

# **BUCHANS RESOURCES LIMITED**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*Unaudited*

**For the three and six months ended June 30, 2023**

### **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 ended June 30, 2023**

<b><i>INDEX</i></b>	<b><i>PAGE</i></b>
Condensed Interim Consolidated Statements of Financial Position	1
Condensed Interim Consolidated Statements of Income/(Loss) and Comprehensive Income/(Loss)	2
Condensed Interim Consolidated Statements of Changes in Equity	3
Condensed Interim Consolidated Statements of Cash Flows	4
Notes to the Condensed Interim Consolidated Financial Statements	5-12

**BUCHANS RESOURCES LIMITED****Condensed Interim Consolidated Statements of Financial Position****As at June 30, 2023***Unaudited*

Expressed in Canadian Dollars	Notes	June 30, 2023	December 31, 2022
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	108,674	562,396
Trade and other receivables	9	99,049	61,446
Prepaid expenses		43,949	54,568
Marketable securities	10	2,800,500	5,500
<b>Total current assets</b>		<b>3,052,172</b>	<b>683,910</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	6	9,728,538	9,514,710
Right-of-use asset, lease	5	215,572	283,506
Investment in finance leases	5	272,948	351,966
Financial instruments	7	-	1,595
Investment in associates	7	846,704	846,704
<b>Total non-current assets</b>		<b>11,063,762</b>	<b>10,998,481</b>
<b>Total assets</b>		<b>14,115,934</b>	<b>11,682,391</b>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	110,196	164,908
Current portion of lease obligation	5	309,702	293,412
<b>Total current liabilities</b>		<b>419,898</b>	<b>458,320</b>
<b>Long term liabilities</b>			
CEBA loans payable	12	120,000	120,000
Lease obligation	5	194,941	355,286
<b>Total long term liabilities</b>		<b>314,941</b>	<b>475,286</b>
<b>Total liabilities</b>		<b>734,839</b>	<b>933,606</b>
<b>Shareholders' Equity</b>			
Share capital	13	14,639,425	14,639,425
Retained earnings		(1,258,330)	(3,890,640)
<b>Total equity</b>		<b>13,381,095</b>	<b>10,748,785</b>
<b>Total shareholders' equity and liabilities</b>		<b>14,115,934</b>	<b>11,682,391</b>

**COMMITMENTS AND CONTINGENCIES (Notes 1, 6 and 17)**

The financial statements were approved by the Board of Directors on August 24, 2023 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, 2023 and 2022***Unaudited*

Expressed in Canadian Dollars	Notes	Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
		\$	\$	\$	\$
General and administrative expenses:					
Professional fees		(8,295)	(27,878)	(16,381)	(39,878)
Shareholders and investors expense		(1,292)	(5,442)	(3,583)	(8,048)
Lease depreciation	5	(33,967)	(49,487)	(67,934)	(102,956)
Office expense		(35,892)	(46,678)	(64,662)	(75,536)
Loss before other items		(79,446)	(129,485)	(152,560)	(226,418)
Other items:					
Reversal of impairment	7/10	2,330,663	-	2,330,663	-
Foreign exchange gain/(loss)		(168)	9,358	(166)	4,745
Non-cash deemed interest expense		(8,577)	(8,524)	(18,270)	(14,585)
Interest income on finance leases	5	4,644	-	9,900	-
Interest income	5	-	3,290	-	6,389
Expiry of Xtierra warrants	7	-	(38,125)	(1,595)	(60,030)
Change in fair value of marketable securities	7/10	464,338	(4,100)	464,338	(12,500)
Total other items		2,790,900	(38,101)	2,784,870	(75,982)
Net income/(loss) and comprehensive income/(loss) for the period		2,711,454	(167,586)	2,632,310	(302,399)
<b>Earnings/(loss) per share</b>					
Basic and diluted earnings/(loss) per share	4	0.042	(0.003)	0.041	(0.005)
Weighted average common shares outstanding	4	64,729,386	64,629,386	64,729,386	64,629,386

See accompanying notes to the consolidated financial statements

**BUCHANS RESOURCES LIMITED**  
**Condensed Interim Statements of Changes in Equity**  
**As at June 30, 2023**  
*Unaudited*

Expressed in Canadian Dollars	Share Capital	(Deficit) Retained Earnings	Total
	\$	\$	\$
Balance as at December 31, 2021	14,619,425	761,305	15,380,730
Total comprehensive (loss) for the period	-	(302,399)	(302,399)
Balance as at June 30, 2022	14,619,425	626,491	15,078,330
Shares issued for acquisition of property rights	20,000	-	20,000
Total comprehensive (loss) for the period	-	(4,349,545)	(4,349,545)
Balance as at December 31, 2022	14,639,425	(3,890,640)	10,748,785
Total comprehensive income for the period	-	2,632,310	2,632,310
Balance as at June 30, 2023	14,639,425	(1,258,330)	13,381,095

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, 2023 and 2022***Unaudited*

Expressed in Canadian Dollars	Notes	June 30, 2023 \$	June 30, 2022 \$
<b>Cash flow from operating activities</b>			
Income/(loss) for the period		2,632,310	(302,399)
Lease depreciation	5	67,934	102,956
Reversal of impairment	7/10	(2,330,663)	-
Non-cash foreign exchange loss		2	(3,883)
Change in fair value of 2021 Xtierra warrants	7	1,595	60,030
Change in fair value of marketable securities	7/10	(464,338)	12,500
Non-cash deemed interest expense	5	18,270	14,585
Non-cash interest income	5	(9,900)	(6,389)
		(84,790)	(122,600)
<b>Movements in working capital</b>			
(Increase) in trade and other receivables		(37,603)	(3,959)
Decrease/(increase) in prepaid expenses		10,618	(8,290)
(Decrease)/increase in trade and other payables		(54,712)	72,955
Net cash flows from operating activities		(166,487)	(61,894)
<b>Cash flows from investing activities</b>			
Contributions to exploration expenditures received	6	-	320,000
Exploration expenditures applied to Buchans Projects	6	-	(312,124)
Investment in exploration and evaluation assets	6	(213,828)	(37,519)
Net cash flows from investing activities		(213,828)	(29,643)
<b>Cash flows from financing activities</b>			
Payment of lease obligation	5	(73,407)	(88,072)
Net cash flows from financing activities		(73,407)	(88,072)
Net (decrease) in cash and cash equivalents		(453,722)	(179,609)
Cash and cash equivalents at the beginning of the period		562,396	1,070,738
Cash and cash equivalent at the end of the period		108,674	891,129

See accompanying notes to the consolidated financial statements

## **BUCHANS RESOURCES LIMITED**

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

#### **For the three and six months ended June 30, 2023 and 2022**

Unaudited, 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.

At June 30, 2023, the Company had not achieved profitable operations, had an accumulated deficit since inception and expects to incur further losses in the development of its business. The Company relies on equity financing to generate additional financial resources to fund its working capital requirements and to fund its planned exploration programs. The continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that additional funds will be obtained to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on acceptable terms. Accordingly, the financial statements have been prepared on a going concern basis. 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. 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. These material uncertainties cast significant doubt about the Company’s ability to continue as a going concern.

## **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, 2022 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, 2024 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 8	In February 2021, the IASB issued ‘Definition of Accounting Estimates
IAS 12	In May 2021, the IASB issued ‘Deferred Tax Related to Assets and Liabilities
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 and six months ended June 30, 2023 and 2022**

Unaudited, expressed in Canadian dollars, unless noted and per share amounts

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

Basic earnings/(loss) per share is computed by dividing the earnings/(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 earnings/(loss) per share is computed by dividing the earnings/(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 earnings/(loss) es per share are the same as there are no convertible instruments. The computation for basic and diluted earnings/(loss) per share is as follows:

	June 30, 2023	June 30, 2022
	\$	\$
<b>Numerator</b>		
Net income/(loss)	2,632,310	(302,399)
Total income/(loss) for the period	<u>2,632,310</u>	<u>(302,399)</u>
<b>Denominator</b>		
Weighted average number of shares - basic and diluted	<b>No. of Shares</b> 64,729,386	<b>No. of Shares</b> 64,629,386
<b>Earnings/(loss) per share</b>		
Basic and diluted earnings/(loss) per share	<u>0.041</u>	<u>(0.005)</u>

**5. RIGHT OF USE ASSET, LEASE OBLIGATION AND INVESTMENT IN FINANCE LEASES**

On February 1, 2022, the Company extended the lease for its office premises, being approximately half of one floor in mid-size office building in downtown Toronto, for three years, expiring January 31, 2025. In accordance with IFRS 16, the Company recognized a right of use asset ("ROU") and an offsetting liability. During the six months ended June 30, 2023, the Company recognized a non-cash depreciation expense in the amount of \$67,934 (June 30, 2022 - \$102,956).

	Six months ended June 30, 2023	Year ended December 31, 2022
	\$	\$
<i>Cost</i>		
Balance, beginning of period	1,145,272	737,220
Additions	-	896,891
Derecognized - investment in finance leases	-	(488,839)
Balance, end of period	<u>1,145,272</u>	<u>1,145,272</u>
<i>Accumulated Depreciation</i>		
Balance, beginning of period	861,766	716,742
Additions	67,934	145,024
Balance, end of period	<u>929,700</u>	<u>861,766</u>
Net book value	<u>215,572</u>	<u>283,506</u>

During the six months ended June 30, 2023, the Company recognized a non-cash interest expense in the amount of \$18,270 (June 30, 2022 - \$14,585).

	\$	\$
Balance, beginning of period	648,698	-
Additions	-	896,891
Lease payments	(162,325)	(291,695)
Interest expense	18,270	43,502
Balance, end of period	<u>504,643</u>	<u>648,698</u>
	\$	\$
Current portion of lease liability	309,702	293,412
Long-term portion of lease liability	194,941	355,286
	<u>504,643</u>	<u>648,698</u>



**BUCHANS RESOURCES LIMITED****Notes to the Condensed Interim Consolidated Financial Statements****For the three and six months ended June 30, 2023 and 2022**

Unaudited, expressed in Canadian dollars, unless noted and per share amounts

**5. RIGHT OF USE ASSET, LEASE OBLIGATION AND INVESTMENT IN FINANCE LEASES (CONTINUED)**

The following table presents the contractual obligation for undiscounted cash flow for lease obligation as at June 30, 2023.

	\$
Payments due within one year	332,400
Payments due to July 1, 2024 to January 30, 2025	198,990
	<u>531,390</u>

When measuring the lease obligation, the Company discounted the remaining lease payments using the estimated incremental borrowing rate of 6.2% per annum.

*Net investment in finance leases/contracts*

On February 1, 2022, the Company entered into office sharing agreements with related corporations that share part of the office premises for terms of three years. In accordance with IFRS 16, at commencement of the contracts, the Company recognized a net investment in finance leases of \$488,839 and derecognized ROU assets by the same amount. The reconciliation of the Company's net investment in the contracts in as follows. During the six months ended June 30, 2023, \$106,266 was recovered from related corporations.

	Six months ended June 30, 2023	Year ended December 31, 2022
	\$	\$
Balance, beginning of period	351,965	-
Additions	-	488,839
Finance income	9,900	23,822
Lease payments received	(88,917)	(160,696)
Balance, end of period	<u>272,948</u>	<u>351,965</u>

Although considered leases (contracts granting the right to utilize an asset) under IFRS 16, these are simple office and cost sharing arrangements with other companies related by common or overlapping management and/or directors. Buchans is not in the business of leasing, is not a lessor in law, has no leasing activities, and has no rights in underlying assets. None of the sharing companies have any rights as "lessees". None of these arrangements had any effect on the financial performance and cash flows of Buchans. Buchans had notional finance income of \$9,900 on the net investment in the contracts during the six months ended June 30, 2023.

**6. EXPLORATION AND EVALUATION ASSETS**

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

	June 30, 2023	Additions	December 31 2022	Impairment	Additions	December 31 2021
	\$	\$	\$	\$	\$	\$
Buchans/Lundberg	9,728,533	213,828	9,514,706	-	359,997	9,154,709
Bobby's Pond	1	-	1	(1,776,508)	29,324	1,747,185
Tulks North	1	-	1	(1,473,579)	56,447	1,417,133
Lake Douglas/Long Range	1	-	1	(654,765)	15,538	639,228
South Voisey Bay/Tasiuyak	1	-	1	(244,424)	18,570	225,855
	<u>9,728,538</u>	<u>213,828</u>	<u>9,514,710</u>	<u>(4,149,276)</u>	<u>479,876</u>	<u>13,184,110</u>

All exploration and evaluation assets are carried at cost less any applicable impairment provision. As required under IFRS 6, and the Company's Accounting Policies, impairment provisions in the aggregate amount of \$4,149,276 were recognized for financial statement purposes against certain properties at December 31, 2022 as the Company's focus had been on advancing exploration of the Buchans/Lundberg property interests and substantive expenditure on further exploration had not been incurred on these properties in the previous two years. Nonetheless, the Company will maintain these important properties and plans to continue exploration work on these properties at the appropriate time.

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.

## BUCHANS RESOURCES LIMITED

### Notes to the Condensed Interim Consolidated Financial Statements For the three and six months ended June 30, 2023 and 2022

Unaudited, expressed in Canadian dollars, unless noted and per share amounts

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

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 and the Tulks Hill deposit), the Bobby's Pond property (which contains the Bobby's Pond deposit).

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, 21 mineral licences and two fee simple grants. The leases and mineral licences cover the former producing Buchans Mine and the Company's undeveloped Lundberg deposit. The two mining leases, two fee simple grants and one of the mineral licences are subject to certain net smelter royalties of 2%, which royalties are subject to buy-back or buy-down agreements.

In 2021, Buchans entered into a Collaboration Agreement with Boliden Mineral AB ("Boliden") under which Boliden was granted exclusivity on the project until December 31, 2021, to evaluate the Company's Buchans property for possible future investment and participation and negotiate an Earn-in and Option Agreement and a JV Agreement. In an Amendment to the Collaboration Agreement, an extension of the exclusivity was granted to Boliden from December 31, 2021 until March 31, 2022, and then to May 16, 2022, when the Collaboration Agreement automatically terminated. Boliden retains no interest in the property.

During 2022, Boliden contributed \$474,900 towards the costs of maintaining the Buchans property and exploration and evaluation programs (2021 - \$544,500).

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 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.

The Long Range Project includes claims held in a 51%:49% arrangement with Benton Resources Inc. (TSXV-BEX).

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

	June 30, 2023	December 31, 2022
	\$	\$
Shares in Minco Exploration Plc	846,704	851,704
Xtierra - 5,000,000 warrants	-	1,595
Share of Xtierra loss of associate	-	(5,000)
Total investment in associates	846,704	848,299

**BUCHANS RESOURCES LIMITED****Notes to the Condensed Interim Consolidated Financial Statements****For the three and six months ended June 30, 2023 and 2022**

Unaudited, expressed in Canadian dollars, unless noted and per share amounts

**7. INVESTMENT IN ASSOCIATES****Minco Exploration Plc**

At June 30, 2023, the Company held 11,227,879 shares of Minco Exploration, representing a 14.4% interest, as an investment in associate and not held for distribution. In accordance with the Company's accounting policies, as a result of losses reported by Minco Exploration, the carrying value of the Company's investment in Minco Exploration was reduced by \$5,000 to \$846,704 during the year ended December 31, 2022.

**Royalties Inc (formerly Xtierra Inc.)**

During the period ended June 30, 2023, the Company's shareholding in Royalties Inc. decreased from 21.4% to 19.9%. As a result, the investment is no longer considered to be an associate but rather shares in marketable securities. A reversal of impairment in the amount of \$2,330,663 was recorded to the statement of income/(loss) and comprehensive income/(loss). In addition, a fair value gain of \$464,337 was recorded. See Note 10.

The Company held 5,000,000 share purchase warrants expiring April 30, 2023, which expired unexercised, the remaining value of \$1,595 was written off.

**8. CASH AND CASH EQUIVALENTS**

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

	June 30, 2023	December 31, 2022
	\$	\$
Cash	101,386	554,789
Cash (US dollars)	7,288	7,607
Immediately available without restriction	<u>108,674</u>	<u>562,396</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**

	June 30, 2023	December 31, 2022
	\$	\$
Receivables	19,000	22,510
Receivable from related parties (Note 14)	67,455	32,615
Sales taxes receivable	12,594	6,321
	<u>99,049</u>	<u>61,446</u>

**10. MARKETABLE SECURITIES**

As at June 30, 2023, the Company held 43,000,003 shares of Royalties Inc. ("Royalties") at a fair market value of \$2,795,000. On September 30, 2022, Xtierra changed its name to Royalties Inc. and delisted from the TSX Venture Exchange and was listed on the Canadian Stock Exchange (CSE) on April 17, 2023. See Note 7.

During the period ended June 30, 2023, the Company's shareholding in Royalties Inc. decreased from 21.4% to 19.9%. As a result, the investment is no longer considered to be an associate but rather shares in marketable securities. A reversal of impairment in the amount of \$2,330,663 was recorded to the statement of income/(loss) and comprehensive income/(loss). In addition, a fair value gain of \$464,337 was recorded.

The Company also holds 100,000 shares in C2C at a market value of \$5,500.

**11. TRADE AND OTHER PAYABLES**

	June 30, 2023	December 31, 2022
	\$	\$
Trade creditors and accruals	101,890	156,602
Amounts due to related parties (Note 14)	8,306	8,306
	<u>110,196</u>	<u>164,908</u>

## BUCHANS RESOURCES LIMITED

### Notes to the Condensed Interim Consolidated Financial Statements

#### For the three and six months ended June 30, 2023 and 2022

Unaudited, expressed in Canadian dollars, unless noted and per share amounts

## 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 and in January 2021, the Company received an additional loan in the amount of \$40,000. The loans are interest-free until December 31, 2023 and can be extended for an additional 2-year term bearing an interest rate of 5% per annum.

## 13. CAPITAL STOCK

### Authorized

Unlimited number of common shares

### Issued

	Shares	Amount \$
<b>Balance at December 31, 2021</b>	64,629,386	14,619,425
Shares issued	100,000	20,000
<b>Balance at December 31, 2022 and June 30, 2023</b>	<u>64,729,386</u>	<u>14,639,425</u>

## 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 months ended June 30, 2023 and 2022.

During the six months ended June 30, 2023, the Company charged \$52,500 to related parties for office services, including \$30,000 to Canadian Manganese Co. Inc. and \$22,500 to Labrador Iron Mines. These companies are related through John F. Kearney, Chairman of the Company, and certain other directors being directors of some or all companies mentioned. See also Note 5.

Included in receivable at June 30, 2023 is \$67,455 (2022 - \$32,615) receivable from related parties, including \$16,205 (2022 - \$13,865) from Minco Exploration Plc covering administration services, \$41,250 (2022 - \$18,750) receivable from Labrador Iron Mines and \$10,000 from Canadian Manganese Corp. (2022 - \$Nil).

Included in accounts payable and accrued liabilities at June 30, 2023 is \$8,306 payable to SPC Consulting, a company owned by the Secretary of the Company, for consulting services (2022 - \$8,306).

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

At June 30, 2023, 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, 2023, 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 and six months ended June 30, 2023 and 2022**

Unaudited, expressed in Canadian dollars, unless noted and per share amounts

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## **15. 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 June 30, 2023, 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.

### **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. 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 June 30, 2023. The sensitivity analysis includes outstanding foreign currency denominated monetary items and largely results from a note receivable, payables and receivables and adjusts their translation at the period end for a 5% change in foreign currency rates. A 5% change in the US Dollar exchange rate would not result in a significant foreign exchange impact to the net loss based on monetary assets and liability balances existing at June 30, 2023.

## **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, 2023 and 2022. Neither the Company nor its subsidiary are subject to externally imposed capital requirements.

**BUCHANS RESOURCES LIMITED**

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

**For the three and six months ended June 30, 2023 and 2022**

Unaudited, expressed in Canadian dollars, unless noted and per share amounts

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**17. COMMITMENTS AND CONTINGENCIES**

The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company is party to certain employment contracts which contain aggregate minimum commitments of approximately \$281,000 (2022 - \$281,000) under certain circumstances, which contingent commitments have not been reflected in these financial statements as the triggering event has not occurred.