

ROYAL ROADS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

MARCH 31, 2009

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

The accompanying consolidated financial statements of the Company for the period ended March 31, 2009 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 27, 2009

ROYAL ROADS CORP.
CONSOLIDATED BALANCE SHEET

(Unaudited)

AT MARCH 31, 2009

	March 31	December 31
	2009	2008
ASSETS		
Current		
Cash and short term investments	\$ 1,020,363	\$ 1,274,576
Receivables	14,482	31,166
Due from Acadian Mining Corporation	2,784,683	2,779,411
Prepaid expenses and deposits	31,114	32,105
	<u>3,850,642</u>	<u>4,117,258</u>
Cash - flow-through-funds (Note 5)	768,230	828,134
Capital assets	47,662	50,170
Investments	14,625	14,625
Mineral resource properties (Note 8)	<u>11,633,718</u>	<u>11,530,005</u>
	<u><u>\$ 16,314,877</u></u>	<u><u>\$ 16,540,192</u></u>
 LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 123,537	\$ 243,801
Future income taxes	<u>1,479,300</u>	<u>1,479,300</u>
	<u>1,602,837</u>	<u>1,723,101</u>
 SHAREHOLDERS' EQUITY		
Capital stock (Note 9)	16,736,911	16,736,911
Contributed surplus	1,392,299	1,392,299
Deficit	<u>(3,417,170)</u>	<u>(3,312,119)</u>
	<u>14,712,040</u>	<u>14,817,091</u>
	<u><u>\$ 16,314,877</u></u>	<u><u>\$ 16,540,192</u></u>

ROYAL ROADS CORP.

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

(Unaudited)

For the period ended March 31	<u>2009</u>	<u>2008</u>
Interest income	<u>\$ 69,364</u>	<u>\$ 3,781</u>
Expenses		
Professional fees	46,566	27,565
Amortization	2,508	3,003
Office and general	16,977	15,242
Salaries and consulting fees	79,264	10,472
Rent	13,373	5,575
Promotion, travel and entertainment	6,591	18,889
Filing fees	6,575	3,019
Investor relations and information	1,518	23,505
Transfer agent fees	1,043	650
	<u>174,415</u>	<u>107,920</u>
Operating loss	(105,051)	(104,139)
Future income taxes recovered (Note 5)		507,125
Equity interest in investee's operations	<u> </u>	<u>81,082</u>
Net income (loss)	(105,051)	484,068
Deficit, beginning of period	(3,312,119)	(3,685,614)
Deficit, end of period	<u><u>\$(3,417,170)</u></u>	<u><u>\$(3,201,546)</u></u>
Income (loss) per share	\$ (0.001)	\$ 0.007

ROYAL ROADS CORP.

STATEMENT OF CASH FLOWS

(Unaudited)

For the period ended March 31	<u>2009</u>	<u>2008</u>
Cash provided by (used in) the following activities		
Operations		
Net income (loss) for the period	\$ (105,051)	\$ 484,068
Amortization	2,508	3,003
Equity loss of Buchans River Ltd.		(81,082)
Future income taxes recovered		(507,125)
Net change in non-cash working capital items	<u>(107,861)</u>	<u>136,505</u>
	<u>(210,404)</u>	<u>35,369</u>
Investing		
Expenditures on mineral resource properties	(103,713)	(659,585)
Decrease (increase) in investment and advances to Buchans River Ltd.		(151,242)
	<u>(103,713)</u>	<u>(810,827)</u>
Financing		
Advances from (to) Acadian Mining Corporation		(29,121)
Flow-through funds used	59,904	659,563
	<u>59,904</u>	<u>630,442</u>
Net change in cash for the period	(254,213)	(145,016)
Cash, beginning of the period	<u>1,274,576</u>	<u>2,515,335</u>
Cash, end of the period	<u>\$ 1,020,363</u>	<u>\$ 2,370,319</u>

ROYAL ROADS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
FOR THE PERIOD ENDED MARCH 31, 2009

1 NATURE OF OPERATIONS

Royal Roads Corp. (the "Company"), is in the business of exploring mineral properties in Canada and has not yet determined whether these properties contain economic reserves. Effective July 28, 2008, these financial statements include the accounts of Buchans River Ltd., which became a wholly owned subsidiary of the Company, following the Plan of Arrangement described in Note 6.

While these financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business, adverse conditions could cast doubt upon the validity of this assumption. At March 31, 2009 the Company had an accumulated deficit of \$3,417,170 (December 31, 2008 - \$3,312,119). Management has estimated that the Company will have adequate funds from existing working capital to meet its corporate, administrative and property obligations for the coming year. If the Company is to advance or develop its mineral properties further, it will be necessary to obtain additional financing, and while the Company has been successful in the past, there can be no assurance that it will be able to do so in the future.

The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production. The amounts shown as mineral properties represent net costs to date and do not necessarily represent present or future values.

If the going concern assumption was not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported loss and the balance sheet classifications used.

2 ACCOUNTING POLICIES

The financial statements of the Company have been prepared using accounting policies applicable to a going concern, which assumes the Company will continue in operation for a reasonable period of time and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

(a) Basis of Consolidation

Effective July 28, 2008, these financial statements are consolidated with Buchans River Ltd, which became a wholly owned subsidiary of the Company, following the Plan of Arrangement described in Note 6.

During fiscal 2007 Buchans River Ltd ("Buchans") issued sufficient shares that the Company's ownership interest dropped to 26.39% at which point the investment was accounted for using the equity method of accounting.

(b) Cash and cash equivalents:

Cash and cash equivalents consists of cash, demand deposits and highly liquid short term investments with an initial term of 90 days or less.

(c) Mining interests and deferred development and exploration expenditures:

The Company is in the exploration stage and does not derive any income from its mining operations. It is the Company's policy to defer expenditures related to the exploration and development of its mining properties (including direct administrative expenditures, if any) until such time as they are brought into production or are deemed economically unfeasible. Upon commencement of commercial production, the cost of acquiring the mining property and all related deferred exploration and development expenditures will be amortized on a unit of production basis. Should the properties be abandoned or be determined to be economically unfeasible they will be written off in their entirety.

ROYAL ROADS CORP.
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2 ACCOUNTING POLICIES (continued)

(c) Mining interests and deferred development and exploration expenditures (continued):

The amounts shown for the mineral properties represent costs incurred to date and do not reflect present or future values. The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. Accordingly, the recoverability of these capitalized costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete their exploration and development and upon future profitable production.

(d) Property, plant and equipment:

Property, plant and equipment are recorded at cost and amortized over their estimated useful lives using the following rates and methods:

Leasehold improvements	3 years straight line
Office fixtures and equipment	20% declining balance

(e) Stock based compensation:

The Company has a stock-based compensation plan that is described in Note 9. The Company has adopted the accounting recommendations relating to stock-based compensation and other stock-based payments as detailed in the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3870. CICA 3870 establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments in exchange for goods and services. Compensation expense is recognized when the granted options become vested, with the same amount being recorded as contributed surplus. Stock-based compensation calculations have no effect on the Company's cash position.

(f) Earnings per share:

The Company has adopted the new recommendations of the CICA Handbook section 3500, Earning per Share ("EPS"). The revised section requires the presentation of both basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. In addition, the new recommendations require the use of the treasury stock method to compute the dilutive effects of options, warrants and similar instruments as opposed to the previous method used which was the imputed earnings approach. The section also requires the disclosure of a reconciliation of the calculation of basic and diluted EPS.

(g) Flow-through shares:

The Company accounts for the future income tax effect of flow-through share offerings as laid out in Emerging Issues Committee ("EIC") 146. As required under EIC 146 the future income tax effect of the flow-through offering is recognized as a share issue expense in the period in which the expenditures are renounced under the provision of the Income Tax Act.

(h) Asset Retirement Obligations:

The recommendation of CICA Handbook Section 3110, *Asset Retirement Obligations*, became effective on January 1, 2004. This section requires the recognition of a liability for legal obligations relating to the retirement of property, plant and equipment and obligations arising from the acquisition, construction, development or normal operations of those assets. Such asset retirement costs must be recognized at fair value, when a reasonable estimate of fair value can be made, in the period in which one is identifiable with a liability, the change in fair value over the course of the year is expensed. The amount of the liability is subject to re-measurement at each reporting period. The estimates are based principally on legal and regulatory requirements. It is possible that the Company's estimate of its ultimate reclamation liabilities could change as a result of changes in regulations, the extent of environmental remediation required, the

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2 ACCOUNTING POLICIES (continued)

(h) Asset retirement Obligations (continued):

means of reclamation or changes in cost estimates. Changes in estimates are accounted for prospectively commencing in the period the estimate is revised.

No liability accrual has been recorded as the Company is in the exploration stage on its properties and no reasonable estimate of fair value of the liability can be made.

(i) Long-lived assets

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

(j) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

3 CHANGE IN ACCOUNTING POLICIES

Effective January 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). The new standards and accounting policy changes are as follows:

(i) Section 3862, "Financial Instruments – Disclosures", describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section and Section 3863, "Financial Instruments – Presentation" replaced Section 3861, "Financial Instruments – Disclosure and Presentation".

(ii) Section 3863, "Financial Instruments – Presentation", establishes standards for presentation of financial instruments and non-financial derivatives.

(iii) Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure requirements of the entity's objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, the consequences of such non-compliance.

The additional disclosures, required as a result of the adoption of (i) Section 3862 and 3863, have been included in Note 13, Financial Instruments and (ii). Section 1535, have been included in Note 4, Capital management.

(iv) In June 2007, the CICA issued Section 3031, "Inventories", to harmonize accounting for inventories under Canadian GAAP with IFRS. This standard requires the measurement of inventories at the lower of cost and net realizable value and includes guidance on the determination of cost, including allocation of overheads and other costs to inventory. The standard also requires the consistent use of either first-in, first-out (FIFO) or weighted average cost formula to measure the cost of inventories and requires the reversal of previous write downs to net realizable value when there is a subsequent increase in the value of inventories. The new standard applies to fiscal years beginning on or after January 1, 2008. The Company adopted this standard on January 1, 2008.

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3 CHANGE IN ACCOUNTING POLICIES (continued)

Future accounting changes -

(i) Sections 3064 and 1000 – Goodwill and Intangible Assets

In February 2008, the CICA issued new Section 3064, "Goodwill and intangible assets", replacing Section 3062, "Goodwill and Other intangible assets", and Section 3450, "Research and development costs". Section 3064 addresses when an internally developed intangible asset meets the criteria for recognition as an asset. The Section also issued amendments to Section 1000, "Financial Statement Concepts". These changes are effective for fiscal years beginning on or after October 1, 2008, with earlier adoption permitted, and will be adopted by the Company effective January 1, 2009. The objectives of the changes are to reinforce a principles-based approach to the recognition of costs as assets and to clarify the application of the concept of matching revenues and expenses in Section 1000. Collectively, these changes bring Canadian practice closer to International Financial Reporting Standards ("IFRS") and U.S. GAAP by eliminating the practice of recognizing as assets a variety of startup, preproduction and similar costs that do not meet the definition and recognition criteria of an asset. The Company has determined that adoption of the new standards will not have a significant effect on the Company's financial statements.

(ii) International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board confirmed in February 2008 plans to converge Canadian GAAP with IFRS over a transition period expected to be effective for interim and annual periods commencing January 1, 2011. The Company is monitoring and reviewing plans to make the transition to IFRS and has not yet determined the impact of the transition on its financial statements.

(iii) Business Combinations

In January 2009, the CICA issued Handbook Section 1582, "Business combinations," which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

(iv) Non-controlling interests

In January 2009, the CICA issued Handbook Section 1602, "Non-controlling interests," which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated to a business combination. This standard is equivalent to the International financial statements subsequent Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for 2011. Earlier adoption is permitted. Management is currently evaluating the impact of adopting this standard on the Company's consolidated financial statements.

4 CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while attempting to maximize the return to shareholders through the optimization of a reasonable equity balance commensurate with current operating requirements. The strategy remains unchanged from 2008. The Company raises capital, as necessary, to meet its needs and to take advantage of perceived opportunities and therefore, does not have a numeric target for its capital structure. There were no changes to the Company's approach to capital management during the quarter ended March 31, 2009 compared to the year ended December 31, 2008.

The Company does not have any covenants respecting its capital ratios.

5 FLOW-THROUGH FUNDS

As disclosed in Note 9, the Company raised funds on flow-through offerings during the prior year. The Company raised \$3,277,500 in 2007 pursuant to the issuance of 6,555,000 flow-through common shares. These funds are required to be expended on Canadian Exploration Expenditures ("CEE"). Of the total amount raised \$2,449,366 had been expended on CEE by December 31, 2008 leaving a balance to be spent of \$828,134. It is the Company's intention to expend these funds on CEE in this fiscal year. The funds raised under the flow-through offerings and not spent by year end are not available for working capital purposes and are therefore shown separately.

During the prior year the Company renounced \$3,277,500 in Canadian Exploration Expenditures which created \$1,183,833 in future taxes which has been charged as a cost of issuing the shares as required by EIC 126. This allowed the Company to recognize non-capital losses which were previously not recognized to reduce future income tax payable.

At March 31, 2009 the Company has a commitment to spend \$768,230 on qualifying Canadian Exploration Expenditures prior to the end of 2009.

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6 INVESTMENT AND ACQUISITION OF BUCHANS RIVER LTD.

a) Investment

On December 18, 2006, the Company completed a friendly take over bid for Buchans River Ltd. ("Buchans") by way of an exchange of one common share and \$0.10 cash for each share of Buchans tendered under the offer. 8,890,577 shares were tendered by the Buchans shareholders and 6,668,215 shares of the Company were issued. The Company incurred \$131,033 in costs associated with transaction and paid \$889,096 in cash to Buchans shareholders. During fiscal 2007, as part of management's final fair value estimate of the transaction, the Company recognized a future tax liability in the amount of \$699,167 related to tax elections filed in that year on the acquisition of certain shares of Buchans.

As at December 31, 2006 the Company owned 53.06% of Buchans representing a control position, and therefore for the year ended December 31, 2006 the results of Buchans were consolidated with those of the Company. During fiscal 2007 Buchans issued 16,937,567 shares. As a result of these share issuances the Company's interest in Buchans was diluted to 26.39% by year end and it was no longer appropriate to consolidate the results of Buchans with the Company. The investment in Buchans is now accounted for using the equity method of accounting.

b) Acquisition

In early 2008, management provided a case to the Boards of Directors of the Company and of Buchans River Ltd. identifying compelling synergies between the Company and Buchans and for the Board to consider a merger by way of a plan of arrangement. In February 2008, both Boards formed independent committees to evaluate the proposal and engaged financial advisors to assist in and investigate a possible merger by plan of arrangement. On May 2, 2008 the Company and Buchans approved a binding agreement that, subject to Court and shareholder approval, all outstanding securities of Buchans not already owned by Royal Roads be exchanged for common shares, common share purchase warrants and common share options. On July 23, 2008 the shareholders of Buchans approved the proposal to accept an exchange rate of 1.55 common shares of the Company for each common share of Buchans River Ltd held. and to exchange all outstanding warrants and options of Buchans River for economically equivalent warrants and options of the Company. Court approval was obtained on July 24, 2008 and Buchans became a wholly owned subsidiary on July 25, 2008. The aggregate purchase price to the Company was \$7,725,673. Effective July 28, 2008 the Company once again began consolidating the accounts of Buchans.

The purchase has been accounted for using the purchase method, whereby the purchase consideration was allocated to the estimated fair values of the assets acquired and the liabilities assumed at the effective date of the acquisition July 25, 2008.

Details of this allocation are as follows:

Fair value of net assets acquired:

Cash	\$ 3,197,277
Other current assets	26,696
Capital assets	11,170
Resource assets	<u>6,585,841</u>
Total assets acquired	<u>9,820,984</u>
Current liabilities	395,191
Future income taxes	1,074,497
Loans and advances due Royal Roads	<u>625,623</u>
Total liabilities assumed	<u>2,095,311</u>
Net assets acquired	7,725,673
Less cost of acquisition	<u>7,725,673</u>
Excess of fair value over acquisition cost	<u>\$ -</u>

7 PROPERTY, PLANT AND EQUIPMENT

	March 31, 2009			December 31 2008
	Cost	Accumulated Amortization	Net	Net
Leasehold Improvements	\$ 11,616	\$ 4,892	\$ 6,724	\$ 7,078
Office equipment	64,290	23,352	40,938	43,092
	<u>\$ 75,906</u>	<u>\$ 28,244</u>	<u>\$ 47,662</u>	<u>\$ 50,170</u>

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8 MINERAL PROPERTIES

	<u>March 31, 2009</u>			<u>2008</u>
	<u>Claim Cost</u>	<u>Deferred Exploration</u>	<u>Total</u>	<u>Total</u>
Tulks North	\$ 570,339	\$ 4,296,714	\$ 4,867,053	\$ 4,823,734
Buchans' River	<u>1,094,352</u>	<u>5,672,313</u>	<u>6,766,665</u>	<u>6,706,271</u>
	<u>\$ 1,664,691</u>	<u>\$ 9,969,027</u>	<u>\$ 11,633,718</u>	<u>\$ 11,530,005</u>

The Tulks North property comprises nine contiguous mineral claim licenses located in the Victoria Lake Mining district of west-central Newfoundland.

The Company has earned a 100% interest in the Tulks claims from Noranda Inc. Upon the property vesting, 250,000 shares of the Company were issued to Noranda Inc. and a further 500,000 shares are to be issued upon achieving commercial production. Noranda Inc. will retain a 1.5% net smelter return interest from any production from the property and Noranda Inc., upon discovery of a single deposit greater than 15 million tonnes, has the right to buy back 50% of the interest for \$3,000,000 plus twice the Company's aggregate exploration expenditures.

Buchans River Ltd. has been issued approximately 40 mineral licences covering various areas of Newfoundland, including the historic Buchans Mining Camp and all the Camp's former producing Mines, consisting of 690 mineral exploration claims. The Company also has an interest in a further 1022 claims subject to the option arrangements as disclosed below.

A summary of the claims by mineral property, outlining the geographical area and minerals being sought, is as follows:

Property	Number of Claims	Geographical Area	Minerals Sought
Buchans	537	Central Newfoundland	Zinc, lead, copper, silver and gold
Barasway de Serf	12	South coast Newfoundland	Zinc, lead, copper, silver and gold
West Tully	25	Central Newfoundland	Zinc, lead, copper, silver and gold
Burnt Pond	15	Central Newfoundland	Zinc, lead, copper, silver and gold
Burtons Pond	27	North Central Newfoundland	Gold and copper
Tulks Hill joint venture	20	Central Newfoundland	Zinc, lead, copper, silver and gold
Granite Lake joint venture	23	Central Newfoundland	Molybdenum, tungsten and tin
Great Northern Zinc	29	Central Newfoundland	Zinc
Tulks North	727	Central Newfoundland	Zinc, lead, copper, silver and gold
Long Range joint Venture	888	Central Newfoundland	Nickel, copper and cobalt

In December 2004, the Company finalized a joint venture agreement with Prominex Resources Corp ("Prominex") (formally Sino Pacific Development Limited). This agreement pertains to the Company's Burton's Pond property for which Prominex had an option to earn a 70% interest in the Burton's Pond property over a four year period by incurring exploration expenses of \$625,000, making cash payments totaling \$35,000 and by issuing 400,000 free trading common shares over a three year period. As of December 31, 2007, \$35,000 in option payments and 400,000 shares had been received; however, Prominex expenditures were approximately \$250,000 short of the required amount. After subsequent discussions, Prominex terminated its option on the property and returned the entire property including adjacent claims staked by Prominex (total 29 claims, 7.25 km²) to Royal Roads (March 2009). As a result of Prominex terminating the option agreement, Royal Roads now controls a 100% interest in the property.

In December 2005, the Company finalized a joint venture agreement with Prominex for its Tulks Hill property hosting the Tulks Hill base metal, massive sulphide deposit in central Newfoundland. The agreement granted Prominex the option to earn a 51% interest in the property over a four year period by incurring exploration expenses of \$1,000,000, making cash payments of \$70,000 and issuing 900,000 free trading shares to the Company over a three year period. In November 2007, Prominex earned its 51% interest in the property after meeting all conditions. Upon earning its interest, a joint venture was formed whereby further work is to be funded jointly by Prominex and the Company, with Prominex being the operator. An exploration budget and program for 2009 has not been determined.

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8 MINERAL PROPERTIES (continued)

In January 2006, the Company finalized a joint venture agreement with Playfair Mining Ltd., ("Playfair") for the Company's Granite Lake property in central Newfoundland. The agreement grants Playfair rights to earn up to 100% interest in the property over three years by incurring exploration expenses of \$50,000 and issuing the Company 100,000 free trading shares.

On January 31, 2008, Playfair notified the Company of having met the conditions. Upon receipt of this notice, Royal Roads has until the earlier of 24 months from the date of exercise of the option (January 31, 2010) or the expenditure of \$300,000 on the property, to either: (a) purchase from Playfair a 35% participating interest in the property for an amount equal to 65% of all expenditures incurred on the property; or (b) acquire a 3% net smelter royalty of which Playfair could purchase half for \$1.5 million. In the event the Company elects to acquire the 3% NSR, it will pay the equivalent of 2% of the NSR to Newfoundland Mining and Exploration Ltd ("Newminex"). In the event the Company elects to purchase a 35% participating interest, it will pay Newminex 66.66% of all net revenues received in the event the joint venture with Playfair generates revenue after all costs incurred by the Company to purchase and maintain the 35% participating interest.

9 SHARE CAPITAL

Authorized

Unlimited number of common shares
Unlimited number of preference shares

Capital stock is made up as follows:

	March 31 2009	December 31 2008
Common shares	\$ 15,725,899	\$ 15,725,899
Warrants	1,011,012	1,011,012
	\$ 16,736,911	\$ 16,736,911
	# of shares	\$ Value
At December 31, 2007	73,681,908	\$ 13,445,400
Less: Future income taxes on the issue of flow through shares		(1,183,833)
Issue costs recovered on expiry of warrants		
Issued on the acquisition of Buchan's River Ltd.	38,445,581	3,464,332
At December 31, 2008 and March 31, 2009	112,127,489	\$ 15,725,899
	Warrants Outstanding	\$ Value
At December 31, 2007	9,183,572	\$ 1,212,818
Expired	(6,272,571)	(262,683)
Issued on the acquisition of Buchan's River Ltd.	9,207,499	60,877
At December 31, 2008 and March 31, 2009	12,118,500	\$ 1,011,012

During the prior year, pursuant to a Plan of Arrangement, the Company issued 38,445,586 common shares, 9,207,499 warrants to purchase common shares and 4,975,500 options to acquire common shares as consideration for all of the remaining outstanding common shares, warrants and options of Buchans River Ltd., which it did not previously own.

During the prior year, pursuant to flow-through shares issued in 2007, the Company renounced to investors \$3,277,500 in Canadian Exploration Expenditures. Under EIC 146 the Company recognized, as a share issue cost, the tax benefits given up by renouncing the expenditures which amounted to \$1,183,833.

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9 SHARE CAPITAL (continued)

Stock-based Compensation

The Company has a common share purchase option plan (the "Plan") for directors, officers, and employees. Options granted under the Plan have a five-year term. Options are granted at a price no lower than the market price of the common shares less any discounts allowed by the TSX-V at the time of the grant.

In determining the stock-based compensation expense in 2007, the fair value of the options issued were estimated using a Black-Scholes option pricing model with the following weighted average assumptions used: dividend yield of 0%, expected volatility of 118%, risk-free interest rate of 4.2% and expected life of 60 months

	<u>Options Outstanding</u>	<u>Weighted Average Exercise price</u>
At December 31, 2007	5,730,000	\$0.32
Issued on the acquisition of Buchan's River Ltd.	4,975,500	\$0.37
Expired	<u>(2,980,000)</u>	\$0.27
At December 31, 2008 and March 31, 2009	<u>7,725,500</u>	\$0.28

10 INCOME TAXES

The Company has accumulated non-capital losses of \$3,989,228 which can be carried forward to reduce future taxable income. These losses, if not utilized, will expire as follows:

2009	\$ 217,500	
2010	89,600	
2014	130,000	
2015	138,500	
2026	329,600	
2027	1,874,400	
2028	1,799,000	
2029	105,000	
	<u>\$ 4,683,600</u>	
	March 31	December 31
Future income tax liability:	2009	2008
Tax loss carry forwards	\$ 1,569,000	\$ 1,534,000
Mineral properties	(3,013,300)	(3,013,300)
Valuation allowance	(35,000)	
Liability recognized in the financial statements	<u>\$ (1,479,300)</u>	<u>\$ (1,479,300)</u>

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(Unaudited)
FOR THE PERIOD ENDED MARCH 31, 2009

11 RELATED PARTY TRANSACTIONS

i) The Company shares certain employment and overhead costs with Acadian Mining Corporation ("Acadian") (a company which owns 29.18% of the Company). During the quarter \$54,062 (2008 - \$20,892) was charged by Acadian as office overhead costs which was offset against interest of \$66,363 payable by Acadian.

The above transactions were in the normal course of operations and were measured at the exchange amount, which are the amounts agreed to by the related parties.

ii) Loans and advances between the Company and Acadian and its subsidiaries stood at a balance due from Acadian of \$2,784,683 at quarter end, as evidenced by a promissory note. They are due November 30, 2009, bear interest at 10% per annum payable quarterly and are secured by a fixed first charge on all assets of Acadian. Included in the amount owing is accrued interest in the amount of \$130,170 which is included in interest income on the statement of loss and comprehensive loss. The Company has agreed to defer the payment of the interest until June 24, 2009.

12 SUPPLEMENTAL CASH FLOW INFORMATION

	<u>2009</u>	<u>2008</u>
Change in non-cash working capital:		
Accounts receivable	\$ 16,684	\$ 233,811
Prepaid expenses and deposits	991	265,085
Due from Acadian Mining Corp	(5,272)	
Accounts payable and accrued liabilities	<u>(120,264)</u>	<u>(186,337)</u>
	<u>\$ (107,861)</u>	<u>\$ 312,559</u>

13 FINANCIAL INSTRUMENTS

Credit Risk

The Company financial assets are cash and cash equivalents, restricted cash and accounts receivable – HST receivable. The Company's maximum exposure to credit risk as at March 31, 2009, is the carrying value of its financial assets. The Company manages credit risk by maintaining bank accounts with reputable banks and financial institutions and investing only in Government of Canada Treasury Bills. Cash and cash equivalents, and restricted cash are held with on Canadian Chartered Banks and Investment firm and the risk of default is considered to be remote.

The Company is also exposed to credit risk from its related party loan receivable. The Company advanced a related party \$2,654,513 during the prior year (see Note 11(ii)). At March 31, 2009 the company's maximum exposure is the full amount of the loan plus the accrued interest of \$130,170 for a total of \$2,784,683. Although management does not consider the loan to be impaired at year end the Company does feel that there is a significant potential credit risk associated with it. The loan is not considered to have been made in the normal course of operations.

Fair value of financial instruments

The book value of cash and cash equivalents, receivables, and accounts payable and accrued liabilities all approximate their fair values at March 31, 2009.

Interest rate risk

The Company's debt is limited to accounts payable and an obligation under capital lease therefore there is limited exposure to interest rate risk.

Foreign currency rate risk

The Company does not currently have any hedges in place for foreign currency risk. All revenue and expenses denominated in foreign currencies are recorded using the average exchange rate for the period.