

ROYAL ROADS CORP.
CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
MARCH 31, 2007

Notice of disclosure of non-auditor review of interim financial statements pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators.

The accompanying financial statements of the Company for the period ended March 31, 2007 have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the Company's management. The Company's independent auditors, Wasserman Ramsay & Associates have not performed an audit or a review of these interim financial statements.

Dated May 12, 2007

ROYAL ROADS CORP.
CONSOLIDATED BALANCE SHEET

(Unaudited)

AT MARCH 31, 2007

	<u>March 31 2007</u>	<u>December 31 2006</u>
ASSETS		
Current		
Cash	\$ 452,130	\$ 659,258
Receivables	102,305	57,383
Prepaid expenses and deposits	<u>313,728</u>	<u>287,244</u>
	868,163	1,003,885
Cash - flow-through-funds	1,405,989	1,937,675
Capital assets	44,861	
Investments	82,020	88,900
Mineral resource properties (Note 3)	<u>6,347,618</u>	<u>5,761,052</u>
	<u>\$ 8,748,651</u>	<u>\$ 8,791,512</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 194,555	\$ 237,597
Deferred option	250,750	202,000
Non-controlling interest	630,779	739,565
Future income taxes	<u>863,223</u>	<u>780,223</u>
	<u>1,939,307</u>	<u>1,959,385</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 4)	8,711,247	9,083,554
Contributed surplus	217,211	217,211
Deficit	<u>(2,119,114)</u>	<u>(2,468,638)</u>
	<u>6,809,344</u>	<u>6,832,127</u>
	<u>\$ 8,748,651</u>	<u>\$ 8,791,512</u>

ROYAL ROADS CORP.

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
(Unaudited)
FOR THE THREE MONTHS ENDED MARCH 31, 2007

	<u>2007</u> <u>3 Months</u>	<u>2006</u> <u>3 Months</u>
Interest income	<u>\$ 20,321</u>	<u>\$ 65</u>
Expenses		
Professional fees	78,133	1,956
Amortization	1,985	
Office and general	16,769	1,947
Insurance	2,125	
Salaries and consulting fees	69,425	
Rent	11,761	
Promotion, travel and entertainment	22,271	
Filing fees	2,687	3,968
Investor relations and information	6,564	243
Transfer agent fees	12,135	2,100
	<u>223,855</u>	<u>10,214</u>
Operating loss	(203,534)	(10,149)
Write down of securities	(55,630)	
Future income taxes recovered	<u>655,643</u>	
Income (loss) before non-controlling allocation	396,479	(10,149)
Non-controlling interest	<u>46,954</u>	
Net income (loss)	349,525	(10,149)
Deficit, beginning of period	(2,468,639)	(2,093,361)
Deficit, end of period	<u><u>\$(2,119,114)</u></u>	<u><u>\$(2,113,659)</u></u>
Income (loss) per share	\$ 0.007	\$ (0.000)

ROYAL ROADS CORP.

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)
FOR THE THREE MONTHS ENDED MARCH 31, 2007

	<u>2007</u>	<u>2006</u>
	<u>3 Months</u>	<u>3 Months</u>
Cash provided by (used in) the following activities		
Operations		
Net income (loss) for the period	\$ 349,525	\$ (10,149)
Amortization	1,985	
Writedown of investments	55,630	
Future income taxes recovered	(655,643)	
Net change in non-cash working capital items	(114,449)	(43,266)
	<u>(362,952)</u>	<u>(53,415)</u>
Investing		
Expenditures on mineral resource properties	(586,566)	(1,200)
Decrease in non-controlling interest	(108,786)	
Acquisition of investments	(48,750)	
Acquisition of capital assets	(46,846)	
	<u>(790,948)</u>	<u>(1,200)</u>
Financing		
Issue of common shares - net of costs	(372,307)	
Increase in future taxes	738,643	
Increase in deferred option	48,750	
Flow-through funds used	531,686	
	<u>946,772</u>	<u>-</u>
Net change in cash for the period	(207,128)	(54,615)
Cash, beginning of the period	<u>659,258</u>	<u>130,048</u>
Cash, end of the period	<u>\$ 452,130</u>	<u>\$ 75,433</u>

ROYAL ROADS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
FOR THE THREE MONTHS ENDED MARCH 31, 2007

1. Incorporation and nature of business

The Company, considered to be in the development stage, is in the process of exploring mineral properties in Newfoundland and Labrador, Canada. The Company has not yet determined whether these properties contain economic reserves.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue and has significant cash requirements to meet its administrative overhead and maintain its mineral interests. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

2. Accounting policies

The company financial statements include the consolidated accounts of the Company and its subsidiary, Buchans River Ltd.. All inter-company balances and transactions have been eliminated on consolidation.

Other accounting policies followed are detailed in the Company's annual report.

3. Mineral resource properties

Costs related to the mineral resource are capitalized during the exploration and development period. The costs will be amortized against production when the commercial viability of the projects are determined. In the event a mineral property is abandoned it will be written down to its realizable value.

	<u>2007</u>			<u>2006</u>
	<u>Claim Cost</u>	<u>Deferred Exploration</u>	<u>Total</u>	<u>Total</u>
Tulks	\$ 533,219	\$ 1,269,744	\$ 1,802,963	\$ 1,386,129
Buchans Camp	3,573,676	970,979	4,544,655	4,374,923
Total	<u>\$ 4,106,895</u>	<u>\$ 2,240,723</u>	<u>\$ 6,347,618</u>	<u>\$ 5,761,052</u>

ROYAL ROADS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
FOR THE THREE MONTHS ENDED MARCH 31, 2007

4. **Capital stock**

Authorized
Unlimited number of common shares
Unlimited number of preference shares

Capital stock is made up as follows

	<u>2007</u>	<u>2006</u>
Common shares	\$ 8,569,197	\$ 8,941,504
Warrants	142,050	142,050
	<u>\$ 8,711,247</u>	<u>\$ 9,083,554</u>
	<u># of shares</u>	<u>\$ Value</u>
Balance December 31, 2005	38,089,369	3,458,768
Issued on the acquisition of Buchans River Ltd.	6,483,778	2,398,998
Options exercised	950,000	100,000
Common shares issued for cash	9,098,998	2,001,780
Warrants exercised	112,500	22,500
Flow Through shares issued	4,354,142	1,219,159
Less: share issue costs		<u>(259,701)</u>
Balance December 31, 2006	59,088,787	8,941,504
Issued on the acquisition of Buchans River Ltd.	184,437	101,440
Less: Share issue costs		(9,004)
Future taxes on flow through shares		(464,743)
Balance March 31, 2007	<u>59,273,224</u>	<u>\$ 8,569,197</u>

The Company is also authorized to issue an unlimited number of preference shares in one or more series. The directors are authorized to fix the number of shares and their designation, rights, privileges, and conditions attached to the shares of each series.
As of March 31, 2007 no preference shares have been issued.

Warrants	<u>Warrants Outstanding</u>	<u>Average Exercise Price</u>
At December 31, 2005	162,500	\$ 0.20
Expired during 2006	(50,000)	\$ 0.20
Exercised during 2006	(112,500)	\$ 0.20
Purchase warrants issued during 2006	4,499,499	\$ 0.32
Agent warrants issued during 2006	<u>376,023</u>	\$ 0.28
At December 31, 2006 and March 31, 2007	<u>4,875,522</u>	\$ 0.32

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2007

4. (cont'd) **Capital Stock**

Stock-based compensation plan

The company has a common share purchase option plan for directors, officers and employees. Options granted under the plan have a five year term and are granted at a price no lower than the market price of the common shares at the time of the grant.

	Options Outstanding	Weighted Average Exercise price
At December 31, 2005	1,750,000	\$0.11
Exercised during 2006	(950,000)	\$0.11
Cancelled during 2006	(800,000)	\$0.11
Granted during 2006	<u>2,475,000</u>	\$0.26
At December 31, 2006 and March 31, 2007	<u><u>2,475,000</u></u>	\$0.26

5. **Income tax loss-carry-forwards**

The Company has available approximately \$850,000 in non-capital losses which can be carried forward and used against future taxable income until expiry. In addition, the Company has available \$163,000 in share issue costs which can be deducted from taxable income on a straight line basis over a five year period.

The company has the following future income tax assets (liabilities):

Non capital losses	\$ 323,000
Canadian exploration expenses	(468,000)
Mineral property	(780,223)
Capital assets and other	62,000
Liability recognized in the financial statements	<u><u>(\$ 863,223)</u></u>

6. **Subsequent event**

On May 18, 2007 the Company announced the completion of a \$6,387,500 private placement through brokers on a bought deal basis. There were 6,555,000 flow through shares issued at \$0.50 and 7,775,000 units issued at \$0.40. The units consisted of a share and a half purchase warrant, one whole warrant entitles the holder to subscribe for one common share for \$0.54 at any time until the date that is twenty months from the relevant closing.