ELECTRIC ROYALTIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDING DECEMBER 31 2023

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Cautionary Note to Investors Concerning Forward-looking Statements

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

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

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

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

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

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

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

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

1.1 Date

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements (the "Financial Statements") of Electric Royalties Ltd. for the years ending December 31, 2023 and 2022, as publicly filed on SEDAR+ at www.sedarplus.ca.

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

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

This MD&A is prepared as of April 26, 2024.

1.2 Overview

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

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

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

> *Net smelter returns ("**NSR**") royalty*
>
> Net revenue (after smelting and refining costs) that the owner of a Project receives from the smelter or refinery for the mine's metal or mineral products less specified transportation and insurance costs and net smelter return royalties that are a set percentage of the net smelter return.
>
> *Gross revenue royalty ("**GRR**") or gross metal royalty ("**GMR**")*
>
> GRR or GMR entitles the royalty owner to a percentage of the gross revenue from the metals or minerals produced by a Project and sold.

Highlights

Electric Royalties' activities continue to be focused on expanding its exposure to the essential metals required for the world's transition to clean energy. The Company's portfolio of 22 royalty holdings is diversified across a range of mineral assets in the clean energy space. In 2023, the Company accrued revenue or income from two of its royalty interests, further described below.

Cash Generating Royalties

Penouta Tin Royalty

The Company received revenue from its royalty interest in the Penouta tin-tantalum mine in Spain. In July 2023, the Company increased its royalty interest in the mine from a 0.75% GRR to a 1.5% GRR.

Mine operator Strategic Minerals Europe Corp. (NEO: SNTA, OTCQB: SNTAF) ("**Strategic**" or "**SNTA**"), reported mine production during the fourth quarter (September 30, 2023 to October 19, 2023) of 29 tonnes of concentrate and 20 tonnes of minerals. The Company received revenue of $10,700[1] (€7,312) based on Penouta Mine sales during the fourth quarter.

Over the year, SNTA has reported mine production 603 tonnes of concentrate with the quality of concentrate improving over the year. Of this, 501 tonnes of cassiterite concentrate were produced at a grade of 70% Sn and 102 tonnes of tantalum/niobium concentrate at grades of 24.1% tantalite and 25.4% columbite. The Company has received revenue of $166,000 (€113,312), based on Penouta Mine sales from January 24, 2023, when it completed the acquisition of its initial royalty, to December 31, 2023.

On October 20, 2023, Strategic announced that the Superior Court of Xustiza of Galicia ("**TSXG**") has decided to provisionally suspend the section C[2] permit for the Penouta Mine in Spain. Strategic is of the opinion that the suspension is based on inaccurate assertions that exploitation activities at Penouta are affecting irrigation and the immediate area. Strategic is exploring all available legal avenues to reverse the decision of TSXG and to expedite the reinstatement of the section C permit, including the initiation of an appeal to reverse the court decision.

On November 13, 2023, Strategic further reported that an appeal (the "**Appeal**") was filed on October 23, 2023. It also advised that "Since filing the Appeal, the local mining authority Xunta de Galicia has requested that the Company refrain from continuing conducting mineral exploitation operations at the Penouta Project until the Appeal is decided."

On March 20, 2024, Strategic announced that it has entered into a business combination agreement with IberAmerican Lithium Corp. ("**Iber**") and IberAmerican Resources Inc., a wholly-owned subsidiary of Iber, pursuant to which Iber will acquire all of the issued and outstanding common shares in the capital of Strategic.

MTM Zinc Royalty

The Company also continued to receive distributions based on revenue from its royalty interest in the Middle Tennessee Mine in Tennessee, USA, held in a limited partnership ("**MTM LP**"). The Company owns a 25% economic interest in the MTM LP, with the remaining 75% interest held by Sprott Streaming. Gross royalty on a 100% basis from the MTM Royalty during the fourth quarter was approximately $202,000 (US$150,000). The Company is entitled to receive 25% of total revenue from the MTM Royalty, net of a proportion of any expenses of the limited partnership that holds the MTM Royalty interest.

[1] Exchange rate: C$1.46/€1.00

[2] Section C permit for exploration, investigation or mining concession - metals or industrial minerals

Gross royalty on a 100% basis from the MTM Royalty in 2023 was approximately $901,000 (US$668,000) of which ELEC is entitled to receive 25%, net of a proportion of any expenses of the limited partnership that holds the MTM Royalty interest.

Nyrstar, the operating subsidiary of Trafigura – owner of the MTM mine - announced that production operations at MTM would be temporarily paused on November 30, 2023, due to weakened market conditions and inflationary impacts on input costs and operating margins. Operations will resume as soon as economically viable.

During this temporary pause in production operations, Nyrstar plans to conduct exploration drilling to define additional zinc, germanium, and gallium resources. Coupled with its planned investment to enable on-site recovery of germanium and gallium at its Clarksville smelter, once operations resume, Nyrstar plans for MTM to supply diversified critical minerals to the U.S. market.

Electric Royalties is relying on the information provided by Nyrstar and is unable to verify the reported information.

Acquisitions

Lithium Portfolio

In April 2024, the Company announced that it has entered into an Asset Purchase Agreement with 1544230 Ontario Inc., MK Exploration Services Inc., and Gravel Ridge Resources Ltd. (the "**Vendors**") to acquire a portfolio of 18 royalty agreements and 32 lithium properties in Ontario, Canada, selected for their prospectivity after Company due diligence. The acquisition terms are as per an amended letter of intent announced by the Company on March 6, 2024, and further described below in section 1.2.1 *Acquisitions in Progress*.

Updates on Projects in Current Royalty Portfolio

Since reporting in the Q3 MDA, significant updates were announced for several other projects in which the Company holds royalty interests. Highlights include:

- **Greenwing Resources Ltd**. (ASX: GW1) ("**GW1**") announced:
  - An update on the Graphmada Mining Complex in in Madagascar, advising that while under active care and maintenance since 2020, the plant and infrastructure have remained in good condition. Process plant maintenance has focused on key equipment, ball mills, motors and pumps. Flotation cells will require replacement upon restart. GW1 believes the increased mineral resource base could be capable of supporting potential higher production volumes, and it plans to capitalize on the progress achieved to date by seeking a strategic partner to assist in the development of a large-scale operation. GW1 also sees the proposed revised mining code in Madagascar as positive news aimed at increasing mining activity (GW1 October 26, 2023).
- **Northern Graphite Corporation** (TSXV: NGC) ("**NGC**"), the operator of the Bissett Creek Project in Ontario, Canada, announced:
  - The launch of the NGC Battery Materials Group to spearhead its mine-to-battery strategy, which would make NGC one of the only integrated developers, producers, and processors of natural graphite outside of China. The NGC Battery Materials Group will specialize in advanced material analytics and electrochemical characterization techniques for carbon and battery materials and provide in-depth expertise in the field of high temperature processing, scale-up and carbon design. This will enable NGC to provide tailored solutions to Electric

Vehicle ("EV") battery makers and original equipment manufacturers to satisfy their unique battery requirements (NGC January 31, 2024).

- **Tartisan Nickel Corp.** (CSE: TN) ("**TN**") announced:
  - Closure of a C$1,350,000 in flow-through financing with a two-year escrow to fund the exploration, development and advancement of the Kenbridge Nickel Project in Ontario, Canada (TN December 27, 2023).
- **Manganese X Energy Corp.** (TSXV: MN) ("**MN**") announced**:**
  - Signing of a Memorandum of Understanding (or "**MOU**") with Charge CCCV LLC (or "**C4V**"), a US-based lithium-ion battery technology company, leading to a potential offtake deal from the Battery Hill Project in New Brunswick, Canada. The MOU is based on the potential supply of electric vehicle-compliant high purity manganese sulfate monohydrate (or "**HPMSM**"), a sample of which is currently being pre-qualified by C4V for its Gigafactory joint ventures. The sample was produced as part of MN's pilot plant project, using its manganese purification technology to process manganese carbonate from Battery Hill into HPMSM as a pre-cursor to the cathode (MN January 10, 2024).
  - Plans for 2024, which include: completing the pilot plant project in Q1, validating and optimizing patent-pending technology to ensure the most cost-efficient and effective methods are utilized in the reported upcoming Battery Hill pre-feasibility study ("**PFS**"); progressing environmental, social/community, and geotechnical studies to support the Battery Hill PFS, which is scheduled to commence in Q3; testing of electric vehicle-compliant, high-purity manganese samples for North American supply chain pre-approval. Securing a binding offtake agreement with C4V following signing of the MOU; continuing ongoing negotiations with potential customers for future HPMSM production; and working toward financing of a larger capacity demonstration/processing plant in 2025 (MN January 17, 2024).
  - It is advocating for the Canadian government to include manganese in its prioritized Critical Mineral List, which currently includes lithium, graphite, nickel, cobalt, copper and rare earth minerals. MN described itself as the operator of the Battery Hill Project in New Brunswick, Canada, one of the largest manganese carbonate deposits in North America which has the potential to be a substantial contributor to the supply chain of high-purity manganese, essential to support the EV and energy storage industries[3] (MN February 1, 2024).
  - A permit application has been made for a 12-15 diamond drill hole program expected to commence this spring. The program is designed with the goal to upgrade key areas of near surface, high-grade mineralization to the Measured and Indicated Resource status prior to the planned Q3 2024 commencement of a PFS to expedite the development and permitting of Battery Hill (MN March 27, 2024).
- **Cerrado Gold Inc.** (TSXV: CERT) ("**CERT**") announced:
  - Positive metallurgical test results confirming the ability to produce high-purity iron concentrates at the Mont Sorcier Project near Chibougamau, Québec. The testwork was part

[3] MN's submission in response to the Canadian Government's public consultation on updated criteria for critical minerals

of the initial phase in determining the final flow sheet design for the feasibility study ("**FS**") at Mont Sorcier Project, targeted for later this year (CERT March 1, 2024).

- In July 2023 that it had accepted of an Expression of Interest from UK Export Finance ("**UKEF**") to provide project financing support for the Mont Sorcier Project and in November 2023, it had appointed the Toronto-Dominion Bank ("**TD**") as the Mandated Lead Arranger ("**MLA**") for the Mont Sorcier financing. The UKEF-backed facility is expected to be for up to US$598 million on a non-recourse project financing basis for a total tenor of 11 years. The funding is envisioned to cover 70% of the expected project capital expenditures for the Mont Sorcier Project. While the conclusion of project financing remains subject to the completion of a "bankable" FS, an environmental impact assessment, the granting of construction permits, among other requirements, the appointment of the MLA represents a significant milestone. The FS is targeted for completion in H2 2024 after which the next phase of the financing process will commence, comprising a formal due diligence period before a final binding offer and documentation (CERT November 21, 2023).

- **Green Technology Metals Limited** (ASX: GT1) ("**GT1**") announced:
  - An updated mineral resource estimate under the JORC code for the Seymour Lake Project in Ontario, Canada, ahead of its planned preliminary economic assessment. The updated estimate encompasses North Aubry and South Aubry – two deposits situated within the Aubry complex at Seymour Lake. At North Aubry, GT1 reported a 17% increase in the indicated resource to 6.1 million tonnes (Mt) at an average grade of 1.25% lithium oxide (Li2O), and also reported an inferred resource of 2.1 Mt at 0.8% Li2O. The resource at South Aubry stands at 2.0 Mt at 0.6% Li2O using a 0.2% lithium oxide cut-off[4]. GT1 used results from 47 drill holes totalling 15,210 meters (m) of drilling to estimate the updated mineral resource. GT1 is targeting further growth to the resource as drilling continues at both the North and South Aubry deposits with a planned 58-hole program over 7,736 m (GT1 November 21, 2023).
  - Technical studies describing a plan for the combined development of the Seymour Lake Project and another of its projects in Ontario; the studies also describe a vertically integrated project option which considers the construction of a lithium conversion facility in Ontario. Also, according to public disclosure by GT1, a FS on a mine and concentrator at Seymour Lake is expected to be completed by mid-2024 and a PFS on a lithium conversion plant by the end of 2024. GT1 has also indicated it is targeting production before the end of 2025. Permitting continues on schedule, with the recent grant of the mining lease for the Seymour Lake Project from the Department of Mines for a period of 21 years; granting of the mining lease for Seymour Lake represents a significant achievement in de-risking the project (GT1 December 7, 2023).

[4] Green Technology Metals Limited news release titled "Seymour Resource Confidence Increased Ahead of Preliminary Economic Assessment" dated November 21, 2023, Appendix A: JORC Code 2012, Table 1. The Seymour Mineral Resource is reported using open-pit mining constraints. The open-pit Mineral Resource is only the portion of the resource that is constrained within a US$4,000 / t SC6 optimised shell and above a 0.2% lithium oxide (Li2O) cut-off grade. The optimised open pit shell was generated using: $4/t mining cost, $15.19/t processing costs, mining loss of 5% with no mining dilution, 55 degree pit slope angles, 75% product recovery. The 2023 Mineral Resource Estimate is reported above 0.2% Li2O cut-off. The cut-off is based on lowest potential grade at which a saleable product might be extracted using a conventional DMS and / or flotation plant and employing a TOMRA Xray sorter (or equivalent) on the plant feed. A number of pegmatites outcrop at surface thus the mineral resource is likely to be extracted using a conventional drill and blast, haul and dump mining fleet.

- Results from drilling at the North and South Aubry deposits, suggesting strong continuity of lithium mineralization at the North Aubry deposit. It is our understanding that GT1 is planning to incorporate these in-fill drill results in an updated mineral resource estimate, with the aim of improving resource confidence level and adding to the tonnage contemplated in the upcoming FS, currently expected to be completed in Q4 2024 (GT1 February 28, 2024).

  Electric Royalties is relying on the information provided by GT1 and is unable to verify the reported information.

- **Global Energy Metals Corporation** (TSXV: GEMC) ("**GEMC**") and its strategic partner Kingsvale Mining announced:

  - Analytical results from drill holes at the Bruvann, Rånbogen, and Malmhaugen prospects at the Råna Project in Norway. New zones of nickel sulphide mineralization have been discovered, some in areas previously considered unprospective. Several priority conductive geophysical anomalies remain to be drilled in 2024, and continued electromagnetic geophysical surveys are planned with a goal to generate additional targets within the large and underexplored Råna intrusion (February 5, 2024).

    Electric Royalties is relying on the information provided by Global Energy Metals and is unable to verify the reported drill data.

- **Buxton Resources Limited (ASX: BUX) ("BUX") announced:**

  - Results from electrochemical testwork reportedly confirm that the uncoated Purified Spherical Graphite (uPSG) made from concentrate from the Graphite Bull Project in Western Australia is suitable for the manufacture of lithium-ion battery anodes. A second bulk concentrate sample is currently being evaluated by Dorfner Anzaplan GmbH in Germany, with results expected from May onwards (BUX January 25, 2024).

  - Aboriginal Heritage Surveying has commenced at the Graphite Bull Project. The survey aims to provide clearances to the south of the existing resource, to allow extensional drilling at depth, and to the east where potential exists for additional tonnes to be defined at shallow depths (BUX March 19, 2024).

    Electric Royalties is relying on the information provided by Buxton and is unable to verify the reported progress and results of testwork.

- **Burley Minerals Ltd.** (ASX: BUR) ("**BUR**") announced:

  - It had commenced an expected 3,000 to 4,000-m drilling program at the Chubb North prospect at the Chubb Project in Québec, Canada. Diamond drill core assay results from the Chubb Central prospect have extended the known strike length of spodumene mineralization, while confirming continuity and consistency of the mineralized zone. This mineralized zone remains open to the north and south, and at depth. New pegmatite intersections indicate potential for parallel repetitions, both west and east of the main dyke, supporting further exploration drilling (BUR October 30, 2023).

  - Assay results from drilling that support the presence of pollucite and spodumene in intersections within the southern extent of the spodumene-bearing Main Dyke. Interpretation of results by Burley suggests a strike extent of more than 60 m of cesium pollucite mineralization, directly south of known spodumene mineralization, and is open down plunge. The pollucite mineralization is said to alternate with spodumene mineralization within the pegmatite intersections. Pollucite is a premium mineral that bears cesium, classified as critical by the US and Canada, and is rarely available in economic deposits. Only three pollucite mines have ever operated and none are mining pollucite currently (BUR December 12, 2023 and January 22, 2024).

- Metallurgical testwork conducted on two composite samples of spodumene-bearing pegmatite from Chubb Central. Burley stated that the initial metallurgical results suggest the process flowsheet may not require flotation or magnetic circuits, potentially simplifying the process flowsheets and reducing both operating and capital costs of a potential future mine (BUR December 22, 2023, amended December 27, 2023).
- Drill results from the Chubb Project. Assay results from holes drilled at the Main Dyke within the Chubb Central Mineralized Zone demonstrated that spodumene mineralization exceeds a strike length of 600 meters and remains open down plunge. Additionally, one hole intersected cesium-bearing mineral pollucite in the Main Dyke, indicating an evolved lithium-cesium-tantalum pegmatite system which has the potential to add significant value to the project, according to Burley (BUR February 7, 2024).

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

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

Acquired	Project	Mineral	Stage	Royalty	Operator	Location
2023	Penouta Mine	Tin	Production currently suspended	1.5% GRR[5]	Strategic Minerals Europe Corp.	Spain
2021	Middle Tennessee Zinc Mine	Zinc	Production temporarily suspended	Sliding Scale GMR above US$0.90/lb Zn price	Nyrstar / Trafigura	United States
2021	Graphmada	Graphite	Care & Maintenance	2.5% NSR	Greenwing Resources Limited	Madagascar
2020	Authier	Lithium	Engineering Studies	0.5% GMR [6]	Sayona Mining	Canada
2020	Bissett Creek	Graphite	Advanced Stage	1.5% GRR	Northern Graphite Corp.	Canada
2022	Zonia	Copper	Advanced Stage	0.5% GRR & option for 1% GRR on Zonia North[7]	World Copper Ltd.	United States
2023	Kenbridge	Nickel	Advanced Stage	0.5% GRR & options to add 0.5% GRR on Kenbridge &	Tartisan Nickel Corp.	Canada

[5] Upon receiving $1,666,667 in royalty revenues, the royalty rate will be reduced to a 1.25% GRR. Upon payment of $3,333,334 in aggregate royalty revenues, the royalty rate will be reduced to a 1.0% GRR.

[6] Royalty held over part of the project.

[7] Option to increase royalty on Zonia by 0.5% GRR expired in November 2023. Option to acquire a 1% GRR on Zonia North at any time during a period of 24 months from the date that World Copper publishes an initial technical report in respect of the Zonia Norte deposit which is prepared in accordance with National Instrument 43-101 and contains an estimate of Inferred Mineral Resources remains. The option would require a $3,000,000 cash investment to exercise.

Acquired	Project	Mineral	Stage	Royalty	Operator	Location
				1.0% GRR on Kenbridge North		
2020	Battery Hill	Manganese	Advanced Exploration	2% GMR	Manganese X Energy Corp.	Canada
2020	Mont Sorcier	Vanadium	Advanced Exploration	1% GMR	Voyageur Metals Inc.	Canada
2021	Millennium Copper Cobalt	Copper	Advanced Exploration	0.5% GRR	Metal Bank Limited	Australia
2021	Seymour Lake	Lithium	Advanced Exploration	1.5% NSR	Green Technology Metals	Canada
2021	Cancet	Lithium	Advanced Exploration	1% NSR	MetalsTech / Winsome Resources	Canada
2021	Rana	Nickel	Advanced Exploration	1% NSR	Global Energy Metals Corp.	Norway
2022	Sleitat	Tin	Exploration	1% NSR	Cornish Metals Inc.	Alaska
2021	Mt. Dorothy	Cobalt	Exploration	0.5% GRR	Global Energy Metals Corp.[8]	Australia
2021	Cobalt Ridge	Cobalt	Exploration	0.5% GRR	Global Energy Metals Corp.[7]	Australia
2021	Graphite Bull	Graphite	Exploration	0.75% GRR	Buxton Resources Limited	Australia
2020	Chubb	Lithium	Exploration	2% GMR	Burley Minerals Ltd.	Canada
2020	Bouvier	Lithium	Exploration	2% GMR	Mining Equities Pty. Ltd.	Canada
2020	Sayona West	Lithium	Exploration	0.5% GMR	Sayona Mining	Canada
2020	Sayona East	Lithium	Exploration	2% GMR	Sayona Mining	Canada
2021	Glassville	Manganese	Exploration	1% GRR	Globex Mining Enterprises Inc.	Canada

Corporate

In December 2023, the Company appointed Stefan Gleason to its Board of Directors.

1.2.1 Acquisitions in Progress

Lithium Property Portfolio

On March 5, 2024, Electric Royalties entered into an Amended and Restated Letter of Intent (“**LOI**”) with the Vendors to acquire a portfolio of prospective lithium properties in Ontario, Canada (the “**Transaction**”). Upon closing the Transaction, the Company will acquire a portfolio of 18 royalty agreements and 32 lithium properties in Ontario, Canada, selected for their prospectivity.

The Company will issue to the Vendors an aggregate of 2,250,000 common shares in the capital of the Company (the “**Consideration Shares**”), make a cash payment (the sum of C$1,875,000 less the

[8] GEMC plans to divest of an 80% interest in the Mount Dorothy and Cobalt Ridge projects. For further details see ***Overview*** of Electric Royalties’ Q2 MDA.

(i) C$75,000 non-refundable exclusivity fee already paid; (ii) the amount of certain payments received by the Vendors under certain earn-in, option, royalty, or similar agreements on or after January 1, 2024; and (iii) 50% of any proceeds received by the Vendors for the sale of certain property interests described in the LOI on closing of the Transaction. Completion remains subject to a number of conditions, including receipt of TSXV approval for the issuance of the Consideration Shares, the receipt of certain third party approvals with respect to certain royalties and lithium properties under option and the receipt of any other required regulatory or third party approvals.

Overview of the Ontario Lithium Projects ("OLP")

The OLP portfolio consists of 18 royalties (Table 1) and 32 lithium properties (Table 2) located in the province of Ontario, Canada. 31 of the 32 properties are currently being explored by third parties pursuant to option agreements and, to the extent that the applicable option payments (expected to yield the Company up to $2.2 million) are made over the next two and a half years and the options are exercised, each of the properties would revert into royalty interests for ELEC. ELEC would retain its ownership interest in any properties that are not ultimately transferred to an optionee and would have the right to re-option, sell, or relinquish such properties.

The properties cover prospective land on the same geological trends of, and surrounding, major lithium discoveries in Ontario. Six of 24 developed lithium prospects in Ontario with reported reserves or resources are located in the vicinity of these properties[9]. Several of these properties are adjacent to GT1's Seymour Lake Lithium Project (ELEC holds a 1.5% NSR interest) that hosts the Aubry deposits (see Figure 1). The Seymour Lake Lithium Project is road-accessible year-round and is envisioned as a central processing facility with the potential to add production from other deposits in the area. GT1 is currently pursuing a vertically integrated strategy with multiple mine and processing hubs supplying a central lithium conversion facility that would be built in Thunder Bay, Ontario[10].

[9] https://mndm.maps.arcgis.com/apps/webappviewer/index.html?id=66ee0efe4d3c4816963737dbdb890708
[10] Green Technology Metals news release dated October 9, 2023

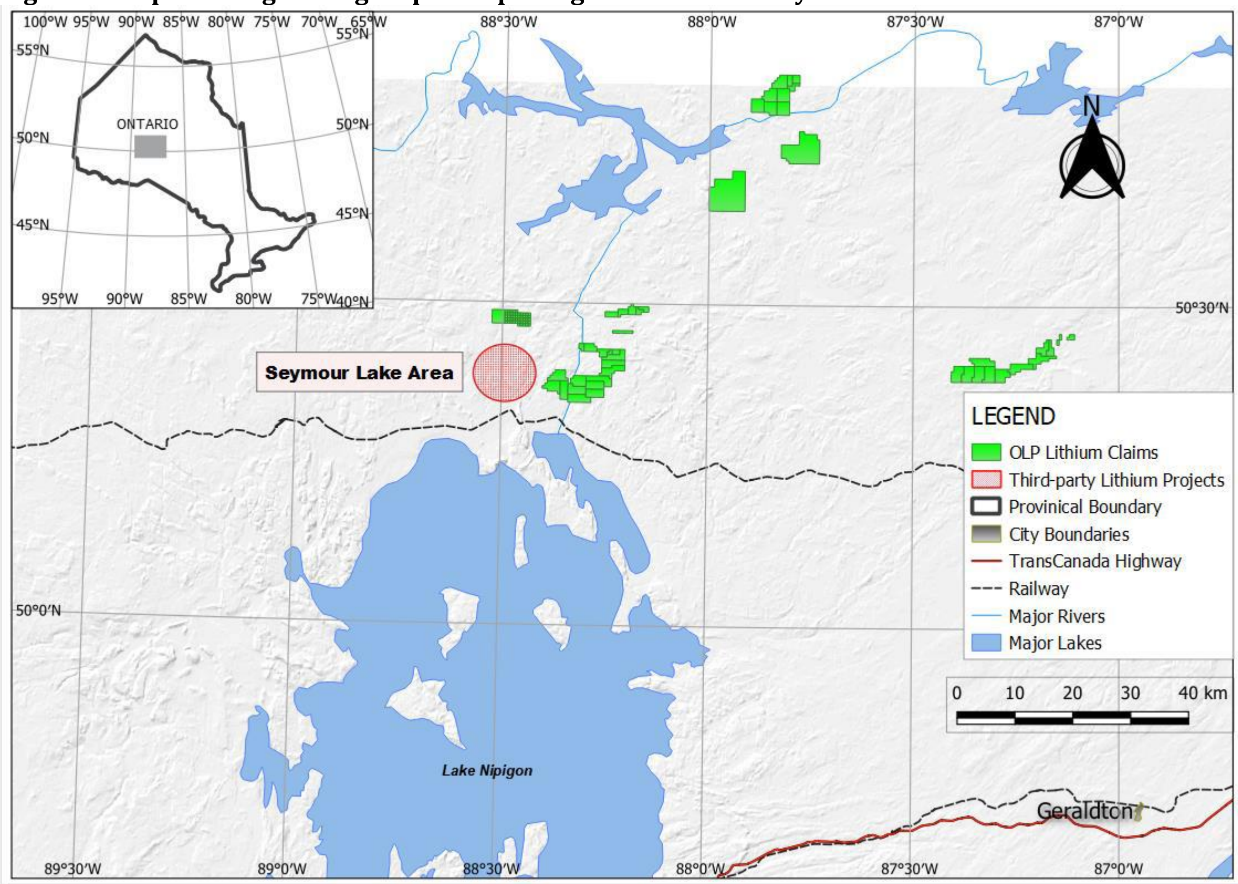
Table 1: OLP Royalties

	Operator	**Operator Stock Exchange Listing**	**Property underlying Royalty**
1	Maple Minerals (acquired by Cohiba Minerals)	n/a (private)	Rogers Creek / McCluskey
2	Maple Minerals (acquired by Cohiba Minerals)	n/a (private)	Big Rock / Ottertail River SW
3	Maple Minerals (acquired by Cohiba Minerals)	n/a (private)	Ottertail / Ottertail River NE / Mahamo
4	Maple Minerals (acquired by Cohiba Minerals)	n/a (private)	Gathering Lake
5	FE Battery Metals	CSE	Cosgrave
6	Musk Metals	CSE	Allison Lake
7	Electrification and Decarbonization AIE LP	n/a (private)	Jubilee, Campus Creek, Crescent
8	Lithium Triangle Resources	n/a (private)	Root Bay
9	Portofino Resources	TSX-V	Birkett
10	Double O Seven Mining	n/a (private)	Separation Rapids Lithium
11	Private BC Company	n/a (private)	Arrel
12	Lithium One Metals	TSX-V	Otatakan Township 50% ownership
13	Fifty St George	n/a (private)	Lauri
14	Sultan Resources	ASX	Kember / Pakeageama
15	Sultan Resources	ASX	Allison Lake / Ruddy
16	Lithos Minerals	n/a (private)	Peggy Lithium
17	Private BC Company	n/a (private)	Margot Lithium
18	Private BC Company	n/a (private)	Barbara Lake

Table 2: OLP Properties

	Operator	Operator Stock Exchange Listing	Property
1	Lithium Triangle Resources	n/a (private)	Allison Lake North and South
2	Mosam Ventures	n/a (private)	Pakwan Lithium
3	Mosam Ventures	n/a (private)	Margot Lake
4	Tearlach Resources	TSX-V	Wesley Lake
5	Tearlach Resources	TSX-V	Ferland Station
6	Tearlach Resources	TSX-V	Margot South
7	Tearlach Resources	TSX-V	McCluskey
8	Private BC Company	n/a (private)	Jeanette 1
9	Forza Lithium	CSE	Jeanette 2
10	Planet Green Metals	CSE	Harrison Road
11	Xplore Resources	TSX-V	Raggy / Aerial / Cathy Creek
12	Xplore Resources	TSX-V	Falls / Joseph / Root Bay
13	Xplore Resources	TSX-V	Root Bay North / Root Bay
14	Xplore Resources	TSX-V	Root Lake
15	EEE Exploration	CSE	Barbara
16	Bastion Minerals	ASX	Pakwan
17	Austek Resources	n/a (private)	McCombe
18	LiCan Exploration	CSE	Crescent
19	LiCan Exploration	CSE	Wakeman East
20	Private BC Company	n/a (private)	Maskerine / Lynxpaw / Bingo
21	Mosam Ventures	n/a (private)	Sharp Lake
22	Lithium One Metals	TSX-V	Adamhay
23	Lithium One Metals	TSX-V	Dagny
24	Altari Capital	n/a (private)	Rosyln Lithium
25	Westmount Minerals	CSE	Kaba
26	Redstone Resources	ASX	Greenside Lake / Witchwood
27	Manning Ventures	OTC	Kaba Cu-Li
28	GoldOn Resources	TSX-V	Hagarty Creek
29	Solstice Gold	TSX-V	Purdom
30	Solstice Gold	TSX-V	Kamuck
31	Private BC Company	n/a (private)	Falcon Lake
32	Other (recently terminated by Maverick Minerals)	TSX-V	Sollas Lake / Muriel

Figure 1: Map showing claim groups comprising the OLP in the Seymour Lake area



Currently, Canada hosts the sixth-highest lithium reserves of any country.[11] The hard-rock lithium deposits in Canada are hosted in pegmatites containing a lithium-bearing mineral known as spodumene. Spodumene-bearing pegmatites are often hosted in metavolcanic or metasedimentary rocks adjacent to granitic intrusions.[12] Many of the world's largest hard-rock lithium occurrences are found in Archean or Paleoproterozoic rocks – geological environments underlying approximately two-thirds of Ontario.[13]

Frontier Lithium's ("**Frontier**") has one of the most advanced lithium projects in Ontario with the PAK and Spark deposits.[14] Electric Royalties' OLP acquisition includes two large unexplored, optioned claim groupings located less than 10 kilometres (km) from the Frontier projects and adjacent to terrane hosting geologically favourable two-mica granitic rocks (see Figure 2).

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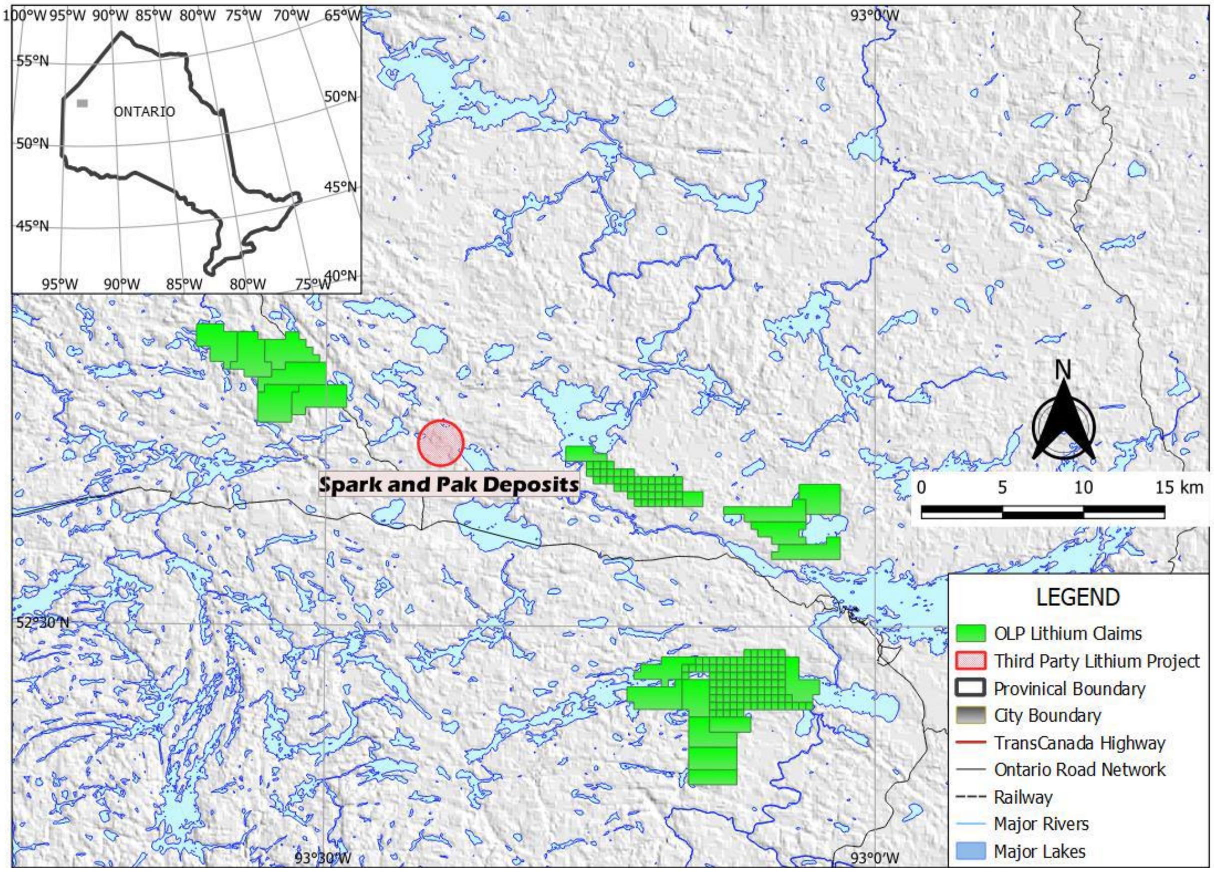
[11] https://www.cbc.ca/news/climate/lithium-in-the-world-1.6841339

[12] USGS Mineral-Deposit Model for Lithium-Cesium-Tantalum Pegmatites; Scientific Investigations Report 2010–5070–O; By Dwight C. Bradley, Andrew D. McCauley, and Lisa M. Stillings

[13] https://www.ontario.ca/page/about-ontario

[14] NI 43-101 Technical Report Pre-Feasibility Study for the PAK Project, effective date May 31, 2023, filed under Frontier Lithium's profile at sedarplus.ca

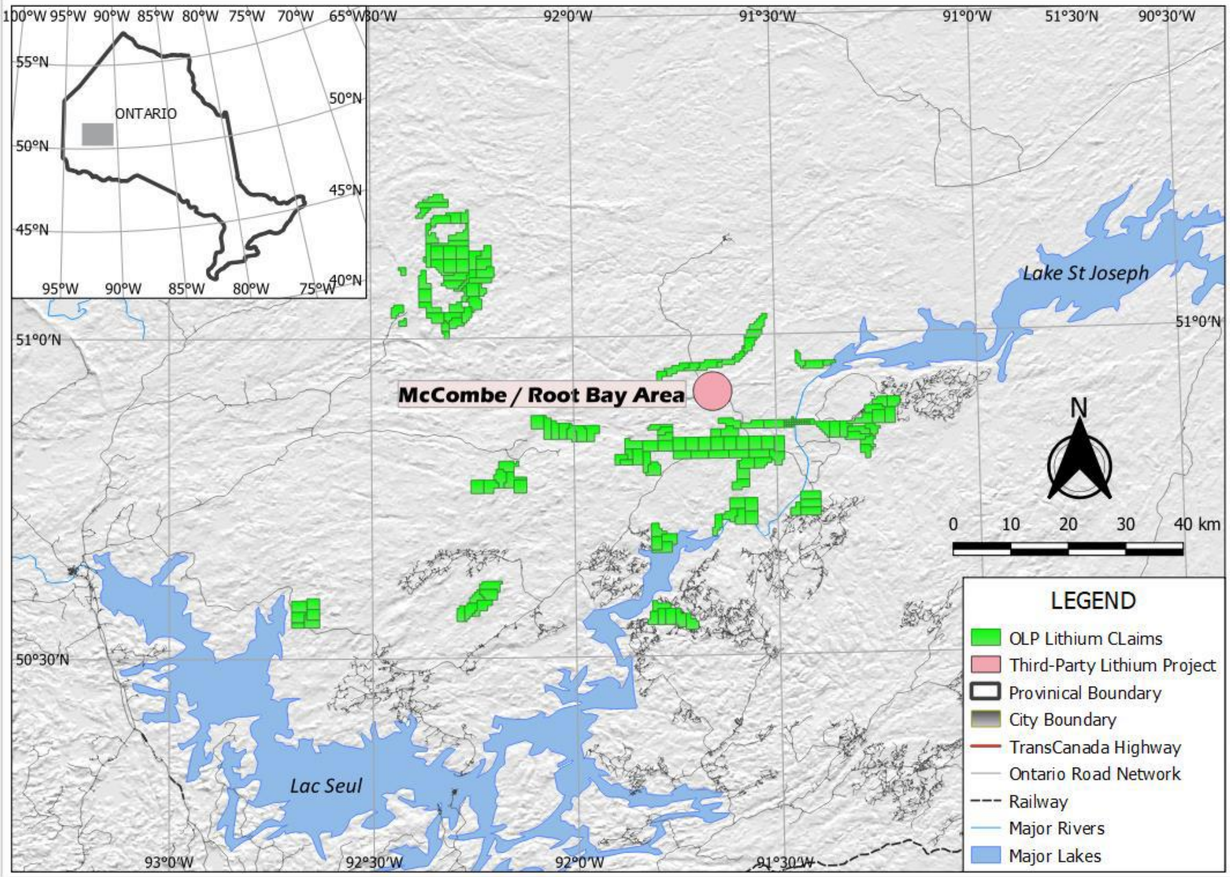
Figure 2: Map showing claim groups comprising the OLP, and Frontier Lithium's Spark and PAK deposits



The emerging Root Bay project is being advanced by GT1[15].The OLP includes numerous claims in this area, staked prior to the Root Bay discovery. Many of these claims are on or near to the subprovince terrane boundary, host numerous tourmaline occurrences and are on or near the Root Bay pluton[16] – all of which are key exploration indicators of lithium-bearing pegmatites. One such claim in the OLP, the McCombe North Property, was optioned to Bastion Minerals and is located less than 2 km from the Root Bay deposit[17]. Another claim group in the OLP, the Harrison Road Property located a few km to the south of Root Bay, was sampled by the Ontario Geological Survey (OGS)[18] and returned anomalous lithium values in lake sediments; hence, it is considered to be prospective (see Figure 3).

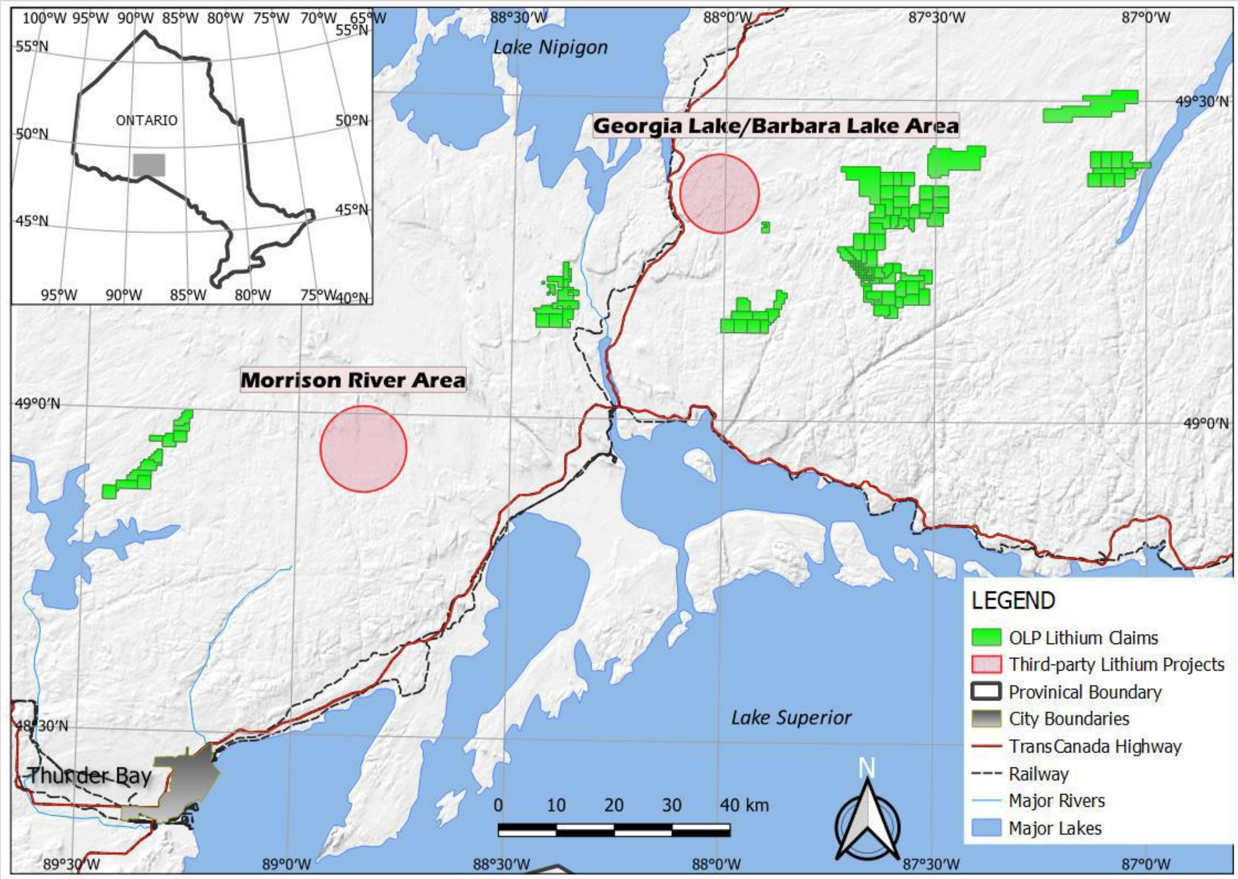
[15] Green Technology Metals Limited news release dated October 17, 2023
[16] OGS Open File Report 6099; F.W. Breaks, J.B. Selway and A.G. Tindle; 2003
[17] https://www.bastionminerals.com/projects/canadian-lithium-project/
[18] https://www.geologyontario.mndm.gov.on.ca/mndmfiles/pub/data/records/LakeGeochemON.html

Figure 3: Map showing OLP claim extents in the Root Bay area



Rock Tech Lithium's Georgia Lake Project is also one of the more advanced integrated lithium development projects in Ontario. The OLP includes the largest land position in the Georgia Lake lithium district (see Figure 4). One of the properties, the Arrel Lithium Property, is 20 km east of the Rock Tech pegmatites, and not only is underlain by a muscovite-bearing peraluminous granite but is also in contact with metasediments which make excellent hosts for pegmatites.

Figure 4: Map showing claim groups comprising the OLP in the vicinity of the Georgia Lake projects



Lithium Development in Ontario

Ontario is a province with a deep-rooted mining tradition, abundant clean hydroelectric and nuclear power, and a skilled mining workforce. The permitting environment in Ontario is rigorous, fair, and process-based, and both the federal and provincial governments are supportive of battery metal projects as shown in their recent investments and initiatives.[19,20]

Access to sustainable power, abundant water, and skilled personnel makes mine development and permitting easier, and it is one of the compelling reasons for Electric Royalties' interest in the OLP acquisition.

[19] https://www.newswire.ca/news-releases/frontier-lithium-receives-funding-from-government-of-ontario-for-lithium-processing-research-842905858.html
[20] https://www.canada.ca/en/natural-resources-canada/news/2023/11/government-of-canada-launches-15-billion-critical-minerals-infrastructure-fund.html

Qualified Person's Statement

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

1.2.2 Financings

Convertible Loan Facility

In November 2022, the Company entered into a financing commitment for a $2 million convertible loan facility ("**Loan Facility**" or "**Loan**") with Gleason & Sons LLC (the "**Lender**"), which is controlled by a significant shareholder of the Company. The Loan has a three-year term, and as per the original terms of the Loan Facility, was subject to interest ("**Interest**") at 15%, with Interest payments capitalized into the principal amount and due at the end of the Loan term. In April 2023, the Company and the Lender entered into an agreement to increase the Loan Facility from $2 million to $5 million. The Lender also agreed to modify the interest rate to a lower, floating rate (Secured Overnight Financing Rate (or "**SOFR**") + 7%), with a maximum interest rate of 12.5% p.a., as compared to the original rate of 15% p.a. All other terms remain the same.

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

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

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

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

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

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

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

The Company and the Lender agree to amend the Credit Facility

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

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

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

The Credit Facility was considered to be a "related party transaction" within the meaning of Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("MI 61-101") at the time the Credit Facility was agreed to. The Credit Facility was exempt from the valuation requirement of MI 61-101 by virtue of the exemption contained in section 5.5(b) as the Company's common shares are not listed on a specified market and from the minority shareholder approval requirements of MI 61-101 by virtue of the exemption contained in section 5.7(a) of MI 61-101 in that the fair market value of Credit Facility did not exceed 25% of the Company's market capitalization.

Amended Credit Facility

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

Interest will accrue on the outstanding principal amount of the Credit Facility at a rate per annum equal to the lesser of (a) the secured overnight financing rate, as published by the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate) from time to time, plus 7% per annum, and (b) 12.5% per annum. Such interest shall be calculated daily and compounded annually, payment of which may be deferred until maturity.

The maturity date of the A&R Agreement is January 12, 2028 (the "Maturity Date"), extended two years from the prior loan agreement. Under the terms of the A&R Agreement, no origination or draw fees are assessed. Furthermore, the Company has the right to repay all or any portion of the indebtedness, without incurring any prepayment fee, upon at least 15 days' prior written notice to the Lender.

Prior to the Maturity Date, on at least 10 days' prior written notice to the Company, the Lender has the right to convert all or any portion of the outstanding principal amount of the Credit Facility and accrued and unpaid interest into the Company's common shares, on the terms and conditions set out in the A&R Agreement. Any outstanding principal amount with respect to a drawdown under the Credit Facility will be converted at a conversion price equal to the greater of: (i) C$0.50; (ii) a 100% premium above the 30-day volume weighted average trading price of the common shares of the Company on the TSX Venture Exchange at the time of such drawdown; and (iii) the minimum price acceptable to the TSX Venture Exchange, per common share of the Company, subject to adjustment as provided in the convertible note evidencing such drawdown. Any accrued and unpaid interest may be converted at conversion price equal to the Market Price (as defined under the TSX Venture Exchange's Policy 1.1) at the time of settlement.

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

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

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

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

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

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

$3.45 Million Marketed Offering

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

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

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

In connection with the Offering, the Agents received an aggregate cash commission equal to 7% of the gross proceeds of the Offering. The Agents also received, as additional compensation, non-transferable compensation warrants exercisable to purchase up to 805,000 Common Shares each at the Offering Price, subject to adjustments in certain circumstances, for a period of 24 months following the closing of the Offering.

1.2.3 Market Trends

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

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

Zinc (Zn)	Zinc prices decreased in early 2020 but trended upward for the remainder of the year. Other than some volatility in February and October, prices in 2021 were steady, then began to increase in Q4 2021. Prices continued to increase to late April 2022, decreased from August to October, then stabilized and the average annual price increased in 2022. Prices in 2023 and early 2024 were variable, but have increased markedly since late March. A recent closing price is US$1.30/lb.
Lithium (Li)	In December 2020, Fastmarkets assessed the lithium hydroxide monohydrate (minimum 56.5% $LiOH_2O$, battery grade) spot price at US$9.00/kg, both on a CIF China, Japan and Korea basis. The spot price increased significantly from June 2021 to late March 2022, and the average price increased overall in 2022. Prices have been more variable in 2023 and decreased from November July 2023 to January 2024, then stabilized. A recent price is US$14.25/kg.

Graphite (Cg)	Graphite prices are determined based on direct negotiations between buyers and sellers and, as there is no spot or futures market for graphite, prices are provided by companies such as Benchmark Mineral Intelligence and Fastmarkets based on periodic surveys of buyers and sellers. Graphite prices are categorized by flake size and purity, i.e. large flake (+80 mesh) and particularly XL flake (+50 mesh) and 94% plus carbon varieties command premium pricing. The graphite price traded in a range of US$472/t to US$561/t in 2021 to September 2021, increased to December. Prices in 2022 were largely stable to mid-March 2022, then variable to July 2022, after which they stabilized to late in the year. The average annual price increased in 2022. Prices increased to February 2023, decreased, then stabilized until early 2024 when they began to decrease, more markedly in March. A recent price is US$360/t.
Cobalt (Co)	The average reference price for standard grade cobalt in 2020 was US$15.58/lb, according to Fastmarkets MB. The spot price increased from June 2021 to March 2022, stabilized, then decreased from mid-May to mid-August, stabilized to February 2023, then decreased to September 2023, then stabilized to until January 2024, then dropped and have stabilized again since that time. A recent price is approximately US$17.37/lb.
Manganese (Mn)	The average manganese price (CIF China 44%) in 2020 was US$4.60/dmtu (dry metric tonne units) from an average of US$5.60/dmtu in 2019. Manganese prices were variable in 2021 to July then increased. In 2022 prices were stable until mid-March when they increased substantially, then stabilized again in mid-April before decreasing from June 2022 to early 2023. Prices increased in February 2023, then stabilized to April, then in the latter part of 2023. Prices decreased from November 2023 to January 2024, and have increased slightly since that time. A recent closing price is approximately US$5.15/dmtu.
Vanadium (V)	In 2020, the prices for V_2O_5 averaged US$6.47/lb. Prices in 2021 were increasing to October when they dropped, then were largely stable to February 2022 when they increased substantially to early March. Although decreasing later in the year, the average annual price increased in 2022. Prices had largely increased in 2023 to April, decreased in May and June, then stabilized, but have decreased from September 2023 to December, increased in January 2024, stabilized for a short time but have decreased in March and April 2024. A recent closing price is US$5.20/lb.
Copper (Cu)	The average price for copper in 2020 was US$2.80/lb. In 2021, copper prices increased except for some volatility in June and again in October, then stabilized for the remainder of the year. Prices increased in early 2022, stabilized until late April, decreased from mid-June to mid-July, and were variable until February 2023 when they increased. Prices have been variable to decreasing in 2023 to October, then increased slightly to late February 2024 but have increased markedly since that time. A recent closing price of copper is US$4.44/lb.
Nickel (Ni)	Average LME price of nickel in 2020 was US$6.25/lb. Nickel prices were increasing in the first quarter of 2021, then dropped in March, and have been increasing overall since June 2021. Prices were stable in early 2022, spiked in mid to late March, decreased from April to mid-July, then were variable to increasing to February 2023; prices decreased in May 2023 and were variable and decreased in November. Prices varied only slightly from December 2023 to February 2024 and have largely increased since that time. Recent closing price of nickel is US$8.55/lb.

Tin (Sn)	During 2020, average tin price was US$7.71/lb. Tin prices increased in 2021 and in 2022 to mid-March, were variable to November 2022. Prices in 2023 increased significantly in January and February and decreased a similar amount to mid-March, then were variable to increasing, decreased in August, and have been variable to increasing since that time to late March 2024 when they began a sharper increase. A recent LME cash price of US$14.71/lb.

Average annual prices for 2020 to 2032, and the average prices so far in 2024 are shown in the table below:

	Zn US$/lb	**Li US$/kg**	**Cg US$/t**	**Co US$/lb**	**Mn US$/dmtu**	**V US$/lb**	**Cu US$/lb**	**Ni US$/lb**	**Sn US$/t**
2020	1.03	9.52	461	15.58	4.60	6.47	2.80	6.25	7.71
2021	1.36	16.22	528	23.70	5.36	8.15	4.22	5.36	14.73
2022	1.58	71.61	673	31.64	6.47	9.23	3.99	11.59	14.18
2023	1.20	44.67	548	18.19	4.99	7.50	3.84	9.77	11.76
2024 (to the date of this MDA)	1.14	14.88	406	17.35	4.42	5.83	3.92	7.67	12.44

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

- Copper, nickel, tin and zinc are LME official cash price
- Cobalt is min 99.8% fob US warehouse (US$/lb)
- Manganese is 44-46 % CIF China
- Graphite is 94% min ex-works China excl. VAT US$/t
- Lithium is min 56.5% fob China
- Vanadium is 98% V_2O_5 fob China (US$/lb)

1.3 Selected Annual Information

The following information is derived from the Company's accompanying Financial Statements which have been prepared in accordance with IFRS as issued by the IASB effective for the respective reporting years ("FY") of the Company, and are expressed in Canadian dollars.

	FY 2023	FY 2022	FY 2021
Revenue	$ 166,000	$ –	$ –
Total loss	$ 5,999,000	$ 1,923,000	$ 2,302,000
Basic and diluted loss per share attributable to owners of the parent	$0.06	$0.02	$0.04
Weighted average number of common shares outstanding	95,774,111	87,554,933	61,262,222
Total assets	$ 17,877,000	$ 18,408,000	$ 15,537,000
Total non-current financial liabilities;	$ 4,349,000	$ –	$ –

See *1.5 Results of Operations* below for an analysis of total loss as presented in the table above.

Total assets of the Company decreased in FY 2023 due to impairment loss relating to the MTM LP and the Penouta Royalty.

Total assets of the Company increased in FY 2022 due to cash raised through equity financings, as discussed herein, and common shares issued pursuant to various acquisitions of royalty interests.

1.4 Summary and Discussion of Quarterly Results

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

Quarter ended	Revenue	Net Loss	Basic and diluted loss per share	Weighted average number of common shares outstanding
December 31, 2023	$ 11,000	$ 4,857,000	$ 0.05	96,601,509
September 30, 2023	$ 84,000	$ 398,000	$ 0.00	96,601,509
June 30, 2023	$ 46,000	$ 419,000	$ 0.00	95,887,223
March 31, 2023	$ 24,000	$ 325,000	$ 0.00	93,968,176
December 31, 2022	$ –	$ 282,000	$ 0.00	93,601,509
September 30, 2022	$ –	$ 522,000	$ 0.01	92,210,205
June 30, 2022	$ –	$ 665,000	$ 0.01	85,667,443
March 31, 2022	$ –	$ 454,000	$ 0.01	78,523,731

Trends relating to the Company's operating results	
Revenue and Income	Since its inception in 2020, the Company has built a portfolio of mineral royalty interests. As of the date hereof, the Company has (direct and indirect) royalty interests in two operating mines. The Company revenue from the Penouta Tin-Tantalum Royalty is recognized when the relevant commodity is transferred to the end customer by the operator of the royalty property. The Company's royalty revenue varies directly with underlying commodity sales. The Company accounts for its interest in MTM LP, which holds the MTM Royalty, using the equity method of accounting, whereby the net income or loss of MTM LP is recorded as a separate line item in the Company's consolidated statement of comprehensive loss. The Company's income or loss from MTM LP varies primarily with its share of royalty revenue from the MTM Royalty. The Company's income or loss from MTM LP also varies with its share of MTM LP's expenses, which are usually higher in the first two quarters of each year, due to the timing of expenses relating to tax and annual audit. A summary of the operating results, including royalty revenue, of MTM LP is presented in the following section (see *"1.5 Results of Operations"*).
Operating expenses	Certain expenses, such as salaries and benefits, and administration expenses, are incurred evenly throughout the Company's fiscal year, while other expenses are driven by the underlying corporate and business development activities. Investor relations and shareholder communication expenses are mostly discretionary, and their timing is dependent upon various engagements and events relating to the Company's investor outreach. Salaries and benefit expenses only include directors' fees and compensation of the Company's chief executive officer. Historically, the Company has not engaged or hired full-time employees and experts, other than its chief executive officer. Instead, the Company sources, from certain service providers, all necessary technical, geological, corporate communications, accounting, regulatory compliance, and administrative services, on a non-exclusive basis and as required by the Company. These expenses are mainly classified, depending upon the nature of services received, as administration expenses and property investigation expenses in the Company's consolidated statements of comprehensive loss. The Company records all direct external costs, including legal and due diligence costs, relating to royalty acquisitions as part of the royalty interest asset. All internal costs, including property investigation and due diligence costs, with respect to the Company's potential royalty acquisitions are recorded as property investigation expense within operating expenses. Equity-settled share-based payment expense varies with grant of share-based awards, and the pattern of their vesting.

Fiscal quarter	Discussions and analysis
2023/Q4	The Penouta mine suspended its operations in the fourth quarter of 2023, resulting in a decrease in the Company's royalty revenue in the quarter. Net loss for the fourth quarter of 2023 increased mainly due to total impairment loss of \$4.4 million recorded in the quarter with respect to the Company's interest in MTM LP and the Penouta mine.

	The following section of this MD&A provides a detailed analysis of the Company's operating result for this quarter.
2023/Q3	The Company completed the acquisition of an additional 0.75% GRR on the Penouta mine, and an additional 0.5% GRR on the Bisset Creek project. The Company drew down an aggregate amount of $2,450,000 against the Loan Facility to fund these acquisitions. Following the acquisition of the additional royalty interest in the Penouta mine, gross royalty revenue increased to $84,000. The following section of this MD&A provides a detailed analysis of the Company's operating result for this quarter.
2023/Q2	The Company completed the acquisition of the Kenbridge royalty interest in this quarter, and, to fund the cash consideration, the Company drew down $500,000 against the Loan Facility. During the quarter ended June 30, 2023, recorded revenue from its Penouta Tin-Tantalum Royalty in the amount of $46,000. The increase in net loss in this quarter, compared to the quarter ended March 31, 2023, was mainly due to the timing of expenses relating to the Company's annual financial reporting, including the audit related costs.
2023/Q1	During the quarter ended March 31, 2023, recorded its first revenue ($24,000) from its Penouta Tin-Tantalum Royalty. The Penouta royalty acquisition was funded using the proceeds from the first drawdown on the Loan Facility, and accordingly the Company recorded $35,000 in finance expenses.
2022/Q4	During the quarter ended December 31, 2022, the Company secured the convertible loan facility (*1.2.2 Financings*) to fund future royalty acquisitions. There were no other significant corporate activities during this quarter. Accordingly, the Company's operating expenses and net loss decreased significantly during this quarter.
2022/Q3	During the quarter ended September 30, 2022, the Company completed the acquisition of the Zonia Copper Royalty.
2022/Q2	During the quarter ended June 30, 2022, the Company completed the acquisition of the Sleitat Tin Royalty and completed its public offering. The increase in net loss during the second quarter of 2022 was mainly due to timing of certain expenses, such as, audit and audit related expenses, and certain Investor relations and shareholders communication expenses.
2022/Q1	During the quarter ended March 31, 2022, the Company completed the acquisition of the Rana Nickel Royalty and completed the filing of its final short form base shelf prospectus (the "Base Shelf Prospectus"). The decrease in net loss during the first quarter of 2022 was mainly due to the Company's share of income MTM LP.

1.5 Results of Operations

During the year ended December 31, 2023 (the "Current Year"), the Company recorded a net loss of $5,999,000, compared to a net loss of $1,923,000 for the year ended December 31, 2022 (the "Prior Year").

During the three months ended December 31, 2023 (the "Current Quarter"), the Company recorded a net loss of $4,857,000, compared to a net loss of $282,000 for the three months ended December 31, 2022 (the "Prior Year Quarter").

The increase in net loss for the Current Quarter and for the Current Year, compared to the Prior Year Quarter and Prior Year, respectively, was mainly due to impairment loss recorded with respect to MTM LP and the Penouta Royalty.

Unless stated otherwise, the following discussions and analysis relating to the Current Year also apply to the Current Quarter.

Revenue	Three months ended December 31,		Increase/
	2023	2022	(decrease)
Revenue from royalty interests	$ 10,738	$ –	$ 10,738

Revenue	Year ended December 31,		Increase/
	2023	2022	(decrease)
Revenue from royalty interests	$ 165,811	$ –	$ 165,811

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

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

	Quarter ended							
ELEC's share of MTM LP's revenue and expenses	**Dec 31, 2023**	**Sep 30, 2023**	**Jun 30, 2023**	**Mar 31, 2023**	**Dec 31, 2022**	**Sep 30, 2022**	**Jun 30, 2022**	**Mar 31, 2022**
Royalty revenue (25%)	$ 50,479	$ 55,933	$ 50,914	$ 67,985	$ 96,506	$ 102,051	$ 118,269	$ 153,427
Depletion (25%)	(21,826)	(28,535)	(30,003)	(15,554)	(58,830)	(58,831)	(56,548)	(55,962)
Depletion adjustment	–	–	–	–	71,370	–	–	–
	28,653	27,398	20,911	52,431	109,046	43,220	61,721	97,465
Expenses	(13,616)	(62,635)	(31,944)	(88,528)	(35,495)	(22,663)	(59,325)	(18,846)
Net (loss)/income	$ 15,037	$ (35,237)	$ (11,033)	$ (36,097)	$ 73,551	$ 20,557	$ 2,396	$ 78,619

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

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

Operating Expenses	Three months ended December 31,		Increase/	
	2023	2022	(decrease)	Change
Investor relations and shareholder communications	$ 54,888	$ 151,951	$ (97,063)	(64%)
Salaries and benefits	101,793	95,094	6,699	7%
Administration	82,762	94,981	(12,219)	(13%)
Regulatory	24,711	26,520	(1,809)	(7%)
Legal, tax, audit and audit related	89,671	19,238	70,433	366%
Property investigations	15,874	6,311	9,563	152%
Equity-settled share-based payments	–	7,600	(7,600)	(100%)
Total	$ 369,699	$ 401,695	$ (31,996)	(8%)

Operating Expenses		Year ended December 31, 2023		2022		Increase/ (decrease)	Change
Investor relations and shareholder communications	$	192,691	$	637,717	$	(445,026)	(70%)
Salaries and benefits		407,887		394,079		13,808	4%
Administration		404,691		392,357		12,334	3%
Regulatory		110,923		91,630		19,293	21%
Legal, tax, audit and audit related		268,209		227,089		41,120	18%
Property investigations		35,930		75,293		(39,363)	(52%)
Equity-settled share-based payments		–		291,600		(291,600)	(100%)
Total	$	1,420,331	$	2,109,765	$	(689,434)	(33%)

Historically, the Company has relied primarily on funds raised through issuance of its equity to fund its working capital requirements. In the Current Year, to conserve its current cash resources, the Company reduced its investor relations and shareholders communication expenses.

In the Current Year, there was no significant change in the salaries and benefit expenses, which represent directors' fees and executive compensation.

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

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

No share-based payment expenses were recorded in the Current Year. Share-based payment expense in the Prior Year mainly pertained to the grant of share purchase options in October 2021, the fair value of which options were partially amortized in the Prior Year, due to the vesting pattern of such options.

1.6 Liquidity

At December 31, 2023, the Company had a cash balance of $443,000 (December 31, 2022 – $1,237,000) and working capital of $592,000 (December 31, 2022 – $1,166,000).

After the end of the Current Year, in October 2023, the Company announced that it had elected to draw down $2.5 million under the Loan Facility.

A summary of sources and uses of cash during the Current Year, compared to the Prior Year, as follows:

		Year ended December 31, 2023		2022
Cash used in operating activities	$	(1,381,000)	$	(2,039,000)
Cash used in investing activities		(3,855,000)		(1,644,000)
Cash provided by financing activities		4,441,000		2,818,000
Decrease in cash and cash equivalents	$	(795,000)	$	(865,000)

The decrease in the amount of cash used in the Company's operating activities during the Current Year, compared to the Prior Year, is consistent with the decrease in net loss in the Current Year, compared to net loss in the Prior Year.

Cash used in investing activities during the Current Year represents mainly the cash considerations paid and transactions costs (mainly legal costs) incurred with respect to the acquisition of the Penouta royalty, the Kenbridge royalty, and the additional royalty interest in the Bisset Creek project, net of cash distributions received from MTM LP. During the Prior Year, cash used in investing activities mainly represents a net effect of cash used for the acquisition of the Rana Royalty, the Sleitat Royalty, and the Zonia Copper Royalty, net of cash distributions received from MTM LP.

During the Current Year, the Company's financing cash flow mainly relates to the cash advances for an aggregate amount of $4.45 million received against the Loan Facility. For the Prior Year, the Company's financing cash flow was mainly from the Public Offering.

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

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

At December 31, 2023, except for an office lease expiring in 2026 and the Loan due in 2026, the Company did not have any material long-term lease obligations, purchase obligations, or any other long-term obligations.

1.7 Capital Resources

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

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

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

1.8 Off-Balance Sheet Arrangements

None

1.9 Transactions with Related Parties

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

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

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

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

	Three months ended December 31,		Increase/	
	2023	2022	(decrease)	Change
Short-term employment benefits (1)	$ 101,793	$ 95,094	$ 6,699	7%
Share-based payments relating to stock options (2)	–	113,000	(113,000)	(100%)
Total	$ 101,793	$ 208,094	$ (106,301)	(51%)

	Year ended December 31,		Increase/	
	2023	2022	(decrease)	Change
Short-term employment benefits (1)	$ 407,887	$ 394,079	$ 13,808	4%
Share-based payments relating to stock options (2)	–	248,000	(248,000)	(100%)
Total	$ 407,887	$ 642,079	$ (234,192)	(36%)

(1) Short-term employment benefits include salaries and benefits of the Company's chief executive officer and directors' fees.

(2) The share-based payment expenses in the Prior Year Quarter as well as in the Prior Year were due to amortization of the fair value of 2,450,000 options granted by the Company to its directors and officers in October 2021.

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

1.10 Fourth Quarter

The Company's operating results for the quarters ended December 31, 2023 and 2022 are discussed under 1.5 Results of Operations.

1.11 Proposed Transactions

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

1.12 Critical Accounting Estimates

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

1.13 Changes in Accounting Policies including Initial Adoption

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

1.14 Financial Instruments and Other Instruments

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

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

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

1.15 Other MD&A Requirements

1.15.1 Additional disclosure for venture issuers without significant revenue

See section 1.5 "Results of Operations".

1.15.2 Disclosure of Outstanding Share Data

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

	Number
Common shares issued and outstanding	96,601,509
Share purchase options	8,431,000
Share purchase warrants	17,805,000
Shares to be issued upon conversion of the Loan	7,639,350

1.15.3 Internal controls over financial reporting and disclosure controls

Internal Controls over Financial Reporting

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

Disclosure Controls and Procedures

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

1.15.4 Risk Factors

1.15.4.1 Specific Risks Related to Royalties

Royalties

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

Rights of Third Parties

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

Costs May Influence Return to Royalty Holder

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

Dependence on Third Party Property Owners and Operators

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

Limited Access to Data and Disclosure

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

Royalties May not be Honoured by Operators of a Project

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

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

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

Additional Risks

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

Dependence on Payment from Operators

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

Early Termination of Royalty Agreements

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

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

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

Delay or Failure of Royalty Payments

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

Acquisition Strategy

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

Increased Competition for Royalty Interests

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

1.15.4.2 Operational and Development Risk

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

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

Exploration for minerals is a speculative venture necessarily involving substantial risk. There is no certainty that the expenditures made by the operator of any given project will result in discoveries of commercial quantities of minerals on lands where the Company holds or may hold royalties. If mineable deposits are discovered, substantial expenditures are required to establish reserves through drilling, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that resources will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained at all or on terms acceptable to the operator. Although the Company intends to only hold royalty interests and not be responsible for these expenditures, the operator may not be in a financial position to obtain the necessary funds to advance the project.

Development Stage Projects

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

Foreign Exchange Rates

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

Regulatory Change

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

Litigation

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

Leverage

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

No Opportunity to Hedge Most of the Commodities

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

Impact from Other Commodities

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

Conflicts of Interest

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

Management Experience and Dependence on Key Personnel and Employees

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

1.15.4.3 General Risks

Liquidity Concerns and Future Financing Requirements

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

Volatility of Share Price

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

Portfolio Exposure

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

Investments Made by the Company May Lack Liquidity

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

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

Prospect of Dividends

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

Market for the Company's Shares

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

The Forward Looking Statements May Prove to be Inaccurate

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

Fluctuating Price of Commodities

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

Changes in Technology and Future Demand for Commodities

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

Competition

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

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

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

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

Future Acquisitions

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

Uncertainty of Additional Funding

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

Expansion of the Business Activities Outside Areas of Expertise

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

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

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

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

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

Russian military forces invaded Ukraine in February 2022. In response, Ukrainian military personnel and civilians are actively resisting the invasion. Many countries throughout the world have provided aid to the Ukraine in the form of financial aid and in some cases military equipment and weapons to assist in their resistance to the Russian invasion. The North Atlantic Treaty Organization ("NATO") has also mobilized forces to NATO member countries that are close to the conflict as deterrence to further Russian aggression in the region. The outcome of the conflict is uncertain and is likely to have wide-ranging consequences on the peace and stability of the region and the world economy. In addition, certain countries including Canada and the United States, have imposed strict financial and trade sanctions against Russia, which sanctions may have far reaching effects on the global economy. The long-term impacts of the conflict and the sanctions imposed on Russia remain uncertain and could have an adverse impact on the Company's business and results of operations and may have wide-ranging consequences on the peace and stability of the region and the world economy.

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

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

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

Concentration Risk

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

Interest Rate Risk

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

Income Taxes

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

Limitation of Insurance

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

Natural Disasters and Other Catastrophic Events

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

Permitting Risk

The Company may acquire royalty interests in mining projects that will require additional permits before commercial operations can be commenced, continued or expanded. These facilities will require various property rights, permits and licenses in order to conduct current and future operations, and delays or a failure to obtain such property rights, permits and licenses, or a failure to comply with the terms if any of such property rights, permits and licenses could result in interruption or closure of operations on the facility. Such interruptions or closures could have a material adverse effect on the Company's profitability, results of operation and financial condition.

Environmental Laws and Regulations

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

Local Public Opposition

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

Negative Public or Community Response

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

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

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

Health, Safety and Environmental Risks

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