the Company, through its wholly owned subsidiary Buchans Minerals Corp. Bobbys Pond is held under a mining lease with a 25-year term from 2004, which requires an annual lease payment of \$29,000. The Bobbys 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, through its wholly owned subsidiary Buchans Minerals Corp., 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 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, which consists of 20 mineral claims, including the Tulks Hill VMS deposit, subject to underlying net smelter royalties ranging between 0.75% and 2%.

The Long Range Project includes claims held in a 51%:49% Joint Venture with Benton Resources Inc. (TSXV-BEX). On May 31, 2021, the Long Range Project was expanded from 3,750 hectares to 11,050 hectares through the acquisition of additional properties covering other early-stage gold prospects.

Buchans owns a 100% interest in the 2,075-hectare (21.8 km<sup>2</sup>) Lake Douglas gold property.

**BUCHANS RESOURCES LIMITED****Notes to the Condensed Interim Consolidated Financial Statements****For the six-month periods ended June 30, 2021 and 2020**

Expressed in Canadian dollars, unless noted and per share amounts

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

In Labrador the Company, through its wholly owned subsidiary, holds several properties, including 38 claims at South Voisey's Bay and 5 claims in the immediate Voisey's Bay area, and the 91 claims Tasiuyak gold property.

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

	June 30, 2021	December 31, 2020
	\$	\$
Shares in Minco Exploration Plc	709,525	-
Xtierra - 43,000,003 common shares (2020 - 30,000,003 common shares)	1,170,013	-
Investment in associates	1,879,538	-
Xtierra note receivable	239,881	1,014,785
Xtierra - 5,000,000 warrants (2020 - 13,000,000 warrants)	186,844	623,860
Total investment in associates	2,306,263	1,638,645

**Minco Exploration Plc**

During the year ended December 31, 2020, 9,079,000 Exchangeable Warrants were exchanged into 2,269,744 Buchans Shares and as a result, the Company continued to hold 9,079,000 shares of Minco, representing a 12.4% interest in Minco Exploration as an investment in associates and not held for distribution.

**Xtierra Inc.**

At June 30, 2021, 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 represent an approximate 22.1% (24.5% partially diluted) shareholding. On April 27, 2021, Buchans exercised Xtierra warrants and acquired 13,000,000 shares of Xtierra for a consideration of \$650,000, plus \$520,013 warrant valuation at April 27, 2021, for a total of \$1,170,013. As a result of losses recorded by Xtierra in prior periods, the carrying value of the original 30 million shares of Xtierra Inc. had been reduced to \$nil in accordance with the Company's accounting policies. Upon the acquisition of the 13,000,000 additional Xtierra shares the carrying value of the Company's 43,000,003 shares in Xtierra is recorded at the investment cost of \$1,170,013. The market value of the 43,000,003 shares in Xtierra, as at June 30, 2021 based on the market price of Xtierra shares on the TSX Venture Exchange was \$3,010,000 (December 31, 2020 - \$2,850,000).

On February 14, 2018, the Company entered into a two-year Support and Standstill Agreement ("Support Agreement") to defer repayment of principal and accrued interest of its Notes receivable in consideration of the issue to Buchans of 13,000,000, non-transferable warrants, each warrant entitling Buchans to purchase one common share of Xtierra for \$0.05 per share for a term of two years expiring February 14, 2020.

By an Extension Agreement dated as of February 7, 2020, as amended by an Amending Agreement dated April 30, 2020, the term of the Support Agreement was extended for an additional period to April 30, 2021, in consideration of the issue to Buchans of 13,000,000, non-transferable warrants, each warrant entitling Buchans to purchase one common share of Xtierra for \$0.05 per share for a term to April 30, 2021.

On April 27, 2021, Buchans exercised its 13,000,000 Xtierra warrants (2020) and acquired 13,000,000 shares of Xtierra for a total investment 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 \$750,000 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 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.

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"). The value of the new 2021 Warrants received was estimated to be \$273,648 at April 27, 2021 based on the Black-Scholes model and the following assumptions: expected dividend yield 0%, expected volatility 125%, life two years, a risk free interest rate 1.85% and share price of \$0.09. The value of the 2021 Warrants received was included in operations during the period ended June 30, 2021.

At June 30, 2021, the value of the 2021 Warrants was adjusted to their estimated fair value of \$186,844 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 \$0.07. The decrease in value in the amount of \$86,804 was included in change in fair value of 2021 Xtierra Warrants in operations during the period ended June 30, 2021.

At June 30, 2021, the Company held notes receivable from Xtierra in the amount of \$237,882 (2020 - \$1,014,785) plus accrued interest in the amount of \$1,999, for a total of \$239,881.

**BUCHANS RESOURCES LIMITED**  
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**For the six-month periods ended June 30, 2021 and 2020**  
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**9. CASH AND CASH EQUIVALENTS**

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

	<b>June 30, 2021</b>	December 31, 2020
	\$	\$
Cash	<b>691,794</b>	718,261
Cash (US dollars)	<b>57,065</b>	61,958
Immediately available without restriction	<b>748,859</b>	780,219

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.

**10. TRADE AND OTHER RECEIVABLES**

	<b>June 30, 2021</b>	December 31, 2020
	\$	\$
Receivables	<b>42,600</b>	47,000
Receivable from related parties (Note 14)	<b>311,705</b>	278,755
Prepayments	<b>40,778</b>	38,441
Sales taxes receivable	<b>8,214</b>	18,671
	<b>403,297</b>	382,867

**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>June 30, 2021</b>	December 31, 2020
	\$	\$
Trade creditors and accruals	<b>77,580</b>	162,894
Amounts due to related parties (Note 14)	<b>1,139</b>	854
	<b>78,719</b>	163,748

**12. 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.

**13. CAPITAL STOCK**

**Authorized**

Unlimited number of common shares

**Issued**

	Shares	Amount \$
Balance at December 31, 2019	59,868,716	13,419,018
Exchangeable Warrants exercised into Buchans shares	2,269,744	703,264
<b>Balance at December 31, 2020 and June 30, 2021</b>	<b>62,138,460</b>	<b>14,122,282</b>

During the year ended December 31, 2020, Exchangeable Warrants with an estimated fair value of \$703,264 at the time of exercise, were exchanged for 2,269,744 Buchans shares.

**BUCHANS RESOURCES LIMITED**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the six-month periods ended June 30, 2021 and 2020**  
Expressed in Canadian dollars, unless noted and per share amounts

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#### **14. 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 six-month periods ended June 30, 2021 and 2020.

During the six-month period ended June 30, 2021, the Company paid or accrued \$1,139 to Steenberg Consulting, a corporation controlled by Neil Steenberg, secretary of the Company, for legal services (June 30, 2020 - \$28,896).

Included in accounts receivable at June 30, 2021 is \$311,705 (December 31, 2020 - \$278,755) receivable from related parties, including \$140,816 (December 31, 2020 - \$140,202) from Canadian Manganese Co. Inc. covering administration services, \$139,889 (December 31, 2020 - \$129,553) from Minco Exploration Plc covering administration services, and \$31,000 (December 31, 2020 - \$9,000) receivable from Labrador Iron Mines for rent.

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

At June 30, 2021, the Company had only one subsidiary, Buchans Minerals Corporation.

#### **15. 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 June 30, 2021, 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.

##### **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 June 30, 2021, 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.

##### **Interest rate risk**

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by major banks with a credit rating of at least BBB-. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

##### **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 June 30, 2021, the Company had cash of \$748,859 (December 31, 2020 - \$780,219) to settle accounts payable and accrued liabilities of \$494,197 (December 31, 2020 - \$449,331). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

## **15. FINANCIAL INSTRUMENTS (CONTINUED)**

### **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 June 30, 2021. 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 June 30, 2021.

## **16. 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 June 30, 2021 and 2020. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

## **17. SUBSEQUENT EVENTS**

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 grants Quadro an option to acquire a 51% interest in Buchans' claims which comprise the Tulks South property, 217 claims (52.25 km<sup>2</sup>), 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.

On August 4, 2021, the Company entered into an option and joint venture agreement with C2C Gold ("C2C") wherein Buchans has granted C2C an option to acquire up to a 70% ownership interest in 364 mineral claims (91 km<sup>2</sup>) covering Buchans' Lake Douglas and South Tally properties, located in Newfoundland.