



# Electric Royalties Ltd.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED  
MARCH 31, 2024 AND 2023

*(Expressed in Canadian Dollars)*

*(Unaudited)*

## **NOTICE TO READER**

In accordance with National Instrument 51-102 subsection 4.3 (3), management of the Company advises that the Company's auditors have not performed a review of these interim financial statements.

## Electric Royalties Ltd.

### Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Expressed in Canadian Dollars)

	Note	March 31, 2024	December 31, 2023
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	3	\$ 173,412	\$ 442,522
Royalty revenue receivable		–	9,664
Prepaid expenses		187,964	183,438
Fixed royalty receivable	6	71,647	77,594
Income tax receivable		18,927	18,546
		451,950	731,764
Non-current Assets			
Mineral royalty interests and deferred transaction costs	4	14,253,884	14,150,001
Investment in associate	5	3,142,354	3,017,903
Fixed royalty receivable	6	81,286	93,441
Right-of-use asset		14,187	15,891
		17,491,711	17,277,236
<b>TOTAL ASSETS</b>		<b>\$ 17,943,661</b>	<b>\$ 18,009,000</b>
<b>EQUITY</b>			
Share capital	7	\$ 23,588,230	\$ 23,588,230
Reserves	8	3,096,950	2,847,251
Accumulated deficit		(13,417,027)	(12,915,600)
		13,268,153	13,519,881
<b>LIABILITIES</b>			
Non-Current Liabilities			
Convertible loan	9	4,206,620	4,338,522
Lease liability		9,025	10,644
		4,215,645	4,349,166
Current Liabilities			
Lease liability		7,629	7,761
Accounts payable and accrued liabilities		452,234	132,192
		459,863	139,953
<b>Total liabilities</b>		<b>4,675,508</b>	<b>4,489,119</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>\$ 17,943,661</b>	<b>\$ 18,009,000</b>

Nature 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 May 29, 2024 and are signed on the Company's behalf by the following:

/s/ Brendan Yurik

Brendan Yurik  
Director

/s/ Craig Lindsay

Craig Lindsay  
Director

## Electric Royalties Ltd.

### Condensed Consolidated Interim Statements of Comprehensive Loss

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

	Note	Three months ended March 31,	
		2024	2023
Revenue from royalty interests		\$ –	\$ 24,442
Depletion of royalty interest	4	–	(5,600)
Gross profit		–	18,842
Operating Expenses			
Investor relations and shareholder communications		87,132	43,306
Salaries and benefits	10	116,158	102,770
Administration		100,048	98,972
Regulatory		29,482	22,946
Legal, tax, audit and audit related		212,826	32,226
Property investigations		24,272	7,363
Equity-settled share-based payments	8(a)	115,587	–
		(685,505)	(307,583)
Share of loss of associate	5	(18,319)	(36,097)
Reversal of impairment loss - investment in MTM LP	5	58,384	–
Foreign exchange income (loss)		1,245	(489)
Interest income on cash and cash equivalents	3	4,407	12,037
Interest income on fixed royalty receivable	6	6,898	–
Finance expenses – convertible note	9	(183,884)	(34,657)
Gain on modification of convertible note	9	315,786	–
Finance expenses – lease liability		(439)	(607)
Net loss, before income tax		(501,427)	(348,554)
Current income tax expense		–	(2,424)
Deferred income tax recovery		–	26,190
Net loss		\$ (501,427)	\$ (324,788)
Other comprehensive income (loss)			
Items that may be subsequently reclassified to net income			
Foreign exchange translation difference	5	134,112	(19,931)
Total other comprehensive income (loss)		134,112	(19,931)
Total comprehensive loss		\$ (367,315)	\$ (344,719)
Basic and diluted loss per share		\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding		99,601,509	93,968,176

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)		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
		Number of shares	Amount						
Balance at January 1, 2023		93,601,509	\$ 22,563,230	\$ 1,094,600	\$ 1,068,592	\$ -	\$ 442,072	\$ (6,916,323)	\$ 18,252,171
Net loss		-	-	-	-	-	-	(324,788)	(324,788)
Other comprehensive loss		-	-	-	-	-	(19,931)	-	(19,931)
Total comprehensive loss		-	-	-	-	-	(19,931)	(324,788)	(344,719)
Common Shares issued upon acquisition of the Penouta Royalty	4	500,000	175,000	-	-	-	-	-	175,000
Convertible loan – conversion option	9	-	-	-	-	97,000	-	-	97,000
Initial deferred tax resulting from separation of compound instrument		-	-	-	-	(26,190)	-	-	(26,190)
<b>Balance at March 31, 2023</b>		<b>94,101,509</b>	<b>\$ 22,738,230</b>	<b>\$ 1,094,600</b>	<b>\$ 1,068,592</b>	<b>\$ 70,810</b>	<b>\$ 422,141</b>	<b>\$ (7,241,111)</b>	<b>\$ 18,153,262</b>
Balance at January 1, 2024		96,601,509	\$ 23,588,230	\$ 1,094,600	\$ 1,068,592	\$ 412,000	\$ 272,059	\$ (12,915,600)	\$ 13,519,881
Net loss		-	-	-	-	-	-	(501,427)	(501,427)
Other comprehensive income		-	-	-	-	-	134,112	-	134,112
Total comprehensive loss		-	-	-	-	-	134,112	(501,427)	(367,315)
Equity-settled share-based payments	8(a)	-	-	115,587	-	-	-	-	115,587
<b>Balance at March 31, 2024</b>		<b>96,601,509</b>	<b>\$ 23,588,230</b>	<b>\$ 1,210,187</b>	<b>\$ 1,068,592</b>	<b>\$ 412,000</b>	<b>\$ 406,171</b>	<b>\$ (13,417,027)</b>	<b>\$ 13,268,153</b>

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

## Electric Royalties Ltd.

### Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Expressed in Canadian Dollars)

	Note	Three months ended March 31,	
		2024	2023
<b>Operating activities</b>			
Net loss		\$ (501,427)	\$ (324,788)
Adjustments for:			
Depletion of royalty interest		-	5,600
Depreciation of right-of-use asset		1,704	1,704
Equity-settled share-based payments	8(a)	115,587	-
Share of loss of associate	5	18,319	36,097
Reversal of impairment loss - investment in MTM LP	5	(58,384)	-
Finance expenses – convertible note	9	183,884	34,657
Gain on modification of convertible note	0	(315,786)	-
Finance expenses – lease liability		439	607
Interest income on cash and cash equivalents	3	(4,407)	(12,037)
Interest income on fixed royalty receivable	6	(6,898)	-
Deferred income tax recovery		-	(26,190)
Foreign exchange difference		-	835
Changes in working capital items			
Prepaid expenses		(4,526)	(22,762)
Income tax receivable		-	93
Royalty revenue receivable		9,664	(21,998)
Accounts payable and accrued liabilities		320,042	(36,437)
Income tax payable		-	-
<b>Cash used in operating activities</b>		<b>(241,789)</b>	<b>(364,619)</b>
<b>Investing activities</b>			
Acquisition of mineral royalty interests, including transaction costs and amount attributable to fixed royalty	4,6	(56,102)	(1,100,352)
Principal repayment – fixed royalty receivable	6	16,940	-
Interest received	3	12,467	12,037
<b>Cash used in investing activities</b>		<b>(26,695)</b>	<b>(1,088,315)</b>
<b>Financing activities</b>			
Proceeds from convertible loan	9	-	1,000,000
Payment of principal on lease		(1,751)	(1,518)
Payment of interest on lease		(439)	(607)
<b>Cash (used in) provided by financing activities</b>		<b>(2,190)</b>	<b>997,875</b>
<b>Change in cash and cash equivalents</b>		<b>(270,674)</b>	<b>(455,059)</b>
Effects of exchange rate fluctuations on cash held		1,564	(835)
Cash and cash equivalents, opening balance		442,522	1,236,733
<b>Cash and cash equivalents, closing balance</b>		<b>\$ 173,412</b>	<b>\$ 780,839</b>

#### Supplemental cash flow information (note 3)

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

# Electric Royalties Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

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

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### 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 “ELECTF”. The Company was incorporated on September 16, 2016 under the laws of the Province of British Columbia, Canada. The address of the Company’s corporate office is 14th Floor, 1040 West Georgia Street, Vancouver, BC, V6E 4H1.

The Company is focused predominantly on acquiring royalty interests in 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) and the rising demand for critical minerals.

These condensed consolidated interim financial statements (the “Financial Statements”) are comprised of the Company and its subsidiary (wholly-owned) – Electric Royalties (USA) Inc. (“ELEC-US”) – (together referred to as the “Company” or the “Group”) and are prepared for the three months ended March 31, 2024 and 2023.

These Financial Statements are prepared on the basis that the Company will continue as a going concern which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. During the three months ended March 31, 2024, the Company recorded a net loss of \$501,427 (for the three months ended March 31, 2023: \$324,788). 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).

As of March 31, 2024, the Company had drawn \$4.45 million of the 10 million convertible loan facility with \$5.55 million available to draw (note 9), which loan facility matures in January 2028. After the end of the reporting period, the Company drew down an additional sum of \$2.5 million against the convertible loan facility (note 11).

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, 2023. 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 consolidated financial statements as at and for the year ended December 31, 2023.

# Electric Royalties Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

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

### (b) Significant accounting estimates and judgements

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

There was no change in the use of estimates and judgments during the current period as compared to those described in Note 2 in the Company's consolidated financial statements for the year ended December 31, 2023.

### (c) Operating segments

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

	March 31, 2024	December 31, 2023
Mineral royalty interests and deferred transaction costs		
Canada	\$ 7,057,806	\$ 7,039,845
United States of America	2,585,216	2,537,435
Southern hemisphere (Australia and Madagascar)	3,658,048	3,658,048
Norway	914,673	914,673
Investment in associate		
United States of America	3,142,354	3,017,903
<b>Total</b>	<b>\$ 17,396,238</b>	<b>\$ 17,167,904</b>

## 3 . CASH AND CASH EQUIVALENTS

	March 31, 2024	December 31, 2023
Components of cash and cash equivalent:		
Cash held in business accounts		
Denominated in Canadian Dollars	\$ 50,911	\$ 300,650
Denominated in US Dollars	122,501	141,872
<b>Total</b>	<b>\$ 173,412</b>	<b>\$ 442,522</b>

### Supplemental cash flow information

	Note	Three months ended March 31,	
		2024	2023
<b>Non-cash investing and financing activities</b>			
Value of common shares issued with respect to royalty acquisitions	4	\$ –	\$ 175,000



# Electric Royalties Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

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

### 4 . MINERAL ROYALTY INTERESTS AND DEFERRED TRANSACTION COSTS

At March 31, 2024, 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		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 portion		New Brunswick, Canada	1.0 % GMR
Battery Hill Manganese Project		Quebec, Canada	2.0 % GMR
Chubb Lithium Project		Quebec, Canada	2.0 % GMR
Bouvier Lithium Project		Quebec, Canada	2.0 % GMR
Global Royalties			
Millennium Copper Cobalt Project		Queensland, Australia	0.5 % GRR
Mt. Dorothy Cobalt Project		Queensland, Australia	0.5 % GRR
Cobalt Ridge Cobalt Project		Queensland, Australia	0.5 % GRR
Seymour Lake Lithium Royalty		Ontario, Canada	1.5 % NSR
Glassville Manganese Royalty		New Brunswick, Canada	1.0 % GRR
Vox Graphite Royalties			
Graphmada Graphite Project		Madagascar	2.5 % NSR
Graphite Bull Project		Western Australia	0.75 % GRR
Cancet Lithium Royalty		Quebec, Canada	1.0 % NSR
Rana Nickel Royalty		Northern Norway	1.0 % NSR
Sleitat Tin-Silver Royalty		Alaska, United States	1.0 % NSR
Zonia Copper Royalty		Alaska, United States	0.5% GRR
Penouta Tin-Tantalum Royalty		Ourense, Spain	1.5% GRR, subject to reduction
Kenbridge Nickel Royalty		Ontario, Canada	0.5% GRR

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

# Electric Royalties Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

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

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

	Three months ended March 31, 2024			Three months ended March 31, 2023		
	Mineral royalty interest	Deferred transaction cost	Total	Mineral royalty interest	Deferred transaction cost	Total
<b>Cost</b>						
Beginning balance	\$ 16,797,094	\$ 16,505	\$ 16,813,599	\$ 12,015,196	\$ 33,437	\$ 12,048,633
Additions during the period	-	56,102	56,102	1,256,769	17,262	1,274,031
Reallocation	-	-	-	33,437	(33,437)	-
Ending balance	\$ 16,797,094	\$ 72,607	\$ 16,869,701	\$ 13,305,402	\$ 17,262	\$ 13,322,664
<b>Accumulated depletion and impairment loss</b>						
Beginning balance	\$ 2,663,822	\$ -	\$ 2,663,822	\$ -	\$ -	\$ -
Charge for the period	-	-	-	5,600	-	5,600
Ending balance	\$ 2,663,822	\$ -	\$ 2,663,822	\$ 5,600	\$ -	\$ 5,600
<b>Foreign currency translation difference</b>						
Beginning balance	\$ 224	\$ -	\$ 224	\$ -	\$ -	\$ -
Movement for the period	47,781	-	47,781	(6,110)	-	(6,110)
Ending balance	\$ 48,005	\$ -	\$ 48,005	\$ (6,110)	\$ -	\$ (6,110)
Ending balance	\$ 14,181,277	\$ 72,607	\$ 14,253,884	\$ 13,293,692	\$ 17,262	\$ 13,310,954

## 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 expenses had been allocated to the Company economic interest in the partnership.

The MTM Royalty is a sliding-scale gross metal royalty on the 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.

### Impairment loss

In November 2023, the owner (Nyrstar NV) 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 was considered as an indicator of impairment of the Company's interest in MTM LP as of December 31, 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. The recoverable amount was estimated using the discounted cash flow valuation method, a level 3 fair value measurement, and based on the following assumptions and inputs: discount rate of 10.48%, long term zinc price of \$1.19 per pound, and an estimated lead-time to resume mine operation of 36 months from the reporting date. The Company concluded that the carrying amount of its interest as of December 31, 2023 exceeded its recoverable amount, and accordingly recorded an impairment loss of \$1.76 million.

# Electric Royalties Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

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

At March 31, 2024, the Company updated the discounted cash flow model and the recoverable amount of its interest in MTM LP, and recorded a reversal of impairment loss of \$58,384. Except for a change in estimated lead-time to resume mine operations due to the passage of time, all assumptions and inputs at the reporting date remained consistent with those used in the Company's financial statements for the year ended December 31, 2023.

	Three months ended March 31,	
	2024	2023
Beginning balance	\$ 3,017,903	\$ 5,033,605
ELEC's share of net (loss) income of associate	(18,319)	(36,097)
Reversal of impairment	58,384	-
Currency translation adjustments	84,386	(19,931)
Carrying amount at the end of the period	\$ 3,142,354	\$ 4,985,008

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

	Three months ended March 31,	
	2024	2023
Royalty revenue	\$ -	\$ 271,938
Depletion of royalty interest	-	(62,214)
Revenue, net of depletion	-	209,724
Administration expenses	(73,276)	(177,056)
Net (loss) income	\$ (73,276)	\$ 32,668
Company's share of (loss) income of associate (i)	\$ (18,319)	\$ (36,097)

(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 March 31, 2024 and December 31, 2023, MTM LP's only non-current asset was the MTM Royalty interest, and it had no significant amount of liabilities.

## 6 . FIXED ROYALTY RECEIVABLE

In September 2023, the Company acquired a 0.5% GRR, in addition to its existing 1.0% GRR (note 4), on the Bissett Creek graphite project in Ontario, Canada, operated by Northern Graphite Corporation ("Northern Graphite"), in exchange for a cash payment of \$950,000 (the "Aggregate Consideration"). Concurrently to the acquisition of the additional royalty interest in Bissett Creek, the Company also entered into an amended and restated royalty (the "A&R Bissett Creek Agreement") agreement with Northern Graphite. 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 the Company in the total amount of \$200,000, payable in eight quarterly payments of \$25,000 over a two year period. 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.

# Electric Royalties Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

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

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

	Three months ended March 31, 2024	Year ended December 31, 2023
Beginning balance	\$ 171,035	\$ -
Accretion for the period	6,898	162,975
Payment received	(25,000)	8,060
	<u>\$ 152,933</u>	<u>\$ 171,035</u>
Current portion	71,647	77,594
Non-current portion	81,286	93,441
	<u>\$ 152,933</u>	<u>\$ 171,035</u>

## 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.

## 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	Three months ended March 31, 2024		Three months ended March 31, 2023	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding – beginning balance	6,325,000	\$ 0.36	7,197,500	\$ 0.35
Options granted	2,306,000	\$ 0.22	-	\$ -
Options expired	(200,000)	\$ (0.28)	-	\$ -
Options outstanding – ending balance	<u>8,431,000</u>	<u>\$ 0.32</u>	<u>7,197,500</u>	<u>\$ 0.35</u>
Options exercisable – ending balance	<u>6,893,668</u>	<u>\$ 0.34</u>	<u>7,172,500</u>	<u>\$ 0.35</u>

The fair value of the options granted during the three months ended March 31, 2024 was determined as \$0.14 per option, using the following weighted average inputs: risk-free interest rate of 3.60%; expected volatility of 86%; underlying market price of \$0.22 per share; time to expiry of 4.45 years; and dividend yield of nil%.

# Electric Royalties Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

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

The following table summarizes information on the options outstanding:

Remaining contractual life of the Company's common share purchase options:	March 31, 2024		December 31, 2023	
	Number of	Weighted average remaining contractual life	Number of	Weighted average remaining contractual life
Exercise price	Options	(years)	Options	(years)
\$0.220	2,306,000	4.44	-	-
\$0.280	-	-	200,000	0.12
\$0.290	2,575,000	1.29	2,575,000	1.54
\$0.340	200,000	0.99	200,000	1.24
\$0.415	3,350,000	2.33	3,350,000	2.58
	8,431,000	2.56	6,325,000	2.04

(b) *Share purchase warrants*

Continuity of share purchase warrants	Note	Three months ended March 31,	
		2024	2023
		(Number of warrants)	
Beginning balance		17,805,000	22,805,000
Change during the period		-	-
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		1.12	1.67

(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 that this was a non-substantive loan modification, and it recorded a modification gain of \$61,000, as a credit to finance expenses.

# Electric Royalties Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

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

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) subject to prior approval of the TSX Venture Exchange, the conversion price for accrued interest is the market price at the time of settlement. The conversion price is fixed for each individual advance and applicable solely to that advance.

In February 2024, the Company and the Lender signed an amended and restated convertible loan agreement (the "A&R Loan Agreement"), dated February 16, 2024, among other things, to increase the Company's existing convertible loan facility from \$5,000,000 to \$10,000,000, subject to certain conditions set out in the A&R Loan Agreement and to extend the maturity date of the Convertible Loan by two years to January 12, 2028.

Under the A&R Loan Agreement, the convertible 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, 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 Company concluded that the amendments to the Loan Facility pursuant to the A&R Loan Agreement was a non-substantive loan modification, and it recorded a modification gain of \$315,786 during the three months ended March 31, 2024.

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
Fifth Advance	October 19, 2023	0.50	500,000	458,000	42,000
Total			\$ 4,450,000	\$ 4,038,000	\$ 412,000

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

	Three months ended March 31, 2024	Year ended December 31, 2023
Beginning balance	\$ 4,338,522	\$ -
Aggregate fair value of cash advances upon initial recognition		4,038,000
Finance expenses – convertible note		
Interest for the period	147,562	292,198
Debt accretion for the period	36,322	69,324
Gain on loan modifications	(315,786)	(61,000)
	(131,902)	300,522
Carrying amount at the end of the period	\$ 4,206,620	\$ 4,338,522

# Electric Royalties Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

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

### 10 . RELATED PARTY TRANSACTIONS

The Lender of the Loan Facility is a significant shareholder of the Company that beneficially holds over 20% 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 March 31,	
	2024	2023
Short-term employment benefits(i)	\$ 116,158	\$ 102,770
Share-based payments	89,021	-
Total	\$ 205,179	\$ 102,770

(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) Loan drawdown (note 9)

In April 2024, the Company completed a drawdown of \$2.5 million against the A&R Loan Agreement to finance the cash component of the royalty acquisition referred to below and for working capital purposes.

#### (b) Acquisition of lithium royalties and option portfolio

On May 1, 2024, the Company announced that it had closed the asset purchase agreement with 1544230 Ontario Inc., MK Exploration Services Inc., and Gravel Ridge Resources Ltd., thereby acquiring a portfolio of 18 royalty agreements and 32 lithium properties in Ontario, Canada, pursuant to which acquisition, the Company issued an aggregate of 2,250,000 common shares in the capital of the Company, and made a cash payment of \$1,875,000, net of \$75,000 non-refundable exclusivity fee paid in 2023 and certain payments received by the vendors under certain earn-in, option, royalty, or similar agreements after January 1, 2024 as per the lithium portfolio asset purchase agreement.