



Electric Royalties Ltd.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2022 AND 2021

(Expressed in Canadian Dollars)

(Unaudited)

Electric Royalties Ltd.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Expressed in Canadian Dollars)

	Note	September 30, 2022	December 31, 2021
ASSETS			
Current Assets			
Cash and cash equivalents	3	\$ 1,550,492	\$ 2,101,875
Prepaid expenses		119,900	68,600
		1,670,392	2,170,475
Non-current Assets			
Mineral royalty interests and deferred transaction costs	4	11,967,288	8,557,433
Investment in associate	5	5,159,621	4,779,796
Right-of-use asset		24,410	29,521
		17,151,319	13,366,750
TOTAL ASSETS		\$ 18,821,711	\$ 15,537,225
EQUITY			
Share capital	6	\$ 22,566,380	\$ 18,586,154
Reserves	7	2,650,697	1,576,621
Accumulated deficit		(6,633,848)	(4,993,279)
		18,583,229	15,169,496
LIABILITIES			
Non-Current Liabilities			
Lease liability		20,459	25,499
		20,459	25,499
Current Liabilities			
Lease liability		6,338	5,012
Income tax payable		–	34,000
Accounts payable		211,685	303,218
		218,023	342,230
Total liabilities		238,482	367,729
TOTAL EQUITY AND LIABILITIES		\$ 18,821,711	\$ 15,537,225

Events after the end of the reporting period (note 9)

The accompanying notes are an integral part of these condensed consolidated interim financial statements

These Financial Statements were approved for issuance by the Audit and Risk Committee of the Company's Board of Directors on November 28, 2022 and are signed on the Company's behalf by the following:

/s/ Brendan Yurik

Brendan Yurik
Director

/s/ Craig Lindsay

Craig Lindsay
Director

Electric Royalties Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss

(Unaudited – Expressed in Canadian Dollars, except for weighted average number of common shares)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Operating Expenses					
Investor relations and shareholder communications		\$ 227,979	\$ 113,316	\$ 485,766	\$ 334,718
Salaries and benefits	8	96,849	76,538	298,985	235,524
Administration		82,343	107,906	297,376	265,003
Regulatory		24,496	74,604	65,110	91,662
Legal, tax, audit and audit related		50,328	79,720	207,851	135,154
Property investigations		17,691	78,029	68,982	181,552
Equity-settled share-based payments	7(a)	57,000	34,000	284,000	162,000
		556,686	564,113	1,708,070	1,405,613
Share of (income) loss of associate	5	(20,559)	126,833	(101,573)	126,833
Foreign exchange income		(1,173)	(2,519)	(708)	(8,418)
Interest income on cash and cash equivalents	3	(13,793)	(5,076)	(23,915)	(13,499)
Finance expenses – lease liability		681	801	2,120	1,347
Net loss, before income tax		521,842	684,152	1,583,994	1,511,876
Current income tax		-	-	56,575	-
Net loss		\$ 521,842	\$ 684,152	\$ 1,640,569	\$ 1,511,876
Other comprehensive income					
Items that may be subsequently reclassified to net income					
Foreign exchange translation difference	5	(367,661)	(54,146)	(456,576)	(54,146)
Total other comprehensive income		(367,661)	(54,146)	(456,576)	(54,146)
Total comprehensive loss		\$ 154,181	\$ 630,006	\$ 1,183,993	\$ 1,457,730
Basic and diluted loss per share		\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.03
Weighted average number of common shares outstanding		92,210,205	65,726,618	85,517,259	56,078,286

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Electric Royalties Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited – Expressed in Canadian Dollars, except for number of shares)

	Note	Share Capital (note 6)		Share-based payment reserve 7(a)	Share purchase warrant reserve 7(b)	Foreign currency translation reserve 7(c)	Accumulated deficit	Total equity
		Number of shares	Amount					
Balance at January 1, 2021		48,255,101	\$ 7,429,966	\$ 353,000	\$ -	\$ -	\$ (2,690,860)	\$ 5,092,106
Net loss		-	-	-	-	-	(1,511,876)	(1,511,876)
Other comprehensive income		-	-	-	-	54,146	-	54,146
Total comprehensive loss		-	-	-	-	54,146	(1,511,876)	(1,457,730)
Common Shares issued upon acquisition of the Global Royalties	6(c)	1,150,000	322,000	-	-	-	-	322,000
Common Shares issued upon acquisition of the Seymour Lake Royalty	4	3,000,000	1,020,000	-	-	-	-	1,020,000
Common Shares issued upon acquisition of the Vox Royalty Portfolio	4	7,270,408	2,908,163	-	-	-	-	2,908,163
Common Shares issued upon acquisition of the Glassville Royalty	4	247,140	100,092	-	-	-	-	100,092
Share purchase warrants issued upon acquisition of the Glassville Royalty	4	-	-	-	20,000	-	-	20,000
Common Shares issued upon acquisition of investment in associate	5	8,752,860	3,544,908	-	-	-	-	3,544,908
Share purchase warrants issued upon acquisition of investment in associate		-	-	-	705,092	-	-	705,092
Common Shares issued pursuant to the 2021-Private Placement	6(c)	5,000,000	1,915,149	-	-	-	-	1,915,149
Share purchase warrants issued for finders' fees	6(c)	-	(10,000)	-	10,000	-	-	-
Common Shares issued pursuant to exercise of options		426,000	123,475	-	-	-	-	123,475
Reallocation of reserve upon exercise of options		-	50,000	-	(50,000)	-	-	-
Equity-settled share-based payments		-	-	162,000	-	-	-	162,000
Balance at September 30, 2021		74,101,509	\$ 17,403,753	\$ 515,000	\$ 685,092	\$ 54,146	\$ (4,202,736)	\$ 14,455,255
Balance at January 1, 2022		77,101,509	\$ 18,586,154	\$ 803,000	\$ 735,092	\$ 38,529	\$ (4,993,279)	\$ 15,169,496
Net loss		-	-	-	-	-	(1,640,569)	(1,640,569)
Other comprehensive income		-	-	-	-	456,576	-	456,576
Total comprehensive loss		-	-	-	-	456,576	(1,640,569)	(1,183,993)
Common Shares issued upon acquisition of the Rana Nickel Royalty	4	2,000,000	760,000	-	-	-	-	760,000
Units issued pursuant to the Public Offering, net of cost	6(b)	11,500,000	2,495,226	-	226,500	-	-	2,721,726
Agent warrants issued pursuant to the Public Offering	6(b)	-	-	-	107,000	-	-	107,000
Common shares issued upon acquisition of Sleitat Royalty	4	1,000,000	255,000	-	-	-	-	255,000
Common shares issued upon acquisition of Zonia Royalty	4	2,000,000	470,000	-	-	-	-	470,000
Equity-settled share-based payments	7(a)	-	-	284,000	-	-	-	284,000
Balance at September 30, 2022		93,601,509	\$ 22,566,380	\$ 1,087,000	\$ 1,068,592	\$ 495,105	\$ (6,633,848)	\$ 18,583,229

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Electric Royalties Ltd.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Expressed in Canadian Dollars)

	Note	Nine months ended September 30,	
		2022	2021
Operating activities			
Net loss		\$ (1,640,569)	\$ (1,511,876)
Adjustments for:			
Depreciation of right-of-use asset		5,111	2,839
Equity-settled share-based payments	7(a)	284,000	162,000
Share of (income) loss of associate	5	(101,573)	126,833
Finance expenses – lease liability		2,120	1,347
Interest income on cash and cash equivalents	3	(23,915)	(13,499)
Changes in working capital items			
Prepaid expenses		(51,300)	807
Income tax payable		(34,000)	-
Accounts payable		(91,533)	57,667
Cash used in operating activities		(1,651,659)	(1,173,882)
Investing activities			
Acquisition of mineral royalty interests, including transaction costs	4	(1,924,855)	(319,883)
Cash distributions from associate	5	178,324	(365,943)
Interest received	3	23,915	13,499
Cash used in investing activities		(1,722,616)	(672,327)
Financing activities			
Net proceeds from the Public Offering	6(b)	2,828,726	-
Common Shares issued pursuant to the 2021-Private Placement	6(c)	-	1,915,149
Common Shares issued pursuant to exercise of options		-	123,475
Payment of principal on lease		(3,714)	(2,195)
Payment of interest on lease		(2,120)	(1,347)
Cash provided by financing activities		2,822,892	2,035,082
Change in cash and cash equivalents		(551,383)	188,873
Cash and cash equivalents, opening balance		2,101,875	2,584,739
Cash and cash equivalents, closing balance		\$ 1,550,492	\$ 2,773,612

Supplemental cash flow information (note 3)

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

1 . NATURE OF OPERATIONS

Electric Royalties Ltd., (“ELEC” or the “Company”) is a public company whose common shares are listed on the TSX Venture Exchange (“TSXV”), under the trading symbol “ELEC”. The Company’s common shares trade on the OTCQB Venture Market under the symbol “ELECF”. The Company was incorporated on September 16, 2016 under the laws of the Province of British Columbia, Canada. The address of the Company’s corporate office is 14th Floor, 1040 West Georgia Street, Vancouver, BC, V6E 4H1.

The Company is focused predominantly on acquiring royalty interests in operating mines as well as advanced stage mineral projects, located in jurisdictions with low geopolitical risk, to build a diversified portfolio of royalty interests in significant mineral deposits (resources and/or reserves) of a wide range of commodities, including lithium, vanadium, manganese, tin, graphite, cobalt, nickel, and copper, that will benefit from the drive to electrification (cars, rechargeable batteries, large scale energy storage, renewable energy generation and other applications).

These condensed consolidated interim financial statements (the “Financial Statements”) are comprised of the Company and its subsidiaries (all wholly-owned) – Electric Royalties (Canada) Ltd. (“ELEC Canada”), and Electric Royalties (USA) Inc. (“ELEC-US”) – (together referred to as the “Company” or the “Group”) and are prepared for the three and nine months ended September 30, 2022 and 2021.

2 . SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These Financial Statements have been prepared on a going concern basis in accordance with IAS 34, Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”). These Financial Statements do not include all of the information and footnotes required by International Financial Reporting Standards (“IFRS”) for complete financial statements for year-end reporting purposes. These Financial Statements should be read in conjunction with the Company’s consolidated financial statements as at and for the year ended December 31, 2021. Results for the current reporting period are not necessarily indicative of future results. Accounting policies applied herein are the same as those applied in the Company’s annual financial statements.

(b) Basis of consolidation

These Financial Statements include the financial statements of the Company and subsidiaries (all wholly-owned); namely: Electric Royalties (Canada) Ltd., and Electric Royalties (USA) Inc.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns.

Intra-group balances and transactions, including any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the Financial Statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company’s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

(c) Significant accounting estimates and judgements

In preparing these Financial Statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

There was no change in the use of estimates and judgments during the current period as compared to those described in Note 2 in the Company's consolidated financial statements for the year ended December 31, 2021.

(d) Loss per share

The Company presents basic and diluted loss per share information for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(e) Operating segments

The Company operates as a single operating and reporting segment and these Financial Statements should be read as a whole for the results of this single reporting segment. The Company's mineral royalty interests and deferred transaction costs, and investment in an associate are located in the following locations:

	September 30, 2022	December 31, 2021
Mineral royalty interests and deferred transaction costs		
Canada	\$ 4,851,149	\$ 4,872,521
United States of America	2,543,418	-
Australia and Madagascar	3,658,048	3,658,048
Norway	914,673	-
Investment in associate		
United States of America	5,159,621	4,806,660
Total	\$ 17,126,909	\$ 13,337,229

3 . CASH AND CASH EQUIVALENTS

	September 30, 2022	December 31, 2021
Components of cash and cash equivalent:		
Cash held in business accounts		
Denominated in Canadian Dollars	\$ 1,216,952	\$ 2,099,576
Denominated in US Dollars	333,540	2,299
Total	\$ 1,550,492	\$ 2,101,875

Supplemental cash flow information

	Note	Nine months ended September 30,	
		2022	2021
Income tax paid			
Payment of income tax relating to the Company's share of income of associate	5	\$ 90,170	\$ -

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

Supplemental cash flow information (cont.)	Note	Nine months ended September 30,	
		2022	2021
Non-cash investing and financing activities			
Common shares issued with respect to royalty acquisitions	4	\$ 1,485,000	\$ 4,350,255
Share purchase warrants issued with respect to royalty acquisitions		-	20,000
Common shares issued for acquisition of interest in MTM LP		-	3,544,908
Share purchase warrants issued for acquisition of interest in MTM LP		-	705,092
Agent warrants issued pursuant to the Public Offering	6(b)	107,000	-
Agent warrants issued pursuant to the Private Placement		-	10,000
		\$ 1,592,000	\$ 8,630,255

4 . MINERAL ROYALTY INTERESTS AND DEFERRED TRANSACTION COSTS

At September 30, 2022, the Company held the following royalty interests, including gross revenue royalty (“GRR”), gross metal royalty (“GMR”), and net smelter returns (“NSR”) royalty:

Project	Location	Royalty Interest
Bissett Creek Graphite Royalty		
Bissett Creek Graphite Project	Ontario, Canada	1.0 % GRR
Globex Royalties		
Authier Lithium Project (certain core claims)	Quebec, Canada	0.5 % GMR
Authier Lithium Project (Sayona West)	Quebec, Canada	0.5 % GMR
Authier Lithium Project (Sayona East)	Quebec, Canada	2.0 % GMR
Mont Sorcier Project – vanadium production	New Brunswick, Canada	1.0 % GMR
Battery Hill Manganese Project	Quebec, Canada	2.0 % GMR
Chubb Lithium Project	Quebec, Canada	2.0 % GMR
Bouvier Lithium Project	Quebec, Canada	2.0 % GMR
Global Royalties		
Millennium Copper Cobalt Project	Queensland, Australia	0.5 % GRR
Mt. Dorothy Cobalt Project	Queensland, Australia	0.5 % GRR
Cobalt Ridge Cobalt Project	Queensland, Australia	0.5 % GRR
Seymour Lake Lithium Royalty		
Seymour Lake Lithium Deposit	Ontario, Canada	1.5 % NSR
Glassville Manganese Royalty		
Glassville Manganese Project	New Brunswick, Canada	1.0 % GRR
Vox Graphite Royalties		
Graphmada Graphite Project	Madagascar	2.5 % NSR
Yalbra Graphite Project	Western Australia	0.75 % GRR
Cancet Lithium Royalty		
Cancet Lithium Project	Quebec, Canada	1.0 % NSR
Rana Nickel Royalty		
Rana Nickel Project	Northern Norway	1.0 % NSR
Sleitat Tin-Silver Royalty		
Sleitat Mountain Tin-Silver Project	Alaska, United States	1.0 % NSR
Zonia Copper Royalty		
Zonia Copper Project	Alaska, United States	0.5% GRR

Note: For the Company's Interest in the Middle Tennessee Mine Zinc Royalty, refer to Note 5.

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

The Company will also have the right, for a period of 15 months to November 2023, to acquire a further 0.5% GRR on the Zonia Copper Project for \$3,000,000 cash consideration. In addition, the Company will have an option, to acquire a 1% GRR on the Zonia Norte deposit, adjacent to the Zonia Project, for \$3,000,000 cash, at any time during a period of 24 months from the date an initial technical report is published in respect of the Zonia Norte deposit, containing an estimate of Inferred Mineral Resources, and prepared in accordance with National Instrument 43-101.

Continuity of the Company's mineral royalty interests and deferred transaction costs is as follows:

	Addition/(reallocation)					Ending Balance
	Beginning Balance	Value of Shares Issued	Cash Payments	Transaction Costs		
Nine months ended September 30, 2022						
<u>Mineral Royalty Interests</u>						
Bissett Creek Graphite Royalty	\$ 1,065,790	\$ -	\$ -	\$ -	\$ -	\$ 1,065,790
Globex Royalties	1,332,237	-	-	-	-	1,332,237
Global Royalties	623,883	-	-	-	-	623,883
Seymour Lake Lithium Royalty	1,061,686	-	-	-	-	1,061,686
Glassville Manganese Royalty	130,334	-	-	-	-	130,334
Vox Graphite Royalties	3,034,165	-	-	-	-	3,034,165
Cancet Lithium Royalty	1,261,102	-	-	-	-	1,261,102
Rana Nickel Royalty	-	760,000	100,000	54,673		914,673
Sleitat Tin-Silver Royalty	-	255,000	100,000	88,050		443,050
Zonia Copper Royalty	-	470,000	1,500,000	130,368		2,100,368
	\$ 8,509,197	\$ 1,485,000	\$ 1,700,000	\$ 273,091	\$ -	\$ 11,967,288
<u>Deferred Transaction Costs</u>						
Rana Nickel Royalty	\$ 48,236	\$ -	\$ -	\$ (48,236)	\$ -	\$ -
	\$ 48,236	\$ -	\$ -	\$ (48,236)	\$ -	\$ -
Total	\$ 8,557,433	\$ 1,485,000	\$ 1,700,000	\$ 224,855	\$ -	\$ 11,967,288

	Addition/(reallocation)					Ending Balance
	Beginning Balance	Value of Equity Issued	Cash Payments	Transaction Costs		
Nine months ended September 30, 2021						
<u>Mineral Royalty Interests</u>						
Bissett Creek Graphite Royalty	\$ 1,065,790	\$ -	\$ -	\$ -	\$ -	\$ 1,065,790
Globex Royalties	1,332,237	-	-	-	-	1,332,237
Global Royalties	-	322,000	150,000	151,883		623,883
Seymour Lake Lithium Royalty	-	1,020,000	-	41,686		1,061,686
Glassville Manganese Royalty	-	120,092	-	10,242		130,334
Vox Graphite Royalties	-	2,908,163	50,000	63,398		3,021,561
	\$ 2,398,027	\$ 4,370,255	\$ 200,000	\$ 267,209	\$ -	\$ 7,235,491
<u>Deferred Transaction Costs</u>						
Global Royalties	\$ 100,783	\$ -	\$ -	\$ (100,783)	\$ -	\$ -
Cancet Lithium Royalty	-	-	-	49,603		49,603
	\$ 100,783	\$ -	\$ -	\$ (51,180)	\$ -	\$ 49,603
Total	\$ 2,498,810	\$ 4,370,255	\$ 200,000	\$ 216,029	\$ -	\$ 7,285,094

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

5 . INVESTMENT IN ASSOCIATE

In August 2021, the Company's wholly-owned subsidiary, Electric Royalties (USA) Inc., acquired a 25% interest in a limited partnership ("MTM LP"), which completed the acquisition of the Middle Tennessee Mine royalty ("MTM Royalty"). The Company's interest in the MTM LP entitles it to receive distribution of 25% of the MTM LP's revenue after deduction of 50% of its operating expenses.

The MTM Royalty is a sliding-scale gross metal royalty on the currently producing Middle Tennessee Mine complex in Tennessee that varies with the zinc price: no royalty is payable if the zinc price is below US\$0.90 per pound, a 1.0% royalty is paid at zinc prices between US\$0.90 and US\$1.10 and a 1.4% royalty is paid at zinc prices above US\$1.10 per pound.

The Company has an option (the "MTM Option"), exercisable on August 11, 2023, to acquire an additional 25% economic interest in the MTM LP for up to US\$4.34 million (approximately \$5.50 million) in cash, subject to certain deductions determinable with reference to the amount of royalty received by MTM LP prior to exercise of the MTM Option but not exceeding US\$0.24 million (approximately \$0.31 million). The Company has determined the fair value of the MTM Option at September 30, 2022 to be \$Nil (December 31, 2021 - \$Nil).

	Nine months ended September 30,	
	2022	2021
Beginning balance	\$ 4,779,796	\$ -
Total cost at initial recognition	-	4,779,912
ELEC's share of net income of associate	101,573	(126,833)
Cash distributions from MTM LP	(178,324)	-
Currency translation adjustments	456,576	54,146
Carrying amount at the end of the period	\$ 5,159,621	\$ 4,707,225

Summarized financial information for the Company's investment in associate, on a 100% basis and reflecting adjustments made by the Company, including fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies is as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Royalty revenue	\$ 408,207	\$ 298,000	\$ 1,494,989	\$ 298,000
Depletion of royalty interest	(235,321)	(161,332)	(685,362)	(161,332)
Revenue, net of depletion	172,886	136,668	809,627	136,668
Administration expenses	(45,324)	(322,000)	(201,667)	(322,000)
Total net income/(loss)	\$ 127,562	\$ (185,332)	\$ 607,960	\$ (48,664)
ELEC's share (50%) of administrative expenses	\$ (22,662)	\$ (161,000)	\$ (100,834)	\$ (161,000)
ELEC's share (25%) of other items of net income	43,221	34,167	202,407	34,167
Company's share of income (loss) of associate	\$ 20,559	\$ (126,833)	\$ 101,573	\$ 34,167

Electric Royalties Ltd.

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For the three and nine months ended September 30, 2022 and 2021

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

	September 30, 2022	December 31, 2021
Current Assets	\$ 1,980,644	\$ 873,810
Non-current Assets	18,873,460	17,877,910
Total Assets	\$ 20,854,104	\$ 18,751,720
Current Liabilities	\$ 118,093	\$ 372,451
Non-current Liabilities	-	-
Total Liabilities	\$ 118,093	\$ 372,451
Net Assets	\$ 20,736,011	\$ 18,379,269
Company's share of net assets of associate	\$ 4,866,122	\$ 4,501,705
Unamortized transaction costs	293,499	278,091
Carrying amount of investment in associate	\$ 5,159,621	\$ 4,779,796

6 . SHARE CAPITAL

(a) Authorized share capital

The authorized share capital of the Company was comprised of an unlimited number of common shares without par value ("Common Shares"). All issued shares are fully paid.

(b) Public Offering

On May 12, 2022, the Company closed a marketed public offering (the "Public Offering") pursuant to which the Company issued 11,500,000 units of the Company (the "Units") at a price of \$0.30 per Unit (the "Offering Price") for aggregate gross proceeds of \$3,450,000. Each Unit is comprised of one common share in the capital of the Company and one common share purchase warrant (each a "Warrant"). Each Warrant can be exercised for one common share at an exercise price of \$0.45 per Warrant for a period of 36 months following the closing of the Public Offering, subject to adjustments in certain circumstances.

In connection with the Public Offering, the Company paid an aggregate cash commission equal to 7% of the gross proceeds to the underwriter for the Public Offering and also issued, as additional compensation, non-transferable compensation warrants ("Compensation Warrants") exercisable to purchase up to 805,000 Common Shares each at the Offering Price, subject to adjustments in certain circumstances, for a period of 24 months following the closing of the Offering. Share issue costs totaled \$728,228 made up of the commission, the fair value of the Compensation Warrants and other attributable costs.

The gross proceeds from the Public Offering was allocated to shares and warrants using the residual value method, whereby the aggregate gross proceeds is first allocated to share capital to the extent of the fair value of the common shares issued, which fair value is determined with reference to their market value. Any excess of the gross proceeds over the fair value of the common shares is allocated to the warrants and is recorded as share warrants reserve. The fair value of the Company's common shares at the timing of the closing was \$0.275 per share; accordingly, the residual value assigned to each warrant that constitutes each Unit was \$0.025.

The Compensation Warrants were recorded at their grant date fair value of \$0.13 per warrant, which fair value was determined using the Black-Scholes Option Valuation method and the following input: a) market price of \$0.275 per common share; b) risk-free annual interest rate of 2.6%; c) time to expiration of 2 years; d) expected stock price volatility of 80%; and e) expected annual dividend yield of nil.

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

(c) 2021-Private Placement

In July 2021, the Company announced that it closed a private placement (the "2021-Private Placement") of 5,000,000 units (the "Units") issued at a price of \$0.40 per Unit, for gross proceeds of \$2,000,000. Each Unit comprised of one common share plus one warrant, each warrant entitles the holder to acquire one common share at a price of \$0.60 per share for a two year period following closing of the 2021-Private Placement. In connection with the 2021-Private Placement, the Company paid cash fees of \$67,200 and issued 93,000 finders' warrants entitling the holders to acquire up to an aggregate of 93,000 common shares at a price of \$0.60 per share for a period of 12 months from closing.

Pursuant to the application of the residual value method, the fair value of the common shares was first determined by using the trading price of the Company's common shares at the date of issuance. There was no excess of the Unit's price over the fair value of the common shares as of the date of issuance; accordingly, no residual value was assigned to 5,000,000 warrants issued pursuant to the 2021-Private Placement.

7 . RESERVES

(a) Equity-settled share-based payment arrangements

The number and weighted-average exercise prices of share options were as follows:

Continuity of options	Nine months ended September 30, 2022		Nine months ended September 30, 2021	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding – beginning balance	7,172,500	\$ 0.35	3,898,500	\$ 0.29
Options granted	200,000	\$ 0.34	500,000	\$ 0.28
Options expired	(175,000)	\$ 0.20	-	\$ -
Options cancelled	-	\$ -	(300,000)	\$ (0.40)
Options exercised	-	\$ -	(426,000)	\$ (0.29)
Options outstanding – ending balance	7,197,500	\$ 0.35	3,672,500	\$ 0.29
Options exercisable – ending balance	6,030,838	\$ 0.34	3,605,834	\$ 0.29

The fair value of the options granted during the nine months ended September 30, 2022 was determined as \$0.12 per option and using the following weighted average inputs: risk-free interest rate of 2.40%; expected volatility of 50%; underlying market price of \$0.34 per share; time to expiry of 3 years; and dividend yield of nil%.

The fair value of the options granted during the nine months ended September 30, 2021 was determined using the following weighted average inputs: risk-free interest rate of 0.29%; expected volatility of 50%; underlying market price of \$0.27 per share; time to expiry of 3 years; and dividend yield of nil%.

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The following table summarizes information on the options outstanding:

Remaining contractual life of the Company's common share purchase options:	September 30, 2022		December 31, 2021	
	Number of	Weighted average remaining contractual life	Number of	Weighted average remaining contractual life
Exercise price	Options	(years)	Options	(years)
\$0.200	-	-	25,000	0.27
\$0.280	200,000	1.37	200,000	2.12
\$0.290	3,447,500	2.28	3,447,500	3.03
\$0.340	200,000	2.49	-	-
\$0.400	-	-	150,000	1.25
\$0.415	3,350,000	3.83	3,350,000	4.58
	7,197,500	2.98	7,172,500	3.68

(b) Share purchase warrants

Continuity of share purchase warrants	Note	Nine months ended September 30,	
		2022	2021
		(Number of warrants)	
Beginning balance		10,593,000	-
Warrants issued pursuant to the 2021-Private Placement	6(c)	-	5,000,000
Compensation warrants (expired) issued	6(c)	(93,000)	93,000
Warrants issued pursuant to acquisition of investment in associate	5	-	5,348,970
Warrants issued pursuant to acquisition of the Glassville Royalty	4	-	151,030
Warrants issued pursuant to the Public Offering	6(b)	11,500,000	-
Compensation warrants issued to the underwriter of the Public Offering	6(b)	805,000	-
Ending balance		22,805,000	10,593,000
Weighted average exercise price – end of the reporting period		\$ 0.51	\$ 0.51
Weighted remaining life – end of the reporting period		2.24 years	3.23 years

(c) Foreign currency translation reserve

The foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations into Canadian Dollars (note 5).

8 . RELATED PARTY TRANSACTIONS

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company and include the chief executive officer and directors of the Company. Transactions with the Company's key management personnel were as follows:

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	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Short-term employment benefits(i)	\$ 96,849	\$ 76,538	\$ 298,985	\$ 235,524
Share-based payments	59,000	23,000	135,000	52,000
Total	\$ 155,849	\$ 99,538	\$ 433,985	\$ 287,524

(i) Includes executive salaries and directors' fees relating to the Company's key management personnel.

9 . EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Penouta Tin-Tantalum Royalty

In November 2022, the Company announced the signing of an agreement (the "Penouta Tin-Tantalum Royalty Agreement") with Strategic Minerals Europe Corp. ("Strategic Minerals") to acquire a newly granted 0.75% GRR on the producing Penouta tin-tantalum mine in Spain (the "Penouta Tin-Tantalum Project") in exchange for a cash payment of \$1,000,000 and 500,000 common shares of the Company. In addition, the Company will have an option for a period of 7 months from closing to acquire an additional 0.75% GRR on the Penouta Tin-Tantalum Project in exchange for an additional cash payment of C\$1,250,000. The royalty rates will be reduced to 0.5% respectively once certain minimum royalty payments have been made.

The Penouta Tin-Tantalum Royalty Agreement is subject to completion of due diligence, approval of the TSX Venture Exchange and other customary conditions.

(b) Debt Financing

In November 2022, the Company entered into a convertible loan facility (the "Loan Facility" or "Loan") with a significant shareholder (the "Lender") of the Company. The Loan Facility can be drawn before June 30, 2023 at the election of the Company for an aggregate amount of up to \$2 million with a 3 year term, and bearing interest at 15% per annum, with interest to be accrued and capitalized monthly and payable at the end of the loan term. There is no commitment fee payable on the Loan Facility.

After six months from the initial drawdown, the Lender may convert any portion of principal sum and accrued interest outstanding against the Loan Facility into common shares of the Company at the greater of \$0.50 per share or a 100% premium above the 30-day VWAP of the Company's shares on the TSX Venture Exchange at the time of each advance.

The funds, if required, would be used to fund the cash portion of the acquisition payment for the Penouta Tin-Tantalum Royalty and other royalty acquisitions, and will be secured by the Company's interest in the Penouta Tin-Tantalum Royalty and any other royalty acquired using funds from this Loan facility.

This Loan Facility is subject to the approval of the TSX Venture Exchange, the completion of loan documentation and other customary closing conditions.