

ROYAL ROADS CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
MARCH 31, 2010

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, 2010 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: April 29, 2010

ROYAL ROADS CORP.

CONSOLIDATED BALANCE SHEETS

	<u>March 31</u> <u>2010</u>	<u>December 31</u> <u>2009</u>
ASSETS		
Current		
Cash and short term investments	\$ 2,897,889	\$ 3,233,380
Receivables	23,380	56,070
Marketable securities	22,750	22,750
Prepaid expenses and deposits	60,048	67,092
	<u>3,004,067</u>	<u>3,379,292</u>
Property, Plant and Equipment (Note 5)	58,907	28,791
Mineral resource properties (Note 6)	12,938,715	12,570,437
	<u>\$ 16,001,689</u>	<u>\$ 15,978,520</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 479,011	\$ 85,507
Due to Acadian Mining Corporation		60,979
	<u>479,011</u>	<u>146,486</u>
Future income taxes (Note 8)	1,107,228	1,107,228
	<u>1,586,239</u>	<u>1,253,714</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 7)	16,616,774	16,616,774
Contributed surplus	1,512,436	1,512,436
Deficit	(3,713,760)	(3,404,404)
	<u>14,415,450</u>	<u>14,724,806</u>
	<u>\$ 16,001,689</u>	<u>\$ 15,978,520</u>

ROYAL ROADS CORP.

CONSOLIDATED STATEMENTS OF INCOME AND LOSS AND COMPREHENSIVE LOSS AND DEFICIT

(Unaudited)

For the periods ended March 31	<u>2010</u>	<u>2009</u>
Interest income	<u>\$ 5,315</u>	<u>\$ 69,364</u>
Expenses		
Professional fees	28,118	46,566
Amortization	1,439	2,508
Office and general	10,024	16,977
Salaries and consulting fees	239,437	79,264
Rent	14,374	13,373
Promotion, travel and entertainment	3,194	6,591
Filing fees	6,960	6,575
Investor relations and information	10,050	1,518
Transfer agent fees	1,075	1,043
	<u>314,671</u>	<u>174,415</u>
Operating loss	<u>(309,356)</u>	<u>(105,051)</u>
Net Loss and comprehensive loss	<u>(309,356)</u>	<u>(105,051)</u>
Deficit, beginning of period	<u>(3,404,404)</u>	<u>(3,312,119)</u>
Deficit, end of period	<u>\$ (3,713,760)</u>	<u>\$ (3,417,170)</u>
Loss per share - basic and diluted	<u>\$ (0.003)</u>	<u>(0.001)</u>

ROYAL ROADS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

For the periods ended March 31	<u>2010</u>	<u>2009</u>
Cash provided by (used in) the following activities		
Operations		
Net income (loss) for the period	\$ (309,356)	\$ (105,051)
Amortization	1,439	2,508
Net change in non-cash working capital items	<u>372,259</u>	<u>(102,589)</u>
	<u>64,342</u>	<u>(205,132)</u>
Investing		
Expenditures on mineral resource properties	(368,278)	(103,713)
Acquisition of capital assets	<u>(31,555)</u>	<u>-</u>
	<u>(399,833)</u>	<u>(103,713)</u>
Financing		
Flow-through funds used	<u>-</u>	<u>59,904</u>
	<u>-</u>	<u>59,904</u>
Net change in cash for the period	(335,491)	(248,941)
Cash, beginning of the period	<u>3,233,380</u>	<u>1,274,576</u>
Cash, end of the period	<u>\$ 2,897,889</u>	<u>\$ 1,025,635</u>

ROYAL ROADS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2010

1 NATURE OF OPERATIONS

Royal Roads Corp. (the "Company"), considered to be in the development stage, is in the process 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. 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 SIGNIFICANT 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. All intercompany transactions and balances have been eliminated.

(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.

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 year straight line
Vehicles	20% declining balance
Office fixtures and equipment	20% declining balance

ROYAL ROADS CORP.
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2 ACCOUNTING POLICIES (continued)

(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 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 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. EIC - 174 - Mining Exploration Costs gives further guidance on the capitalization of mining costs and impairment of those costs.

(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.

(k) Financial Instruments

The Canadian Institute of Chartered Accountants ("CICA") issued the following new Handbook Sections, which were effective for interim periods beginning on or after October 1, 2007 and were adopted effective January 1, 2008.

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".

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2 ACCOUNTING POLICIES (continued)

(k) Financial Instruments

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

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.

3 CHANGE IN ACCOUNTING POLICIES

(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 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) EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC-173, which provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This Abstract applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Adoption of this Abstract did not have any effect on the Company's financial statements.

(iii) EIC-174, Mining Exploration Costs

In March 2009, the CICA issued EIC-174, which provides guidance on the accounting and the impairment review of exploration costs. This Abstract applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Adoption of this Abstract did not have any effect on the Company's financial statements.

Accounting pronouncements applicable to future periods

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

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The standard also requires that the comparative figures for 2010 be based on IFRS. The Company has implemented a four stage conversion process into IFRS. Phase 1 – preliminary plan and scoping, Phase 2 – detailed assessment, conversion planning and development, Phase 3 – Implementation and parallel reporting and Phase 4 – ongoing monitoring and IFRS updates. As of March 31, 2010 the Company has completed Phase 1 which includes putting together an initial project plan with Board oversight, education, scoping relevant IFRS and identification of policy differences between IFRS and Canadian GAAP and moved into Phase 2. This Phase includes a more detailed assessment of the policy differences identified in the scoping.

(ii) 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.

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3 CHANGE IN ACCOUNTING POLICIES

Accounting pronouncements applicable to future periods (continued)

(iii) 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 financial statements subsequent to a business combination. This standard is equivalent to the International 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.

(iv) Consolidated financial statements

In January 2009, the CICA issued Handbook Section 1601, "Consolidated financial statements," which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. standards. This section establishes the standards for preparing consolidated financial statements and 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 2009. 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 period ended March 31, 2010 compared to the year ended December 31, 2009.

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

5 PROPERTY, PLANT AND EQUIPMENT

	March 31, 2010			December 31 2009
	Cost	Accumulated Amortization	Net	Net
Vehicles	\$ 31,555	\$ -	\$ 31,555	\$ -
Leasehold Improvements	11,616	11,616	-	-
Office equipment	64,290	36,938	27,352	28,791
	<u>\$ 107,461</u>	<u>\$ 48,554</u>	<u>\$ 58,907</u>	<u>\$ 28,791</u>

6 MINERAL RESOURCE PROPERTIES

	Balance December 31, 2008	Expenditures during the year (i)	Balance December 31, 2009	Expenditures during the period	Balance March 31, 2010
Acquisition costs					
Tulks North	\$ 550,919	\$ 14,758	\$ 565,677	\$ 125	\$ 565,802
Buchans' River	1,029,998	6,670	1,036,668	4,430	1,041,098
Long Range	64,354		64,354	12,500	76,854
	<u>\$ 1,645,271</u>	<u>\$ 21,428</u>	<u>\$ 1,666,699</u>	<u>\$ 17,055</u>	<u>\$ 1,683,754</u>
Deferred exploration costs					
Tulks North	\$ 4,254,595	\$ (11,140)	\$ 4,243,455	\$ -	\$ 4,243,455
Buchans' River	5,611,919	744,584	6,356,503	245,073	6,601,576
Long Range	18,220	285,560	303,780	106,150	409,930
	<u>\$ 9,884,734</u>	<u>\$ 1,019,004</u>	<u>\$ 10,903,738</u>	<u>\$ 351,223</u>	<u>\$ 11,254,961</u>
	<u>\$ 11,530,005</u>	<u>\$ 1,040,432</u>	<u>\$ 12,570,437</u>	<u>\$ 368,278</u>	<u>\$ 12,938,715</u>

(i) Net of government assistance received

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

Buchans River Ltd. has been issued approximately 40 mineral licenses 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.

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6 MINERAL RESOURCE PROPERTIES (continued)

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	685	Central Newfoundland	Zinc, lead, copper, silver and gold
Long Range joint Venture	1526	Central Newfoundland	Nickel, copper and cobalt

Long Range Joint Venture

The Long Range Nickel joint venture is located in central Newfoundland and Labrador, 65km southwest of Buchans and 38,150 hectares (382 km²) in six properties. The company is the project operator and holds a 50% interest in the joint venture, while Benton resources Corp. owns the remaining 50%. The property is subject to net smelter royalties of up to 2% of which 1% can be purchased for \$1 million. Portions of the property are also subject to underlying option agreements requiring cash payments and share issuances for the joint venture to earn a 100% interest.

Burtons Pond

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.

Tulks Hill

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 2010 has not been determined.

Granite Lake

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.

The Company's interest in the Granite Lake tin-tungsten-molybdenum property under option to Playfair was altered when Playfair submitted a report in January 2008 notifying the Company that it had met the conditions of the joint venture by spending \$50,000 and issuing to Royal Roads 100,000 shares of Playfair. The Company now holds a 3% net smelter royalty ("NSR"), of which the Company must pay two-thirds to Newfoundland Mining & Exploration Ltd. Playfair has the right to purchase up to one-half of the royalty for \$500,00 for each one-sixth of the NSR acquired (\$500,000 for 0.5%NSR or \$1.5 million for 1.5% NSR).

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7 SHARE CAPITAL

Authorized

Unlimited number of common shares
 Unlimited number of preference shares

Capital stock is made up as follows:	<u>March 31 2010</u>	<u>December 31 2009</u>
Common shares	\$ 15,725,899	\$ 15,725,899
Warrants	890,875	890,875
	<u>\$ 16,616,774</u>	<u>\$ 16,616,774</u>

(i) Common shares issued:

	<u># of shares</u>	<u>\$ Value</u>
At December 31, 2008 and December 31, 2009 and March 31, 2010	<u>112,127,490</u>	<u>\$ 15,725,899</u>

(ii) Warrants issued:

	<u>Warrants Outstanding</u>	<u>\$ Value</u>
At December 31, 2008	12,118,500	\$ 1,011,012
Expired	(3,581,002)	(120,137)
At December 31, 2009 and March 31, 2010	<u>8,537,498</u>	<u>\$ 890,875</u>

Share purchase warrants:

A summary of the Company's warrants at December 31, 2009 and 2008 and the changes for the years then ended is presented below:

	<u>Warrants Outstanding</u>	<u>Weighted-Average Exercise price</u>
At December 31, 2008	12,118,500	\$ 0.32
Expired	(3,581,002)	\$ 0.37
At December 31, 2009 and March 31, 2010	<u>8,537,498</u>	<u>\$ 0.44</u>

The following table summarizes information about the warrants outstanding at December 31, 2009 and March 31, 2010:

Exercise Price	<u>Options outstanding and exercisable</u>	<u>Remaining contractual life (in years)</u>
\$ 0.35	4,649,998	0.33
\$ 0.54	3,887,500	0.33
	<u>8,537,498</u>	<u>0.33</u>

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.

A summary of the company's options at March 31, 2010 and December 31, 2009 for the periods then ended is presented below:

	<u>Options Outstanding</u>	<u>Weighted-Average Exercise price</u>
At December 31, 2008	7,725,500	0.32
Expired	(937,500)	0.27
At December 31, 2009	6,788,000	0.28
Expired	(387,500)	0.23
At March 31, 2010	<u>6,400,500</u>	<u>0.28</u>

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7 SHARE CAPITAL (continued)

The following table summarizes information about the options outstanding at March 31, 2010:

Exercise Price	Options outstanding and exercisable	Remaining contractual life (in years)
\$ 0.15	46,500	1.10
\$ 0.22	2,813,375	1.30
\$ 0.25	868,000	2.40
\$ 0.30	77,500	2.75
\$ 0.35	2,595,125	2.40
	<u>6,400,500</u>	<u>2.30</u>

The following table summarizes information about the options outstanding at December 31, 2009:

Exercise Price	Options outstanding and exercisable	Remaining contractual life (in years)
\$ 0.15	46,500	1.10
\$ 0.22	3,084,625	1.30
\$ 0.25	949,375	2.40
\$ 0.30	77,500	2.75
\$ 0.35	2,630,000	2.40
	<u>6,788,000</u>	<u>2.30</u>

8 INCOME TAXES

The Company has accumulated non-capital losses of \$5,395,500 (2009-\$5,086,100) which can be carried forward to reduce future taxable income. The potential benefit associated with this item has been recognized in these financial statements to offset future income tax related to flow-through share renunciations as noted below.

These losses, if not utilized, will expire as follows:

2010	\$ 89,600
2014	130,000
2015	138,500
2026	329,600
2027	1,874,400
2028	1,799,000
2029	725,000
2030	309,400
	<u>\$ 5,395,500</u>

	<u>March 31 2010</u>	<u>December 31 2009</u>
Future income tax liability:		
Tax loss carry forwards	\$ 1,565,000	\$ 1,475,000
Mineral properties	(2,582,228)	(2,582,228)
Valuation allowance	(90,000)	
Liability recognized in the financial statements	<u>\$ (1,017,228)</u>	<u>\$ (1,107,228)</u>

9 SUPPLEMENTAL CASH FLOW INFORMATION

	<u>2010</u>	<u>2009</u>
Change in non-cash working capital:		
Accounts receivable	\$ 32,690	\$ 16,684
Prepaid expenses and deposits	7,044	991
Accounts payable and accrued liabilities	393,504	(120,264)
Repayment of management fee to Acadian Mining Corp	(60,979)	(5,272)
	<u>\$ 372,259</u>	<u>\$ (107,861)</u>

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FOR THE PERIOD ENDED MARCH 31, 2010

10 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 \$45,000 was charged by Acadian as office overhead costs. The Company has paid Acadian for the management fees during the quarter along with the outstanding management fee at December 31, 2009 of \$60,979 relating to the costs charged for the fourth quarter of 2009.

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 \$2,583,566 at December 31, 2008, as evidenced by a promissory note. They were due November 28, 2009, bore interest at 10% per annum payable quarterly and were secured by a fixed first charge on all assets of Acadian.

On November 25, 2009 Royal Roads received \$2,622,179 from Acadian representing the \$2,583,566 loan balance due plus accrued interest since September 30, 2009 of \$38,613. The loan has now been repaid in full and the security on Acadian's assets has been released. Total interest paid on the loan during the prior year was \$236,081 which was shown as interest revenue on the Statement of Income and Loss and Comprehensive Loss Deficit.

11 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 December 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 was 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)). The company's maximum exposure was the full amount of the loan plus any accrued interest. On November 24, 2009 the loan balance and interest was paid in full, relieving the Company's credit risk exposure.

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, 2010

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.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2010, the Company had cash and cash equivalent balances of \$2,897,889 (2009 - \$3,233,380) to settle current liabilities of \$479,012 (2009 - \$146,486). All of the Company's financial liabilities have contractual maturities of less than 30 days, and are subject to normal trade terms

Sensitivity Analysis

The Company has designated its cash and cash equivalents and marketable securities as held-for-trading, which are measured at fair value. Financial instruments included in amounts receivable and prepaid expenses are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. As at March 31, 2010, the carrying and fair value amounts of the Company's financial instruments, other than the marketable securities which are reflected at fair value, are the same.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

- (a) For cash balances, sensitivity to a plus or minus .5% change in rates would not materially affect net loss on an annualized basis.

(b) Price risk is remote since the Company is not a producing entity.