



**CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

**THREE AND SIX MONTHS ENDED
JUNE 30, 2020**

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

Notice To Reader

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

Royal Road Minerals Limited

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited

	As at June 30, 2020	As at December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,646,236	\$ 2,954,332
Prepaid expenses and other assets (note 4)	156,232	401,014
Total current assets	2,802,468	3,355,346
Non-current assets		
Property and equipment (note 5)	63,234	56,939
Exploration and evaluation assets (note 3, 10)	9,406,115	9,406,115
Investment in associate (note 13)	25,562	25,562
Government sales taxes receivable (note 6)	378,505	415,850
Total non-current assets	9,873,416	9,904,466
Total assets	\$ 12,675,884	\$ 13,259,812
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 257,652	\$ 181,600
Deferred exploration liability (note 10)	1,366,038	-
Total liabilities	1,623,690	181,600
Shareholders' equity		
Share capital (note 7)	30,869,842	30,768,092
Warrants (note 8)	311,527	468,693
Contributed surplus	3,613,145	2,366,791
Translation of foreign operations	201,618	450,404
Accumulated deficit	(23,943,375)	(20,975,205)
Shareholders' equity attributable to shareholders	11,052,757	13,078,775
Non-controlling interest	(563)	(563)
Total shareholders' equity	11,052,194	13,078,212
Total liabilities and shareholders' equity	\$ 12,675,884	\$ 13,259,812

Nature of operations and going concern (note 1)

Subsequent events (notes 10 and 14)

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

Royal Road Minerals Limited

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Expenses				
Exploration and evaluation expenditures (note 10)	\$ 101,776	\$ 208,416	\$ 584,590	\$ 533,821
Professional fees (note 11)	300,486	190,693	467,470	301,816
General and administrative	83,577	202,127	224,181	273,919
Employee salaries and benefits (note 11)	85,887	121,765	170,016	267,686
Stock based compensation (note 9)	131,845	36,400	1,176,688	52,000
Loss incurred from joint operation with Hemco	192,637	198,408	327,060	380,019
Loss from investment in associate	-	14,201	-	33,042
Loss from operations	(896,208)	(972,010)	(2,950,005)	(1,842,303)
Other items				
Other loss	(17,830)	19,002	(20,320)	19,002
Foreign exchange gain (loss)	102,936	(1,569)	(66,095)	8,458
	85,106	17,433	(86,415)	27,460
Net loss for the period	(811,102)	(954,577)	(3,036,420)	(1,814,843)
Other comprehensive loss				
Exchange differences arising on translation of foreign operations	204,785	(36,070)	(248,786)	(43,038)
Total comprehensive loss for the period	\$ (606,317)	\$ (990,647)	\$ (3,285,206)	\$ (1,857,881)
Net loss for the period attributable to:				
Shareholders of the Company	\$ (815,865)	\$ (951,369)	\$ (3,036,420)	\$ (1,806,872)
Non-controlling interest	4,763	(3,208)	-	(7,971)
	\$ (811,102)	\$ (954,577)	\$ (3,036,420)	\$ (1,814,843)
Net loss per share attributable to shareholders of the Company - basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding - basic and diluted	214,233,882	190,334,993	229,468,060	182,076,140

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

Royal Road Minerals Limited

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited

	Six Months Ended June 30,	
	2020	2019
Operating activities		
Net loss for the period	\$ (3,036,420)	\$ (1,814,843)
Adjustments for:		
Depreciation	25,511	985
Stock based compensation	1,176,688	52,000
Loss from investment in associate	-	33,042
Amortization of deferred exploration liability	(45,191)	-
Changes in non-cash working capital items:		
Government sales tax receivable	37,345	-
Prepaid expenses and other assets	244,782	(164,363)
Accounts payable and accrued liabilities	76,052	(97,931)
Net cash used in operating activities	(1,521,233)	(1,991,110)
Investing activities		
Purchase/sale of property and equipment	(31,806)	(3,388)
Purchase of ENC Subsidiary (net of cash acquired)	-	(6,288,346)
Deferred exploration liability	1,411,229	-
Net cash used in investing activities	1,379,423	(6,291,734)
Financing activities		
Proceeds from issuance of share capital	-	8,000,000
Share issuance costs	-	(631,391)
Exercise of options	82,500	-
Net cash provided by financing activities	82,500	7,368,609
Net change in cash and cash equivalents	(59,310)	(914,235)
Effect of foreign currencies on cash	(248,786)	(44,382)
Cash and cash equivalents, beginning of period	2,954,332	3,397,378
Cash and cash equivalents, end of period	\$ 2,646,236	\$ 2,438,761

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

Royal Road Minerals Limited

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

Unaudited

	Share Capital	Warrants	Contributed Surplus	Translation of Foreign Operations	Accumulated Non-controlling Deficit	Interest	Total
Balance, January 1, 2019	\$ 20,577,941	\$ 1,589,276	\$ 1,123,584	\$ 364,968	\$ (16,512,046)	\$ (63,979)	\$ 7,079,744
Shares issued for cash, net of costs	7,144,581	224,028	-	-	-	-	7,368,609
Warrants expired	-	(1,432,110)	1,432,110	-	-	-	-
Options expired	-	-	(327,154)	-	327,154	-	-
Stock based compensation	-	-	52,000	-	-	-	52,000
Total comprehensive loss for the period	-	-	-	(43,038)	(1,806,872)	(7,971)	(1,857,881)
Balance, June 30, 2019	\$ 27,722,522	\$ 381,194	\$ 2,280,540	\$ 321,930	\$ (17,991,764)	\$ (71,950)	\$ 12,642,472
Balance, January 1, 2020	\$ 30,768,092	\$ 468,693	\$ 2,366,791	\$ 450,404	\$ (20,975,205)	\$ (563)	\$ 13,078,212
Warrants expired	-	(157,166)	157,166	-	-	-	-
Options expired	-	-	(68,250)	-	68,250	-	-
Options exercised	101,750	-	(19,250)	-	-	-	82,500
Stock based compensation	-	-	1,176,688	-	-	-	1,176,688
Total comprehensive loss for the period	-	-	-	(248,786)	(3,036,420)	-	(3,285,206)
Balance, June 30, 2020	\$ 30,869,842	\$ 311,527	\$ 3,613,145	\$ 201,618	\$ (23,943,375)	\$ (563)	\$ 11,052,194

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

Royal Road Minerals Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

1. Nature of Operations

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

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

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

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

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

COVID-19

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

The duration and impact of COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. While the Company for a period of time during the three months ended June 30, 2020, slowed business activities to ensure the safety of staff and consultants, the Company's operation has been able to continue moving forward on its exploration activities despite the significant global disruptions in business operations. The Company anticipates local lockdowns and quarantine guidelines to continue to pose a threat to the operations of the Company through to the end of the 2020 fiscal year.

Royal Road Minerals Limited
Notes to Condensed Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2020
(Expressed in Canadian Dollars, unless otherwise indicated)
Unaudited

1. Nature of Operations (continued)

Going concern

These unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. During the three and six months ended June 30, 2020, the Company incurred a net loss of \$3,036,420 (three and six months ended June 30, 2019 - \$1,814,843). As at June 30, 2020, the Company has incurred significant losses since inception totaling \$23,943,375 (December 31, 2019 - \$20,975,205). As at June 30, 2020, the Company has a working capital of \$1,178,778 (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.

2. Significant Accounting Policies

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. The accounting policies and methods of computation applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those applied in the Company's audited annual consolidated financial statements for the year ended December 31, 2019, other than as noted below. The unaudited condensed interim consolidated financial statements were approved by the Board of Directors on August 31, 2020.

(b) Basis of preparation

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

(c) Basis of consolidation

The condensed interim consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. As at June 30, 2020, the Company has 4 wholly-owned subsidiaries, RRMC incorporated in Canada, Nicaza S.A. incorporated in Nicaragua; MCR and ENC, incorporated in Colombia; and owns 99% of MCR Peru, incorporated in Peru; collectively, ("Group"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Royal Road Minerals Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

2. Significant Accounting Policies (Continued)

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

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

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

Functional currency

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

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.

Royal Road Minerals Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

2. Significant Accounting Policies (Continued)

(e) *Change in accounting policies*

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 and there was no impact to the unaudited condensed interim consolidated financial statements.

(f) *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.

3. Acquisition of Exploraciones Northern Colombia Exploration

Acquisition

On May 25, 2019, the Company was successful in its bid to acquire a group of companies from AngloGold Ashanti Limited. ("Anglo" or the "Seller"). The acquisition included Northern Colombia Holdings Limited, Northern Colombia Investment One Limited, and Northern Colombia Investment Two Limited; which collectively owned all issued and outstanding shares of the operating company Exploraciones Northern Colombia Exploration ("ENC"), the subject of the transaction.

ENC did not meet the definition of a business and therefore this transaction has been accounted for as an asset acquisition in the consolidated financial statements of the Company.

Royal Road Minerals Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

3. Acquisition of Exploraciones Northern Colombia Exploration (continued)

In addition to the purchase consideration, the Company also is party to contingent consideration which include:

If at any time after the completion of the acquisition, the Company completes a Technical Report pursuant to NI43-101 that discloses for the first time an "inferred mineral resource" (as defined in NI43-101) of not less than one million gold equivalent ounces on a specific area within the lands subject to any of the owned titles held by the Company or any of its subsidiaries ("Specific Project"), and the following provisions shall apply:

1. Specific Project Payment

With respect to each Specific Project, the Company shall pay the Seller, the following amounts, as applicable:

- i. an amount equal to \$5 million, payable within 90 days following the date on which such Technical Report for the Specific Project is completed and delivered to the Company, such delivery required within fifteen days of completion of the report; and
- ii. a further amount equal to \$5 million, payable within 90 days following the date on which a Feasibility Study for such Specific Project is completed and delivered to the Company, such delivery required within fifteen days of completion of the report; and
- iii. a further amount equal to \$5 million, payable within 90 days from the commencement of commercial production for the Specific Project; and
- iv. a further aggregate amount equal to \$20 million, payable in four equal installments of \$5 million on the date that is 90 days following the end of each of the Company's four consecutive fiscal quarters immediately following the commencement of commercial production for the Specific Project.

2. Feasibility Option

If at any time after the completion of the acquisition, the Company completes a Feasibility Study pursuant to NI43-101 that discloses for the first time an "inferred mineral resource" (as defined in NI43-101) of not less than five million gold equivalent ounces on a Specific Project, the Seller shall have a one-time option (the "Feasibility Option"), exercisable on or prior to the date that is thirty days after the Feasibility Option Date (the "Feasibility Option Expiry Date"), exercised by giving written notice to the Seller of such exercise, and if no such election is given prior to the Feasibility Option Expiry Date, the Feasibility Option shall be null and void and of no further force or effect.

3. If Seller exercises the Feasibility Option for a Specific Project then the Company shall no longer be required to pay and the Seller shall have no right to receive the payments for the Specific Project on which the Seller has exercised the Feasibility Option and the Buyer shall still be required to pay the Seller each of the payments for other Specific Projects in which the Seller has not exercised the Feasibility Option.

The Seller shall have the right to purchase a 75% interest (the "Purchased Interest") in the Specific Project in accordance with procedures agreed between the parties, for a purchase price payable by the Seller to the Company within ten Business Days of the Feasibility Option Expiry Date, by wire transfer of immediately available U.S. dollars to an account designated by the Buyer, and in an amount equal to the sum of the following amounts:

- i. An amount equal to three times the aggregate sum of all Exploration Expenditures up to and including the Feasibility Option Date funded by the Company and any the Company's Affiliates for that Specific Project; plus
- ii. An amount equal to the aggregate sum of all Exploration Expenditures funded by the Company and any the Company's Affiliates for that Specific Project from the Feasibility Option Date until the completion of the transfer of the Purchased Interest, including, but not limited to all costs incurred in preparing the Feasibility Study for that Specific Project.

Given the current status of the project, management believes that there is no nominal value to be assigned to the contingent consideration as of and for the year ended December 31, 2019.

Royal Road Minerals Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

3. Acquisition of Exploraciones Northern Colombia Exploration (continued)

The following table summarizes the purchase consideration as well as assets acquired and liabilities assumed which have been recorded at their relative fair value:

Cash	\$ 6,293,041
Acquisition costs	63,982
	\$ 6,357,023

The allocation of purchase price is as follows:

Cash	\$ 4,694
Receivables and prepaids	418,331
Equipment	49,732
Exploration and evaluation assets	5,887,457
Accounts payable	(3,191)
	\$ 6,357,023

4. Prepaid Expenses and Other Assets

	As at June 30, 2020	As at December 31, 2019
Prepaid expenses	\$ 129,449	\$ 374,231
Security deposits	26,783	26,783
Total	\$ 156,232	\$ 401,014

Royal Road Minerals Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

5. Property and Equipment

Cost		Equipment
Balance - January 1, 2019	\$	86,733
Additions		56,224
Translation differences		(5,565)
Balance - December 31, 2019		137,392
Additions		31,806
Balance - June 30, 2020	\$	169,198

Accumulated Depreciation		Total
Balance - January 1, 2019	\$	46,713
Charge for the year		33,908
Currency translation differences		(168)
Balance - December 31, 2019		80,453
Charge for the period		25,511
Balance - June 30, 2020	\$	105,964

Carrying Amount		Total
Balance - June 30, 2020	\$	63,234
Balance - December 31, 2019	\$	56,939

6. Government Sales Tax Receivable

The Company has amounts receivable from the Colombian tax authority of \$378,505 for sales taxes paid on purchases in Colombia through its subsidiary ENC. These amounts are collectible after ENC begins to generate revenue, at which point the amount will be realized by way of offset against sales tax payable. As the Company does not expect to generate revenue in ENC for the next 12-months the amounts are reported as a long-term asset.

Royal Road Minerals Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

7. Share Capital

(a) Authorized share capital

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

(b) Common shares issued

At June 30, 2020, the issued share capital amounted to \$30,869,842. The change in issued share capital for the periods presented were as follows:

	Number of Shares	Amount
Balance, January 1, 2019	173,631,696	\$ 20,577,941
Share issued for cash (i)	40,000,000	8,000,000
Issuance costs - cash (i)	-	(631,391)
Issuance costs - warrant valuation (i)	-	(224,028)
Balance, June 30, 2019	213,631,696	\$ 27,722,522
Balance, January 1, 2020	229,468,060	\$ 30,768,092
Options exercised (ii)	550,000	101,750
Balance, June 30, 2020	230,018,060	\$ 30,869,842

(i) On May 24, 2019, the Company closed a private placement, pursuant to which an aggregate of 40,000,000 ordinary shares in the capital of the Company were issued at a price of \$0.20 per ordinary share for aggregate gross proceeds of \$8,000,000.

As part of the offering, the Company issued 26,133,158 ordinary shares to Agnico Eagle Mines Limited ("Agnico"). The ordinary shares purchased by Agnico, together with the 16,379,550 ordinary shares owned by Agnico prior to the completion of the offering, represented approximately 19.9% of the issued and outstanding ordinary shares of the Company on completion of the offering.

In connection with the offering, the Company paid a total in cash for commission and fees of \$631,391 and 2,400,000 broker warrants in connection with the offering. Each broker warrant entitles the holder to acquire one ordinary share at a price of \$0.20 until May 23, 2021.

The fair value of these broker warrants of \$224,028 was estimated using the Black Scholes valuation model with the following weighted average assumptions: a 2 year expected term; a 99% expected volatility based on historical trends; risk free interest rate of 1.52%; and an expected dividend yield of 0%.

(ii) On July 19, 2019, an executive of the Company exercised 550,000 stock options at a price of \$0.15. The options had a fair value of \$19,250 which has been moved to share capital.

Royal Road Minerals Limited

Notes to Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

8. Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Balance, January 1, 2019	25,927,230	\$ 0.19
Issued (note 7(b)(i))	2,400,000	0.20
Expired	(23,910,000)	0.20
Balance, June 30, 2019	4,417,230	0.19
Balance, January 1, 2020	5,235,412	\$ 0.19
Expired	(2,017,230)	0.16
Balance, June 30, 2020	3,218,182	\$ 0.20

The Company had the following warrants outstanding at June 30, 2020:

Number of Warrants	Exercise Price	Expiry Date
2,400,000	\$0.20	May 23, 2021
818,182	\$0.22	November 20, 2021
3,218,182		

9. Stock Options

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

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

Royal Road Minerals Limited

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(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

9. Stock Options (Continued)

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

	Number of Options	Weighted Average Exercise Price
Balance, January 1, 2019	9,060,000	\$ 0.15
Granted (i)	1,000,000	0.10
Expired / forfeited	(5,360,000)	0.15
Balance, June 30, 2019	4,700,000	0.15
Balance, January 1, 2020	13,250,000	\$ 0.15
Granted (ii, iii)	3,950,000	0.28
Expired	(1,950,000)	0.15
Exercised (note 7(ii))	(550,000)	0.15
Balance, June 30, 2020	14,700,000	\$ 0.15

(i) On January 23, 2019, the Company granted 1,000,000 stock options to a former officer of the Company at an exercise price of \$0.10 per share, expiring on January 23, 2023, pursuant to the terms of the Company's stock option plan. The options were exercisable until January 23, 2023 at a price of \$0.10 per share and vested as to 30% of the options, 60 days from the grant date; as to a further 30% of the options, 90 days from the grant date; and as to the remainder of the options, 120 days from the grant date.

The options were assigned a fair value of \$52,000 using the BlackScholes option pricing model with the following assumptions: share price \$0.065, dividend yield 0%, forfeiture rate 0%, expected volatility 136% (based on the historical price history of the Company's common shares), riskfree interest rate 1.86%, and an expected life of 4 years.

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

The options were assigned a fair value of \$181,438 using the BlackScholes option pricing model with the following assumptions: share price \$0.23, dividend yield 0%, forfeiture rate of 0%; expected volatility 79.91% (based on the historical price history of the Company's common shares), riskfree interest rate 0.58%

(iii) On May 14, 2020, the Company granted 2,000,000 stock options to employees and consultants of the Company at an exercise price of \$0.25 per share, expiring on May 14, 2022, pursuant to the terms of the Company's stock option plan. The options vest as to 30% of the options, 60 days from the grant date; as to a further 30% of the options, 90 days from the grant date; and as to the remainder of the options, 120 days from the grant date.

The options were assigned a fair value of \$168,091 using the BlackScholes option pricing model with the following assumptions: share price \$0.22, dividend yield 0%, forfeiture rate of 0%; expected volatility 80.86% (based on the historical price history of the Company's common shares), riskfree interest rate 0.17%.

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Unaudited

9. Stock Options (Continued)

The Company had the following stock options outstanding as of June 30, 2020:

<u>Number of Options</u>		<u>Exercise Price</u>	<u>Weighted Average Remaining Contractual Life (years)</u>	<u>Expiry Date</u>
<u>Outstanding</u>	<u>Exercisable</u>			
700,000	700,000	\$ 0.15	0.13	August 15, 2020
2,000,000	-	\$ 0.25	1.87	May 14, 2022
10,050,000	10,050,000	\$ 0.25	2.23	September 23, 2022
1,950,000	1,950,000	\$ 0.30	2.23	September 23, 2022
14,700,000	12,700,000		2.00	

10. Exploration and Evaluation Assets and Expenditures

Exploration and evaluation assets consisted of:

	<u>As at June 30, 2020</u>	<u>As at December 31, 2019</u>
<u>Colombia</u>		
Balance - beginning of the year	\$ 5,798,041	\$ -
Additions	-	5,887,457
Translation differences	-	(89,416)
Balance - end of the period	5,798,041	5,798,041
<u>Nicaragua</u>		
Balance - beginning of the year	3,608,074	3,608,074
Balance - end of the period	3,608,074	3,608,074
Balance - end of the period	\$ 9,406,115	\$ 9,406,115

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Unaudited

10. Exploration and Evaluation Assets and Expenditures (Continued)

Exploration and evaluation expenditures consisted of:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Colombia	\$ 87,998	\$ 184,604	\$ 459,127	\$ 420,389
Nicaragua	13,581	23,336	124,944	112,368
Peru	197	476	519	1,064
Total exploration and evaluation expenditures	\$ 101,776	\$ 208,416	\$ 584,590	\$ 533,821

Colombia

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

The Company is currently conducting regional exploration in southern Colombia and formalizing informal mine operations within its mining titles there. Currently Royal Road has entered into four mining formalization agreements in Nariño. The Agreements were negotiated and entered into under the framework of the Colombian government's National Policy for Mining Formalization wherein specific portions of the area held under concession by the Company will be returned directly to informal miners so that new formalized concession contracts over such returned areas may be granted, enabling legal and responsible mining operations to take place. In exchange, Royal Road will receive a quarterly royalty equivalent to 3% of the 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%.

Mineros S.A. Transaction

During the six months ended June 30, 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 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.

Royal Road Minerals Limited

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Unaudited

10. Exploration and Evaluation Assets and Expenditures (Continued)

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

Nicaragua

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

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

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

Royal Road Minerals Limited

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11. Related Party Balances and Transactions

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

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

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

Compensation of key management personnel of the Company

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Salaries	\$ 85,887	\$ 147,320	\$ 170,016	\$ 267,686
Stock based compensation	131,845	36,400	1,176,688	52,000
Consulting fees	7,500	-	15,000	-
	\$ 225,232	\$ 183,720	\$ 1,361,704	\$ 319,686

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 months ended June 30, 2020, the Company incurred professional fees of \$7,500 and \$15,000 (2019 - \$nil and \$nil). As at June 30, 2020, MSSI was owed \$1,445 (2019 - \$1,445.)

12. Segmented Information

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

Three months ended June 30, 2020	Jersey	Colombia	Nicaragua	Peru	Total
Net loss from continuing operations	\$ (583,934)	\$ (4,549)	\$ (220,988)	\$ (1,631)	\$ (811,102)

Three and six months ended June 30, 2020	Jersey	Colombia	Nicaragua	Peru	Total
Net loss from continuing operations	\$(2,046,700)	\$ (505,206)	\$ (480,162)	\$ (4,352)	\$(3,036,420)

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12. Segmented Information (continued)

Three months ended June 30, 2019	Jersey	Colombia	Nicaragua	Peru	Total
Net loss	\$ (224,370)	\$ (565,102)	\$ (93,501)	\$ (71,604)	\$ (954,577)

Three and six months ended June 30, 2019	Jersey	Colombia	Nicaragua	Peru	Total
Net loss from continuing operations	\$ (990,956)	\$ (552,514)	\$ (199,769)	\$ (71,604)	\$ (1,814,843)

As at June 30, 2020

	Jersey	Colombia	Nicaragua	Peru	Total
Non-current assets	\$ 1,114,154	\$ 6,698,067	\$ 2,054,692	\$ 6,503	\$ 9,873,416

As at December 31, 2019

	Jersey	Colombia	Nicaragua	Peru	Total
Non-current assets	\$ 2,291,729	\$ 5,831,668	\$ 1,781,069	\$ -	\$ 9,904,466

13. Investment in associate

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

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

The continuity of investment in associate is as follows:

	Investment in associate
Balance, December 31, 2018	\$ 75,944
Investment in associate	-
Loss pick-up from associate during the year	(50,382)
Balance, December 31, 2019	25,562
Balance, June 30, 2020	\$ 25,562

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14. Subsequent Events

On August 4, 2020, the Company closed an agreement with a syndicate of underwriters led by Stifel GMP (the "Underwriters"), pursuant to which the Underwriters purchased, on a bought deal basis, 31,222,500 common shares of the Company at a price of \$0.37 per share for aggregate gross proceeds to the Company of \$11,552,325 (the "Offering").

In conjunction with the Offering, the Company issued 1,873,350 broker warrants and paid \$693,140 in cash to the Underwriters, representing a 6% cash and warrant compensation expense.