



**ROYAL ROAD**  
**MINERALS**

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**ROYAL ROAD MINERALS LIMITED**

**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS**

**FOR THE THREE MONTHS ENDED JUNE 30, 2018**

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## **Introduction**

The following interim Management's Discussion & Analysis ("Interim MD&A") of Royal Road Minerals Limited (the "Company" or "RRM" or "Royal Road") for the three months ended June 30, 2018 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management's discussion & analysis, being the Management's Discussion & Analysis ("Annual MD&A") for the three months ended March 31, 2018.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's Annual MD&A, audited annual consolidated financial statements for the years ended December 31, 2017 and 2016, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three months ended 31<sup>st</sup> March, 2018 & June 30, 2018, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed interim consolidated financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of August 30, 2018, unless otherwise indicated.

For the purposes of preparing this Interim MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations can be obtained from the offices of the Company or on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Description of Business**

The Company is a mineral exploration and development company specializing in highly prospective but under prospected regions. The Company is now focused on discovery and in particular the exploration and development of its Colombian and Nicaraguan properties.

### **Colombia**

In Colombia, the Company has entered into a strategic alliance with Economías Sociales del Común (ECOMUN) and is advancing on social license and regional copper and gold exploration across its extensive package of exploration applications in Nariño Province of southern Colombia. The Company is also actively reviewing copper and gold acquisition and other joint-venture opportunities in Colombia.

### **Nicaragua**

In Nicaragua, the Company has a 50-50 Strategic Alliance with Hemco, a subsidiary of Grupo Mineros de Colombia (MINEROS:CB), a mining group listed on the Bogotá stock exchange, and is advancing drill permits on three projects, the Piedra Iman copper and gold project, the Los Andes porphyry copper and gold project and the Caribe gold project.

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, a corporation resulting from the amalgamation of Kirkcaldy Capital Corp. and Royal Road Minerals Canada Limited. As a result of the Arrangement, on April 20, 2015, 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, and JE2.

## **Corporate Changes and Operational achievements since March 31, 2018**

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### **Piedra Iman, Nicaragua**

The historic exploration adit is now fully-open along its approximately 270 meter length and saw-cut channel sampling has advanced from the adit entrance to the point where Noranda reported historic channel sampling results of 52 meters at 6.2 grams/tonne gold (1974; not JORC compliant). Breccia-style mineralization associated with albite, actinolite, tourmaline and magnetite has been identified along this section. The Company’s drilling (see press release, March 1 2018) revealed that this style of alteration is associated with gold mineralization (best result; 8 meters at 9.3 grams per tonne gold). Permissions to drill this section below the adit level have been filed, but the final decision to drill will depend on the results of the Company’s new saw-cut channel sampling.

### **Caribe, Nicaragua**

Deep auger soil sampling results from the Caribe prospect have now extended the gold anomaly over an area of approximately 500m by 500m with the anomaly remaining open to the East. Drill permitting is currently underway (see press release, June 27 2018).

### **Los Andes, Nicaragua**

Recent modelling and re-interpretation of geochemical data, together with Short-wave Infrared (SWIR) satellite imagery have highlighted an area of porphyry core-indicator and porphyry core-specific minerals at Piedra Iman. These minerals suggest an underlying porphyry copper-gold body. The results were used to define an area for a recently completed soil sampling program. Multi-element classification of soil sample results have further confirmed the targeting model. The geochemical model, together with the airborne geophysical data suggests that the area to the south of the Los Andes concession and now known as Carrao, is the upper core of an underlying porphyry copper-gold system, which shows classic zonation and extensive lithocap formation. The geochemical and geophysical anomalies indicate that any potentially economic mineralization would be located at a depth in excess of 200 meters below surface. The exploration team has positioned two scout drill holes to test the underlying porphyry target and has commenced the application process for drilling permissions at Los Andes.

### **Management Changes**

On 6<sup>th</sup> June 2018, Roderick Corrie was appointed as Chief Financial Officer and as a director of the Company. Mr. Corrie is a founding shareholder and previously served as a director of the Company from May 2010 to 2014.

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Earlier, Mr. Corrie was a director and Chief Financial Officer of Lydian International Limited during the exploration stage, from December 2007 to March 2014. Mr. Corrie is a graduate of Cambridge University and an Associate of the Chartered Institute of Banking.

#### Stock Option Grant

On 6<sup>th</sup> June, the Company granted incentive stock options to purchase an aggregate of 4,000,000 ordinary shares of the Company pursuant to the Company's stock option plan. The options are exercisable until May 4, 2020 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.

## **Mineral properties**

### **Exploration update**

Set forth in this section is a description of RRM's material mineral projects. All scientific and technical data contained in this MD&A have been reviewed and approved by Dr. Tim Coughlin, BSc (Geology), MSc (Exploration and Mining), PhD (Structural Geology), FAusIMM, President and Chief Executive Officer of RRM and a qualified person as defined by National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI43-101"). Portions of this section are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Technical Report, which is available for review on SEDAR at [www.sedar.com](http://www.sedar.com). The technical information contained herein has been updated with current information where applicable.

### **La Redención Project**

#### ***Property Description and Location***

The La Redención Project is a small underground mine development project located approximately 450 meters north of the license boundary of the La Golondrina gold project in the Nariño Province of southern Colombia. The La Redención gold project is held under a 25-hectare mining license. The project has not yet been drill-tested and exposure in underground development reveals that the mineralized system has the same geological characteristics as the La Golondrina gold project. In July 2017, the Environmental permit for La Redención was awarded meaning drilling applications may now be submitted for approval.

#### ***Mineralization***

Where exposed, gold mineralization at La Redención is most similar to the "vein-zone" style of gold mineralization at La Golondrina and comprises three or more shallow-dipping parallel veins with subsidiary linking vein structures hosted in tonalite and also in hornfels and extending over widths that exceed one meter and, in some cases, dip off into the floor or roof of the underground development. Saw-cut channel sampling across vein zones have returned from 2 to 57 grams per tonne gold and sampling across stockwork veinlet zones have returned weighted average grades of 3.5 gram per tonne gold over 2 meters.

#### ***Exploration Work to Date and Plans for the Project***

Exploration work at La Redención to-date has comprised underground saw-cut channel sampling only. Drilling is required to determine whether the project represents an underground high-grade target or a bulk-tonnage target similar to that at La Golondrina. La Redención is located at an elevation of some 600 meters below that of La Golondrina and is consequently in a more topographically favorable setting for a potential bulk-tonnage project. However, the mining license area is small and requires the acquisition of surrounding exploration concession

contracts for it to present a viable target of significant size potential. The Company is actively seeking the acquisition of surrounding license areas and working with its partners ECOMUN on securing social license.

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

The Company has filed applications for concession contracts on a first-come, first-served basis covering prospective areas amounting to approximately 350 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. In July 2017 the Agencia Nacional de Minería (ANM), the licensing authority in Colombia, commenced the process of converting the Company's Nariño applications into Concession Contracts. A Concession Contract is a license to operate; contracts are signed initially for a term of 30-years and cover the Exploration, Construction and Exploitation stages of mine development.

On December 18, 2017, the Company announced that it had entered into a definitive agreement (the "Agreement") with Economías Sociales del Común ("Ecomún") in support of its gold and copper exploration projects in the Nariño Province in southern Colombia. The Agreement provides for the support of Royal Road's long-term mineral exploration and development plans in Nariño Province, aligns Royal Road with the Colombian Government's post-conflict aspirations, as contemplated by the British Embassy's Business and Peace Initiative (to which Royal Road is a signatory), and demands an exemplary level of social engagement and environmental stewardship from both parties.

Ecomún is a joint social and economic organization, which was formed by Presidential Decree on May 29, 2017, with funding and other support provided by the Colombian government and with the aim of collective and individual economic and social reincorporation of the members of the Revolutionary Armed Forces of Colombia People's Army (FARC-EP), in accordance with the final peace agreement, between the Government of Colombia and the FARC-EP on November 24, 2016. This Agreement is the first of its kind since the 2016 peace agreement.

The agreement includes the following key terms:

- Social and environmental programs conducted under the Agreement will be managed by a Management Committee comprised of representatives from Royal Road, Ecomún, local communities and nominated independents.
- Community Liaison Committees will be established and will report to the Management Committee.
- The parties will collaborate to formalize currently illegal mining operations in the area of influence with a specific focus on eradicating the use of mercury and assisting operators in meeting their operational, environmental and social obligations under the law.
- Ecomún will provide Royal Road with collaboration and assistance with obtaining the social license necessary for it to carry out exploration and potential future development of mineral projects in Nariño Province.
- Ecomún will work decisively in order to obtain the support of community leaders in the area of influence.
- Ecomún will assist Royal Road in working with local ethnic and non-ethnic communities to enable it to gain the support for its operations and to implement its social and community programs.
- The activities of the parties are to be carried out in accordance with Ecomún's corporate purpose of achieving the reincorporation of members of the FARC-EP into civilian life.
- In all aspects pertaining to environmental and social risk management, Royal Road will follow performance standards that are in line with the Equator Principles.
- In exchange for Ecomún's performance of its obligations under the proposed definitive agreement, Royal Road will grant to Ecomún a net smelter royalty equal to one percent (1%) of the gold and copper produced from its mining projects in Nariño Province. This royalty is entirely for the benefit of local communities and both parties and the Management Committee will collaborate to ensure fully transparent distribution of funds.

- Additionally, Royal Road will grant a net smelter royalty (the “NSR”) equal to one percent (1%) of the gold and copper produced from its mining projects in Nariño Province on a case by case basis, directly to community managed institutions.
- The royalty is applies to individual mine projects and is non-transferable up to the point of commercial production of the mine projects provided that if Ecomún or community managed institutions wish to transfer or alienate the NSR prior to such time, Ecomún or community managed institutions must offer to transfer the NSR to Royal Road's subsidiary, which will then have the exclusive right to purchase the NSR for a sum in Colombian pesos equivalent to ten million United States of America dollars (US \$10,000,000) per 1% of the NSR, with proceeds destined entirely for the benefit of local communities and both parties and the Management Committee collaborating to ensure a fully transparent distribution of funds.

Since executing the Agreement, Royal Road and Ecomún have established the Management Committee, commenced health-safety and technical training of ex-combatants, commenced social engagement with local communities and initiated reconnaissance field work in Nariño.

### **Nicaragua**

On March 20, 2018, the Company announced that, through its wholly owned Nicaraguan subsidiary, Nicaza S.A., it has entered into a collaborative agreement ("The Collaboration Agreement") with Nicaraguan environmental Non-Governmental Organization, the Centro de Entendimiento con la Naturaleza ("The CEN").

The Collaboration Agreement provides for Royal Road and the CEN to work together to design and implement inclusive strategies involving different stakeholders in the Company's areas of influence and allowing the parties to put into practice, effective methods to protect biodiversity, water sources and soil. Under the terms of the Collaboration Agreement, the CEN will provide socio-environmental advice and Royal Road will ensure best-practices and favourable conditions for the execution of jointly-developed socio-environmental strategies.

On September 6, 2017, Royal Road executed a strategic alliance agreement with Hemco S.A. (“Hemco”), forming a strategic alliance (the “Alliance”) for mineral exploration in Nicaragua.

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 specified existing licenses, which together cover large regions of highly prospective and under-explored land areas and include in excess of 35 currently identified prospect areas. The Alliance will bring together two experienced project generation and exploration teams with track records of success. Royal Road and Hemco will 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.

Hemco is a subsidiary of Grupo Mineros S.A. (MINEROS:CB), Colombia's largest gold producer, and a holder of licenses covering an area approximately 200,000 hectares in the historic mining region of north-eastern Nicaragua known as the “Golden Triangle”. By virtue of the Company's Strategic Alliance with Mineros, the Company is the largest exploration license holder Nicaragua

Under the terms of the Alliance, Hemco and Royal Road will jointly fund on an equal basis, initial project generation and exploration of targets. At any time after the commencement of permitted drilling of any project area, parties may elect to define such project area as a “designated project area” (a “DPA”) following-which, the applicable rights and licenses for such DPA will be held by a newly formed joint venture company, with Royal Road and Hemco each initially holding an equal 50% proportionate equity interest thereof. All project costs of any such joint venture will be co-funded by the parties based on their respective ownership of the joint venture, which will be

subject to dilution in the event funds are not contributed as required. If a party's interest in a joint venture is diluted below 15% of the total interest, such party's interest in the joint venture will automatically convert to a 1.5% net smelter return royalty. The terms of the Alliance also restrict the parties from transferring their respective interests in the relevant licenses covered by the Alliance, except in accordance with the agreement between the parties, which includes reciprocal rights of first refusal with respect to transfers to third parties. Royal Road will be the operator under the Alliance and any joint ventures formed thereunder, and certain decisions of the operator will be subject to the approval of a management committee consisting of two representatives of each of Hemco and Royal Road.

The initial program approved under the Alliance consists of drilling at Royal Road's Piedra Iman project, prospect inventory mapping and heliborne magnetics and radiometrics in Hemco's "Golden Triangle" licensed areas, followed by the drilling of two deep holes to test the porphyry copper and gold potential of Royal Road's Los Andes project. Royal Road's management estimates that the budget for this program is approximately \$1.8 million funded on a 50%/50% basis by the parties.

#### **Piedra Iman Property (Nicaragua)**

The Piedra Iman project was acquired by Royal Road through its acquisition of Caza Gold in March 2017. The project covers a large alteration zone identifying an intrusion-related iron oxide copper – gold (IOCG) system. Title has been received for 7,947.27 Ha.

The Piedra Imán project was initially explored in the early 1970's by Noranda Inc. Noranda's work included the drilling of 17 shallow diamond drill holes and the development of one exploration adit. Noranda's drilling and underground sampling intersected significant widths of copper mineralization including DDH-851 (36.6 meters at 1.13% Copper), DDH-876 (14.8 meters at 1.65% Copper), DDH-846 (14.3 meters at 1.42% Copper) and DDH-818 (9.1 meters at 1.50% Copper). Samples were only sporadically assayed for gold, but drilling results included one interval of 3.6 meters at 6.3 g/t gold. These results were provided in analogue format, are historic in nature and have not been verified by a qualified person. Historic maps indicate that the exploration adit intersected gold and copper along its strike length with gold only mineralization dominating the southwestern end of the adit and combined copper and gold mineralization dominating the northeastern extent of the adit. There are no reports available to verify the style of adit sampling or to confirm the underground grades labelled on historic maps. Noranda abandoned the project due to the onset of hostilities related with the Sandinista revolution in 1974.

CAZA completed detailed mapping at Piedra Iman, along with reconnaissance exploration within the peripheral regions.

On the June 21, 2017, Royal Road released results from saw cut channel sampling at Piedra Iman. A total of 9 channels were cut and sampled on 1 meter intervals over a total strike distance of approximately 400m. Best results were:

Channel 4 – 20 meters at 1.10% copper and 5 meters at 0.95% Copper  
Channel 8 – 8 meters at 1.05% copper and 1.13 grams per tonne gold  
Channel 7 – 5 meters at 0.28% copper and 2.50 grams per tonne gold  
Channel 2 – 9 meters at 0.70% copper  
Channel 5 – 6 meters at 0.87% copper

Highest individual results for copper and gold were 1 meter at 2.69% and 1 meter at 7.5 grams per tonne respectively.

In November 2017, Royal Road commenced a 9-hole reverse circulation drilling program at Piedra Iman. Drilling mostly targeted the copper intersections returned by Noranda in the 1970's. Results included best intersections of PI-006; 8 meters at 9.3 grams per tonne gold and 31 meters at 0.5% copper, PI-008; 103 meters at 0.36% copper and



PI-007, 40 meters at 0.38% copper. Gold and copper mineralization are hosted in the same magmatic breccia but are spatially distinct, with gold generally occurring structurally below and possibly adjacent to the copper mineralization. The drilling results failed to confirm the copper intersections reported by Noranda in the early 1970's but imply that a possibly separate gold mineralized breccia body is located subjacent to the copper mineralization and may correspond with gold grades intersected by Noranda in the exploration adit.

The historic exploration adit is now fully-open along its approximately 270 meter length and saw-cut channel sampling has advanced from the adit entrance to the point where Noranda reported historic channel sampling results of 52 meters at 6.2 grams/tonne gold (1974; not JORC compliant). Breccia-style mineralization associated with albite, actinolite, tourmaline and magnetite has been identified along this section. The Company's drilling revealed that this style of alteration is associated with gold mineralization (best result; 8 meters at 9.3 grams per tonne gold). Permissions to drill this section below the adit level have been filed, but the final decision to drill will of course depend on the results of our new saw-cut channel sampling.

### **Los Andes Project (Nicaragua)**

The Los Andes project was acquired by Royal Road through its acquisition of Caza Gold in March 2017.

The Los Andes district is located 90 km from Managua in the Department of Boaco. Access is via a major paved highway from Managua. The property consists of a number of gold and copper-gold targets occurring around a well-defined caldera structure. The targets are typically high sulfidation epithermal and porphyry in style, with some low-sulfidation epithermal style mineralization around the peripheries. The entire Los Andes property covers 15,603.13 Ha of titled claims, 100% controlled by the Company under five mineral concessions: Los Andes, Los Andes I and Los Andes Union in the center of the trend (total of 5338.23 Ha); El Pochote in the south (8674.90 Ha); and El Espejo in the north (1590.00 Ha).

Caza completed detailed mapping and sampling at Los Andes over an area of 10 square kilometers. A series of andesitic volcanic rocks exhibit features typical of high sulfidation system, including silicification, argillic and advanced argillic alteration. Surface mapping and sampling outlined a large area along a 2.5 km trend with anomalous gold, silver, copper and trace elements, coincident with the alteration. Gold values up to 1.8 g/t Au along with silver values up to 197 g/t Ag had been collected in rock samples within this area of alteration. In April 2015, a high resolution helicopter-borne magnetic and radiometric survey covering some 55 square kilometers over the main Los Andes area was completed. The survey totaled approximately 550 line kilometers at 100 meter spacing flown at a 50 meter altitude. Review of the initial results had identified a number of anomalous areas and had enhanced the structural model of the Los Andes trend. A magnetic high was centered over the Quisaltepe area, interpreted as a large, buried intrusive body. At least four other magnetic highs, likely intrusive bodies, associated with alteration and surface geochemical anomalies, were identified as follow-up prospects. Two short exploration drilling campaigns were conducted in 2015. In October 2015, five shallow diamond drill holes were completed for a total of 1,161 meters. The drill holes intersected strong argillic and silica alteration with anomalous values of silver and copper.

QZP-003 was located in the Quisaltepe area and was the only drill hole collared into an outcropping porphyry body and associated pyrite alteration. The last 130 meters of QZP-003 intersecting intensely altered and pyritic breccia anomalous in copper and which is interpreted as a "pyrite-shell", related to potential underlying porphyry-style copper ( $\pm$  gold) mineralization.

Recent modelling and re-interpretation of geochemical data, together with Short-wave Infrared (SWIR) satellite imagery have highlighted an area of porphyry core-indicator and porphyry core-specific minerals at Piedra Iman. These minerals suggest an underlying porphyry copper-gold body. The results were used to define an area for a recently completed soil sampling program. Multi-element classification of soil sample results have further confirmed the targeting model. The geochemical model, together with the airborne geophysical data suggests that the area to the south of the Los Andes concession and now known as Carrao, is the upper core of an underlying



porphyry copper-gold system, which shows classic zonation and extensive lithocap formation. The geochemical and geophysical anomalies indicate that any potentially economic mineralization would be located at a depth in excess of 200 meters below surface. The exploration team has positioned two scout drill holes to test the underlying porphyry target and has commenced the application process for drilling permissions at Los Andes.

#### **Golden Triangle (Nicaragua)**

The Golden Triangle is a well-known historic mining region located in north-eastern Nicaragua. The area is host to three historic mines, Santa Rita–Rosita (Skarn Cu-Au), La Luz–Siuna (Skarn Au-Cu) and Bonanza (Low Sulfidation Epithermal). Since 1900 the district has produced in excess of 8 million ounces of gold from mainly epithermal vein systems, porphyry deposits and skarns.

Hemco own and operate the Bonanza gold mine and manage an innovative artisanal toll-treatment program from two bespoke plants. Mining at Bonanza commenced in the 1880's. Colombia's Mineros SA acquired Hemco and commenced management of the project in 2013. Today the mine is operated as a combined underground and open-pit operation.

Access is via light plane (Cessna Grand Caravan) from the capital Managua or via variably sealed and poor quality unsealed road. Flight time is approximately one hour.

The Golden Triangle area is hosted in calc-alkaline volcanic and intrusive rocks of reportedly island arc affinity and late Cretaceous Paleocene age. The arc was apparently accreted to the Chortis Block of southern Honduras during the Paleocene. It is generally accepted that porphyry and skarn style copper and gold mineralization was emplaced during the early Paleocene and before the younger low-sulfidation vein systems.

Hemco have identified more than 30 prospect areas from within their license areas and in excess of 44 gold mineralized low-sulfidation vein systems. Hemco's current focus is on defining brownfield resources from low-sulfidation vein systems within a deliverable distance of the Bonanza mine site. The Strategic Alliances focus is on identifying gold deposits in excess of 2 million ounces gold. Initial emphasis will be on porphyry-skarn style systems of which at-least two (the El Turco breccia, trench results: 21.0m @ 2.2g/t and 16.0m @ 4.3g/t gold and the Bambanita skarn up to 68g/t gold in rock chips) are already known.

#### **Caribe Project, Golden Triangle (Nicaragua)**

In February 2018, during reconnaissance follow-up of airborne geophysical anomalies, the Company's exploration team identified a new prospect known as "Caribe" – See press release dated May 15, 2018. Topographically the Caribe area is relatively planar, outcrop is limited to creek exposures and there is no previous record of mineralization in the area. Initial grab sampling of strongly weathered, argillic-altered and variably-brecciated felsic volcanic float material returned anomalous gold with associated anomalous values in molybdenum and arsenic. Follow-up deep auger soil sampling was then conducted using a 3-meter long hand-auger to access the residual soil horizon located below the organic and saprolitic layers. Soil-sampling to-date has identified a strongly anomalous area of gold geochemistry (range 20 to 983ppb, mean 149ppb gold) of 600 by 400 meters in area which remains open to the north and east. Additionally, 18 small 1 meter square and 2 to 3 meter deep shafts were dug in order to expose bed-rock, assist mapping and collect channel and grab rock-chip samples. The highest grab rock-chip sample collected from these shafts to-date returned 3.5 grams per tonne gold from quartz-veinlet stockwork hosted in strongly oxidized rhyodacite with potassium feldspar alteration.

Shaft and float mapping at Caribe reveal that gold mineralization is associated predominantly with stringer-style veinlets hosted in strongly argillic-altered felsic volcanic rocks located in the immediate roof and/or adjacent to dioritic intrusive rocks. Due to intense weathering the preservation of hypogene assemblages is highly localized, but where observed, suggests that hydrothermal alteration is represented by strongly pervasive chlorite, locally pervasive epidote and microcrystalline-quartz-rich stringers with associated potassic feldspar and pyrite.

Deep auger soil sampling is currently being extended to the east of the current anomaly but the Company now considers the Caribe project as drill-ready. The exploration team has positioned a series of scout drill holes and commenced the application process for drilling permissions.

## **Business Objectives**

The Company is focused on the exploration and development of its precious metals mining projects in Colombia and Nicaragua.

## **Trends**

Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions. Strong equity markets are favorable conditions for completing a public merger, financing or acquisition transaction. Apart from these and the risk factors noted under the heading "Risk Factors", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations. See "Risk Factors" below.

## **Results of Operations**

For the three months ended June 30, 2018, compared with the three months ended June 30, 2017:

For the three months ended June 30, 2018, the Company's net loss was \$978,784 (\$0.01 per share), compared to a net loss of \$599,042 (\$0.01 per share) for the three months ended June 30, 2017. The increase in net loss of \$379,742 is primarily a result of the following:

- Exploration and evaluation expenditure of \$565,972 for the three months ended March 31, 2018 compared to \$291,731 for the previous period. In the current period exploration expenditures were primarily on the mineral properties in Colombia and Nicaragua, while in the 2017 comparative period, there was only expenditure on the Colombian property.
- Employee salaries and benefits increased by \$[53,270] during the three months ended June 30, 2018 compared to the three months ended June 30, 2017. The increase resulted primarily from hiring of additional staff during the current period.
- General and Administrative expenses were down by \$94,220 in this quarter but this quarter did not benefit from last year's gain (\$94,700) on the sale of Gaza Gold Corp nor the favourable foreign exchange loss (difference \$147,830) and other exchange rate differences (\$94,483).

The Company's total assets at June 30, 2018 were \$9,300,359 (December 31, 2017 - \$5,377,948) against total liabilities of 1,490,194 (December 31, 2017 - \$208,028). The increase in total assets of resulted from cash received from the sale of shares for the private placement closed during the period & warrants exercised offset by cash spend on exploration and operating costs.

## **Liquidity and Financial Position**

At June 30, 2018, the Company had cash and cash equivalents of \$5,090,869 compared to \$1,554,737 at December 31, 2017. The increase in cash and cash equivalents of \$3,536,132 from December 31, 2017 resulted from cash

outflow in operating activities of \$1,774,347. Operating activities were affected by non-cash adjustments of stock based compensation of \$78,927. The net change in non-cash working capital balances of \$1,095,909 because of an increase in prepaid expenses and other assets of and an increase in accounts payable and accrued liabilities.

Financing activities generated cash inflow of \$5,387,121 from the net proceeds of the private placement and the exercise of warrants.

The Company derives no income from operations, as all of its projects since inception have been exploration projects. Accordingly, the activities of the Company have been financed by private placements of securities and its initial public offering. As the Company does not expect to generate cash flows from operations in the near future, it will continue to rely primarily upon the sale of securities to raise capital. As a result, the availability of financing, as and when needed, to fund the Company's activities cannot be assured. See "Risk Factors" below.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of June 30, 2018, the Company is compliant with TSXV Policy 2.5.

During fiscal 2018, the Company's corporate head office costs are estimated to average less than \$250,000 per quarter. Head office costs include professional fees, reporting issuer costs, business development costs and general and administrative costs. Head office costs exclude exploration and evaluation expenditures. The cost of acquisition and work commitments on the new acquisitions cannot be accurately estimated.

The Company's cash and cash equivalents at June 30, 2018 of approximately \$5 million is anticipated to be sufficient to fund its remaining 2018 exploration budget of approximately \$1.5 million, payment of accounts payable and accrued liabilities of around \$1.2m and the remaining estimated corporate head office costs of \$750,000, for fiscal 2018. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or under terms favourable to the Company. See "Risk Factors" below and "Cautionary Note Regarding Forward-Looking Statements" above.

## **Transactions with Related Parties**

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 periods presented were as follows:

	<b>Three months ended June 30, 2018 \$</b>	<b>Three months ended June 30, 2017 \$</b>

Salaries	78,010	\$99,265
Stock based compensation	71,727	\$110,793
<b>Total salaries and benefits</b>	<b>149,737</b>	<b>£210,058</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 until June 1, 2018, Ms. Cindy Davis, is a senior employee of Marrelli Support Services Inc. ("Marrelli Support"). During the three months ended June 30, 2018, the Company incurred professional fees of \$4,200 (three months ended June, 2017 - \$4,494).

The Chief Financial Officer from June 1, 2018, Mr. Roderick Corrie, is a Director of Corrie Ltd. During the three months ended June 30<sup>th</sup> 2018, the Company incurred professional fees of \$7,650 (three months ended June, 2017 - \$0).

### **Cautionary Note Regarding Forward-Looking Statements**

Certain statements contained in this MD&A constitute forward-looking statements; as such term is defined under applicable securities laws. These statements relate to future events or future performance and reflect management's expectations and assumptions regarding the growth, results of operations, performances and business prospects and opportunities of the Company. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "intend", "will", "project", "could", "believe", "predict", "potential", "should" or the negative of these terms or other similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance, achievements or events to differ materially from those anticipated, discussed or implied in such forward-looking statements. The Company believes the expectations reflected in such forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A and should be considered carefully and investors should not place undue reliance on them as the Company cannot assure investors that actual results will be consistent with these forward-looking statements.

These statements speak only as of the date of this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about: (i) general business and economic conditions; (ii) the supply and demand for, deliveries of, and the level and volatility of prices of gold and other precious metals; (iii) the timing of the receipt of any outstanding regulatory and governmental approvals for the Company's projects; (iv) the ability to meet social and environmental standards and expectations; (v) the availability of financing for the Company's development of its properties on reasonable terms; (vi) the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis; (vii) the ability to attract and retain skilled staff; (viii) exploration and development timetables; and (ix) capital expenditure and operating cost estimates.

These forward-looking statements involve risks and uncertainties relating to, among other things, exploration and development risks, changes in commodity and, particularly, gold prices, access to skilled mining personnel, results of exploration and development activities, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors contained in this MD&A. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this

cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities law.

## **Risk Factors**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in the Company's Annual MD&A for the fiscal year ended December 31, 2017, available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Disclosure of Internal Controls**

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements; and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited condensed interim consolidated financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.