Electric Royalties Ltd.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED
MARCH 31, 2023 AND 2022

(Expressed in Canadian Dollars)

(Unaudited)

Electric Royalties Ltd.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Expressed in Canadian Dollars)

	Note	March 31, 2023	December 31, 2022
ASSETS			
Current Assets			
Cash and cash equivalents	3	$ 780,839	$ 1,236,733
Income tax receivable		36,380	36,473
Royalty revenue receivable		21,998	–
Prepaid expenses		52,426	29,664
		891,643	1,302,870
Non-current Assets			
Mineral royalty interests and deferred transaction costs	4	13,310,954	12,048,633
Investment in associate	5	4,985,008	5,033,605
Right-of-use asset		21,002	22,706
		18,316,964	17,104,944
TOTAL ASSETS		$ 19,208,607	$ 18,407,814
EQUITY			
Share capital	6	$ 22,738,230	$ 22,563,230
Reserves	7	2,656,143	2,605,264
Accumulated deficit		(7,241,111)	(6,916,323)
		18,153,262	18,252,171
LIABILITIES			
Non-Current Liabilities			
Convertible loan	8	937,657	–
Lease liability		16,912	18,707
		954,569	18,707
Current Liabilities			
Lease liability		6,886	6,609
Accounts payable		93,890	130,327
		100,776	136,936
Total liabilities		1,055,345	155,643
TOTAL EQUITY AND LIABILITIES		$ 19,208,607	$ 18,407,814

Nature and continuance of operations (note 1)
Events after the end of the reporting period (note 10)

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

These Financial Statements were approved for issuance by the Audit and Risk Committee of the Company's Board of Directors on May 29, 2023 and are signed on the Company's behalf by the following:

/s/ Brendan Yurik

Brendan Yurik
Director

/s/ Craig Lindsay

Craig Lindsay
Director

Electric Royalties Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss

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

		Three months ended March 31,	
	Note	**2023**	**2022**
Revenue from royalty interests	2(d)	$ 24,442	$ –
Depletion of royalty interest	4	(5,600)	–
Gross profit		18,842	–
Operating Expenses			
Investor relations and shareholder communications		43,306	83,534
Salaries and benefits	9	102,770	102,897
Administration		98,972	93,403
Regulatory		22,946	15,575
Legal, tax, audit and audit related		32,226	24,259
Property investigations		7,363	29,500
Equity-settled share-based payments	7(a)	–	159,000
		(307,583)	(508,168)
Share of (loss) income of associate	5	(36,097)	78,619
Foreign exchange loss		(489)	(1,132)
Interest income on cash and cash equivalents	3	12,037	4,338
Finance expenses – convertible note		(34,657)	–
Finance expenses – lease liability		(607)	(734)
Net loss, before income tax		(348,554)	(427,077)
Current income tax expense		(2,424)	(27,000)
Deferred income tax recovery	8	26,190	–
		23,766	(27,000)
Net loss		$ (324,788)	$ (454,077)
Other comprehensive loss			
Items that may be subsequently reclassified to net income			
Foreign exchange translation difference	5	(19,931)	(51,755)
Total other comprehensive loss		(19,931)	(51,755)
Total comprehensive loss		$ (344,719)	$ (505,832)
Basic and diluted loss per share		$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding		93,968,176	78,523,731

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

Electric Royalties Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

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

	Note	Share Capital (note 6) Number of shares	Share Capital (note 6) Amount	Share-based payment reserve 7(a)	Share purchase warrant reserve 7(b)	Conversion option reserve 8	Foreign currency translation reserve 7(c)	Accumulated deficit	Total equity
Balance at January 1, 2022		77,101,509	$ 18,586,154	$ 803,000	$ 735,092	$ –	$ 38,529	$ (4,993,279)	$ 15,169,496
Net loss		–	–	–	–	–	–	(454,077)	(454,077)
Other comprehensive loss		–	–	–	–	–	(51,755)	–	(51,755)
Total comprehensive loss		–	–	–	–	–	(51,755)	(454,077)	(505,832)
Common Shares issued upon acquisition of the Rana Nickel Royalty	4	2,000,000	760,000	–	–	–	–	–	760,000
Equity-settled share-based payments		–	–	159,000	–	–	–	–	159,000
Balance at March 31, 2022		79,101,509	$ 19,346,154	$ 962,000	$ 735,092	$ –	$ (13,226)	$ (5,447,356)	$ 15,582,664
Balance at January 1, 2023		93,601,509	$ 22,563,230	$ 1,094,600	$ 1,068,592	$ –	$ 442,072	$ (6,916,323)	$ 18,252,171
Net loss		–	–	–	–	–	–	(324,788)	(324,788)
Other comprehensive loss		–	–	–	–	–	(19,931)	–	(19,931)
Total comprehensive loss		–	–	–	–	–	(19,931)	(324,788)	(344,719)
Common Shares issued upon acquisition of the Penouta Royalty	4	500,000	175,000	–	–	–	–	–	175,000
Convertible loan – conversion option	8	–	–	–	–	97,000	–	–	97,000
Initial deferred tax resulting from separation of compound instrument	8	–	–	–	–	(26,190)	–	–	(26,190)
Balance at March 31, 2023		94,101,509	$ 22,738,230	$ 1,094,600	$ 1,068,592	$ 70,810	$ 422,141	$ (7,241,111)	$ 18,153,262

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

Electric Royalties Ltd.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Expressed in Canadian Dollars)

		Three months ended March 31,	
	Note	**2023**	**2022**
Operating activities			
Net loss		$ (324,788)	$ (454,077)
Adjustments for:			
Depletion of royalty interest		5,600	–
Depreciation of right-of-use asset		1,704	1,703
Equity-settled share-based payments	7(a)	–	159,000
Share of loss (income) of associate	5	36,097	(78,619)
Finance expenses – convertible note	8	34,657	–
Finance expenses – lease liability		607	734
Interest income on cash and cash equivalents	3	(12,037)	(4,338)
Deferred income tax recovery		(26,190)	–
Foreign exchange difference		835	–
Changes in working capital items			
Prepaid expenses		(22,762)	(99,643)
Income tax receivable		93	–
Royalty revenue receivable		(21,998)	–
Accounts payable		(36,437)	(115,746)
Income tax payable		–	27,000
Cash used in operating activities		(364,619)	(563,986)
Investing activities			
Acquisition of mineral royalty interests, including transaction costs	4	(1,100,352)	(121,950)
Interest received	3	12,037	4,338
Cash used in investing activities		(1,088,315)	(117,612)
Financing activities			
Proceeds from convertible loan	8	1,000,000	–
Payment of principal on lease		(1,518)	(1,392)
Payment of interest on lease		(607)	(734)
Cash provided by (used in) financing activities		997,875	(2,126)
Change in cash and cash equivalents		(455,059)	(683,724)
Effects of exchange rate fluctuations on cash held		(835)	–
Cash and cash equivalents, opening balance		1,236,733	2,101,875
Cash and cash equivalents, closing balance		$ 780,839	$ 1,418,151

Supplemental cash flow information (note 3)

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

1 . NATURE OF OPERATIONS

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

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

These condensed consolidated interim financial statements (the "Financial Statements") are comprised of the Company and its subsidiary (wholly-owned) – Electric Royalties (USA) Inc. ("ELEC-US") – (together referred to as the "Company" or the "Group") and are prepared for the three months ended March 31, 2023 and 2022.

These Financial Statements are prepared on the basis that the Company will continue as a going concern which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. During the three months ended March 31, 2023, the Company recorded a net loss of $324,788 (for the three months ended March 31, 2022: $454,077). The Company's primary sources of funding consist of proceeds from the issuance of common shares of the Company, convertible debt, royalty revenue, and distributions from MTM LP (note 5).

In November, the Company entered into a convertible loan facility for an aggregate amount of up to $2 million (subsequently increased to $5 million in April 2023), with a 3 year term (note 8). As of March 31, 2023, the Company had drawn $ 1 million of the convertible loan facility. Funds from the convertible loan facility are available solely 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, and alternative capital providers may require the Company to curtail its business development activities or seek alternative sources of funding. As such, there is material uncertainty that casts significant doubt on the Company's ability to continue as a going concern. Management has concluded that presentation as a going concern is appropriate in these Financial Statements based on the Company's current financial position, and its plans for next 12 months.

2 . MATERIAL ACCOUNTING POLICY INFORMATION

(a) Statement of compliance

These Financial Statements have been prepared on a going concern basis in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). These Financial Statements do not include all of the information and footnotes required by International Financial Reporting Standards ("IFRS") for complete financial statements for year-end reporting purposes. These Financial Statements should be read in conjunction with the Company's consolidated financial statements as at and for the year ended December 31, 2022. Results for the current reporting period are not necessarily indicative of future results.

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

Accounting policies applied herein are the same as those applied in the Company's annual financial statements, with the exception of the Note 2(c) and, effective January 1, 2023, the Company mandatorily adopted amendments to IAS 1 regarding the disclose of accounting policies and IAS 12 regarding deferred tax related to assets and liabilities arising from a single transaction. The adoption of these amendments did not have a material impact on the Financial Statements.

(b) Significant accounting estimates and judgements

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

There was no change in the use of estimates and judgments during the current period as compared to those described in Note 2 in the Company's consolidated financial statements for the year ended December 31, 2022.

(c) Revenue

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

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

(d) Operating segments

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

	March 31, 2023	December 31, 2022
Mineral royalty interests and deferred transaction costs		
Canada	$ 4,868,411	$ 4,851,149
United States of America	2,585,216	2,591,326
Southern hemisphere (Australia and Madagascar)	3,658,048	3,658,048
Norway	914,673	914,673
Spain	1,284,606	33,437
Investment in associate		
United States of America	4,985,008	5,033,605
Total	$ 18,295,962	$ 17,082,238

Revenue from royalty interests	Three months ended March 31,	
	2023	2022
Revenue from the Penouta Tin-Tantalum Royalty, located in Spain	$ 24,442	$ –

3 . CASH AND CASH EQUIVALENTS

	March 31, 2023	December 31, 2022
Components of cash and cash equivalent:		
Cash held in business accounts		
Denominated in Canadian Dollars	$ 458,029	$ 868,286
Denominated in US Dollars	322,810	368,447
Total	$ 780,839	$ 1,236,733

Supplemental cash flow information		Three months ended March 31,	
	Note	2023	2022
Non-cash investing and financing activities			
Common shares issued with respect to royalty acquisitions	4	$ 175,000	$ 760,000

4 . MINERAL ROYALTY INTERESTS AND DEFERRED TRANSACTION COSTS

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

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

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

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

In January 2023, the Company acquired a 0.75% GRR (the "Penouta Tin-Tantalum Project") on the producing Penouta tin-tantalum mine in Spain, from Strategic Minerals Europe Corp. ("Strategic Minerals"), in exchange for a cash payment of $1,000,000 and 500,000 common shares of the Company with the fair value of $175,000 on the date of issuance. In addition, the Company will have an option for a period of 7 months from closing to acquire an additional 0.75% GRR on the Penouta Tin-Tantalum Project in exchange for an additional cash payment of $1,250,000. The royalty rates will be reduced to 0.5% respectively after aggregate royalty payments of $1.67 million.

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

Three months ended March 31, 2023

	Beginning Balance	Addition/ (reallocation)	Cash Payments	Transaction Costs	Exchange Translation	Ending Balance
Mineral Royalty Interests						
Cost						
Bissett Creek Graphite Royalty	$ 1,065,790	$ –	$ –	$ –	$ –	$ 1,065,790
Globex Royalties	1,332,237	–	–	–	–	1,332,237
Global Royalties	623,883	–	–	–	–	623,883
Seymour Lake Lithium Royalty	1,061,686	–	–	–	–	1,061,686
Glassville Manganese Royalty	130,334		–	–	–	130,334
Vox Graphite Royalties	3,034,165	–	–	–	–	3,034,165
Cancet Lithium Royalty	1,261,102	–	–	–	–	1,261,102
Rana Nickel Royalty	914,673	–	–	–	–	914,673
Sleitat Tin-Silver Royalty	452,116	–	–	–	(961)	451,155
Zonia Copper Royalty	2,139,210	–	–	–	(5,149)	2,134,061
Penouta Tin-Tantalum Royalty	–	175,000	1,000,000	115,206	–	1,290,206
	$ 12,015,196	$ 175,000	$ 1,000,000	$ 115,206	$ (6,110)	$ 13,299,292
Depletion						
Depletion of Penouta Tin-Tantalum Royalty						(5,600)
						$ 13,293,692
Deferred Transaction Costs						
Penouta Royalty	$ 33,437	$ –	$ –	$ (33,437)	$ –	$ –
Kenbridge Royalty (note 10(b))	–	–	–	17,262	–	17,262
	$ 33,437	$ –	$ –	$ (16,175)	$ –	$ 17,262
Total	$ 12,048,633	$ 175,000	$ 1,000,000	$ 99,031	$ (6,110)	$ 13,310,954

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

Three months ended March 31, 2022	Beginning Balance	Addition/(reallocation) Value of Equity Issued	Cash Payments	Transaction Costs	Foreign Exchange Translation	Ending Balance
Mineral Royalty Interests						
Bissett Creek Graphite Royalty	$ 1,065,790	$ –	$ –	$ –	$ –	$ 1,065,790
Globex Royalties	1,332,237	–	–	–	–	1,332,237
Global Royalties	623,883	–	–	–	–	623,883
Seymour Lake Lithium Royalty	1,061,686	–	–	–	–	1,061,686
Glassville Manganese Royalty	130,334		–	–	–	130,334
Vox Graphite Royalties	3,034,165	–	–	–	–	3,034,165
Cancet Lithium Royalty	1,261,102	–	–	–	–	1,261,102
Rana Nickel Royalty	–	760,000	100,000	55,023	–	915,023
	$ 8,509,197	$ 760,000	$ 100,000	$ 55,023	$ –	$ 9,424,220
Deferred Transaction Costs						
Rana Nickel Royalty	$ 48,236	$ –	$ –	$ (48,236)	$ –	$ –
Sleitat Mountain Royalty	–	–	–	15,163	–	15,163
	$ 48,236	$ –	$ –	$ (33,073)	$ –	$ 15,163
Total	$ 8,557,433	$ 760,000	$ 100,000	$ 21,950	$ –	$ 9,439,383

5 . INVESTMENT IN ASSOCIATE

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

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

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

	Three months ended March 31, 2023	2022
Beginning balance	$ 5,033,605	$ 4,779,796
ELEC's share of net (loss) income of associate	(36,097)	78,619
Currency translation adjustments	(12,500)	(51,755)
Carrying amount at the end of the period	$ 4,985,008	$ 4,806,660

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

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

	Three months ended March 31, 2023	Three months ended March 31, 2022
Royalty revenue	$ 271,938	$ 613,708
Depletion of royalty interest	(62,214)	(223,849)
Revenue, net of depletion	209,724	389,859
Administration expenses	(177,056)	(37,691)
Net income	$ 32,668	$ 352,168
ELEC's shares in net income of MTM LP:		
Administration expenses (50%)	$ (88,528)	$ (18,846)
Other items of net income (25%)	52,431	97,465
Company's share of (loss) income of associate	$ (36,097)	$ 78,619

	March 31, 2023	December 31, 2022
Current Assets	$ 1,846,337	$ 2,030,776
Non-current Assets	17,107,911	16,944,724
Total Assets	$ 18,954,248	$ 18,975,500
Current Liabilities	$ 160,872	$ 171,732
Non-current Liabilities	–	–
Total Liabilities	$ 160,872	$ 171,732
Net Assets	$ 18,793,376	$ 18,803,768
Carrying amount of investment in associate	$ 4,985,008	$ 5,033,605

6 . SHARE CAPITAL

(a) *Authorized share capital*

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

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

7. RESERVES

(a) Equity-settled share-based payment arrangements

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

Continuity of options	Three months ended March 31, 2023			Three months ended March 31, 2022		
	Number of Options		Weighted average exercise price	Number of Options		Weighted average exercise price
Outstanding – beginning balance	7,197,500	$	0.35	7,172,500	$	0.35
Options granted	–	$	–	200,000	$	0.34
Options outstanding – ending balance	7,197,500	$	0.35	7,372,500	$	0.35
Options exercisable – ending balance	7,172,500	$	0.35	4,914,171	$	0.32

The fair value of the options granted during the three months ended March 31, 2022 was determined as $0.12 per option and using the following weighted average inputs: risk-free interest rate of 2.40%; expected volatility of 50%; underlying market price of $0.34 per share; time to expiry of 3 years; and dividend yield of nil%.

The following table summarizes information on the options outstanding:

Remaining contractual life of the Company's common share purchase options:	March 31, 2023		December 31, 2022	
Exercise price	Number of Options	Weighted average remaining contractual life (years)	Number of Options	Weighted average remaining contractual life (years)
$0.280	200,000	0.87	200,000	1.12
$0.290	3,447,500	1.79	3,447,500	2.03
$0.340	200,000	1.99	200,000	2.24
$0.415	3,350,000	3.33	3,350,000	3.58
	7,197,500	2.49	7,197,500	2.73

(b) Share purchase warrants

Continuity of share purchase warrants	Three months ended March 31,			
		2023		2022
	(Number of warrants)			
Beginning balance		22,805,000		10,593,000
Ending balance		22,805,000		10,593,000
Weighted average exercise price – end of the reporting period	$	0.51	$	0.51
Weighted remaining life (years) – end of the reporting period		1.67		1.42

(c) Foreign currency translation reserve

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

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

8 . CONVERTIBLE LOAN

In November 2022, the Company entered into a convertible loan facility (the "Loan Facility" or “Convertible Loan”) with a significant shareholder (the "Lender") of the Company, which agreement was amended after the reporting period in April 2023 (note 10(a)). The Loan Facility can be drawn before June 30, 2023 at the election of the Company for an aggregate amount of up to $2 million with a three-year term, and as per the original terms of the Loan Facility, was subject to interest at 15% per annum, with interest to be accrued and payable at the end of the loan term. There is no commitment fee payable on the Loan Facility.

In January 2023, the Company elected to draw down $1,000,000 (the "First Advance") under the Loan Facility, which amount was used for the acquisition of the Penouta royalty.

At the discretion of the Lender, after six months from the initial drawdown date, the Convertible Loan plus accrued interest is convertible into common shares of the Company as follows: (a) the conversion price (the "Conversion Price") for the principal sum of the Convertible Loan is set at the date of each advance at a 100% premium above the 30-day VWAP ($0.62 for the First Advance) of Company's shares, subject to a minimum conversion price of $0.50 per share; and (b) the conversion price for accrued interest is the market price at the time of settlement, which price shall not be less than the Conversion Price without prior approval of the TSX Venture Exchange.

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

The Convertible Loan is a compound financial instrument, which has both liability and equity characteristics, and its initial carrying amount is allocated to its equity and liability components. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the fair value of the liability component. Upon initial recognition, the fair value of the Convertible Loan was determined as $903,000, and a residual value of $97,000 was recorded in equity. Moreover, an initial deferred tax of $26,190 was charged to equity due to a taxable temporary difference resulting from crediting of the residual value directly in equity upon separation of the compound instrument. Concurrently, the deferred tax liability arising from the deferred tax amount charged directly to equity was derecognized, with a corresponding deferred tax recovery recorded in net loss for the current reporting period, because the Company had accumulated tax losses in excess of the residual amount from which the deferred tax liability originated.

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

	Three months ended March 31, 2023	Year ended December 31, 2022
Beginning balance	$ –	$ –
Fair value of the Convertible Loan upon initial recognition	903,000	–
Interest accrued for the period	30,417	–
Debt accretion for the period	4,240	–
Carrying amount at the end of the period	$ 937,657	$ –

9 . RELATED PARTY TRANSACTIONS

The Lender of the Loan Facility is a significant shareholder of the Company that beneficially held approximately 18% of the Company's issued and outstanding common shares at the First Advance date (note 8).

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

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

	Three months ended March 31,	
	2023	2022
Short-term employment benefits(i)	$ 102,770	$ 102,897
Share-based payments	–	135,000
Total	$ 102,770	$ 237,897

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

10 . EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Amendment to the Loan Facility (note 8)

In April 2023, the Company and the Lender entered into an agreement to increase the Loan Facility from $2 million to $5 million. The Lender also agreed to modify the interest rate to a lower, floating rate (Secured Overnight Financing Rate (or "SOFR") + 7%), with a maximum interest rate of 12.5% p.a., as compared to the original rate of 15% p.a. All other terms remain the same. The Company also drew down an additional $500, 000 against the Loan Facility.

(b) Kenbridge Project

On April 26, 2023, the Company completed the acquisition (the "Kenbridge Transaction"), from Tartisan Nickel Corp. ("Tartisan"), of a 0.5% gross revenue royalty ("GRR") on certain mining claims, mining leases and mineral tenures comprising the wholly-owned Kenbridge Nickel Project in northwest Ontario, Canada (the "Kenbridge Project" or "Kenbridge") in exchange for $500,000 cash and 2,500,000 common shares of the Company. The Company has also received the right, for a period of 18 months after the closing date of the Kenbridge Transaction, to acquire a further 0.5% GRR on the Kenbridge Project for $1,750,000 cash consideration. In addition, the Company will have an option to acquire a 1% GRR on the mining claims, mining leases and mineral tenures comprising the Kenbridge North Nickel Project (the "Kenbridge North Project" or "Kenbridge North"), approximately 2.5 km north of the Kenbridge Nickel Deposit, for $1,000,000 cash, at any time during a period of 24 months from the date that Tartisan publishes an initial technical report in respect of the Kenbridge North Project which is prepared in accordance with National Instrument 43-101 and which contains an estimate of Inferred Mineral Resources.