



# **ELECTRIC ROYALTIES LTD.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**THREE MONTHS ENDING MARCH 31, 2024**

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

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**Table of Contents**

1.1	DATE .....	5
1.2	OVERVIEW .....	5
1.2.2	FINANCINGS.....	9
1.2.3	MARKET TRENDS .....	13
1.3	SELECTED ANNUAL INFORMATION .....	16
1.4	SUMMARY AND DISCUSSION OF QUARTERLY RESULTS .....	16
1.5	RESULTS OF OPERATIONS.....	18
1.6	LIQUIDITY .....	19
1.7	CAPITAL RESOURCES.....	20
1.8	OFF-BALANCE SHEET ARRANGEMENTS .....	20
1.9	TRANSACTIONS WITH RELATED PARTIES .....	21
1.10	FOURTH QUARTER.....	21
1.11	PROPOSED TRANSACTIONS .....	21
1.12	CRITICAL ACCOUNTING ESTIMATES .....	21
1.13	CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION.....	21
1.14	FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS.....	22
1.15	OTHER MD&A REQUIREMENTS .....	22
1.15.1	ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE .....	22
1.15.2	DISCLOSURE OF OUTSTANDING SHARE DATA .....	22
1.15.3	INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS.....	22
1.15.4	RISK FACTORS.....	23
1.15.4.1	SPECIFIC RISKS RELATED TO ROYALTIES.....	23
1.15.4.2	OPERATIONAL AND DEVELOPMENT RISK.....	26
1.15.4.3	GENERAL RISKS .....	29

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

---

**Cautionary Note to Investors Concerning Forward-looking Statements**

This discussion includes certain statements that may be deemed “forward-looking information” or “forward-looking statements” (collectively referred to as “forward-looking statements”), which may not be based on historical fact, including without limitation statements regarding our expectations in respect of future financial position, business strategy, future production, future royalty acquisitions, reserve potential, exploration drilling, exploitation activities, events or developments that we expect to take place in the future, projected costs and plans and objectives. Often, but not always, forward-looking statements can be identified by the use of the words “believes”, “may”, “plan”, “will”, “estimate”, “scheduled”, “continue”, “anticipates”, “intends”, “expects”, and similar expressions. Forward-looking statements include but are not limited to statements about our acquisition strategy and long-term objectives, acquisitions in our acquisition pipeline, industry trends, demand for commodities underlying our royalty portfolio and the mineral properties in which we have a royalty or other similar interest.

Such statements reflect our management’s current views with respect to future events and are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and known or unknown risks and contingencies. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including, among others:

- our ability to acquire royalties on favourable terms or at all;
- the success or profitability of our royalty investments;
- our dependence on the owners and operators of the mining properties underlying our royalty investments;
- the impact of increased production costs on returns to royalty investors;
- our limited access to data and disclosure regarding exploration, development and operation of mining projects in which the Company has a royalty interest;
- uncertainty of exploration results on exploration properties in which the Company has a royalty interest;
- risks affecting mining properties and the mining industry generally, including:
  - natural disasters and other catastrophic events;
  - compliance with environmental laws and regulations by the battery minerals project owner or operator;
  - local public opposition, negative public or community response to battery mineral project exploration, development or operation;
  - delays and cost overruns in the design and construction of development stage projects;
  - permitting risk;
  - health, safety and environmental risks; and
  - insurance risk
- uncertainties regarding the conflicts in the Ukraine and the Middle East;
- changes in the price of commodities that impact the value of royalty interests;
- changes in technology and future demand for commodities;
- the potential early termination of royalty agreements;
- our dependence on mine owners or operators for the calculation of royalty amounts and accurate reporting;
- the potential delay or failure of mine owners to pay royalty payments;
- royalty agreements and payments may not be honoured or made by the owners and operators of the mining properties underlying our royalty investments;
- rights of third parties that may impact our royalty investments;
- our ability to execute on our acquisition strategy for to acquire additional royalty interests;
- increased competition for royalty interests;
- the concentration of our royalty portfolio in the battery metals sector;
- the liquidity of our royalty interests;

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

---

- our limited history of operations;
- availability of additional financing on favourable terms to continue future acquisitions of royalties or for working capital purposes;
- potential dilution to shareholders if we are unable to obtain financing on favourable terms;
- foreign exchange and interest rate risk;
- changes in legislation and regulations that impact the Company or the owners and operator of mining properties;
- income and other taxes in jurisdictions in which the Company operates;
- general economic and political conditions;
- potential legal proceedings;
- our dependence on key management and our ability to attract and retain qualified management and personnel; and
- impact of the conflicts in Ukraine and the Middle East on global economic conditions.

These factors should be considered carefully and readers are cautioned not to place undue reliance on forward-looking statements. Readers are cautioned that the above list is not exhaustive of the factors that may affect any of the forward-looking statements of the Company. Other risks are discussed under the heading "Risk Factors" in section 1.15.4 in this MD&A. Should one or more of these risks and uncertainties materialize, or should underlying factors or assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements.

Except where otherwise stated, the disclosure in this MD&A relating to properties and operations on the properties in which the Company holds royalty interests is based on information publicly disclosed by the owner or operator of that property and information/data available in the public domain as at the date of (or as specified in) the documents incorporated by reference herein, as applicable, and none of this information has been independently verified by the Company. Specifically, as a royalty holder, the Company has limited, if any, access to properties included in its asset portfolio. Additionally, the Company may from time to time receive operating information from the owners and operators of the properties, which it is not permitted to disclose to the public. The Company is dependent on (i) the operators of the properties and their qualified persons to provide information to the Company or (ii) publicly available information, to prepare disclosure pertaining to properties and operations on the properties on which the Company holds royalty or other interests, and generally has limited or no ability to independently verify such information. Although the Company does not have any knowledge that such information may not be accurate, there can be no assurance that such third party information is complete or accurate. Some information publicly reported by owners or operators may relate to a larger property than the area covered by the Company's royalty or other interest. The Company's royalty or other interests often cover less than 100% and sometimes only a portion of the publicly reported mineral reserves, mineral resources and production of a property.

This MD&A includes market data and forecasts with respect to the battery metals and minerals, energy storage, automotive and clean energy markets. Although the Company is responsible for all of the disclosure contained in this MD&A, in some cases the Company relies on and refers to market data and certain industry forecasts that were obtained from third party surveys, market research, consultant surveys, publicly available information and industry publications and surveys that it believes to be reliable. Unless otherwise indicated, all market and industry data and other statistical information and forecasts contained in this MD&A are based on independent industry publications, reports by market research firms or other published independent sources and other externally obtained data that the Company believes to be reliable. Any such market data, information or forecast may prove to be inaccurate because of the method by which it was obtained or because it cannot always be verified with complete certainty given the limits on the availability and reliability of raw data and the voluntary nature of the data gathering process and other limitations and. As a result, although the Company believes that these sources are reliable, it has not independently verified the information.

Any forward-looking statements contained in this discussion are made as of the date hereof and the Company does not undertake to update or revise them, except as may be required by applicable securities law.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

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## 1.1 Date

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated financial statements (the "Financial Statements") of Electric Royalties Ltd. for the three months ending March 31, 2023 and the audited Financial Statements for the year ending December 31, 2023, and related MD&A, as publicly filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

The Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All monetary amounts herein are expressed in Canadian Dollars ("\$", "C\$", or "CAD"), unless stated otherwise.

Other currencies mentioned include US dollars (US\$) and Euros (€).

This MD&A is prepared as of May 29, 2024.

## 1.2 Overview

Electric Royalties Ltd. ("**Electric Royalties**", "**ELEC**" or the "**Company**") is a public company based in British Columbia, Canada, with common shares listed on the TSX Venture Exchange ("**TSXV**") under the trading symbol "ELEC" and on the OTCQB® Venture Market (the "**OTCQB**") in the United States under the symbol "ELECF".

The Company's objective is to acquire a portfolio of long-term, stable, and diversified royalty streams from royalty sellers and to provide shareholders with capital appreciation and a growing, sustainable, long-term cash distribution over time. Its commodities of focus are nickel (Ni), copper (Cu), zinc (Zn), graphite (Cg), cobalt (Co), tin (Sn), lithium (Li), manganese (Mn) and vanadium (V); the Company also assesses opportunities to acquire royalties on projects in other commodities.

ELEC acquires revenue-based and net smelter return royalties on operating mines, mines under construction, development stage mining projects and exploration stage resource projects (collectively hereinafter "**Projects**") from Project operators looking to raise capital to develop or explore the Projects or to recapitalise their balance sheets as well as existing royalties held by third parties (collectively hereinafter the "**Royalty Sellers**"). The Royalties acquired are described as follows:

*Net smelter returns ("**NSR**") royalty*

Net revenue (after smelting and refining costs) that the owner of a Project receives from the smelter or refinery for the mine's metal or mineral products less specified transportation and insurance costs and net smelter return royalties that are a set percentage of the net smelter return.

*Gross revenue royalty ("**GRR**") or gross metal royalty ("**GMR**")*

GRR or GMR entitles the royalty owner to a percentage of the gross revenue from the metals or minerals produced by a Project and sold.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

---

### ***Highlights***

Electric Royalties' activities continue to be focused on expanding its exposure to the essential metals required for the world's transition to clean energy. The Company's portfolio of 40 royalty holdings and 32 lithium properties is diversified across a range of metals in the clean energy space.

### ***Acquisitions***

#### **Lithium Portfolio**

On May 1, 2024, Electric Royalties announced the closing of a transaction to acquire a portfolio of 18 royalty agreements and 32 lithium properties in Ontario, Canada (the "**Ontario Lithium Projects**" or the "**OLP**"). Pursuant to the Asset Purchase Agreement between the Company and 1544230 Ontario Inc., MK Exploration Services Inc. and Gravel Ridge Resources Ltd. (together, the "**Vendors**") dated April 8, 2024, the Company has issued 2,250,000 common shares of the Company to the Vendors and made a net cash payment of C\$1,689,000 (which reflects a total cash consideration of C\$1,875,000, less C\$75,000 down payment provided to the Vendors in November 2023 and C\$111,000 held in escrow representing cash payments and the value of shares received by the Vendors after January 1, 2024 pursuant to certain mineral property interests in the OLP).

Further details on the acquisition and properties were provided in the Company's 2023 Q4 MDA.

### ***Updates on Projects in Current Royalty Portfolio***

Since reporting in the 2023 Q4 MDA, significant updates were announced for several other projects in which the Company holds royalty interests. Highlights include:

- **Strategic Minerals Europe Corp. (NEO: SNTA) (OTCQB: SNTAF) ("SNTA")** announced:
  - An update on the Spanish Court's provisional suspension of Penouta's section C permit, which it had subsequently appealed. Strategic was notified on April 9 that the court will reach its verdict with respect to the suspension on May 31, 2024 (SNTA April 15, 2024). SNTA rejects accusations from Spanish NGO confederation Ecologistas en Acción that its activities impacted a site outside of its mining concession (SNTA May 8, 2024).
  - Fourth quarter and full-year 2023 financial results highlights include record production of 603 tonnes of primary concentrate in 2023, with the quality of concentrate improving during the year. Fourth-quarter production halted on October 14, 2023, at 28 tonnes. SNTA also achieved record sales of 629 tonnes of concentrates and 418 tonnes of contained minerals in 2023, an increase of 20% and 19%, respectively, compared to 2022. Sales during Q4 2023 amounted to 29 tonnes of concentrates and 20 tonnes of contained minerals before the temporary suspension of operations (SNTA March 27, 2024). SNTA has also announced its Q1 2024 results, with no production, sales and revenue reported due to the suspension of Penouta's operations, SNTA is focused on maintaining the plant in order to resume operations (SNTA May 14, 2024).
- **Greenwing Resources Ltd. (ASX: GW1) ("GW1")** announced:
  - The process for attracting strategic investment in the Graphmada Mining Complex in Madagascar has commenced, with the aim to re-establish the mine at higher production volumes. Care and maintenance activities continue on site (GW1 April 30, 2024).

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

---

- **Sayona Minerals Limited (ASX: SYA) (“SYA”)** announced:
  - Following pricing pressure in the lithium market and a detailed review of the North American Lithium (NAL) operation, joint venture partners SYA and Piedmont Lithium have agreed to continue the NAL production ramp-up towards steady-state production in 2024, with regular reviews of operating costs and market conditions. SYA assessed opportunities to optimize production, reduce costs, and preserve optionality (SYA April 4, 2024). SYA plans to integrate concentrate from Authier (on part of which ELEC has a royalty interest) with NAL.
- **Buxton Resources Limited (ASX: BUX) (“BUX”)** announced:
  - Clearances have been received from recent Aboriginal Heritage surveying at the Graphite Bull Project in Western Australia, allowing for recommencement of drilling in Q2 2024, the aim of which is to upgrade resources and support a pre-feasibility study. Additional follow-up heritage surveys are planned for later this year to support future work through 2025 and beyond (BUX April 29, 2024).

Electric Royalties is relying on the information provided by Buxton and is unable to verify the reported progress and results of testwork.
- **World Copper Inc. (TSXV: WCU) (“WCU”)** announced:
  - Formation of a Technical Advisory Committee to help guide the development of the Zonia copper-oxide deposit in Arizona, USA, by advising the company on engineering studies, project execution, and the strategic planning necessary for successful permitting, construction, and ramp-up of the project (WCU May 13, 2024).
  - Reiterated its focus on advancing Zonia to a feasibility study, followed by construction and production. World Copper has adopted a two-phase plan to develop Zonia towards production within the next three to five years. Phase one would target only the portion of the project located on private land. Phase two will target copper mineralization located on non-private land so that it could be permitted for future inclusion into the anticipated mine plan. To satisfy the parameters of a feasibility study, World Copper has the goal to convert a major portion of the inferred resources in a prior preliminary economic assessment to indicated resources during phase one. This would likely entail an infill drilling campaign. Other phase one programs include environmental studies, land and water use permits, metallurgical studies, mine planning, engineering, financing modelling and construction planning.

Phase two programs include permitting the Bureau of Land Management (“BLM”) land (non-private) that surrounds the Zonia private land, environmental studies, and some exploration drilling. According to World Copper, the BLM lands are three times the size of the private land package and have the potential to increase Zonia’s copper resources. The phase two programs are planned to be initiated in parallel with the phase one activity (WCU May 21, 2024).
- **Tartisan Nickel Corp. (CSE: TN) (“TN”)** announced:
  - It has acquired additional contiguous claims at the Kenbridge Project in Ontario, Canada. The total property size now consists of 93 contiguous patents, 153 single cell mining claims and 4 Mining Licenses covering 4,273 hectares. TN also commenced 2024 baseline study field work which includes aquatic and terrestrial fieldwork within the project footprint, and access road options. These studies, along with baseline data previously collected, will be used to develop baseline environmental reports to support provincial and federal reviews, approvals, and permitting for advanced exploration and eventual mine development (TN May 16, 2024).

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

- **Burley Minerals Ltd. (ASX: BUR) (“BUR”)** announced:
  - Four drill holes completed in December 2023 at the Chubb North prospect at the Chubb Project in Québec, Canada, identified pegmatites north of the spodumene-bearing Chubb Central pegmatite dyke swarm. Background lithium values suggest that the granitic pegmatites intersected in these drill holes are more likely related to the parent source of other lithium-caesium-tantalum (LCT) pegmatites in the area.

Burley’s geochemical consultant recommended that exploration mapping, sampling and, when warranted, further drilling, should focus on areas south of the completed Chubb North drilling (BUR April 19, 2024).

Electric Royalties is relying on the information provided by Burley and is unable to verify the reported drill and metallurgical results.

Qualified Person’s Statement

David Gaunt, P.Ge., a qualified person who is not independent of Electric Royalties, has reviewed and approved the technical information in this Management Discussion and Analysis.

The following is a tabulation of royalties currently held, listed in order of each project’s stage of development.

Acquired	Project	Mineral	Stage	Royalty	Operator	Location
2023	Penouta Mine	Tin	Production currently suspended	1.5% GRR <sup>1</sup>	Strategic Minerals Europe Corp.	Spain
2021	Middle Tennessee Zinc Mine	Zinc	Production temporarily suspended	Sliding Scale GMR above US\$0.90/lb Zn price	Nyrstar / Trafigura	United States
2021	Graphmada	Graphite	Care & Maintenance	2.5% NSR	Greenwing Resources Limited	Madagascar
2020	Authier	Lithium	Engineering Studies	0.5% GMR <sup>2</sup>	Sayona Mining	Canada
2020	Bissett Creek	Graphite	Advanced Stage	1.5% GRR	Northern Graphite Corp.	Canada
2022	Zonia	Copper	Advanced Stage	0.5% GRR & option for 1% GRR on Zonia North <sup>3</sup>	World Copper Ltd.	United States
2023	Kenbridge	Nickel	Advanced Stage	0.5% GRR & options to add 0.5% GRR on Kenbridge &	Tartisan Nickel Corp.	Canada

<sup>1</sup> Upon receiving \$1,666,667 in royalty revenues, the royalty rate will be reduced to a 1.25% GRR. Upon payment of \$3,333,334 in aggregate royalty revenues, the royalty rate will be reduced to a 1.0% GRR.

<sup>2</sup> Royalty held over part of the project.

<sup>3</sup> Option to acquire a 1% GRR on Zonia North 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 contains an estimate of Inferred Mineral Resources remains. The option would require a \$3,000,000 cash investment to exercise.



**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

Acquired	Project	Mineral	Stage	Royalty	Operator	Location
				1.0% GRR on Kenbridge North		
2020	Battery Hill	Manganese	Advanced Exploration	2% GMR	Manganese X Energy Corp.	Canada
2020	Mont Sorcier	Vanadium	Advanced Exploration	1% GMR	Voyageur Metals Inc.	Canada
2021	Millennium Copper Cobalt	Copper	Advanced Exploration	0.5% GRR	Metal Bank Limited	Australia
2021	Seymour Lake	Lithium	Advanced Exploration	1.5% NSR	Green Technology Metals	Canada
2021	Cancel	Lithium	Advanced Exploration	1% NSR	MetalsTech / Winsome Resources	Canada
2021	Rana	Nickel	Advanced Exploration	1% NSR	Global Energy Metals Corp.	Norway
2022	Sleitat	Tin	Exploration	1% NSR	Cornish Metals Inc.	Alaska
2021	Mt. Dorothy	Cobalt	Exploration	0.5% GRR	Global Energy Metals Corp. <sup>4</sup>	Australia
2021	Cobalt Ridge	Cobalt	Exploration	0.5% GRR	Global Energy Metals Corp. <sup>7</sup>	Australia
2021	Graphite Bull	Graphite	Exploration	0.75% GRR	Buxton Resources Limited	Australia
2020	Chubb	Lithium	Exploration	2% GMR	Burley Minerals Ltd.	Canada
2020	Bouvier	Lithium	Exploration	2% GMR	Mining Equities Pty. Ltd.	Canada
2020	Sayona West	Lithium	Exploration	0.5% GMR	Sayona Mining	Canada
2020	Sayona East	Lithium	Exploration	2% GMR	Sayona Mining	Canada
2021	Glassville	Manganese	Exploration	1% GRR	Globex Mining Enterprises Inc.	Canada
2024	OLP Property Portfolio <sup>5</sup>	Lithium	Early Stage Exploration	1-3% NSR <sup>6</sup>	Multiple	Canada

## 1.2.2 Financings

### *Convertible Loan Facility*

In November 2022, the Company entered into a financing commitment for a \$2 million convertible loan facility (“**Loan Facility**” or “**Loan**”) with Gleason & Sons LLC (the “**Lender**”), which is controlled by a significant shareholder of the Company. The Loan has a three-year term, and as per the original terms of the Loan Facility, was subject to interest (“**Interest**”) at 15%, with Interest payments capitalized into the principal amount and due at the end of the Loan term. 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

<sup>4</sup> GEMC plans to divest of an 80% interest in the Mount Dorothy and Cobalt Ridge projects. For further details see **Overview** of Electric Royalties’ 2023 Q2 MDA.

<sup>5</sup> 18 royalties

<sup>6</sup> Buyback provisions on 0.5-1.0% NSR on the royalties

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

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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.

At the discretion of the Lender, after six months from the initial drawdown date, the Loan plus accrued Interest is convertible into common shares of Electric Royalties as follows: (a) conversion price (the “**Conversion Price**”) for the Loan at the greater of \$0.50; a 100% premium above the 30-day VWAP of Company’s shares on the TSX Venture Exchange (the “**TSXV**”) at the advance; and the minimum price acceptable to the TSXV, per share; and (b) for Interest at the Market Price (as defined under Exchange policy 1.1) at the time of settlement, subject to the Market Price not being less than the Conversion Price without prior Exchange approval, per share.

Disinterested shareholder approval will be required for conversion of the Loan that results in the Lender exceeding the TSXV shareholding criteria.

In January 2023 and April 2023, the Company elected to draw down \$1,000,000 and \$500,000, respectively, under the Loan Facility, and the proceeds for the two drawdowns were respectively used for the Penouta royalty acquisition and the Kenbridge royalty acquisition. The Conversion Prices for the two drawdowns were set at \$0.62 and \$0.71, respectively, representing the 30-day VWAP of the Company’s common shares at the date each drawdown.

In July 2023, the Company announced that it had drawn down \$1,400,000 under the Loan Facility to fund the cash payment to acquire the additional 0.75% GRR on Penouta pursuant to the Option, and additional transaction costs associated with the Penouta and Kenbridge royalty acquisitions.

In September 2023, the Company drew down \$1,050,000 under the Loan Facility to fund the cash payment to acquire the additional 0.5% GRR on the Bissett Creek project, as well as its associated transaction costs. The Conversion Price for this drawdown was set at \$0.50.

In November 2023, the Company drew down \$500,000 under the Loan Facility for working capital. The Conversion Price for this drawdown was set at \$0.50.

The Maturity Date of all cash drawn under the Loan Facility is January 2026.

The Company and the Lender agree to amend the Credit Facility

In October 2023, the Company announced that it had signed a commitment letter with the Lender to increase the Company’s existing convertible credit facility from \$5 million to \$10 million (the “**Loan Amendment**”). The Lender has also agreed to extend the Maturity Date of the loan from January 12, 2026 to January 12, 2028. All other terms remain the same other than increased security requirements.

The Loan Amendment is subject to completion of documentation, the approval of the TSX Venture Exchange and other customary closing conditions.

The amended credit facility will be secured by: (i) a portion of the Company’s existing royalty portfolio (1.5% GRR on the Penouta Mine in Spain, 0.5% GRR on the Kenbridge Nickel Project in Canada, the sliding scale GMR on the Middle Tennessee Mine in the United States, 0.5% GMR on the Authier lithium project in Canada and 1.5% GRR on the Bissett Creek graphite project in Canada); and (ii) a lien against the Company’s present and future rights in additional royalties acquired using funds advanced under the credit facility, if any.

The Credit Facility was considered to be a "related party transaction" within the meaning of Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("MI 61-101") at the time the Credit Facility was agreed to. The Credit Facility was exempt from the valuation requirement of MI 61-101 by virtue of the exemption contained in section 5.5(b) as the

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

---

Company's common shares are not listed on a specified market and from the minority shareholder approval requirements of MI 61-101 by virtue of the exemption contained in section 5.7(a) of MI 61-101 in that the fair market value of Credit Facility did not exceed 25% of the Company's market capitalization.

Amended Credit Facility

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

Interest will accrue on the outstanding principal amount of the Credit 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 Agreement is January 12, 2028 (the "Maturity Date"), extended two years from the prior loan agreement. Under the terms of the A&R 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, 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 Agreement. Any outstanding principal amount with respect to a drawdown under the Credit 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.

The Credit 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 Royalties"); and (ii) collateral assignments of the receivables and proceeds of each Secured Royalty.

The A&R Agreement constitutes a "related party transaction" within the meaning of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The A&R Agreement is exempt from the formal valuation requirements of MI 61-101 by virtue of the exemption contained in section 5.5(b) as the Company's common shares are not listed on a specified market.

At a special meeting of shareholders held on March 19, 2024, the following resolutions were passed:

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

1. The approval of the Amended and Restated Convertible Loan Agreement dated February 16, 2024, as a "related party transaction" in accordance with Multilateral Instrument 61-101-Protection of Minority Holders In Special Transactions.
2. The approval of the Amended and Restated Convertible Loan Agreement and the potential issuance of Common Shares upon the conversion of any principal amount outstanding and accrued and unpaid interest pursuant to the Amended and Restated Convertible Loan Agreement on the basis that the transaction is the first private placement with Stefan Gleason since he became a "Control Person" of the Company.

On April 9, 2024, the Company announced it had elected to draw down C\$2,500,000 (the "Drawdown") under its C\$10,000,000 amended and restated convertible credit facility with the Lender dated February 16, 2024 for working capital and to fund the cash payment of the Transaction and associated Transaction costs related to the acquisition of the Lithium Portfolio in Ontario.

Cash advances	Advance date	Conversion price	Gross proceeds
First Advance	January 18, 2023	\$ 0.62	\$ 1,000,000
Second Advance	April 19, 2023	0.71	500,000
Third Advance	July 26, 2023	0.63	1,400,000
Fourth Advance	September 26, 2023	0.50	1,050,000
Fifth Advance	October 19, 2023	0.50	500,000
Sixth Advance	April 10, 2024	0.50	2,500,000
<b>Total</b>			<b>\$ 6,950,000</b>

***\$3.45 Million Marketed Offering***

In February 2022, the Company received a receipt for a final short form base shelf prospectus (the "Prospectus") filed with the securities regulatory authorities in each of the Provinces of Canada, other than Quebec. The Prospectus was filed to provide the Company with financial flexibility and efficient access to Canadian capital markets to pursue its growth initiatives, which include the acquisition of additional royalties. The Prospectus was valid for a 25-month period to the first quarter of 2024.

On May 12, 2022, the Company announced the closing of a marketed public offering (the "Offering"), and issued 11,500,000 Units of the Company at a price of \$0.30 per Unit for aggregate gross proceeds of \$3.45 million, including 1,500,000 Units issued at the Offering Price for gross proceeds of \$450,000 in connection with the full exercise of an over-allotment option granted to Canaccord Genuity Corp. acted as the lead agent and sole bookrunner of the Offering, with PI Financial Corp. and Research Capital Corporation also acting as agents (collectively, the "Agents").

Each Unit consists of one common share in the capital of the Company (each a "Common Share"), and one common share purchase warrant (each a "2022 Warrant"). Each 2022 Warrant will be exercisable into one Common Share (each a "Warrant Share") at an exercise price of \$0.45 per Warrant Share for a period of 36 months following the closing of the Offering.

In connection with the Offering, the Agents received an aggregate cash commission equal to 7% of the gross proceeds of the Offering. The Agents also received, as additional compensation, non-transferable 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.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

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### 1.2.3 Market Trends

The demand for commodities, such as lithium, cobalt, graphite, vanadium, manganese, nickel, copper and zinc, used in clean energy technologies is forecast to increase as countries across the globe move toward clean energy technologies. The metal prices provided herein are only indicative and are intended to present overall trends, as opposed to actual prices, which vary materially based on several factors, such as metal grade, place of delivery, etc.

Trends for the Company's currently targeted commodities are summarized below. The price of Cu, Zn, C, V, Ni and Sn improved in late 2022. Prices were more variable in 2023, and some have decreased because of uncertainty about global economic conditions and speed of the energy transition. Prices of copper, zinc, tin, manganese, and to a lesser extent nickel, have shown marked increases since March 2024.

<b>Zinc (Zn)</b>	Zinc prices decreased in early 2020 but trended upward for the remainder of the year. Other than some volatility in February and October, prices in 2021 were steady, then began to increase in Q4 2021. Prices continued to increase to late April 2022, decreased from August to October, then stabilized and the average annual price increased in 2022. Prices in 2023 and early 2024 were variable but have increased markedly since late March. A recent closing price is US\$1.38/lb.
<b>Lithium (Li)</b>	In December 2020, Fastmarkets assessed the lithium hydroxide monohydrate (minimum 56.5% LiOH <sub>2</sub> O, battery grade) spot price at US\$9.00/kg, both on a CIF China, Japan and Korea basis. The spot price increased significantly from June 2021 to late March 2022, and the average price increased overall in 2022. Prices were variable in 2023 and decreased markedly in the latter part of the year. Prices have largely stabilized but have decreased slightly in 2024. A recent price is US\$13.70/kg.
<b>Graphite (Cg)</b>	Graphite prices are determined based on direct negotiations between buyers and sellers and, as there is no spot or futures market for graphite, prices are provided by companies such as Benchmark Mineral Intelligence and Fastmarkets based on periodic surveys of buyers and sellers. Graphite prices are categorized by flake size and purity, i.e. large flake (+80 mesh) and particularly XL flake (+50 mesh) and 94% plus carbon varieties command premium pricing. The graphite price traded in a range of US\$472/t to US\$561/t in 2021 to September 2021, increased to December. Prices in 2022 were largely stable to mid-March 2022, then variable to July 2022, after which they stabilized to late in the year. The average annual price increased in 2022. Prices increased to February 2023, decreased, then stabilized until early 2024 when they began to decrease, more markedly in March but have stabilized since that time. A recent price is US\$360/t.
<b>Cobalt (Co)</b>	The average reference price for standard grade cobalt in 2020 was US\$15.58/lb, according to Fastmarkets MB. The spot price increased from June 2021 to March 2022, stabilized, then decreased from mid-May to mid-August, stabilized to February 2023, then decreased to September 2023, stabilized, then dropped in December 2023. Prices have decreased slightly in 2024. A recent price is approximately US\$17.12/lb.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
 Three Months ending March 31, 2024

<b>Manganese (Mn)</b>	The average manganese price (CIF China 44%) in 2020 was US\$4.60/dmtu (dry metric tonne units) from an average of US\$5.60/dmtu in 2019. Manganese prices were variable in 2021 to July then increased. In 2022 prices were stable until mid-March when they increased substantially, then stabilized again in mid-April before decreasing from June 2022 to early 2023. Prices increased in February 2023, then stabilized to April, then in the latter part of 2023. Prices decreased from November 2023 to January 2024, then stabilized and have increased significantly since April 2024.. A recent closing price is approximately US\$6.80/dmtu.
<b>Vanadium (V)</b>	In 2020, the prices for V <sub>2</sub> O <sub>5</sub> averaged US\$6.47/lb. Prices in 2021 were increasing to October when they dropped, then were largely stable to February 2022 when they increased substantially to early March. Although decreasing later in the year, the average annual price increased in 2022. Prices had largely increased in 2023 to April, decreased in May and June, then stabilized, but have decreased from September 2023 to December, increased in January 2024, stabilized for a short time, decreased in March and April 2024 but have increased in May. A recent closing price is US\$5.50/lb.
<b>Copper (Cu)</b>	The average price for copper in 2020 was US\$2.80/lb. In 2021, copper prices increased except for some volatility in June and again in October, then stabilized for the remainder of the year. Prices increased in early 2022, stabilized until late April, decreased from mid-June to mid-July, and were variable until February 2023 when they increased. Prices have been variable to decreasing in 2023 to October, increased slightly to late February 2024 but have increased markedly since that time. A recent closing price of copper is US\$4.69/lb.
<b>Nickel (Ni)</b>	Average LME price of nickel in 2020 was US\$6.25/lb. Nickel prices were increasing in the first quarter of 2021, then dropped in March, and have been increasing overall since June 2021. Prices were stable in early 2022, spiked in mid to late March, decreased from April to mid-July, then were variable to increasing to February 2023; prices decreased in May 2023 and were variable and decreased in November. Prices varied only slightly from December 2023 to February 2024 and have largely increased since that time. Recent closing price of nickel is US\$9.10/lb.
<b>Tin (Sn)</b>	During 2020, average tin price was US\$7.71/lb. Tin prices increased in 2021 and in 2022 to mid-March, were variable to November 2022. Prices in 2023 increased significantly in January and February and decreased a similar amount to mid-March, then were variable to increasing, decreased in August, and have been variable to increasing since that time to late and began a sharper increase in March 2024. A recent LME cash price of US\$15.40/lb.

Average annual prices for 2020 to 2023, and the average prices so far in 2024 are shown in the table below:

	Zn US\$/lb	Li US\$/kg	Cg US\$/t	Co US\$/lb	Mn US\$/dmtu	V US\$/lb	Cu US\$/lb	Ni US\$/lb	Sn US\$/t
2020	1.03	9.52	461	15.58	4.60	6.47	2.80	6.25	7.71
2021	1.36	16.22	528	23.70	5.36	8.15	4.22	5.36	14.73
2022	1.58	71.61	673	31.64	6.47	9.23	3.99	11.59	14.18
2023	1.20	44.67	548	18.19	4.99	7.50	3.84	9.77	11.76
2024 (to the date of this MDA)	1.17	14.70	396	17.31	4.74	5.76	4.06	7.90	12.97

Sources: Lithium, graphite and cobalt prices for 2020 are from Fastmarkets. All other prices shown are from Argus Metals.

- Copper, nickel, tin and zinc are LME official cash price

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

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- Cobalt is min 99.8% fob US warehouse (US\$/lb)
- Manganese is 44-46 % CIF China
- Graphite is 94% min ex-works China excl. VAT US\$/t
- Lithium is min 56.5% fob China
- Vanadium is 98% V<sub>2</sub>O<sub>5</sub> fob China (US\$/lb)

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

**1.3 Selected Annual Information**

Not required.

**1.4 Summary and Discussion of Quarterly Results**

The following information is derived from the Company's accompanying Financial Statements of the Company prepared in accordance with IFRS as issued by the IASB effective for the respective reporting periods of the Company, and are expressed in Canadian dollars, rounded to nearest thousands.

Quarter ended	Revenue	Net Loss	Basic and diluted loss per share	Weighted average number of common shares outstanding
March 31, 2024	\$ -	\$ 501,000	\$ 0.01	96,601,509
December 31, 2023	\$ 11,000	\$ 4,857,000	\$ 0.05	96,601,509
September 30, 2023	\$ 84,000	\$ 398,000	\$ 0.00	96,601,509
June 30, 2023	\$ 46,000	\$ 419,000	\$ 0.00	95,887,223
March 31, 2023	\$ 24,000	\$ 325,000	\$ 0.00	93,968,176
December 31, 2022	\$ -	\$ 282,000	\$ 0.00	93,601,509
September 30, 2022	\$ -	\$ 522,000	\$ 0.01	92,210,205
June 30, 2022	\$ -	\$ 665,000	\$ 0.01	85,667,443

**Trends relating to the Company's operating results**

<b>Revenue and Income</b>	<p>Since its inception in 2020, the Company has built a portfolio of mineral royalty interests. As of the date hereof, the Company has (direct and indirect) royalty interests in two operating mines.</p> <p>The Company revenue from the Penouta Tin-Tantalum Royalty is recognized when the relevant commodity is transferred to the end customer by the operator of the royalty property. The Company's royalty revenue varies directly with underlying commodity sales.</p> <p>The Company accounts for its interest in MTM LP, which holds the MTM Royalty, using the equity method of accounting, whereby the net income or loss of MTM LP is recorded as a separate line item in the Company's consolidated statement of comprehensive loss. The Company's income or loss from MTM LP varies primarily with its share of royalty revenue from the MTM Royalty. The Company's income or loss from MTM LP also varies with its share of MTM LP's expenses, which are usually higher in the first two quarters of each year, due to the timing of expenses relating to tax and annual audit. A summary of the operating results, including royalty revenue, of MTM LP is presented in the following section (see "1.5 Results of Operations").</p>
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**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

<b>Trends relating to the Company's operating results</b>	
<b>Operating expenses</b>	<p>Certain expenses, such as salaries and benefits, and administration expenses, are incurred evenly throughout the Company's fiscal year, while other expenses are driven by the underlying corporate and business development activities. Investor relations and shareholder communication expenses are mostly discretionary, and their timing is dependent upon various engagements and events relating to the Company's investor outreach.</p> <p>Salaries and benefit expenses only include directors' fees and compensation of the Company's chief executive officer.</p> <p>Historically, the Company has not engaged or hired full-time employees and experts, other than its chief executive officer. Instead, the Company sources, from certain service providers, all necessary technical, geological, corporate communications, accounting, regulatory compliance, and administrative services, on a non-exclusive basis and as required by the Company. These expenses are mainly classified, depending upon the nature of services received, as administration expenses and property investigation expenses in the Company's consolidated statements of comprehensive loss.</p> <p>The Company records all direct external costs, including legal and due diligence costs, relating to royalty acquisitions as part of the royalty interest asset. All internal costs, including property investigation and due diligence costs, with respect to the Company's potential royalty acquisitions are recorded as property investigation expense within operating expenses.</p> <p>Equity-settled share-based payment expense varies with grant of share-based awards, and the pattern of their vesting.</p>

<b>Fiscal quarter</b>	<b>Discussions and analysis</b>
<b>2024/Q1</b>	<p>The Company did not record any royalty revenue from the Penouta royalty in this quarter, as the mining operation at the Penouta Mine remained provisionally suspended due to the suspension of the section C permit.</p> <p>The Company recorded a gain of \$315,786 in this quarter as a result of the amendments to the Convertible Loan agreement, as discussed herein.</p> <p>The Company granted stock options to its directors, officers, and employees during this quarter that led to increase in share-based compensation expense during the quarter.</p>
<b>2023/Q4</b>	<p>The Penouta mine suspended its operations in the fourth quarter of 2023, resulting in a decrease in the Company's royalty revenue in the quarter.</p> <p>Net loss for the fourth quarter of 2023 increased mainly due to total impairment loss of \$4.4 million recorded in the quarter with respect to the Company's interest in MTM LP and the Penouta mine.</p> <p>The following section of this MD&amp;A provides a detailed analysis of the Company's operating result for this quarter.</p>
<b>2023/Q3</b>	<p>The Company completed the acquisition of an additional 0.75% GRR on the Penouta mine, and an additional 0.5% GRR on the Bisset Creek project. The Company drew down an aggregate amount of \$2,450,000 against the Loan Facility to fund these acquisitions.</p>

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

	<p>Following the acquisition of the additional royalty interest in the Penouta mine, gross royalty revenue increased to \$84,000.</p> <p>The following section of this MD&amp;A provides a detailed analysis of the Company's operating result for this quarter.</p>
<b>2023/Q2</b>	<p>The Company completed the acquisition of the Kenbridge royalty interest in this quarter, and, to fund the cash consideration, the Company drew down \$500,000 against the Loan Facility.</p> <p>During the quarter ended June 30, 2023, recorded revenue from its Penouta Tin-Tantalum Royalty in the amount of \$46,000.</p> <p>The increase in net loss in this quarter, compared to the quarter ended March 31, 2023, was mainly due to the timing of expenses relating to the Company's annual financial reporting, including the audit related costs.</p>
<b>2023/Q1</b>	<p>During the quarter ended March 31, 2023, recorded its first revenue (\$24,000) from its Penouta Tin-Tantalum Royalty. The Penouta royalty acquisition was funded using the proceeds from the first drawdown on the Loan Facility, and accordingly the Company recorded \$35,000 in finance expenses.</p>
<b>2022/Q4</b>	<p>During the quarter ended December 31, 2022, the Company secured the convertible loan facility (1.2.2 <i>Financings</i>) to fund future royalty acquisitions. There were no other significant corporate activities during this quarter. Accordingly, the Company's operating expenses and net loss decreased significantly during this quarter.</p>
<b>2022/Q3</b>	<p>During the quarter ended September 30, 2022, the Company completed the acquisition of the Zonia Copper Royalty.</p>
<b>2022/Q2</b>	<p>During the quarter ended June 30, 2022, the Company completed the acquisition of the Sleitat Tin Royalty and completed its public offering. The increase in net loss during the second quarter of 2022 was mainly due to timing of certain expenses, such as, audit and audit related expenses, and certain Investor relations and shareholders communication expenses.</p>

## 1.5 Results of Operations

During the three months ended March 31, 2024 (the "Current Quarter"), the Company recorded a net loss of \$501,000, compared to a net loss of \$325,000 for the year ended December 31, 2022 (the "Prior Year Quarter").

The increase in net loss for the Current Quarter, compared to the Prior Year Quarter, was mainly due to legal and regulatory expenses relating to the approval of the A&R Agreement by the Company's shareholders in a special meeting held on March 19, 2024, an increase in finance expenses due to additional drawdowns against the Credit Facility during the course of 2023, and share-based compensation expense with respect to the share purchase options granted by the Company in the Current Quarter.

See Section 1.2 *Overview* for discussions regarding the underlying results of operations of the Penouta mine.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

The Company's share, under the equity method of accounting, of revenue and expenses of MTM LP are summarized below:

ELEC's share of MTM LP's revenue and expenses	Quarter ended							
	Mar 31, 2023	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022
Royalty revenue (25%)	\$ -	\$ 50,479	\$ 55,933	\$ 50,914	\$ 67,985	\$ 96,506	\$ 102,051	\$ 118,269
Depletion (25%)	-	(21,826)	(28,535)	(30,003)	(15,554)	(58,830)	(58,831)	(56,548)
Depletion adjustment	-	-	-	-	-	71,370	-	-
Expenses	(18,319)	28,653	27,398	20,911	52,431	109,046	43,220	61,721
Net (loss)/income	\$ (18,319)	\$ 15,037	\$ (35,237)	\$ (11,033)	\$ (36,097)	\$ 73,551	\$ 20,557	\$ 2,396

The Company's share (25%) of royalty revenue of MTM LP decreased during the Current Year due to a decrease in underlying sales revenue of the mine (lower zinc price). The Company's share (25%) of MTM LP's expenses varies with the timing of certain expenses relating to tax and audit. During the Current Quarter, the mining operations at the MTM Mine remained suspended.

The following tables provide a comparison of the Company's operating expenses:

Operating Expenses	Three months ended March 31,		Increase/ (decrease)	Change
	2024	2023		
Investor relations and shareholder communications	\$ 87,132	\$ 43,306	\$ 43,826	101%
Salaries and benefits	116,158	102,770	13,388	13%
Administration	100,048	98,972	1,076	1%
Regulatory	29,482	22,946	6,536	28%
Legal, tax, audit and audit related	212,826	32,226	180,600	560%
Property investigations	24,272	7,363	16,909	230%
Equity-settled share-based payments	115,587	-	115,587	N/A
Total	\$ 685,505	\$ 307,583	\$ 377,922	123%

Salaries and benefit expenses, representing directors' fees and executive compensation, increased in the Current Quarter, compared to the Prior Year Quarter, mainly due to appointment of Mr. Gleason to the Company's Board of Directors.

Administration expenses, regulatory expenses and legal, tax, audit and audit related expenses varied in the Current Quarter, compared to the Prior Year Quarter, due to timing of certain expenses and underlying corporate activities.

During the Current Quarter, property investigation expenses were higher, compared to the Prior Year Quarter, which change is consistent with the trends in the Company's royalty acquisition activities discussed herein (see [1.2 Overview](#)).

Share-based payment expense in the Current Quarter pertains to the grant of share purchase options by the Company in March 2024. No share-based payment expenses were recorded in the Prior Year Quarter.

## 1.6 Liquidity

At March 31, 2024, the Company had a cash balance of \$173,000 (December 31, 2023 - \$443,000) and working capital deficit of \$8,000 (December 31, 2023 - working capital of \$592,000).

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

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After the end of the Current Quarter, in April 2024, the Company announced that it had elected to draw down \$2.5 million under the Loan Facility.

During the Current Quarter, the Company used \$242,000 cash in its operating activities, compared to \$365,000 in the Prior Year Quarter.

During the Current Quarter, the Company used \$27,000 cash in investing activities, compared to \$1,088,000 in the Prior Year Quarter. The Company did not complete any acquisition of royalty interests during the Current Quarter. The Company received a fixed royalty payment of \$25,000 during the Current Quarter, which amount was allocated between principal sum and accrued interest. During the Prior Year Quarter, the Company acquired the Penouta Royalty that led to a cash payment of \$1,000,000, which amount equals the amount of the first drawdown against the Credit Facility that was classified as cash provided by financing activities in the statement of cash flows for the quarter. No drawdown against the Credit Facility was completed in the Current Quarter.

Further development of the Company's business will require additional funding from a combination of the Company's shareholders, or alternative capital providers, and debt financing. As the royalty interests currently owned, directly or indirectly by the Company to date are mainly in their development stage, the Company's revenue or cash flows from such royalty interest are not sufficient, compared to its corporate and business development expenditures. To date, the Company has mainly relied on proceeds from equity financing to fund its expenditures, and to maintain liquidity. In November 2022, the Company secured a convertible loan facility, as subsequently amended, with a three-year term (*1.2.2 Financings*) to fund additional royalty acquisitions.

Any change in the commitment or timing of debt and equity funding from existing or new shareholders of the Company, or alternative capital providers, may require the Company to curtail its planned 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 the Financial Statements.

At March 31, 2024, except for an office lease expiring in 2026 and the Loan due in 2028, the Company did not have any material long-term lease obligations, purchase obligations, or any other long-term obligations.

### **1.7 Capital Resources**

Other than the undrawn balance on the Loan Facility (*1.2.2 Financings*), the Company has no lines of credit or other sources of financing which have been arranged but not yet utilized.

Further advancement of the Company's business strategies and operations will require additional funding. The Company intends to pursue additional funding through equity and debt financing.

Although management has a reasonable expectation that it can continue to raise funds, there can be no assurance to that effect.

### **1.8 Off-Balance Sheet Arrangements**

None

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

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### 1.9 Transactions with Related Parties

This disclosure can be found in the accompanying Financial Statements of the Company, with additional details provided below.

The Company's related party transactions are comprised of remuneration for the following key management personnel ("KMP") that have the authority and responsibility for planning, directing and controlling the activities of the Company:

Name	Position(s) Held at the Company
Craig Lindsay	Director
Robert Schafer	Director
Stefan Gleason	Director
Marchand Snyman	Director, Chairman
Brendan Yurik	Director, Chief Executive Officer

Transactions with the Company's key management personnel were as follows:

	Three months ended March 31,		Increase/ (decrease)	Change
	2024	2023		
Short-term employment benefits (1)	\$ 116,158	\$ 102,770	\$ 13,388	13%
Share-based payments relating to stock options (2)	89,021	-	89,021	N/A
Total	\$ 205,179	\$ 102,770	\$ 102,409	100%

(1) Short-term employment benefits include salaries and benefits of the Company's chief executive officer and directors' fees. The increase in short-term employment benefits was mainly due to appointment of Mr. Gleason to the Board.

(2) The share-based payment expense in the Current Quarter relates to the stock options granted by the Company to its directors and officers during the quarter.

Refer to 1.2.2 *Financings* for the details of the loan facility provided by Gleason & Sons LLC, which is controlled by Stefan Gleason.

### 1.10 Fourth Quarter

Not required.

### 1.11 Proposed Transactions

Except for the agreement relating to the lithium portfolio ([1.2.1 Acquisitions in Progress](#)), there are no proposed transactions requiring disclosure under this section.

### 1.12 Critical Accounting Estimates

This disclosure can be found in the accompanying Financial Statements of the Company.

### 1.13 Changes in Accounting Policies including Initial Adoption

There was no change in accounting policies during the year ended December 31, 2023.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

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#### **1.14 Financial Instruments and Other Instruments**

The Company's financial assets mainly comprise cash held in business accounts with a high-credit quality financial institution and are available on demand by the Company as and when required.

The Company's liquidity position is discussed in Section 1.6 Liquidity.

Refer to the Financial Statements for disclosures relating to financial risk management.

#### **1.15 Other MD&A Requirements**

##### **1.15.1 Additional disclosure for venture issuers without significant revenue**

See section 1.5 "Results of Operations".

##### **1.15.2 Disclosure of Outstanding Share Data**

The capital structure of the Company as of the date of this MD&A, is as follows:

	Number
Common shares issued and outstanding	98,851,509
Share purchase options	8,431,000
Share purchase warrants	17,000,000
Shares to be issued upon conversion of the Loan	12,640,000

##### **1.15.3 Internal controls over financial reporting and disclosure controls**

###### **Internal Controls over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

###### **Disclosure Controls and Procedures**

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the appropriate time periods and that required information is accumulated and communicated to the Company's management so that decisions can be made about the timely disclosure of that information.

#### **1.15.4 Risk Factors**

##### *1.15.4.1 Specific Risks Related to Royalties*

#### **Royalties**

While management of the Company believes that the acquisition of royalties in mineral properties containing battery and renewable energy-related commodities will deliver attractive risk-adjusted returns regardless of commodity cycles, there can be no assurance that any of the Company's royalties will be successful or profitable, or that it will be able to acquire any successful or profitable royalty investments. If the Company cannot acquire any successful or profitable royalty investments, it may result in a material and adverse effect on the Company's profitability, results of operation and financial condition.

#### **Rights of Third Parties**

Some royalty interests may be subject to: (i) buy-down right provisions pursuant to which an operator may buy-back all or a portion of the royalty; (ii) pre-emptive rights pursuant to which parties have the right of first refusal or first offer with respect to a proposed sale or assignment of the royalty; or (iii) claw back rights pursuant to which the seller of a royalty has the right to re-acquire the royalty. Holders of these rights may exercise them such that certain royalty interests would not be available for acquisition.

#### **Costs May Influence Return to Royalty Holder**

Net smelter or net profit royalties, equity interests and similar interests allow the operator to account for the effect of prevailing cost pressures on the project before calculating a royalty. In the instance of net smelter royalties these cost pressures include smelting, refining and transportation cost. In the instance of net profits royalties, these cost pressures include costs of labour, equipment, electricity, environmental compliance, and numerous other capital, operating and production inputs. Such costs will fluctuate in ways the royalty holder will not be able to predict and will be beyond the control of such holder, and can have a dramatic effect on the revenue payable on these royalties and other interests. Any increase in the costs incurred by the operators on the applicable properties will likely result in a decline in the royalty revenue received by the royalty holder. This, in turn, will affect overall revenue generated by the royalty holder which may have a material adverse effect on its profitability, financial condition, and results of operation.

#### **Dependence on Third Party Property Owners and Operators**

Cash flows derived from royalties are based on operations by third parties. These third parties will be responsible for the timing of and determining the manner in which the relevant properties subject to the royalties are exploited, including decisions to expand, continue or reduce production from a property, decisions about the marketing of products extracted from the property and decisions to advance exploration efforts and conduct development of non-producing properties. As a holder of royalties or other interests, the Company will have little or no input on such matters. The interests of third party owners and operators and those of the Company on the relevant properties may not always be aligned. As an example, it will, in almost all cases, be in the interests of the Company to advance development and production on properties as rapidly as possible in order to maximize near-term cash flow, while third party owners and operators may, in many cases, take a more cautious approach to development as they are at risk on the cost of development and operations. The inability

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

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of the Company to control the operations for the properties in which it has a royalty or other interest may have a material adverse effect on the Company's profitability, results of operation and financial condition.

**Limited Access to Data and Disclosure**

As a holder of royalties and other non-operator interests, the Company neither serves as the mine owner nor operator, and in almost all cases the Company has no input into how the operations are conducted. As such, the Company has varying access to data on the operations or to the actual properties themselves. This could affect its ability to assess the value of the royalties or enhance their performance. This could also result in delays in cash flow from that anticipated by the Company based on the stage of development of the applicable properties covered by its royalties. The Company's royalty payments may be calculated by the payors in a manner different from the Company's projections and the Company may or may not have rights of audit with respect to royalty interests. In addition, some royalties may be subject to confidentiality arrangements which govern the disclosure of information with regard to royalties and as such the Company may not be in a position to publicly disclose non-public information with respect thereto. The limited access to data and disclosure regarding the operations of the properties in which the Company has an interest, may restrict its ability to assess the value or enhance its performance which may have a material adverse effect on the Company's profitability, results of operation and financial condition.

**Royalties May not be Honoured by Operators of a Project**

Royalties are largely contractually based. Parties to contracts do not always honour contractual terms and contracts themselves may be subject to interpretation or technical defects. To the extent grantors of royalties and other interests do not abide by their contractual obligations, the Company may be forced to take legal action to enforce its contractual rights. Such litigation may be time consuming and costly, and as with all litigation, no guarantee of success can be made. Should any such decision be determined adversely to the Company, it may have a material adverse effect on the Company's profitability, results of operations and financial condition.

**Due Diligence May Not Reveal All Relevant Facts in connection with an Investment in a Royalty**

The due diligence process undertaken by the Company in connection with any investments in royalties that it makes or wishes to make may not reveal all relevant facts in connection with an investment in such royalties. Before making an investment in a royalty, the Company will conduct due diligence investigations that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence investigations, the Company may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence investigations and making an assessment regarding an investment in a particular royalty or other interest, the Company will rely on resources available, including information provided by the owner of the investment or royalty and, in some circumstances, third party investigations. The due diligence investigations that are carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such investigation will not necessarily result in the investment being successful.



**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

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### **Additional Risks**

The Company's operations and expertise are currently focused on the acquisition and holding of royalties. In the future, the Company may elect to pursue acquisitions outside this area, including acquiring direct interests in commodity properties or shares in commodity producers, explorers or technology developers. Expansion of the Company's activities into new areas will present challenges and risks for which management may not have sufficient expertise. If the Company does not manage these challenges and risks successfully, it may result in a material adverse effect on the Company's profitability, results of operation and financial condition.

### **Dependence on Payment from Operators**

The Company will be dependent to a large extent upon the financial viability and operational effectiveness of owners and operators of the properties underlying its royalty portfolio. Payments from production generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues. Payments may be delayed by restrictions imposed by lenders, delays in the sale or delivery of products, recovery by the operators of expenses, the establishment by the operators of mineral reserves for such expenses or the bankruptcy, insolvency or other adverse financial condition of the operator. The Company's rights to payment under the royalties must, in most cases, be enforced by contract without the protection of a security interest over property that the Company could readily liquidate. This inhibits the Company's ability to collect outstanding payments owed on its royalties upon a default. In the event of a bankruptcy, insolvency or other arrangement of an operator or owner, the Company will be treated like any other unsecured creditor, and therefore have a limited prospect for full recovery of royalty revenue. The Company mitigates this risk by having formal legal agreements with royalty payors, which would allow the Company to exert legal rights and enforce royalty contracts, if required.

### **Early Termination of Royalty Agreements**

While the Company seeks to ensure that all its royalty interests will be secured and legally binding with the project owners, there exists the possibility that other third parties such as governments or senior lenders to the project owners may seek to terminate the royalty arrangements without compensation to the Company. The early termination of one or more of the Company's royalty agreements, without compensation to the Company, could have a material adverse effect on the Company's profitability, results of operation and financial condition.

### **The Company Will Depend on Project Owners for the Calculation of Royalty Amounts**

The amounts deliverable under the royalty agreements are calculated by the project owners of the mining projects based on the applicable metals and minerals produced and sold. Each project operator's calculation of royalty amounts is subject to and dependent upon the adequacy and accuracy of its production and accounting functions, and errors may occur from time to time in the calculations made by a project operator. As a result, the Company's ability to detect errors in royalty amounts may be limited. Some of the royalty agreements provide the right to audit the operational calculations and production data for the associated royalty amounts; however, such audits may not

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

---

occur until many months following recognition of the royalty revenue, and may require the Company to adjust revenue in later periods.

**Delay or Failure of Royalty Payments**

In most cases, the Company's rights to payment under the royalties must be enforced by contract, with or without the protection of a security interest over property that the Company could readily liquidate. This affects the Company's ability to collect outstanding royalties upon a default. In the event of a bankruptcy of a project operator, the Company may be treated like any other unsecured creditor, and therefore have a limited prospect for full recovery of royalty revenue. The Company may not have any recourse against the buyer of mine production. Failure to receive any royalty payments from the owners and operators may result in a material adverse effect on the Company's profitability, results of operation and financial condition.

**Acquisition Strategy**

As part of the Company's business strategy, it has sought and will continue to seek to purchase royalties from mining project explorers, operators and developers, and third party royalty holders. In pursuit of such opportunities, the Company may fail to select appropriate acquisition targets or negotiate acceptable arrangements, including arrangements to finance the acquisitions. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit the Company.

**Increased Competition for Royalty Interests**

The success of the Company's business model may lead other companies to engage in the search for and the acquisition of royalties in the battery metal sector. If the Company has to compete with larger companies with substantial financial resources, the Company may be at a competitive disadvantage in acquiring royalty interests in these battery metals projects. Accordingly, there can be no assurance that the Company will be able to compete successfully against other larger companies in acquiring new royalty interests or ability to acquire royalties at a viable cost. The Company's inability to acquire additional royalties may result in a material adverse effect on the Company's profitability, results of operation and financial condition.

*1.15.4.2 Operational and Development Risk*

The Company invests in the mineral exploration sector, which implicitly involves a high degree of risk caused by limited chances of discovery of an economic deposit and eventual mine development.

**Uncertainty of Exploration Results and Speculative Nature of Mineral Exploration and Mining**

Exploration for minerals is a speculative venture necessarily involving substantial risk. There is no certainty that the expenditures made by the operator of any given project will result in discoveries of commercial quantities of minerals on lands where the Company holds or may hold royalties. If mineable deposits are discovered, substantial expenditures are required to establish reserves through drilling, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that resources will be discovered in sufficient quantities to justify commercial

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

---

operations or that the funds required for development can be obtained at all or on terms acceptable to the operator. Although the Company intends to only hold royalty interests and not be responsible for these expenditures, the operator may not be in a financial position to obtain the necessary funds to advance the project.

### **Development Stage Projects**

Royalties from commercial operations will depend on a significant number of factors, including economic feasibility, changing market conditions, aboriginal involvement, environmental and governmental regulations, labour availability, the cost of and the ability to attract external financial capital, and the ability to attract partners with sufficient technical expertise and relevant industry experience to further develop the various projects. The mine operations may require licenses and permits from various governmental authorities. There can be no assurance that the operator of any given project will be able to obtain all necessary licenses and permits or funding that may be required to carry out exploration, development and mining operations. Any failure to meet one or a combination of these factors may result in project delays or potential cancellation and the Company's future operating results may be adversely affected. The Company mitigates this risk by evaluating the economic potential of each property at each stage of its life cycle and through diversification of royalties.

### **Foreign Exchange Rates**

Commodities are typically priced in U.S. currency, which drives royalty income. However, the Company maintains its accounting records, reports its financial position and results, pays certain operating expenses and will have the Company's shares listed on an exchange, in Canadian currency. Fluctuation in the U.S. currency exchange rate relative to the Canadian currency could negatively impact the value of the Company's shares. Because exchange rate fluctuations are beyond our control, there can be no assurance that such fluctuations will not have an adverse effect on the Company's operations or on the trading value of the Company's shares.

### **Regulatory Change**

The Company's operations as well as the operations of the underlying projects in which the Company may hold royalty interests are subject to extensive governmental regulations with respect to such matters as environmental protection, health, safety and labour; mining law reform; restrictions on production or export, price controls and tax increases; aboriginal land claims; and expropriation of property in the jurisdictions in which it operates. Violations of these regulations and regulatory requirements could lead to substantial fines, penalties or other sanctions. The Company mitigates this risk through not doing business in unstable countries and, within stable countries, the Company follows all laws and regulations and engages legal counsel to ensure compliance, if necessary. The Company may be affected by changes in regulatory requirements, customs, duties or other taxes. Such changes could, depending on their nature, benefit or adversely affect the Company.

### **Litigation**

The Company may from time to time be involved in various claims, legal proceedings and disputes arising in the ordinary course of business. If such disputes arise and the Company is unable to resolve these disputes favourably, it may have a material and adverse effect on the Company's profitability or results of operations and financial condition.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

---

### **Leverage**

The Company may use financial leverage by borrowing funds against the assets of the Company. The use of leverage increases the risk to the Company and subjects the Company to higher current expenses. Also, if the value of the Company's assets drops to the loan value or less, shareholders could sustain a total loss of their investment.

### **No Opportunity to Hedge Most of the Commodities**

There is no opportunity for the Company to hedge the downside price risk of most of the commodities of interest since there is no derivatives market for all the commodities of interest. As a result, the value of the Company's shares will largely depend upon, and typically fluctuate with, the price of commodities.

### **Impact from Other Commodities**

Some of the commodities such as cobalt may be predominantly mined as a by-product. Any effect on the price of the main commodities may affect the price and availability of the other commodities. Future pricing of commodities will depend, in part, on mine capacity and major producing countries, as well as the development of new projects. For example, a strong copper and/or nickel market will likely result in increased output of copper and nickel ores containing other commodities, which may impact the supply and price of those commodities.

### **Conflicts of Interest**

Certain of the Company's directors may also serve as directors or officers, or have significant shareholdings in, other companies involved in the metals industry and, to the extent that such other companies may participate in ventures in which the Company may participate, or in ventures in which the Company may seek to participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In all cases where directors and officers have an interest in other companies, such other companies may also compete with us for the acquisition of royalties or other investments. Such conflicts of the directors and officers may result in a material adverse effect on the Company's profitability, results of operation and financial condition.

### **Management Experience and Dependence on Key Personnel and Employees**

The Company is dependent upon the continued availability and commitment of its key management, whose contributions to immediate and future operations of the Company are of significant importance. The loss of any such members could negatively affect business operations. From time to time, the Company will also need to identify and retain additional skilled management and specialized technical personnel to efficiently operate its business. The number of persons skilled in the acquisition of royalties and interests in the metals industry is limited, and competition for such persons can be intense. Recruiting and retaining qualified personnel is critical to the Company's success and there can be no assurance of such success. If the Company is not successful in attracting and training qualified personnel, the Company's ability to execute its business model and growth strategy could be affected, which could have a material adverse impact on its profitability, results of operations and financial condition. The Company does not intend to maintain "key man" insurance for any members of its management.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

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*1.15.4.3 General Risks*

**Liquidity Concerns and Future Financing Requirements**

The Company has limited operating revenue. It may require additional financing in order to fund its business plan. The Company's ability to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as its business success. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to it, or at all. If additional financing is raised by the issuance of the Company's shares from treasury, control of the Company may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to operate its business at its maximum potential, to expand, to take advantage of other opportunities, or otherwise remain in business.

**Volatility of Share Price**

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of the Company include global macroeconomic developments, and market perceptions of the attractiveness of particular industries. There can be no assurance that continued fluctuations in the price of commodities will not occur. As a result of any of these factors, the market price of the Company's shares at any given point in time may not accurately reflect the long-term value of the Company. In the past, following periods of volatility in the market price of a company's securities, shareholders have instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial cost and diversion of management attention and resources, which could significantly harm profitability and the reputation of the Company.

**Portfolio Exposure**

There is no assurance that the investment objectives of the Company will actually be achieved. The value of the Company's shares will increase or decrease with the value of its investment portfolio and general economic conditions beyond the control of the Company's management, including the level of interest rates, corporate earnings, economic activity, the value of the Canadian dollar and other factors. There can be no assurance that the shareholders of the Company will realize any gains from their investment in the Company and may lose their entire investment.

**Investments Made by the Company May Lack Liquidity**

Due to market conditions beyond its control, including investor demand, resale restrictions, general market trends and regulatory restrictions, the Company may not be able to liquidate its royalty investments or other interests when it would otherwise desire to do so in order to operate in accordance with its Investment Policy and investment strategy. Such lack of liquidity could have a material adverse effect on the value of the Company's investments and, consequently, the value of the Company's shares. There is no guarantee that the Company will be able to reduce its investment risk by diversifying its investment portfolio. Expenses incurred by the Company may exceed any gains realized by the Company on its royalty investments. The Company may invest in a limited number of royalties and, as a consequence, the aggregate returns realized by the Company may be substantially and adversely affected by the unfavourable performance of even a single royalty.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

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Accordingly, there can be no assurance that the Company will be able to reduce its investment risk by diversifying its portfolio. The resulting lack of diversification may adversely impact the ability of the Company to achieve its desired investment returns.

### **Prospect of Dividends**

The Company currently intends to use its future earnings, if any, and other cash resources for the operation and development of its business and does not currently anticipate paying any dividends on the Company's shares. Any future determinations to pay dividends on the Company's shares will be at the sole discretion of the Board after considering a variety of factors and conditions existing from time to time, including current and future commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, and foreign exchange rates. As a result, a holder of Company's shares may not receive any return on an investment in Company's shares.

### **Market for the Company's Shares**

There can be no assurance that an active market for the Company's shares will develop or be sustained. If an active public market for the Company's shares does not develop, the liquidity of a purchaser's investment may be limited and the share price may decline.

### **The Forward Looking Statements May Prove to be Inaccurate**

This document contains forward-looking statements, including, without limitation, the forward-looking statements listed in "Forward Looking Statements". By their nature, forward-looking statements involve numerous assumptions, known and unknown risk and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. The factors discussed in this section and the section entitled "Forward Looking Statements" should therefore be weighed carefully and prospective investors should not place undue reliance on the forward-looking statements provided in this document.

### **Fluctuating Price of Commodities**

Given the nature of the Company's proposed investment activities, materially adverse fluctuations in the price of commodities may adversely affect the investments that will comprise the Company's portfolio which may consequently adversely affect the Company's profitability, financial performance and results of operations. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the control of the Company, including levels of supply and demand, industrial development levels, inflation and the level of interest rates, the strength of the U.S. dollar and geopolitical events in significant commodities producing countries. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. All commodities, by their nature, are subject to wide price fluctuations and future material price declines will result in a decrease in the revenue or, in the case of severe declines that cause a suspension or termination of production by relevant operators, a complete cessation of revenue from royalties or interests in mineral properties applicable to the relevant commodities. Moreover, the broader commodities market tends to be cyclical, and a general downturn in overall commodities prices or a significant strengthening of the Canadian dollar relative to the U.S. dollar could result in a significant decrease in the value of our overall revenue. Any such price decline may

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

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result in a material and adverse effect on the Company's profitability, results of operation and financial condition.

### **Changes in Technology and Future Demand for Commodities**

Currently the commodities the Company focuses its investments on are some of the key metals used in batteries for EVs and other devices. However, the technology pertaining to batteries, EVs and energy creation and storage is changing rapidly, and there is no assurance that the commodities will continue to be used to the same degree as they are now, or that they will be used at all. Any decline in the use of commodities in EVs, batteries, renewable energy generation or technologies utilizing commodities based batteries may result in a material and adverse effect on the Company's profitability, results of operation and financial condition.

### **Competition**

Many companies are engaged in the search for and the acquisition of commodities, or rights to or interest in commodities, and there is a limited supply of desirable commodities related interests. Many competitors are larger, more established companies with substantial financial resources, operational capabilities and long track-records of earnings. The Company may be at a competitive disadvantage in acquiring interests in any commodities related assets, whether by way of royalty or other form of investment, as many competitors have greater financial resources and technical staff. Accordingly, there can be no assurance that the Company will be able to compete successfully against other companies in acquiring new commodities related interests.

The Company's inability to acquire additional commodities interests may result in a material and adverse effect on its profitability, results of operation and financial condition.

### **Limited Operating History and There Can Be No Assurance of Success or Profits**

Although many members of the Company's management have expertise and industry experience, the Company itself has very limited operating history as an investment issuer upon which its business and affairs may be evaluated, and there can be no assurance that its business will be successful or profitable or that it will be able to successfully execute its business model and growth strategy. If the Company cannot execute its business model and growth strategy, it may result in a material and adverse effect on its profitability, results of operation and financial condition.

### **Future Acquisitions**

As part of the Company's business strategy, it may seek to grow by acquiring companies and/or assets or establishing joint ventures that it believes will complement its current or future business. Acquisition transactions involve inherent risks, including but not limited to: accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates; ability to achieve identified and anticipated operating and financial synergies; unanticipated costs; diversion of management attention from existing business; potential loss of the Company's key employees or key employees of any business acquired; unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition; and decline in the value of acquired properties, companies or securities. Any one or more of these factors or other risks could cause the Company not to realize the anticipated benefits of an acquisition of properties or companies, and could have a material adverse effect on its financial condition. The Company may not effectively select acquisition candidates or negotiate or finance

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

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acquisitions or integrate the acquired businesses and their personnel or acquire assets for our business. The Company cannot guarantee that it can complete any acquisition it pursues on favourable terms, or that any acquisitions completed will ultimately benefit its business.

**Uncertainty of Additional Funding**

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further business activities, and may result in a material and adverse effect on its profitability, results of operation and financial condition. The Company will require new capital to grow its business and there are no assurances that capital will be available when needed, if at all. It is likely that such additional capital will be raised through the issuance of additional equity, which will result in dilution to shareholders.

**Expansion of the Business Activities Outside Areas of Expertise**

The Company's operations and expertise are currently focused on the acquisition and management of royalties or rights to or interest in commodities. In the future, the Company may pursue acquisitions outside this area, including acquiring and/or investing in, producing, developing or exploration-stage resource projects. Expansion of the Company's activities into new areas would present challenges and risks that it has not faced in the past. If the Company does not manage these challenges and risks successfully, it may have a material adverse effect on its profitability, results of operation and financial condition.

**Market Events and General Economic Conditions May Adversely Affect the Company's Business, Industry and Profitability**

Adverse events in global financial markets can have profound impacts on the global economy.

Many industries, including the mining industry, are impacted by these market conditions. Some of the key impacts of the financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange, precious metal, base metal and mineral markets and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect our growth and valuation. Specifically, the global credit/liquidity crisis could impact the cost and availability of financing and our overall liquidity; the volatility of commodities and other metal prices would impact the Company's revenues, profits, losses, cash flow and the value of our royalties; continued recessionary pressures could adversely impact demand for the Company's assets; the devaluation and volatility of global stock markets would impact the valuation of our equity and other securities. These factors could have a material adverse effect on the Company's financial condition and operating results.

**The Russian-Ukrainian and the Israel-Hamas Conflicts - Potential Effects Which Could Detrimentially Affect the Global Economy, Peace and Stability in Europe and the Middle East, Respectively, and Beyond, and Our Business and Share Price.**

Russian military forces invaded Ukraine in February 2022. In response, Ukrainian military personnel and civilians are actively resisting the invasion. Many countries throughout the world have provided



**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

---

aid to the Ukraine in the form of financial aid and in some cases military equipment and weapons to assist in their resistance to the Russian invasion. The North Atlantic Treaty Organization ("NATO") has also mobilized forces to NATO member countries that are close to the conflict as deterrence to further Russian aggression in the region. The outcome of the conflict is uncertain and is likely to have wide-ranging consequences on the peace and stability of the region and the world economy. In addition, certain countries including Canada and the United States, have imposed strict financial and trade sanctions against Russia, which sanctions may have far reaching effects on the global economy. The long-term impacts of the conflict and the sanctions imposed on Russia remain uncertain and could have an adverse impact on the Company's business and results of operations and may have wide-ranging consequences on the peace and stability of the region and the world economy.

The Israel-Hamas conflict began on October 7, 2023, and, although it has escalated, it is still early days and the effects if any are not known at this time.

The conflicts could affect the economies and securities markets of countries in ways that cannot necessarily be foreseen at the present time. These events could also exacerbate other pre-existing political, social and economic risks. Such events could also cause substantial market volatility, exchange trading suspensions and closures and affect the Company's performance, the price of its securities and its ability to successfully raise capital at reasonable rates or at all. As a result, the market price of the Company's common shares may decline even if the Company's operating results, underlying asset values or prospects have not changed.

Although we do not have employees, suppliers or business activities in Ukraine or Russia, or in the Middle East at this time, the conflicts may have a detrimental impact on our business and operations at some point in the future if the conflicts spread, escalates or affects Europe and the Middle East, respectively, or the world more broadly.

### **Concentration Risk**

The business of the Company is to invest in royalty interests in the battery metals sector only. Given the concentration of the Company's exposure to the battery metals sector, the Company's investment portfolio will be more susceptible to adverse economic or regulatory occurrences affecting the battery metals sector than an investment fund that holds a diversified portfolio of securities. Moreover, while the Company's intention is to purchase a large number of royalties from different companies with exposure to different battery metals, operating stage and jurisdictions, it will take time to attain such diversification. Until diversification is achieved, the Company may have a significant portion of its assets dedicated to a small number of battery metals projects. In the event that any such battery metals project is unsuccessful or experiences a downturn, a material adverse effect on the Company's profitability, results of operation and financial condition may result.

### **Interest Rate Risk**

The Company intends on obtaining financing in the future by accessing the debt markets. Amounts payable in respect of interest and principal on debt to be incurred by the Company will affect its net cash flow and profitability. Any increase in such payments will result in a corresponding increase in the cash out flow of the Company that must be applied to debt service. In the event of such an increase, there can be no assurance that net cash flow derived from the Company's operations will be sufficient to cover its future financial obligations or that additional funds will otherwise be able to be obtained. If the Company becomes unable to pay its debt service charges or otherwise commits

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

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an event of default such as bankruptcy, the lender may foreclose on or sell all or some of the Company's assets, which may have a material adverse effect on the Company's profitability, results of operation and financial condition.

### **Income Taxes**

The Company's activities will generally be taxable in the jurisdictions in which it operates. Changes to taxation laws in Canada, the United States or any of the countries in which the Company acquires royalty agreements could materially affect the Company's royalty interests. No assurance can be given that new taxation rules will not be enacted or that existing rules will not be applied in a manner that could materially affect in the Company's profits and it may result in a material adverse effect on the Company's profitability, results of operations and financial condition.

### **Limitation of Insurance**

The Company maintains insurance policies, covering usual and customary risks associated with its business, with credit-worthy insurance carriers. A royalty interest in a mining project is generally exposed to the risks inherent in the construction and operation of mining facilities, such as breakdowns, manufacturing defects, natural disasters, theft, terrorist attacks and sabotage. The Company relies on the project owner's insurance policies to cover losses as a result of force majeure, natural disasters, terrorist attacks or sabotage, among other things. A significant uninsured loss or a loss that significantly exceeds the limits of the project owner's insurance policies or the failure to renew such insurance policies on similar or favourable terms could have a material adverse effect on the Company's royalty interests.

### **Natural Disasters and Other Catastrophic Events**

Mining projects and operations could be exposed to potential interruption and damage (partial or full loss) resulting from events such as environmental disasters (e.g. floods, high winds, fires, and earthquakes), severe weather conditions and equipment failures. There can be no assurance that in the event of an earthquake, hurricane, tornado, tsunami, typhoon, terrorist attack, act of war or other natural, manmade or technical catastrophe, all or some parts of the mining projects in which the Company holds a royalty interest in, will not be disrupted. The occurrence of a significant event which disrupts the ability of the mining project to produce or sell products for an extended period could have a material adverse effect on the Company's profitability, results of operation and financial condition.

### **Permitting Risk**

The Company may acquire royalty interests in mining projects that will require additional permits before commercial operations can be commenced, continued or expanded. These facilities will require various property rights, permits and licenses in order to conduct current and future operations, and delays or a failure to obtain such property rights, permits and licenses, or a failure to comply with the terms if any of such property rights, permits and licenses could result in interruption

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

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or closure of operations on the facility. Such interruptions or closures could have a material adverse effect on the Company's profitability, results of operation and financial condition.

### **Environmental Laws and Regulations**

The activities of a mining project are subject to stringent environmental laws and regulations promulgated and administered by federal, provincial and municipal governments where the mining project operates. These laws and regulations generally concern water use, wildlife, wetlands preservation, endangered species preservation and noise limitations, among others. Failure to comply with applicable environmental laws and regulations or failure to obtain or comply with any necessary environmental permits pursuant to such laws and regulations could result in sanctions against the project owner and operator and may disrupt revenue of the Company for an extended period that, in turn, may have a material adverse effect on the Company's profitability, results of operation and financial condition.

### **Local Public Opposition**

The development and operation of mining projects may at times be subject to public opposition. While public opposition may be of greatest concern during the development stage of mining projects, when the public has the ability to provide comments and appeal regulatory permits, continued opposition could have an impact on ongoing operations and expansions of existing operations. Legal requirements, changes in scientific knowledge and public complaints could impact the operation of certain of the projects in which the Company may hold a royalty interest in the future and it may result in a material adverse effect on the Company's profitability, results of operation and financial condition.

### **Negative Public or Community Response**

Negative public or community response to mining projects could adversely affect the ability of the owners and operators to construct or operate the mining facilities in which the Company may acquire royalty interests. This type of negative response could lead to legal, public relations and other challenges that impede the ability of the mining projects to achieve commercial operations and generate revenues at the anticipated levels. An increase in opposition to the mining projects or segment of the natural resource sector in which the Company may hold royalty interests could have a material adverse effect on the Company's profitability, results of operation and financial condition.

### **Delays and Cost Over-runs in the Design and Construction of Projects**

Delays and cost over-runs may occur in completing the construction of mining projects that the project owners will undertake. A number of factors which could cause such delays or cost over-runs include, without limitation, permitting delays, construction pricing escalation, changing engineering and design requirements, the performance of contractors, labour disruptions, adverse weather conditions and the availability of financing. Even when complete, a mining project may not operate as planned due to design or manufacturing flaws, which may not all be covered by warranty. Mechanical breakdown that is not covered by business interruption insurance could occur in equipment after the period of warranty has expired, resulting in loss of production. Delays and cost

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion and Analysis**  
Three Months ending March 31, 2024

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over-runs at mining projects in which the Company may hold royalty interests could have a material adverse effect on the Company's profitability, results of operation and financial condition.

**Health, Safety and Environmental Risks**

The ownership, construction and operation of mining projects carries an inherent risk of liability related to worker health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and/or to remediate or otherwise address environmental contamination, potential penalties for contravention of health, safety and environmental laws, licenses, permits and other approvals, and potential civil liability. Compliance with health, safety and environmental laws (and any future changes) and the requirements of licenses, permits and other approvals remain material to the project owner's businesses. The project owners mining projects may become subject to government orders, investigations, inquiries or other proceedings (including civil claims) relating to health, safety and environmental matters. The occurrence of any of these events or any changes, additions to or more rigorous enforcement of, health, safety and environmental laws, licenses, permits or other approvals could have a significant impact on operations and/or result in additional material expenditures and ultimately affect the ability of the project owners to pay the Company royalties. As a consequence, no assurances can be given that additional environmental and workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to the business and operations of the mining projects, which could have a material adverse effect on the Company's profitability, results of operation and financial condition.