



**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2017  
(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)**

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**Notice To Reader**

The accompanying unaudited condensed interim consolidated financial statements of Royal Road Minerals Limited (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

# COMPANY PARTICULARS

## DIRECTORS AND OFFICERS

Dr. Timothy Coughlin, CEO and Director  
Ms. Cindy Davis, CFO  
Mr. Eric Lowy, Corporate Secretary  
Mr. Peter Mullens, Director  
Mr. Vernon Arseneau, Director  
Mr. Daniel De Narvaez, Director

## HEAD OFFICE

Suite 30  
4 Wharf Street  
St Helier  
Jersey, JE2 3NR, Channel Islands  
Tel: 01534 887166  
Website: [www.royalroadminerals.com](http://www.royalroadminerals.com)

## BANKERS

### Jersey

Barclays Bank PLC  
13 Library Place  
St Helier, Jersey,  
JE4 8NE, Channel Islands

### Colombia

Davivienda  
Calle 113 No 7-45 Torre B,  
Locales 122-123  
Bogotá, Colombia

## AUDITORS

Grant Thornton LLP  
Suite 501, 201 City Centre Drive,  
Mississauga, Ontario,  
L5B 2T4, Canada

# Royal Road Minerals Limited

## Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited

	As at March 31, 2017	As at December 31, 2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property and equipment (note 6)	\$ 26,048	\$ 28,050
Exploration rights (note 11)	132,125	132,125
Mineral property interests (note 4)	2,971,534	-
<b>Total non-current assets</b>	<b>3,129,707</b>	<b>160,175</b>
<b>Current assets</b>		
Cash and cash equivalents	3,408,039	703,859
Prepaid expenses and other current assets (note 5)	221,281	64,886
<b>Total current assets</b>	<b>3,629,320</b>	<b>768,745</b>
<b>Total assets</b>	<b>\$ 6,759,027</b>	<b>\$ 928,920</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital (note 8)	\$ 14,445,961	\$ 10,189,613
Warrants (note 9)	2,085,257	851,897
Contributed surplus	434,518	294,667
Translation of foreign operations	32,262	76,685
Accumulated deficit	(11,427,772)	(10,668,654)
<b>Equity attributable to shareholders</b>	<b>5,570,226</b>	<b>744,208</b>
Non-controlling interest	(280,816)	(52,952)
<b>Total equity</b>	<b>5,289,410</b>	<b>691,256</b>
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	743,234	237,664
Promissory note payable (note 7)	726,383	-
<b>Total liabilities</b>	<b>1,469,617</b>	<b>237,664</b>
<b>Total liabilities and equity</b>	<b>\$ 6,759,027</b>	<b>\$ 928,920</b>

Subsequent Events (note 14)

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

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## Royal Road Minerals Limited

### Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited

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	Three Months Ended March 31,	
	2017	2016
<b>Expenses</b>		
Exploration and evaluation expenditures (note 11)	\$ 209,378	\$ 77,956
Professional fees (note 12)	28,520	26,151
General and administrative	136,048	42,512
Employee salaries and benefits (note 12)	47,904	50,561
Stock based compensation (note 12)	139,851	-
<b>Loss from operations</b>	<b>(561,701)</b>	<b>(197,180)</b>
<b>Other items</b>		
Transaction costs (note 4)	(174,074)	-
Finance expenses	(17,984)	(3,080)
Foreign exchange loss	(21,162)	(31,013)
	<b>(213,220)</b>	<b>(34,093)</b>
<b>Net loss for the period</b>	<b>(774,921)</b>	<b>(231,273)</b>
<b>Other comprehensive loss</b>		
Exchange differences arising on translation of foreign operations	(44,423)	(399)
<b>Total comprehensive loss for the period</b>	<b>\$ (819,344)</b>	<b>\$ (231,672)</b>
<b>Net loss for the period attributable to:</b>		
Shareholders of the Company	\$ (759,118)	\$ (225,426)
Non-controlling interest	(15,803)	(5,847)
	<b>\$ (774,921)</b>	<b>\$ (231,273)</b>
<b>Net loss per share attributable to shareholders of the Company</b>		
- basic and diluted	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding - basic and diluted</b>	<b>91,731,307</b>	<b>40,052,951</b>

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

# Royal Road Minerals Limited

## Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited

	Three Months Ended March 31,	
	2017	2016
<b>Operating activities</b>		
Net loss for the period	\$ (774,921)	\$ (231,273)
Adjustments for:		
Depreciation	3,255	2,859
Stock based compensation	139,851	4,203
Unrealized foreign exchange loss	21,162	-
Interest accrued on promissory note payable	17,984	-
Changes in non-cash working capital items:		
Prepaid expenses and other current assets	(147,057)	(40,099)
Accounts payable and accrued liabilities	27,757	10,682
<b>Net cash used in operating activities</b>	<b>(711,969)</b>	<b>(253,628)</b>
<b>Financing activities</b>		
Proceeds from issuance of share capital	3,600,000	-
Payments for share issue costs	(275,175)	-
Unit proceeds payable	-	104,377
Cash received from acquisition of Caza	156,911	-
<b>Net cash provided by financing activities</b>	<b>3,481,736</b>	<b>104,377</b>
<b>Net change in cash and cash equivalents</b>	<b>2,769,767</b>	<b>(149,251)</b>
<b>Effect of foreign currencies on cash</b>	<b>(65,587)</b>	<b>(399)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>703,859</b>	<b>969,032</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 3,408,039</b>	<b>\$ 819,382</b>

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

# Royal Road Minerals Limited

## Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

Unaudited

	Share Capital	Warrants	Contributed Surplus	Translation of Foreign Operations	Accumulated Deficit	Non-controlling Interest	Total
<b>Balance, January 1, 2016</b>	<b>\$ 9,306,749</b>	<b>\$ 456,215</b>	<b>\$ 144,995</b>	<b>\$ (1,535)</b>	<b>\$ (8,952,198)</b>	<b>\$ -</b>	<b>\$ 954,226</b>
Stock based compensation	-	-	4,203	-	-	-	4,203
Total comprehensive loss for the period	-	-	-	(399)	(225,426)	(5,847)	(231,672)
<b>Balance, March 31, 2016</b>	<b>\$ 9,306,749</b>	<b>\$ 456,215</b>	<b>\$ 149,198</b>	<b>\$ (1,934)</b>	<b>\$ (9,177,624)</b>	<b>\$ (5,847)</b>	<b>\$ 726,757</b>
<b>Balance, January 1, 2017</b>	<b>\$ 10,189,613</b>	<b>\$ 851,897</b>	<b>\$ 294,667</b>	<b>\$ 76,685</b>	<b>\$ (10,668,654)</b>	<b>\$ (52,952)</b>	<b>\$ 691,256</b>
Shares issued for cash, net of costs	2,091,465	1,233,360	-	-	-	-	3,324,825
Shares issued to acquire Caza Gold Corp. (note 4)	2,164,883	-	-	-	-	-	2,164,883
Non-controlling interest on acquisition of Caza Gold Corp. (note 4)	-	-	-	-	-	(212,061)	(212,061)
Stock based compensation	-	-	139,851	-	-	-	139,851
Total comprehensive loss for the period	-	-	-	(44,423)	(759,118)	(15,803)	(819,344)
<b>Balance, March 31, 2017</b>	<b>\$ 14,445,961</b>	<b>\$ 2,085,257</b>	<b>\$ 434,518</b>	<b>\$ 32,262</b>	<b>\$ (11,427,772)</b>	<b>\$ (280,816)</b>	<b>\$ 5,289,410</b>

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

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# Royal Road Minerals Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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### 1. Nature of Operations

Royal Road Minerals Limited ("RRM" or the "Company") was incorporated under the Companies (Jersey) Law 1991 on May 6, 2010 as "Tigris Resources Limited". On April 10, 2015, the Company changed its name to "Royal Road Minerals Limited" and amended its share capital structure by converting all of its par value shares to no par value shares and consolidating its then outstanding shares on the basis of two pre-consolidation shares for every one post-consolidation share. On April 15, 2015, the Company completed a business combination transaction (the "Arrangement") by way of an arrangement under the Business Corporations Act (Alberta), whereby the Company acquired its wholly-owned subsidiary Royal Road Minerals Canada Limited ("RRMC"), a corporation resulting from the amalgamation of Kirkcaldy Capital Corp. ("Kirkcaldy") and Royal Road Minerals Canada Limited ("Tigris Subco"). As a result of the Arrangement, on April 20, 2015, the ordinary shares (the "Ordinary Shares") of the Company were listed and commenced trading on the TSX Venture Exchange (the "TSXV") under the trading symbol "RYR". The Company's registered and head office is located at 4 Wharf Street, Suite 30, St. Helier, Jersey, Channel Islands, JE2 3NR.

The Company is a gold and copper focused exploration and development company and has a project in Southern Colombia. The Company is advancing the La Golondrina high-grade gold project under a definitive option agreement to earn 100% of that property, which was entered into on October 6, 2015. The Company also entered into an option agreement for the La Redención gold project on March 31, 2016. RRM carries on its operations in Colombia through its 92.5% owned subsidiary, Minerales Camino Real, SAS, which was incorporated in December 2015.

### 2. Significant Accounting Policies

#### (a) Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 30, 2017, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2016. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2017 could result in restatement of these unaudited condensed interim consolidated financial statements.

#### (b) Basis of consolidation

The unaudited condensed interim consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company: RRMC, Minerales Camino Real SAS ("MCR") – a subsidiary incorporated by RRM in Colombia in December 2015 and Caza Gold Corp. ("Caza")(see note 4). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

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# Royal Road Minerals Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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### 2. Significant Accounting Policies (Continued)

#### (b) *Basis of consolidation (continued)*

The results of subsidiaries acquired or disposed of during the period are included in the unaudited condensed interim consolidated income statement 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 their accounting policies into line with those used by other members of the Company. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

At March 31, 2017, the Company had one wholly-owned subsidiary, RRMCI incorporated in Canada; owned 92.5% of MCR, incorporated in Colombia and owned 90.2% of Caza incorporated in Canada.

#### (c) *Change in accounting policies*

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") was issued in May 2014, and establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. At January 1, 2017, the Company adopted this standard and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

#### (d) *Future accounting pronouncements*

The accounting pronouncements detailed in this note have been issued but is not yet effective. The Company has not early adopted this standard and is currently evaluating the impact, if any, these standards might have on its consolidated financial statements.

(i) IFRS 9 - Financial Instruments ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. The effective date of IFRS 9 was deferred to years beginning on or after January 1, 2018. Earlier application is permitted.

(ii) IFRS 16 - Leases ("IFRS 16") was issued by the IASB in January 2016. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. IFRS 16 is effective for periods beginning on or after January 1, 2019. Earlier application is permitted. Management is currently assessing the impact on the Company.



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# Royal Road Minerals Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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### 3. Critical Accounting Judgments and Key Sources of Estimates Uncertainty

#### Critical judgments in applying the Company's accounting policies

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The most significant critical judgment that members of management have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the unaudited condensed interim consolidated financial statements is the judgment on functional currency.

#### Functional currency

Management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. As part of this approach, management gives priority to indicators like the currency that mainly influences costs and the currency in which those costs will be settled and the currency in which funds from financing activities are generated. The functional currency of the parent is the Canadian dollar. The Company has determined the functional currency of its Colombian subsidiary to be the Colombian peso.

#### Key sources of estimation uncertainty

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Black-Scholes Option Pricing Model was developed for use in estimating the fair value of traded options which were fully tradable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options and warrants have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

### 4. Acquisition of Caza Gold Corp.

On February 28, 2017, the Company was successful in its bid to acquire Caza. A total of 134,886,372 common shares of Caza, representing approximately 90% of Caza's issued and outstanding common shares were deposited under the Offer (and not withdrawn) as at February 27, 2017, the expiry time of the initial deposit period under the Offer.

The Company extended the deposit period under the Offer for the mandatory 10-day extension period required under applicable securities laws, to enable those shareholders who have not yet tendered their shares, to deposit their Caza common shares to the Offer. The Offer was extended until March 13, 2017.

On March 13, 2017, the Company had taken up a total of 137,822,549 common shares of Caza deposited under its Offer made to Caza shareholders, representing over 90% of Caza's issued and outstanding common shares. The Offer expired and will not be further extended.

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## Royal Road Minerals Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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#### 4. Acquisition of Caza Gold Corp. (Continued)

The fair value of the consideration is as follows:

Issuance of 24,054,258 RRM shares	\$ 2,164,883
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The allocation of purchase price is as follows:

Cash	\$ 156,911
Receivables and prepaids	9,338
Equipment	1,253
Mineral property interests	2,971,534
Accounts payable	(477,813)
Promissory note	(708,401)
Non-controlling interest	212,061
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	\$ 2,164,883

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In addition, the Company incurred cash costs of \$174,074 to complete the acquisition, these costs included professional fees and TSXV listing fees.

In May 2017, the Company completed the compulsory acquisition of all of the remaining outstanding common shares of Caza, pursuant to the notice of compulsory acquisition made under Section 300 of the Business Corporations Act (British Columbia), and owned 100% of the outstanding Common Shares.

#### 5. Prepaid Expenses and Other Assets

	As at March 31, 2017	As at December 31, 2016
Prepaid expenses	\$ 148,179	\$ 37,841
Security deposits	26,783	26,783
Other receivables	46,319	262
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Total	\$ 221,281	\$ 64,886

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# Royal Road Minerals Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

### 6. Property and Equipment

Cost	Equipment	Total
Balance - January 1, 2016	\$ 45,993	\$ 45,993
Currency translation differences	14,094	14,094
<b>Balance - December 31, 2016</b>	<b>60,087</b>	<b>60,087</b>
Acquired from Caza	1,253	1,253
<b>Balance - March 31, 2017</b>	<b>\$ 61,340</b>	<b>\$ 61,340</b>

Accumulated Depreciation	Equipment	Total
Balance - January 1, 2016	\$ 20,125	\$ 20,125
Charge for the year	11,912	11,912
<b>Balance - December 31, 2016</b>	<b>32,037</b>	<b>32,037</b>
Charge for the period	3,255	3,255
<b>Balance - March 31, 2017</b>	<b>\$ 35,292</b>	<b>\$ 35,292</b>

Carrying Amount	Equipment	Total
<b>Balance - March 31, 2017</b>	<b>\$ 26,048</b>	<b>\$ 26,048</b>
<b>Balance - December 31, 2016</b>	<b>\$ 28,050</b>	<b>\$ 28,050</b>

### 7. Promissory Note Payable

In May 2016, Caza closed a loan agreement with Polygon Mining Opportunity Master Fund ("Polygon") pursuant to which Polygon advanced a loan in the principal amount of US\$500,000 to Caza, as evidenced by a promissory note. The loan had an initial maturity date of May 13, 2018 and is payable on demand upon Caza consummating an equity or loan financing with net proceeds of at least US\$2.5 million. The loan bears interest at the rate of 10% per annum payable quarterly beginning on June 30, 2016. Interest payments may, at the option of Caza, be added to the principal amount of the loan. As security for the payment of Caza's obligations and for the fulfilment and satisfaction of all covenants and agreements made under the loan agreement, Caza also entered into a general security agreement with Polygon pursuant to which Caza granted Polygon a security interest in all personal property of Caza, including the issued and outstanding shares of Caza's wholly-owned Nicaraguan subsidiary, Nicaza S.A, which holds certain mineral exploration properties located in Nicaragua, including the Los Andes project and the Piedra Iman property.

Caza and Polygon entered into an Agreement in respect of Investment Agreements and Loan Agreement dated January 19, 2017 whereby the maturity date of the loan was extended to May 13, 2019 subject to RRM having taken up and paid for Caza's common shares which were held and deposited by Polygon by March 2, 2017 pursuant to RRM's tender offer to acquire Caza. On March 13, 2017, a total of 137,822,549 shares of Caza, representing over 90% of the Caza's then issued and outstanding common shares, were deposited under the offer by RRM.

As at March 31, 2017, the balance owing on the promissory note payable was \$726,383.

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## Royal Road Minerals Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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#### 8. Share Capital

##### (a) Authorized share capital

The authorized share capital consists of an unlimited number of Ordinary Shares without par value. Each Ordinary Share entitles the holder to one vote. All Ordinary Shares of the Company rank equally as to dividends, voting powers and participation in assets upon a dissolution or winding up of the Company.

##### (b) Common shares issued

At March 31, 2017, the issued share capital amounted to \$14,445,961. The change in issued share capital for the periods presented were as follows:

	Number of Shares	Amount
<b>Balance, January 1, 2016 and March 31, 2016</b>	<b>40,052,951</b>	<b>\$ 9,306,749</b>
<b>Balance, January 1, 2017</b>	<b>66,645,951</b>	<b>\$ 10,189,613</b>
Shares issued for cash (i)	36,000,000	3,600,000
Issuance costs - cash	-	(275,175)
Issuance costs - warrant valuation (i)	-	(1,233,360)
Shares issued to acquire Caza (note 4)	24,054,258	2,164,883
<b>Balance, March 31, 2017</b>	<b>126,700,209</b>	<b>\$ 14,445,961</b>

(i) On February 17, 2017, the Company closed a private placement, pursuant to which the Company issued an aggregate of 36,000,000 units (each a "Unit") of the Company, with each Unit comprised of one ordinary share and one-half of one ordinary share purchase warrant (each whole warrant, a "Warrant"), at a price of \$0.10 per Unit for total aggregate gross proceeds of \$3.6 million. Each Warrant entitles the holder thereof to acquire one ordinary share of the Company at a price \$0.20 until February 17, 2019.

In connection with the private placement, the Company paid a total cash commission to the agents of \$216,000 and issued 2,160,000 broker warrants (the "Broker Warrants") pursuant to the private placement. Each Broker Warrant entitles the holder to acquire one ordinary share of the Company at a price of \$0.10 until February 17, 2019. All securities issued under the Offering will be subject to a statutory four month hold period ending on June 18, 2017 pursuant to applicable securities legislation.

The fair values of the Warrants and Broker Warrants at the date of issue of \$1,080,000 and \$153,360 was estimated using the Black Scholes valuation model with the following weighted average assumptions: a 2 year expected term; a 148.72% expected volatility based on historical trends; risk free interest rate of 0.77%; share price at the date of grant of \$0.10; and an expected dividend yield of 0%.

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## Royal Road Minerals Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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#### 9. Warrants

The following table reflects the continuity of warrants for the periods presented:

	Number of Warrants	Weighted Average Exercise Price
<b>Balance, January 1, 2016 and March 31, 2016</b>	<b>15,217,368</b>	<b>\$ 0.53</b>
<b>Balance, January 1, 2017</b>	<b>28,513,868</b>	<b>\$ 0.33</b>
Issued (note 8(b)(i))	20,160,000	0.19
<b>Balance, March 31, 2017</b>	<b>48,673,868</b>	<b>\$ 0.27</b>

The Company had the following warrants outstanding at March 31, 2017:

Number of Warrants	Exercise Price	Expiry Date
8,751,265	\$0.60	April 15, 2018
1,750,000	\$0.45	April 15, 2018
4,393,766	\$0.45	April 15, 2018
238,750	\$0.30	April 15, 2017
83,587	\$0.09	October 14, 2018
10,374,000	\$0.10	April 15, 2018
2,922,500	\$0.10	April 22, 2018
18,000,000	\$0.20	February 17, 2019
2,160,000	\$0.10	February 17, 2019
<b>48,673,868</b>		

#### 10. Stock Options

On April 10, 2015, the Company adopted a new incentive stock option plan (the "2015 Option Plan") which replaced the Company's former stock option plan (the "Former Option Plan"). No further awards will be granted under the Former Option Plan. However, any outstanding awards granted under the Former Option Plan shall remain outstanding and will continue to be governed by the provisions of the Former Option Plan.

The 2015 Option Plan is a rolling stock option plan under which options may be granted in respect of authorized and unissued Ordinary Shares to any director, officer, employee (part-time or full-time), service provider or consultant of the Company or any of its subsidiaries provided that, the aggregate number of Ordinary Shares reserved by the Company for issuance and which may be purchased upon the exercise of all options shall not exceed 10% of the issued and outstanding Ordinary Shares at the time of granting of options (on a non-diluted basis). If any option granted under the 2015 Option Plan is surrendered, terminated, expires or is exercised, the Ordinary Shares reserved for issuance, or issued, pursuant to such option shall be available for new options granted under the 2015 Option Plan.

# Royal Road Minerals Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

### 10. Stock Options (Continued)

The following table reflects the continuity of stock options for the periods presented:

	Number of Options	Weighted Average Exercise Price
<b>Balance, January 1, 2016</b>	<b>3,325,000</b>	<b>\$ 0.27</b>
Expired / forfeited	(940,000)	0.31
<b>Balance, March 31, 2016</b>	<b>2,385,000</b>	<b>\$ 0.26</b>
<b>Balance, January 1, 2017</b>	<b>3,700,000</b>	<b>\$ 0.13</b>
Granted (i)	4,360,000	0.15
<b>Balance, March 31, 2017</b>	<b>8,060,000</b>	<b>\$ 0.14</b>
Vested, end of the period	3,300,000	\$ 0.14

(i) On February 17, 2017, the Company granted 4,360,000 stock options to certain directors, officers, employees and consultants of the Company at an exercise price of \$0.15 per share, expiring on February 17, 2019, pursuant to the terms of the Company's stock option plan. The options are exercisable until February 17, 2019 at a price of \$0.15 per share and shall vest as to 30% of the options, 60 days from the grant date; as to a further 30% of the options, 90 days from the grant date; and as to the remainder of the options, 120 days from the grant date.

The options were assigned a fair value of \$283,400 using the Black-Scholes option pricing model with the following assumptions: share price \$0.10, dividend yield 0%, expected volatility 148.72% (based on the historical price history of the Company's common shares), risk-free interest rate 0.77%, and an expected life of 2 years.

The Company had the following stock options outstanding as of March 31, 2017:

Number of Options		Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
Outstanding	Exercisable			
1,200,000	800,000	\$ 0.10	0.71	December 14, 2017
2,500,000	2,500,000	\$ 0.15	1.22	June 20, 2018
4,360,000	-	\$ 0.15	1.88	February 17, 2019
8,060,000	3,300,000		1.50	

# Royal Road Minerals Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

### 11. Exploration Rights and Exploration and Evaluation Expenditures

Exploration rights consisted of:

	As at March 31, 2017	As at December 31, 2016
<b><u>La Golondrina Project, Colombia</u></b>		
Balance - beginning of the period	\$ 39,102	\$ -
Additions	93,023	39,102
Balance - end of the period	\$ 132,125	\$ 39,102

Exploration and evaluation expenditures consisted of:

	Three Months Ended March 31,	
	2017	2016
<b><u>Colombia</u></b>		
La Golondrina Project	\$ 172,194	\$ 77,956
La Redención Gold project	18,097	-
La Llanada Goldfield and Nariño Region	12,065	-
	202,356	77,956
<b><u>Nicaragua</u></b>		
Los Andes	7,022	-
	7,022	-
<b>Total exploration and evaluation expenditures</b>	<b>209,378</b>	<b>77,956</b>
<b>Net exploration and evaluation expenditures</b>	<b>\$ 209,378</b>	<b>\$ 77,956</b>

### La Golondrina Project

On October 6, 2015, the Company entered into an option agreement over the La Golondrina gold project in Nariño Province of southern Colombia. Under the terms of the La Golondrina Option Agreement, the Company has the option to acquire a 100% undivided interest in the La Golondrina project. In order to exercise the Option, the Company must:

- pay to the Optionors the aggregate sum of US\$30,000 (CAD\$39,102) (paid) within three days of the effective date of the Option Agreement;
- pay to the Optionors the aggregate sum of US\$50,000 (CAD\$66,445) (paid) on or before the date that the Company first commences drilling on the La Golondrina project;
- pay to the Optionors the aggregate sum of US\$60,000, payable in three equal installments of US\$20,000 on the first (CAD\$26,578) (paid), second and third anniversary dates of the effective date of the Option Agreement.

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# Royal Road Minerals Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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### 11. Exploration Rights and Exploration and Evaluation Expenditures (Continued)

#### La Golondrina Project (continued)

In addition, the Company must carry out the following exploration work on the La Golondrina project on or before the third anniversary of the effective date of the Option Agreement:

- complete detailed surveying and sampling of the mine site and surrounding veins to plan drill holes;
- complete a detailed review of the induced polarization (IP) survey and ground magnetic survey; and
- carry out a minimum of 1,500 meters of drilling.

After making these payments and completing the required exploration work, the Company may, prior to the third anniversary of the effective date of the Option Agreement, give a notice to the Optionors of its intention to complete a feasibility study. If, after completing the feasibility study, the Company determines that the development of a mine is justified at such time, the Company may exercise the option and, thereupon, it will acquire a 100% interest in the La Golondrina project (subject to the royalty described below), the Optionors shall cease all mining operations at the La Golondrina project, and the Company shall pay the Optionors an aggregate of US\$100,000 per annum until the Company commences commercial production. In the alternative, the Company may, at such time, elect to defer making a production decision and exercising its option for up to a further three years, and instead pay to the Optionors the aggregate sum of US\$20,000 per annum during such deferral period.

Upon any exercise by the Company of the option, the Optionors will have the right to elect to receive either:

- i) a 20% net profit royalty to be paid once payback of all capital invested to expand and construct the operation has been made; or
- ii) a 15% net profit royalty, to be paid once payback of all capital invested to expand and construct the operation has been made, plus a 1% net smelter royalty.

#### La Redención Gold Project

On April 4, 2016, the Company announced that it has entered into an option agreement (the "Option Agreement") effective as of March 31, 2016, with Mesias Oliver Acosta Benavides, Euberto Ernesto Calderón and Jesús Yerobi Santander (collectively, the "Optionors") to acquire 100% of the La Redención gold project, which is located approximately 450 meters north of the license boundary of the Company's La Golondrina gold project in the Nariño Province of southern Colombia.

The following is a summary of principal terms of the Option Agreement:

- The Company has the option to acquire a 100% undivided interest in the La Redención project;
- In order to exercise the Option Agreement, the Company must:
  - i) Assist the Optionors to a maximum cost of US\$20,000 to complete all ongoing regulatory work to a high level and acquire the additional required approvals for exploration activities on the license area;
  - ii) On acquisition of regulatory approvals, pay to the Optionors the aggregate sum of US\$20,000;
  - iii) Pay to the Optionors the aggregate sum of US\$25,000 on or before the date that the Company first commences drilling on the La Redención project;
  - iv) Pay to the Optionors the aggregate sum of US\$30,000, payable in three equal installments of US\$10,000 on the first, second and third anniversary dates of regulatory approval; and
  - v) Complete a minimum of 750 meters of drilling at La Redención on or before the third anniversary of the effective date of regulatory approvals.



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## **Royal Road Minerals Limited**

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

**Three Months Ended March 31, 2017**

**(Expressed in Canadian Dollars, unless otherwise indicated)**

**Unaudited**

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#### **11. Exploration Rights and Exploration and Evaluation Expenditures (Continued)**

##### **La Redención Gold Project (continued)**

- After making these payments and completing this exploration work, the Company may, prior to the third anniversary of the date of regulatory approvals, give a notice to the Optionors of its intention to complete a feasibility study. If, after completing the feasibility study, the Company determines that the development of a mine is justified at such time, the Company may exercise the option and, thereupon, it will acquire a 100% interest in the La Redención project (subject to the royalty described below). In the alternative, the Company may, at such time, elect to defer making a production decision and exercising its option for a period of up to five years, and instead pay to the Optionors the aggregate sum of US\$10,000 per annum during such deferral period; and
- Upon any exercise by the Company of the option, the Optionors will have the right to receive a 20% net profit royalty to be paid once payback of all capital invested to explore, develop and construct the operation has been made.

##### **Regional Exploration, La Llanada Goldfield and Nariño Region**

On October 18, 2016, the Company announced that it has filed applications for concession contracts on a first-come, first-served basis covering prospective areas amounting to approximately 162 thousand hectares in the Western Cordillera of Nariño Province, Colombia. The area under application extends down to the Ecuador border, sits upstream from the Magui-Payan and Barbacoas alluvial goldfields and surrounds many known small workings but is relatively unknown from a geological and economic perspective due to previous security and access issues. The Company has submitted a proposal to the Colombian Government for a heli-borne magnetic and radiometric survey across the entire region and under terms of a private-public-partnership.

##### **La Maria Gold Project**

On July 12, 2016, the Company announced that it has entered into a binding Letter of Intent with the mining concessionaire with respect to the Mina La Maria gold project, which is located approximately 4 kilometers to the west of the Company's La Golondrina and La Redención gold projects in the La Llanada gold district of Nariño Province, southern Colombia. The Letter of Intent provides the Company with the exclusive right to conduct exploration and legal due diligence on the Mina La Maria gold project property for a period of three months commencing July 9, 2016. On October 18, 2016, the Company announced that after the completion of the exploration and legal due diligence, the Company decided not to proceed with a joint venture arrangement.

##### **Los Andes property, Nicaragua**

In December 2014, the Company, through its subsidiary Caza, entered into a Purchase Agreement with Inversiones Ecologicas S.A. ("Inecosa"), to acquire a 100% interest in the Los Andes property. Caza issued 7.06 million common shares to Inecosa at a fair value of \$0.04 per share and paid US\$300,000 "in trust" to shareholders of Inecosa pending successful transfer of title of the Los Andes property to the Company. In November 2015, Inecosa completed the transfer of title of the Los Andes property as well as other concessions to the Company, and funds held in trust for the shareholders of Inecosa were accordingly paid to them. Inecosa retains a 2% NSR, and the Company has the right to reduce the NSR to 1% by paying US\$1 million and to acquire the remaining 1% NSR by paying an additional US\$2 million.

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## Royal Road Minerals Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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#### 12. Related Party Balances and Transactions

In accordance with IAS 24, key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include executive and non-executive directors. The key management personnel of the Company are the directors and officers of the Company.

No individual party had overall control of the Company during the periods being presented. Transactions between the Company and its subsidiary have been eliminated on consolidation.

The amounts due to related parties of the Company at the reporting date, as disclosed below, arose due to transactions entered into with the related parties in the ordinary course of business.

##### *Compensation of key management personnel of the Company*

The remuneration of directors and other members of key management personnel for the years presented was as follows:

	Three Months Ended March 31,	
	2017	2016
Salaries	\$ 43,562	\$ 40,733
Stock based compensation	99,474	2,985
	<b>\$ 143,036</b>	<b>\$ 43,718</b>

The Company paid certain of its key management personnel through companies associated with certain executive officers and directors as described below.

The Chief Financial Officer is a senior employee of Marrelli Support Services Inc. During the three months ended March 31, 2017, the Company incurred professional fees of \$9,765 (three months ended March 31, 2016 - \$4,900).

Insiders of the Company purchased 600,000 Units of the private placement completed on February 17, 2017.

#### 13. Segmented Information

The Company's information about its operations and assets by geographic location is detailed below.

Three months ended March 31, 2017	Jersey	Colombia	Nicaragua	Total
Net loss	\$ (547,151)	\$ (202,356)	\$ (25,414)	\$ (774,921)

  

Three months ended March 31, 2016	Jersey	Colombia	Nicaragua	Total
Net loss	\$ (153,317)	\$ (77,956)	-	\$ (231,273)

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## Royal Road Minerals Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2017

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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#### 13. Segmented Information (Continued)

##### As at March 31, 2017

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		Jersey		Colombia		Nicaragua		Total
Non-current assets	\$	25,025	\$	132,125	\$	2,972,557	\$	3,129,707

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##### As at December 31, 2016

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		Jersey		Colombia		Nicaragua		Total
Non-current assets	\$	28,050	\$	132,125	\$	-	\$	160,175

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#### 14. Subsequent Events

- (i) On April 21, 2017, the Company announced that it has closed a non-brokered strategic private placement offering (the "Offering") with Polygon and the Company's Chairman, Mr. Peter Mullens. The Offering is comprised of 7,500,000 units (each a "Unit") of the Company at a purchase price of \$0.10 per Unit for aggregate gross proceeds \$750,000. Each Unit will be comprised of one ordinary share of the Company and one-half of one ordinary share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder thereof to acquire one ordinary share of the Company at a price \$0.20 for a period of 24 months from the date of issuance.
- (ii) In May 2017, the Company completed the compulsory acquisition of all of the remaining outstanding common shares of Caza, pursuant to the notice of compulsory acquisition made under Section 300 of the Business Corporations Act (British Columbia), and owned 100% of the outstanding Common Shares.