



Electric Royalties Ltd.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2022 AND 2021

(Expressed in Canadian Dollars)

(Unaudited)

Electric Royalties Ltd.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Expressed in Canadian Dollars)

	Note	June 30, 2022	December 31, 2021
ASSETS			
Current Assets			
Cash and cash equivalents	3	\$ 3,678,572	\$ 2,101,875
Prepaid expenses		220,486	68,600
		<u>3,899,058</u>	<u>2,170,475</u>
Non-current Assets			
Mineral royalty interests and deferred transaction costs	4	9,884,076	8,557,433
Investment in associate	5	4,830,672	4,779,796
Right-of-use asset		26,114	29,521
		<u>14,740,862</u>	<u>13,366,750</u>
TOTAL ASSETS		<u>\$ 18,639,920</u>	<u>\$ 15,537,225</u>
EQUITY			
Share capital	6	\$ 22,096,380	\$ 18,586,154
Reserves	7	2,226,036	1,576,621
Accumulated deficit		(6,112,006)	(4,993,279)
		<u>18,210,410</u>	<u>15,169,496</u>
LIABILITIES			
Non-Current Liabilities			
Lease liability		22,168	25,499
		<u>22,168</u>	<u>25,499</u>
Current Liabilities			
Lease liability		6,074	5,012
Income tax payable		–	34,000
Accounts payable		401,268	303,218
		<u>407,342</u>	<u>342,230</u>
Total liabilities		<u>429,510</u>	<u>367,729</u>
TOTAL EQUITY AND LIABILITIES		<u>\$ 18,639,920</u>	<u>\$ 15,537,225</u>

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

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

These Financial Statements were approved for issuance by the Audit and Risk Committee of the Company's Board of Directors on August 29, 2022 and are signed on the Company's behalf by the following:

/s/ Brendan Yurik

Brendan Yurik
Director

/s/ Craig Lindsay

Craig Lindsay
Director

Electric Royalties Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
Operating Expenses					
Investor relations and shareholder communications		\$ 174,253	\$ 97,935	\$ 257,787	\$ 221,402
Salaries and benefits	8	99,239	78,826	202,136	158,986
Administration		121,630	84,102	215,033	157,097
Regulatory		25,039	8,876	40,614	17,058
Legal		15,297	10,494	39,556	10,494
Audit and audit related		117,967	44,940	117,967	44,940
Property investigations - geology, resource modelling, metallurgy & engineering		21,791	53,595	51,291	103,523
Equity-settled share-based payments	7(a)	68,000	80,000	227,000	128,000
		643,216	458,768	1,151,384	841,500
Share of income of associate	5	(2,395)	-	(81,014)	-
Foreign exchange (income) loss		(667)	(5,899)	465	(5,899)
Interest income on cash and cash equivalents	3	(5,784)	(3,632)	(10,122)	(8,423)
Finance expenses – lease liability		705	546	1,439	546
Net loss, before income tax		635,075	449,783	1,062,152	827,724
Current income tax		29,575	-	56,575	-
Net loss		\$ 664,650	\$ 449,783	\$ 1,118,727	\$ 827,724
Other comprehensive income					
Items that may be subsequently reclassified to net income					
Foreign exchange translation difference	5	(140,670)	-	(88,915)	-
Total other comprehensive income		(140,670)	-	(88,915)	-
Total comprehensive loss		\$ 523,980	\$ 449,783	\$ 1,029,812	\$ 827,724
Basic and diluted loss per share		\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.02
Weighted average number of common shares outstanding		85,667,443	52,405,101	82,115,321	51,174,162

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

Electric Royalties Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

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

	Note	Share Capital (note 6)		Share Subscription Received 6(c)	Share-based payment reserve 7(a)	Share purchase warrant reserve 7(b)	Foreign currency translation reserve 7(c)	Accumulated deficit	Total equity
		Number of shares	Amount						
Balance at January 1, 2021		48,255,101	\$ 7,429,966	\$ -	\$ 353,000	\$ -	\$ -	\$ (2,690,860)	\$ 5,092,106
Net loss		-	-	-	-	-	-	(827,724)	(827,724)
Other comprehensive loss		-	-	-	-	-	-	-	-
Total comprehensive loss		-	-	-	-	-	-	(827,724)	(827,724)
Share subscriptions received, pursuant to a private placement	6(c)	-	-	1,020,804	-	-	-	-	1,020,804
Common shares issued upon acquisition of the Global Royalties	4	1,150,000	322,000	-	-	-	-	-	322,000
Common shares issued upon acquisition of Seymour Lake	4	3,000,000	1,020,000	-	-	-	-	-	1,020,000
Equity-settled share-based payments	7(a)	-	-	-	128,000	-	-	-	128,000
Balance at June 30, 2021		52,405,101	\$ 8,771,966	\$ 1,020,804	\$ 481,000	\$ -	\$ -	\$ (3,518,584)	\$ 6,755,186
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		-	-	-	-	-	-	(1,118,727)	(1,118,727)
Other comprehensive income		-	-	-	-	-	88,915	-	88,915
Total comprehensive loss		-	-	-	-	-	88,915	(1,118,727)	(1,029,812)
Common Shares issued upon acquisition of the Rana Nickel Royalty	4	2,000,000	760,000	-	-	-	-	-	760,000
Units issued pursuant to the Public Offering, net of cost	6(b)	11,500,000	2,495,226	-	-	226,500	-	-	2,721,726
Agent warrants issued pursuant to the Public Offering	6(b)	-	-	-	-	107,000	-	-	107,000
Common shares issued upon acquisition of Sleitat Royalty	4	1,000,000	255,000	-	-	-	-	-	255,000
Equity-settled share-based payments	7(a)	-	-	-	227,000	-	-	-	227,000
Balance at June 30, 2022		91,601,509	\$ 22,096,380	\$ -	\$ 1,030,000	\$ 1,068,592	\$ 127,444	\$ (6,112,006)	\$ 18,210,410

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

Electric Royalties Ltd.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Expressed in Canadian Dollars)

	Note	Six months ended June 30,	
		2022	2021
Operating activities			
Net loss		\$ (1,118,727)	\$ (827,724)
Adjustments for:			
Depreciation of right-of-use asset		3,407	1,135
Equity-settled share-based payments	7(a)	227,000	128,000
Share of income of associate	5	(81,014)	-
Finance expenses – lease liability		1,439	546
Interest income on cash and cash equivalents	3	(10,122)	(8,423)
Changes in working capital items			
Prepaid expenses		(151,886)	86,072
Income tax payable		(34,000)	-
Accounts payable		98,050	34,594
Cash used in operating activities		(1,065,853)	(585,800)
Investing activities			
Acquisition of mineral royalty interests, including transaction costs	4	(311,643)	(625,354)
Cash distributions from associate	5	119,053	-
Interest received	3	10,122	8,423
Cash used in investing activities		(182,468)	(616,931)
Financing activities			
Net proceeds from the Public Offering	6(b)	2,828,726	-
Share subscriptions received, pursuant to a private placement	6(c)	-	1,020,804
Payment of principal on lease		(2,269)	(1,417)
Payment of interest on lease		(1,439)	-
Cash provided by financing activities		2,825,018	1,019,387
Change in cash and cash equivalents		1,576,697	(183,344)
Cash and cash equivalents, opening balance		2,101,875	2,584,739
Cash and cash equivalents, closing balance		\$ 3,678,572	\$ 2,401,395

Supplemental cash flow information (note 3)

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

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

1 . NATURE OF OPERATIONS

Electric Royalties Ltd., (“ELEC” or the “Company”) is a public company whose common shares are listed on the TSX Venture Exchange (“TSXV”), under the trading symbol “ELEC”. The Company’s common shares trade on the OTCQB Venture Market under the symbol “ELECTF”. 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 condensed consolidated interim financial statements (the “Financial Statements”) are comprised of the Company and its subsidiaries (all wholly-owned) – Electric Royalties (Canada) Ltd. (“ELEC Canada”), and Electric Royalties (USA) Inc. (“ELEC-US”) – (together referred to as the “Company” or the “Group”) and are prepared for the three and six months ended June 30, 2022 and 2021.

2 . SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of consolidation

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

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

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

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

(c) Significant accounting estimates and judgements

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

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

(d) Loss per share

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

(e) Operating segments

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

	June 30, 2022	December 31, 2021
Mineral royalty interests and deferred transaction costs		
Canada	\$ 4,870,203	\$ 4,872,521
United States of America	441,152	-
Australia and Madagascar	3,658,048	3,658,048
Norway	914,673	-
Investment in associate		
United States of America	4,830,672	4,806,660
Total	\$ 14,714,748	\$ 13,337,229

3 . CASH AND CASH EQUIVALENTS

	June 30, 2022	December 31, 2021
Components of cash and cash equivalent:		
Cash held in business accounts		
Denominated in Canadian Dollars	\$ 3,567,930	\$ 2,099,576
Denominated in US Dollars	110,642	2,299
Total	\$ 3,678,572	\$ 2,101,875

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

The following table summarizes supplemental cash flow information for the six months ended June 30, 2022 and 2021:

	Note	Six months ended June 30,	
		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			
Value of the Company's common shares with respect to royalty acquisitions	4	1,015,000	1,342,000
Value of agent warrants issued pursuant to the Public Offering	6(b)	107,000	-

4 . MINERAL ROYALTY INTERESTS AND DEFERRED TRANSACTION COSTS

At March 31, 2022, the Company held the following revenue-based royalties – gross revenue royalty (“GRR”), or gross metal royalty (“GMR”) – and net smelter return royalties Net smelter returns (“NSR”) royalty interests:

Project	Location	Royalty
Bissett Creek Graphite Royalty		
Bissett Creek Graphite Project	Ontario, Canada	1.0 % GRR and option to add 0.5% GRR
Globex Royalties		
Authier Lithium Project (certain core claims)	Quebec, Canada	0.5 % GMR
Authier Lithium Project (Sayona West)	Quebec, Canada	0.5 % GMR
Authier Lithium Project (Sayona East)	Quebec, Canada	2.0 % GMR
Mont Sorcier Project	New Brunswick, Canada	1.0 % GMR on the Vanadium production only
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 % GMR and options to add 1.5% NSR
Mt. Dorothy Cobalt Project	Queensland, Australia	0.5 % GMR
Cobalt Ridge Cobalt Project	Queensland, Australia	0.5 % GMR
Seymour Lake Lithium Royalty		
Seymour Lake Lithium Deposit	Ontario, Canada	1.5 % NSR
Glassville Manganese Royalty		
Glassville Manganese Project	New Brunswick, Canada	1.0 % GRR
Vox Graphite Royalties		
Graphmada Graphite Project	Madagascar	2.5 % NSR
Yalbra Graphite Project	Western Australia	0.75 % GRR
Cancet Lithium Royalty		
Cancet Lithium Project	Quebec, Canada	1.0 % NSR
Rana Nickel Royalty		
Rana Nickel Project	Northern Norway	1.0 % NSR
Sleitat Tin-Silver Royalty		
Sleitat Mountain Tin-Silver Project	Alaska, United States	1.0 % NSR

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

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

In June 2022, the Company announced the signing of a binding letter agreement (the "Zonia Agreement") with World Copper Ltd. ("World Copper"), a publicly traded corporation listed on the TSXV, to acquire a 0.5% GRR on the wholly-owned Zonia Copper Oxide Project in Arizona, US (the "Zonia Copper Project") in exchange for \$1,550,000 cash and 2,000,000 common shares of the Company, which common shares will be subject to a six-month voluntary escrow.

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 C\$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 C\$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.

The Zonia Agreement is subject to completion of due diligence, approval of the TSXV and other customary conditions.

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

Six months ended June 30, 2022

	Beginning Balance	Addition/(reallocation)			Ending Balance
		Value of Shares Issued	Cash Payments	Transaction Costs	
<u>Mineral Royalty Interests</u>					
Bissett Creek Graphite Royalty	\$ 1,065,790	\$ -	\$ -	\$ -	\$ 1,065,790
Globex Royalties	1,332,237	-	-	-	1,332,237
Global Royalties	623,883	-	-	-	623,883
Seymour Lake Lithium Royalty	1,061,686	-	-	-	1,061,686
Glassville Manganese Royalty	130,334	-	-	-	130,334
Vox Graphite Royalties	3,034,165	-	-	-	3,034,165
Cancet Lithium Royalty	1,261,102	-	-	-	1,261,102
Rana Nickel Royalty	-	760,000	100,000	54,673	914,673
Sleitat Tin-Silver Royalty	-	255,000	100,000	86,152	441,152
	\$ 8,509,197	\$ 1,015,000	\$ 200,000	\$ 140,825	\$ 9,865,022
<u>Deferred Transaction Costs</u>					
Rana Nickel Royalty	\$ 48,236	\$ -	\$ -	\$ (48,236)	\$ -
Zonia Copper Project	-	-	-	19,054	19,054
	\$ 48,236	\$ -	\$ -	\$ (29,182)	\$ 19,054
Total	\$ 8,557,433	\$ 1,015,000	\$ 200,000	\$ 111,643	\$ 9,884,076

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

Six months ended June 30, 2021

	Beginning Balance	Addition/(reallocation)			Ending Balance
		Value of Shares Issued	Cash Payments	Transaction Costs	
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
	\$ 2,398,027	\$ 1,342,000	\$ 150,000	\$ 193,569	\$ 4,083,596
Deferred Transaction Costs					
Global Royalties	\$ 100,783	\$ -	\$ -	\$ (100,783)	\$ -
Globex Agreement	-	-	250,000	99,119	349,119
Vox Transaction	-	-	25,000	8,449	33,449
	\$ 100,783	\$ -	\$ 275,000	\$ 6,785	\$ 382,568
Total	\$ 2,498,810	\$ 1,342,000	\$ 425,000	\$ 200,354	\$ 4,466,164

5 . INVESTMENT IN ASSOCIATE

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

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

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

	Six months ended June 30,	
	2022	2021
Beginning balance	\$ 4,779,796	\$ -
ELEC's share of net income of associate	81,014	-
Cash distributions from MTM LP	(119,053)	-
Currency translation adjustments	88,915	-
Carrying amount at the end of the period	\$ 4,830,672	\$ -

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

(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 fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Royalty revenue	\$ 473,074	\$ -	\$ 1,086,782	\$ -
Depletion of royalty interest	(226,192)	-	(450,041)	-
Revenue, net of depletion	246,882	-	636,741	-
Administration expenses	(118,652)	-	(156,341)	-
Total net income	\$ 128,230	\$ -	\$ 480,400	\$ -
ELEC's share (50%) of operating expenses	\$ (59,326)	\$ -	\$ (78,171)	\$ -
ELEC's share (25%) of other items of net income	61,721	-	159,185	-
Company's share of income of associate	\$ 2,395	\$ -	\$ 81,014	\$ -

	June 30, 2022	December 31, 2021
Current Assets	\$ 1,843,188	\$ 873,810
Non-current Assets	17,777,778	17,877,910
Total Assets	\$ 19,620,966	\$ 18,751,720
Current Liabilities	\$ 507,164	\$ 372,451
Non-current Liabilities	-	-
Total Liabilities	\$ 507,164	\$ 372,451
Net Assets	\$ 19,113,802	\$ 18,379,269
Company's share of net assets of associate	\$ 4,554,215	\$ 4,501,705
Unamortized transaction costs	276,457	278,091
Carrying amount of investment in associate	\$ 4,830,672	\$ 4,779,796

A summary of the Company's share of MTM LP's revenue and expenses are as follows:

	Three months ended,			
	June 30, 2022	March 31, 2022	December 31, 2021	September 31, 2021
ELEC's share (25%) of MTM LP's revenue	\$ 118,269	\$ 153,427	\$ 143,515	\$ 74,500
Depletion of royalty interest	(56,548)	(55,962)	(30,209)	(40,333)
	61,721	97,465	113,307	34,167
ELEC's share (50%) of MTM LP's expenses	(59,326)	(18,845)	(25,119)	(161,000)
ELEC's share of MTM LP's net income/(loss)	\$ 2,395	\$ 78,620	\$ 88,188	\$ (126,833)

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

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) *Share subscriptions received*

During the three months ended June 30, 2021, the Company initiated its private placement (the "Private Placement") of 5,000,000 units (the "2021-Units") at a price of \$0.40 per 2021-Unit; each 2021-Unit comprised of one common share plus one warrant, each of which entitle the holder to acquire one common share at a price of \$0.60 per share for a two year period following closing of the Private Placement. As of June 30, 2021, the Company had received \$1,020,804 in share subscriptions pursuant to the Private Placement. Subsequently, on July 8, 2021, the Company announced that it had closed the Private Placement for the gross proceeds of \$2,000,000.

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

(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	Six months ended June 30, 2022		Six months ended June 30, 2021	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding – beginning balance	7,172,500	\$ 0.35	3,898,500	\$ 0.29
Options granted	200,000	\$ 0.34	200,000	\$ 0.28
Options expired	(25,000)	\$ 0.20	–	\$ –
Options outstanding – ending balance	7,347,500	\$ 0.35	4,098,500	\$ 0.29
Options exercisable – ending balance	6,030,838	\$ 0.34	2,709,512	\$ 0.29

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

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

The following table summarizes information on the options outstanding:

Remaining contractual life of the Company's common share purchase options:	June 30, 2022		December 31, 2021	
	Number of Options	Weighted average remaining contractual life (years)	Number of Options	Weighted average remaining contractual life (years)
Exercise price				
\$0.200	–	–	25,000	0.27
\$0.280	200,000	1.62	200,000	2.12
\$0.290	3,447,500	2.54	3,447,500	3.03
\$0.340	200,000	2.75	–	–
\$0.400	150,000	0.75	150,000	1.25
\$0.415	3,350,000	4.08	3,350,000	4.58
	7,347,500	3.19	7,172,500	3.68

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

(b) Share purchase warrants

Continuity of share purchase warrants	Note	Six months ended June 30,	
		2022	2021
		(Number of warrants)	
Beginning balance		10,593,000	-
Warrants issued pursuant to the Public Offering	6(b)	11,500,000	-
Compensation warrants issued to the underwriter of the Public Offering	6(b)	805,000	-
Ending balance		22,898,000	-
Weighted average exercise price as of the period end		\$ 0.51	\$ -
Weighted remaining life as of the period end		2.48 years	-

(c) Foreign currency translation reserve

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

8 . RELATED PARTY TRANSACTIONS

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Short-term employment benefits(i)	\$ 99,239	\$ 78,826	\$ 202,136	\$ 158,986
Share-based payments	59,000	23,000	135,000	52,000
Total	\$ 158,239	\$ 101,826	\$ 337,136	\$ 210,986

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

9 . EVENTS AFTER THE END OF THE REPORTING PERIOD

On June 28, 2022, the Company announced that it had signed an agreement to sell two-thirds of its existing 1.5% NSR on the Seymour Lake Lithium Deposit (note 4), the agreement was subsequently terminated in August 2022 with mutual consent of all parties thereto.