



ROYAL ROAD
MINERALS

ROYAL ROAD MINERALS LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Introduction

The following Management Discussion and Analysis ("MD&A") of the financial condition and results of operations of Royal Road Minerals Limited. ("RRM" or "Royal Road" or the "Company") was prepared by management as at April 29, 2021 and was reviewed and approved by the Audit Committee. The following discussion of performance, financial condition and future prospects should be read in conjunction with the audited consolidated financial statements of the Company and notes thereto for the year ended December 31, 2020. The information provided herein supplements but does not form part of the financial statements. All amounts are stated in Canadian dollars unless otherwise indicated. Additional information related to the Company is available for view on SEDAR at www.sedar.com.

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.

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 its Colombian and Nicaraguan properties.

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, Ground Floor, St. Helier, Jersey, Channel Islands, JE2 3NR.

On January 20, 2017, the Company made a formal 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. In March 2017, the Company completed the compulsory acquisition of all of the remaining outstanding common shares of Caza. Consideration was measured at fair value of the Company's shares, being 24,054,258 shares at \$0.09 per share and total transaction cost of \$174,074 as the transaction is an asset purchase.

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, in exchange for cash proceeds of \$80,000 for net assets of \$227,410 resulting in a gain on disposition of \$307,410.

On September 6, 2017, the Company announced that it had executed a strategic alliance agreement with Hemco S.A. forming a strategic 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.

On December 18, 2017, the Company announced that it had entered into a definitive agreement (the "ECOMUN Agreement") with Economías Sociales del Común ("ECOMUN") in support of its gold and copper exploration projects in the Nariño Province in southern Colombia. The ECOMUN 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.

ECOMUN 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 ECOMUN Agreement includes the following key terms:

- Social and environmental programs conducted under the ECOMUN Agreement will be managed by a Management Committee comprised of representatives from Royal Road, ECOMUN, 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.
- ECOMUN 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.
- ECOMUN will work decisively in order to obtain the support of community leaders in the area of influence.
- ECOMUN 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 ECOMUN'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 ECOMUN's performance of its obligations under the proposed definitive agreement, Royal Road will grant to ECOMUN 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 applies to individual mine projects and is non-transferable up to the point of commercial production of the projects, provided that if ECOMUN or community managed institutions wish to transfer or alienate the NSR prior to such time, ECOMUN 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.

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 May 31, 2019, the Company announced that it had closed the acquisition of Northern Colombia Holdings Limited from Compañía Kedadha Limited, an affiliate of AngloGold Ashanti Limited. Northern Colombia Holdings, through its subsidiaries, owns Exploraciones Northern Colombia SAS, which holds or has rights to a title package comprised of mining concession agreements covering approximately 35,747 hectares of land, and the rights with respect to applications that have been made to acquire mining concessions over approximately 168,841 hectares of land, in prospective mineral belts in the Nariño, Cauca, Antioquia and Caldas departments of Colombia.

On March 3, 2020, the Company announced that it had entered into a definitive strategic alliance agreement with Mineros S.A. in relation to the Company's Guintar and Niverengo concessions and its Margaritas title application (GNM Project) in Antioquia District, Colombia. The agreement provided Mineros S.A. with the option to earn up to a 50% interest in the properties by paying Royal Road the sum of USD \$1 million upon signing the Agreement, by providing Royal Road with USD \$1 million for the exploration of the GNM Project to acquire a 25% interest and to acquire an additional 25% interest by providing Royal Road with a further USD \$1.5 million in exploration expenditure. Royal Road are operators of the strategic alliance.

On December 17, 2020, the Company announced that it had entered into a binding letter of intent with Mineros S.A. pursuant to which the Company agreed to sell to Mineros its entire 50% interest in the Luna Roja Project, Nicaragua. Mineros will pay to the Company a purchase price of USD \$22.5 million payable in cash on the closing of the proposed transaction, plus a 1.25% net smelter royalty on all future mineral production from the Luna Roja Project. On February 27, 2021 Royal Road and Mineros executed a definitive agreement to cover the sale and agreed a closing date of May 21, 2021.

Corporate and Operational achievements

Corporate Update

Financing

On August 4, 2020, the Company closed the bought deal, including the full exercise of the over-allotment option granted to the underwriters, through the issuance of an aggregate of 31,222,500 ordinary shares of the Company at a price of C\$0.37 per Share for aggregate gross proceeds of \$11,552,325.

As consideration for their services in connection with the Offering, the Underwriters received: (i) a cash commission of \$693,139, being equal to 6% of the gross proceeds realized on the sale of the Ordinary Shares under the Offering; and (ii) an aggregate of 1,873,350 broker warrants (the "Broker Warrants"), exercisable to acquire such number of ordinary shares of the Company (each a "Broker Warrant Share") representing 6% of the Ordinary Shares sold pursuant to the Offering. Each Broker Warrant entitles the holder thereof to acquire one Broker Warrant Share at the Offering Price for a period of twenty-four (24) months from the Closing Date.

The Company used the net proceeds from the Offering to fund exploration expenditures at the Company's exploration projects in Nicaragua and Colombia as well as for working capital and general corporate purposes.

The Shares were offered by way of a short form prospectus dated July 29, 2020, which was filed in all of the provinces of Canada, except Québec. The Shares were also sold to U.S. buyers on a private placement basis pursuant to an exemption from the registration requirements in Rule 144A of the United States Securities Act of 1933, as amended, and other jurisdictions outside of Canada and the United States.

Mineros S.A.

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

The Agreement contains the following basic terms:

- Mineros agree to pay to Royal Road the sum of \$1,384,210 (USD \$1 million) on execution of the Agreement. The parties agree that, upon making such payment, they will operate the GNP Project on a joint venture basis with Royal Road as operator
- Mineros has the option (the "First Option") to acquire a 25% interest in the GNM Project by providing Royal Road with USD \$1 million for the exploration of the GNM Project
- If Mineros exercises the First Option, Mineros has the option (the "Second Option") to acquire an additional 25% interest in the GNM Project by providing Royal Road with a total of USD \$1.5 million in additional funding for the GNP Project and thereafter, Royal Road and Mineros would each hold a 50% interest in the GNP Project Company
- Mineros and Royal Road will agree to an initial exploration program and budget for the exploration of the GNM Project and; prior to any exercise of the Second Option, the parties will agree to a second program and budget for the further exploration of the GNM Project
- At any time after Mineros has acquired a 25% interest and if at such time Mineros elect not to exercise the Second Option, Mineros may elect to cause all titles and the rights to title applications with respect to a designated project area to be transferred to a newly formed special purpose company (the "Project Company"), initially to be owned as to 75% by Royal Road and as to 25% by Mineros
- If Mineros elect to exercise the Second Option and after Mineros has acquired a 50% interest, the titles and the rights to title applications with respect to a designated project area will be transferred to a Project Company to be owned as to 50% by Royal Road and as to 50% by Mineros. Thenceforth the parties would jointly-fund the operations of the GNP
- Project in accordance with the parties' respective interests, which would be subject to dilution under a standard formula. The Board of the Project Company will be comprised of directors who represent the parties and the number of such directors will reflect proportionately each party's interest from time to time, provided that if a party's interest reduces to less than 25%, it will not be entitled to any representation on the Board
- If a party's interest is diluted to below 15%, such interest will convert to a 1.5% net smelter royalty. Royal Road will be operator of the exploration of the GNM Project for so long as it maintains not less than a 50% ownership interest in the GNM Project

The Company also entered into a definitive agreement (the "Definitive Agreement") with Mineros S.A. ("Mineros"), pursuant to which the Company agreed to sell to Mineros its entire 50% interest in the Luna Roja Project, comprising the Monte Carmelo I and Monte Carmelo II mining concessions, in Nicaragua. The Luna Roja Project was jointly owned and operated by the Company and Hemco-Nicaragua S.A., a wholly-owned subsidiary of Mineros, pursuant to the terms of a strategic alliance agreement (the "Strategic Alliance Agreement") dated September 1, 2017 between the Company.

Under the terms of the Definitive Agreement, the Company agreed to sell and Mineros agreed to purchase the Company's 50% interest in the Luna Roja Project on the following key terms:

Purchase Price - Mineros will pay to the Company a purchase price of (i) US\$22.5 million payable in cash on the closing of the proposed transaction, plus (ii) a 1.25% net smelter royalty on all future mineral production from the Monte Carmelo I and Monte Carmelo II mining concessions commencing from the first production therefrom.

Expenditure Commitment – The Company will invest US\$7.5 million over a five-year period in exploration joint ventures carried on by Mineros and the Company.

The Agreement is due to close on May 21, 2021.

Issuance of Stock Options

On February 5, 2020, the Company issued 1,950,000 stock options to employees and consultants of the Company at an exercise price of \$0.30 per share, expiring on September 23, 2022, pursuant to the terms of the Company's stock option plan. The options vest as to 30% of the options, 60 days from the grant date; as to a further 30% of the options, 90 days from the grant date; and as to the remainder of the options, 120 days from the grant date.

On May 14, 2020 Company issued 2,000,000 stock options to employees and consultants of the Company at an exercise price of \$0.25 per share, expiring on May 14, 2022, pursuant to the terms of the Company's stock option plan. The options vest as to 33% of the options, 60 days from the grant date; as to a further 33% of the options, 90 days from the grant date; and as to the remainder of the options, 120 days from the grant date.

On December 9, 2020, the Company granted 10,000,000 stock options to employees and consultants of the Company at an exercise price of \$0.40 per share, expiring on December 9, 2025, pursuant to the terms of the Company's stock option plan. The options vest as to 30% of the options, 90 days from the grant date; as to a further 30% of the options, 180 days from the grant date; and as to the remainder of the options, 360 days from the grant date.

Management changes

On February 6, 2020, the Company announced that Daniel De Narvaez had resigned as a director of the Company. Mr. De Narvaez informed the Company that it was necessary for him to step down from the Company's Board of Directors at that time in order to fulfill the increased demands of another professional commitment arising from recent related positive developments.

On May 14, 2020, the Company announced the resignation of Vernon Arseneau as Chief Operating Officer and director.

On August 18, 2020, the Company announced the appointment of Ms. Liz Wall to the role of Executive Director Sustainability. Ms. Wall has been a director of the Company since May 2019.

On November 12, 2020, the Company announced that Mr. Aamer Siddiqui has resigned from Marrelli Support Services Inc. and as such, will no longer service as the Company's Chief Financial Officer. The Company has appointed Ms. Cindy Davis, from Marrelli Support Services Inc., as the Chief Financial Officer of the Company.

Mineral properties

Exploration update

Set forth in this section is a description of the Company'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* ("NI 43-101").

Colombia

In 2016 and 2017, the Company acquired 114 licence applications amounting to approximately 350 thousand Hectares in the Western Cordillera of Nariño Province. The area under application extends down to the Ecuador border, sits upstream from the Magui-Payan and Barbacoas alluvial goldfields and surrounds many known operating gold mines, small gold workings and mapped porphyry copper occurrences. The region is relatively unknown from a geological and economic perspective due to security and access issues which prevailed prior to the 2016 peace agreement between the Government of Colombia and FARC rebels. As part of its commitment to the British Embassy's Peace and Business Initiative and in order to align the company's activities with the peace process, in late 2017 the Company entered into a strategic alliance with Economías Sociales del Común ("ECOMUN"), a joint social and economic organization, 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). The agreement anticipates that ECOMUN will assist the Company with local access and with its social license in Nariño Province.

In 2019, the Company completed a transaction to acquire a Colombian title package from AngloGold Ashanti comprising of mining concession agreements covering approximately 36,000 hectares of land, and the rights with respect to applications that have been made to acquire mining concessions over approximately 169,000 hectares of land, in the Nariño, Cauca, Antioquia and Caldas departments.

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

Elsewhere in northern Colombia the Company is advancing regional exploration across the concession contracts and applications it acquired from AngloGold Ashanti.

The Company is in advanced discussions with various potential joint venture partners in order to accelerate progress across its extensive and prospective land package in Colombia.

Guintar-Niverengo-Margaritas (GNM) Project

In the region of Antioquia, in central northern Colombia, the Company is operating an exploration joint venture over its Guintar-Niverengo-Margaritas (GNM) Project with local Colombian company Mineros S.A. The agreement was executed on March 3, 2020. Under the terms of the agreement, Mineros initially paid to Royal Road the sum of USD \$1 million and has the option (the "First Option") to acquire a 25% interest in the GNM Project by providing Royal Road with USD \$1 million for the exploration of the GNM Project. If Mineros exercises the First Option, Mineros has the option to acquire an additional 25% interest in the GNM Project by providing Royal Road with a total of USD \$1.5 million in additional funding for the GNM Project and thereafter, Royal Road and Mineros would each hold a 50% interest in a new GNM Project Company.

The GNM project area comprises two contiguous concession contracts and one title application area located in the Anza mining district, approximately 50 Km west of Medellin. The titles were acquired through the Company's purchase of Northern Colombia Holdings Limited, an affiliate of AngloGold Ashanti Limited.

AngloGold-Ashanti ("AGA") commenced work on the project area in 2015 and completed two scout drilling campaigns for a total of 5662 meters. The Guintär title area covers an artisanal mining district with more than 50 known historic underground adits developed on steeply-dipping, east-west oriented gold mineralized vein structures. AGA's 8-hole, scout-drilling program at Guintär targeted steeply-dipping sheeted vein structures and returned best results of; GUI-DD-009, 28 meters at 0.9 grams per tonne and GUI-DD-006, 12 meters at 1.8 grams per tonne gold (not true width). Outcrop on the neighboring Niverengo title area is limited and so AGA's drilling was focused on a 2000 by 800 meter wide target zone identified primarily using geophysical data and soil geochemical results. Best intersections were from NIV-DD-003, 36m @ 1.2g/t gold from surface and NIV-DD-004, 10m @ 1.6g/t gold and 88m @ 0.9g/t gold.

Royal Road has completed an initial 1179m diamond drilling program focused on the Niverengo title area. Drilling intersected skarn-style mineralization hosted primarily in folded calc-silicate sedimentary rocks and crosscutting east-west oriented pyrrhotite vein and breccia bodies with elevated gold, silver and copper. Best results were:

- NIV-DDH-007 14m at 4.1 g/t gold equivalent
- NIV-DDH-008 10m at 2.3 g/t gold equivalent
- NIV-DDH-010 18m at 1.9 g/t gold equivalent; and 21.5 meters at 1.3 g/t gold equivalent
- NIV-DDH-015 10.8m at 3.4 g/t gold equivalent

At Niverengo gold mineralization is related to garnet, pyroxene skarn alteration and pyrrhotite vein and breccia bodies. Recent multi-element geochemical vector studies have identified that this assemblage may be laterally and vertically distal from the primary gold source. This implies that further drilling should target deeper, probably intrusion or porphyry-related, vein or breccia bodies identified in the vector study as possibly east-west oriented "metal domain" hot spots to the west at the Guintär title area and elsewhere throughout the project. A follow up drilling program is planned for Q1 2021.

Nicaragua

In early 2017 Royal Road Minerals acquired the Nicaraguan subsidiary of Caza Gold Inc and in-country assets totaling close to 75,000 hectares of exploration licenses in the prospective Chortis Belt of western Nicaragua. The acquisition included two key assets, the Los Andes porphyry project and the Piedra Iman (Iron-Oxide) copper-gold project.

In September of 2017, Royal Road executed a 50%-50% Strategic Alliance for gold and copper exploration in Nicaragua with Hemco a subsidiary of Colombian company Mineros S.A. The objective of the Alliance is to identify and explore gold and copper targets in Nicaragua in the areas covered by Royal Road's and Hemco's respective existing licenses, which together cover large regions of highly prospective and under-explored areas and include in excess of 35 currently identified prospect areas. Royal Road and Hemco share their collective experience and databases, co-fund early stage exploration programs, and jointly seek to advance their current projects and pursue new projects in Nicaragua. In particular, the Alliance is initially focused on defining reserves in excess of two million ounces of gold (or gold equivalent) recoverable. Royal Road Minerals is operator of the Strategic Alliance.

Initially the alliance drill-tested the Piedra Iman project but failed to intersect any significant copper or gold mineralization and so interest was refocused onto Hemco's exploration titles in northeastern Nicaragua. Exploration there has so far identified two key projects: Luna Roja and Caribe.

Luna Roja

The Luna Roja project is a gold skarn located on Hemco's titles in the highly prospective Golden Triangle of northeastern Nicaragua, a region characterized by epithermal style gold veins, skarn and porphyry-style mines that have been in operation and produced over 8 million ounces of gold since the early 1900's. Hemco own and operate the Bonanza gold mine which is located in the Golden Triangle, approximately 26 kilometers to the northwest of Luna Roja.

Royal Road and Hemco completed an initial 17-hole, 2472 meter, scout drilling program at Luna Roja in middle to late 2019. This was the first drilling program to be completed on the project. Significant intersections included:

- LR-DDH-003 49m at 2.8 g/t gold (including 22m at 5.3 g/t gold)
- LR-DDH-005 23m at 2.1 g/t gold
- LR-DDH-008 18m at 2.7 g/t gold
- LR-DDH-011 45m at 1.1 g/t gold
- LR-DDH-012 49m at 2.4 g/t gold (including 18m at 5.4 g/t gold)
- LR-DDH-013 80m at 1.1 g/t gold (including 10m at 2.8 g/t gold)
- LR-DDH-016 69m at 1.5 g/t gold (including 15m at 2.5 g/t gold)

The joint venture concluded a geophysical program which defined further drill targets and expansion drilling commenced at Luna Roja on May 2, 2020.

A program of approximately 3000 meters of follow-up diamond drilling was completed at Luna Roja in August of 2020. The drilling program was successful in identifying the principal controls on gold mineralization and in identifying extensions at depth and "down-plunge" towards the northwest. Significant Intersections included:

- LR-DDH-19 30m at 1.2 g/t gold and 22m at 1.1 g/t gold
- LR-DDH-22 65m at 6.9 g/t gold (including 41 meters at 10.0 g/t gold)
- LR-DDH-23 12m at 2.7 g/t gold
- LR-DDH-24 13m at 1.2 g/t gold
- LR-DDH-29 18m at 1.0 g/t gold
- LR-DDH-30 95m at 1.5 g/t gold (including 45 meters at 3.0 g/t gold)
- LR-DDH-33 18m at 0.9 g/t gold
- LR-DDH-34 18m at 1.1 g/t gold
- LR-DDH-36 64m at 1.2 g/t gold

On December 17, 2020, the Company announced that it had entered into a binding letter of intent with Mineros S.A. pursuant to which the Company agreed to sell to Mineros its entire 50% interest in the Luna Roja Project. Mineros will pay to the Company a purchase price of USD \$22.5 million payable in cash on the closing of the proposed transaction, plus a 1.25% net smelter royalty on all future mineral production from the Luna Roja Project.

Caribe

In February 2018, during reconnaissance follow-up of airborne geophysical anomalies, the Company's exploration team identified a new prospect known as "Caribe". Topographically, the Caribe area is relatively planar, outcrop is limited to creek and river exposures and there is no previous record of mineralization in the area. Initial grab sampling of strongly weathered and altered 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 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.

An initial 4-hole, 413 meter, exploratory drilling program commenced at Caribe in August 2019 and was completed in mid-September 2019. All drill holes intersected gold with significant intersections including:

- CB-DDH-001 28m at 1.1 g/t gold
- CB-DDH-002 14m at 1.0 g/t gold
- CB-DDH-004 18m at 1.0 g/t gold

Drill holes CB-DDH-003 and CB-DDH-004 ended in gold grade, with the last samples returning 2.1 and 2.3 grams per tonne gold respectively.

A follow-up approximately 2000m diamond drilling program (currently extended) commenced at the Caribe project during August of this year and is currently underway. Significant (greater than 1g/t gold) results from the program include:

- CB-DDH-006 74m at 0.9 g/t gold; and 14m at 1.0 g/t gold
- CB-DDH-007 12m at 1.0 g/t gold (bogged and abandoned above objective)
- CB-DDH-009 45m at 1.0 g/t gold; and 35 m at 1.1 g/t gold (bogged and abandoned above objective)
- CB-DDH-010 42 m at 1.0 g/t gold
- CB-DDH-011 42 m at 1.0 g/t gold (bogged and abandoned above objective)
- CB-DDH-015 63 meters at 1.0 grams per tonne gold (bogged and abandoned above objective)
- CB-DDH-016 100.45 meters at 1.0 grams per tonne gold (to end of hole and bogged and abandoned above objective)
- CB-DDH-017 90 meters at 1.0 gram per tonne gold (bogged and abandoned above objective)
- CB-DDH-019 35 meters at 1.0 and 10 meters at 1.0 grams per tonne gold (bogged and abandoned above objective)

Lower-grade gold (less than 1 gram per tonne, applying a 0.2 gram per tonne cut off) is notable in longer intersections including CB-DDH-006 which returned 144 meters at 0.7 grams per tonne, CB-DDH-009 which returned 146 meters at 0.7 grams per tonne and CB-DDH-011 which returned 80 meters at 0.7 grams per tonne gold. Generally gold mineralization is associated with elevated molybdenum and copper. Molybdenum and copper grades are irregular and

related to particular hydrothermal breccia and vein phases. Up to 0.3% molybdenum has been returned across a 1 meter sample interval, drill hole CB-DDH-009 returned 6 meters of 0.1% molybdenum and 1.2 grams per tonne gold and CB-DDH-011 returned 5 meters at 0.1% molybdenum and 1.7 grams per tonne gold. The best copper intersection to-date has been 18 meters at 0.15% copper and 0.9 grams per tonne gold from drill hole CB-DDH-006.

Gold, copper and molybdenum mineralization is hosted mostly within a multi-phase volcanic breccia body, disseminated in fine networks of crosscutting quartz veinlets and in subvertical vein-breccia zones with pyrite, marcasite, molybdenum and copper. The breccia body is broadly trachytic-dacitic in composition, multiphase and polymict, containing fragments of porphyritic intrusion and bands of altered tuff. It is interpreted to be a diatreme or fissure-controlled breccia. Fine free gold is associated with chalcopyrite and molybdenite with traces of bornite and covellite. Alteration is predominantly pervasive sericite-illite-pyrite overprinted by silica. The mineral and alteration assemblages imply a porphyry-style association and are interpreted to suggest a porphyry copper-gold target located beneath or adjacent to the breccia body.

Some drill holes became bogged in clay material and failed to meet planned drilling objective. The Company's drilling contractor has replaced the initial drilling rig with a more powerful machine able to transect the clay zones. Anomalous gold has now been intersected in drill holes and in deep auger soil samples under soil and laterite cover over a distance of at-least 1.2 kilometers at Caribe. In order to fully test the spatial extent and continuity of gold at the project, Royal Road and Hemco have jointly acquired a portable Rotary Air Blast/Reverse Circulation (RAB/RC) drilling rig with capacity to test beneath more than 50 meters of soil and laterite cover. Grid-based RAB drilling is expected to commence at Caribe in June of 2021.

Regional Exploration

The Company has identified several regional, early-stage gold targets in Nicaragua and is currently advancing them to drilling stage.

A summary of exploration costs by major projects for the year ended December 31, 2020 are as below:

	\$ Amount
Colombia Projects	
GNM	396,321
Formalization	261,872
Northern Block Regional	280,692
Southern Block Regional	361,966
Admin	256,197
Total Colombia and Peru	1,557,048
Nicaragua Projects	
Luna Roja	389,111
Caribe	384,341
Piedra Imán	74,673
Los Andes	206,711
JV Triángulo de oro regional	3,527
Admin	24,921
Total Nicaragua	1,083,284
Total Direct Exploration	2,640,331

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 year, 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.

New Accounting Policies

New standards adopted

Definition of a Business (Amendments to IFRS 3)

The IASB has issued Definition of a Business (Amendments to IFRS 3) to clarify the definition of a business for the purpose of determining whether a transaction should be accounted for as an asset acquisition or a business combination. The amendments:

- clarify the minimum attributes that the acquired assets and activities must have to be considered a business
- remove the assessment of whether market participants can acquire the business and replace missing inputs or processes to enable them to continue to produce outputs
- narrow the definition of a business and the definition of outputs
- add an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business

This amendment is effective for annual periods beginning on or after January 1, 2020. The Company adopted this policy in the period and there was no material impact to the interim consolidated financial statements.

New standards not yet adopted

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

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

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

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

Critical judgments in applying the Company's accounting policies

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

The most significant critical judgment that members of management have made in the process of applying the entity's accounting policies are as follows:

Site decommissioning obligations

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

Functional currency

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

Impairment of exploration and evaluation assets

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

Business combinations

Determination of whether a group of assets acquired and liabilities assumed constitute the acquisition of a business or an asset may require the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 Business Combinations.

Key sources of estimation uncertainty

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

The Black-Scholes Option Pricing Model was developed for use in estimating the fair value of traded options which were fully tradable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility, expected life of the instrument, forfeiture rate, and future

risk-free rate. Because the Company's stock options and warrants have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

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 and the impact of the global disruption in equity markets as a result of the COVID-19 outbreak. 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 drilling in Nicaragua and drill preparation and regional exploration in Colombia.

Overall Performance

SUMMARY OF SELECT ANNUAL INFORMATION			
	2020	2019	2018
Revenue	-	-	-
Operating Expenses	7,574,792	4,808,938	3,745,286
Comprehensive Loss	5,867,219	4,745,286	3,705,993
Basic and Diluted Loss	(0.02)	(0.02)	(0.02)
Total Assets	20,061,125	13,259,812	7,292,646

SUMMARY OF SELECT QUARTERLY INFORMATION				
	2020			
	December 31	September 30	June 30	March 31
Total Assets	20,061,125	11,612,947	12,754,203	9,848,946
Working Capital	10,224,198	1,965,259	1,178,778	1,640,369
Shareholders' Equity	19,883,769	11,421,250	11,052,194	6,310,117
Operating Expenses	2,660,378	1,832,564	896,208	2,185,642
Net Loss	897,074	1,967,722	811,102	2,312,014
Basic and Diluted Loss per Share	(0.00)	(0.01)	(0.00)	(0.01)
	2019			
	December 31	September 30	June 30	March 31
Total Assets	13,259,812	11,612,047	12,754,203	6,414,258
Working Capital	3,173,746	1,965,259	3,080,954	2,533,507
Shareholders' Equity	13,078,775	11,422,521	12,714,422	6,310,117
Operating Expenses	1,175,394	1,791,240	972,010	870,294
Net Loss	1,302,182	1,671,298	990,647	866,595
Basic and Diluted Loss per Share	(0.01)	(0.01)	(0.01)	(0.00)

December 31, 2020

Net loss consisted primarily of exploration expenses of \$1,317,264 and offset by decrease in stock-based compensation expense of \$180,406. During three months December 31, 2020, the Company recognized \$1,384,210 related to income receive from property interest. Other expenditures included \$382,361 for general and administrative expenditures, salaries and benefits and professional fees.

September 30, 2020

Net loss consisted primarily of exploration expenses of \$315,635 and a loss from joint operations with Hemco of \$462,663. The exploration expenditure is within quarterly spending expectations. Other expenditures included \$464,284 and \$78,689 for professional fees and general and administrative expenditures respectively.

June 30, 2020

Net loss consisted primarily of exploration expenses of \$101,776 and a loss from joint operations with Hemco of \$192,637. The exploration expenditure is within quarterly spending expectations. Other expenditures included \$300,486 and \$83,577 for professional fees and general and administrative expenditures respectively.

March 31, 2020

Net loss consisted primarily of exploration expenses of \$482,814 and a loss from joint operations with Hemco of \$134,423. The exploration expenditure is within quarterly spending expectations. Other expenditures included \$166,984 and \$140,604 for professional fees and general and administrative expenditures respectively.

December 31, 2019

Net loss consisted primarily of exploration expenses of \$290,997 and stock based compensation expense of \$470,076. The exploration expenditure is within quarterly spending expectations however the stock based compensation was higher than other quarters due to a large issuance in the period of which a large portion vested during the period as well. Other expenditures included \$381,527 for general and administrative expenditures, salaries and professional fees.

September 30, 2019

Net loss consisted primarily of exploration expenses of \$946,434 and a loss from joint operations with Hemco of \$471,099. The exploration expenditure is within quarterly spending expectations. Other expenditures included \$153,014 and \$135,043 for professional fees and general and administrative expenditures respectively.

June 30, 2019

Net loss consisted primarily of exploration expenses of \$208,416 and a loss from joint operations with Hemco of \$198,408. The exploration expenditure is within quarterly spending expectations. Other expenditures included \$190,693 and \$202,127 for professional fees and general and administrative expenditures respectively.

March 31, 2019

Net loss consisted primarily of exploration expenses of \$325,405 and a loss from joint operations with Hemco of \$181,611. The exploration expenditure is within quarterly spending expectations. Other expenditures included \$111,123 and \$145,921 for professional fees and general and administrative expenditures respectively.

For the three months ended December 31, 2020, compared with the three months ended December 31, 2019:

For the three months ended December 31, 2020, the Company's comprehensive loss was \$897,074, compared to a comprehensive loss of \$1,302,182 for the prior period. The decrease in operating loss of \$405,108 a result of the following:

- Exploration and evaluation expenditure increased by \$1,317,264 as a result of the purchase acquisition of ENC and thus additional expenditures related to the new project. In addition, more spending has occurred in the period on exploration activities.
 - In the prior period there was a large loss recorded as a result of the joint operations agreement with Hemco,
 - In addition, the Company incurred lower stock based compensation expense of \$289,670 compared to \$470,076 in the prior period. The variance is due to an issuance of options in the current period of which a less portion vested within the period.
-

- The Company recognized income from the execution of definitive strategic alliance agreement with Mineros S.A. of \$1,384,210 that was not included in the prior period.

For the year ended December 31, 2020, compared with the year ended December 31, 2019:

For the year ended December 31, 2020, the Company's comprehensive loss was \$5,867,219 (\$0.02 per share), compared to a comprehensive loss of \$4,745,286 (\$0.02 per share) for the year ended December 31, 2019. The increase in net loss of \$1,157,190 is a result of the following:

- Exploration and evaluation expenditures increased \$869,979 in the current year. This is a result of the combination of the acquisition of a new entity (ENC) as well as increased exploration activity in the other Colombian entities. Strong financing in the year resulted in the additional liquidity available for exploration activities.
- The Company issued stock options to certain directors and management during the year ended December 31 2020, and as a result had a share based compensation expense of \$1,161,966 compared to \$522,076 in the prior year.
- Increase in professional fees of \$636,310 resulted from the increase in corporate activity.
- The Company recognized income from the execution of definitive strategic alliance agreement with Mineros S.A. of \$1,384,210 that was not included in the prior year.

Financial Risks

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

Credit Risk

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

Liquidity risk

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

Interest rate risk

The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management considers interest rate risk to be minimal given that, as at December 31, 2020 and 2019, no amounts were held in short-term deposit certificates.

Foreign exchange risk

As at December 31, 2012, the cash and cash equivalents was \$10,375,378 (2019 - \$2,954,332). The Company's cash and cash equivalents are denominated in the following currencies:

As at December 31,	2020	2019
Denominated in Canadian dollars	10,193,698	2,498,312
Denominated in US dollars	48,518	156,822
Denominated in British pound	16,662	36,552
Denominated in Colombian pesos	29,186	118,446
Denominated in Nicaraguan Cordoba	87,308	141,011
Denominated in Peruvian Sol	-	786
Denominated in Euro	6	2,403
	10,375,378	2,954,332

Commodity price risk

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

Liquidity and Financial Position

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. During the year ended December 31, 2020, the Company incurred a net loss of \$5,987,912 (year ended December 31, 2019 - \$4,830,722). As at December 31, 2020, the Company has incurred significant losses since inception totaling \$26,894,823 (December 31, 2019 - \$20,975,205). As at December 31, 2020, the Company has a working capital of \$10,224,198 (December 31, 2019 - \$3,173,746); the continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that additional funds will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern and accordingly use accounting principles applicable to a going concern.

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. 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.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of its properties. The capital of the Company consists of share capital, warrants, contributed surplus and accumulated deficit, which at December 31, 2020 totalled \$19,883,162 (2019 - \$13,078,212). The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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

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 December 31, 2020, the Company is compliant with Policy 2.5.

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.

	Year ended	
	December 31	
	2020	2019
Salaries	\$ 606,719	\$ 439,102
Stock based compensation	\$ 1,408,122	\$ 52,000
Consulting fees	\$ 30,000	\$ 14,112

Subsequent Transactions

On March 1, 2021, the Company announced entered into a definitive agreement with Minerros S.A. ("Minerros") to sell its entire 50% interest in the Luna Roja Project, comprising the Monte Carmelo I and Monte Carmelo II mining concessions, in Nicaragua.

Under the terms of the definitive agreement, Minerros will pay on the closing of the proposed transaction i) US\$22.5 million in cash, plus ii) a 1.25% net smelter royalty on all future mineral production from the Monte Carlo I and Monte Carlo II mining concessions commencing from the first production. The Company has US\$7.5 million expenditure commitment over a five-year period in exploration carried on by Minerros and the Company.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements as of the date of this report.

Outstanding Share Capital

As of the date of this MD&A, the Company has 262,398,741 common shares outstanding.

As of the date of this MD&A, the Company 23,550,000 stock options and 5,083,351 warrants outstanding.

Risk Factors

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR (www.sedar.com).

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.

Nature of Mineral Exploration and Mining

The Company's future is dependent on the Company's exploration and evaluation programs. The exploration and evaluation of mineral deposits involves significant financial risks over a prolonged period of time, which a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into economically viable operating mines. Major expenditures on the Company's exploration properties may be required in constructing mining and processing facilities at a site, and it is possible that even preliminary due diligence will show adverse results, leading to the abandonment of projects. It is impossible to ensure that preliminary feasibility studies or final feasibility studies on the Company's projects or the current or proposed exploration programs on any of the properties in which the Company has exploration rights will result in any profitable commercial mining operation. The Company cannot give any assurance that its current and future exploration activities will result in a discovery of mineral deposits containing Mineral Reserves. The Company's exploration and evaluation may be hampered by mining, heritage and environmental legislation, industrial accidents, industrial disputes, cost overruns, land claims and compensation and other unforeseen contingencies.

The Company does not currently operate a mine on any of its properties. There is no certainty that the expenditures made by the Company towards the search for and evaluation of mineral deposits will result in discoveries that are commercially viable. Whether a deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of metal concentrates, exchange controls and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of any or all of these factors may result in the Company not receiving an adequate return on invested capital or have a material adverse effect on the Company's business and financial condition. In addition, assuming discovery of a commercial ore-body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced. Most of the above factors are beyond the Company's control.

Limited Operating History

The Company's properties are in the exploration stage and are not commercially viable at this time. The Company has not recorded any revenues from mining operations and there is no certainty that the exploration expenditures towards the search and evaluation of mineral deposits will result in discoveries of commercial quantities of ore or that the Company will generate revenue, operate profitably or provide a return on investment in the future. There can be no assurance that significant additional losses will not occur in the future. The operating expenses and capital expenditures may increase in subsequent years with advancing exploration, evaluation, development of properties if proven successful and/or production of the properties. The Company does not expect to receive revenues from operations in the foreseeable future. The Company expects to incur losses until such time as its properties enter into commercial production and generate sufficient revenue to fund its continuing operations. The development of the Company's properties will require the commitment of substantial resources and there can be no assurance that the Company will be able to finance its operations externally.

There can be no assurance that the Company's exploration programs will result in locating commercially exploitable mineral ores or that its properties will be successfully developed. There can be no assurance that the underlying assumed levels of expenses will prove to be accurate.

Ability to Continue as a Going Concern

The Company's ability to continue as a going concern is dependent upon its ability to continue to raise adequate financing to fund its continuing exploration, evaluation activities and development of properties if they are proven successful. There is no assurance that the Company will either achieve or maintain profitability in the future.

Requirement for Further Financing

The further exploration of the various mineral properties in which the Company holds interests and the acquisition of additional properties depends upon the Company's ability to obtain financing through joint ventures of projects, debt financing, equity financing or other means. There can be no assurance that the Company will be able to raise the balance of the financing required or that such financing can be obtained without substantial dilution to shareholders. Failure to obtain additional financing on a timely basis could cause the Company to reduce or terminate its operations or lose its interest in one or more of its properties.

In order to continue exploring the Company's mineral properties and acquiring additional properties, management will be required to pursue additional sources of financing. While management has been successful in obtaining such financing in the past, there is no assurance that it will be successful in the future. Failure to obtain sufficient financing may result in delaying or indefinitely postponing exploration, evaluation, development of or production on any or all of the Company's properties if they are proven successful, or even loss of property interest. It may also prevent the Company from meeting its obligations under agreements to which it is a party as a result of which, its interest in the properties may be reduced. There can be no assurance that additional capital or other types of financing, if needed, will be available or, if available, the terms of such financing will be favourable to the Company.

The amount of administrative expenditures is related to the level of financing and exploration activities that are being conducted, which in turn may depend on our recent exploration experience and prospects, as well as general market conditions relating to the availability of funding for exploration-stage resource companies. As a result, there may not be predictable or observable trends in our business activities and comparison of financial operating results with prior years may not be meaningful.

Title Matters

The Company has taken reasonable measures, in accordance with industry standards for properties at the same stage of exploration as those of the Company to ensure proper title to its properties. However, there is no guarantee that title to any of its properties will not be challenged or impugned. Title insurance generally is not available for mining claims in Canada and the Company's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be limited. The Company's properties may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate the properties as permitted or to enforce its rights with respect to its properties. The failure to comply with all applicable laws and regulations, including a failure to pay taxes, carry out and file assessment work, may invalidate title to portions of the properties where the mineral rights are not held by the Company.

Market Factors and Volatility of Mineral Prices

There is no assurance that a profitable market will exist for the sale of mineralized material which may be acquired or discovered by the Company. There can be no assurance that ore prices received will be such that the Company's properties can be mined at a profit. Prices of minerals have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control. Commodity prices are subject to volatile price changes from a variety of factors including international economic and political trends, expectations of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods.

Future mineral prices cannot be accurately predicted. A severe decline in the price of a mineral being produced or expected to be produced by the Company would have a material adverse effect on the Company, and could result in the suspension of mining operations by the Company if such mining operations have commenced. Factors impacting the price of ore include political and economic conditions in mineral producing and consuming countries and production levels and costs of production in other jurisdictions.

Environmental Regulations and other Regulatory Requirements

The Company is subject to substantial environmental and other regulatory requirements and such regulations are becoming more stringent. All phases of exploration and development operations are subject to environmental regulations. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests which are presently unknown to the Company and which have been caused by previous or existing owners or operators of the properties.

Although the Company intends to comply fully with all environmental regulations, failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Conflicts of Interest

Certain directors and officers of the Company may become or are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company will be required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict is required under the British Columbia Business Corporations Act to disclose his interest and to abstain from voting on such matter.

Market Price of Common Shares

Securities of micro-cap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Common Shares is also likely to be significantly affected by short-term changes in precious and base metal mineral prices or in its financial condition or results of operations as reflected in its quarterly earnings reports. Other factors unrelated to the Company's performance that may have an effect on the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of Common Shares; the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Company's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity. As a result of any of these factors, the price of the Common Shares at any given point in time may not accurately reflect the Company's long-term value.

Foreign Jurisdictions

Certain of the Company's projects are located in foreign jurisdictions and are subject to risks relating to political stability and changes in laws relating to foreign ownership, government participation, taxation, royalties, duties, rates of exchange, exchange controls, export controls, land use and operational safety, and the potential for terrorism or military repression. Because a significant percentage of its operating costs, exploration expenditures and lease maintenance and acquisition costs are denominated in Chilean Pesos, the Company's results of operations are subject to the effects of fluctuations in exchange rates and inflation. The Company does not engage in any hedging activities to minimize such risks.

Climate change

The Company is exposed to risks from climate change including a possible increase in severity of extreme weather events, such as tornados, droughts, floods, and fires. Climate change may also result in longer-term shifts in precipitation and temperature and increased variability in weather. Climate change-related risks may also be associated with the transition to a lower-carbon global economy, which may be reflected in changes to fiscal and environmental policies, legal actions, technology changes, market responses, and reputational considerations. The effect of these environmental and economic, and legal shifts on the Company are difficult to quantify at the present time.