



**CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN CANADIAN DOLLARS)**



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Royal Road Minerals Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Royal Road Minerals Limited (the Company), which comprise the consolidated statements of financial position as at December 31, 2020, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of \$5,867,219 during the year ended December 31, 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2019, were audited by another auditor, who expressed an unmodified opinion on those statements on May 29, 2020.

Information Other than the Consolidated financial statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Pat Kenney.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 29, 2021

Royal Road Minerals Limited
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
Audited

	As at December 31, 2020	As at December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 10,375,378	\$ 2,954,332
Prepaid expenses and other assets (note 5)	26,783	401,014
Total current assets	10,402,161	3,355,346
Non-current assets		
Property and equipment (note 6)	81,139	56,939
Exploration and evaluation assets (notes 4 and 11)	9,304,647	9,406,115
Investment in associate (note 14)	25,562	25,562
Government sales taxes receivable (note 7)	247,616	415,850
Total non-current assets	9,658,964	9,904,466
Total assets	\$ 20,061,125	\$ 13,259,812
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 177,963	\$ 181,600
Total liabilities	177,963	181,600
Shareholders' equity		
Share capital (note 8)	41,473,692	30,768,092
Warrants (note 9)	664,204	468,693
Contributed surplus	4,069,599	2,366,791
Translation of foreign operations	571,097	450,404
Accumulated deficit	(26,894,823)	(20,975,205)
Shareholders' equity attributable to shareholders	19,883,769	13,078,775
Non-controlling interest	(607)	(563)
Total shareholders' equity	19,883,162	13,078,212
Total liabilities and shareholders' equity	\$ 20,061,125	\$ 13,259,812

Nature of operations and going concern (note 1)
Subsequent event (note 17)

Approved on behalf of the Board:

"Tim Coughlin" Director

"Marcus Stone" Director

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

Royal Road Minerals Limited

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Audited

	Year Ended December 31,	
	2020	2019
Expenses		
Exploration and evaluation expenditures (note 11)	\$ 2,640,331	\$ 1,771,252
Professional fees (note 12)	1,168,648	532,338
General and administrative	686,771	622,456
Employee salaries and benefits (note 12)	606,719	439,102
Stock based compensation (note 10)	1,684,042	522,076
Loss incurred from joint operation with Hemco	788,281	871,332
Loss from investment in associate	-	50,382
Loss from operations	(7,574,792)	(4,808,938)
Other items		
Other (expenses) income	(21,028)	14,881
Income received from property interest (note 11)	1,384,210	-
Foreign exchange gain (loss)	223,698	(36,665)
	1,586,880	(21,784)
Net loss for the year	(5,987,912)	(4,830,722)
Other comprehensive income (loss)		
Exchange differences arising on translation of foreign operations	120,693	85,436
Total comprehensive loss for the year	\$ (5,867,219)	\$ (4,745,286)
Net loss for the period attributable to:		
Shareholders of the Company	\$ (5,987,868)	\$ (4,813,590)
Non-controlling interest	(44)	(17,132)
	\$ (5,987,912)	\$ (4,830,722)
Net loss per share attributable to shareholders - basic and diluted	\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding - basic and diluted	242,620,370	200,422,056

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

Royal Road Minerals Limited
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
Audited

	Year Ended December 31,	
	2020	2019
Operating activities		
Net loss for the year	\$ (5,987,912)	\$ (4,830,722)
Adjustments for:		
Depreciation	14,114	33,908
Stock based compensation	1,684,042	522,076
Loss from investment in associate	-	50,382
Changes in non-cash working capital items:		
Government sales tax receivable	168,234	-
Prepaid expenses and other assets	374,231	(227,303)
Accounts payable and accrued liabilities	(3,637)	(28,111)
Net cash used in operating activities	(3,750,928)	(4,479,770)
Investing activities		
Purchase of property and equipment	(38,314)	43,240
Purchase of ENC Subsidiary (net of cash acquired)	-	(6,288,346)
Net cash used in investing activities	(38,314)	(6,245,106)
Financing activities		
Proceeds from issuance of share capital	11,552,325	11,000,000
Share issuance costs	(820,998)	(878,322)
Proceeds from the exercise of options	255,000	100,000
Proceeds from the exercise warrants	1,800	-
Net cash provided by financing activities	10,988,127	10,221,678
Net change in cash and cash equivalents	7,198,885	(503,198)
Effect of foreign currencies on cash	222,161	60,152
Cash and cash equivalents, beginning of year	2,954,332	3,397,378
Cash and cash equivalents, end of year	\$ 10,375,378	\$ 2,954,332

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

Royal Road Minerals Limited
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)
Audited

	Share Capital	Warrants	Contributed Surplus	Translation of Foreign Operations	Accumulated Non-controlling Deficit	Non-controlling 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	9,810,151	311,527	-	-	-	-	10,121,678
Warrants expired	-	(1,432,110)	1,432,110	-	-	-	-
Options expired	-	-	(350,431)	-	350,431	-	-
Options exercised	152,000	-	(52,000)	-	-	-	100,000
Stock based compensation	-	-	522,076	-	-	-	522,076
Shares issued to non-controlling interest	228,000	-	(308,548)	-	-	80,548	-
Total comprehensive loss for the year	-	-	-	85,436	(4,813,590)	(17,132)	(4,745,286)
Balance, December 31, 2019	30,768,092	468,693	2,366,791	450,404	(20,975,205)	(563)	13,078,212
Shares issued for cash, net of costs	10,377,775	353,552	-	-	-	-	10,731,327
Warrants expired	-	(157,166)	157,166	-	-	-	-
Warrants exercised	2,675	(875)	-	-	-	-	1,800
Options expired	-	-	(68,250)	-	68,250	-	-
Options exercised	325,150	-	(70,150)	-	-	-	255,000
Stock based compensation	-	-	1,684,042	-	-	-	1,684,042
Total comprehensive loss for the year	-	-	-	120,693	(5,987,868)	(44)	(5,867,219)
Balance, December 31, 2020	\$ 41,473,692	\$ 664,204	\$ 4,069,599	\$ 571,097	\$ (26,894,823)	(607)	\$ 19,883,162

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

Royal Road Minerals Limited

Notes to the audited Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

1. Nature of Operations

Royal Road Minerals Limited ("Royal Road", "RRM", the "Company", or the "Corporation") was incorporated under the *Companies (Jersey) Law 1991* on May 6, 2010 as "Tigris Resources Limited". On April 10, 2015, the Company changed its name to "Royal Road Minerals Limited" and amended its share capital structure by converting all of its par value shares to no par value shares and consolidating its then outstanding shares on the basis of two pre-consolidation shares for every one post-consolidation share. On April 15, 2015, the Company completed a business combination transaction (the "Arrangement") by way of an arrangement under the *Business Corporations Act* (Alberta), whereby the Company acquired its wholly-owned subsidiary Royal Road Minerals Canada Limited ("RRMC"), a corporation resulting from the amalgamation of Kirkcaldy Capital Corp. ("Kirkcaldy") and Royal Road Minerals Canada Limited. As a result of the Arrangement, on April 20, 2015, the ordinary shares (the "Ordinary Shares") of the Company were listed and commenced trading on the TSX Venture Exchange (the "TSXV") under the trading symbol "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 wholly-owned subsidiaries, Minerales Camino Real, SAS ("RRM Colombia") and Exploraciones Northern Colombia Exploration ("ENC"); in Nicaragua, through its wholly-owned subsidiary, Minerales Camino Real Nicaragua, SAS ("RRM Nicaragua") (formally "Nicaza S.A").

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

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

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

COVID-19

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

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

Royal Road Minerals Limited

Notes to the audited Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

1. Nature of Operations (continued)

Going concern

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 (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.

2. Significant Accounting Policies

(a) *Statement of compliance*

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The policies applied in these consolidated financial statements are based on IFRS issued and effective as of December 31, 2020. The Board of Directors approved the statements on April 28, 2021.

(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 consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. As at December 31, 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 the audited Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(d) *Foreign currencies*

The individual financial statements of each entity in the Group are prepared in the currency of the primary economic environment in which the entity operates (its “functional currency”). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Canadian dollars, which is the functional currency of the parent.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in profit or loss in the period in which they arise. The functional currencies of the Company’s Colombian, Nicaraguan and Peruvian subsidiaries are the Colombian Peso, Nicaraguan Cordoba and the Peruvian Sol, respectively. The functional currency of Royal Road Minerals Limited is the Canadian Dollar.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group’s operations are expressed in Canadian dollars using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transaction are used. Exchange differences arising, if any, are recognized directly into other comprehensive loss and transferred to the Group’s translation of foreign operations reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed.

(e) *Joint arrangements*

Joint arrangements exist where there is joint control and the arrangement may be either a joint venture or joint operation. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. A joint operation on the other hand is an arrangement where the parties have rights to the assets, obligations and liabilities relating to the arrangement.

During 2017, the Group entered into a joint operation in Nicaragua which results in the recognition of the proportionate share of the joint operations’ assets, liabilities, revenues and expenses.

(f) *Exploration and evaluation*

Exploration and evaluation assets acquired are initially recognized at fair value as exploration and evaluation assets. Exploration and evaluation expenditures other than those acquired as a result of a business combination or an asset acquisition are expensed as incurred. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activities. The Company record property option receipts in operations rather than as a reduction of exploration and evaluation asset.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

Royal Road Minerals Limited

Notes to the audited Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(g) *Impairment of exploration and evaluation*

The Company is required to assess exploration and evaluation assets for impairment. As part of this assessment, management must make an assessment as to whether there are indicators of impairment. If there are indicators, management performs an impairment test on the major assets within this balance.

The recoverability is dependent on a number of factors common to the resources sector. These include the extent to which the Company can continue to renew its exploration and evaluation licenses with local authorities, establish economically recoverable reserves on its properties, the availability of necessary financing and future profitable production or proceeds from the disposition thereof.

(h) *Property and equipment*

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment for depreciation purposes.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of loss.

Expenditure to replace a component of an item of property equipment that is accounted for separately is capitalized and the existing carrying amount of the component written off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in the consolidated statement of loss as incurred.

Depreciation is charged to the consolidated statement of loss based on the cost, less estimated residual value, of the asset on a straight-line basis over the estimated useful life. Depreciation commences when the assets are available for use. The estimated useful lives are as follows:

Vehicles	3 – 5 years
Equipment	3 – 5 years

(i) *Impairment of property and equipment and intangible assets with finite lives*

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of the fair value less costs to sell and value in use. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the property and equipment at the date the impairment is reversed does not exceed what the cost less accumulated depreciation would have been had the impairment not been recognized.

Royal Road Minerals Limited

Notes to the audited Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(j) Taxation

The Group has no taxable profit and no current income tax.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of the related asset or liability in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and increased or reduced to the extent that it is probable, or no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period in which the liability is settled or the asset realized based on tax rates that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognized as an expense or income in the profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting in a business combination.

(k) Financial instruments

Below is a summary showing the classification and measurement bases of the Company's financial instruments:

Classification	IFRS 9
Cash and cash equivalents	FVTPL
Accounts payable and accrued liabilities	Amortized cost

Financial instruments are measured on initial recognition at fair value, and, in the case of financial instruments other than those classified as "fair value through profit and loss" ("FVTPL"), directly attributable transaction costs.

Royal Road Minerals Limited

Notes to the audited Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(i) Recognition and Measurement

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ('FVTPL'). The directly attributable transactions costs of financial assets and liabilities as at FVTPL are expensed in the period in which they are incurred.

Subsequent measurement of financial assets and liabilities depends on the classification of such assets and liabilities.

(ii) Classification of financial assets

Amortized cost:

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of financial assets is the amount at which the financial asset is measured at initial recognition minus the principal payments, plus the cumulative amortization using effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

All of the Company's financial assets are measured at amortized cost. The Company's financial assets at amortized costs primarily include cash and cash equivalents and other receivables included in current assets.

(iii) Classification of financial liabilities

Financial liabilities are measured at amortized cost using effective interest method.

(iv) Impairment

The Company recognizes loss allowance for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

(l) *Investments in associate*

Investments in associates are accounted for under the equity method, where on initial recognition the investment in an associate is recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognized in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such changes include those arising from the revaluation of property and equipment and from foreign exchange translation differences. The investor's share of those changes are recognized in the investor's other comprehensive income.

Royal Road Minerals Limited

Notes to the audited Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(m) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(n) Stock based compensation

Equity-settled awards, including stock options are accounted for using the fair value-based method. Under the fair value-based method, compensation cost of a stock option is measured at fair value at the date of the grant and is expensed over the stock option's vesting period, with a corresponding increase to contributed surplus.

When these stock options are exercised or expired, the proceeds, together with the amount recorded in contributed surplus, are recorded in share capital.

(o) Restoration and rehabilitation

A provision for restoration and rehabilitation is recognized when there is a present obligation as a result of exploration and development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of dismantling and removal of facilities, restoration and monitoring of the affected areas. The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to exploration and evaluation is capitalized into the cost of the related asset and amortized on the same basis as the related asset. Changes in the estimate of the provision of restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognized as a finance cost rather than being capitalized into the cost of the related asset.

The Group has no current obligations for restoration and rehabilitation.

(p) Provisions

A provision is recognized in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(q) Segment information

The Company operates in one business segment, mineral exploration.

The Group has identified its operating segments based on the internal reports that are reviewed and used by executive management (collectively, the Chief Operating Decision Maker, or "CODM") in assessing performance and in determining the allocation of resources. The CODM considers the business from a geographic perspective and assesses the performance of geographic segments based on measures of profit and loss as well as assets and liabilities. These measures include operating expenditures, expenditures on exploration, property and equipment, non-current assets and total debt, if any.

Royal Road Minerals Limited

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2. Significant Accounting Policies (Continued)

During the year ended December 31, 2020, the Group operated under three geographic segments engaged in mineral exploration and development in Colombia, Nicaragua and Peru. Financial information about each of these operating segments is reported to the CODM on at least a monthly basis. As the operations comprise a single segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

(r) ***New accounting pronouncements***

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 consolidated financial statements.

(s) ***New standards not yet adopted***

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

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

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

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

Royal Road Minerals Limited

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3. Critical Accounting Judgments

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:

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.

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4. 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.

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.

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4. Acquisition of Exploraciones Northern Colombia Exploration (continued)

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, 2020.

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

5. Prepaid Expenses and Other Assets

	As at December 31, 2020	As at December 31, 2019
Prepaid expenses	\$ -	\$ 374,231
Security deposits	26,783	26,783
Total	\$ 26,783	\$ 401,014

Royal Road Minerals Limited

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6. Property and Equipment

Cost		Equipment
Balance - January 1, 2019	\$	86,733
Additions		56,224
Acquired from ENC		49,732
Translation differences		(5,565)
Balance - December 31, 2019		137,392
Additions		38,314
Balance - December 31, 2020	\$	175,706

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 year		14,114
Balance - December 31, 2020	\$	94,567

Carrying Amount		Total
Balance - December 31, 2020	\$	81,139
Balance - December 31, 2019	\$	56,939

7. Government Sales Tax Receivable

The Company has amounts receivable from the Colombian tax authority of \$247,616 as at December 31, 2020 (2019 - \$415,850 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.

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8. 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 December 31, 2020, the issued share capital amounted to \$41,473,692. 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)(iii)(iv)	53,636,364	11,000,000
Issuance costs - cash (i)(iii)(iv)	-	(878,322)
Issuance costs - warrant valuation (i)(iii)(iv)	-	(311,527)
Options exercised (ii)	1,000,000	152,000
Shares issued for purchase of non-controlling interest (iii)	1,200,000	228,000
Balance, December 31, 2019	229,468,060	30,768,092
Shares issued for cash (v)	31,222,500	11,552,325
Issuance costs - cash (v)	-	(820,998)
Issuance costs - warrant valuation (v)	-	(353,552)
Exercised of warrants	8,181	2,675
Options exercised (vi)	1,700,000	325,150
Balance, December 31, 2020	262,398,741	\$ 41,473,692

(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 option pricing 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%.

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8. Share Capital (Continued)

(ii) On July 19, 2019, an executive of the Company exercised 1,000,000 stock options at a price of \$0.10. The options had a fair value of \$52,000 which has been reclassified to share capital.

(iii) On August 30, 2019, the Company completed a transaction to acquire the remaining 3% interest in its subsidiary RRM Colombia for 1,200,000 shares issued at \$0.19. As a result of this transaction, there no longer continues to be a non-controlling interest held in RRM Colombia and as such the fair value of the non-controlling interest at the time of the acquisition of \$80,548 was moved to the Company's contributed surplus.

(iv) On November 20, 2019, the Company closed a private placement, pursuant to which an aggregate of 13,636,364 ordinary shares in the capital of the Company were issued at a price of \$0.22 per ordinary share for aggregate gross proceeds of \$3,000,000.

In connection with the offering, the Company paid a total in cash for commission and fees of \$246,931 and 818,182 broker warrants in connection with the offering. Each broker warrant entitles the holder to acquire one ordinary share at a price of \$0.22 until November 20, 2021.

The fair value of the Broker Warrants of \$87,499 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: a 2 year expected term; a 98% expected volatility based on historical trends; risk free interest rate of 1.60%; and an expected dividend yield of 0%.

(v) On August 4, 2020, the Company closed a bought deal financing including the full exercise of the over-allotment option granted to the underwriters, pursuant to which an aggregate of 31,222,500 ordinary shares in the capital of the Company were issued at a price of \$0.37 per ordinary share for aggregate gross proceeds of \$11,552,325.

In connection with the offering, the Company paid a total in cash for commission and fees of \$693,139, legal fees of \$127,859 and 1,873,350 broker warrants in connection with the offering. Each broker warrant entitles the holder to acquire one ordinary share at a price of \$0.37 until August 4, 2022.

The fair value of the broker warrants of \$353,552 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: a 2 year expected term; a 100% expected volatility based on historical trends; risk free interest rate of 0.25%; and an expected dividend yield of 0%.

(vi) During the year ended December 31, 2020, an aggregate of 1,700,000 stock options were exercised for gross proceeds of \$255,000. The options had a fair value of \$70,150 which has been reclassified to share capital.

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9. Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Balance, January 1, 2019	25,927,230	\$ 0.19
Issued (note 8(b)(i)(iv))	3,218,182	0.21
Expired	(23,910,000)	0.20
Balance, December 31, 2019	5,235,412	0.19
Issued (note 8(b)(v))	1,873,350	0.37
Expired	(2,017,230)	0.16
Exercised	(8,181)	0.22
Balance, December 31, 2020	5,083,351	\$ 0.27

The Company had the following warrants outstanding at December 31, 2020:

Number of Warrants	Exercise Price	Expiry Date
2,400,000	\$0.20	May 23, 2021
810,001	\$0.22	November 20, 2021
1,873,350	\$0.37	August 4, 2022
5,083,351		

10. 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.

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10. Stock Options (Continued)

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

	Number of Options	Weighted Average Exercise Price
Balance, January 1, 2019	9,060,000	\$ 0.15
Granted (i)(ii)	11,050,000	0.10
Expired / forfeited	(5,860,000)	0.15
Exercised (note 8 (ii))	(1,000,000)	0.10
Balance, December 31, 2019	13,250,000	0.15
Granted (iii)(iv)(v)	13,950,000	0.36
Expired	(1,950,000)	0.15
Exercised (note 8 (v))	(1,700,000)	0.15
Balance, December 31, 2020	23,550,000	\$ 0.26

(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 Black-Scholes 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), risk-free interest rate 1.86%, and an expected life of 4 years.

(ii) On September 23, 2019, the Company granted 10,050,000 stock options to officer, directors and consultants of the Company at an exercise price of \$0.25 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 \$1,566,919 using the Black-Scholes option pricing model with the following assumptions: share price \$0.25, dividend yield 0%, forfeiture rate of 0%; expected volatility 103% (based on the historical price history of the Company's common shares), risk-free interest rate 2.85%.

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

The options were assigned a fair value of \$258,935 using the Black-Scholes option pricing model with the following assumptions: share price \$0.23, dividend yield 0%, forfeiture rate of 0%; expected volatility 99.91% (based on the historical price history of the Company's common shares), risk-free interest rate 1.37%

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10. Stock Options (Continued)

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

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

(v) 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.

The options were assigned a fair value of \$2,382,280 using the Black-Scholes option pricing model with the following assumptions: share price \$0.31, dividend yield 0%, forfeiture rate of 0%; expected volatility 112.43% (based on the historical price history of the Company's common shares), risk-free interest rate 0.41%.

The Company had the following stock options outstanding as of December 31, 2020:

Number of Options		Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
Outstanding	Exercisable			
2,000,000	1,320,000	\$ 0.25	1.37	May 14, 2022
9,600,000	9,600,000	\$ 0.25	1.73	September 23, 2022
1,950,000	1,950,000	\$ 0.30	1.73	September 23, 2022
10,000,000	-	\$ 0.40	4.94	December 9, 2025
23,550,000	12,870,000		3.06	

11. Exploration and Evaluation Assets and Expenditures

Exploration and evaluation assets consisted of:

	As at December 31, 2020	As at December 31, 2019
Colombia		
Balance - beginning of the year	\$ 5,798,041	\$ -
Additions	-	5,887,457
Translation differences	(101,468)	(89,416)
Balance - end of the year	5,696,573	5,798,041
Nicaragua		
Balance - beginning of the year	3,608,074	3,608,074
Balance - end of the year	3,608,074	3,608,074
Balance - end of the year	\$ 9,304,647	\$ 9,406,115

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11. Exploration and Evaluation Assets and Expenditures (Continued)

Exploration and evaluation expenditures consisted of:

	Year Ended December 31,	
	2020	2019
Colombia	\$ 1,554,775	\$ 1,541,633
Nicaragua	1,083,284	227,347
Peru	2,272	2,272
Total exploration and evaluation expenditures	\$ 2,640,331	\$ 1,771,252

Colombia

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

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

Mineros S.A. Transaction

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

The Agreement contains the following basic terms:

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

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11. 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.

12. 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.

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Notes to the audited Consolidated Financial Statements

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(Expressed in Canadian Dollars, unless otherwise indicated)

12. Related Party Balances and Transactions (Continued)

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:

	Year Ended December 31,	
	2020	2019
Salaries	\$ 606,719	\$ 439,102
Stock based compensation	1,408,122	52,000
Professional fees ⁽¹⁾	30,000	14,112
	\$ 2,044,841	\$ 505,214

⁽¹⁾The Chief Financial Officer is a senior employee of Marrelli Support Services Inc. ("MSSI"). As at December 31, 2020, MSSI was owed \$nil (2019 - \$1,445.)

13. Segmented Information

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

Year ended December 31, 2020	Jersey	Colombia	Nicaragua	Peru	Total
Net loss from continuing operations	\$(2,704,023)	\$(2,149,186)	\$(1,130,345)	\$ (4,358)	\$(5,987,912)
Year ended December 31, 2019	Jersey	Colombia	Nicaragua	Peru	Total
Net loss from continuing operations	\$(2,225,002)	\$(1,484,237)	\$(1,120,202)	\$ (1,281)	\$(4,830,722)

As at December 31, 2020

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

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

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14. Investment in associate

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

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

The continuity of investment in associate is as follows:

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

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.

15. Financial Instruments Risk

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

Credit Risk

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

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Notes to the audited Consolidated Financial Statements

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(Expressed in Canadian Dollars, unless otherwise indicated)

15. Financial Instruments Risk (continued)

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, 2020 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	\$ 2,498,672
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	2,043
	\$ 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.

16. Income Taxes

There was no tax payable by the Company in the years ended December 31, 2020 and 2019.

Year Ended December 31,	2020	2019
Loss before income taxes, from continuing operations	\$ (5,987,912)	\$ (4,830,722)
Statutory rate	20%	20%
Expected income tax recovery	(1,197,582)	(966,144)
Losses not recognized	1,197,582	966,144
Income taxes	\$ -	\$ -

Royal Road Minerals Limited

Notes to the audited Consolidated Financial Statements

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17. Subsequent event

On March 1, 2021, the Company announced entered into a definitive agreement with Mineros S.A. ("Mineros") 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, Mineros 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 the five-year period in exploration carried on by Mineros and the Company.