



**CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS**

**THREE MONTHS ENDED MARCH 31, 2020**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED)**

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**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 March 31, 2020	As at December 31, 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,158,221	\$ 2,954,332
Prepaid expenses and other assets (note 4)	53,373	401,014
<b>Total current assets</b>	<b>3,211,594</b>	<b>3,355,346</b>
<b>Non-current assets</b>		
Property and equipment (note 5)	51,176	56,939
Exploration and evaluation assets (note 3)	9,405,913	9,406,115
Investment in associate (note 13)	25,562	25,562
Government sales taxes receivable (note 6)	366,295	415,850
<b>Total non-current assets</b>	<b>9,848,946</b>	<b>9,904,466</b>
<b>Total assets</b>	<b>\$ 13,060,540</b>	<b>\$ 13,259,812</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 232,122	\$ 181,600
Deferred exploration	1,339,103	-
<b>Total liabilities</b>	<b>1,571,225</b>	<b>181,600</b>
<b>Shareholders' equity</b>		
Share capital (note 7)	30,768,092	30,768,092
Warrants (note 8)	468,693	468,693
Contributed surplus	3,543,479	2,366,791
Translation of foreign operations	(3,167)	450,404
Accumulated deficit	(23,287,232)	(20,975,205)
<b>Shareholders' equity attributable to shareholders</b>	<b>11,489,865</b>	<b>13,078,775</b>
Non-controlling interest	(550)	(563)
<b>Total shareholders' equity</b>	<b>11,489,315</b>	<b>13,078,212</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 13,060,540</b>	<b>\$ 13,259,812</b>

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.

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## Royal Road Minerals Limited

### Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited

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	Three Months Ended March 31,	
	2020	2019
<b>Expenses</b>		
Exploration and evaluation expenditures (note 10)	\$ 482,814	\$ 325,405
Professional fees (note 11)	166,984	111,123
General and administrative	140,604	71,792
Employee salaries and benefits (note 11)	84,129	145,921
Stock based compensation (note 9)	1,176,688	15,600
Loss incurred from joint operation with Hemco	134,423	181,611
Loss from investment in associate	-	18,841
<b>Loss from operations</b>	<b>(2,185,642)</b>	<b>(870,293)</b>
<b>Other items</b>		
Other loss	(2,490)	-
Foreign exchange loss	(123,882)	10,027
	<b>(126,372)</b>	<b>10,027</b>
<b>Net loss for the year</b>	<b>(2,312,014)</b>	<b>(860,266)</b>
<b>Other comprehensive loss</b>		
Exchange differences arising on translation of foreign operations	(453,571)	(6,968)
<b>Total comprehensive loss for the year</b>	<b>\$ (2,765,585)</b>	<b>\$ (867,234)</b>
<b>Net loss for the period attributable to:</b>		
Shareholders of the Company	\$ (2,312,027)	\$ (855,503)
Non-controlling interest	13	(4,763)
	<b>\$ (2,312,014)</b>	<b>\$ (860,266)</b>
<b>Net loss per share attributable to shareholders of the Company - basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of shares outstanding - basic and diluted</b>	<b>200,422,056</b>	<b>173,631,696</b>

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

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## Royal Road Minerals Limited

### Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited

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	Three Months Ended March 31,	
	2020	2019
<b>Operating activities</b>		
Net loss for the year	\$ (2,312,014)	\$ (860,266)
Adjustments for:		
Depreciation	5,763	1,100
Stock based compensation	1,176,688	15,600
Loss from investment in associate	-	18,841
Unrealized foreign exchange loss	-	(10,027)
Changes in non-cash working capital items:		
Government sales tax receivable	49,555	-
Prepaid expenses and other assets	347,641	(136,851)
Accounts payable and accrued liabilities	50,522	(15,340)
<b>Net cash used in operating activities</b>	<b>(681,845)</b>	<b>(986,943)</b>
<b>Investing activities</b>		
Purchase/sale of property and equipment	-	(3,629)
Deferred exploration expenditure	1,339,103	-
<b>Net cash used in investing activities</b>	<b>1,339,103</b>	<b>(3,629)</b>
<b>Financing activities</b>		
Effect of foreign exchange on other comprehensive income	(453,369)	-
<b>Net cash provided by financing activities</b>	<b>(453,369)</b>	<b>-</b>
<b>Net change in cash and cash equivalents</b>	<b>203,889</b>	<b>(990,572)</b>
<b>Effect of foreign currencies on cash</b>	<b>-</b>	<b>(7,213)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>2,954,332</b>	<b>3,397,378</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 3,158,221</b>	<b>\$ 2,399,593</b>

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
<b>Balance, January 1, 2019</b>	<b>\$ 20,577,941</b>	<b>\$ 1,589,276</b>	<b>\$ 1,123,584</b>	<b>\$ 364,968</b>	<b>\$(16,512,046)</b>	<b>\$ (63,979)</b>	<b>\$ 7,079,744</b>
Share issued for purchase of							
Warrants expired	-	(1,233,360)	1,233,360	-	-	-	-
Options expired	-	-	(316,954)	-	316,954	-	-
Stock based compensation	-	-	15,600	-	-	-	15,600
Total comprehensive loss for the year	-	-	-	6,297	(855,503)	(4,763)	(853,969)
<b>Balance, March 31, 2019</b>	<b>\$ 20,577,941</b>	<b>\$ 355,916</b>	<b>\$ 2,055,590</b>	<b>\$ 371,265</b>	<b>\$(17,050,595)</b>	<b>\$ (68,742)</b>	<b>\$ 6,241,375</b>
<b>Balance, January 1, 2020</b>	<b>\$ 30,768,092</b>	<b>\$ 468,693</b>	<b>\$ 2,366,791</b>	<b>\$ 450,404</b>	<b>\$(20,975,205)</b>	<b>\$ (563)</b>	<b>\$ 13,078,212</b>
Stock based compensation	-	-	1,176,688	-	-	-	1,176,688
Total comprehensive loss for the year	-	-	-	(453,571)	(2,312,027)	13	(2,765,585)
<b>Balance, March 31, 2020</b>	<b>\$ 30,768,092</b>	<b>\$ 468,693</b>	<b>\$ 3,543,479</b>	<b>\$ (3,167)</b>	<b>\$(23,287,232)</b>	<b>\$ (550)</b>	<b>\$ 11,489,315</b>

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

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# Royal Road Minerals Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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### 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 5050 strategic exploration alliance with Hemco-Mineros Nicaragua, inwhich both companies combined exploration assets in Nicaragua in order to explore and develop them on a 5050 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.

#### *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 months ended March 31, 2020, the Company incurred a net loss of \$2,312,014 (three months ended March 31, 2019 - \$860,266). As at March 31, 2020, the Company has incurred significant losses since inception totaling \$23,287,232 (December 31, 2019 - \$20,975,205). As at March 31, 2020, the Company has a working capital of \$1,640,369 (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.

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# Royal Road Minerals Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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### 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 March 31, 2020. The Board of Directors approved the statements on June 11, 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 consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. As at March 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.

#### (d) 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.

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## Royal Road Minerals Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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## 2. Significant Accounting Policies (Continued)

### (e) *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.

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:



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# Royal Road Minerals Limited

## Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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### 3. Acquisition of Exploraciones Northern Colombia Exploration (continued)

#### 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, and

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.

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## Royal Road Minerals Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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#### 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:

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Cash	\$ 6,293,041
Acquisition costs	63,982
	<b>\$ 6,357,023</b>

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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)
	<b>\$ 6,357,023</b>

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#### 4. Prepaid Expenses and Other Assets

	As at March 31, 2020	As at December 31, 2019
Prepaid expenses	\$ 26,590	\$ 374,231
Security deposits	26,783	26,783
Total	<b>\$ 53,373</b>	<b>\$ 401,014</b>

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## Royal Road Minerals Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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#### 5. Property and Equipment

<b>Cost</b>		<b>Equipment</b>
Balance - January 1, 2019	\$	86,733
Additions		56,224
Translation differences		(5,565)
<b>Balance - December 31, 2019</b>		<b>137,392</b>
<b>Balance - March 31, 2020</b>	<b>\$</b>	<b>137,392</b>

<b>Accumulated Depreciation</b>		<b>Total</b>
Balance - January 1, 2019	\$	46,713
Charge for the year		33,908
Currency translation differences		(168)
<b>Balance - December 31, 2019</b>		<b>80,453</b>
Charge for the year		5,763
<b>Balance - March 31, 2020</b>	<b>\$</b>	<b>86,216</b>

<b>Carrying Amount</b>		<b>Total</b>
<b>Balance - March 31, 2020</b>	<b>\$</b>	<b>51,176</b>
<b>Balance - December 31, 2019</b>	<b>\$</b>	<b>56,939</b>

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## Royal Road Minerals Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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#### 6. Government Sales Tax Receivable

The Company has amounts receivable from the Colombian tax authority of \$366,295 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.

#### 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 March 31, 2020, the issued share capital amounted to \$30,768,092. The change in issued share capital for the periods presented were as follows:

	Number of Shares	Amount
<b>Balance, January 1, 2019</b>	<b>173,631,696</b>	<b>\$ 20,577,941</b>
<b>Balance, March 31, 2019</b>	<b>173,631,696</b>	<b>\$ 20,577,941</b>
<b>Balance, January 1, 2020</b>	<b>229,468,060</b>	<b>\$ 30,768,092</b>
<b>Balance, March 31, 2020</b>	<b>229,468,060</b>	<b>\$ 30,768,092</b>

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## Royal Road Minerals Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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#### 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
Expired	(20,160,000)	0.19
Balance, March 31, 2019	5,767,230	0.19
Balance, January 1, 2020	5,235,412	\$ 0.19
Expired	(2,017,230)	0.16
Balance, March 31, 2020	3,218,182	\$ 0.20

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

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

(1) These warrants expired unexercised subsequent to year end.

#### 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.

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## Royal Road Minerals Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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#### 9. Stock Options (Continued)

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

	Number of Options	Weighted Average Exercise Price
<b>Balance, January 1, 2019</b>	<b>9,060,000</b>	<b>\$ 0.15</b>
Granted (i)	1,000,000	0.10
Expired / forfeited	(5,160,000)	0.15
<b>Balance, March 31, 2019</b>	<b>4,900,000</b>	<b>0.14</b>
<b>Balance, January 1, 2019</b>	<b>13,250,000</b>	<b>\$ 0.15</b>
Granted (ii)	1,950,000	0.30
<b>Balance, March 31, 2020</b>	<b>15,200,000</b>	<b>\$ 0.15</b>

(i) 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%.

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

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Number of Options		Exercise Price	Weighted Average	
Outstanding	Exercisable		Remaining Contractual Life (years)	Expiry Date
2,500,000	2,500,000	\$ 0.15	0.17	June 1, 2020
700,000	700,000	\$ 0.15	0.38	August 15, 2020
10,050,000	3,350,000	\$ 0.25	2.48	September 23, 2022
1,950,000	-	\$ 0.30	2.48	September 23, 2022
<b>15,200,000</b>	<b>6,550,000</b>		<b>2.00</b>	

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## Royal Road Minerals Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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#### 10. Exploration and Evaluation Assets and Expenditures

Exploration and evaluation assets consisted of:

	As at March 31, 2020	As at December 31, 2019
<b>Colombia</b>		
Balance - beginning of the year	\$ 5,798,041	\$ -
Additions	-	5,887,457
Translation differences	(202)	(89,416)
Balance - end of the year	5,797,839	5,798,041
<b>Nicaragua</b>		
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	\$ 9,405,913	\$ 9,406,115

Exploration and evaluation expenditures consisted of:

	Three Months Ended March 31,	
	2020	2019
Colombia	\$ 371,129	\$ 235,785
Nicaragua	111,363	89,032
Peru	322	588
<b>Total exploration and evaluation expenditures</b>	<b>\$ 482,814</b>	<b>\$ 325,405</b>

#### **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%.

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#### 10. Exploration and Evaluation Assets and Expenditures (Continued)

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

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

#### Mineros S.A. Transaction

Subsequent to December 31, 2019, 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
- 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



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## Royal Road Minerals Limited

### Notes to Condensed Interim Consolidated Financial Statements

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#### 10. Exploration and Evaluation Assets and Expenditures (Continued)

- 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.

#### 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.

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## Royal Road Minerals Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Expressed in Canadian Dollars, unless otherwise indicated)

Unaudited

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#### 11. Related Party Balances and Transactions (continued)

##### *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 March 31,	
	2020	2019
Salaries	\$ 84,129	\$ 120,366
Stock based compensation	1,176,688	15,600
Consulting fees	2,500	-
	<b>\$ 1,263,317</b>	<b>\$ 135,966</b>

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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 March 31, 2020, the Company incurred professional fees of \$2,500 (2019 - \$nil). As at March 31, 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 March 31, 2020	Jersey	Colombia	Nicaragua	Peru	Total
Net loss from continuing operations	\$(1,549,462)	\$ (500,657)	\$ (259,174)	\$ (2,721)	\$(2,312,014)

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Three months ended March 31, 2019	Jersey	Colombia	Nicaragua	Peru	Total
Net loss from continuing operations	\$ (370,787)	\$ (238,300)	\$ (251,529)	\$ 350	\$(860,266)

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##### **As at March 31, 2020**

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	Jersey	Colombia	Nicaragua	Peru	Total
Non-current assets	\$ 2,236,209	\$ 5,831,668	\$ 1,781,069	\$ -	\$ 9,848,946

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##### **As at December 31, 2019**

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

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## Royal Road Minerals Limited

### Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

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Unaudited

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#### 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 up to 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:

	<b>Investment in associate</b>
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
<b>Balance, March 31, 2020</b>	<b>\$ 25,562</b>

#### 14. Subsequent Events

##### *COVID-19*

Since December 31, 2019, 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 the COVID19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

While the Company for a period of time 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.

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## **Royal Road Minerals Limited**

**Notes to Condensed Interim Consolidated Financial Statements**

**Three Months Ended March 31, 2020**

**(Expressed in Canadian Dollars, unless otherwise indicated)**

**Unaudited**

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### **14. Subsequent Events (continued)**

On May 14, 2020 Company issued 2,000,000 stock options to employees and consultants of the Company at an exercise price of \$0.25 per share, expiring on May 14, 2022, pursuant to the terms of the Company's stock option plan. The options vest as to 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.