Electric Royalties Ltd.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2023 AND 2022

(Expressed in Canadian Dollars)

(Unaudited)

Electric Royalties Ltd.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Expressed in Canadian Dollars)

	Note		September 30, 2023		December 31, 2022
ASSETS					
Current Assets					
Cash and cash equivalents	3	$	186,335	$	1,236,733
Royalty revenue receivable			75,975		–
Prepaid expenses			121,253		29,664
Fixed royalty receivable	6		49,048		–
Income tax receivable			55,554		36,473
			488,165		1,302,870
Non-current Assets					
Mineral royalty interests and deferred transaction costs	4		16,823,634		12,048,633
Investment in associate	5		4,881,904		5,033,605
Fixed royalty receivable	6		114,182		–
Right-of-use asset			17,595		22,706
			21,837,315		17,104,944
TOTAL ASSETS		$	22,325,480	$	18,407,814
EQUITY					
Share capital	7	$	23,588,230	$	22,563,230
Reserves	8		2,985,646		2,605,264
Accumulated deficit			(8,058,756)		(6,916,323)
			18,515,120		18,252,171
LIABILITIES					
Non-Current Liabilities					
Convertible loan	9		3,706,951		–
Lease liability			13,178		18,707
			3,720,129		18,707
Current Liabilities					
Lease liability			7,462		6,609
Accounts payable			82,769		130,327
			90,231		136,936
Total liabilities			3,810,360		155,643
TOTAL EQUITY AND LIABILITIES		$	22,325,480	$	18,407,814

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

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

These Financial Statements were approved for issuance by the Audit and Risk Committee of the Company's Board of Directors on November 28, 2023 and are signed on the Company's behalf by the following:

/s/ Brendan Yurik

Brendan Yurik
Director

/s/ Craig Lindsay

Craig Lindsay
Director

Electric Royalties Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss

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

		Three months ended September 30,		Nine months ended September 30,	
	Note	**2023**	**2022**	**2023**	**2022**
Revenue from royalty interests	2(d)	$ 84,417	$ –	$ 155,073	$ –
Depletion of royalty interest	4	(22,200)	–	(38,100)	–
Gross profit		62,217	–	116,973	–
Operating Expenses					
Investor relations and shareholder communications		55,744	227,979	137,803	485,766
Salaries and benefits	10	102,179	96,849	306,094	298,985
Administration		93,848	82,343	321,929	297,376
Regulatory		33,214	24,496	86,212	65,110
Legal, tax, audit and audit related		31,086	50,328	178,538	207,851
Property investigations		4,686	17,691	20,056	68,982
Equity-settled share-based payments	8(a)	–	57,000	–	284,000
		(320,757)	(556,686)	(1,050,632)	(1,708,070)
Share of (loss) income of associate	5	(35,238)	20,559	(82,366)	101,573
Foreign exchange income (loss)		1,859	1,173	(6,537)	708
Interest income on cash and cash equivalents	3	4,063	13,793	24,034	23,915
Interest income on fixed royalty receivable	6	255	–	255	–
Finance expenses – convertible note	9	(61,643)	–	(126,951)	–
Finance expenses – lease liability		(526)	(681)	(1,701)	(2,120)
Net loss, before income tax		(349,770)	(521,842)	(1,126,925)	(1,583,994)
Current income tax expense		(8,442)	–	(15,508)	(56,575)
Deferred income tax expense		(39,960)	–	–	–
		(48,402)	–	(15,508)	(56,575)
Net loss		$ (398,172)	$ (521,842)	$ (1,142,433)	$ (1,640,569)
Other comprehensive income					
Items that may be subsequently reclassified to net income					
Foreign exchange translation difference	5	180,438	367,661	10,382	456,576
Total other comprehensive income		180,438	367,661	10,382	456,576
Total comprehensive loss		$ (217,734)	$ (154,181)	$ (1,132,051)	$ (1,183,993)
Basic and diluted loss per share		$ (0.00)	$ (0.01)	$ (0.01)	$ (0.02)
Weighted average number of common shares outstanding		96,601,509	92,210,205	95,495,282	85,517,259

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

Electric Royalties Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

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

	Note	Share Capital (note 7) Number of shares	Share Capital (note 7) Amount	Share-based payment reserve 8(a)	Share purchase warrant reserve 8(b)	Conversion option reserve 9	Foreign currency translation reserve 8(c)	Accumulated deficit	Total equity
Balance at January 1, 2022		77,101,509	$ 18,586,154	$ 803,000	$ 735,092	$ –	$ 38,529	$ (4,993,279)	$ 15,169,496
Net loss		–	–	–	–	–	–	(1,640,569)	(1,640,569)
Other comprehensive income		–	–	–	–	–	456,576	–	456,576
Total comprehensive loss		–	–	–	–	–	456,576	(1,640,569)	(1,183,993)
Common Shares issued upon acquisition of the Rana Nickel Royalty	4	2,000,000	760,000	–	–	–	–	–	760,000
Units issued pursuant to the Public Offering, net of cost	7(b)	11,500,000	2,495,226	–	226,500	–	–	–	2,721,726
Agent warrants issued pursuant to the Public Offering	7(b)	–	–	–	107,000	–	–	–	107,000
Common shares issued upon acquisition of Sleitat Royalty	4	1,000,000	255,000	–	–	–	–	–	255,000
Common shares issued upon acquisition of Sleitat Royalty	5	2,000,000	470,000	–	–	–	–	–	470,000
Equity-settled share-based payments		–	–	284,000	–	–	–	–	284,000
Balance at September 30, 2022		93,601,509	$ 22,566,380	$ 1,087,000	$ 1,068,592	$ –	$ 495,105	$ (6,633,848)	$ 18,583,229
Balance at January 1, 2023		93,601,509	$ 22,563,230	$ 1,094,600	$ 1,068,592	$ –	$ 442,072	$ (6,916,323)	$ 18,252,171
Net loss		–	–	–	–	–	–	(1,142,433)	(1,142,433)
Other comprehensive income		–	–	–	–	–	10,382	–	10,382
Total comprehensive loss		–	–	–	–	–	10,382	(1,142,433)	(1,132,051)
Common Shares issued upon acquisition of the Penouta Royalty	4	500,000	175,000	–	–	–	–	–	175,000
Common Shares issued upon acquisition of the Kenbridge Royalty	4	2,500,000	850,000	–	–	–	–	–	850,000
Convertible loan – conversion option	9	–	–	–	–	370,000	–	–	370,000
Balance at September 30, 2023		96,601,509	$ 23,588,230	$ 1,094,600	$ 1,068,592	$ 370,000	$ 452,454	$ (8,058,756)	$ 18,515,120

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

Electric Royalties Ltd.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Expressed in Canadian Dollars)

		Nine months ended September 30,	
	Note	**2023**	**2022**
Operating activities			
Net loss		$ (1,142,433)	$ (1,640,569)
Adjustments for:			
Depletion of royalty interest		38,100	–
Depreciation of right-of-use asset		5,111	5,111
Equity-settled share-based payments	8(a)	–	284,000
Share of loss (income) of associate	5	82,366	(101,573)
Finance expenses – convertible note	9	126,951	–
Finance expenses – lease liability		1,701	2,120
Interest income on cash and cash equivalents	3	(24,034)	(23,915)
Interest income on fixed royalty receivable	6	(255)	
Changes in working capital items			
Prepaid expenses		(91,589)	(51,300)
Income tax receivable		(19,081)	–
Royalty revenue receivable		(75,975)	–
Accounts payable		(47,558)	(91,533)
Income tax payable		–	(34,000)
Cash used in operating activities		(1,146,696)	(1,651,659)
Investing activities			
Acquisition of mineral royalty interests, including transaction costs and amount attributable to fixed royalty	4,6	(3,946,553)	(1,924,855)
Cash distributions from associate		73,559	178,324
Interest received	3	24,034	23,915
Cash used in investing activities		(3,848,960)	(1,722,616)
Financing activities			
Proceeds from convertible loan	9	3,950,000	–
Net proceeds from the Public Offering		–	2,828,726
Payment of principal on lease		(4,676)	(3,714)
Payment of interest on lease		(1,701)	(2,120)
Cash provided by financing activities		3,943,623	2,822,892
Change in cash and cash equivalents		(1,052,033)	(551,383)
Effects of exchange rate fluctuations on cash held		1,635	–
Cash and cash equivalents, opening balance		1,236,733	2,101,875
Cash and cash equivalents, closing balance		$ 186,335	$ 1,550,492

Supplemental cash flow information (note 3)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

These condensed consolidated interim financial statements (the "Financial Statements") are comprised of the Company and its subsidiary (wholly-owned) – Electric Royalties (USA) Inc. ("ELEC-US") – (together referred to as the "Company" or the "Group") and are prepared for the three and nine months ended September 30, 2023 and 2022.

These Financial Statements are prepared on the basis that the Company will continue as a going concern which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. During the nine months ended September 30, 2023, the Company recorded a net loss of $1,142,433 (for the nine months ended September 30, 2022: $1,640,569). Historically, the Company's primary sources of funding included proceeds from the issuance of common shares of the Company, convertible debt, royalty revenue, and distributions from MTM LP (note 5).

In November 2022, the Company entered into a convertible loan facility for an aggregate amount of up to $2 million (subsequently increased to $5 million in April 2023), with a 3 year term (note 9). As of September 30, 2023, the Company had drawn $3.95 million of the convertible loan facility. See Note 11 for an additional cash advance received, as well as certain amendments to the Loan agreed upon between the Company and the Lender, after the reporting period.

Any change in the commitment or timing of debt and equity funding from existing or new shareholders of the Company, and alternative capital providers may require the Company to curtail its business development activities or seek alternative sources of funding. As such, there is material uncertainty that casts significant doubt on the Company's ability to continue as a going concern. Management has concluded that presentation as a going concern is appropriate in these Financial Statements based on the Company's current financial position and its plans for the next 12 months.

2. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Statement of compliance

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

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

(b) Significant accounting estimates and judgements

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

To record depletion of its royalty interest under the units-of-production method, the Company uses estimated recoverable Reserves and Resources to determine the depletion rate with respect to each of its royalty interests. The Company relies on public disclosures of Reserves and Resources estimates released by the operators of underlying mineral properties, which estimates involve assessments of geological and geophysical studies and economic data and the reliance on a number of assumptions, including commodity prices and production costs.

The Company has determined that, as of September 30, 2023, there was an impairment indicator relating to its interest in MTM LP, and accordingly, it has assessed whether the carrying amount of its interest in MTM LP exceeded the recoverable amount. No impairment charge was recorded as a result of this assessment (Note 5).

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

(c) Revenue

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

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

(d) Operating segments

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

	September 30, 2023	December 31, 2022
Mineral royalty interests and deferred transaction costs		
Canada	$ 7,029,342	$ 4,851,149
United States of America	2,595,849	2,591,326
Southern hemisphere (Australia and Madagascar)	3,658,048	3,658,048
Norway	914,673	914,673
Spain	2,625,722	33,437
Investment in associate		
United States of America	4,881,904	5,033,605
Total	$ 21,705,538	$ 17,082,238

Revenue from royalty interests	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Revenue from the Penouta Tin-Tantalum Royalty, located in Spain	$ 155,073	$ –

3. CASH AND CASH EQUIVALENTS

	September 30, 2023	December 31, 2022
Components of cash and cash equivalent:		
Cash held in business accounts		
Denominated in Canadian Dollars	$ 108,394	$ 868,286
Denominated in US Dollars	77,941	368,447
Total	$ 186,335	$ 1,236,733

Supplemental cash flow information	Note	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Income tax paid			
Income tax paid during the period		$ 21,027	$ 90,170
Non-cash investing and financing activities			
Value of common shares issued with respect to royalty acquisitions	4	$ 1,025,000	$ 1,485,000
Value of agent warrants issued pursuant to the Public Offering	7	–	107,000

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

4 . MINERAL ROYALTY INTERESTS AND DEFERRED TRANSACTION COSTS

At September 30, 2023, the Company held the following royalty interests, including gross revenue royalty ("GRR"), gross metal royalty ("GMR"), and net smelter returns ("NSR") royalty:

Project	Note	Location	Royalty Interest
Bissett Creek Graphite Royalty	4(c)	Ontario, Canada	1.5 % GRR
Globex Royalties			
Authier Lithium Project (core claim)		Quebec, Canada	0.5 % GMR
Authier Lithium Project (Sayona West)		Quebec, Canada	0.5 % GMR
Authier Lithium Project (Sayona East)		Quebec, Canada	2.0 % GMR
Mont Sorcier Project – vanadium production		New Brunswick, Canada	1.0 % GMR
Battery Hill Manganese Project		Quebec, Canada	2.0 % GMR
Chubb Lithium Project		Quebec, Canada	2.0 % GMR
Bouvier Lithium Project		Quebec, Canada	2.0 % GMR
Global Royalties			
Millennium Copper Cobalt Project		Queensland, Australia	0.5 % GRR
Mt. Dorothy Cobalt Project		Queensland, Australia	0.5 % GRR
Cobalt Ridge Cobalt Project		Queensland, Australia	0.5 % GRR
Seymour Lake Lithium Royalty		Ontario, Canada	1.5 % NSR
Glassville Manganese Royalty		New Brunswick, Canada	1.0 % GRR
Vox Graphite Royalties			
Graphmada Graphite Project		Madagascar	2.5 % NSR
Graphite Bull Project		Western Australia	0.75 % GRR
Cancet Lithium Royalty		Quebec, Canada	1.0 % NSR
Rana Nickel Royalty		Northern Norway	1.0 % NSR
Sleitat Tin-Silver Royalty		Alaska, United States	1.0 % NSR
Zonia Copper Royalty		Alaska, United States	0.5% GRR
Penouta Tin-Tantalum Royalty	4(a)	Ourense, Spain	1.5% GRR, subject to reduction
Kenbridge Nickel Royalty	4(b)	Ontario, Canada	0.5% GRR

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

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

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

	Nine months ended September 30, 2023			Nine months ended September 30, 2022		
	Mineral royalty interest	Deferred transaction cost	Total	Mineral royalty interest	Deferred transaction cost	Total
Cost						
Beginning balance	11,961,081	33,437	11,994,518	8,509,197	48,236	8,557,433
Additions during the period	4,802,576	6,002	4,808,578	3,409,855	–	3,409,855
Reallocation	33,437	(33,437)	–	48,236	(48,236)	–
Ending balance	16,797,094	6,002	16,803,096	11,967,288	–	11,967,288
Accumulated depletion						
Beginning balance	–	–	–	–	–	–
Charge for the period	38,100	–	38,100	–	–	–
Ending balance	(38,100)	–	(38,100)	–	–	–
Foreign currency translation difference						
Beginning balance	54,115	–	54,115	–	–	–
Movement for the period	4,523	–	4,523	–	–	–
Ending balance	58,638	–	58,638	–	–	–
Ending balance	16,817,632	6,002	16,823,634	11,967,288	–	11,967,288

(a) Penouta Tin-Tantalum royalty

In January 2023, the Company acquired a 0.75% GRR (the "Penouta Tin-Tantalum Project") on the producing Penouta tin-tantalum mine in Spain, from Strategic Minerals Europe Corp. ("Strategic Minerals"), in exchange for a cash payment of $1,000,000 and 500,000 common shares of the Company with the fair value of $175,000 on the date of issuance. In addition, the Company was granted an option (exercised in July 2023, note 10(a)) for a period of 7 months from closing to acquire an additional 0.75% GRR on the Penouta Tin-Tantalum Project in exchange for an additional cash payment of $1,250,000.

In July 2023, the Company exercised its option to increase its existing 0.75% GRR on the Penouta Tin-Tantalum Project, by a further 0.75% in exchange for a cash payment of $1,250,000. Electric Royalties now holds an aggregated 1.5% GRR on Penouta, which rate will reduce to 1.25% upon receipt of $1,666,667 in aggregate royalty payments, and to 1.0% upon receipt of $3,333,334 in aggregate royalty payments.

(b) Kenbridge Nickel royalty

In April 2023, the Company completed the acquisition (the “Kenbridge Transaction”), from Tartisan Nickel Corp. (“Tartisan”), of a 0.5% GRR on certain mining claims, mining leases and mineral tenures comprising the wholly-owned Kenbridge Nickel Project in northwest Ontario, Canada (the "Kenbridge Project" or "Kenbridge") in exchange for $500,000 cash and 2,500,000 common shares of the Company with the fair value of $850,000 on the date of issuance. The Company has also received the right, for a period of 18 months after the closing date of the Kenbridge Transaction, to acquire a further 0.5% GRR on the Kenbridge Project for $1,750,000 cash consideration. In addition, the Company will have an option to acquire a 1% GRR on the mining claims, mining leases and mineral tenures comprising the Kenbridge North Nickel Project (the “Kenbridge North Project” or “Kenbridge North”), approximately 2.5 km north of the Kenbridge Nickel Deposit, for $1,000,000 cash, at any time during a period of 24 months from the date that Tartisan publishes an initial technical report in respect of the Kenbridge North Project which is prepared in accordance with National Instrument 43-101 and which contains an estimate of Inferred Mineral Resources.

(c) *Bissett Creek Graphite royalty*

In September 2023, the Company acquired an additional 0.5% GRR on the Bissett Creek graphite project in Ontario, Canada (the "Bissett Creek Project"), operated by Northern Graphite Corporation ("Northern Graphite"), in exchange for a cash payment of $950,000 (the "Aggregate Consideration"). Together with its existing 1% GRR on Bissett Creek, the Company now holds a 1.5% GRR on Bissett Creek.

In connection with the purchase of the additional GRR, the Company has entered into an amended and restated royalty (the "A&R Bisset Creek Agreement") agreement with Northern Graphite on September 27, 2023. Pursuant to the terms of the amended agreement, in addition to the GRR on future production, Northern Graphite will make a separate fixed royalty payment (the "Fixed Royalty") to Electric Royalties in the total amount of $200,000, payable in eight quarterly payments of $25,000 for the next two years.

The Fixed Royalty has been recognized as a financial instrument, and was recorded at its fair value upon initial recognition. The difference between the Aggregate Consideration and the initial fair value of the Fixed Royalty was recorded in mineral royalty interests.

5. INVESTMENT IN ASSOCIATE

In August 2021, the Company's wholly-owned subsidiary, Electric Royalties (USA) Inc., acquired a 25% interest in a limited partnership ("MTM LP"), which completed the acquisition of the Middle Tennessee Mine royalty ("MTM Royalty"). The Company's interest in the MTM LP entitles it to receive distributions of 25% of the MTM LP's revenue after deduction of the Company's proportionate share of MTM LP's operating expenses. Effective September 1, 2023, 25% of MTM LP's expenses are attributable to the Company's economic interest in the partnership. Prior to September 1, 2023 and since its inception, 50% of MTM LP's expense had been allocated to the Company economic interest in the partnership.

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

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

After the end of the reporting period, in November 2023, the owner (Nyrstar) of the MTM mine announced that production operations at the mine will be temporarily paused at the end of November 2023, due to weakened market conditions and inflationary impacts on input costs and operating margins, and that operations will resume as soon as economically viable. This event has been considered as an indicator of impairment of the Company's interest in MTM LP as of September 30, 2023. Accordingly, the Company completed its assessment as to whether the carrying amount of the Company's interest in MTM LP exceeded its recoverable amount as of the reporting date. Using the discounted cash flow valuation method, and based on the following assumptions and inputs, the Company concluded that the carrying amount of its interest as of September 30, 2023 did not exceed its recoverable amount: discount rate of 8.5%, long term zinc price of $1.19 per pound, estimated lead-time to resume mine operation of 27 months from the reporting date.

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

A sensitivity analysis of the assumptions used in the aforementioned discounted cash flow valuation is provide below:

a) If the assumption of the estimated lead-time to resume mine operation is adjusted by an additional six months, an impairment loss of $130,000 would have been recorded.
b) An upward adjustment of 50 basis points to the discount rate would result in an impairment loss of $50,000.
c) A 10% downward adjustment to zinc price would result in an impairment loss of $350,000.

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Beginning balance	$ 5,033,605	$ 4,779,796
ELEC's share of net (loss) income of associate	(82,366)	101,573
Cash distributions from MTM LP	(73,559)	(178,324)
Currency translation adjustments	4,224	456,576
Carrying amount at the end of the period	$ 4,881,904	$ 5,159,621

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

	Three months ended , September 30, 2023	Three months ended , September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Royalty revenue	$ 223,731	$ 408,207	$ 699,331	$ 1,494,989
Depletion of royalty interest	(114,142)	(235,321)	(296,368)	(685,362)
Revenue, net of depletion	109,589	172,886	402,963	809,627
Administration expenses	(140,086)	(45,328)	(381,030)	(201,667)
Net (loss) income	$ (30,497)	$ 127,558	$ 21,933	$ 607,960
Company's share of (loss) income of associate (i)	$ (35,238)	$ 20,559	$ (82,366)	$ 101,573

(i) The Company's share of loss or income of MTM LP comprises 25% of its revenue and 50% of its expenses to August 31, 2023, and 25% of its expenses thereafter.

At September 30, 2023 and December 31, 2022, MTM LP's only non-current asset was the MTM Royalty interest, and it had no significant amount of liabilities.

6 . FIXED ROYALTY RECEIVABLE

The following is a continuity of the Fixed Royalty receivable, which is carried at amortized cost in these Financial Statements:

	Nine months ended September 30, 2023	Year ended December 31, 2022
Beginning balance	$ –	$ –
Aggregate fair value of cash advances upon initial recognition	162,975	–
Accretion for the period	255	–
	$ 163,230	$ –
Current portion	49,048	
Non-current portion	114,182	
	$ 163,230	$ –

7. SHARE CAPITAL

(a) Authorized share capital

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

(b) Public Offering

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

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

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

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

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

8. RESERVES

(a) Equity-settled share-based payment arrangements

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

Continuity of options	Nine months ended September 30, 2023			Nine months ended September 30, 2022		
	Number of Options		Weighted average exercise price	Number of Options		Weighted average exercise price
Outstanding – beginning balance	7,197,500	$	0.35	7,172,500	$	0.35
Options granted	–	$	–	200,000	$	0.34
Options expired	(872,500)	$	0.29	(175,000)	$	0.20
Options outstanding – ending balance	6,325,000	$	0.36	7,197,500	$	0.35
Options exercisable – ending balance	6,325,000	$	0.36	6,030,838	$	0.34

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

The following table summarizes information on the options outstanding:

Remaining contractual life of the Company's common share purchase options:	September 30, 2023		December 31, 2022	
	Number of	Weighted average remaining contractual life	Number of	Weighted average remaining contractual life
Exercise price	Options	(years)	Options	(years)
$0.280	200,000	0.37	200,000	1.12
$0.290	2,575,000	1.79	3,447,500	2.03
$0.340	200,000	1.49	200,000	2.24
$0.415	3,350,000	2.83	3,350,000	3.58
	6,325,000	2.29	7,197,500	2.73

(b) Share purchase warrants

Continuity of share purchase warrants	Note	Nine months ended September 30, 2023		Nine months ended September 30, 2022
		(Number of warrants)		
Beginning balance		22,805,000		10,593,000
Warrants issued pursuant to the Public Offering	7(b)	–		11,500,000
Compensation warrants issued to the underwriter of the Public Offering	7(b)	–		805,000
Warrants expired		(5,000,000)		(93,000)
Ending balance		17,805,000		22,805,000
Weighted average exercise price – end of the reporting period		$ 0.48	$	0.51
Weighted remaining life (years) – end of the reporting period		1.67		2.24

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

(c) Foreign currency translation reserve

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

9. CONVERTIBLE LOAN

In November 2022, the Company entered into a convertible loan facility (the "Loan Facility" or “Convertible Loan”) with a significant shareholder (the "Lender") of the Company, which agreement was amended in April 2023, as further described below. The Loan Facility was initially for $2 million with a three-year term, and was subject to interest at 15% per annum, with interest to be accrued and payable at the end of the loan term. There is no commitment fee payable on the Loan Facility. At September 30, 2023, the Loan was secured by the Company’s interest in the following royalties that were acquired using proceeds from this Loan Facility: a) Penouta Tin-Tantalum Royalty; b) Kenbridge Royalty; and c) 0.5% of 1.5% GRR in the Bisset Creek Project acquired in September 2023.

In April 2023, the Company and the Lender entered into an agreement to increase the Loan Facility from $2 million to $5 million. The Lender also agreed to modify the interest rate to a lower, floating rate (Secured Overnight Financing Rate (or “SOFR”) + 7%), with a maximum interest rate of 12.5% p.a., as compared to the original rate of 15% p.a. All other terms remain the same. The Company concluded this was a non-substantive loan modification, and it recorded a modification gain of $61,000, as a credit to finance expenses, in the statement of comprehensive loss for the nine months ended September 30, 2023.

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

The Convertible Loan is a compound financial instrument, which has both liability and equity characteristics, and the initial carrying amount of each advance is allocated to its equity and liability components. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the fair value of the liability component

Cash advances	Advance date	Conversion price	Gross proceeds	Fair value of debt	Residual value
First Advance	January 18, 2023	$ 0.62	$ 1,000,000	$ 903,000	$ 97,000
Second Advance	April 19, 2023	0.71	500,000	449,000	51,000
Third Advance	July 26, 2023	0.63	1,400,000	1,269,000	131,000
Fourth Advance	September 26, 2023	0.50	1,050,000	959,000	91,000
Total			$ 3,950,000	$ 3,580,000	$ 370,000

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

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

	Nine months ended September 30, 2023	Year ended December 31, 2022
Beginning balance	$ –	$ –
Aggregate fair value of cash advances upon initial recognition	3,580,000	–
Finance expenses – convertible note		
Interest for the period	152,120	–
Debt accretion for the period	35,831	–
Gain on modification	(61,000)	–
	126,951	–
Carrying amount at the end of the period	$ 3,706,951	$ –

10 . RELATED PARTY TRANSACTIONS

The Lender of the Loan Facility is a significant shareholder of the Company that beneficially holds approximately 19% of the Company's issued and outstanding common shares (note 9).

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

	Three months to September 30,		Nine months to September 30,	
	2023	2022	2023	2022
Short-term employment benefits(i)	$ 102,179	$ 96,849	$ 306,094	$ 298,985
Share-based payments	–	59,000	–	135,000
Total	$ 102,179	$ 155,849	$ 306,094	$ 433,985

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

11 . EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Additional drawdown and amendment to the Convertible Note agreement (note 9)

On October 19, 2023, the Company announced that it had elected to draw down $500,000 under the Loan Facility for working capital.

Moreover, the Company signed a commitment letter with the Lender to increase the Loan Facility from $5,000,000 to $10,000,000 (the "Loan Amendment"). The Lender has also agreed to extend the maturity date of the Loan from January 2026 to January 2028.

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

Following the completion of the Loan Amendment, the Loan 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, the sliding scale Gross Metals Royalty on the Middle Tennessee Mine in the United States, 0.5% Gross Metal Royalty on the Authier lithium project in Canada and 1.5% Gross Revenue Royalty 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. Except for the foregoing, all other terms of the credit facility remain the same.

(b) Court order with respect to the Penouta Mine (note 4)

After the end of the reporting period, in October 2023, Strategic Mineral Europe Corp., the operator of the Penouta mine, announced that the Superior Court of Xustiza of Galicia decided to provisionally suspend the section C permit for the Penouta Project after a complaint filed by an environmentalist group.

Per Strategic Minerals announcement, in their opinion, the court's decision, is based on inaccurate assertions that mining activities at the Penouta Mine are affecting irrigation and the immediate area. On October 23, 2023, Strategic Minerals presented an appeal to reverse the decision and expedite the reinstatement of the section C permit. Since filing the Appeal, the local mining authority Xunta de Galicia (the "Xunta") has requested that the Company refrain from continuing conducting mineral exploitation operations at the Penouta Project until the Appeal is decided.

While Strategic Minerals expects the appeal process to reverse the provisional suspension decision, there can be no assurance of the ultimate outcome.

(c) Letter of Intent – lithium portfolio

After the end of the reporting period, in November 2023, the Company announced that it had signed a Letter of Intent ("LOI") with certain private parties (together, the "Vendors"), dated November 3, 2023, to acquire an ownership interest in a portfolio of 126 lithium properties in Eastern Canada (the "Transaction"). Of the properties in the Transaction, 101 are currently being explored by third parties pursuant to option agreements and, to the extent such properties are successfully explored and developed, have the potential to result in royalties payable to the Company by the optionee of the applicable properties.

The Company made a $75,000 cash payment to the Vendor in consideration for entering into an exclusivity period ending March 28, 2024, in order to perform due diligence on the portfolio of lithium properties.

Completion of the proposed Transaction remains subject to a number of conditions, including: the satisfactory completion of due diligence; board approval; the receipt of any required regulatory approvals; and the negotiation of definitive documentation. Upon closing (the "Closing") of the Transaction, the Company will issue an aggregate of 3,000,000 common shares in the capital of the Company (the "Consideration Shares") and make a cash payment (the sum of $3,000,000 less the (i) exclusivity fee and (ii) the amount of certain payments received by the Vendors under any earn-in, option, royalty or similar agreement on or after January 1, 2024). Additionally, the Company will make two cash payments of $750,000 each after 12 months and 18 months, respectively, from the Closing.