

ROYAL ROADS CORP.

(\$0.41 RRO:TSX-V)

Recommendation

Speculative Buy

Risk

High

Target Price

\$0.75

Price (July 10)

\$0.41

Potential Return

83%

52-Week Range

\$0.68 - \$0.15

% Below High

40%

% Above Low

173%

Shares O/S

73.6 million

Market Cap

\$30.2 million

Average Daily Volume

20-Day: 16,700

150-Day: 34,775

Year-End

December 31



Data Source: www.BigCharts.com

RECOMMENDATION

eResearch recommends the shares of Royal Roads Corp. (“Royal Roads” or the “Company”) as a Speculative Buy. Our 12-month Target Price is \$0.75 per share, for an 83% increase from the current price.

PROFILE

Royal Roads Corp. is engaged in the exploration of mineral properties in south-central Newfoundland. It owns 100% of the Tulks North Property, hosting the Daniels Pond zinc, lead and silver deposit. In addition, Royal Roads owns 34% of Buchans River Ltd. (“Buchans River”), which owns 100% of the Buchans Property, comprising 512 mineral claims at the renowned Buchans base metal camp in Newfoundland.

HIGHLIGHTS

- ▶ Company’s exploration activities centered on Newfoundland’s renowned Buchans base metal camp
- ▶ Current 12,500 metre drill program could upgrade Inferred Resource to Indicated Resource by early 2008 at key Daniel’s Pond deposit
- ▶ Buchans River, 34% owned, has active exploration program near-by
- ▶ Considerable exploration activity in the area by other mining companies, including Aur Resources recently commencing production at its zinc-copper Duck Pond Mine
- ▶ Newfoundland is a “mining-friendly” province
- ▶ Both Royal Roads and Buchans River currently well-financed
- ▶ Low liquidity of Company’s stock; small market cap
- ▶ Low investor awareness of Company and its potential
- ▶ Minority position in Buchans River not ideal

CS	BVPS	EPS
2005	\$0.04	\$0.00
2006	\$0.12	\$(0.01)
2007E	\$0.15	\$(0.01)
2008E	\$0.17	\$(0.02)

BVPS: Book Value Per Share

EPS: Earnings Per Share

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THE COMPANY

Royal Roads is a mineral exploration company engaged in the acquisition and exploration of mineral properties. Its exploration interests are in south-central Newfoundland. As an exploration-stage company, it has no producing properties, operating revenues or cash flow.

Royal Roads is presently 44.44% controlled by Acadian Mining Corporation (“Acadian”, and formerly Acadian Gold Corporation – ADA:TSX-V). Royal Roads, Buchans River, and Acadian share senior management and corporate head offices.

BUCHANS RIVER LTD.

In December 2006, Royal Roads completed a friendly takeover of Buchans River Ltd., (BUV:TSX-V) acquiring 51.97% of the outstanding shares, and gaining control of Buchans River and its historic mining camp. However, following the \$3,900,000 Buchans River private placement in May 2007, which more than tripled the size of this subsidiary, Royal Road’s ownership interest was diluted down to 34.05% and, therefore, will no longer be fully consolidated on Royal Road’s books.

COMMENT: *Royal Roads’ management has made it clear it would like to acquire 100% of Buchans River, but several original investors are unwilling to divest their positions. It makes good economic sense for Royal Roads to fully own Buchans River, and we expect this to occur over time. At the time of the recent fund raising, management was willing to be diluted in order to see the advancement of the exploration program.*

Buchans River Ltd. has operated as a junior mineral exploration company since 1997, and has the 100%-owned Buchans Property in south central Newfoundland as its principal project, as discussed further below. Buchans River has 26 million shares outstanding, of which Royal Roads controls 8.9 million.

KEY PROJECTS

1. Daniels Pond Property

Royal Road’s principal asset is the 100%-owned Daniels Pond deposit, located within a 16,075-hectare mineral property known as the Tulks North property. Tulks North is situated in the centre of the world-class Buchans base metal camp in central Newfoundland. Royal Roads acquired the Tulks North property in April 2002, when it amalgamated with the former property owner, Kelmet Resources. See Appendix 2 for more details.

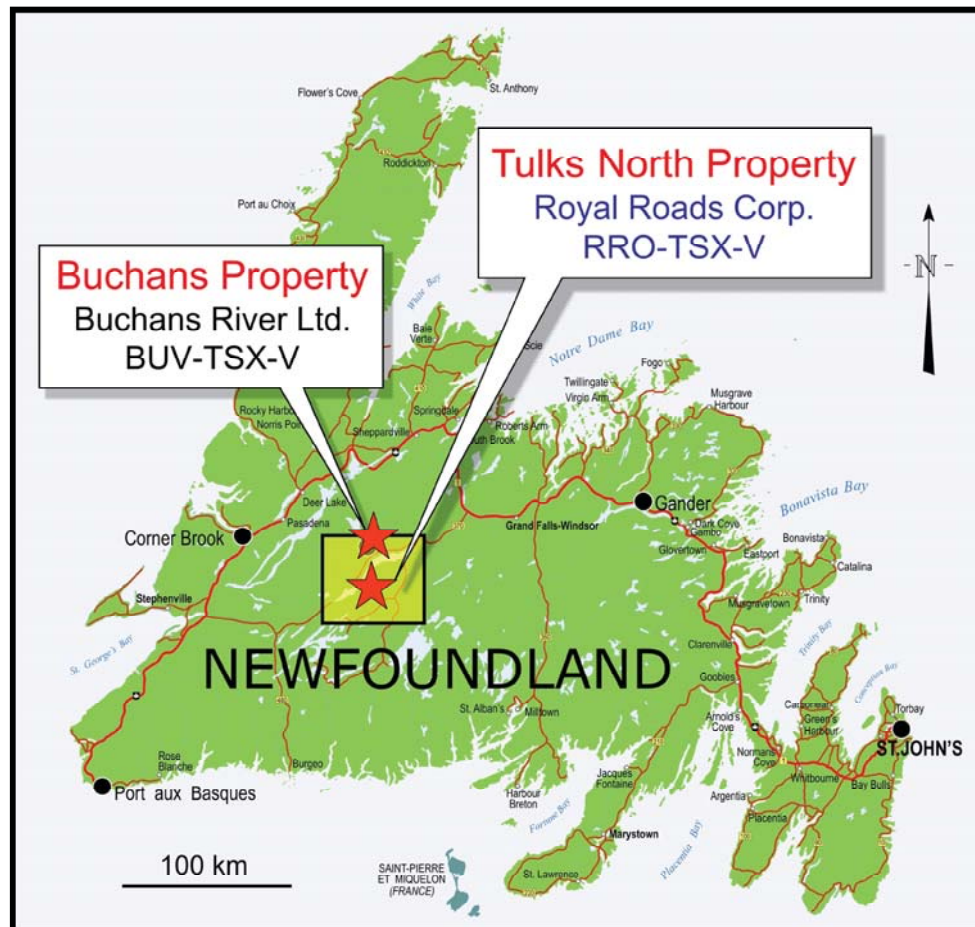
2. Buchans Property

The Buchans Property overlays the historic Buchans Mine, which operated from 1928 to 1984 by Asarco, and was one of Canada’s richest base metal mines, having produced 16 million tonnes grading 14.5% zinc, 1.3% copper, 7.6% lead, 126 g/t silver and 1.3 g/t gold.

In addition to the Buchans Property, Buchans River has interests in six other properties that include Tulks Hill, West Tally, Burnt Pond, Barasway de Cerf, Burtons Pond and Granite Lake.

Of these six properties, Tulks Hill, Burtons Pond and Granite Lake are under joint venture. See Appendix 2 for more details.

Figure 1. Key Projects



Source: Royal Roads Corp.

STRENGTHS AND CHALLENGES

Strengths:

- **Attractive Mining Region:** The region Royal Roads is exploring has a long history of high-grade base metal production, and is currently attracting considerable exploration interest.
- **Diversified Portfolio:** The acquisition and integration of Buchans River provides Royal Roads with a large land position, and a broad and diversified portfolio of properties.
- **Strong Cash Position:** Following the Company's recent flow-through fund raising, in which Royal Roads netted proceeds of \$5.9 million and Buchans River raised \$3.6 million, the Company is in a favourable financial position to fund its planned aggressive exploration program. Cash and flow-through funds are currently at \$6.6 million.

- **Major Drilling Campaign:** The Company is undertaking a major drilling program, including 12,500 metres of diamond drilling at its Tulks North Project, while Buchans River is also spending heavily on the exploration at the Buchans Property and certain joint venture projects. Consequently, we expect increased news flow from these exploration activities.
- **Cost Synergies:** By sharing corporate offices and integrating certain management with Acadian Mining Corporation and Buchans River Ltd., the companies obtain attractive cost savings and ready access to a management team with diverse skill sets.

Challenges:

- **Lack of Investor Awareness:** Royal Roads needs to create increased investor awareness. The recent listing of its shares on the Frankfurt Stock Exchange should help.
- **Lack of Control of Buchans River:** Royal Roads has not yet had success in buying out several of the original Buchans River investors, in order to gain full control and achieve greater efficiencies.
- **Early Stage Explorer:** Despite operating as a junior explorer since 1995, Royal Roads is still an early-stage explorer that has yet to prove itself. The Company has been under new management since November 2006.
- **Exploration Success:** Following the recent successful fund raisings, management's challenge is to create value through success in drilling, and its other exploration/development activities.

CORPORATE PRIORITIES

- Danials Pond Deposit: exploration drilling aimed at expanding the resource, development drilling aimed at upgrading the category of resource, metallurgical testwork to determine the recovery characteristics of the metals and an economic scoping study to determine the commercial viability of the deposit, in order to be in a position to determine whether or not to proceed with a pre-feasibility study in 2008.
- Exploring Buchans property, initially with state-of-the-art, deep penetrating Titan 24 geophysics over the historic Buchans Mines. Drilling to occur at Little Sandy copper prospect and Clementine West and additional prospects. A potentially large mineralization zone located at the Lucky Strike open pit may also become a priority.
- Exploring Tulks North property, with 2,550 metres of diamond drilling planned.

FINANCIAL REVIEW AND OUTLOOK

Consolidated Entities: The acquisition of 51.97% of Buchans River Ltd. in October 2006 resulted in Buchans River being consolidated during the periods ended Dec. 31, 2006 and Mar. 31, 2007. Subsequently, the May 2007 fund-raising by Buchans River led to Royal Road's ownership position dropping to 34%, such that consolidation of Buchans River is no longer appropriate. Consequently, the financial statements are not entirely comparable from one period to the next.

Currency: The Company reports its financial results in Canadian dollars, and given that Royal Roads is not yet generating any operating revenues, it is not impacted by the rising Canadian dollar. Since most metals are priced in US dollars, producing mining companies are being negatively impacted by the strong Canadian dollar, unless currency hedges are in place (unlikely).

Revenue: Royal Roads is an exploration company and, accordingly, is not generating earnings or cash flow.

Cash: At present the Company has cash of \$2.6 million, plus flow-through funds of \$4.0 million. In addition, Buchans River has cash of \$2.0 million, plus flow-through funds of \$2.1 million. This positions the Company well financially as it undertakes a major drilling program.

Exploration Spending: The Company's capital spending on exploration is expected to rise sharply through 2007, as Royal Roads has recently launched a 12,500-metre drill program at its 100%-owned Daniels Pond property. While spending was fairly modest in 2006, it increased sharply during Q1/2007, and we anticipate exploration spending of approximately \$3.0 million for the remainder of 2007 (May – December) for Royal Roads, and \$2.3 million for Buchans River over the same period. See our financial forecasts below.

Burn Rate: The Company's non-discretionary expenses; ie salaries, office and administrative, accounting fees, etc. for 2006 were modest at \$18,000 per month. However, we anticipate that the monthly burn for 2007 will rise sharply to \$58,000 as the increase in activity requires increased staff/consultants, and other expenses. Annual G&A expenses for 2007 are forecasted at \$0.7 million.

Financing: Royal Roads recently completed a brokered private placement of flow-through shares, raising \$5.9 million (net proceeds). In addition to the cash balance, the Company is well-positioned financially to undertake its aggressive drilling program. Separately, Buchans River recently raised \$3.6 million (net proceeds) via a flow-through offering, and is also well-financed.

Debt Funding: Royal Roads has no debt outstanding.

Capital Structure: The Company presently has 73.6 million shares issued and outstanding. Fully diluted shares outstanding are 88,883,146.

Options and Warrants: The Company has the following options and warrants outstanding:

Table 1. Warrants and Options

1. Options:

Exercise Price	Number	Expiry Date	Comments	Potential Equity
Options:				
\$0.22	1,800,000	27-Nov-11	In-the-Money	\$396,000
\$0.35	675,000	18-Dec-11	In-the-Money	\$236,250
\$0.35	3,055,000	22-May-12	In-the-Money	\$1,069,250
\$0.35	<u>100,000</u>	27-May-12	In-the-Money	<u>\$35,000</u>
Total	<u><u>5,630,000</u></u>			<u><u>\$1,736,500</u></u>

2. Warrants

Exercise Price	Number	Expiry Date	Comments	Potential Equity
Warrants:				
\$0.32	4,549,498	<i>Feb-Mar2008</i>	<i>In-the-Money</i>	<i>\$1,455,839</i>
\$0.28	367,059	<i>Feb-Mar2008</i>	<i>In-the-Money</i>	<i>\$102,777</i>
\$0.40	828,100	Nov. 2008	In-the-Money	\$331,240
\$0.54	<u>3,887,500</u>	Jan.2009	Out-of-the-Money	<u>\$2,099,250</u>
Total	<u><u>9,632,157</u></u>			<u><u>\$3,989,106</u></u>

Note: The entries in italics are within our 12-month forecast period, and total:

4,916,557 additional shares, and potential new equity of: \$1,558,616

Source: Royal Roads and eResearch

COMMENT: For our financial forecasts, we include all options and warrants that are in-the-money and expire during our 12-month forecast period. Accordingly, the warrants shown in italics fit this criteria, but none of the options. Thus, we add 4,916,557 shares to our financial forecasts and \$1,558,616 to shareholders' equity.

Financial Statements: Set out on the following page are the Company's financial statements of Income/(Loss); Cash Flow; and the Balance Sheet, plus an accompanying comment.

Table 2. Selected Financial Statements

	Year Ending December 31:				
	2004	2005	Consolidated 2006*	Non-Consolidated 2007E	Non-Consolidated 2008E
Statement of Income/(Loss):					
Operating Income	0	0	0	0	0
Non-Operating Income	69	13	9,040	73,000	30,000
General & Administrative Expense	(57,372)	(76,234)	(212,193)	(700,000)	(800,000)
Interest Expense	(279)	(342)	0	0	0
Amortization	0	0	0	(8,000)	(8,000)
Stock-based Compensation	<u>(12,553)</u>	<u>(32,533)</u>	<u>(172,125)</u>	<u>(408,000)</u>	<u>(200,000)</u>
Net Income/(Loss) Before Non-Recur. Items	(70,135)	(109,096)	(375,278)	(1,043,000)	(978,000)
Equity income	0	0	0	(170,000)	(238,000)
Future Income Tax Recovery	<u>54,000</u>	<u>23,000</u>	<u>0</u>	<u>655,643</u>	<u>0</u>
Net Income/(Loss)	(16,135)	(86,096)	(375,278)	(557,357)	(1,216,000)
Total Shares Outstanding	35,764,369	38,089,369	59,088,787	73,620,989	82,537,546
Weighted Average Shares Outstanding	34,026,334	36,926,869	48,589,078	66,354,888	78,079,268
Earnings (Loss) Per Share	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.01)	(\$0.02)
Statement of Cash Flow:					
Net Income (Loss)	(16,135)	(86,096)	(375,278)	(557,357)	(1,216,000)
All Non-Cash Items	<u>(41,447)</u>	<u>9,533</u>	<u>172,125</u>	<u>(239,643)</u>	<u>208,000</u>
Cash Flow from Operations	(57,582)	(76,563)	(203,153)	(797,000)	(1,008,000)
Capital Expenditures (Properties)	(141,256)	(328,246)	(71,069)	(3,417,000)	(3,000,000)
Other Investing Items	0	0	<u>(200,988)</u>	<u>(300,000)</u>	<u>(200,000)</u>
Free Cash Flow	(198,838)	(404,809)	(475,210)	(4,514,000)	(4,208,000)
Working Capital Changes	76,061	31,487	(141,643)	<u>(1,884,802)</u>	<u>(1,118,000)</u>
Equity Financing	279,750	265,000	3,083,738	5,940,540	4,558,616
Other Financing Items	0	0	0	0	0
Change in Cash	156,973	(108,322)	2,466,885	(458,262)	(767,384)
Cash, Beginning of the Period	81,397	238,370	130,048	2,591,855	2,133,593
Cash, End of the Period	238,370	130,048	2,596,933	2,133,593	1,366,209
Balance Sheet:					
	As at December 31			Non-Consolidated	
	2004	2005	2006*	2007E	2008E
Cash + Flow-Through Cash	238,370	130,048	2,596,933	2,133,593	1,366,209
Other Current Assets	2,240	11,488	344,627	350,000	350,000
Investment in Related Party	0	0	88,900	3,700,000	4,000,000
Mineral Properties	<u>986,814</u>	<u>1,315,060</u>	<u>5,761,052</u>	<u>5,847,618</u>	<u>8,847,618</u>
Total Assets	<u>1,227,424</u>	<u>1,456,596</u>	<u>8,791,512</u>	<u>12,031,211</u>	<u>14,563,827</u>
Current Liabilities	5,368	46,103	237,599	400,000	450,000
Deferred Option	0	0	202,000	0	0
Future Income Tax	0	0	780,223	860,000	0
Non-Controlling Interest	0	0	739,564	0	0
Shareholders' Equity	<u>1,222,056</u>	<u>1,410,493</u>	<u>6,832,126</u>	<u>10,771,211</u>	<u>14,113,827</u>
Total Liabilities & Equity	<u>1,227,424</u>	<u>1,456,596</u>	<u>8,791,512</u>	<u>12,031,211</u>	<u>14,563,827</u>
Book Value (S.E.) Per Share	\$0.03	\$0.04	\$0.12	\$0.15	\$0.17

Source: Royal Roads Corp, eResearch

* Buchans River Ltd. is consolidated during this period.

COMMENT: A comparison of financial data from year to year since 2006 is made difficult by the Buchans River acquisition (and consolidation) in 2006, then subsequent deconsolidation in Q2/2007, as Royal Roads' ownership position in Buchans River was diluted down to 34% following the latter's large equity issue. As a mineral exploration company, Royal Roads Corp. has yet to generate any operating revenues. Given the recent private placement financing of \$5.9 million (net proceeds) by Royal Roads and \$3.6 million (net proceeds) by Buchans River, the companies are well-positioned financially to undertake significant exploration programs. Neither Royal Roads nor Buchans River have debt outstanding, and their balance sheets are strong. Overall, Royal Roads is well-positioned financially and we do not expect the Company to return to the capital markets until later in 2008. The conversion of options is expected to add \$1.5 million to cash, so long as the share price holds. Later in 2008 we have assumed the issuance of 4,000,000 shares at a price of \$0.75, raising new equity of \$3,000,000. The potential exercise of "in-the-money" warrants will add to this number.

VALUATION

As a junior mineral resource exploration company with no production, Royal Road's value is inherent in the exploration potential of its properties, and its management's skill and competence in evaluating and exploring its properties. Therefore, for valuation purposes, we compare Royal Roads to several other junior exploration companies with projects in the Buchans camp in central Newfoundland, and also with Acadian Mining Corp, a related party.

We conduct the following analyses for Royal Roads.

- (1) Peer Comparison of mineral property values, based on book values.
- (2) Share value per attributable resource calculation.
- (3) Deposits Comparison within the Buchans camp.

(1) Peer Comparison of Mineral Property Values

Table 3. Corporate Comparison

	Royal Roads Corp. RRO: TSX-V March-07	Mountain Lake Resources Inc. MOA: TSX-V February-07	Messina Minerals Inc. MMI: TSX-V March-07	Crosshair Exploration & Mining CXX: TSX-V January-07	Celtic Minerals Ltd. CME: TSX-V January-07	Acadian Mining Corporation ADA: TSX-V March-07
Corporate:						
Share Price (June 10, 2007)	C\$ 0.41	C\$ 0.66	C\$ 1.25	C\$ 2.66	C\$ 0.42	C\$ 1.19
Shares O/S	78,496,511	22,683,741	33,302,410	63,585,091	59,952,626	135,761,364
Market Cap	C\$ 31,791,087	C\$ 14,971,269	C\$ 41,628,013	C\$ 169,136,342	C\$ 25,180,103	C\$ 161,556,023
Mineral Properties:						
Book Value (Cost)	C\$ 1,802,963	C\$ 1,445,874	C\$ 12,278,518	C\$ 11,819,005	C\$ 4,747,221	C\$ 24,495,201
Market Value	C\$ 20,806,584	C\$ 13,098,383	C\$ 37,437,204	C\$ 158,960,120	C\$ 21,448,906	C\$ 125,660,328
Difference	C\$ 19,003,621	C\$ 11,652,509	C\$ 25,158,686	C\$ 147,141,115	C\$ 16,701,685	C\$ 101,165,127
Property Ratio	11.54	9.06	3.05	13.45	4.52	5.13
Average Ratio (Peers)	7.04					
Adjusted Book Value (Cost)	(1) C\$ 5,302,963					
Adjusted Property Ratio	3.92					
Selected Ratio	7.04					
Common Equity (Per Statements)	C\$ 12,546,519					
Adjusted Common Equity (Selected Ratio)	(1) C\$ 44,576,416					
Equity Per Share (Per Statements)	C\$ 0.16					
Adjusted Equity Per Share (Selected Ratio)	(1) C\$ 0.57					

Note (1): Mineral Properties and Shareholders' Equity are adjusted for estimated capex of \$3.5 million over the next 12 months.

Note (2): Shares outstanding includes the eResearch estimate of additional shares from the exercising of warrants during the forecast period.

Source: eResearch

Peer Comparison Analysis

The Property Ratio above measures the premium the market currently places on a company's mineral properties. All else being equal, a higher premium indicates the market is anticipating greater future value from the assets in the ground, while a lower premium may represent an undervalued asset.

In this analysis, we adjust the accountant's presentation of the Company's financial statements to include Royal Roads on a non-consolidated basis (later in the evaluation we consider the investment in Buchans River).

In the table above, we have estimated the value of Royal Roads' Mineral Property portfolio 12 months forward by adding the anticipated capital expenditures for the forecast period to the existing mineral property value. Then we apply, to the Adjusted Book Value of the Mineral Property, the selected Mineral Property Ratio, as determined by analyzing and comparing the relative merits of the peer companies with the subject company. In this case, we have applied the peer group Average Ratio of 7.04x, to arrive at an intrinsic value calculation for Royal Roads of \$0.57.

(2) Share Value Per Attributable Resource

Table 4. Share Value Per Attributable Resource

Royal Roads Corp. - Daniels Pond (Inferred Resource) - Resource Value Per Share							
Per Attributable							
Zinc Resource Pound		\$0.04	\$0.06	\$0.08	\$0.10	\$0.12	\$0.14
Market Cap (C\$ @C\$1=US\$0.93)							
Using Resource Pounds of	311,196,600	\$13,384,800	\$20,077,200	\$26,769,600	\$33,462,000	\$40,154,400	\$46,846,800
Value Per Fully Diluted Share							
Number of Shares	78,496,511	\$0.17	\$0.26	\$0.34	\$0.43	\$0.51	\$0.60
Royal Roads Corp. - Daniels Pond (Inferred Resource) - Value Per Attributable Resource Pound							
Per Attributable							
Copper Resource Pound		\$0.04	\$0.08	\$0.12	\$0.16	\$0.20	\$0.24
Market Cap (C\$ @C\$1=US\$0.93)							
Using Resource Pounds of	21,192,600	\$911,510	\$1,823,019	\$2,734,529	\$3,646,039	\$4,557,548	\$5,469,058
Value Per Fully Diluted Share							
Number of Shares	78,496,511	\$0.01	\$0.02	\$0.03	\$0.05	\$0.06	\$0.07
Royal Roads Corp. - Daniels Pond (Inferred Resource) - Value Per Attributable Resource Pound							
Per Attributable							
Lead Resource Pound		\$0.02	\$0.04	\$0.06	\$0.08	\$0.10	\$0.12
Market Cap (C\$ @C\$1=US\$0.93)							
Using Resource Pounds of	163,592,000	\$3,518,108	\$7,036,215	\$10,554,323	\$14,072,430	\$17,590,538	\$21,108,645
Value Per Fully Diluted Share							
Number of Shares	78,496,511	\$0.04	\$0.09	\$0.13	\$0.18	\$0.22	\$0.27

Source: eResearch

Royal Roads Corp. - Daniels Pond (Inferred Resource) - Value Per Attributable Resource Pound							
Per Attributable							
Silver Resource Ounce		\$0.20	\$0.40	\$0.60	\$0.80	\$1.00	\$1.20
Market Cap (C\$ @C\$1=US\$0.93)							
Using Resource Ounce of	11,736,480	\$2,523,974	\$5,047,949	\$7,571,923	\$10,095,897	\$12,619,871	\$15,143,846
Value Per Fully Diluted Share							
Number of Shares	78,496,511	\$0.03	\$0.06	\$0.10	\$0.13	\$0.16	\$0.19

Royal Roads Corp. - Daniels Pond (Inferred Resource) - Value Per Attributable Resource Pound							
Per Attributable							
Gold Resource Ounce		\$10.00	\$20.00	\$30.00	\$40.00	\$50.00	\$60.00
Market Cap (C\$ @C\$1=US\$0.93)							
Using Resource Ounce of	40,532	\$435,831	\$871,662	\$1,307,493	\$1,743,324	\$2,179,155	\$2,614,986
Value Per Fully Diluted Share							
Number of Shares	78,496,511	\$0.01	\$0.01	\$0.02	\$0.02	\$0.03	\$0.03

Source: eResearch

In the Share Value Per Attributable Resource analysis outlined above, we establish the intrinsic value of Royal Roads shares based on the estimated value of the zinc, lead, copper, silver and gold Inferred Resource at the Daniel's Pond deposit within the Tulks North Property. This is derived using "in the ground" prices of zinc ranging from US\$0.04/lb to US\$0.14/lb, lead ranging from US\$0.02/lb to US\$0.12/lb, copper ranging from US\$0.04/lb to US\$0.24/lb, prices of silver ranging from US\$0.20/oz to US\$1.20/oz and gold prices ranging from US\$10/oz to US\$60/oz.

The mineral resource calculation is taken from the Technical Report provided by Taiga Consultants in November 2006. Since this report was released Royal Roads has completed a further 1,300 metres of infill drilling on the Daniel's Pond that extended the continuity of the deposit along strike. A further 10,000 metre infill drilling program is now underway that aims to upgrade the current Inferred Resource estimated to that of an Indicated Resource, and to explore for additional resources below and along strike of the known mineralization. In addition, other metals resources would slightly augment the calculation.

In conclusion, summing the value of the calculated resources at the Daniel's Pond deposit gives an intrinsic value per share of \$0.73

(3) Buchans Camp Deposit Comparison

The table below provides a comparison of the various NI 43-101 mineral resource estimates and compares their value to the historic Buchans Mine based on current commodity prices.

Note the following:

- Royal Roads' Daniels Pond Deposit has the highest dollar value per tonne of the peer group at US\$561.
- Other than the Duck Pond Deposit, the Daniel Pond Deposit is the single largest deposit in the region, potentially providing greater economics (all else being equal).
- The calculated in situ value per share of the Daniels Pond Deposit compares favourably with the neighboring Buchans camp properties.
- The Daniels Pond value per share expressed as a premium to the current share price is 31.8x, among the highest of the comparable companies.
- Obviously, there are numerous other factors to consider such as production costs. Here Royal Roads should benefit from the shallow depth the Daniels Pond Deposit, such that a lower cost open pit mine may be possible.
- The in situ value per share is not an indication of our share price target, as it excludes all production costs.

Table 5. Deposit Valuations

Buchans Camp Deposit Comparison	Tonnes	Zinc	Lead	Copper	Silver	Gold	US\$ Total Value	US\$ Value per tonne	Shares Outstanding	% Owned	In Situ Value Per Share	Premium to Share Price (X)
Buchans Historic Mine (Actual production output 1928-1984)	16,200,000	14.50%	7.60%	1.30%	126.00	1.37	\$14,779,675,079	\$912	--	--	--	--
Duck Pond (Aur Resources)	5,500,000	5.80%	0.00%	3.30%	58.00	0.80	\$2,787,492,408	\$507	98,435,000	100%	\$28.32	0.7
Daniels Pond (Royal Roads) (>2% cut-off)	1,690,000	8.37%	4.40%	0.57%	196.90	0.68	\$947,578,798	\$561	73,620,989	100%	\$12.87	31.8
Bobbys Pond - Indicated	860,000	6.30%	0.53%	0.93%	20.00	0.24	\$278,962,091	\$324				
Bobbys Pond - Inferred	480,000	6.36%	0.38%	1.07%	15.00	0.18	\$158,407,377	\$330				
Bobbys Pond (Mountain Lake)	1,340,000	6.32%	0.48%	0.98%	18.21	0.22	\$437,369,469	\$326	22,683,741	100%	\$19.28	29.2
Boomerang - Indicated (>2% cut-off)	1,318,700	7.28%	3.07%	0.52%	112.37	1.68	\$615,705,718	\$467				
Boomerang - Inferred (>2% cut-off)	266,100	6.95%	2.96%	0.45%	99.25	1.32	\$115,400,117	\$434				
Boomerang (Messina Minerals)	1,584,800	7.22%	3.05%	0.51%	110.17	1.62	\$731,105,836	\$461	33,302,410	100%	\$21.95	Note (3)
Domino - Indicated (>2% cut-off)	359,000	7.00%	3.10%	0.40%	108.00	0.70	\$152,934,192	\$426				
Domino - Inferred (>2% cut-off)	0	0.00%	0.00%	0.00%	0.00	0.00	\$0	\$0				
Domino (Messina Minerals)	359,000	7.00%	3.10%	0.40%	108.00	0.70	\$152,934,192	\$426	33,302,410	100%	\$4.59	21.2
Tulks Hill (Prominex 51%/Buchans River 49%)	730,000	5.50%	2.10%	1.10%	45.00	0.40	\$268,742,999	\$368	26,717,003	51%	\$5.13	39.5
Burnt Lake	782,559	0.00%	0.00%	2.85%	0.00	0.00	\$177,008,554	\$226				
Burnt Lake - South Pond	226,750	0.00%	0.00%	1.23%	0.00	0.00	\$22,135,264	\$98				
Burnt Lake (Celtic Minerals)	1,009,309	0.00%	0.00%	2.49%	0.00	0.00	\$199,143,818	\$197	59,952,626	100%	\$3.32	7.9

Note (1): Based on Zinc at \$1.60, Lead at \$1.30, Copper at \$3.60, Silver at \$12.61 and Gold at \$653.50 as of July 4, 2007

Note (2): The Per Share data excludes other properties that certain companies have.

Note (3): Messina's Boomerang and Domino properties are combined under Domino.

Source: eResearch

Investment Conclusions:

- The Peer Comparison of Mineral Property Values provides an estimated value of \$0.57 per share.
- The Share Value Per Attributable Resource calculation for the Daniels Pond deposit gives an estimated value of \$0.73 per share.
- Averaging these estimates provides a value of \$0.65.
- We add to this the value of Royal Road's 34% interest in Buchans River, and consideration of the attractive exploration prospects on the Buchans River Property and other joint ventures.
- Buchans River has a market capitalization of \$14.1 million, with Royal Roads' 34% investment valued at \$4.8 million. We apply an investment holding discount of 30% to arrive at a Buchans River investment value of \$3.4 million, or \$0.045 per share (73.6 million RRO shares outstanding).
- Thus we add \$0.05 to the \$0.65, to arrive at a value of \$0.70.
- From the Buchans Camp Deposit Comparison, we note that other than Aur Resources' Duck Pond Mine, the Daniels Pond Deposit has the largest in-situ deposit value in the region, the highest dollar value per tonne, and one of the highest premiums to current share prices. We believe this is worth an additional \$0.05.
- In conclusion, eResearch arrives at a 12-month Target Price of \$0.75 for shares of Royal Roads. We recommend the shares of Royal Roads as a Speculative Buy.

Risk Factors

- **Resource Risk:** Royal Roads is an early-stage explorer and, as such, there is no guarantee that any viable resource will be found to be economic.
- **Commodity Price Risk:** Volatility of the commodities market could impact the price of precious metals being pursued by the Company.
- **Revenues:** The Company has no source of operating revenue, and significant additional expenditures will be required before any meaningful operating revenues will be generated, if any.
- **Capital Raising:** Significant ongoing capital will be required to conduct exploration, maintain its ownership interest in the mineral claims, to develop the properties, establish mining operations, and operate the mines in a profitable manner, if necessary.
- **Stock Price Volatility:** Stock price will be heavily influenced by the results of exploration.
- **Future Production:** If mineral resources are developed, there is no guarantee that production will be profitable.
- **Regulatory Risk:** Government regulations could change, particularly environmental requirements.
- **Competition:** The resource industry is highly competitive, and the Company competes with many companies with greater financial resources, management resources and technical facilities than itself.
- **Uninsurable Risks:** The Company may become subject to liability for accidents, pollution and other hazards, against which it cannot insure, or it may choose not to insure due to high insurance premiums.

COMMENT: *Most of these risks are faced by small early-stage exploration companies in the industry, but to varying degrees.*

APPENDIX 1: MANAGEMENT AND DIRECTORS

Management directly owns only 1% of the outstanding shares of Royal Roads. This increases when considering management's indirect ownership through Acadian Mining Corporation, which controls 44.4% of Royal Roads.

G. William Felderhof - Chairman and Director

Mr. Felderhof holds a Bachelor of Science (Geology) degree from Dalhousie University (1972) and has been actively involved in the mining industry since 1972. Between 1996 and 1998, Mr. Felderhof was President of East Indies Mining Corporation, a junior mining company quoted on the former Canadian Dealing Network, and between 1997 and 2003 he was a director of Jilbey Enterprises Ltd., a mineral exploration company listed on the TSX Venture Exchange. Mr. Felderhof has served as the President and Chief Executive Officer of Acadian Mining Corporation, a junior mining company listed on the TSX Venture Exchange, since March 2003. He is Chairman and a Director of Royal Roads Corp. and a Director of Buchans River Ltd. He is the President and a Director of Votix Corporation Limited, a private Canadian corporation he controls.

Warren MacLeod – President and Director

Mr. MacLeod holds a Bachelor of Arts in Geography from York University, and has been actively involved in the mining industry since 1989. Mr. MacLeod was with Caledonia Mining Corporation and one of its predecessor companies from 1989 to 1997. His final position with Caledonia Mining was Managing Director of European Operations. Thereafter, Mr. MacLeod managed a private mineral exploration company with assets in Mexico from 1997 to 2000. From 2001 to late 2006, Mr. MacLeod operated Globalrecycle.net, an online marketplace for the recycling industry. On December 18, 2006, Mr. MacLeod was appointed the President and Chief Executive Officer of the Company.

John Rawding, CA – CFO and Director

Mr. Rawding holds a Commerce degree from Dalhousie University (1975) and is a Chartered Accountant. Mr. Rawding was a partner with Williams Rawding MacDonald LLP, Chartered Accountants from 1991 to October 2006. He also served part-time as Chief Financial Officer of Acadian Mining Corporation from March 2003 to October 2006. He is currently the Chief Financial Officer of Acadian Mining Corporation, and also serves as a director and Chief Financial Officer of the Company (since September 2006) and as Chief Financial Officer of Buchans River Ltd. (since December 2006).

David Felderhof – Vice-President and Director

Mr. Felderhof holds degrees in both Economics and Finance. In 2005, he joined BMO Nesbitt Burns as an Investment Advisor. He is a member of The Mining Society of Nova Scotia. In February 2007, Mr. Felderhof was appointed Vice-President of the Company as well as Buchans River Ltd., at which he is a director .

Paul Moore, P. Geo – Vice-President Exploration

Mr. Moore is a graduate of Memorial University, where he received a Masters of Science degree (Geology) in 1991. Mr. Moore has approximately 20 years of exploration experience including more than 10 years in senior technical roles with Teck Corporation (now Teck Cominco) and Anglo American Exploration (Canada). Most recently, Mr. Moore has served in senior roles with several junior exploration companies exploring in Newfoundland and Labrador, including Rubicon Minerals Corporation, and Cornerstone Resources Inc. He has considerable expertise in base and precious metal exploration in eastern Canada, particularly for volcanogenic massive sulphide deposits gained as a result of extended periods exploring in the Bathurst Camp and Central Newfoundland, as well as having served as a Mineral Deposits Geologist with the Newfoundland and Labrador Geological Survey.

Scott Harkness, CFA – Director

Mr. Harkness has been an analyst at Cavendish Investing Ltd. (private investment company) since May 2001, where he currently manages a private fund specializing in resource and small cap investments. Mr. Harkness is a Chartered Financial Analyst and completed his MBA at the University of Calgary in 2002. Mr. Harkness was the President of Durham Capital Corp. (a capital pool company) which merged with Sikanni Services Ltd. (an oilfield service company) in December 2006. Mr. Harkness is also a director of Sikanni Services Ltd. and First Factor Developments Inc.

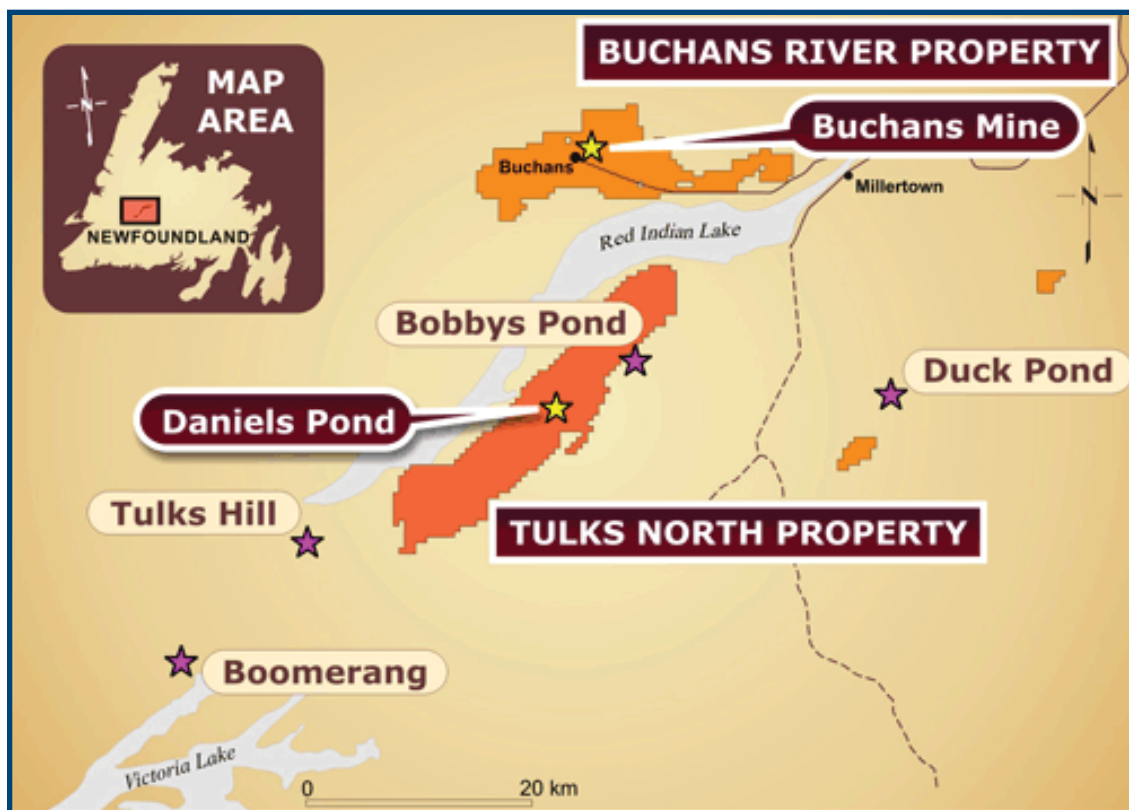
Edmund Merringer – Director

Mr. Merringer, has been a partner of the law firm Borden Ladner Gervais LLP since 2000. Prior to that time, he was a partner at the law firm Borden & Elliot since 1988. Mr. Merringer was a director and officer of AlphaNet Telecom Inc. (“Alphanet”) until February, 1999.

Suzan Frazer – Corporate Secretary

D. Suzan Frazer is a partner in the law firm of McInnes Cooper and practices in the Corporate Finance Group of its Halifax office.

APPENDIX 2: PROPERTIES



(1) Tulks North Property

Description

Royal Roads’ Tulks North Property consists of 641 mineral claims covering an aggregate area of 16,075 hectares located in the centre of the Buchans base metal camp in south central Newfoundland, Canada. The property is located on the southeast side of Red Indian Lake, 160 km southwest of Grand Falls and 17 km southwest of Millertown. The provincial capital, St. John’s, is located approximately 430 km by road to the southeast.

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.

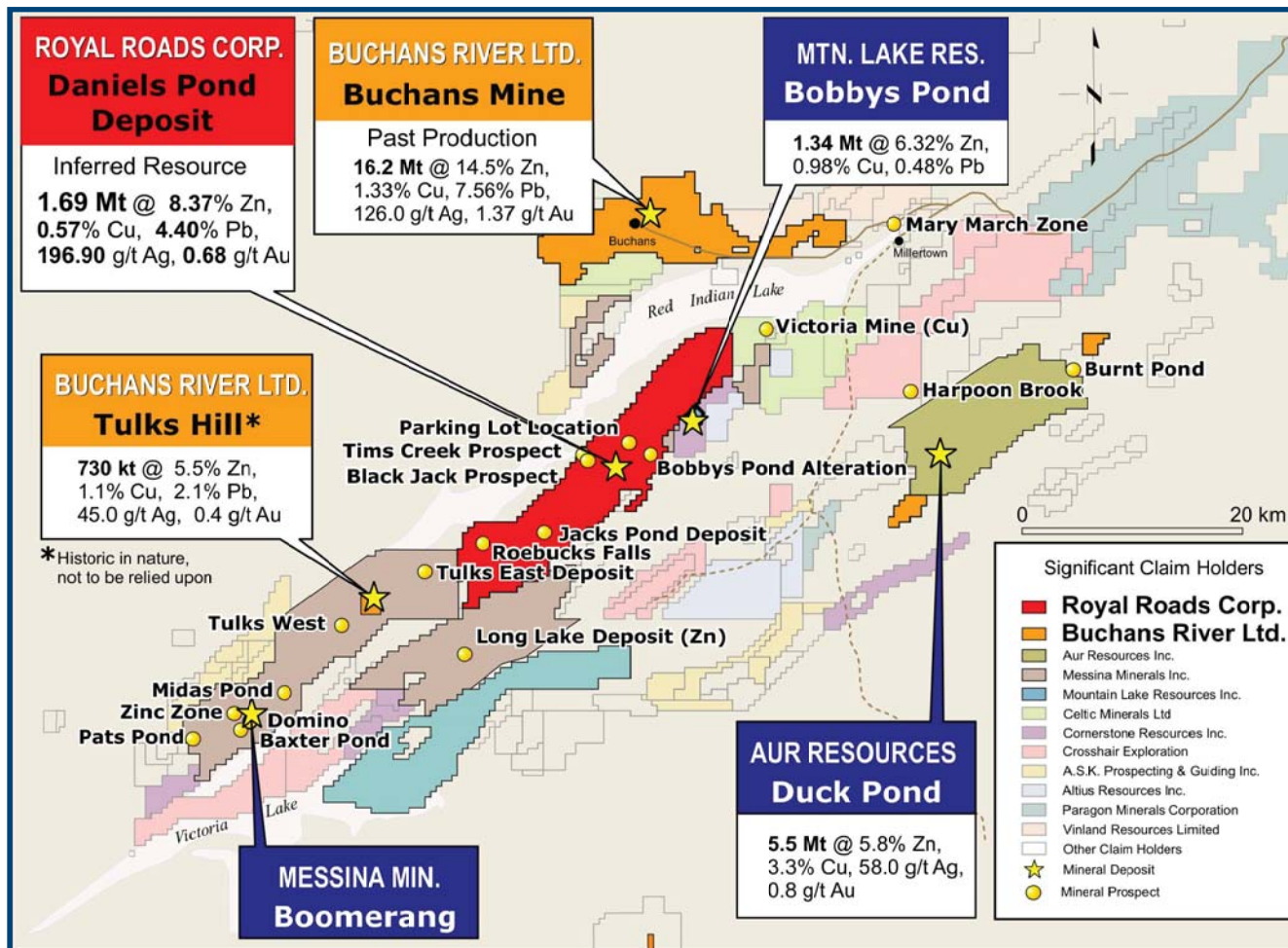
The Daniels Pond volcanogenic massive sulphide deposit is the centre piece of the Tulks North property. In November 2006, Royal Roads announced a NI 43-101 compliant Inferred Resource as follows:

Parameters	No. of Intersections	Zn%	Pb%	Cu%	Ag g/t	Au g/t	Tonnes (millions)
Zinc cut-off >1%	58	4.03	1.80	0.37	82.2	0.43	4.21
Zinc cut-off >2%	24	8.37	4.40	0.57	196.9	0.68	1.69

In addition to the Daniels Pond Deposit, the Company's Tulks North property hosts a number of prospective targets, which have been identified and evaluated through only limited exploration programs completed to date. These include the Parking Lot Showing, Daniel's Pond Extension, Roebuck Alteration Zone, Tim's Creek Area, Bobby's Pond Alteration Zone, Bobby's Pond South, Jack's Pond Alteration Zone, Black Jack Prospect and Sutherland's Pond Alteration Zone. The Jack's Pond Alteration Zone is potentially the largest known alteration zone in the region outside the former Buchans Mines.

COMMENT: All of these targets warrant follow-up exploration programs.

Ownership:



In an agreement with Noranda Inc. (now part of Xstrata Plc) dated February 8, 1999, a Royal Roads predecessor company, Kelmet Resources, acquired the right to earn a 100% interest in the claims. Effective April 1, 2002, Kelmet Resources amalgamated with Royal Roads Corp. The resultant company retained Royal Roads Corp. as its name. Under the amalgamation, Royal Roads assumed all rights and obligations of Kelmet's original agreement with Noranda and has met the terms of that agreement.

Noranda holds a 1.5 % Net Smelter Royalty (NSR) in the Tulks North Property. In the event that Royal Roads should discover a commercially viable deposit with a “resource or reserve” exceeding 15 million tonnes, then Royal Roads and Noranda will form a joint operating company (a back-in agreement). The operating company would then be owned and operated 50% by each party. In addition, Noranda Inc. and Royal Roads shall pro rata finance the project to production and Noranda will repay Royal Roads two times its exploration expenses. Upon the achievement of production, Noranda will pay to Royal Roads \$3,000,000 in cash.

Environmental Issues:

At present, there are no known environmental liabilities on the Tulks North Property. Much of the property has been or is currently being clear-cut logged by Abitibi-Price. Should Royal Roads wish to exploit any of the resources on the property they would be subject to an environmental review of such an undertaking. The government of Newfoundland is not averse to the development of new resource projects in the province, as evidenced by the success of Aur Resources in moving its Duck Pond Deposit into production.

Regional Developments

In the region surrounding the Tulks North Property there are a number of historic and active mines, as well as several undeveloped deposits and new discoveries operated by other companies including the following:

- Located 15 km north of the Tulks North Property is the former producing Buchans Mine. As discussed in greater detail below, Buchans River Ltd. is exploring an area of approximately 135 square kilometers that includes the Buchans Mine.
- The Duck Pond mine, recently put into production by Aur Resources in December 2006, is located 25 km to the east and has reported reserves of over four million tonnes grading 5.8% zinc, 3.3% copper, 58.0 g/t silver, and 0.8 g/t gold.
- The Bobby’s Pond deposit being explored by Mountain Lake Resources is located approximately 10 km to the north-east of Daniels Pond. In February 2007 Mountain Lake announced a NI 43-101 compliant, combined indicated and inferred resource of 1.34 million tonnes grading 6.32% zinc, 0.98% copper, and 0.48% lead.
- The Boomerang, Domino and Hurricane deposits being explored by Messina Minerals Inc. are located about 35 km to the south-west of Daniels Pond. Messina has recently announced a NI 43-101 mineral resource estimate of 1.36 million tonnes Indicated Resource plus 0.7 million tonnes Inferred Resource at its Boomerang/Domino. Grading for the Indicated Resource is 7.09% zinc, 3.00% lead, 0.51% copper, 110.43 g/t silver, and 1.66 g/t gold.
- The Tulks Hill deposit currently being explored under a joint venture between Prominex Resource Corp. and Buchans River is located approximately 25 km to the south-west of Daniels Pond, and has a reported inferred resource of 730,000 tonnes grading 5.5% zinc, 2.1% lead, 1.1 % copper, 45 g/t silver and 0.4 g/t gold.

Geological Setting

The property lies within the Buchans-Red Indian Lake area, which is underlain by late Cambrian to early Ordovician submarine volcanic and sedimentary rocks of the Victoria Lake Super Group (VLG). This key unit is conformably overlain by Harbour Round Formation siltstone to the west. Further west, in turn, the Buchans Group (BG) felsic and mafic volcanics overlie the VLG sequence. However, the contact is believed to be a thrust fault (Jambor & Barbour, 1987).

Supracrustal rocks in the area are part of the Dunnage Zone, a Lower Paleozoic volcanosedimentary terrain generated during opening and subsequent closing of the Iapetus paleo-Ocean. The Dunnage Zone in turn occupies the western side of the Central Mobile Belt (CMB), while the Gander Zone occupies the eastern portion of the CMB.

The Red Indian Line is reported (Kirkham, 1986; Swinden, et al., 1988) to be a fundamental structural break within the northeast striking Dunnage Zone that separates the Notre Dame sub-zone in the west and the Exploits sub-zone in the east. The significance of this is that the prospective rocks of the Buchans Group fall in the former while the property area is classified within the latter. Swinden et. al. (1988) felt that this indicated that the structure is one along which two nearly coeval but unrelated volcanic terrains were juxtaposed. Swinden et al. show a fault, presumed to be the Red Indian Line, which trends along the southeast shore of Red Indian Lake.

The rocks of the Victoria Lake Super Group occupy a regional northeast-trending anticlinorium called the Victoria Anticlinorium within the Exploits sub-zone. The sequence generally dips steeply and faces north-westerly on the north limb, and dips gently and faces southeasterly on the south limb.

There are apparently many first- and second-order folds, which have been mapped and may locally result in variable facing directions (Kean & Evans, 1988). Swinden & Thorpe (1984) indicated that while the VLG has a strike length of 60 km and covers an area of 90 km², it is impossible to estimate with any degree of accuracy the thickness of Victoria Lake Super Group.

The Victoria Lake Super Group can be sub-divided into the Tulks Hill Volcanics (which underlie the property) and the Tally Pond Volcanics which outcrop to the southeast with each formation occurring on opposite limbs of the Victoria Anticlinorium. The two formations are host to most of the significant base metal prospects in the VLG.

Daniels Pond Geology

Daniels Pond is a volcanogenic massive sulphide deposit that was located by BP Canada in 1989, as a result of following up coincident lead, zinc and silver soil anomalies. Trenching over the best anomaly exposed massive zinc-lead sulphides hosted by strongly deformed quartz-sericite rocks. Since that time, several drill programs have successfully identified a NI 43-101 compliant Inferred Resource outlined above. The bulk of the defined resources at a 2% zinc cut-off grade occurs over a strike length of 1,100 metres and within 200 metres of surface. Potential exists to expand the deposit both down dip and along strike. The deposit strikes approximately 025° azimuth and dips steeply at approximately 85° to the southeast.

Drilling Program

The results from Royal Roads' 14-hole winter drilling program are available on the Company's website (press release date April 11, 2007). They demonstrate the continuity of mineralization in key areas of the deposit, and confirm the potential for expanding the deposit at depth and along strike.

The Company recently announced it has commenced a further 12,500 metre drilling program, of which 10,000 metres will be directed towards further exploration of the Daniels Pond Deposit, while an additional 2,500 metres will be directed towards exploratory drill testing of other priority targets located elsewhere within the Tulks North project. The objective of the 10,000 metres of planned drilling is to increase the level of confidence in the deposit from Inferred to Indicated, as well as explore for additional resources below and along strike of known mineralization.

The Company will test base metals prospects at the Parking Lot and Daniels Pond Extension, located northeast of the Daniels Pond Deposit. Limited previously drill testing had successfully identified mineralization with interesting results.

COMMENT: Overall, eResearch believes the Daniels Pond Deposit has the potential for a low-cost open-pit mine, given the shallow depth of the deposit. It is possible that the Company could joint venture with a partner to increase the mine production economics.

(2) Buchans Property

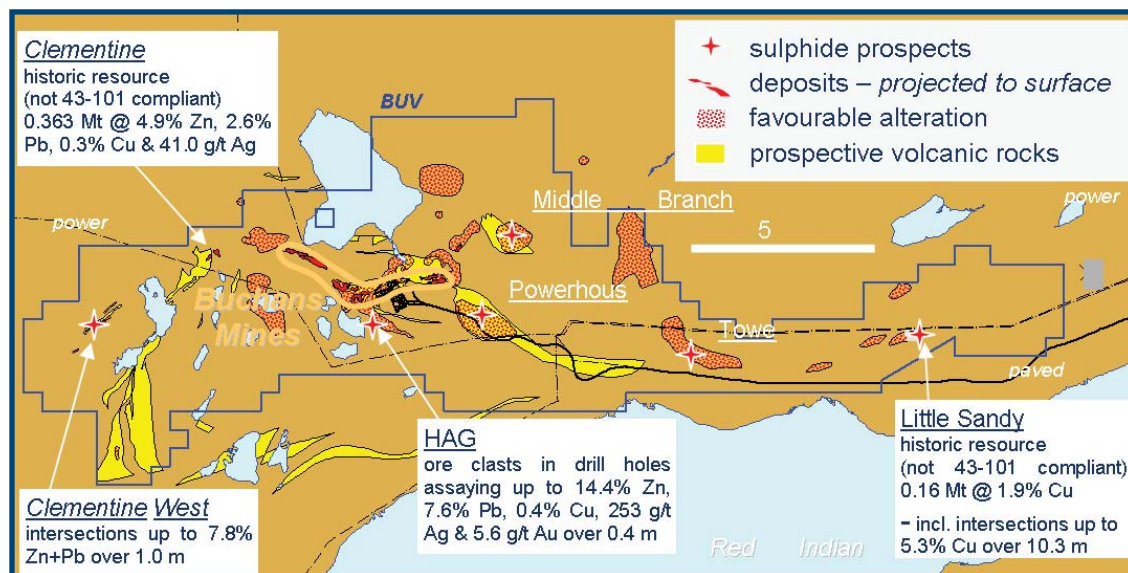
Description

The Buchans Property is 100% owned by Buchans River Ltd., in which Royal Roads currently owns a controlling share position with approximately 34% of the shares outstanding.

Buchans River owns seven groups of claims in Newfoundland, the most important of which is the Buchans Property, comprising 512 mineral claims covering 13,433 hectares (approx. 135 km²), located in the centre of the world-class Buchans base metal camp in central Newfoundland. As previously mentioned, the property includes the former producing Buchans Mine, one of Canada's richest base metal mines that operated from 1928 through 1984.

In addition to the Buchans property, Buchans River has interests in six other regional properties that include Tulks Hill, West Tally, Burnt Pond, Barasway de Cerf, Burtons Pond and Granite Lake. Of these properties, Tulks Hill, Burtons Pond and Granite Lake are subject to joint venture agreements.

The main Buchans property is located 15 km to the north of Tulks North Property, across Red Indian Lake. It is 160 km southwest of the town of Grand Falls, and 430 km west-north-west of the provincial capital, St John's. Access to the property is attained by proceeding west via paved highway from Grand Falls to the town of Buchans located in the middle of the Buchans property.



Geology

The Buchans property covers highly prospective felsic and mafic volcanic rocks of the Buchans Group, which hosts the very high grade, past producing Buchans mines. The Buchans ore bodies are volcanogenic massive sulphide (VMS) deposits which have similarities to other VMS deposits worldwide, in particular, the Kuroko deposits of Japan. Three ore types are commonly recognized at Buchans; in situ massive sulphides, sulphide rich debris flows, and stockwork-type stringer and disseminated mineralization. The first two account for the large majority of Buchans production.

Regional Developments

As with the Tulks North Property, the Buchans Property is surrounded by a number of historic and active mines, as well as several undeveloped deposits and new discoveries operated by other companies including the following:

- As discussed, the Buchans property overlays the historic Buchans Mine, which was one of Canada's richest base metal mines and mined over 16 million tonnes between 1928 and 1984 grading over 14% zinc, 1.3% copper, 7.5% lead, 126 g/t silver and 1.3 g/t gold.
- The Duck Pond mine, recently put into production by Aur Resources in December 2006, is located about 35 km to the south-east and has reported reserves of over four million tonnes grading 5.8% zinc, 3.3% copper, 58.0 g/t silver, and 0.8 g/t gold.
- As outlined above, the Daniels Pond deposit being developed by Royal Roads is located about 15 km to the south of the Buchans property across the Red Indian Lake. It completed a NI 43-101 compliant, inferred resource in November 2006.
- The Bobby's Pond deposit being explored by Mountain Lake Resources is located approximately 20 km to the south of the Buchans property across the Red Indian Lake. The property is currently being explored by Mountain Lake and is tied on to the eastern boundary of Royal Roads Tulks North Property. Mountain Lake recently announced (February, 2007) a National Instrument 43-101 compliant, combined indicated and inferred resource of 1.34 million tonnes grading 6.32% zinc, 0.98% copper, and 0.48% lead.

- The Boomerang, Domino and Hurricane deposits being explored by Messina Minerals Inc. are located about 55 km to the south-west of the Buchans property. Messina has recently announced a NI 43-101 mineral resource estimate of 1.36 million tonnes Indicated Resource plus 0.7 million tonnes Inferred Resource at its Boomerang/Domino. Grading for the Indicated Resource is 7.09% zinc, 3.00% lead, 0.51% copper, 110.43 g/t silver, and 1.66 g/t gold.
- The Tulks Hill deposit currently being explored under a joint venture between Prominex Resource Corp. and Buchans River Ltd. is located approximately 40 km to the south-west of Buchans and has a reported inferred resource of 730,000 tonnes grading 5.5% Zn, 2.1% Pb, 1.1 % Cu, 45 g/t Ag and 0.4 g/t Au.

Other Prospects Outside Buchan Project

Tulks Hill

Buchans River joint ventured the Tulks Hill property to Prominex Resource Corp., whereby Prominex could earn a 51% interest in the property. Prominex is continuing to earn its interest in the property. The Tulks Hill deposit is located approximately 40 km to the south-west of Buchans, and has a historic non NI-43-101 compliant resource of 730,000 tonnes grading 5.5% zinc, 2.1% lead, 1.1 % copper, 45 g/t silver and 0.4 g/t gold.

Burtons Pond

Buchans River joint ventured the Burtons Pond property to Prominex Resource Corp., whereby Prominex could earn a 70% interest in the property. Prominex is continuing to earn its interest in the property, which is located on the north shore of Newfoundland, approximately 130 km north of the town of Buchans.

Granite Lake

Buchans River joint ventured the Granite Lake property to Playfair Mining Ltd., whereby Playfair could earn a 100% interest in the property. Playfair is still earning its interest in the property, which is located approximately 60 km south of the town of Buchans.

Current Exploration Program

Management recently commenced a \$1.94 million exploration program for the Buchans Property and the Tulks Hill joint venture. The program consists of drilling on the Little Sandy copper prospect and the Clementine West prospect, geophysical surveys using Quantec Geoscience Limited's Titan 24 DCIP-MT system (a deep penetrating, state-of-the-art technology), and compilation of past and current data.

Management is planning to complete 800 metres of diamond drilling on the Little Sandy prospect to further explore a known zone of sulphide stockwork mineralization. Past explorers are said to have recorded drill intercepted assays of up to 5.3% copper over one metre, as well as 3.3% copper over 7.9 metres at depths of less than 50 metres.

In Q4/2007, Buchans River plans to drill an additional 2,200 metres on the Clementine West prospect. The Clementine West prospect was discovered by Buchans River and former joint venture partner Billiton Resources Inc. (now BHP-Billiton) in 1999, and is located three kilometres southwest of the Clementine prospect and six kilometres west of the former Buchans-Lucky Strike Mine. The planned program will test for down-dip extensions to mineralization previously delineated over a minimum strike length of 1.5 kilometres to depths of 150 meters. Previous drilling on the prospect includes a section of semi-massive sulphides assaying 3.97% zinc, 3.86% lead, 0.03% copper, and 2.5 g/t gold over one meter.

ANALYST CERTIFICATION

Each Research Analyst who was involved in the preparation of this Research Report hereby certifies that: (1) the views, opinions, and recommendations expressed in this Research Report reflect accurately the Research Analyst's personal views concerning any and all securities and issuers that are discussed herein and are the subject matter of this Research Report; and (2) the fees, earnings, or compensation, in any form, payable to the Research Analyst, is not and will not, directly or indirectly, be related to the specific views, opinions, and recommendations expressed by the Research Analyst in this Research Report.

eResearch analysts on this report:

Nigel Heath, BBM (Accounting/Finance), CFA: Nigel Heath has been analyzing companies from both a fixed income and equity perspective for 17 years. His experience extends to both Dominion Bond Rating Service where he was a sector lead analyst and a member of the Rating Committee, and at RBC Capital Markets where he served in London, England to gain an international perspective. He has held responsibility for analyzing companies in the following sectors: natural resources, industrials, energy, autos, and financial services.

Bob Weir, B.Sc., B. Comm, CFA. Bob Weir has 40 years of investment research and analytical experience in both the equity and fixed-income sectors, and in the commercial real estate industry. He was at Dominion Bond Rating Service (DBRS) from 1994 to 2001, latterly as Executive Vice-President responsible for conducting the day-to-day management affairs of the company. He joined eResearch in 2004.

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Beverly Brooks

eResearch Recommendation System

Strong Buy:	Expected total return within the next 12 months is at least 40%.
Buy:	Expected total return within the next 12 months is between 10% and 40%.
Speculative Buy:	Expected total return within the next 12 months is substantial, but Risk is High (see below).
Hold:	Expected total return within the next 12 months is between 0% and 10%.
Sell:	Expected total return within the next 12 months is negative.

eResearch Risk Rating System

A company may have some, but not necessarily all, of the following characteristics of a specific risk rating to qualify for that rating:

High Risk:	<i>Financial</i> - Little or no revenue and earnings, limited financial history, weak balance sheet, negative free cash flows, poor working capital solvency, no dividends. <i>Operational</i> - Weak competitive market position, early stage of development, unproven operating plan, high cost structure, industry consolidating, business model/technology unproven or out-of-date.
Medium Risk:	<i>Financial</i> - Several years of revenue and positive earnings, balance sheet in line with industry average, positive free cash flow, adequate working capital solvency, may or may not pay a dividend. <i>Operational</i> - Competitive market position and cost structure, industry stable, business model/technology is well established and consistent with current state of industry
Low Risk:	<i>Financial</i> - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends or company may actively buy back stock. <i>Operational</i> - Dominant player in its market, below average cost structure, company may be a consolidator, company may have a leading market/technology position.

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