



**ROYAL ROAD**  
**MINERALS**

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**ROYAL ROAD MINERALS LIMITED**

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

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**

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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 and nine months ended September 30, 2017 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 fiscal year ended December 31, 2016. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since date of the Annual MD&A.

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, 2016 and 2015, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2017, 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 28, 2017, 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).

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

Certain statements contained in this Interim 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 Interim 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 Interim 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 Interim 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 Interim 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.

## **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 the exploration and development of the La Golondrina gold mining project (the "La Golondrina Project") in the Nariño Province of southern Colombia pursuant to the terms of an option agreement (the "La Golondrina Option Agreement") and the Los Andes project in Nicaragua.

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".

## **Operational Highlights**

### **Corporate update**

#### **Caza Gold Corp. Take Over Bid**

On January 20, 2017, the Company made a formal offer (the "Offer") to purchase all of the outstanding common shares of Caza Gold Corp. ("Caza") on the basis of 0.16 of an ordinary share of RRM for each common share of Caza.

On February 28, 2017, the Company announced that it has been 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.

On May 23, 2017, the Company announced the completion of 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 now owns 100% of the outstanding Common Shares.

On July 6, 2017, the Company announced that it has completed an internal reorganization to facilitate the disposal of non-operational assets in Mexico and streamline its corporate structure. Through this reorganization, ownership of the Company's key operating subsidiary in Nicaragua was transferred by Caza to RRM, and its non-operational assets in Mexico were disposed of through the sale of an aggregate of 134,886,372 Caza common shares to an arm's length purchaser, Generic Capital Corporation (the "Purchaser"), in exchange for a cash payment (the "Share Sale"). The Share Sale was executed on May 31, 2017. The Share Sale is expected to improve the organizational efficiency of the Company, but is otherwise insignificant to its current business operations.

#### Private placements

On February 17, 2017, the Company closed a private placement offering (the "Offering"), 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 C\$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.

On April 19, 2017, the Company closed a non-brokered strategic private placement offering (the "Offering") with Polygon Mining Opportunity Master Fund ("Polygon") and the Company's Chairman, Mr. Peter Mullens. The Offering was 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 is comprised of one ordinary share of the Company and one-half of one ordinary share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles 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.

#### Stock option grants

On February 17, 2017, the Company granted incentive stock options to purchase an aggregate of 4,360,000 ordinary shares of the Company to certain officers, employees and consultants of the Company pursuant to 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.

On April 27, 2017, the Company granted incentive stock options to purchase an aggregate of 200,000 ordinary shares of the Company to a director of the Company pursuant to the Company's stock option plan. The options are exercisable until April 27, 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.

On August 15, 2017, the Company granted incentive stock options to purchase an aggregate of 700,000 ordinary shares of the Company to a director of the Company pursuant to the Company's stock option plan. The options are exercisable until August 15, 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.

On September 27, 2017, the Company granted incentive stock options to purchase an aggregate of 1,200,000 ordinary shares of the Company to senior employees of the Company pursuant to the Company's stock option plan. The options are exercisable until September 27, 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.

#### Appointment and resignation of directors and officers

On February 21, 2017, the Company announced the appointment of Daniel De Narvaez as a director of the Company. Daniel is based in Bogotá, Colombia and that Iván Devía assumed the role of Vice-President - Operations overseeing the Company's activities in Colombia and elsewhere throughout Latin America.

On March 17, 2017, the Company announced that Donald R. Njegovan resigned from the Board of Directors.

On July 24, 2017, the Company announced the appointment of Jonathan Victor Hill to the Company's Board of Directors.

On September 28, 2017, the Company announced the appointment of Oscar Sepulveda to the position of Vice President Exploration and Jenny Arias to the position of Vice President Responsible Development.

## **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"). The scientific and technical information relating to the La Golondrina Project set forth in this Interim MD&A has been derived from, and in some instances is an extract from, or is based on the report entitled "*NI43-101 Technical Report, Royal Road Minerals, La Golondrina Project, La Llanada-Sotomayor Gold District, Nariño, Colombia*" (the "**Technical Report**"), dated December 2015 and prepared for RRM by Dr. Dennis Arne, P.Geo (BC), MAIG, RPGeo, FAAG and Thomas Branch MSc., FGS. Dr Arne is a "Qualified Person" in accordance with NI43-101. Dr. Arne, and Mr. Branch are each independent of RRM. 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.

**(a) La Golondrina Project**

***Property Description and Location***

The La Golondrina Project is an underground mine development project and is located 5 km north-west of the municipality of Los Andes-Sotomayor within the La Llanada gold district, Nariño Department, in southwestern Colombia. It is situated at approximately 2200 masl within the Andean Cordillera, a region characterized by steep topography.

***Regional Geology***

The Project occurs in the Colombian Andes within Cretaceous marine-sedimentary rocks of the D'agua Group. This belt was accreted to continental South America in the Palaeogene and intruded during the Oligocene by the El Vergel Batholith and associated stocks. Intrusive-related gold mineralization is associated with this magmatic episode in southern Colombia. A tonalitic stock of approximately 800m diameter is evident from limited outcrop, subcrop and underground exposures at La Golondrina. This stock is correlated with the El Vergel Stock located to the west. The tonalite is the major host to gold mineralization at La Golondrina and is surrounded by strongly metasomatized and variably gold-mineralized hornfels, grading outward to a regional and pervasive thermal recrystallization of sedimentary host rock.

***Mineralization***

Historical mining within the La Golondrina tonalite stock is believed to have commenced in the 1950's, occurred over a vertical extent of nearly 800m and was focused on sub-horizontal quartz-sulphide veins of varying grades and with thicknesses typically between 10 and 40 centimeters, but locally up to 70 centimeters thick. These veins are locally discontinuous, but in some instances have been traced for up to 300 meters distance in floor-plan. Their stack-frequency is presently unknown due to poor bedrock exposure and no previous drilling on the property. The veins carry variable amounts of pyrrhotite, chalcopyrite and pyrite, with quartz and late-stage calcite. Visible gold can be observed in some vein material and is reported from petrographic studies. Wall rock alteration is difficult to observe in the tonalitic host rock but is generally restricted to sulphidation +/- biotite and amphibole alteration within a distance of several meters of the vein margins. The extent of biotite, sericite and chlorite-epidote alteration of hornfels assemblages is not well-defined but may be extensive and associated with gold mineralization.

***Exploration Work to Date***

Modern exploration of the La Golondrina Project commenced in 1997, with the work of Latin Gold Inc. ("Latin Gold"). Latin Gold executed an option agreement with the owners of the concession and undertook geological mapping, grid soil sampling, and surface and underground sampling over La Golondrina. Work was discontinued and the option agreement was annulled in 1998, reportedly due to the Bre-X scandal and consequent financial fallout. In 2003, AngloGold Ashanti Colombia ("AGA Colombia") acquired a large exploration land holding in the region consisting of approximately 5,000 Ha. The land holding surrounded and enclosed La Golondrina. In 2011, AGA Colombia made an agreement with the owners of the La Golondrina concession which permitted them to undertake regional mapping and mostly surface rock-chip sampling, including gold fire assays and multi-element analyses of channel, chip and panel samples, as well as selected chip and channel samples of veins. They also undertook a dipole-dipole induced polarization ("IP") and ground magnetics survey over the La Golondrina project and adjacent areas.

AGA Colombia collected 322 rock-chip samples of which 53 underground vein samples provided an (un-weighted) average grade of 12.43 grams per tonne gold, with values ranging from less than 0.01 to 63.7 grams per tonne gold.

The IP survey identified two large, clearly-defined chargeability anomalies in the western portion of the La Golondrina license area. The northernmost of these anomalies occurs mostly within the hornfels adjacent to the



tonalite intrusion which hosts most of the historical gold workings, whereas the southernmost chargeability anomaly appears to be hosted near the contact with tonalitic rock, extending into the hornfels. Smaller discrete chargeability anomalies were also located within the vicinity of known/mapped veins. Chargeability anomalies within the tonalite are likely due to the presence of sulphides. Those present within hornfels rocks adjacent to the intrusion could be due to the presence of either sulphide minerals or graphite.

Ground magnetic data shows several magnetic anomalies including a discrete and very strong north-south trending magnetic high zone which extends over 500m strike extent, subparallel to the tonalite-hornfels contact and correlates closely to a similar anomaly in IP chargeability data. It is considered possible that the magnetic high anomalies may be mapping magnetic pyrrhotite from within gold mineralized quartz veins, or else may reflect the presence of more magnetic intrusions.

The agreement with AGA Colombia was terminated in 2013 and all rights and exploration information were returned to the concession owners.

On March 1, 2016, RRM announced that it had completed a saw-cut channel sampling and mapping program on four active underground mining levels at La Golondrina. The aim of this sampling was to confirm the high-grade nature of vein-hosted gold mineralization and to test vein zones and vein stockwork zones in the host-rock outside of and adjacent to the main vein bodies. A total of 60 saw-cut channel samples were collected. Vein samples across all active workings average 31.1 gram per tonne gold (highest grade 122.9 gram per tonne gold) over highly variable but average vein widths of 0.3 meters (thickest vein 0.97 meters). In some cases, sampled veins form a part of vein zones that extend from and into the floor and roof of underground development and over vertical widths exceeding 2 meters. In most cases it was not possible to complete meaningful grade estimations over these vein zones as individual vein components often extend and disappear into the roof or floor of the underground development. However, where estimated, weighted average gold grades across vein zones returned 11.8 grams per tonne gold over 2 meters and 21.7 grams per tonne over 2.2 meters. Where vein and vein zones extend into hornfels they generally disaggregate into stockwork veinlet zones which sampling reveals can return weighted average grades of 43.0 gram per tonne gold over 0.7 meters and 12.9 gram per tonne gold over 1.25 meters.

Underground mapping has revealed that generally shallow-dipping individual veins and vein zones at La Golondrina can be connected between development levels by steeper-dipping “lift-off” veins resulting in the definition of at least four currently known vein-zones over a total vertical distance of approximately 40 meters.

Diamond drilling on the La Golondrina project commenced in October and was concluded in late November 2016. This was the first exploration scout drilling program ever to be completed at La Golondrina and in the immediate region. Drill holes intersected subhorizontal stacked quartz-carbonate veins and veinlet systems hosted in very strongly altered (biotite, amphibole, silica) tonalite and hornfelsed sediments with corresponding ground magnetic and induced polarization anomalies. Higher grade gold intersections (e.g. GOL-16-02; 47.8 grams per tonne gold over 0.25m), with elevated bismuth and copper are associated with quartz-carbonate pyrrhotite veins up to 30cm wide and lower grade, broad intercepts (e.g. GOL-16-02; 24.9 meters at 1.0 grams per tonne, 14.3 meters at 1.0 grams per tonne and entire drill hole, 195.2 meters at 0.4 grams per tonne gold; GOL-16-03; 8.3 meters at 1.1 grams per tonne) are generally related with stacked subhorizontal zones of decimeter-scale veins and shallow-dipping interconnecting veinlets and stringer zones.

Under the terms of the Company's agreement at La Golondrina, RRM must drill just over a further 900m and complete an in-house feasibility study in order to exercise its Option and acquire 100% of the project before October 2018. Managements view is that the drilling results indicate potential for a bulk tonnage target at La Golondrina and extends mineralized potential of the La Golondrina project beyond the confines of the current mining license. Consequently, before commencing any further drilling on La Golondrina, RRM intends to consolidate licenses in the region and complete a proposed airborne geophysical survey over the area.

**(b) 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 stockwork veinlet zones which sampling reveals can return weighted average grades of 3.5 gram per tonne gold over 2 meters.

**(c) 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 400 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 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 mining.

On September 26, 2017, the Company announced that it had entered into a binding framework 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 a binding framework 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 non-transferable up to the point of commercial production of the 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 Ecomun have established the Management Committee and commenced health-safety and technical training of ex-combatants in Nariño.

**(d) Nicaragua**

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 northeastern Nicaragua known as the "Golden Triangle".

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 helicopter borne 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 will be approximately CAD \$1.8 million funded on a 50%/50% basis by the parties.

**(e) 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 had 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 October 2017, Royal Road announced that the Territorial Delegation of the Department of Chinandega, a division of the Ministry for Environment and Natural Resources ("MARENA") in Nicaragua, had issued the Company with an environmental permit (EP) allowing the Company to conduct further exploration activities, including drill-testing at Piedra Imán. The Company is currently planning a 2000 meter drilling program at the project which it intends to commence in December of 2017.

**(f) 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 totalled 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. Managements view is that the principal target at Los Andes is a deep copper or copper and gold porphyry body located beneath Cerro Quisaltepe and at the southern margin of the Los Andes caldera. Testing of this body will require further geological modelling and then deep drilling.

The Company is currently seeking local permissions to access and drill-test the property with a drilling program planned for the first quarter of 2018.

**(g) Golden Triangle (Nicaragua)**

The Golden Triangle is a well-known historic mining region located in northeastern 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.

The first stage of the exploration program at Piedra Iman involves flying the entire region with airborne magnetics and radiometrics to help identify targets in more remote regions of the license package, define geometries and extents of known systems and locate possible deeper bodies underlying epithermal vein systems.

### **Budget**

The Company's has incurred total expenditures of \$618,396 as at September 30, 2017 and has budgeted expenditure of \$500,000 for the remainder of fiscal 2017.

### **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. During the quarter, equity markets in Canada showed signs of improvement, with equities increasing significantly during this period. 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.

### **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.

**Royal Road Minerals Limited**  
**Interim Management's Discussion & Analysis – Quarterly Highlights**  
**For the Three and Nine Months Ended September 30, 2017**  
**Discussion dated: November 29, 2017**

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*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 September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Salaries	<b>56,404</b>	45,789	<b>199,231</b>	146,966
Stock based compensation	<b>19,541</b>	56,083	<b>229,808</b>	69,500
	<b>75,945</b>	101,872	<b>429,039</b>	216,466

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. ("MSSI"). During the three and nine months ended September 30, 2017, the Company incurred professional fees of \$3,861 and \$18,120, respectively (three and nine months ended September 30, 2016 - \$4,163 and \$18,382, respectively). As at September 30, 2017, MSSI was owed \$2,845.

Insiders of the Company purchased 600,000 and 1,000,000 Units of the private placement completed on February 17, 2017 and April 19, 2017, respectively.

## **Financial Highlights**

### **Financial Performance**

The Company's net loss totaled \$507,035 for the three months ended September 30, 2017, with basic and diluted loss per share of \$0.00. This compares with a net loss of \$476,512 with basic and diluted loss per share of \$0.01 for the three months ended September 30, 2016. The increase in net loss of \$30,523 was principally because:

- Exploration and evaluation expenditures were \$117,287 for the three months ended September 30, 2017 compared to \$206,460 for the prior period. These expenditures related to the exploration work being conducted in Colombia and Nicaragua. In the 2017 period, the Company received recoveries from a joint venture partner.
- General and administrative decreased to \$65,309 for the three months ended September 30, 2017 compared to \$68,435 for the prior period. These are costs associated with being a reporting issuer, investor relation activities and consulting services as well as travel expenditures.
- Stock based compensation was \$138,735 for the three months ended September 30, 2017 compared to \$116,274 for the previous period. Stock based compensation expense will vary from period to period depending upon the number of options granted and vested during a period and the fair value of the options calculated as at the grant date. During the three months ended September 30, 2017, 6,460,000 options were granted as compared to nil stock options granted during the three months ended September 30, 2016.
- Professional fees increased to \$92,097 for the three months ended September 30, 2017 compared to \$44,143 for the prior period. This increase resulted from increased need for legal and professional services during the quarter.

The Company's total assets at September 30, 2017 were \$5,699,754 (December 31, 2016 - \$928,920) against total liabilities of \$209,671 (December 31, 2016 - \$237,664). The increase in total assets of \$4,770,834 resulted from cash received from the sale of units for the private placement which closed on February 17, 2017 and April 19, 2017 and the assets acquired from Caza offset by cash spend on exploration and operating costs.

### **Cash Flow**

At September 30, 2017, the Company had cash and cash equivalents of \$2,270,007 compared to \$703,859 at December 31, 2016. The increase in cash and cash equivalents of \$1,566,148 from December 31, 2016 resulted from cash outflow in operating activities of \$2,017,657. Operating activities were affected by non-cash adjustments of depreciation of \$9,171, stock based compensation of \$431,353, gain on sale of Caza of \$94,700 and interest accrued on promissory note payable of \$30,464. The net change in non-cash working capital balances of \$500,895 resulted from an increase in prepaid expenses and other current assets of \$159,887 and a decrease in accounts payable and accrued liabilities of \$341,008.

Financing activities generated cash inflow of \$3,561,736 from the net proceeds of \$4,074,825 for the private placements, cash of \$80,000 received from the sale of Caza and \$156,911 cash received from the acquisition of Caza offset by the repayment of promissory note payable of \$750,000.

### **Liquidity and Financial Position**

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 September 30, 2017, the Company is compliant with TSXV Policy 2.5.

During fiscal 2017, the Company's corporate head office costs are estimated to average less than \$100,000 per quarter. Head office costs include professional fees, reporting issuer costs, investor relations and general and administrative costs. The cost of acquisition and work commitments on the new acquisitions cannot be accurately estimated.

The Company's cash and cash equivalents at September 30, 2017 is anticipated to be sufficient to fund its remaining exploration budget of \$500,000, current liabilities of \$209,671 and the estimated remaining operating expenses of \$300,000, for fiscal 2017. 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.

### **Outlook**

The Company is in the exploration stage and is subject to risks and challenges similar to companies in a comparable stage. These risks include, but are not limited to, the challenges of securing adequate capital in view of exploration, development and operational risks inherent in the mining industry as well as global economic and gold price volatility. There is no assurance that the Company's funding initiatives will continue to be successful to fund its planned exploration activities, which are focused on its projects in Colombia and in Nicaragua.



## **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, 2016, 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.