



# **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**THREE AND SIX MONTHS ENDED  
JUNE 30, 2021**

**(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.

# Royal Road Minerals Limited

## Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited

	As at June 30, 2021	As at December 31, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 33,225,409	\$ 10,375,378
Prepaid expenses and other assets (note 3)	903,105	26,783
<b>Total current assets</b>	<b>34,128,514</b>	<b>10,402,161</b>
<b>Non-current assets</b>		
Property and equipment (note 4)	89,383	81,139
Exploration and evaluation assets (note 9)	9,351,169	9,304,647
Investment in associate (note 12)	25,562	25,562
Government sales taxes receivable (note 5)	24,239	247,616
<b>Total non-current assets</b>	<b>9,490,353</b>	<b>9,658,964</b>
<b>Total assets</b>	<b>\$ 43,618,867</b>	<b>\$ 20,061,125</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,034,879	\$ 177,963
<b>Total liabilities</b>	<b>1,034,879</b>	<b>177,963</b>
<b>Shareholders' equity</b>		
Share capital (note 6)	42,215,398	41,473,692
Warrants (note 7)	440,176	664,204
Contributed surplus	5,363,967	4,069,599
Translation of foreign operations	375,738	571,097
Accumulated deficit	(5,810,684)	(26,894,823)
<b>Shareholders' equity attributable to shareholders</b>	<b>42,584,595</b>	<b>19,883,769</b>
Non-controlling interest	(607)	(607)
<b>Total shareholders' equity</b>	<b>42,583,988</b>	<b>19,883,162</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 43,618,867</b>	<b>\$ 20,061,125</b>

Nature of operations (note 1)

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 Income (Loss) and Comprehensive Income (Loss)

(Expressed in Canadian Dollars)

Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Expenses</b>				
Exploration and evaluation expenditures (note 9)	\$ 466,220	\$ 101,776	\$ 1,595,321	\$ 584,590
Professional fees (note 10)	125,252	300,486	231,568	467,470
General and administrative	163,279	83,577	437,805	224,181
Employee salaries and benefits (note 10)	259,620	85,887	615,799	170,016
Stock based compensation (note 8)	733,693	131,845	1,305,928	1,176,688
Loss incurred from joint operation with Hemco	373,928	192,637	615,520	327,060
<b>Loss from operations</b>	<b>(2,121,992)</b>	<b>(896,208)</b>	<b>(4,801,941)</b>	<b>(2,950,005)</b>
<b>Other items</b>				
Other expenses	(427)	(17,830)	(1,795)	(20,320)
Gain for sale of property interest (note 9)	29,668,466	-	29,668,466	-
Foreign tax paid (note 9)	(4,553,427)	-	(4,553,427)	-
Foreign exchange gain (loss)	585,416	102,936	772,836	(66,095)
	<b>25,700,028</b>	<b>85,106</b>	<b>25,886,080</b>	<b>(86,415)</b>
<b>Net income (loss) for the period</b>	<b>23,578,036</b>	<b>(811,102)</b>	<b>21,084,139</b>	<b>(3,036,420)</b>
<b>Other comprehensive income (loss)</b>				
Exchange differences arising on translation of foreign operations	32,336	204,785	(195,359)	(248,786)
<b>Total comprehensive income (loss) for the period</b>	<b>\$ 23,610,372</b>	<b>\$ (606,317)</b>	<b>\$ 20,888,780</b>	<b>\$ (3,285,206)</b>
<b>Net income (loss) for the period attributable to:</b>				
Shareholders of the Company	\$ 23,578,036	\$ (815,865)	\$ 21,084,139	\$ (3,036,420)
Non-controlling interest	-	4,763	-	-
	<b>\$ 23,578,036</b>	<b>\$ (811,102)</b>	<b>\$ 21,084,139</b>	<b>\$ (3,036,420)</b>
<b>Net income (loss) per share attributable to shareholders - basic and diluted</b>	<b>\$ 0.09</b>	<b>\$ (0.00)</b>	<b>\$ 0.08</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares basic and diluted</b>	<b>249,367,504</b>	<b>214,233,882</b>	<b>262,398,471</b>	<b>229,468,060</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

### Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited

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	Six Months Ended June 30,	
	2021	2020
<b>Operating activities</b>		
Net income (loss) for the period	\$ 21,084,139	\$ (3,036,420)
Adjustments for:		
Depreciation	8,557	25,511
Stock based compensation	1,305,928	1,176,688
Amortization of deferred exploration liability	-	(45,191)
Changes in non-cash working capital items:		
Government sales tax receivable	223,377	37,345
Prepaid expenses and other assets	(876,322)	244,782
Accounts payable and accrued liabilities	856,916	76,052
<b>Net cash provided by (used in) operating activities</b>	<b>22,602,595</b>	<b>(1,521,233)</b>
<b>Investing activities</b>		
Purchase of property and equipment	(16,801)	(31,806)
Deferred exploration expenditure	-	1,411,229
<b>Net cash (used in) provided by investing activities</b>	<b>(16,801)</b>	<b>1,379,423</b>
<b>Financing activities</b>		
Proceeds from the exercise of options	26,118	82,500
Proceeds from the exercise warrants	480,000	-
<b>Net cash provided by financing activities</b>	<b>506,118</b>	<b>82,500</b>
<b>Net change in cash and cash equivalents</b>	<b>23,091,912</b>	<b>(59,310)</b>
<b>Effect of foreign currencies on cash and cash equivalents</b>	<b>(241,881)</b>	<b>(248,786)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>10,375,378</b>	<b>2,954,332</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 33,225,409</b>	<b>\$ 2,646,236</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, 2020</b>	<b>\$ 30,768,092</b>	<b>\$ 468,693</b>	<b>\$ 2,366,791</b>	<b>\$ 450,404</b>	<b>\$ (20,975,205)</b>	<b>\$ (563)</b>	<b>\$ 13,078,212</b>
Warrants expired	-	(157,166)	157,166	-	-	-	-
Options expired	-	-	(68,250)	-	68,250	-	-
Options exercised	101,750	-	(19,250)	-	-	-	82,500
Stock based compensation	-	-	1,176,688	-	-	-	1,176,688
Currency translation adjustment	-	-	-	(248,786)	-	-	(248,786)
Net loss for the period	-	-	-	-	(3,036,420)	-	(3,036,420)
<b>Balance, June 30, 2020</b>	<b>\$ 30,869,842</b>	<b>\$ 311,527</b>	<b>\$ 3,613,145</b>	<b>\$ 201,618</b>	<b>\$ (23,943,375)</b>	<b>\$ (563)</b>	<b>\$ 11,052,194</b>
<b>Balance, January 1, 2021</b>	<b>\$ 41,473,692</b>	<b>\$ 664,204</b>	<b>\$ 4,069,599</b>	<b>\$ 571,097</b>	<b>\$ (26,894,823)</b>	<b>\$ (607)</b>	<b>\$ 19,883,162</b>
Warrants exercised	704,028	(224,028)	-	-	-	-	480,000
Options exercised	37,678	-	(11,560)	-	-	-	26,118
Stock based compensation	-	-	1,305,928	-	-	-	1,305,928
Currency translation adjustment	-	-	-	(195,359)	-	-	(195,359)
Net income for the period	-	-	-	-	21,084,139	-	21,084,139
<b>Balance, June 30, 2021</b>	<b>\$ 42,215,398</b>	<b>\$ 440,176</b>	<b>\$ 5,363,967</b>	<b>\$ 375,738</b>	<b>\$ (5,810,684)</b>	<b>\$ (607)</b>	<b>\$ 42,583,988</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 the Condensed Interim Consolidated Financial Statements

June 30, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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### 1. Nature of Operations

Royal Road Minerals Limited ("Royal Road", "RRM", the "Company", or the "Corporation") 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. 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 "RYY". The Company's registered and head office is located at Ground Floor, 4 Wharf Street, Suite 30, St. Helier, Jersey, Channel Islands, JE2 3NR.

The Company carries on its operations in Colombia through its wholly-owned subsidiaries, Minerales Camino Real, SAS ("RRM Colombia") and Exploraciones Northern Colombia Exploration ("ENC"); in Nicaragua, through its wholly-owned subsidiary, Minerales Camino Real Nicaragua, SAS ("RRM Nicaragua") (formally "Nicaza S.A").

Initially the Company commenced exploration operations in Turkey, focused principally on the country's highly prospective southeast where it worked with predominantly Kurdish communities before and immediately after the Turkish-Kurdish peace process of March 2013. In August of 2015 the Turkish-Kurdish peace process collapsed and hostilities recommenced. The Company then moved its operations to Colombia where it secured exploration joint-ventures with local parties and submitted applications for concession contracts in the highly prospective southern Colombian province of Nariño.

In 2017, Royal Road acquired the interests of Caza Gold in Nicaragua which include the Los Andes porphyry coppergold and the Piedra Iman ironoxide coppergold prospects. Subsequently, the Company executed a 50/50 strategic exploration alliance with Hemco-Mineros Nicaragua, in which both companies combined exploration assets in Nicaragua in order to explore and develop them on a 50/50 basis. This arrangement provides Royal Road access to Hemco-Mineros' exploration assets in the highly prospective Golden Triangle region of northeastern Nicaragua.

In 2019, the Company completed a purchase and sale transaction to acquire the exploration assets of AngloGold-Ashanti in Colombia. The assets include concession contracts and concession applications in the Middle Cauca valley and throughout southern Colombia.

#### COVID-19

Commencing in March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The duration and impact of COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. While the Company for a number of months in 2020, slowed business activities to ensure the safety of staff and consultants, the Company's operation has been able to continue moving forward on its exploration activities despite the significant global disruptions in business operations. The Company anticipates local lockdowns and quarantine guidelines to continue to pose a threat to the operations of the Company through to the end of the 2021 fiscal year and into fiscal 2022.

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# Royal Road Minerals Limited

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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### 2. Significant Accounting Policies

#### (a) Statement of compliance

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 IASB and interpretations issued by IFRIC. The accounting policies and methods of computation applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those applied in the Company's audited annual consolidated financial statements for the year ended December 31, 2020, other than as noted below. The unaudited condensed interim consolidated financial statements were approved by the Board of Directors on August 26, 2021.

#### (b) Basis of preparation

The unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis and presented in Canadian dollars.

#### (c) Basis of consolidation

The unaudited condensed interim consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. As at June 30, 2021, the Company has 4 wholly-owned subsidiaries, RPMC incorporated in Canada, Nicaza S.A. incorporated in Nicaragua; MCR and ENC, incorporated in Colombia; and owns 99% of MCR Peru, incorporated in Peru; collectively, ("Group"). 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 Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The results of subsidiaries acquired or disposed of during the period are included in the unaudited consolidated of loss and comprehensive loss 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 Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

#### (d) Critical judgments in applying the Company's accounting policies

In the application of the Company's accounting policies, 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 are as follows:

##### 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, Nicaraguan and Peruvian subsidiaries to be the Colombian peso, Nicaraguan cordoba and Peruvian sol.

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# Royal Road Minerals Limited

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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### 2. Significant Accounting Policies (Continued)

#### Site decommissioning obligations

The Company recognizes a provision for future abandonment activities in the financial statements equal to the net present value of the estimated future expenditures required to settle the estimated future obligation at the statement of financial position date. The measurement of the decommissioning obligation involves the use of estimates and assumptions including the discount rate, the expected timing of future expenditures and the amount of future abandonment costs. The estimates are made by management and external consultants considering current costs, technology and enacted legislation.

#### Impairment of exploration and evaluation assets

Management reviews the carrying values of exploration and evaluation assets whenever events or changes in circumstances indicate that their carrying values may not be recoverable. The recoverable amount of cash-generating units for an exploration stage company requires various subjective assumptions. These assumptions may change significantly over time when new information becomes available and may cause original estimates to change.

#### **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, expected life of the instrument, forfeiture rate, and future risk-free rate. 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.

#### **(e) New standards not yet adopted**

##### *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. There is currently a proposal in place to extend effective date for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.



## Royal Road Minerals Limited

### Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

#### 3. Prepaid Expenses and Other Assets

	As at June 30, 2021	As at December 31, 2020
Prepaid expenses	\$ 313,700	\$ -
Security deposits	26,783	26,783
Hemco JV receivables	562,622	-
Total	\$ 903,105	\$ 26,783

#### 4. Property and Equipment

Cost	Equipment
Balance - January 1, 2020	\$ 137,392
Additions	38,314
<b>Balance - December 31, 2020</b>	<b>175,706</b>
Additions	16,801
<b>Balance - June 30, 2021</b>	<b>\$ 192,507</b>
Accumulated Depreciation	Total
Balance - January 1, 2020	\$ 80,453
Charge for the period	14,114
<b>Balance - December 31, 2020</b>	<b>94,567</b>
Charge for the period	8,557
<b>Balance - June 30, 2021</b>	<b>\$ 103,124</b>
Carrying Amount	Total
<b>Balance - June 30, 2021</b>	<b>\$ 89,383</b>
<b>Balance - December 31, 2020</b>	<b>\$ 81,139</b>

#### 5. Government Sales Tax Receivable

The Company has amounts receivable from the Colombian tax authority of \$24,239 as at June 30, 2021 (December 31, 2020 - \$247,616 for sales taxes paid on purchases in Colombia through its subsidiaries RRM Colombia and ENC. These amounts are collectible after its Colombian subsidiaries begins to generate revenue, at which point the amount will be realized by way of offset against sales tax payable. As the Company does not expect to generate revenue for the next 12-months the amounts are reported as a long-term asset.

# Royal Road Minerals Limited

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

### 6. 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 June 30, 2021, the issued share capital amounted to \$42,215,398. The change in issued share capital for the periods presented were as follows:

	Number of Shares	Amount
<b>Balance, January 1, 2020</b>	<b>229,468,060</b>	<b>\$ 30,768,092</b>
Options exercised (i)	550,000	101,750
<b>Balance, June 30, 2020</b>	<b>230,018,060</b>	<b>\$ 30,869,842</b>
<b>Balance, January 1, 2021</b>	<b>262,398,741</b>	<b>\$ 41,473,692</b>
Warrants exercised	2,400,000	704,028
Options exercised (ii)	87,059	37,678
<b>Balance, June 30, 2021</b>	<b>264,885,800</b>	<b>\$ 42,215,398</b>

(i) On July 14, 2020, a former executive of the Company exercised 550,000 stock options at a price of \$0.15. The options had a fair value of \$19,250 which has been moved to share capital.

(ii) On April 5, 2021, an employee of the Company exercised 87,059 stock options at a price of \$0.30. The options had a fair value of \$11,560 which has been reclassified to share capital.

### 7. Warrants

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

	Number of Warrants	Weighted Average Exercise Price
<b>Balance, January 1, 2020</b>	<b>5,235,412</b>	<b>\$ 0.19</b>
Expired	(2,017,230)	0.16
<b>Balance, June 30, 2020</b>	<b>3,218,182</b>	<b>\$ 0.20</b>
<b>Balance, January 1, 2021</b>	<b>5,083,351</b>	<b>\$ 0.27</b>
Exercised	(2,400,000)	0.20
<b>Balance, June 30, 2021</b>	<b>2,683,351</b>	<b>\$ 0.32</b>

# Royal Road Minerals Limited

## Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

### 7. Warrants (continued)

The Company had the following warrants outstanding at June 30, 2021:

Number of Warrants	Exercise Price	Expiry Date
810,001	\$0.22	November 20, 2021
1,873,350	\$0.37	August 4, 2022
<b>2,683,351</b>		

### 8. 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.

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

	Number of Options	Weighted Average Exercise Price
<b>Balance, January 1, 2020</b>	<b>13,250,000</b>	<b>\$ 0.15</b>
Granted (i)(ii)	3,950,000	0.28
Expired	(1,950,000)	0.15
Exercised (note 6 (i))	(550,000)	0.15
<b>Balance, June 30, 2020</b>	<b>14,700,000</b>	<b>\$ 0.15</b>
<b>Balance, January 1, 2021</b>	<b>23,550,000</b>	<b>\$ 0.26</b>
Exercised (note 6 (ii))	(87,059)	0.30
<b>Balance, June 30, 2021</b>	<b>23,462,941</b>	<b>\$ 0.32</b>

(i) On February 5, 2020, the Company granted 1,950,000 stock options to employees and consultants of the Company at an exercise price of \$0.30 per share, expiring on September 23, 2022, pursuant to the terms of the Company's stock option plan. The options 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 \$258,935 using the Black-Scholes option pricing model with the following assumptions: share price \$0.23, dividend yield 0%, forfeiture rate of 0%; expected volatility 99.91% (based on the historical price history of the Company's common shares), risk-free interest rate 1.37%

## Royal Road Minerals Limited

### Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2021

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

#### 8. Stock Options (Continued)

(ii) On May 14, 2020, the Company granted 2,000,000 stock options to employees and consultants of the Company at an exercise price of \$0.25 per share, expiring on May 14, 2022, pursuant to the terms of the Company's stock option plan. The options vest as to 33% of the options, 60 days from the grant date; as to a further 33% of the options, 180 days from the grant date; and as to the remainder of the options, 540 days from the grant date.

The options were assigned a fair value of \$252,120 using the Black-Scholes option pricing model with the following assumptions: share price \$0.20, dividend yield 0%, forfeiture rate of 0%; expected volatility 96% (based on the historical price history of the Company's common shares), risk-free interest rate 0.3%.

The Company had the following stock options outstanding as of June 30, 2021:

<b>Number of Options</b>		<b>Exercise Price</b>	<b>Weighted Average Remaining Contractual Life (years)</b>	<b>Expiry Date</b>
<b>Outstanding</b>	<b>Exercisable</b>			
2,000,000	1,505,455	\$ 0.25	0.87	May 14, 2022
9,600,000	9,600,000	\$ 0.25	0.50	September 23, 2022
1,862,941	1,862,941	\$ 0.30	0.10	September 23, 2022
10,000,000	1,428,571	\$ 0.40	1.90	December 9, 2025
23,462,941	14,396,967		2.57	

#### 9. Exploration and Evaluation Assets and Expenditures

Exploration and evaluation assets consisted of:

	<b>As at June 30, 2021</b>	<b>As at December 31, 2020</b>
<b>Colombia</b>		
Balance - beginning of the period	\$ 5,696,573	\$ 5,798,041
Translation differences	46,522	(101,468)
Balance - end of the period	5,743,095	5,696,573
<b>Nicaragua</b>		
Balance - beginning of the period	3,608,074	3,608,074
Balance - end of the period	3,608,074	3,608,074
Total Balance - end of the period	\$ 9,351,169	\$ 9,304,647

# Royal Road Minerals Limited

## Notes to the Condensed Interim Consolidated Financial Statements

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### 9. Exploration and Evaluation Assets and Expenditures (Continued)

Exploration and evaluation expenditures consisted of:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Colombia	\$ 405,642	\$ 87,998	\$ 766,605	\$ 459,127
Nicaragua	60,578	13,581	828,716	124,944
Peru	-	197	-	519
<b>Total exploration and evaluation expenditures</b>	<b>\$ 466,220</b>	<b>\$ 101,776</b>	<b>\$ 1,595,321</b>	<b>\$ 584,590</b>

#### Colombia

Royal Road Minerals is now one of the largest concession contract and title application holders in Colombia.

The Company is currently conducting regional exploration in southern Colombia and formalizing informal mine operations within its mining titles there. Currently Royal Road has entered into four mining formalization agreements in Nariño. The Agreements were negotiated and entered into under the framework of the Colombian government's National Policy for Mining Formalization wherein specific portions of the area held under concession by the Company will be returned directly to informal miners so that new formalized concession contracts over such returned areas may be granted, enabling legal and responsible mining operations to take place. In exchange, Royal Road will receive a quarterly royalty equivalent to 3% of the ore extracted from the formalized concessions and has been granted the sole and exclusive right to carry out all exploration activities on the formalized concessions and the right to acquire 70% of the formalized concessions, subject to the completion of certain exploration milestones. In-case the Company assists in further optimizing mine operations on formalized concessions, Royal Road may increase the royalty to be received by a further 1%.

#### **Mineros S.A. Transaction**

During the year ended December 31, 2020, the Company entered into a definitive strategic alliance agreement (the "Agreement") with Mineros S.A. ("Mineros") in relation to the Company's Guintar and Niverengo concessions and its Margaritas title application ("GNM Project") in Antioquia District, Colombia. The Agreement supersedes the previously announced letter of intent entered into by the Company and Mineros. Mineros is a Colombian public company engaged in the business of gold mining and listed on the Bogotá Stock Exchange. Royal Road currently operates in Nicaragua under a separate exploration strategic alliance formed in September 2017 with Mineros' subsidiary, Hemco Nicaragua S.A.

The Agreement contains the following basic terms:

- Mineros agree to pay to Royal Road the sum of \$1,384,210 (USD \$1 million) on execution of the Agreement. The parties agree that, upon making such payment, they will operate the GNP Project on a joint venture basis with Royal Road as operator
- Mineros has the option (the "First Option") to acquire a 25% interest in the GNM Project by providing Royal Road with USD \$1 million for the exploration of the GNM Project

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## Royal Road Minerals Limited

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#### 9. Exploration and Evaluation Assets and Expenditures (Continued)

- If Mineros exercises the First Option, Mineros has the option (the "Second Option") to acquire an additional 25% interest in the GNM Project by providing Royal Road with a total of USD \$1.5 million in additional funding for the GNP Project and thereafter, Royal Road and Mineros would each hold a 50% interest in the GNP Project Company
- Mineros and Royal Road will agree to an initial exploration program and budget for the exploration of the GNM Project and; prior to any exercise of the Second Option, the parties will agree to a second program and budget for the further exploration of the GNM Project
- At any time after Mineros has acquired a 25% interest and if at such time Mineros elect not to exercise the Second Option, Mineros may elect to cause all titles and the rights to title applications with respect to a designated project area to be transferred to a newly formed special purpose company (the "Project Company"), initially to be owned as to 75% by Royal Road and as to 25% by Mineros
- If Mineros elect to exercise the Second Option and after Mineros has acquired a 50% interest, the titles and the rights to title applications with respect to a designated project area will be transferred to a Project Company to be owned as to 50% by Royal Road and as to 50% by Mineros. Thenceforth the parties would jointly-fund the operations of the GNP
- Project in accordance with the parties' respective interests, which would be subject to dilution under a standard formula. The Board of the Project Company will be comprised of directors who represent the parties and the number of such directors will reflect proportionately each party's interest from time to time, provided that if a party's interest reduces to less than 25%, it will not be entitled to any representation on the Board
- If a party's interest is diluted to below 15%, such interest will convert to a 1.5% net smelter royalty. Royal Road will be operator of the exploration of the GNM Project for so long as it maintains not less than a 50% ownership interest in the GNM Project

#### Nicaragua

In early 2017 Royal Road Minerals acquired the Nicaraguan subsidiary of Caza Gold Inc. The acquisition included two key assets, the Los Andes porphyry project and the Piedra Iman (Iron-Oxide) copper-gold project.

In September of 2017 Royal Road executed a 50/50 Strategic Alliance for gold and copper exploration in Nicaragua with Hemco-Mineros Nicaragua a subsidiary of Colombian company Mineros S.A. The objective of the Alliance is to identify and explore gold and copper targets in Nicaragua in the areas covered by Royal Road's and Hemco's respective existing licenses.

Royal Road and Hemco share their collective experience and databases, co-fund early stage exploration programs, and jointly seek to advance their current projects and pursue new projects in Nicaragua. In particular, the Alliance is initially focused on defining reserves in excess of two million ounces of gold (or gold equivalent) recoverable. Royal Road Minerals is operator of the Strategic Alliance.

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# Royal Road Minerals Limited

## Notes to the Condensed Interim Consolidated Financial Statements

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### 9. Exploration and Evaluation Assets and Expenditures (Continued)

#### Nicaragua (continued)

On May 21, 2021, the Company completed sale to Hemco Nicaragua S.A. its entire 50% interest in the Luna Roja Project, comprising the Monte Carmelo I and II mining concession in Nicaragua. The Company received (i) \$29,668,466 (US\$24.4 million) of which \$25,115,039 (US\$20.8 million) was paid in cash and the remaining \$4,553,427 (US\$3.6 million) retained by Hemco Nicaragua S.A. to be remitted to the local governmental authorities with the applicable withholding tax requirements under Nicaraguan law and (ii) a 1.25% net smelter return royalty on all future mineral productions from the Monte Carmelo I and II mining concessions, from the first commercial production. For the six months ended June 30, 2021, the Company recorded a gain for sale of property interest of \$29,668,466 and \$4,553,427 was recorded as foreign tax paid, in the condensed interim consolidated financial statements.

### 10. 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 subsidiaries 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 periods presented was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Salaries	\$ 148,206	\$ 85,887	\$ 354,946	\$ 170,016
Stock based compensation	480,017	-	852,665	1,176,688
Professional fees <sup>(1)</sup>	7,500	12,500	15,000	15,000
	\$ 635,723	\$ 98,387	\$ 1,222,611	\$ 1,361,704

<sup>(1)</sup> The Chief Financial Officer is a senior employee of Marrelli Support Services Inc. ("MSSI").

# Royal Road Minerals Limited

## Notes to the Condensed Interim Consolidated Financial Statements

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### 11. Segmented Information

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

Three months ended June 30, 2021	Jersey	Colombia	Nicaragua	Peru	Total
Net income (loss)	\$24,450,320	\$ (415,386)	\$ (456,898)	\$ -	\$23,578,036
Six months ended June 30, 2021	Jersey	Colombia	Nicaragua	Peru	Total
Net income (loss)	\$23,079,969	\$ (509,253)	\$ (1,486,577)	\$ -	\$21,084,139
Three months ended June 30, 2020	Jersey	Colombia	Nicaragua	Peru	Total
Net loss from continuing operations	\$ (583,934)	\$ (4,549)	\$ (220,988)	\$ (1,631)	\$ (811,102)
Six months ended June 30, 2020	Jersey	Colombia	Nicaragua	Peru	Total
Net loss from continuing operations	\$ (2,046,700)	\$ (505,206)	\$ (480,162)	\$ (4,352)	\$ (3,036,420)

### As at June 30, 2021

	Jersey	Colombia	Nicaragua	Peru	Total
Non-current assets	\$ 26,133	\$ 7,667,444	\$ 1,796,776	\$ -	\$ 9,490,353

### As at December 31, 2020

	Jersey	Colombia	Nicaragua	Peru	Total
Non-current assets	\$ 31,896	\$ 7,842,800	\$ 1,784,268	\$ -	\$ 9,658,964

### 12. Investment in associate

In October 2018, the Company made a \$100,000 equity investment for an 18% interest in Cloris Limited; a non-listed company exploring the industrial hemp and industrial hemp products in the Nariño province of southern Colombia, an area with rich underutilized agricultural resources ideal for the large-scale cultivation of industrial hemp. Cloris Limited has a unique post-conflict co-operative model with Ecomún ensuring local cross-community involvement with 1000 local farmers.

The Company has significant influence over Cloris, and, as such, the Company uses the equity accounting method to record this investment.

The continuity of investment in associate is as follows:

	Investment in associate
Balance, December 31, 2020	\$ 25,562
<b>Balance, June 30, 2021</b>	<b>\$ 25,562</b>



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# Royal Road Minerals Limited

## Notes to the Condensed Interim Consolidated Financial Statements

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### 13. Capital Risk Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of its properties. The capital of the Company consists of share capital, warrants, contributed surplus and accumulated deficit, which at June 30, 2021 totalled \$42,583,988 (December 31, 2020 - \$19,883,162). The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Properties in which the Company currently has an interest are in the exploration stage, as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

### 14. Financial Instruments Risk

The Company's financial instruments consist of cash and cash equivalents and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values because of their current nature.

#### Credit Risk

The Company's credit risk is primarily attributable to cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consists of bank deposits which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

#### Interest rate risk

The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management considers interest rate risk to be minimal given that, as at June 30, 2021, no amounts were held in short-term deposit certificates.

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## Royal Road Minerals Limited

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#### 14. Financial Instruments Risk (continued)

##### Foreign exchange risk

As at June 30, 2021, the cash and cash equivalents was \$33,225,409 (December 31, 2020 - \$10,375,378). The Company's cash and cash equivalents are denominated in the following currencies:

	As at June 30, 2021	As at December 31, 2020
Denominated in Canadian dollars	\$ 6,121,785	\$ 10,193,698
Denominated in Australian dollars	23,555	-
Denominated in US dollars	26,020,447	48,518
Denominated in British pound	190,055	16,662
Denominated in Colombian pesos	553,076	29,186
Denominated in Nicaraguan Cordoba	309,074	87,308
Denominated in Euro	7,417	6
	<b>\$ 33,225,409</b>	<b>\$ 10,375,378</b>

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##### Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's mineral exploration properties. The Company's ability to raise capital to fund exploration activities is subject to risks associated with fluctuations in the market price of gold. The Company monitors commodity prices to determine the appropriate course of actions to be taken.