Electric Royalties Ltd.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

(Expressed in Canadian Dollars)

Independent Auditor’s Report

To the Shareholders and the Board of Directors of
Electric Royalties Ltd.

Opinion

We have audited the consolidated financial statements of Electric Royalties Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $5,999,277 during the year ended December 31, 2023 and its primary sources of funding consist of proceeds from the issuance of common shares of the Company, convertible debt, royalty revenue and distributions from MTM LP. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be a key audit matter to be communicated in our auditor’s report.

Accounting for the Investment in Mid-Tennessee Royalty Co-Invest, LP – Refer to Notes 2(i) and 5 to the consolidated financial statements

Key Audit Matter Description

The Company has a 25% interest in Mid-Tennessee Royalty Co-Invest, LP (“MTM LP”). The Company has accounted for this interest in MTM LP using the equity method which requires that the Company’s investment is initially recognized at cost when acquired and subsequently increased or decreased to recognize the Company’s share of net income and losses of MTM LP, after any adjustments necessary to give effect to uniform accounting policies, any other movement in MTM LP’s reserves, and for impairment losses after the initial recognition date.

We identified the accounting for the investment in MTM LP as a key audit matter because of the significance to the Company’s financial statements, and the judgments made by management when assessing the results of MTM LP’s operations including the impairment of the mineral royalty interest owned by MTM LP and the accounting judgments made to give effect to uniform accounting policies. This required an increased extent of effort, including the need to involve the auditor of MTM LP and senior members of the engagement team.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to accounting for the investment in MTM LP included the following, among others:

- Tested distributions related to the investment in MTM LP, including confirming certain financial information with the General Partner of MTM LP;
- Evaluated significant judgments and estimates at the underlying investment in MTM LP through oversight of auditors of MTM LP by:
    - Obtaining and assessing information from the auditors of MTM LP to understand significant judgments and estimates, significant findings or issues identified by such auditor, actions taken to address them and conclusions reached;
- Agreed the underlying information of the investment in MTM LP to the audited financial information of MTM LP;
- Tested the adjustments necessary to give effect to uniform accounting policies between MTM LP and the Company.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Cameron Walls.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
April 26, 2024

Electric Royalties Ltd.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note		December 31, 2023		December 31, 2022
ASSETS					
Current Assets					
Cash and cash equivalents	3	$	442,522	$	1,236,733
Royalty revenue receivable			9,664		–
Prepaid expenses			183,438		29,664
Fixed royalty receivable	6		77,594		–
Income tax receivable			18,546		36,473
			731,764		1,302,870
Non-current Assets					
Mineral royalty interests and deferred transaction costs	4		14,150,001		12,048,633
Investment in associate	5		3,017,903		5,033,605
Fixed royalty receivable	6		93,441		–
Right-of-use asset			15,891		22,706
			17,277,236		17,104,944
TOTAL ASSETS		$	18,009,000	$	18,407,814
EQUITY					
Share capital	7	$	23,588,230	$	22,563,230
Reserves	8		2,847,251		2,605,264
Accumulated deficit			(12,915,600)		(6,916,323)
			13,519,881		18,252,171
LIABILITIES					
Non-Current Liabilities					
Convertible loan	9		4,338,522		–
Lease liability			10,644		18,707
			4,349,166		18,707
Current Liabilities					
Lease liability			7,761		6,609
Accounts payable and accrued liabilities			132,192		130,327
			139,953		136,936
Total liabilities			4,489,119		155,643
TOTAL EQUITY AND LIABILITIES		$	18,009,000	$	18,407,814

Nature of operations (note 1)
Events after the end of the reporting period (note 13)

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

These Financial Statements were approved for issuance by the Company's Board of Directors on April 26, 2024 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.

Consolidated Statements of Comprehensive Loss

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

	Note		Year ended December 31, 2023		2022
Revenue from royalty interests		$	165,811	$	–
Depletion of royalty interest	4		(40,800)		–
Gross profit			125,011		–
Operating Expenses					
Investor relations and shareholder communications			192,691		637,717
Salaries and benefits	10		407,887		394,079
Administration			404,691		392,357
Regulatory			110,923		91,630
Legal, tax, audit and audit related			268,209		227,089
Property investigations			35,930		75,293
Equity-settled share-based payments	8		–		291,600
			(1,420,331)		(2,109,765)
Share of (loss) income of associate	5		(67,330)		175,123
Impairment loss - investment in MTM LP	5		(1,760,004)		–
Impairment loss - Penouta royalty interest	4(d)		(2,623,022)		–
Foreign exchange loss			(8,381)		(3,223)
Interest income on cash and cash equivalents	3		29,714		37,585
Interest income on fixed royalty receivable	6		8,060		–
Finance expenses – convertible note	9		(300,522)		–
Finance expenses – lease liability			(2,184)		(2,764)
Net loss, before income tax			(6,018,989)		(1,903,044)
Current income tax recovery (expense)			19,712		(20,000)
Net loss		$	(5,999,277)	$	(1,923,044)
Other comprehensive (loss) income					
Items that may be subsequently reclassified to net income					
Foreign exchange translation difference	5		(170,013)		403,543
Total other comprehensive (loss) income			(170,013)		403,543
Total comprehensive loss		$	(6,169,290)	$	(1,519,501)
Basic and diluted loss per share		$	(0.06)	$	(0.02)
Weighted average number of common shares outstanding			95,774,111		87,554,933

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

Electric Royalties Ltd.

Consolidated Statements of Changes in Equity

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

		Share Capital (note 7)							
	Note	**Number of shares**	**Amount**	**Share-based payment reserve**	**Share purchase warrant reserve**	**Conversion option reserve**	**Foreign currency translation reserve**	**Accumulated deficit**	**Total equity**
				8(a)	8(b)	9	8(c)		
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		–	–	–	–	–	–	(1,923,044)	(1,923,044)
Other comprehensive income		–	–	–	–	–	403,543	–	403,543
Total comprehensive loss		–	–	–	–	–	403,543	(1,923,044)	(1,519,501)
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	7(b)	11,500,000	2,492,076	–	226,500	–	–	–	2,718,576
Agent warrants issued pursuant to the Public Offering	7(b)	–	–	–	107,000	–	–	–	107,000
Common shares issued upon acquisition of Sleitat Royalty	4(b)	1,000,000	255,000	–	–	–	–	–	255,000
Common shares issued upon acquisition of Zonia Royalty	4(c)	2,000,000	470,000	–	–	–	–	–	470,000
Equity-settled share-based payments		–	–	291,600	–	–	–	–	291,600
Balance at December 31, 2022		93,601,509	$ 22,563,230	$ 1,094,600	$ 1,068,592	$ –	$ 442,072	$ (6,916,323)	$ 18,252,171
Balance at January 1, 2023		93,601,509	$ 22,563,230	$ 1,094,600	$ 1,068,592	$ –	$ 442,072	$ (6,916,323)	$ 18,252,171
Net loss		–	–	–	–	–	–	(5,999,277)	(5,999,277)
Other comprehensive loss		–	–	–	–	–	(170,013)	–	(170,013)
Total comprehensive loss		–	–	–	–	–	(170,013)	(5,999,277)	(6,169,290)
Common Shares issued upon acquisition of the Penouta Royalty	4(d)	500,000	175,000	–	–	–	–	–	175,000
Common Shares issued upon acquisition of the Kenbridge Royalty	4(e)	2,500,000	850,000	–	–	–	–	–	850,000
Convertible loan – conversion option	9	–	–	–	–	412,000	–	–	412,000
Balance at December 31, 2023		96,601,509	$ 23,588,230	$ 1,094,600	$ 1,068,592	$ 412,000	$ 272,059	$ (12,915,600)	$ 13,519,881

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

Electric Royalties Ltd.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Note	Year ended December 31, 2023	2022
Operating activities			
Net loss		$ (5,999,277)	$ (1,923,044)
Adjustments for:			
Depletion of royalty interest		40,800	–
Depreciation of right-of-use asset		6,815	6,815
Equity-settled share-based payments	8	–	291,600
Share of loss (income) of associate	5	67,330	(175,123)
Impairment loss - investment in MTM LP	5	1,760,004	–
Impairment loss - Penouta royalty interest	4(d)	2,623,022	–
Finance expenses – convertible note	9	300,522	–
Finance expenses – lease liability		2,184	2,764
Interest income on cash and cash equivalents	3	(29,714)	(37,585)
Interest income on fixed royalty receivable	6	(8,060)	–
Changes in working capital items			
Prepaid expenses		(153,774)	38,936
Income tax receivable		17,430	(36,473)
Royalty revenue receivable		(9,664)	–
Accounts payable and accrued liabilities		1,865	(172,891)
Income tax payable		–	(34,000)
Cash used in operating activities		(1,380,517)	(2,039,001)
Investing activities			
Acquisition of mineral royalty interests, including transaction costs and amount attributable to fixed royalty	4,6	(3,957,872)	(1,952,084)
Cash distributions from associate	5	73,559	270,741
Interest received	3	29,714	37,585
Cash used in investing activities		(3,854,599)	(1,643,758)
Financing activities			
Proceeds from convertible loan	9	4,450,000	–
Net proceeds from the Public Offering		–	2,825,576
Payment of principal on lease		(6,911)	(5,195)
Payment of interest on lease		(2,184)	(2,764)
Cash provided by financing activities		4,440,905	2,817,617
Change in cash and cash equivalents		(794,211)	(865,142)
Cash and cash equivalents, opening balance		1,236,733	2,101,875
Cash and cash equivalents, closing balance		$ 442,522	$ 1,236,733

Supplemental cash flow information (note 3)

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

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 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 advanced stage mineral projects as well as operating mines, located in jurisdictions with low geopolitical risk, to build a diversified portfolio of royalty interests in significant mineral projects or 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 Financial Statements are prepared on the basis that the Company will continue as a going concern which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. During the year ended December 31, 2023, the Company recorded a net loss of $5,999,277, largely due to the impairment losses recorded during the year, (for the year ended December 31, 2022: $1,923,044). Historically, the Company's primary sources of funding included proceeds from the issuance of common shares of the Company, convertible debt, royalty revenue, and distributions from MTM LP (note 5).

As of December 31, 2023, the Company had drawn $4.45 million of the convertible loan facility with $0.55 million available to draw (note 9), which matures in January 2026. Subsequent to December 31, 2023, the convertible loan facility was amended that led to, among other changes, the following modifications to the loan facility: a) increasing the total amount of the loan facility to $10.00 million (of which $3.05 million is undrawn as of the date of issuance of these Financial Statements) from the initial total amount of $5.00 million; and b) extending the maturity of the loan to January 2028. See Note 13 for additional information on the convertible loan facility amendments.

Any change in the commitment or timing of debt and equity funding from existing or new shareholders of the Company, and alternative capital providers may require the Company to curtail its business development activities or seek alternative sources of funding. As such, there is material uncertainty that casts significant doubt on the Company's ability to continue as a going concern. Management has concluded that presentation as a going concern is appropriate in these Financial Statements based on the Company's current financial position, and its plans for 2024 fiscal year.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Statement of compliance

These Financial Statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), effective for the Company's reporting year ended December 31, 2023.

(b) Basis of presentation

Financial Statements have been prepared using the historical cost basis, except for cash flow information.

(c) Basis of consolidation

These Financial Statements include the financial statements of the Company and subsidiary (wholly-owned); namely: Electric Royalties (USA) Inc. ("ELEC US").

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.

(d) Functional currency

The functional currency is the currency of the primary economic environment in which an entity operates. The functional and presentation currency of the Company is the Canadian Dollar.

A foreign operation is a subsidiary, associate, joint venture or branch whose activities are based or conducted in a country or currency other than those of the reporting entity. ELEC-US and MTM LP are considered as foreign operations for the purpose of these Financial Statements. The functional currency of ELEC US and MTM LP is the United States Dollar (USD).

The assets and liabilities of foreign operations are translated into the presentation currency (Canadian Dollar) at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Canadian Dollar using the average rates for the period.

Foreign currency differences are recognised in other comprehensive income or loss and accumulated in the foreign currency translation reserve.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(e) Revenue

The Company recognizes revenue from its royalty interests when the relevant commodity is transferred to the end customer by the operator of the royalty property. Revenue is measured at the fair value of the consideration received or receivable when management can reliably estimate the amount, pursuant to the terms of the royalty agreement.

In some instances, the Company will not have access to sufficient information to make a reasonable estimate of consideration to which it expects to be entitled and, accordingly, revenue recognition is deferred until management can make a reasonable estimate. Differences between estimates and actual amounts are adjusted and recorded in the period that the actual amounts are known.

(f) Financial instruments

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

All financial assets that are not classified at amortised cost or fair value through other comprehensive income ("FVTOCI") are measured at fair value through profit or loss ("FVTPL") with net gains and losses on subsequent revaluation and income and expenses, including any transaction cost, associated with such assets recognised in profit or loss. All derivative financial assets and hybrid financial instruments with embedded derivatives are classified at FVTPL.

For a financial asset to be measured at amortized cost, it must meet the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition, financial assets at amortized cost are measured at fair value plus, transaction costs that are directly attributable to its acquisition. Subsequently, these financial assets are measured at amortised cost, using the effective interest method, and net of any impairment loss. Interest income, foreign exchange gains and losses, impairment losses, and gain or losses on derecognition are recognised in profit or loss.

The Company has no financial assets which are classified as FVTPL or FVTOCI.

The Company's financial assets at amortized cost comprise royalty revenue receivable, fixed royalty receivable and cash.

The Company classifies its non-derivative financial liabilities at amortized cost that are recognized initially at fair value net of any directly attributable transaction costs.

When a compound financial instrument is issued, its initial carrying amount is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the fair value of the liability component.

Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company's financial liabilities measured at amortized cost comprise accounts payable and accrued liabilities, and the convertible loan.

The Company has no derivative financial liabilities.

<u>Impairment of financial assets:</u>

The Company recognises an allowance for expected credit losses ("ECL") for all debt instruments at amortized cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages, which are as follows:

- For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months.
- For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

In these Financial Statements, the Company has not recognized any ECL.

(g) Share capital and share purchase warrants

Common shares are classified as equity. Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

The Company applies the residual value approach to allocate the proceeds received from the unit offering or when assets are acquired with consideration made up of a combination of common shares and share purchase warrants to their respective components. The fair value of the common shares is determined by using the trading price of the Company's shares at the date of issuance. The excess of the unit price received or consideration paid over the fair value of the common shares is used to determine the residual value.

(h) 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.

For the years ended December 31 , 2023 and 2022, all outstanding share purchase options and warrants as well as the convertible debt were anti-dilutive as the Company was in a loss position.

(i) Interest in associate

An associate is an entity over which the Company has significant influence and is neither a subsidiary nor a joint arrangement. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies.

The Company accounts for its investments in associates using the equity method. Under the equity method, the Company’s investment in associates are initially recognized at cost when acquired and subsequently increased or decreased to recognize the Company's share of net income and losses of the associate, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the associate’s reserves, and for impairment losses after the initial recognition date. The Company's share of income and losses of the associate is recognized in net income during the period. Cash distributions received from the associate are accounted for as a reduction in the carrying amount of the Company’s investment.

The Company's investment in associate includes its interest in MTM LP (note 5).

(j) Mineral royalty interests

Mineral royalty interests consist of acquired royalty interests. These interests are recorded at cost and capitalized as tangible assets. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any. Project evaluation costs that are not related to a specific royalty asset are expensed in the period incurred.

Producing royalty interests are depleted using the units-of-production method over the life of the mine to which the interest relates, which is estimated using available information of estimated future production including, where available, consideration of mineral reserves and resources, at the mine corresponding to the specific agreement.

On acquisition of a royalty interest, an allocation of its cost may be attributed to the exploration potential of the underlying project which may be an exploration and evaluation stage project. Such royalty interests are accounted for in accordance with IFRS 6, Exploration and Evaluation of Mineral Resources ("IFRS 6"). Acquisition costs of exploration and evaluation stage royalty interests are capitalized and are not depleted until such time as revenue-generating activities begin. Once the technical feasibility, commercial viability and a development decision have been established, the value of the royalty interest is assessed for impairment and reclassified and accounted for in accordance with IAS 16, Property, Plant and Equipment ("IAS 16").

(k) Impairment of mineral royalty interests

Evaluation of the carrying values of each mineral royalty interest is undertaken when events or changes in circumstances indicate that the carrying values may not be recoverable and at each reporting period in accordance with IAS 36 Impairment of assets ("IAS 36"). Mineral royalty interests for exploration and evaluation assets are assessed for impairment whenever indicators of impairment exist in accordance with IFRS 6. If any indication of impairment exists, the recoverable amount is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of the fair value less costs of disposal and value in use.

Fair value is the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date. Costs of disposal are incremental costs directly attributable to the disposal of an asset. Fair value less costs of disposal is usually estimated using a discounted cash flow approach, where sufficient information is available . Estimated future cash flows are calculated using estimated production, sales prices, costs and a discount rate. Estimated production is determined using current reserves and the portion of resources expected to be classified as mineral reserves as well as exploration potential expected to be converted into resources. Estimated sales prices are determined by reference to an average of long-term metal price forecasts by analysts and management's expectations. The discount rate is estimated using an average discount rate incorporating analyst views to value base metal and specialty metal producers, developers and exploration companies. Value in use is determined as the future value of present cash flows expected to be derived from continuing use of an asset in its present form for those assets where value in use exceeds fair value less costs of disposal. If it is determined that the recoverable amount is less than the carrying value, then an impairment is recognized within net income (loss) immediately.

An assessment is made at each reporting period if there is any indication that a previous impairment loss may no longer exist or has decreased. If indications are present, the carrying amount of the mineral interest is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount net of depletion that would have been determined had no impairment loss been recognized for the mineral interest in previous periods.

(l) Share-based payment transactions

The Company operates an equity-settled share-based option plan for its directors, officers, employees and other service providers. The fair value of share purchase options granted is recognized as an expense with a corresponding increase in the equity-settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by a direct employee.

The fair value is measured at grant date for each tranche, which is expensed on a straight line basis over the vesting period, with a corresponding increase in equity. The fair value of share purchase options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted and forfeiture rates as appropriate. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

(m) Significant accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. The impact of such estimates are pervasive throughout the Financial Statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Changes in subjective inputs and assumptions can materially affect accounting estimates.

Specific areas where significant estimates or judgements exist are:

Estimates

Inputs into the Black-Scholes model for valuation of options (note 8);
Recoverable value of the Penouta royalty (note 4);
Recoverable value of the investment in MTM LP (note 5);

Judgements

Assessment of the Company’s ability to continue as a going concern (note 1).
Assessment of evidence as to whether a financial or non-financial asset may be impaired. No evidence of impairment was identified.
Assessment as to whether the fair value of royalty interests acquired in exchange for Common Shares of the Company can be reliably measured and are accordingly measured by reference to the fair value of the Common Shares issued (note 4).

(n) 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 revenue from royalty interests was entirely derived from Spain and mineral royalty interests and deferred transaction costs, and investment in an associate are located in the following locations:

	December 31, 2023	December 31, 2022
Mineral royalty interests and deferred transaction costs		
Canada	$ 7,039,845	$ 4,851,149
United States of America	2,537,435	2,591,326
Southern hemisphere (Australia and Madagascar)	3,658,048	3,658,048
Norway	914,673	914,673
Spain	–	33,437
Investment in associate		
United States of America	3,017,903	5,033,605
Total	$ 17,167,904	$ 17,082,238

3 CASH AND CASH EQUIVALENTS

	December 31, 2023	December 31, 2022
Components of cash and cash equivalent:		
Cash held in business accounts		
Denominated in Canadian Dollars	$ 300,650	$ 868,286
Denominated in US Dollars	141,872	368,447
Total	$ 442,522	$ 1,236,733

Supplemental cash flow information	Note	Year ended December 31, 2023	2022
Income tax paid			
Payment of income tax relating to the Company's share of income of associate	5	$ 18,546	$ 90,170
Non-cash investing and financing activities			
Fair value of common shares issued with respect to royalty acquisitions	4	$ 1,025,000	$ 1,485,000
Agent warrants issued pursuant to the Public Offering	7(b)	–	107,000
		$ 1,025,000	$ 1,592,000

4 MINERAL ROYALTY INTERESTS AND DEFERRED TRANSACTION COSTS

At December 31, 2023, the Company held the following royalty interests, including gross revenue royalty ("GRR"), gross metal royalty ("GMR"), and net smelter returns ("NSR") royalty:

(Expressed in Canadian Dollars, unless otherwise stated)

Project	Note	Location	Royalty Interest
Bissett Creek Graphite Royalty	4(f)	Ontario, Canada	1.5 % GRR
Globex Royalties			
Authier Lithium Project (core claim)		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		Ontario, Canada	1.5 % NSR
Glassville Manganese Royalty		New Brunswick, Canada	1.0 % GRR
Vox Graphite Royalties			
Graphmada Graphite Project		Madagascar	2.5 % NSR
Graphite Bull Project		Western Australia	0.75 % GRR
Cancet Lithium Royalty		Quebec, Canada	1.0 % NSR
Rana Nickel Royalty	4(a)	Northern Norway	1.0 % NSR
Sleitat Tin-Silver Royalty	4(b)	Alaska, United States	1.0 % NSR
Zonia Copper Royalty	4(c)	Alaska, United States	0.5% GRR
Penouta Tin-Tantalum Royalty	4(d)	Ourense, Spain	1.5% GRR, subject to reduction
Kenbridge Nickel Royalty	4(e)	Ontario, Canada	0.5% GRR

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

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

	Year ended December 31, 2023			Year ended December 31, 2022		
	Mineral royalty interest	Deferred transaction cost	Total	Mineral royalty interest	Deferred transaction cost	Total
Cost						
Beginning balance	11,961,081	33,437	11,994,518	8,455,082	48,236	8,503,318
Additions during the year	4,802,576	16,505	4,819,081	3,457,763	33,437	3,491,200
Reallocation	33,437	(33,437)	–	48,236	(48,236)	–
Ending balance	16,797,094	16,505	16,813,599	11,961,081	33,437	11,994,518
Accumulated depletion and impairment loss						
Beginning balance	–	–	–	–	–	–
Impairment loss (note 4)	2,623,022	–	2,623,022	–	–	–
Charge for the year	40,800	–	40,800	–	–	–
Ending balance	(2,663,822)	–	(2,663,822)	–	–	–
Foreign currency translation difference						
Beginning balance	54,115	–	54,115	–	–	–
Movement for the year	(53,891)	–	(53,891)	54,115	–	54,115
Ending balance	224	–	224	54,115	–	54,115
Ending balance	14,133,496	16,505	14,150,001	12,015,196	33,437	12,048,633

(a) Rana Nickel Royalty

In January 2022 the Company completed the acquisition of a 1% net smelter return royalty (NSR) ("Rana Nickel Royalty") on the Rana nickel project, which comprises four exploration licenses totaling 25 square kilometers in the Rana mafic-ultramafic intrusion in Northern Norway, including the past producing Bruvann Nickel mine. The purchase price for the Rana Nickel Royalty comprised of 2,000,000 common shares of the Company and $100,000 in cash payments.

(b) Sleitat Tin-Silver Royalty

In May 2022, the Company completed the acquisition of a 1% net smelter return (NSR) royalty ("Sleitat Mountain Royalty"), from a wholly-owned subsidiary of Cornish Metals Inc., on mining claims comprising core strategic tenure at the Sleitat Mountain Tin-Silver deposit in Southwestern Alaska.

(c) Zonia Copper Royalty

In September 2022, the Company acquired a 0.5% GRR on the wholly-owned Zonia Copper Oxide Project in Arizona, US (the "Zonia Copper Project") from World Copper Ltd. ("World Copper"), a publicly traded corporation listed on the TSXV, in exchange for $1,500,000 cash and 2,000,000 common shares of the Company. The Company will also have the right, for a period of 15 months after closing of the Transaction, 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 that World Copper publishes an initial technical report in respect of the Zonia Norte deposit which is prepared in accordance with National Instrument 43-101 and which contains an estimate of Inferred Mineral Resources.

(d) Penouta Tin-Tantalum royalty

In January 2023, the Company acquired a 0.75% GRR (the "Penouta Tin-Tantalum Project") on the producing Penouta tin-tantalum mine in Spain, from Strategic Minerals Europe Corp. ("Strategic Minerals"), in exchange for a cash payment of $1,000,000 and 500,000 common shares of the Company with the fair value of $175,000 on the date of issuance. In addition, the Company was granted an option (exercised in July 2023, note 10(a)) 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 $1,250,000.

In July 2023, the Company exercised its option to increase its existing 0.75% GRR on the Penouta Tin-Tantalum Project, by a further 0.75% in exchange for a cash payment of $1,250,000. Electric Royalties now holds an aggregated 1.5% GRR on Penouta, which rate will reduce to 1.25% upon receipt of $1,666,667 in aggregate royalty payments, and to 1.0% upon receipt of $3,333,334 in aggregate royalty payments.

<u>Impairment loss</u>

In October 2023, Strategic Minerals announced that the Superior Court of Xustiza of Galicia decided to provisionally suspend the section C permit for the Penouta Project after a complaint filed by an environmentalist group, and that it presented an appeal at the Administrative Court of the High Court of Justice of Galicia (the "High Court") to reverse the decision and expedite the reinstatement of the section C permit. Strategic Minerals also announced that it had suspended the mining operations at the Penouta Mine as per a request from the local mining authority Xunta de Galicia until the appeal is decided. In December 2023, Strategic Minerals announced that it was notified of the High Court's decision to maintain the provisional suspension of the Penouta Project until the main proceeding is decided.

Due to the estimation uncertainty involving the outcome of the appeal and the timing thereof, the Company has recorded an impairment loss for the full carrying amount of its royalty interest in the Penouta Tin-Tantalum Project.

(e) Kenbridge Nickel royalty

In April 2023, the Company completed the acquisition (the "Kenbridge Transaction"), from Tartisan Nickel Corp. ("Tartisan"), of a 0.5% GRR on certain mining claims, mining leases and mineral tenures comprising the wholly-owned Kenbridge Nickel Project in northwest Ontario, Canada (the "Kenbridge Project" or "Kenbridge") in exchange for $500,000 cash and 2,500,000 common shares of the Company with the fair value of $850,000 on the date of issuance. The Company has also received the right, for a period of 18 months after the closing date of the Kenbridge Transaction, to acquire a further 0.5% GRR on the Kenbridge Project for $1,750,000 cash consideration. In addition, the Company will have an option to acquire a 1% GRR on the mining claims, mining leases and mineral tenures comprising the Kenbridge North Nickel Project (the "Kenbridge North Project" or "Kenbridge North"), approximately 2.5 km north of the Kenbridge Nickel Deposit, for $1,000,000 cash, at any time during a period of 24 months from the date that Tartisan publishes an initial technical report in respect of the Kenbridge North Project which is prepared in accordance with National Instrument 43-101 and which contains an estimate of Inferred Mineral Resources.

(f) Bissett Creek Graphite royalty

In July 2020, the Company completed the acquisition of a royalty over the Bissett Creek graphite project ("Bissett Creek Project") from Northern Graphite Corporation ("Northern Graphite") pursuant a binding letter agreement dated March 18, 2020, as amended, between the Company and Northern Graphite. The Bissett Creek Project is an advanced stage graphite deposit located within 15 km of the Trans-Canada Highway near Deep River, Ontario.

The Bissett Creek Royalty ("Bissett Creek Royalty") is a 1% Gross Revenue Royalty ("GRR") over all revenues received or receivable by Northern Graphite in connection with graphite flotation concentrate produced from the Bissett Creek graphite project. The royalty will be based on pricing for 94% Cg concentrates and will not apply to the premiums received for higher purities or value-added products. The Company acquired the Bissett Creek Royalty in exchange for 2,000,000 Common Shares and $500,000 cash.

The Fixed Royalty has been recognized as a financial instrument, and was recorded at its fair value upon initial recognition (note 6). The difference between the Aggregate Consideration and the initial fair value of the Fixed Royalty was recorded in mineral royalty interests.

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 distributions of 25% of the MTM LP's revenue after deduction of the Company's proportionate share of MTM LP's operating expenses. Effective September 1, 2023, 25% of MTM LP's expenses are attributable to the Company's economic interest in the partnership. Prior to September 1, 2023 and since its inception, 50% of MTM LP's expenses had been allocated to the Company economic interest in the partnership.

The MTM Royalty is a sliding-scale gross metal royalty on the 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.

(Expressed in Canadian Dollars, unless otherwise stated)

The Company had an option (the "MTM Option") 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 June 30, 2023 to be $Nil (December 31, 2022 - $Nil). The MTM Option expired unexercised in August 2023.

Impairment loss

In November 2023, the owner (Nyrstar NV) of the MTM mine announced that production operations at the mine will be temporarily paused at the end of November 2023, due to weakened market conditions and inflationary impacts on input costs and operating margins, and that operations will resume as soon as economically viable. This event has been considered as an indicator of impairment of the Company's interest in MTM LP as of December 31, 2023. Accordingly, the Company completed its assessment as to whether the carrying amount of the Company's interest in MTM LP exceeded its recoverable amount as of the reporting date. The recoverable amount was estimated using the discounted cash flow valuation method, a level 3 fair value measurement, and based on the following assumptions and inputs: discount rate of 10.48%, long term zinc price of $1.19 per pound, and an estimated lead-time to resume mine operation of 36 months from the reporting date. The Company concluded that the carrying amount of its interest as of December 31, 2023 exceeded its recoverable amount, and accordingly recorded an impairment expense of $1.90 million (year ended December 31, 2022 - $Nil).

A sensitivity analysis of the assumptions used in the aforementioned discounted cash flow valuation is provide below:

a) If the assumption of the estimated lead-time to resume mine operation is adjusted by an additional six months, an additional impairment loss of $140,000 would have been recorded.
b) An 50 basis points increase in the discount rate would result in an additional impairment loss of $110,000.
c) A 5% downward adjustment to zinc price would result in an additional impairment loss of $140,000.

	Year ended December 31, 2023	Year ended December 31, 2022
Beginning balance	$ 5,033,605	$ 4,779,796
The Company’s share of net income (loss) of MTM LP	(67,330)	175,123
Cash distributions from MTM LP	(73,559)	(270,741)
Impairment loss	(1,760,004)	–
Currency translation adjustments	(114,809)	349,427
Carrying amount at the end of the year	$ 3,017,903	$ 5,033,605

Summarized financial information for the Company’s investment in associate, on a 100% basis and reflecting adjustments made by the Company, including adjustments for differences in accounting policies is as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Royalty revenue	$ 901,248	$ 1,881,012
Depletion of royalty interest	(361,203)	(635,203)
Revenue, net of depletion	$ 540,045	$ 1,245,809
Administration expenses	(430,727)	(272,657)
Total net income	$ 109,318	$ 973,152
Company's share of (loss) income of associate (i)	$ (67,330)	$ 175,123

(i) The Company's share of loss or income of MTM LP comprises 25% of its revenue, and 50% of its expenses to August 31, 2023 and 25% of its expenses thereafter.

(Expressed in Canadian Dollars, unless otherwise stated)

At December 31, 2023 and 2022, MTM LP's only non-current asset was the MTM Royalty interest, and it had no significant amount of liabilities.

6 . FIXED ROYALTY RECEIVABLE

The following is a continuity of the Fixed Royalty receivable (note 4(f)), which is carried at amortized cost in these Financial Statements:

	Year ended December 31, 2023	Year ended December 31, 2022
Beginning balance	$ –	$ –
Aggregate fair value of cash advances upon initial recognition	162,975	–
Accretion for the year	8,060	–
	$ 171,035	$ –
Current portion	77,594	–
Non-current portion	93,441	–
	$ 171,035	$ –

7 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 agent 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.

(Expressed in Canadian Dollars, unless otherwise stated)

8 RESERVES

(a) Equity-settled share-based payment arrangements

The Company's stock option compensation plan (the "Option Plan") allows it to grant options exercisable to acquire up to a total of 10% of the issued and outstanding shares of the Company at any one time, subject to regulatory terms and approval, to its directors, officers, employees, consultants, and service providers. The exercise price of each option may be set equal to or greater than the closing market price of the Common Shares of the Company on the day prior to the date of the grant of the option, less any allowable discounts. Awards typically vest in several tranches over 18 months. Options can have a maximum term of ten years and terminate 60 days following the termination of the optionee's employment, or 180 days following the optionee's death or disability.

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

Continuity of options	Note	Year ended December 31, 2023 Number of Options		Year ended December 31, 2023 Weighted average exercise price	Year ended December 31, 2022 Number of Options		Year ended December 31, 2022 Weighted average exercise price
Outstanding – beginning balance		7,197,500	$	0.35	7,172,500	$	0.35
Options granted		–	$	–	200,000	$	0.34
Options expired		(872,500)	$	(0.29)	(175,000)	$	(0.37)
Options outstanding – ending balance		6,325,000	$	0.36	7,197,500	$	0.35
Options exercisable – ending balance		6,325,000	$	0.36	7,172,500	$	0.35

The fair value of the Company's share options has been measured using the Black-Scholes option pricing model. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

The fair value of the options granted during the year ended December 31, 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 following table summarizes information on the options outstanding:

Remaining contractual life options Exercise price	December 31, 2023 Number of Options	December 31, 2023 Weighted average remaining contractual life (years)	December 31, 2022 Number of Options	December 31, 2022 Weighted average remaining contractual life (years)
$0.280	200,000	0.12	200,000	1.12
$0.290	2,575,000	1.54	3,447,500	2.03
$0.340	200,000	1.24	200,000	2.24
$0.415	3,350,000	2.58	3,350,000	3.58
	6,325,000	2.04	7,197,500	2.73

(Expressed in Canadian Dollars, unless otherwise stated)

(b) Share purchase warrants

The number, exercise prices and expiration dates of the Company's share purchase warrants were as follows:

				Year ended December 31, 2023		
				Number of warrants		
	Note	Exercise price	Expiration	Beginning	Issued/ (Expired)	Ending
2021-Private Placement	7	0.60	July 2023	5,000,000	(5,000,000)	–
Investment in associate (i)	5	0.60	August 2025	5,348,970	–	5,348,970
Glassville Royalty (i)		0.60	August 2025	151,030	–	151,030
Public offering	7(b)	0.45	May 2025	11,500,000	–	11,500,000
Finders' fees	7(b)	0.30	May 2024	805,000	–	805,000
				22,805,000	(5,000,000)	17,805,000

				Year ended December 31, 2022		
				Number of warrants		
	Note	Exercise price	Expiration	Beginning	Issued/ (Expired)	Ending
2021-Private Placement	7	0.60	July 2023	5,000,000	–	5,000,000
Finders' fees		0.60	July 2022	93,000	(93,000)	–
Investment in associate (i)	5	0.60	August 2025	5,348,970	–	5,348,970
Glassville Royalty (i)		0.60	August 2025	151,030	–	151,030
Public offering	7(b)	0.45	May 2025	–	11,500,000	11,500,000
Finders' fees	7(b)	0.30	May 2024	–	805,000	805,000
				10,593,000	12,212,000	22,805,000

(i) Warrants issued pursuant to acquisition of investment in associate (note 5) and the Glassville Royalty (note 4)

In the event the Company's share price trades above $1.00 per share for 10 consecutive days after year 2, 50% of these warrants expire within 30 days of such date; and in the event the Company's share price trades above $1.50 per share for 10 consecutive days after year 3, all warrants expire within 30 days of such date.

The fair value of the warrants issued pursuant to the acquisition of the Company's interest in MTM-LP (note 5) was determined using the residual value method (note 7).

For the warrants issued pursuant to the acquisition of the Glassville Royalty, the fair value on the date of issuance was $0.13 per warrant and was measured using the Black-Scholes option pricing model. The inputs used in the measurement of the fair values these warrants were as follows: share price $0.405; expected volatility 57%; risk free interest rate 0.80%; expected life of 4 years; and dividend yield nil%.

(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).

(Expressed in Canadian Dollars, unless otherwise stated)

9 . CONVERTIBLE LOAN

In November 2022, the Company entered into a convertible loan facility (the "Loan Facility" or “Convertible Loan”) with Gleason & Sons LLC (the "Lender"), a significant shareholder of the Company, which agreement was amended in April 2023, as further described below. The Lender is controlled by Stefan Gleason, who was appointed as a director of the Company, effective December 11, 2023. The Loan Facility was initially for $2 million with a three-year term, and was subject to interest at 15% per annum, with interest to be accrued and payable at the end of the loan term. There is no commitment fee payable on the Loan Facility. At December 31, 2023, the Loan was secured by the Company’s interest in the following royalties that were acquired using proceeds from this Loan Facility: a) Penouta Tin-Tantalum Royalty; b) Kenbridge Royalty; and c) 0.5% of 1.5% GRR in the Bisset Creek Project acquired in September 2023.

In April 2023, the Company and the Lender entered into an agreement to increase the Loan Facility from $2 million to $5 million. The Lender also agreed to modify the interest rate to a lower, floating rate (Secured Overnight Financing Rate (or “SOFR”) + 7%), with a maximum interest rate of 12.5% p.a., as compared to the original rate of 15% p.a. All other terms remain the same. The Company concluded this was a non-substantive loan modification, and it recorded a modification gain of $61,000, as a credit to finance expenses, in the statement of comprehensive loss for the year ended December 31, 2023.

After the end of the reporting period, the Convertible Loan agreement was further amended (note 13).

At the discretion of the Lender, after six months from the initial drawdown date, the Convertible Loan plus accrued interest is convertible into common shares of the Company as follows: (a) the conversion price (the "Conversion Price") for the principal sum of the Convertible Loan is set at the date of each advance at a 100% premium above the 30-day VWAP of Company's shares, subject to a minimum conversion price of $0.50 per share; and (b) the conversion price for accrued interest is the market price at the time of settlement, which price shall not be less than the Conversion Price without prior approval of the TSX Venture Exchange. The conversion price is fixed for each individual advance and applicable solely to that advance.

The Convertible Loan is a compound financial instrument, which has both liability and equity characteristics, and the initial carrying amount of each advance is allocated to its equity and liability components. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the fair value of the liability component

Cash advances	Advance date	Conversion price	Gross proceeds	Fair value of debt	Residual value
First Advance	January 18, 2023	$ 0.62	$ 1,000,000	$ 903,000	$ 97,000
Second Advance	April 19, 2023	0.71	500,000	449,000	51,000
Third Advance	July 26, 2023	0.63	1,400,000	1,269,000	131,000
Fourth Advance	September 26, 2023	0.50	1,050,000	959,000	91,000
Fifth Advance	October 19, 2023	0.50	500,000	458,000	42,000
Total			$ 4,450,000	$ 4,038,000	$ 412,000

(Expressed in Canadian Dollars, unless otherwise stated)

Continuity of the carrying amount of the Convertible Loan is as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Beginning balance	$ –	$ –
Aggregate fair value of cash advances upon initial recognition	4,038,000	–
Finance expenses – convertible note		
Interest for the year	292,198	–
Debt accretion for the year	69,324	–
Gain on modification	(61,000)	–
	300,522	–
Carrying amount at the end of the year	$ 4,338,522	$ –

10 RELATED PARTY TRANSACTIONS

See Note 9 for related party relationship involving the Lender of the Loan Facility.

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

	Year ended December 31, 2023	Year ended December 31, 2022
Short-term employment benefits(i)	$ 407,887	$ 394,079
Share-based payments	–	248,000
Total	$ 407,887	$ 642,079

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

11 INCOME TAXES

(a) Provision for current tax

	Year ended December 31, 2023	Year ended December 31, 2022
Current income tax (recovery) expense(i)	$ (19,712)	$ 20,000

(i) Current income tax (recovery) expense relates to ELEC-US.

(Expressed in Canadian Dollars, unless otherwise stated)

(b) Provision for deferred tax and reconciliation of effective tax rate

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized.

Reconciliation of effective tax rate	Year ended December 31, 2023	2022
Loss for the year	$ 5,999,277	$ 1,923,044
Total income tax recovery (expense)	19,712	(20,000)
Loss for the year, before income tax	$ 6,018,989	$ 1,903,044
Income tax recovery using the Company's 27% statutory tax rate	$ (1,625,000)	$ (514,000)
Difference in tax rates	–	(10,000)
Non-deductible expenses and other	210,288	135,000
Change in unrecognized temporary differences, including unrecognized tax losses	1,395,000	409,000
Total	$ (19,712)	$ 20,000

Carried forward losses and expenditure pools	At December 31, 2023	2022
Unused non-capital loss carry forwards and deductible expenditure pools (approximately)	$ 7,679,000	$ 6,180,000

	At December 31, 2023	2022
Deferred Income Tax Assets (Liabilities)		
Tax losses	$ 30,000	$ 557,000
Convertible debt	(30,000)	–
Royalties	–	(557,000)
Net deferred tax asset (liability)	$ –	$ –

As at December 31, 2023, the Company had the following tax losses and other temporary differences for which no deferred tax asset was recognized:

Expiry	Tax Losses	Other
Within one year	$ –	$ –
One to five years	–	–
After five years	6,663,000	561,000
No expiry date	–	2,895,000
Total	$ 6,663,000	$ 3,456,000

12 FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(Expressed in Canadian Dollars, unless otherwise stated)

(a) Credit risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. Fixed Royalty Receivable (note 6) is also exposed to credit risk.

The Company limits the exposure to credit risk for cash and cash equivalents by only investing it with high-credit quality financial institutions in business and saving accounts, which are available on demand by the Company.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, it will have sufficient capital in order to meet short to medium term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company's cash is currently invested in business accounts.

The Company's financial liabilities are comprised of the following:

December 31, 2023			Contractual Cash Flows			
		Carrying Amount	Total	Less than 12 months	Between 1 - 3 years	Between 4 - 5 years
Lease liability	$	18,405	$ 18,405	$ 8,793	$ 9,612	$ –
Accounts payable and accrued liabilities		132,192	132,192	132,192	–	–
	$	150,597	$ 150,597	$ 140,985	$ 9,612	$ –

(c) Foreign exchange risk

The Company is exposed to foreign currency risk in respect of its US Dollar-denominated cash is summarized as follows:

		December 31, 2023		December 31, 2022	
	Note	US Dollars	Canadian Dollars	US Dollars	Canadian Dollars
Cash	3	$ 107,097	$ 141,872	$ 271,836	$ 368,447
Sensitivity					
Decrease in net loss with a 10% increase in the value of the U.S. dollar relative to the Canadian dollar			$ 14,000		$ 37,000

(d) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The Company is subject to interest rate cash flow risk with respect to its investments in cash and cash equivalents. The Company's policy is to invest cash at fixed rates of interest and cash reserves are to be maintained in cash in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates and when cash and cash equivalents mature impact interest income earned.

Interest on the Convertible Loan is accrued at a hybrid rate comprising a variable rate (SOFR) and a fixed rate (7% p.a.), subject to a maximum combined interest rate of 12.5% p.a. Accordingly, the Company is exposed to interest rate risk with respect to the Convertible Note to the maximum increase in SOFR to 550 basis points.

(e) Fair value

For the years ended December 31, 2023 and 2022, the Company has no financial assets or liabilities that are measured at fair value. For the Company's financial assets and liabilities carried at amortized cost consisting of cash, royalty revenue receivable, fixed royalty receivable, convertible loan and accounts payable, the carrying amounting approximates fair value due to the short term nature of the financial instrument or the limited time since initial recognition. There are no financial instruments measured using Level 2 or Level 3 measurements and were no transfers between the levels of the fair value hierarchy during the years ended December 31, 2023 and 2022.

(f) Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, convertible debt, net of reserves and accumulated deficit. There were no changes in the Company's approach to capital management during the year ended December 31, 2023. At December 31, 2023, the Company was not subject to any externally imposed capital requirements.

13 EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Convertible Loan amendment and addition drawdown (note 9)

In February 2024, the Company announced that it had signed an amended and restated convertible loan agreement (the "A&R Loan Agreement"), dated February 16, 2024, with Gleason & Sons LLC (the "Lender") to increase the Company's existing convertible loan facility from $5,000,000 to $10,000,000, subject to certain conditions set out in the A&R Loan Agreement. Gleason & Sons LLC is controlled by Stefan Gleason, a significant shareholder and board member of the Company.

Under the A&R Loan Agreement, interest will accrue on the outstanding principal amount of the convertible loan facility at a rate per annum equal to the lesser of (a) the secured overnight financing rate, as published by the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate) from time to time, plus 7% per annum, and (b) 12.5% per annum. Such interest shall be calculated daily and compounded annually, payment of which may be deferred until maturity. The maturity date of the A&R Loan Agreement is January 12, 2028 (the "Maturity Date"), extended two years from the prior convertible loan facility.

Under the terms of the A&R Loan Agreement, no origination or draw fees are assessed. Furthermore, the Company has the right to repay all or any portion of the indebtedness, without incurring any prepayment fee, upon at least 15 days' prior written notice to the Lender. Prior to the Maturity Date, on at least 10 days' prior written notice to the Company and subject to all required TSX Venture Exchange approvals having been obtained, the Lender has the right to convert all or any portion of the outstanding principal amount of the Credit Facility and accrued and unpaid interest into the Company's common shares, on the terms and conditions set out in the A&R Loan Agreement. Any outstanding principal amount with respect to a drawdown under the loan facility will be converted at a conversion price equal to the greater of: (i) C$0.50; (ii) a 100% premium above the 30-day volume weighted average trading price of the common shares of the Company on the TSX Venture Exchange at the time of such drawdown; and (iii) the minimum price acceptable to the TSX Venture Exchange, per common share of the Company, subject to adjustment as provided in the convertible note evidencing such drawdown. Any accrued and unpaid interest may be converted at conversion price equal to the Market Price (as defined under the TSX Venture Exchange's Policy 1.1) at the time of settlement.

Under the A&R Loan Agreement, the convertible loan facility will be secured by: (i) a portion of the Company's existing royalty portfolio (1.5% Gross Revenue Royalty on the Penouta mine in Spain, 0.5% Gross Revenue Royalty on the Kenbridge nickel project in Canada, Gross Revenue Royalties on the Authier lithium project in Canada, 1.5% Gross Revenue Royalty on the Bissett Creek graphite project in Canada, 0.5% Gross Revenue Royalty on the Zonia copper project in the United States, 2.5% Net Smelter Royalty on the Graphmada mine in Madagascar, and 2% Gross Metal Royalty on the Battery Hill manganese project in Canada) (collectively, the "Secured 2 Royalties"); and (ii) collateral assignments of the receivables and proceeds of each Secured Royalty.

The Company obtained disinterested shareholder approval of the A&R Loan Agreement at the Company's special meeting of shareholders held on March 19, 2024 in accordance with MI 61-101 (the "61-101 Approval").

In April 2024, the Company completed a drawdown of $2.5 million against the A&R Loan Agreement.

(b) Acquisition of lithium royalties and option portfolio

On April 8, 2024, the Company entered into an asset purchase agreement with 1544230 Ontario Inc., MK Exploration Services Inc., and Gravel Ridge Resources Ltd. to acquire a portfolio of 18 royalty agreements and 32 lithium properties in Ontario, Canada, pursuant to which agreement, the Company will issue to an aggregate of 2,250,000 common shares in the capital of the Company, make a cash payment (the sum of $1,875,000 less the (i) $75,000 non-refundable exclusivity fee already paid; (ii) the amount of certain payments received by the vendors under certain earn-in, option, royalty, or similar agreements on or after January 1, 2024; and (iii) 50% of any proceeds received by the Vendors for the sale of certain property interests on closing of the transaction. Closing of the transaction remained subject to certain conditions, including the receipt of TSX Venture Exchange's approval.