

*The following discussion and analysis of the financial position and results of operations for Royal Roads Corp. (the “Company” or “Royal Roads”) should be read in conjunction with the unaudited financial statements for the period ended March 31, 2007 and the audited financial statements and the notes thereto for the year ended December 31, 2006.*

*This discussion includes certain statements that may be deemed “forward-looking statements”. All statements in this discussion, other than statements of historical fact, that address reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration results, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. The information contained herein is stated as of May 23, 2007 and is subject to change after that date.*

#### **Date**

The following management discussion and analysis is for the quarter ended March 31, 2007 and includes relevant information up to May 23, 2007 (“the report date”). Additional information relating to the Company can be viewed on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Description of Business**

The Company is a mineral exploration company engaged in the business of acquiring and exploring mineral properties. The Company has interests in properties in Newfoundland and Labrador, Canada. The Company’s properties are currently at an “exploration stage”.

The Company has no producing properties, no operating income or cash flow and funds its operations through the proceeds from equity financings.

#### **Takeover of Buchans River Ltd.**

On October 2, 2006, Royal Roads announced that it had entered into a support agreement and lock-up agreement with respect to its proposed friendly take-over bid for the shares of Buchans River Ltd. The offer was to exchange 0.75 of a common share of Royal Roads and pay \$0.10 cash for each common share of Buchans River Limited (“Buchans”) tendered by Buchans shareholders on or before December 14, 2006. Buchans is an exploration company with mineral claim holdings in Newfoundland and had at March 31, 2007, 17,108,990 shares outstanding. At quarter end Royal Roads owned 8,890,953 common shares of Buchans representing 51.97% of the total common shares outstanding at that time.

## **Major Activities During The Quarter**

The Company established a new field office in St. John's, Newfoundland, taking a five year lease and engaging office staff. The focus of activity in the quarter was planning exploration activity for the spring and summer work program along with establishing budgets and a fund raising plan to execute the work program. Drilling took place on the 01410 and 010400M properties during the quarter and the drilling results were released February 27, 2007.

## **Tulks North Property, Central Newfoundland**

The Tulks North Property comprises 641 mineral claims covering 16,075 hectares (approximately 32 km x 5 km) and is strategically located in the centre of the world-class Buchans base metal camp in central Newfoundland, Canada. The property is located approximately 15 km south of the former producing Buchans Mine, one of Canada's richest base metal mines which produced 16.2 million tonnes grading 14.51% zinc, 1.33% copper, 7.56% lead, 126 g/t silver and 1.37g/t gold.

The Daniels Pond volcanogenic massive sulphide deposit is the centre piece of the Tulks North property and has a 43-101 compliant inferred resource comprising 1.69 million tonnes grading 8.37% Zinc, 4.4% Lead, 0.57% Copper, 196.9 g/t Silver and 0.68 g/t gold. This resource was calculated at a greater than 2% zinc cut-off grade. The report further outlined a greater than 1% zinc cut-off resource comprising 4.21 million tonnes grading 4.03% Zinc, 1.80% Lead, 0.37% Copper, 82.20 g/t Silver and 0.43 g/t gold.

During the winter of 2007 the Company completed a 1,685 metre drilling program on Daniels Pond. Plans for the remainder of 2007 include an additional 12,500 m of diamond drilling, of which 10,000 m will be directed towards further exploration of the Daniels Pond deposit, while an additional 2,500 m will be directed towards exploratory drill testing of other priority targets located elsewhere within its expansive, 182 km<sup>2</sup>, Tulks North project. The 2,500 metre exploratory drill testing of other priority targets will be assisted by results from a recently completed gravity survey covering the Daniels Pond deposit and extending over the northeast on-strike extension of the deposit's host horizon. The 2007 program will be further augmented by an ongoing digital compilation of historical work on the property as well as additional field surveys.

## **Buchans River Property, Central Newfoundland**

Buchans has prepared a comprehensive exploration program on its main Buchans River property that is scheduled to commence in July, 2007 and will include a combined drilling, geophysics and data compilation program in which drilling will commence on the Little Sandy copper prospect and the Clementine West prospect to be followed by deep seeking geophysical surveys employing Quantec Geoscience Limited's Titan 24 DCIP-MT system starting at the end of August. Working in parallel to the planned drilling and geophysics program will be an ongoing comprehensive compilation of previous exploration work that once compiled, will be used to design additional exploration programs within the Buchans project. Preliminary estimates for exploration expenditure for the 2007 calendar year on the main Buchans property indicate the program will be in the \$1,600,000 range of which \$25,423 was spent in the quarter. In addition Buchans has budgeted \$300,000 towards the Tulks Hill joint venture with Prominex Resources who are anticipated to earn their 51% interest in the property this year. Additionally Buchans has budgeted approximately \$40,000 in compilation work on some of its smaller regional properties that include Barasway de Cerf and the West Tally's properties.

Buchans owns 34 licenses issued by the Government of Newfoundland and Labrador consisting of 614 mineral exploration claims (15,350 ha) as well as two Fee Simple Mining Grants totaling 632.8 ha covering various areas of the Province. Buchans has 100% ownership in 547 claims as well as both Mining Grants, while 67 claims are in deferred option arrangements. Buchans has posted bonds totaling \$72,445 on 18 licenses for required work that was not completed as at December 31, 2006. During 2007, Buchans intends to spend sufficient exploration expenditures on all the licenses to be able to recover the 2006 bonds and fulfill the required spending commitments for 2007.

### **Results of Operations**

The income for the quarter was \$349,525 compared to a loss of \$10,149 for 2006. The income arose as a result of the recognition of \$655,643 in benefits on the application of historical operating losses against the future taxes arising on the issue of flow through shares. The operating loss for the quarter was \$203,534 (2006-\$10,149) before the write down of portfolio investments to market.

Interest income of \$20,321 (2006-\$65) was increased from the prior year as the company held more cash throughout the quarter. General and administrative expenses increased from \$10,214 in 2006 to \$223,855 in 2007 due to the increased activity of the Company and the addition of the activities of its subsidiary Buchans River Ltd. Significant increases in professional fees relating to audit and legal services, engagement of full time management and the set up of the Halifax and St. John's offices accounted for most of the increase.

### **Related Party Transactions**

During the quarter, the Company paid rent and reimbursed overhead expenses including salaries in the amount of \$32,176 to its parent company, Acadian Gold Corporation, which held 50.97 percent of the outstanding common shares of the Company as at March 31, 2007.

### **Selected Financial Data**

The following is selected quarterly information from the un-audited financial statements for each of the eight most recently completed quarters.

<b>Quarter</b>	<b>Revenue \$</b>	<b>Net Income (Loss) \$</b>	<b>Income (Loss) per Share</b>	<b>Total Assets \$</b>	<b>Shareholder Equity \$</b>
Q1/07	20,321	349,525	.007	8,748,651	6,809,344
Q4/06	9,040	(375,278)	(.006)	8,791,512	6,832,127
Q3/06	500	(66,631)	(.002)	1,387,132	1,387,132
Q2/06	109	(34,078)	(.001)	1,374,676	1,366,263
Q1/06	65	(10,149)	(.000)	1,404,065	1,400,344
Q4/05	0	(41,434)	(.001)	1,456,596	1,410,493
Q3/05	0	(14,270)	(.001)	1,416,043	1,414,394
Q2/05	0	(36,937)	(.001)	1,365,555	1,363,664

### **Discussion of Property Expenditures**

In the quarter ended March 31, 2007 \$442,257 of expenses relating directly to the ongoing development of the Company's mineral claims were capitalized (2006 \$1,200). The bulk of the expenditures were directed towards three of the eight licenses comprising the Tulks North property (i) license 01410-\$267,690 where a significant drilling program was under-way, (ii) the 010400M license- \$57,366 where the Company also had a drilling program and (iii) the 010402 license-\$65,937 for geophysical services. The Company also deposited \$27,445 with the Newfoundland Government as a bond for work to be performed on its properties in Newfoundland.

### **Liquidity and Cash Reserves**

As at March 31 2007, the Company had \$452,130 in cash and cash equivalents versus \$75,433 in the prior year. The Company also had \$1,405,989 in cash held for exploration purposes raised in its Flow Through Share offering completed in November, 2006. Cash decreased primarily as a result of the loss from operations of \$203,534. The Company estimates remaining 2007 expenditures will approximate \$2,800,000 on exploration activities and \$1,000,000 on general and administrative expenses. The Company intends to fund its budgeted expenditures with existing cash and the proceeds of the share offerings described in the following subsequent event disclosure.

### **Subsequent Event**

The Company announced on May 18, 2007 the completion of a \$6,387,500 private placement through both Northern Securities Inc. and Bieber Securities Inc. on a bought deal basis. The financing occurred in two tranches, the first of which closed on May 4, 2007 and resulted in the issuance of 4,000,000 Flow-Through Shares at \$0.50 per Flow-Through Share and 2,500,000 Units at \$0.40 per Unit for aggregate gross proceeds of \$3,000,000. The second tranche closed on May 18, 2007 and resulted in the issue of 2,555,000 Flow-Through Shares at \$0.50 per Flow-Through Share and 5,275,000 Units at \$0.40 per Unit for aggregate gross proceeds of \$3,387,500, which includes the exercise by the underwriters of \$887,500 of the over-allotment option that had been granted to them. For both tranches, each Unit was comprised of one Royal Roads common share ("Share") and one-half of one Royal Roads common share purchase warrant ("Warrant"). One whole Warrant will entitle the holder to subscribe for one Share at \$0.54 at any time until the date that is 20 months from the relevant closing.

The Company's subsidiary Buchans River Ltd. announced on May 18, 2007 the completion of a \$3,400,000 private placement agreement with Northern Securities Inc. and Bieber Securities Inc. on a bought deal basis. This financing represents the first of two tranches of financings in which Buchans River issued 2,500,000 Flow-Through Shares at \$0.50 per Flow-Through Share and 5,375,000 Units at \$0.40 per Unit for aggregate gross proceeds of \$3,400,000. The final closing of the Offering for aggregate gross proceeds of \$500,000 is anticipated to occur before the end of May, 2007. Each Unit is comprised of one Buchans River common share ("Share") and one-half of one Buchans River common share purchase warrant ("Warrant"). One whole Warrant will entitle the holder to subscribe for one Share at \$0.54 at any time until the date that is 20 months from closing.

### **Outstanding Share Data**

The share capital of the Company consists of an unlimited number of common shares, without nominal or par value and an unlimited number of preferred shares, without nominal or par value of which 59,273,224 common shares were issued and outstanding as at March 31, 2007 and no preferred shares were issued. (2006-38,089,369 common shares) Following the private placement of an aggregate of 14,330,000 common shares in May of 2007, there were 73,620,989 common shares issued and outstanding.

### **Stock Options and Warrants**

The Company has established a stock option plan for its directors, officers, consultants and employees under which the Company is authorized to grant options to acquire a maximum number of common shares equal to ten (10%) per cent of the total issued and outstanding common shares of the Company from time to time. During 2006 the Company granted options to purchase 2,475,000 common shares of the Company to directors and officers of the Company exercisable at an average price of \$0.26 per common share.

Stock-based compensation relates to the fair value of stock options granted to directors, officers, employees and consultants calculated at the date of the grant and expensed over the vesting period of the option. The fair value is determined using the black-scholes option-pricing model which takes into account the risk free interest rate, the expected life of the options, the expected volatility and expectation of dividends being paid during the life of the options.

At quarter end there were 4,875,522 warrants outstanding with an average exercise price of \$0.32. In May, 2007 the Company completed a private placement of units which included 3,887,500 \$0.54 warrants each of which can be exercised to purchase one common share for up to twenty months from date of issue. The Company compensated brokers for the placement of securities in May, 2007 with the issue of 828,100 broker warrants each of which entitles the holder to acquire one common share for \$0.40 at any time until the date that is eighteen months from the closing. Following the May, 2007 placement there were 9,591,122 warrants outstanding.

### **Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, deposits and accounts payable and accrued liabilities. As at March 31, 2007 there were no significant differences between the carrying amounts of these financial instruments as reported on the balance sheets and their estimated fair values. Management does not believe that the Company is exposed to significant interest risk.

The Company's financial instruments that are exposed to a credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents are with major Canadian financial institutions. Accounts receivable consists of Goods and Services Tax recoverable and government grants and is subject to a maximum credit risk of the value of the refunds and grants should an audit result in complete denial of amounts claimed.

### **Contractual Obligations**

At the end of the quarter, March 31, 2007 the Company had a material contract employing Quantec Geoscience Limited's Titan 24 DCIP-MT system to perform a deep seeking geophysical

survey starting in August with a total estimated cost of \$666,000. This estimated cost is in the Company's planned expenditures as disclosed in other sections of this document.

**Off-balance Sheet Obligations**

As at the end of the quarter, March 31, 2007 the Company had no off-balance sheet obligations.

**Critical Accounting Estimates**

Significant accounting policies used by the Company are disclosed in note 2 of the financial statements for the financial year ended December 31, 2006. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

**Disclosure Controls and Procedures**

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings). The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the design and operation of the Company's disclosure controls and procedures as of March 31, 2007 have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the company and its consolidated subsidiaries required to be disclosed in the Company's reports filed or submitted under the Multilateral Instrument would have been known to them.

There has been no change in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

*Signed*

*Signed*

“D. Warren MacLeod”  
President

“John C. Rawding”  
Chief Financial Officer