

Royal Road Minerals Ltd

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It's all systems go at Royal Road Minerals, with drills turning in Nicaragua and northern Colombia and huge potential upside on offer in southern Colombia

Strange how refreshing it is to see someone on the other end of a video conferencing call actually working in an office.

But behind Tim Coughlin, there are several geological maps on a wall, as he sits in front of his webcam outlining his continued enthusiasm for the extensive portfolio held by the company he acts as chief executive of: Royal Road Minerals Ltd (CVE:RYY).

Coughlin has racked up plenty of experience - and successes too - in the mining industry over the years, and it takes a fair level of disruption to put him off his stride.

So, although Royal Road did have to re-jig the way it organized its local management structures in response to the coronavirus, actual operations have been able to continue without too much disruption.

"We've been here for weeks in the office," he says. "And we've got guys out drilling."

The targets are two separate skarns, one on Royal Road's extensive landholding in Nicaragua, and another on the even larger portfolio in Colombia.

So, in spite of everything 2020 has been able to throw it's way, Royal Road has been able to continue as a fully-functioning exploration company, and one that's funded through all currently planned work to boot.

But there's more than just the current drilling at play here. The ambition though, stretches way beyond, and is epitomized by its slow and steady early stage work in southern Colombia, where it's sitting on one of the most prospective land packages anywhere in the world, and where artisanal mining operations can run to a production rate of as much as 60,000 ounces a year.

None of this has come together by accident, of course.

Coughlin and his team, through a combination of astute deal-making with some of the world's largest gold mining companies and their own opportunism have quite deliberately put together a portfolio of title and licences under application that now amounts to 570,000 hectares in Colombia and 170,000 hectares under licence in Nicaragua.

Not for nothing is Royal Road, a pure-play exploration company, valued at nearly C\$60m - it's a valuation supported by a combination of the numerous opportunities presented by the portfolio and by the track record of the team.

"The time for the single project company is over," reckons Coughlin.

"What we do is exploration, and we do it exactly how we used to do it when we made discoveries before. We get down

Price: 0.275

Market Cap: \$71.69 m

1 Year Share Price Graph



Share Information

Code: RYY

Listing: TSX-V

52 week High Low
0.48 0.125

Sector: General mining & base metals

Website: www.royalroadminerals.com

Company Synopsis:

Royal Road Minerals is an exploration and development company with a firm focus on discovering new deposits with a new strategic focus on Colombia and Nicaragua.

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and do the work, we work it up, or in the worst case scenario we kill it."

It's a sound enough method, tried and tested over the years, but what's more remarkable is that so few other companies are doing it.

"There's not much out there in terms of mid-tier and early-stage project development," says Coughlin.

"I know this from assisting others in their reviews of opportunities at the project level and in the mergers and acquisition space. There are very few. But the market's woken up and realised we need to find new orebodies."

At the root of all this, of course, is the recent resurgence in the gold price, driven in large part by the huge stimulus packages conjured up by governments all round the world in response to the coronavirus crisis.

Producers are now making greater margin, there's more money in the market for deals, and more for financing exploration too.

The advantage that Royal Road has is that it's already in place, sitting on top of hugely prospective projects in areas in which it's already gained considerable experience, and is now on the cusp of putting out drill results.

Major hits from either of the campaigns could really light a fire under the company's shares, especially if gold is trading up at around, or even beyond, the US\$1,800 mark, as it's looked likely to do over the past few days.

But this is not just a company that short-term punters should be interested in. On the contrary, Royal Road is playing a long game, particularly in Southern Colombia, where the riches on offer are potentially vast, but the social and political problems that need to be overcome are also very challenging. The company is inching forward with its social programme, and beginning to become established in a serious way.

"The potential payoff merits the effort," says Coughlin. "It's a patience game."

The drilling on the skarns presents the nearer term upside, which in itself is likely to be considerable. But the Southern Colombian block takes the company's exploration potential to another level.

Analyst Douglas Pollitt of Pollitt & Co., recently wrote about this in a research note entitled "Mind the gaps."

The central thesis of this research was that major gold deposits have been found all along the Andean gold belt, but that because of specific local issues certain gaps remain where proper exploration has been patchy.

In the case of Colombia, AngloGold Ashanti made considerable progress on its Southern Block before finally declaring force majeure and handing the whole thing, eventually, onto Royal Road.

AngloGold, says Pollitt, "came in in the early 2000s and staked all the good bits, this even as the war was in full swing bombs were going off in Bogota. The people at the mine office thought the Anglo people were crazy, which might not have been too far from the truth. Over the next 15 years Anglo made progress in the north of the country where the conflict was less intense. Three substantial deposits resulted, including the 25mln ounce La Colosa. The southern claims down to the border with Ecuador, where the conflict continued to simmer, frustrated efforts and Anglo eventually declared a force majeure on its projects there."

But, there's now peace in Colombia, and investment has picked up considerably. Companies like Royal Road are now willing and able to start full scale drilling campaigns in the north, and tentative progress is being made in the south too.

"Royal Road now has the dominant land position stretching along the belt 300km northwards from the Ecuadorian border, which is to say, the company pretty much owns the northern gap," says Pollitt.

To emphasise: there is a gap in the Andes that lies in between highly prolific producing districts, and on which previous

exploration has identified several potential hotspots which now need to be taken forward.

"According to old Anglo hands," says Pollitt, "the southern package contains the two top prospects in the country: La Llanada and El Molino." He goes on to draw a comparison between Yanacocha and Chuqui, arguing that if the distribution of such deposits in the Andes elsewhere is representative then Royal Road should have one or more of something similar on its own ground.

It's all mouthwatering stuff, but so tentative given the sensitive local conditions that Coughlin remains rightly cautious about how things will pan out.

But in the meantime, watch for drill results from Nicaragua and northern Colombia within the next few weeks.

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