



**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

**THREE AND SIX MONTHS ENDED  
JUNE 30, 2022**

**(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 June 30, 2022	As at December 31, 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 25,151,275	\$ 29,020,555
Prepaid expenses and other assets (note 3)	689,713	514,378
<b>Total current assets</b>	<b>25,840,988</b>	<b>29,534,933</b>
<b>Non-current assets</b>		
Property and equipment (note 4)	234,767	193,759
Exploration and evaluation assets (note 12)	9,395,730	9,351,169
Investment in associate (note 15)	25,562	25,562
Government taxes receivable (note 5)	262,564	414,681
Right-of-use asset	111,890	139,480
<b>Total non-current assets</b>	<b>10,030,513</b>	<b>10,124,651</b>
<b>Total assets</b>	<b>\$ 35,871,501</b>	<b>\$ 39,659,584</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 787,456	\$ 798,418
Lease liability (note 7)	30,116	31,254
<b>Total current liabilities</b>	<b>817,572</b>	<b>829,672</b>
<b>Non-current liabilities</b>		
Lease liability (note 7)	89,819	114,804
<b>Total non-current liabilities</b>	<b>89,819</b>	<b>114,804</b>
<b>Total liabilities</b>	<b>907,391</b>	<b>944,476</b>
<b>Shareholders' equity</b>		
Share capital (note 8)	42,480,222	42,480,222
Warrants (note 9)	353,552	353,552
Contributed surplus	5,196,992	5,260,640
Translation of foreign operations	1,101,699	892,720
Accumulated deficit	(14,167,748)	(10,271,419)
<b>Shareholders' equity attributable to shareholders</b>	<b>34,964,717</b>	<b>38,715,715</b>
Non-controlling interest	(607)	(607)
<b>Total shareholders' equity</b>	<b>34,964,110</b>	<b>38,715,108</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 35,871,501</b>	<b>\$ 39,659,584</b>

Nature of operations (note 1)

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 Income (Loss) and Comprehensive Income (Loss) (Expressed in Canadian Dollars) (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>Expenses</b>				
Exploration and evaluation expenditures (note 12)	\$ 436,780	\$ 466,220	\$ 882,377	\$ 1,595,321
Professional fees (note 13)	277,357	125,252	611,410	231,568
General and administrative	285,047	163,279	642,862	437,805
Employee salaries and benefits (note 13)	446,982	259,620	947,926	615,799
Stock based compensation (note 10)	426,434	733,693	496,667	1,305,928
Loss incurred from joint operation with Hemco	618,337	373,928	1,145,640	615,520
<b>Loss from operations</b>	<b>(2,490,937)</b>	<b>(2,121,992)</b>	<b>(4,726,882)</b>	<b>(4,801,941)</b>
<b>Other items</b>				
Gain for sale of property interest (note 12)	-	29,668,466	-	29,668,466
Foreign tax paid (note 12)	-	(4,553,427)	-	(4,553,427)
Foreign exchange gain (loss)	518,349	585,416	272,866	772,836
Other expenses	(1,163)	(427)	(2,628)	(1,795)
	<b>517,186</b>	<b>25,700,028</b>	<b>270,238</b>	<b>25,886,080</b>
<b>Net income (loss) for the period</b>	<b>(1,973,751)</b>	<b>23,578,036</b>	<b>(4,456,644)</b>	<b>21,084,139</b>
<b>Other comprehensive income (loss)</b>				
Exchange differences arising on translation of foreign operations	308,586	32,336	208,979	(195,359)
<b>Total comprehensive income (loss) for the period</b>	<b>\$ (1,665,165)</b>	<b>\$ 23,610,372</b>	<b>\$ (4,247,665)</b>	<b>\$ 20,888,780</b>
<b>Net income (loss) for the period attributable to:</b>				
Shareholders of the Company	\$ (1,973,751)	\$ 23,578,036	\$ (4,456,644)	\$ 21,084,139
Non-controlling interest	-	-	-	-
	<b>\$ (1,973,751)</b>	<b>\$ 23,578,036</b>	<b>\$ (4,456,644)</b>	<b>\$ 21,084,139</b>
<b>Net income (loss) per share attributable to shareholders - basic and diluted (note 11)</b>				
	<b>\$ (0.01)</b>	<b>\$ 0.09</b>	<b>\$ (0.02)</b>	<b>\$ 0.08</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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	Six Months Ended June 30,	
	2022	2021
<b>Operating activities</b>		
Net income (loss) for the period	\$ (4,456,644)	\$ 21,084,139
Adjustments for:		
Depreciation and amortization	33,342	8,557
Stock based compensation	496,667	1,305,928
Accretion expense	6,745	-
Exchange differences on translation of foreign operations	382,669	-
Changes in non-cash working capital items:		
Government sales tax receivable	152,117	223,377
Prepaid expenses and other assets	(175,335)	(876,322)
Accounts payable and accrued liabilities	(10,962)	856,916
<b>Net cash (used in) provided by operating activities</b>	<b>(3,571,401)</b>	<b>22,602,595</b>
<b>Investing activities</b>		
Purchase of property and equipment	(17,903)	(16,801)
<b>Net cash used in investing activities</b>	<b>(17,903)</b>	<b>(16,801)</b>
<b>Financing activities</b>		
Proceeds from the exercise of options	-	26,118
Proceeds from the exercise of warrants	-	480,000
Lease payments	(21,451)	-
<b>Net cash (used in) provided by financing activities</b>	<b>(21,451)</b>	<b>506,118</b>
<b>Net change in cash and cash equivalents</b>	<b>(3,610,755)</b>	<b>23,091,912</b>
<b>Effect of foreign currencies on cash and cash equivalents</b>	<b>(258,525)</b>	<b>(241,881)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>29,020,555</b>	<b>10,375,378</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 25,151,275</b>	<b>\$ 33,225,409</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 Deficit	Non-controlling Interest	Total
<b>Balance, January 1, 2021</b>	<b>\$ 41,473,692</b>	<b>\$ 664,204</b>	<b>\$ 4,069,599</b>	<b>\$ 571,097</b>	<b>\$ (26,894,823)</b>	<b>\$ (607)</b>	<b>\$ 19,883,162</b>
Warrants exercised	704,028	(224,028)	-	-	-	-	480,000
Options exercised	37,678	-	(11,560)	-	-	-	26,118
Stock based compensation	-	-	1,305,928	-	-	-	1,305,928
Total comprehensive income for the period	-	-	-	(195,359)	21,084,139	-	20,888,780
<b>Balance, June 30, 2021</b>	<b>42,215,398</b>	<b>440,176</b>	<b>5,363,967</b>	<b>375,738</b>	<b>(5,810,684)</b>	<b>(607)</b>	<b>42,583,988</b>
<b>Balance, January 1, 2022</b>	<b>\$ 42,480,222</b>	<b>\$ 353,552</b>	<b>\$ 5,260,640</b>	<b>\$ 892,720</b>	<b>\$ (10,271,419)</b>	<b>\$ (607)</b>	<b>\$ 38,715,108</b>
Options expired	-	-	(560,315)	-	560,315	-	-
Stock based compensation	-	-	496,667	-	-	-	496,667
Total comprehensive loss for the period	-	-	-	208,979	(4,456,644)	-	(4,247,665)
<b>Balance, June 30, 2022</b>	<b>\$ 42,480,222</b>	<b>\$ 353,552</b>	<b>\$ 5,196,992</b>	<b>\$ 1,101,699</b>	<b>\$ (14,167,748)</b>	<b>\$ (607)</b>	<b>\$ 34,964,110</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 the Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2022

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

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### 1. Nature of Operations

Royal Road Minerals Limited ("Royal Road" or the "Company") was incorporated under the *Companies (Jersey) Law 1991* on May 6, 2010 as "Tigris Resources Limited". On April 10, 2015, the Company changed its name to "Royal Road Minerals Limited" and amended its share capital structure by converting all of its par value shares to no par value shares and consolidating its then outstanding shares on the basis of two pre-consolidation shares for every one post-consolidation share. On April 15, 2015, the Company completed a business combination transaction (the "Arrangement") by way of an arrangement under the *Business Corporations Act (Alberta)*, whereby the Company acquired its wholly-owned subsidiary Royal Road Minerals Canada Limited ("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 "RZR". The Company's registered and head office is located at Ground Floor, Portman House, 32 Hue Street, St. Helier, Jersey, Channel Islands, JE2 3RE.

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").

#### COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", 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. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 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 Company and its operating subsidiaries in future periods. The Company is monitoring the business environment as a result to ensure minimal disruption to business operations. The Company continues to operate all aspects of its business as intended as of the current date.

### 2. Significant Accounting Policies

#### (a) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. The accounting policies and methods of computation applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those applied in the Company's audited annual consolidated financial statements for the year ended December 31, 2021, other than as noted below. The unaudited condensed interim consolidated financial statements were approved by the Board of Directors on August 29, 2022.

#### (b) Basis of preparation

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

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# Royal Road Minerals Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2022

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

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### 2. Significant Accounting Policies (Continued)

#### (c) Basis of consolidation

The unaudited condensed interim consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. As at June 30, 2022, the Company has 5 wholly-owned subsidiaries, RRMC incorporated in Canada, Nicaza S.A. incorporated in Nicaragua; MCR and ENC, incorporated in Colombia; Royal Road Accelerator Limited incorporated in Jersey 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 unaudited consolidated of loss and comprehensive loss 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) 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. Prepaid Expenses and Other Assets

	As at June 30, 2022	As at December 31, 2021
Prepaid expenses	\$ 461,943	\$ 170,956
Security deposits	26,783	26,783
Hemco JV receivable	200,987	316,639
Total	\$ 689,713	\$ 514,378

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## Royal Road Minerals Limited

### Notes to the Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2022

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

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#### 4. Property and Equipment

<b>Cost</b>		<b>Equipment</b>
Balance - January 1, 2021	\$	175,706
Additions		121,800
<b>Balance - December 31, 2021</b>		<b>297,506</b>
Additions		17,903
Translation differences		32,979
<b>Balance - June 30, 2022</b>	<b>\$</b>	<b>348,388</b>

<b>Accumulated Depreciation</b>		<b>Total</b>
Balance - January 1, 2021	\$	94,567
Charge for the year		9,180
<b>Balance - December 31, 2021</b>		<b>103,747</b>
Charge for the period		16,515
Currency translation differences		(6,641)
<b>Balance - June 30, 2022</b>	<b>\$</b>	<b>113,621</b>

<b>Carrying Amount</b>		<b>Total</b>
<b>Balance - June 30, 2022</b>	<b>\$</b>	<b>234,767</b>
<b>Balance - December 31, 2021</b>	<b>\$</b>	<b>193,759</b>

#### 5. Government Tax Receivable

The Company has amounts receivable from the Colombian tax authority of \$262,564 as at June 30, 2022 (December 31, 2021 - \$414,681) for sales taxes paid on purchases and income taxes receivable in Colombia through its subsidiaries RRM Colombia and ENC. These amounts are collectible after its Colombian subsidiaries begins to generate revenue, at which point the amount will be realized by way of offset against sales tax payable and taxable income generate. As the Company does not expect to generate revenue for the next 12-months the amounts are reported as a long-term asset.



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## Royal Road Minerals Limited

### Notes to the Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2022

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

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#### 6. Right of use asset

<b>Balance - January 1, 2021</b>	<b>\$</b>	<b>-</b>
Additions		176,931
Amortization		(35,173)
Impact of foreign exchange		(2,278)
<b>Balance - December 31, 2021</b>	<b>\$</b>	<b>139,480</b>
Amortization		(16,827)
Impact of foreign exchange		(10,763)
<b>Balance - June 30, 2022</b>	<b>\$</b>	<b>111,890</b>

#### 7. Lease liability

In January 2021, the company leased office space for a five year term. At the commencement date of the lease, the lease liability was measured at the present value of the lease payments. The lease payments are discounted using an interest rate of 10%, which is the Company's incremental borrowing rate.

The continuity of lease liabilities is presented in the table below:

<b>Balance - January 1, 2021</b>	<b>\$</b>	<b>-</b>
Additions		176,931
Disposal		-
Accretion expense		16,302
Lease payments		(44,840)
Impact of foreign exchange		(2,335)
<b>Balance - December 31, 2021</b>		<b>146,058</b>
Accretion expense		6,745
Lease payments		(21,451)
Impact of foreign exchange		(11,417)
<b>Balance - June 30, 2022</b>	<b>\$</b>	<b>119,935</b>
Current portion	<b>\$</b>	<b>30,116</b>
Non-current portion	<b>\$</b>	<b>89,819</b>

## Royal Road Minerals Limited

### Notes to the Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2022

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

#### 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 June 30, 2022, the issued share capital amounted to \$42,480,222. The change in issued share capital for the periods presented were as follows:

	Number of Shares	Amount
<b>Balance, January 1, 2021</b>	<b>262,398,741</b>	<b>\$ 41,473,692</b>
Warrants exercised	2,400,000	704,028
Options exercised	87,059	37,678
<b>Balance, June 30, 2021</b>	<b>264,885,800</b>	<b>42,215,398</b>
<b>Balance, January 1, 2022 and June 30, 2022</b>	<b>265,695,801</b>	<b>\$ 42,480,222</b>

#### 9. Warrants

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

	Number of Warrants	Weighted Average Exercise Price
<b>Balance, January 1, 2021 and June 30, 2021</b>	<b>5,083,351</b>	<b>\$ 0.27</b>
Exercised	(2,400,000)	0.20
<b>Balance, June 30, 2021</b>	<b>2,683,351</b>	<b>0.32</b>
<b>Balance, January 1, 2022 and June 30, 2022</b>	<b>1,873,350</b>	<b>\$ 0.37</b>

The Company had the following warrants outstanding at June 30, 2022:

Number of Warrants	Exercise Price	Expiry Date
1,873,350	\$ 0.37	August 4, 2022

# Royal Road Minerals Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2022

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

### 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.

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

	Number of Options	Weighted Average Exercise Price
<b>Balance, January 1, 2021</b>	<b>23,550,000</b>	<b>\$ 0.26</b>
Exercised	(87,059)	0.30
<b>Balance, June 30, 2021</b>	<b>23,462,941</b>	<b>\$ 0.32</b>
<b>Balance, January 1, 2022</b>	<b>19,412,941</b>	<b>\$ 0.32</b>
Granted (i)	4,000,000	0.35
Cancelled / forfeited	(4,500,000)	0.27
<b>Balance, June 30, 2022</b>	<b>18,912,941</b>	<b>\$ 0.34</b>

(i) On April 6, 2022, the Company granted 4,000,000 stock options to directors, officers and consultants of the Company at an exercise price of \$0.35 per common share, expiring on April 6, 2024, pursuant to the terms of the Company's stock option plan. The options vested immediately.

The options were assigned a fair value of \$396,000 using the Black-Scholes option pricing model with the following assumptions: share price \$0.27, dividend yield 0%, forfeiture rate of 0%; expected volatility 80% (based on the historical price history of the Company's common shares), risk-free interest rate 2.37%.

The Company had the following stock options outstanding as of June 30, 2022:

Number of Options		Exercise Price	Weighted Average Remaining Contractual		Expiry Date
Outstanding	Exercisable		Life (years)		
3,800,000	3,800,000	\$ 0.25	0.23	September 23, 2022	
912,941	912,941	\$ 0.30	0.23	September 23, 2022	
2,500,000	1,500,000	\$ 0.30	1.23	September 21, 2023	
4,000,000	4,000,000	\$ 0.35	1.77	April 6, 2024	
7,700,000	7,700,000	\$ 0.40	3.45	December 9, 2025	
<b>18,912,941</b>	<b>17,912,941</b>		<b>2.00</b>		

# Royal Road Minerals Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2022

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

### 11. Net loss per share

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income (loss) for the period	\$ (1,973,751)	\$ 23,578,036	\$ (4,456,644)	\$ 21,084,139
Net income (loss) per share - basic and diluted	\$ (0.01)	\$ 0.09	\$ (0.02)	\$ 0.08
Weighted average number of shares outstanding - basic and diluted	265,695,801	249,367,504	265,695,801	262,398,471

### 12. Exploration and Evaluation Assets and Expenditures

Exploration and evaluation assets consisted of:

	As at June 30, 2022	As at December 31, 2021
<b>Colombia</b>		
Balance - beginning of the period	\$ 5,743,095	\$ 5,696,573
Translation differences	44,561	46,522
Balance - end of the period	5,787,656	5,743,095
<b>Nicaragua</b>		
Balance - beginning of the period	3,608,074	3,608,074
Balance - end of the period	3,608,074	3,608,074
Total Balance - end of the period	\$ 9,395,730	\$ 9,351,169

Exploration and evaluation expenditures consisted of:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Colombia	\$ 355,715	\$ 405,642	\$ 610,685	\$ 766,605
Nicaragua	81,065	60,578	271,692	828,716
<b>Total exploration and evaluation expenditures</b>	<b>\$ 436,780</b>	<b>\$ 466,220</b>	<b>\$ 882,377</b>	<b>\$ 1,595,321</b>

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# Royal Road Minerals Limited

## Notes to the Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2022

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

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

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

The Agreement contains the following basic terms:

- Mineros agree to pay to Royal Road the sum of \$1,384,210 (USD \$1 million) on execution of the Agreement. The parties agree that, upon making such payment, they will operate the GNP Project on a joint venture basis with Royal Road as operator.
- Mineros has the option (the "First Option") to acquire a 25% interest in the GNM Project by providing Royal Road with USD \$1 million for the exploration of the GNM Project.
- If Mineros exercises the First Option, Mineros has the option (the "Second Option") to acquire an additional 25% interest in the GNM Project by providing Royal Road with a total of USD \$1.5 million in additional funding for the GNP Project and thereafter, Royal Road and Mineros would each hold a 50% interest in the GNP Project Company.
- Mineros and Royal Road will agree to an initial exploration program and budget for the exploration of the GNM Project and; prior to any exercise of the Second Option, the parties will agree to a second program and budget for the further exploration of the GNM Project
- At any time after Mineros has acquired a 25% interest and if at such time Mineros elect not to exercise the Second Option, Mineros may elect to cause all titles and the rights to title applications with respect to a designated project area to be transferred to a newly formed special purpose company (the "Project Company"), initially to be owned as to 75% by Royal Road and as to 25% by Mineros

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## Royal Road Minerals Limited

### Notes to the Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2022

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

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#### 12. 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

On December 14, 2021, the Company announced that it has entered into two binding Heads of Agreements with respect to, a mining concession contract (the "Concession Contract") owned by titleholders (the "Titleholders") and an application (the "Application") for a mining concession contract, owned by an individual applicant and its nominees (the "Applicants"). The properties underlying the Concession Contract and the Application are, in each case, located proximal to the Company's Guintár copper and gold project in Antioquia Department, Colombia.

The Heads of Agreements contain the following basic terms:

- An initial payment (the "Option Payment") of, in the case of the Concession Contract USD\$150,000 and in the case of the Application USD\$100,000, which provides Royal Road with the exclusive right to earn an 80% interest in the Concession Contract and in the Application, respectively.
- A subsequent payment, in the case of the Concession Contract, of a further USD\$100,000 once certain regulatory approvals are attained and, in the case of the Application, a further USD\$150,000 on the conversion of the Application to a concession contract.
- In the case of the Concession Contract, Royal Road will be responsible for all properly incurred obligations, liabilities, expenses and regulatory costs related with regulatory approvals up to a capped limit of USD\$500,000.
- At any point following the Option Payment, Royal Road may exercise its option to acquire an 80% interest in the Concession Contract by making a one-time payment of USD\$2.25 million and in the Application by making a one-time payment of USD\$1.125 million.
- In both cases, the 20% interest retained by the Titleholders and the Applicants, respectively, will be free carried until a successful feasibility study is delivered in connection with or incorporating the relevant property, at which point this interest will be converted to a 2% net smelter returns royalty in relation to metals extracted from the underlying properties, which may be purchased by Royal Road for USD\$20 million in the case of the Concession Contract and USD\$10 million in the case of the Application.
- Royal Road shall have a right of first refusal on any sale of either of the 20% interests up until the point of conversion to a net smelter royalty.

The terms and conditions set forth in the Heads of Agreements create binding legal obligations on the parties. The parties will enter into Definitive Agreements which shall be based upon and incorporate the form and substance of these Heads of Agreements.

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## Royal Road Minerals Limited

### Notes to the Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2022

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

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

##### 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.

On May 21, 2021, the Company completed sale to Hemco Nicaragua S.A. its entire 50% interest in the Luna Roja Project, comprising the Monte Carmelo I and II mining concession in Nicaragua. The Company received (i) \$29,668,466 (US\$24.4 million) of which \$25,115,039 (US\$20.8 million) was paid in cash and the remaining \$4,553,427 (US\$3.6 million) retained by Hemco Nicaragua S.A. to be remitted to the local governmental authorities with the applicable withholding tax requirements under Nicaraguan law and (ii) a 1.25% net smelter return royalty on all future mineral productions from the Monte Carmelo I and II mining concessions, from the first commercial production. For the year ended December 31, 2021, the Company recorded a gain for sale of property interest of \$29,668,466 and \$4,553,427 was recorded as foreign tax paid.

#### 13. 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.

##### *Compensation of key management personnel of the Company*

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Salaries	\$ 237,250	\$ 148,206	\$ 570,666	\$ 354,946
Stock based compensation	191,510	480,017	233,650	852,665
Professional fees <sup>(1)</sup>	18,535	7,500	26,035	15,000
	\$ 447,295	\$ 635,723	\$ 830,351	\$ 1,222,611

<sup>(1)</sup> The Chief Financial Officer is a senior employee of Marrelli Support Services Inc. ("MSSI"). As at June 30, 2022, MSSI was owed \$nil (December 31, 2021 - \$2,545).

## Royal Road Minerals Limited

### Notes to the Condensed Interim Consolidated Financial Statements

Three and Six Months Ended June 30, 2022

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

#### 14. Segmented Information

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

Three months ended June 30, 2022	Jersey	Colombia	Nicaragua	Peru	Total
Net loss	\$ (770,272)	\$ (457,632)	\$ (745,847)	\$ -	\$ (1,973,751)
Six months ended June 30, 2022	Jersey	Colombia	Nicaragua	Peru	Total
Net loss	\$ (2,355,138)	\$ (635,442)	\$ (1,466,064)	\$ -	\$ (4,456,644)
Three months ended June 30, 2021	Jersey	Colombia	Nicaragua	Peru	Total
Net income (loss)	\$24,450,320	\$ (415,386)	\$ (456,898)	\$ -	\$23,578,036
Six months ended June 30, 2021	Jersey	Colombia	Nicaragua	Peru	Total
Net income (loss)	\$23,079,969	\$ (509,253)	\$ (1,486,577)	\$ -	\$21,084,139
As at June 30, 2022	Jersey	Colombia	Nicaragua	Peru	Total
Non-current assets	\$ 160,802	\$ 8,028,752	\$ 1,840,959	\$ -	\$10,030,513
As at December 31, 2021	Jersey	Colombia	Nicaragua	Peru	Total
Non-current assets	\$ 171,233	\$ 8,154,351	\$ 1,799,067	\$ -	\$10,124,651

#### 15. 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, 2021	\$ 25,562
<b>Balance, June 30, 2022</b>	<b>\$ 25,562</b>