Electric Royalties Ltd.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

(Expressed in Canadian Dollars)

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Electric Royalties Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Basis for Opinion

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

Material Uncertainty related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a total comprehensive loss of $1,519,501 during the year ended December 31, 2022 and its primary sources of funding consist of proceeds from the issuance of common shares of the Company and distributions from its investment in associate. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Accounting for Investment in Middle Tennessee Mines LP – Refer to Notes 2(i) and 5 to the consolidated financial statements

Key Audit Matter Description

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

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

How the Key Audit Matter Was Addressed in the Audit

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

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
April 27, 2023

Electric Royalties Ltd.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note		December 31, 2022		December 31, 2021
ASSETS					
Current Assets					
Cash and cash equivalents	3	$	1,236,733	$	2,101,875
Income tax receivable			36,473		–
Prepaid expenses			29,664		68,600
			1,302,870		2,170,475
Non-current Assets					
Mineral royalty interests and deferred transaction costs	4		12,048,633		8,557,433
Investment in associate	5		5,033,605		4,779,796
Right-of-use asset			22,706		29,521
			17,104,944		13,366,750
TOTAL ASSETS		$	18,407,814	$	15,537,225
EQUITY					
Share capital	6	$	22,563,230	$	18,586,154
Reserves	7		2,605,264		1,576,621
Accumulated deficit			(6,916,323)		(4,993,279)
			18,252,171		15,169,496
LIABILITIES					
Non-Current Liabilities					
Lease liability			18,707		25,499
			18,707		25,499
Current Liabilities					
Lease liability			6,609		5,012
Income tax payable			–		34,000
Accounts payable			130,327		303,218
			136,936		342,230
Total liabilities			155,643		367,729
TOTAL EQUITY AND LIABILITIES		$	18,407,814	$	15,537,225

Nature and continuance of operations (note 1)
Events after the end of the reporting period (note 11)

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

These Financial Statements were approved for issuance by the Company's Board of Directors on April 27, 2023 and are signed on the Company's behalf by the following:

/s/ Brendan Yurik — */s/ Craig Lindsay*

Brendan Yurik
Director

Craig Lindsay
Director

Electric Royalties Ltd.

Consolidated Statements of Comprehensive Loss

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

	Note	Year ended December 31, 2022	2021
Operating Expenses			
Investor relations and shareholder communications		$ 637,717	$ 475,532
Salaries and benefits	8	394,079	328,851
Administration		392,357	366,271
Regulatory		91,630	103,354
Legal, tax, audit and audit related		227,089	201,173
Property investigations		75,293	279,151
Equity-settled share-based payments	7	291,600	500,000
		2,109,765	2,254,332
Share of (income) loss of associate	5	(175,123)	38,645
Foreign exchange loss (income)		3,223	(8,119)
Interest income on cash and cash equivalents	3	(37,585)	(18,554)
Finance expenses – lease liability		2,764	2,115
Net loss, before income tax		1,903,044	2,268,419
Income tax expense	9	20,000	34,000
Net loss		$ 1,923,044	$ 2,302,419
Other comprehensive income			
Items that may be subsequently reclassified to net income			
Foreign exchange translation difference	5	(403,543)	(38,529)
Total other comprehensive income		(403,543)	(38,529)
Total comprehensive loss		$ 1,519,501	$ 2,263,890
Basic and diluted loss per share		$ 0.02	$ 0.04
Weighted average number of common shares outstanding		87,554,933	61,262,222

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

Electric Royalties Ltd.

Consolidated Statements of Changes in Equity

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

	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)	Foreign currency translation reserve 7(c)	Accumulated deficit	Total equity
Balance at January 1, 2021		48,255,101	$ 7,429,966	$ 353,000	$ –	$ –	$ (2,690,860)	$ 5,092,106
Net loss		–	–	–	–	–	(2,302,419)	(2,302,419)
Other comprehensive income		–	–	–	–	38,529	–	38,529
Total comprehensive loss		–	–	–	–	38,529	(2,302,419)	(2,263,890)
Common Shares issued upon acquisition of the Global Royalties	4(c)	1,150,000	322,000	–	–	–	–	322,000
Common Shares issued upon acquisition of the Seymour Lake Royalty	4(d)	3,000,000	1,020,000	–	–	–	–	1,020,000
Common Shares issued upon acquisition of the Vox Royalty Portfolio	4(f)	7,270,408	2,908,163	–	–	–	–	2,908,163
Common Shares issued upon acquisition of the Glassville Royalty	4(e)	247,140	100,092	–	–	–	–	100,092
Share purchase warrants issued upon acquisition of the Glassville Royalty	4(e)	–	–	–	20,000	–	–	20,000
Common Shares issued upon acquisition of investment in associate	5	8,752,860	3,544,908	–	–	–	–	3,544,908
Share purchase warrants issued upon acquisition of investment in associate	5	–	–	–	705,092	–	–	705,092
Common Shares issued upon acquisition of the Cancet Royalty	4(g)	3,000,000	1,185,000	–	–	–	–	1,185,000
Common Shares issued pursuant to the 2021-Private Placement	6(c)	5,000,000	1,912,550	–	–	–	–	1,912,550
Share purchase warrants issued for finders' fees	6(c)	–	(10,000)	–	10,000	–	–	–
Common Shares issued pursuant to exercise of options		426,000	123,475	–	–	–	–	123,475
Reallocation of reserve upon exercise of options		–	50,000	(50,000)	–	–	–	–
Equity-settled share-based payments		–	–	500,000	–	–	–	500,000
Balance at December 31, 2021		77,101,509	$ 18,586,154	$ 803,000	$ 735,092	$ 38,529	$ (4,993,279)	$ 15,169,496
Balance at January 1, 2022		77,101,509	$ 18,586,154	$ 803,000	$ 735,092	$ 38,529	$ (4,993,279)	$ 15,169,496
Net loss		–	–	–	–	–	(1,923,044)	(1,923,044)
Other comprehensive income		–	–	–	–	403,543	–	403,543
Total comprehensive loss		–	–	–	–	403,543	(1,923,044)	(1,519,501)
Common Shares issued upon acquisition of the Rana Nickel Royalty	4(c)	2,000,000	760,000	–	–	–	–	760,000
Units issued pursuant to the Public Offering, net of cost	6(b)	11,500,000	2,492,076	–	226,500	–	–	2,718,576
Agent warrants issued pursuant to the Public Offering	6(b)	–	–	–	107,000	–	–	107,000
Common shares issued upon acquisition of Sleitat Royalty	4	1,000,000	255,000	–	–	–	–	255,000
Common shares issued upon acquisition of Zonia Royalty	4(c)	2,000,000	470,000	–	–	–	–	470,000
Equity-settled share-based payments	7(a)	–	–	291,600	–	–	–	291,600
Balance at December 31, 2022		93,601,509	$ 22,563,230	$ 1,094,600	$ 1,068,592	$ 442,072	$ (6,916,323)	$ 18,252,171

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

Electric Royalties Ltd.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Note	Year ended December 31, 2022	2021
Operating activities			
Net loss		$ (1,923,044)	$ (2,302,419)
Adjustments for:			
Depreciation of right-of-use asset		6,815	4,542
Equity-settled share-based payments	7	291,600	500,000
Share of (income) loss of associate	5	(175,123)	38,645
Finance expenses – lease liability		2,764	2,115
Interest income on cash and cash equivalents	3	(37,585)	(18,554)
Changes in working capital items			
Prepaid expenses		38,936	63,019
Income tax receivable		(36,473)	–
Income tax payable		(34,000)	34,000
Accounts payable		(172,891)	180,156
Cash used in operating activities		(2,039,001)	(1,498,496)
Investing activities			
Acquisition of mineral royalty interests, including transaction costs	4	(1,952,084)	(503,368)
Investment in associate, including transaction costs		–	(529,912)
Cash distributions from associate	5	270,741	–
Interest received	3	37,585	18,554
Cash used in investing activities		(1,643,758)	(1,014,726)
Financing activities			
Net proceeds from the Public Offering	6(b)	2,825,576	–
Common Shares issued pursuant to the 2021-Private Placement	6(c)	–	1,912,550
Common Shares issued pursuant to exercise of options		–	123,475
Payment of principal on lease		(5,195)	(3,552)
Payment of interest on lease		(2,764)	(2,115)
Cash provided by financing activities		2,817,617	2,030,358
Change in cash and cash equivalents		(865,142)	(482,864)
Cash and cash equivalents, opening balance		2,101,875	2,584,739
Cash and cash equivalents, closing balance		$ 1,236,733	$ 2,101,875

Supplemental cash flow information (note 3)

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

1 NATURE OF OPERATIONS

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

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

These Financial Statements are prepared on the basis that the Company will continue as a going concern which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. During the year ended December 31, 2022, the Company recorded a total comprehensive loss of $1,519,501 (for the year ended December 31, 2021: $2,263,890). The Company's primary sources of funding consist of proceeds from the issuance of common shares of the Company and distributions from MTM LP (note 5).

Additionally, in November, the Company entered into a convertible loan facility for an aggregate amount of up to $2 million (subsequently increased to $5 million), with a 3 year term (note 11(b)).

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 2023 fiscal year.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These Financial Statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), effective for the Company's reporting year ended December 31, 2022.

(b) Basis of presentation

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

(c) Basis of consolidation

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

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

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

(d) Functional currency

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

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

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

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

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

(e) Financial instruments

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

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

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

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

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

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

The Company's financial assets at amortized cost comprise accounts receivable and cash.

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

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

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

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

The Company has no derivative financial liabilities.

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

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

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

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

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

(f) Share capital and share purchase warrants

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

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

(g) Loss per share

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

For the years ended December 31 , 2022 and 2021, all outstanding share purchase options and warrants were anti-dilutive as the Company was in a loss position.

(h) Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. For these leases, the Company recognizes the lease payments as an expense in loss on a straight-line basis over the term of the lease.

The Company recognizes a lease liability and a right-of-use asset ("ROU Asset") at the lease commencement date.

The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following: a) fixed payments, including in-substance fixed payments, less any lease incentives receivable; b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; c) amounts expected to be payable by the Group under residual value guarantees; d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and e) payments of penalties for terminating the lease, if the Group expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

The ROU Asset is initially measured at cost, which comprises the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received;

any initial direct costs incurred by the Group; and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The ROU Asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. It is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term using either the straight-line or units-of-production method depending on which method more accurately reflects the expected pattern of consumption of the future economic benefits.

Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

At December 31, 2022 and 2021, the Company recognized a right-of use asset and a corresponding lease liability with respect to a lease for an office space, effective May 1, 2021, with a 5 year term. The incremental borrowing rate applied to measure lease liabilities was 10% per annum.

(i) Interest in associate

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

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

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

(j) Mineral royalty interests

Mineral royalty interests consist of acquired royalty interests. These interests are recorded at cost and capitalized as tangible assets. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any. Project evaluation costs that are not related to a specific royalty asset are expensed in the period incurred.
Producing royalty interests are depleted using the units-of-production method over the life of the mine to which the interest relates, which is estimated using available information of proven and probable reserves at the mine corresponding to the specific agreement.

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

(k) Impairment of mineral royalty interests

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

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

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

(l) Share-based payment transactions

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

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

(m) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for:

- goodwill not deductible for tax purposes;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(n) Significant accounting estimates and judgements

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

Specific areas where significant estimates or judgements exist are:

Estimates

Inputs into the Black-Scholes model for valuation of options (note 7);

Judgements

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

(o) 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:

	December 31, 2022	December 31, 2021
Mineral royalty interests and deferred transaction costs		
Canada	$ 4,851,149	$ 4,851,149
United States of America	2,591,326	–
Southern hemisphere (Australia and Madagascar)	3,658,048	3,658,048
Norway	914,673	48,236
Other	33,437	–
Investment in associate		
United States of America	5,033,605	4,779,796
Total	$ 17,082,238	$ 13,337,229

3 CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
Components of cash and cash equivalent:		
Cash held in business accounts		
Denominated in Canadian Dollars	$ 868,286	$ 2,099,576
Denominated in US Dollars	368,447	2,299
Total	$ 1,236,733	$ 2,101,875

Supplemental cash flow information	Note	Year ended December 31, 2022	2021
Income tax paid			
Payment of income tax relating to the Company's share of income of associate	5	$ 90,170	$ –
Non-cash investing and financing activities			
Common shares issued with respect to royalty acquisitions	4	$ 1,485,000	$ 5,535,255
Share purchase warrants issued with respect to royalty acquisitions		–	20,000
Common shares issued for acquisition of interest in MTM LP		–	3,544,908
Share purchase warrants issued for acquisition of interest in MTM LP		–	705,092
Agent warrants issued pursuant to the Public Offering	6	107,000	–
Agent warrants issued pursuant to the Private Placement		–	10,000
		$ 1,592,000	$ 9,815,255

(Expressed in Canadian Dollars, unless otherwise stated)

4 MINERAL ROYALTY INTERESTS AND DEFERRED TRANSACTION COSTS

At December 31, 2022, the Company held the following royalty interests, including gross revenue royalty ("GRR"), gross metal royalty ("GMR"), and net smelter returns ("NSR") royalty:

Project	Location	Royalty Interest
Bissett Creek Graphite Royalty		
Bissett Creek Graphite Project	Ontario, Canada	1.0 % GRR
Globex Royalties		
Authier Lithium Project (certain core 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		
Seymour Lake Lithium Deposit	Ontario, Canada	1.5 % NSR
Glassville Manganese Royalty		
Glassville Manganese Project	New Brunswick, Canada	1.0 % GRR
Vox Graphite Royalties		
Graphmada Graphite Project	Madagascar	2.5 % NSR
Graphite Bull Project	Western Australia	0.75 % GRR
Cancet Lithium Royalty		
Cancet Lithium Project	Quebec, Canada	1.0 % NSR
Rana Nickel Royalty		
Rana Nickel Project	Northern Norway	1.0 % NSR
Sleitat Tin-Silver Royalty		
Sleitat Mountain Tin-Silver Project	Alaska, United States	1.0 % NSR
Zonia Copper Royalty		
Zonia Copper Project	Alaska, United States	0.5% GRR

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

(Expressed in Canadian Dollars, unless otherwise stated)

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

Year ended December 31, 2022		Addition/(reallocation)			Foreign	
	Beginning Balance	Value of Shares Issued	Cash Payments	Transaction Costs	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	54,673	–	914,673
Sleitat Tin-Silver Royalty	–	255,000	100,000	77,731	19,385	452,116
Zonia Copper Royalty	–	470,000	1,500,000	134,480	34,730	2,139,210
	$ 8,509,197	$ 1,485,000	$ 1,700,000	$ 266,884	$ 54,115	$ 12,015,196
Deferred Transaction Costs						
Rana Nickel Royalty	$ 48,236	$ –	$ –	$ (48,236)	$ –	$ –
Penouta Royalty	–	–	–	33,437	–	33,437
	$ 48,236	$ –	$ –	$ (14,799)	$ –	$ 33,437
Total	$ 8,557,433	$ 1,485,000	$ 1,700,000	$ 252,085	$ 54,115	$ 12,048,633

Year ended December 31, 2021		Addition/(reallocation)			Foreign	
	Beginning Balance	Value of Equity Issued	Cash Payments	Transaction Costs	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	–	322,000	150,000	151,883	–	623,883
Seymour Lake Lithium Royalty	–	1,020,000	–	41,686	–	1,061,686
Glassville Manganese Royalty	–	120,092	–	10,242	–	130,334
Vox Graphite Royalties	–	2,908,163	50,000	76,002	–	3,034,165
Cancet Lithium Royalty	–	1,185,000		76,102	–	1,261,102
	$ 2,398,027	$ 5,555,255	$ 200,000	$ 355,915	$ –	$ 8,509,197
Deferred Transaction Costs						
Global Royalties	$ 100,783	$ –	$ –	$ (100,783)	–	$ –
Rana Nickel Royalty	–	–	–	48,236	–	48,236
	$ 100,783	$ –	$ –	$ (52,547)	$ –	$ 48,236
Total	$ 2,498,810	$ 5,555,255	$ 200,000	$ 303,368	$ –	$ 8,557,433

(a) Bissett Creek Graphite Royalty

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

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

(b) Globex Royalties

On July 13, 2020, the Company announced the closing of the acquisition of a portfolio (the "Globex Portfolio") of seven royalties from Globex Mining Enterprises Inc. ("Globex Mining"), pursuant to a binding letter agreement dated August 30, 2019, as amended, between the Company and Globex Mining.

The Globex Portfolio consists of the following Royalties:

- 0.5% Gross Metal Royalty ("GMR") on part of the Authier lithium project (the "Authier Lithium Project"), located in the municipality of Preissac in the Province of Quebec;
- 0.5% GMR on one claim that forms part of the Authier Lithium Project;
- 1.0% GMR on the Vanadium production only on the Mont Sorcier project located in Roy Township, Province of Quebec and comprises 37 mining claims;
- 2.0% GMR on the Battery Hill project; an advanced stage exploration project located in Carleton County, Province of New Brunswick and comprises 32 mining claims;
- 2.0% GMR on greenfield exploration claims adjacent to the Authier Lithium Project;
- 2.0% GMR on the Chubb lithium project, a greenfield exploration project located in Lacorne Townships of Quebec; and
- 2.0% GMR on the Bouvier lithium project, a greenfield exploration located in Figuery Townships of Quebec.

The Company acquired the Globex Portfolio in exchange for 3,000,000 Common Shares and $500,000 cash. In the event the Authier Lithium Project enters commercial production within six years, the Company shall make a bonus payment of $250,000 in cash to Globex, such payment to be due and payable on the date that the Authier Lithium Project achieves 12 months of continuous commercial production, as defined in the definitive feasibility study for the Authier Lithium Project. The contingent bonus will escalate annually with the Consumer Price Index ("CPI").

(c) Global Royalties

In July 2020, the Company announced the execution of the definitive acquisition agreements to acquire a portfolio of three royalties (the "Global Energy Portfolio") from Global Energy Metals Corp. ("Global Energy") pursuant to a binding letter agreement dated February 27, 2020, as amended.

In February 2021, the Company issued 1,150,000 shares and paid $150,000 to complete the acquisition of the Global Energy Portfolio.

The Global Energy Portfolio consists of the following Royalties:

- 0.5% Gross Metal Royalty ("GMR") on the Millennium cobalt project, an advanced exploration stage cobalt-copper project located near Mount Isa, Queensland, Australia;
- 0.5% GMR on the Mt. Dorothy cobalt project, an early stage exploration located near Mount Isa, Queensland, Australia; and
- 0.5% GMR on the Cobalt Ridge cobalt project, an early stage exploration project located near Mount Isa, Queensland, Australia.

(d) Seymour Lake Lithium Royalty

The Company acquired a 1.5% NSR interest from an arm's-length party on the Seymour Lake Lithium Deposit. Seymour Lake deposit consists of multiple prospective targets including North Aubry, Central Aubry, South Aubry and Pye within spodumene-bearing pegmatites. The 16,654 ha property is located near significant infrastructure in northwestern Ontario, Canada.

The Company acquired the 1.5% NSR interest, being one-half of an aggregate 3.0% NSR (the "Project NSR"), with the balance of the Project NSR held by Sandstorm Gold Ltd.

(e) Glassville Royalty

The Company acquired a 1% GRR on the Glassville manganese project. The Glassville manganese project is located in close proximity to the Battery Hill project (note 4(b)) in New Brunswick, Canada.

(f) Graphite Royalties from Vox ("Vox Portfolio")

In August 2021, the Company completed a graphite royalty portfolio acquisition from Vox Royalty Ltd. ("Vox") that consists of the Graphmada Royalty and the Graphite Bull Royalty, as further described below.

The Graphmada Royalty is a 2.5% net smelter return royalty on graphite production at the Graphmada Graphite Mining Complex, located in Madagascar. The Graphmada royalty is capped at the earlier of A$5 million in royalty revenues or December 31, 2028.

The Graphite Bull Royalty is a 0.75% Gross Revenue Royalty on the Graphite Bull Graphite Project, located in Western Australia.

(g) Cancet Lithium Royalty

In October 2021, the Company announced the acquisition of an aggregate 1% net smelter return (NSR) royalty on licenses comprising tenure at the Cancet Lithium Project situated in Quebec, Canada for a total consideration of 3,000,000 common shares of the Company.

(h) Rana Nickel Royalty

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

(Expressed in Canadian Dollars, unless otherwise stated)

(i) Sleitat Tin-Silver Royalty

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

(j) Zonia Copper Royalty

In September 2022, the Company acquired a 0.5% GRR on the wholly-owned Zonia Copper Oxide Project in Arizona, US (the "Zonia Copper Project") from World Copper Ltd. ("World Copper"), a publicly traded corporation listed on the TSXV, in exchange for $1,500,000 cash and 2,000,000 common shares of the Company. The Company will also have the right, for a period of 15 months after closing of the Transaction, to acquire a further 0.5% GRR on the Zonia Copper Project for $3,000,000 cash consideration. In addition, the Company will have an option, to acquire a 1% GRR on the Zonia Norte deposit, adjacent to the Zonia Project, for $3,000,000 cash, at any time during a period of 24 months from the date that World Copper publishes an initial technical report in respect of the Zonia Norte deposit which is prepared in accordance with National Instrument 43-101 and which contains an estimate of Inferred Mineral Resources.

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 December 31, 2022 to be $Nil (December 31, 2021 - $Nil).

Upon initial recognition, the Company recorded its 25% interest in the MTM LP at cost, which includes purchase price and transaction costs, as summarized below:

	Note	Initial cost
Cash payment		$ 250,000
Common shares (8,752,860) issued		3,544,908
Share purchase warrants (5,348,970)	7(b)	705,092
Total consideration		4,500,000
Transaction costs		279,912
Total cost at initial recognition		$ 4,779,912

(Expressed in Canadian Dollars, unless otherwise stated)

	Year ended December 31, 2022	Year ended December 31, 2021
Beginning balance	$ 4,779,796	$ –
Total cost at initial recognition	–	4,779,912
The Company's share of net income (loss) of MTM LP	175,123	(38,645)
Cash distributions from MTM LP	(270,741)	–
Currency translation adjustments	349,427	38,529
Carrying amount at the end of the year	$ 5,033,605	$ 4,779,796

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

	Year ended December 31, 2022	Year ended December 31, 2021
Royalty revenue	$ 1,881,012	$ 872,061
Depletion of royalty interest	(635,203)	(282,167)
Revenue, net of depletion	$ 1,245,809	$ 589,894
Initial setup expenses of MTM LP	$ –	$ 321,258
Administration expenses	272,657	50,979
Operation expenses	$ (272,657)	$ (372,237)
Total net income	$ 973,152	$ 217,657
Company's share (25%) of revenue, net of depletion	$ 311,452	$ 147,474
Company's share (50%) of operating expenses of associate	(136,329)	(186,119)
Company's share of net income/(loss) of associate	$ 175,123	$ (38,645)

	December 31, 2022	December 31, 2021
Current Assets	$ 2,036,033	$ 873,810
Non-current Assets	17,134,299	17,877,910
Total Assets	$ 19,170,332	$ 18,751,720
Current Liabilities	$ 172,176	$ 372,451
Non-current Liabilities	–	–
Total Liabilities	$ 172,176	$ 372,451
Net Assets	$ 18,998,156	$ 18,379,269
Company's share of net assets of associate	$ 4,749,539	$ 4,501,705
Unamortized transaction costs	284,066	278,091
Carrying amount of investment in associate	$ 5,033,605	$ 4,779,796

6 SHARE CAPITAL

(a) Authorized share capital

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

(b) Public Offering

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

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

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

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

(c) 2021-Private Placement

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

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

The fair value of these warrants on the date of issuance was $0.11 per warrant and has been measured using the Black-Scholes option pricing model. The inputs used in the measurement of these warrants were as follows: share price $0.425; expected volatility 93%; risk free interest rate 0.25%; expected life of 1 years; and dividend yield nil%.

(Expressed in Canadian Dollars, unless otherwise stated)

7 RESERVES

(a) Equity-settled share-based payment arrangements

The Company's stock option compensation plan (the "Option Plan") allows it to grant options exercisable to acquire up to a total of 10% of the issued and outstanding shares of the Company at any one time, subject to regulatory terms and approval, to its directors, officers, employees, consultants, and service providers. The exercise price of each option may be set equal to or greater than the closing market price of the Common Shares of the Company on the day prior to the date of the grant of the option, less any allowable discounts. Awards typically vest in several tranches ranging from 6 months to 18 months. Options can have a maximum term of ten years and terminate 60 days following the termination of the optionee's employment, or 180 days following the optionee's death or disability.

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

Continuity of options	Note	Year ended December 31, 2022 Number of Options		Year ended December 31, 2022 Weighted average exercise price	Year ended December 31, 2021 Number of Options		Year ended December 31, 2021 Weighted average exercise price
Outstanding – beginning balance		7,172,500	$	0.35	3,898,500	$	0.29
Options granted		200,000	$	0.34	4,000,000	$	0.41
Options expired		(175,000)	$	0.37	(300,000)	$	(0.40)
Options exercised		–	$	–	(426,000)	$	(0.29)
Options outstanding – ending balance		7,197,500	$	0.35	7,172,500	$	0.35
Options exercisable – ending balance		7,172,500	$	0.35	4,722,505	$	0.32

During the year ended December 31, 2022, no options were exercised. The weighted-average share price at the date of exercise for share options exercised during the year ended December 31, 2021 was $0.39 per share.

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

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

The fair value of the options granted during the year ended December 31, 2021 was determined using the following weighted average inputs: risk-free interest rate of 0.29%; expected volatility of 50%; underlying market price of $0.27 per share; time to expiry of 3 years; and dividend yield of nil%.

(Expressed in Canadian Dollars, unless otherwise stated)

The following table summarizes information on the options outstanding:

Remaining contractual life options	December 31, 2022		December 31, 2021	
Exercise price	Number of Options	Weighted average remaining contractual life (years)	Number of Options	Weighted average remaining contractual life (years)
$0.200	–	–	25,000	0.27
$0.280	200,000	1.12	200,000	2.12
$0.290	3,447,500	2.03	3,447,500	3.03
$0.340	200,000	2.24	–	–
$0.400	–	–	150,000	1.25
$0.415	3,350,000	3.58	3,350,000	4.58
	7,197,500	2.73	7,172,500	3.68

(b) Share purchase warrants

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

				Year ended December 31, 2022		
				Number of warrants		
	Note	Exercise price	Expiration	Beginning	Issued/ (Expired)	Ending
2021-Private Placement	6(c)	0.60	July 2023	5,000,000	–	5,000,000
Finders' fees	6(c)	0.60	July 2022	93,000	(93,000)	–
Investment in associate (i)	5	0.60	August 2025	5,348,970	–	5,348,970
Glassville Royalty (i)	4(e)	0.60	August 2025	151,030	–	151,030
Public offering	6(b)	0.45	May 2025	–	11,500,000	11,500,000
Finders' fees	6(b)	0.30	May 2024	–	805,000	805,000
				10,593,000	12,212,000	22,805,000

				Year ended December 31, 2021		
				Number of warrants		
	Note	Exercise price	Expiration	Beginning	Issued/ (Expired)	Ending
2021-Private Placement	6(c)	0.60	July 2023	–	5,000,000	5,000,000
Finders' fees	6(c)	0.60	July 2022	–	93,000	93,000
Investment in associate (i)	5	0.60	August 2025	–	5,348,970	5,348,970
Glassville Royalty (i)	4(e)	0.60	August 2025	–	151,030	151,030
				–	10,593,000	10,593,000

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

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

(Expressed in Canadian Dollars, unless otherwise stated)

The fair value of the warrants issued pursuant to the acquisition of the Company's interest in MTM-LP (note 5) was determined using the residual value method (note 6(c)).

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

(c) Foreign currency translation reserve

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

8 RELATED PARTY TRANSACTIONS

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

	Year ended December 31, 2022	Year ended December 31, 2021
Short-term employment benefits(i)	$ 394,079	$ 328,851
Share-based payments	248,000	357,000
Total	$ 642,079	$ 685,851

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

9 INCOME TAXES

(a) Provision for current tax

	Year ended December 31, 2022	Year ended December 31, 2021
Current income tax expense(i)	$ 20,000	$ 34,000

(i) Current income tax expense relates to ELEC-US (note 3(c)).

(Expressed in Canadian Dollars, unless otherwise stated)

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

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

Reconciliation of effective tax rate	Year ended December 31, 2022	2021
Loss for the year	$ 1,923,044	$ 2,302,419
Total income tax expense	(20,000)	(34,000)
Loss for the year, before income tax	$ 1,903,044	$ 2,268,419
Income tax recovery using the Company's tax rate	$ (514,000)	$ (612,000)
Difference in tax rates	(10,000)	–
Non-deductible expenses and other	135,000	517,000
Change in unrecognized temporary differences, including unrecognized tax losses	409,000	129,000
Total	$ 20,000	$ 34,000
Statutory tax rate	27%	27%
Effective tax rate	Nil	Nil

Carried forward losses and expenditure pools	At December 31, 2022	2021
Unused non-capital loss carry forwards and deductible expenditure pools (approximately)	$ 6,180,000	$ 3,944,000

	At December 31, 2022	2021
Deferred Income Tax Assets (Liabilities)		
Tax Losses	$ 557,000	$ 396,000
Royalties	(557,000)	(396,000)
Net deferred tax asset (liability)	$ –	$ –

As at December 31, 2022, the Company had the following tax losses and other temporary differences for which no deferred tax asset was recognized:

Expiry	Tax Losses	Other
Within one year	$ –	$ –
One to five years	–	–
After five years	2,960,000	–
No expiry date	–	904,000
Total	$ 2,960,000	$ 904,000

10 FINANCIAL RISK MANAGEMENT

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

(Expressed in Canadian Dollars, unless otherwise stated)

(a) Credit risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash.

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

(b) Liquidity risk

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

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

December 31, 2022			Contractual Cash Flows			
	Carrying Amount	Total	Less than 12 months	Between 1 - 3 years	Between 4 - 5 years
Lease liability	$ 25,316	$ 29,448	$ 8,793	$ 18,239	$ 2,416
Accounts payable	130,327	130,327	130,327	–	–
	$ 155,643	$ 159,775	$ 139,120	$ 18,239	$ 2,416

(c) Foreign exchange risk

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

		December 31, 2022		December 31, 2021	
	Note	US Dollars	Canadian Dollars	US Dollars	Canadian Dollars
Cash	3	$ 271,836	$ 368,447	$ 1,819	$ 2,299
Sensitivity					
Decrease in net loss with a 10% increase in the value of the U.S. dollar relative to the Canadian dollar			$ 37,000		$ –

(d) Interest rate risk

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

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

(e) Fair value

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell an asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means.
- Level 3 inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

There were no transfers between the levels of the fair value hierarchy during the year ended December 31, 2022 and 2021.

(f) Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of reserves and accumulated deficit. There were no changes in the Company's approach to capital management during the year ended December 31, 2022. At December 31, 2022, the Company was not subject to any externally imposed capital requirements.

11 EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Penouta Tin-Tantalum Royalty

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

In January 2023, the Company completed the acquisition of the Penouta Tin-Tantalum Project in exchange for a cash payment of $1,000,000 and 500,000 common shares of the Company.

(b) Debt Financing

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

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

In January 2023, the Company elected to draw down $1,000,000 under the Loan Facility, which amount was used for the acquisition of the Penouta royalty. In April 2023, the Company elected to draw down an additional $500,000 under the Loan Facility, which amount will be used for additional royalty acquisition(s).

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 royalty acquired using funds from this Loan facility.

(c) 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.