ELEMENTAL ALTUS ROYALTIES CORP.
(formerly Elemental Royalties Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three months ended March 31, 2023

Date of Report: May 19, 2023

This management's discussion and analysis ("MD&A") for Elemental Altus Royalties Corp. (the "Company" or "Elemental") is intended to help the reader understand the significant factors that have affected Elemental and its subsidiaries' performance, as well as factors that may affect its future performance.

The information contained in this MD&A for the three months ended March 31, 2023 should be read in conjunction with the condensed interim consolidated financial statements of Elemental for the same period together with the audited consolidated financial statements for the year ended December 31, 2022 and the accompanying MD&A for that fiscal year. The information contained within this MD&A is as of May 19, 2023.

The referenced condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board ("IASB"), applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. All figures are expressed in US dollars, the Company's presentation and functional currency, unless otherwise indicated. Additional information is available on the Company's SEDAR profile at www.sedar.com. Current financial disclosures and Real-Time Level 2 quotes for Elemental are available at: https://www.otcmarkets.com/stock/ELEMF/.

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1. DESCRIPTION OF THE BUSINESS

Elemental is a TSX Venture Exchange ("TSX-V") listed precious metals royalty company focused on acquiring royalties and streams over producing, or near producing, assets from established operators and counterparties.

The Company's gold-focused royalty portfolio includes several top-tier operators and is diversified by jurisdiction, serving to reduce operating risk to the Company and to the individual investor. By relying on advanced assets, the Company is able to minimize funding and development risks that are outside Elemental's control. Elemental focuses on acquiring royalty assets located in proven mining jurisdictions to seek to mitigate the risks of political instability and policy changes.

The Company's common shares are listed on the TSX-V under the symbol "ELE" and the OTCQX under the symbol "ELEMF".

The Company's current portfolio includes nine producing royalties and streams spread across six jurisdictions as well as nearly seventy other royalty interests. This portfolio represents a stable current revenue profile with organic opportunities to increase future revenue. The Company benefits from strong shareholder support from its largest investor, La Mancha Resource Fund SCSp ("La Mancha"), and from other institutional investors. Following the merger with Altus Strategies in 2022, the Company has an enhanced capital markets portfolio providing improved scale, liquidity and analyst coverage, and took advantage of the opportunity to refinance its credit facility on improved terms. The merged team combines extensive industry experience with technical, financial and legal expertise.

Elemental announced 2023 guidance of between 9,000 to 10,200 Gold Equivalent Ounces ("**GEOs**") representing at its midpoint an approximate 65% increase on the 5,800 GEOs received in 2022. At a $1,800 per ounce average realized gold price and $3.75 per pound of copper, this guidance would provide the Company with 2023 revenue of approximately $16.2 million to $18.4 million with approximately 70% attributable to gold and 30% to copper.

In addition, the portfolio contains significant exploration upside; the Wahgnion gold mine in Burkina Faso sits within a license package of over 1,000km^2, and the Mercedes mine in Mexico sits within a nearly 700km^2 license. These district-scale land packages, alongside active exploration programs on many of the Company's assets, provide Elemental with exposure to future exploration success without further operational or financial contribution.

2. OVERALL PERFORMANCE

- Total revenue of $2.8 million for the three months ended March 31, 2023 (2022: $2.2 million).
- Adjusted revenue of $3.8 million for the three months ended March 31, 2023 (2022: $2.2 million). See section 12 – non-IFRS measures for definition of adjusted revenue.
- Total attributable GEOs of 2,016 for the three months ended March 31, 2023 (2022: 1,148 GEOs).
- Operating cash outflow of $0.6 million for the three months ended March 31, 2023 (2022: $1.2 million cash inflow).
- Net loss of $1.9 million for the three months ended March 31, 2023 (2022:$1.2 million).
- Adjusted EBITDA of $2.4 million for the three months ended March 31, 2023 (2022: $1.0 million) See the "Non-IFRS Measures" section of this MD&A.

Highlights and key developments

- On February 21, 2023, the Company acquired a portfolio of 19 royalties from a wholly owned subsidiary of First Mining Gold Corp (TSX:FF) for consideration of C$4.7 million ($3.5 million) in cash and 1,598,162 common shares of the Company at a price of C$1.31 ($0.97) for a fair value of $1.5 million. The portfolio includes 19 uncapped royalties acquired, significantly expanding the development pipeline including a 2.0% Net Smelter Return royalty on the development stage Pickle Crow gold project in Ontario, Canada, one of the highest grade +2 million ounce gold deposits in the world, which has previously produced over 1.5 million ounces of gold and a 1.5% NSR royalty on the development stage Hope Brook gold project in Newfoundland, Canada which has previously produced approximately 0.75 million ounces of gold

- On March 9, 2023, the Company entered into a binding agreement to acquire an additional 0.025% effective net smelter return royalty on the producing Caserones Copper-Molybdenum mine, located in the Atacama region of northern Chile, for consideration of $2.0 million in cash. Upon completion of the acquisition, Elemental Altus will hold an effective 0.443% NSR royalty on Caserones.

- On March 27, 2023 Lundin Mining Corporation (TSX:LUN) announced that it had entered into a binding purchase agreement to acquire a 51% interest in the Caserones Copper-Molybdenum mine in Chile.

- On February 17, 2023, the Company noted the update regarding the Ming mine by Rambler Metals and Mining plc ("Rambler"), announcing Rambler's decision to pause operations at Ming pending the delivery of key supplies to the mine. Rambler previously announced an efficiency improvement program in November 2022 alongside its ongoing discussions with Newgen Resources Lending Inc. with a view to a refinancing or restructuring. The Company has a gold sale and purchase agreement (the "Gold Stream") with Rambler in respect of gold production from Ming. During the course of Rambler's announced strategic financial restructuring program, the Company delivered, on February 9, 2023, a written notice of default to Rambler for non-delivery of gold under the Gold Stream. Rambler is contracted to make minimum gold deliveries of 1,200 gold ounces to Elemental Altus for the first three years of the Gold Stream and no sale and delivery of gold has occurred in the last two financial quarters.

Subsequent to March 31, 2023

- On April 20, 2023 the Company announced that it completed the acquisition of an additional 0.25% NSR royalty on Pickle Crow from a private third-party entity for total consideration of $300,000 in cash, increasing the effective NSR royalty held by the Company to 2.25%.

- On April 20, 2023 the Company also announced 2023 guidance of between 9,000 to 10,200 GEOs, representing at its midpoint an approximate 65% increase on the 5,800 GEOs received in 2022. At a $1,800 per ounce average realized gold price and $3.75 per pound of copper, this guidance would provide the Company with 2023 revenue of approximately $16.2 million to $18.4 million with approximately 70% attributable to gold and 30% to copper.

- On May 5, 2023, the acquisition of the 0.443% NSR royalty on Caserones was completed.

The following table summarizes the Company's revenue from royalty and streaming interests during the three months ended March 31, 2023 and 2022. Adjusted revenue also includes accrued royalty revenue from equity investments for the same periods (see section 12 – Non-IFRS Measures).

	Three months ended March 31,	
	2023	**2022**
	$'000	**$'000**
Revenue from royalties		
Amancaya	237	282
Ballarat	35	-
Bonikro	179	-
Karlawinda	1,260	1,145
Kwale	-	113
Mercedes	239	-
Mount Pleasant	103	118
SKO	84	-
Wahgnion	669	537
Revenue from streams		
Ming	-	-
Total revenue	2,806	2,195
Royalty revenue from equity investments		
Caserones[1]	1,021	-
Adjusted revenue	3,827	2,195

(1) The Caserones royalty is held by Sociedad Legal Minera California Una de la Sierra Peña Negra ("SLM California") in which the Company held an effective 21.5% equity interest at March 31, 2023.

The following table summarizes the Company's GEOs from royalty interests during the three months ended March 31, 2023 and 2022:

	Three months ended March 31,	
	2023	**2022**
	GEO	**GEO**
Amancaya	125	150
Ballarat	19	-
Bonikro	94	-
Karlawinda	663	590
Kwale	-	60
Mercedes	126	-
Mount Pleasant	55	62
SKO[1]	44	-
Wahgnion	352	286
Ming	-	-
Caserones[1]	538	-
Total GEOs [1]	2,016	1,148

(Expressed in US Dollars, unless otherwise indicated)

(1) See section 12 – Non-IFRS Measures.

Quarterly changes to revenue received by Elemental are driven primarily by fluctuations in production at the underlying mines, the timing of sales, changes in the price of commodities, assets being advanced to production and the acquisition of new royalties or streams.

3. ROYALTY AND STREAM PORTFOLIO

Elemental's focus is on securing royalties and streams over high-quality precious metals assets with established operators. As at March 31, 2023, the Company owns 78 royalties and streams. Elemental has 9 royalties and streams that are currently paying, including four in Australia, two in Chile, and one each in Burkina Faso, Côte d'Ivoire and Mexico. The following table lists the producing and notable development royalty and stream interests that Elemental currently owns either directly, or indirectly through its subsidiaries and associates as at the date of this report. Royalty Type means either a net smelter return (NSR), gross revenue royalty (GRR), net profit interest (NPI), stream or royalty per production ounce.

Project	Operator	Location	Commodity	Stage	Royalty Type
Amancaya	Austral Gold Ltd	Chile	Gold, silver	Production	2.25% NSR
Ballarat	Shen Yao Holdings	Australia	Gold	Production	1.25% NSR
Bonikro	Allied Gold	Cote d'Ivoire	Gold	Production	2.25% NSR
Caserones[1]	JX Nippon	Chile	Copper	Production	0.443% NSR
Hope Brook	Big Ridge Gold Corp.	Canada	Gold	Feasibility	1.5% NSR
Karlawinda	Capricorn Metals Ltd	Australia	Gold	Production	2% NSR
Laverton	Focus Minerals Ltd	Australia	Gold	Feasibility	2% GRR
Mercedes	Bear Creek Mining Corp.	Mexico	Gold, silver	Production	1% NSR
Ming[2]	Rambler Metals and Mining PLC	Canada	Gold	Production	Stream
Mt. Pleasant	Zijin Mining Group	Australia	Gold	Production	5% NPI or A$10/oz
Pickle Crow	AuTECO Minerals Ltd	Canada	Gold	Feasibility	2.25% NSR
South Kalgoorlie	Northern Star Resources	Australia	Gold	Production	A$5/oz
Wahgnion	Endeavour Mining Corp.	Burkina Faso	Gold	Production	1% NSR

(1) Purchase of a further 0.025% NSR interest closed in Q2 2023.
(2) The Ming Gold Stream acquisition closed on April 4, 2022. The mine was placed into care and maintenance in Q1 2023.

4. PRINCIPAL ROYALTIES AND STREAMS

Karlawinda

Location:	Western Australia
Commodity:	Gold
Operator:	Capricorn Metals Ltd. ("Capricorn")
Royalty:	2% NSR royalty

(Expressed in US Dollars, unless otherwise indicated)

Update

- Q1 2023 gold sales from Karlawinda was 34,118 ounces (Q4 2022: 28,964 ounces).
- Capricorn restated that they were on track to achieve gold production guidance of 115,000 – 125,000 ounces for their FY 2023.
- On January 30, 2023 Capricorn reported further drill results from the Muirfield prospect and the discovery of the Vedas prospect, both situated less than 5km from the Bibra open pit and continuing the trend of outstanding near-mine exploration success.
- Subsequent to period end, on April 26, 2023 Capricorn reported that their 73 hole (10,983m) RC drilling at the newly identified Berwick prospect, located 2km east of the Bibra open pit, has detected near surface gold mineralisation over a 500m strike length
- Highlights from Muirfield include:
    - 12 metres @ 3.54 g/t gold ("Au") from 20 to 32m (KBRC1604)
    - 2 metres @ 15.25 g/t Au from 117 to 119m (KBRC1853)
    - 1 metre @ 17.96 g/t Au from 79 to 80m (KBRC1859)
- Highlights from Vedas include:
    - 13 metres @ 2.19 g/t Au from 140 to 153m (KBRC1857)
    - 2 metres @ 13.37 g/t Au from 96 to 98m (KBRC1856)
- Highlights from Berwick include:
    - 8 metres @ 14.90 g/t Au from 74 to 82m (KBRC1946)
    - 4 metres @ 11.25 g/t Au from 71 to 75m (KBRC1987)

Caserones

Location:	Chile
Commodity:	Copper
Operator:	JX Nippon Mining & Metals Corporation ("JX Nippon")
Royalty:	0.418% NSR royalty (held through associate company, SLM California)

Update

- In Q1 2023, the Company accrued adjusted royalty revenue of $1.0 million (before tax) using an average of the past four quarters and recorded a received dividend of $0.7 million relating to Q4 sales.
- Caserones production is expected to return to historical levels following significant meteorological events in H2 2022, which impacted the concentrate plant and tailings facility capacity, whilst also creating logistical impediments.
- On March 27, 2023, Lundin Mining Corporation (TSX: LUN) ("Lundin") announced it had entered into a binding agreement with JX Nippon to acquire an initial 51% of Caserones for $950 million. Lundin will also have the right to acquire up to an additional 19% interest in Caserones for $350 million over a five-year period commencing on the first anniversary of the date of closing.

Wahgnion

Location:	Burkina Faso
Commodity:	Gold
Operator:	Endeavour Mining Corp. ("Endeavour")
Royalty:	1% NSR royalty

Update:

- Q1 2023 gold sales from Wahgnion was 37,118 ounces (Q4 2022: 38,361 ounces).
- Production increased from 36koz in Q4 2022 to 39koz in Q1 2023 due to higher mill throughput, while gold grade and recovery rates remained flat.

(Expressed in US Dollars, unless otherwise indicated)

- Tonnes milled increased as a higher proportion of softer oxide ore from the Samavogo pit was processed, while average grade milled remained flat as a higher proportion of high grade ore from the Samavogo pit offset lower grade ore from the Nogbele North pits, in line with the mine sequence.
- Grades and tonnes milled are expected to improve in Q2 2023 as ore mining continues to ramp-up at Samavogo.
- Production is expected to be weighted towards the second half of the year as greater volumes of high grade ore are expected to be sourced from the Samavogo pits and the introduction of the high grade Stinger satellite pits is targeted for later in the year, while the strip ratio is expected to reduce throughout the year.
- An exploration program of $4.0 million is planned for 2023, following a 2022 spend of $9.0 million in 2022 which included 44,149 meters of drilling across 435 drill holes focused on evaluating the Ouahiri South, Bozogo, Samavogo Nord and Kassera targets.

Bonikro

Location:	Cote d'Ivoire
Commodity:	Gold
Operator:	Allied Gold Corp. ("Allied Gold")
Royalty:	Up to 2.25% NSR royalty, capped at 560,000 ounces

Update

- Elemental received approximately $179,000 in revenue from the development of Pushback 5 in Q1 2023, compared to $14,000 in Q4 2022.
- The Company owns an NSR royalty on an area of the mine known as Pushback 5 at Allied Gold's open pit Bonikro gold mine in Cote d'Ivoire. At a gold price above $1,450, the NSR royalty is at an effective rate of 2.25%, capped at 560,000 ounces.
- Allied Gold is expected to target full production from the royalty area from H2 2023.
- Subsequent to the period end, on April 27, 2023, Allied Gold announced its public listing plans and expansion of the executive team. The former principals of Yamana Gold: Peter Marrone, Daniel Racine, Gerardo Fernandez, Sofia Tsakos and Jason LeBlanc, are joining Allied Gold's management team.

Ming

Location:	Canada
Commodity:	Gold
Operator:	Rambler Metals and Mining PLC ("Rambler")
Royalty:	Stream

Update

- Elemental acquired the Ming stream in April, 2022. In exchange for consideration of $11 million, Elemental receives 50% of payable gold production until Rambler has delivered 10,000 ounces of gold to Elemental, after which Elemental will receive 35% of payable gold production until Rambler has delivered a further 5,000 ounces to Elemental. After Rambler has delivered a total of 15,000 ounces of gold, Elemental will receive 25% of payable gold production for the life of mine. Elemental will make ongoing payments equal to 20% of the market price of gold with minimum gold recoveries set at 85%. Rambler will make minimum gold deliveries of 1,200 ounces to Elemental in each of the first three years of the Ming gold stream.
- On March 30, 2023, Rambler announced that it has ceased operations at the Ming Mine due to a dispute with its offtake partner, Transamine Trading S.A., over non-payment of approximately $0.88 million due on March 24, 2023, and an additional $1.78 million due around March 30, 2023. RMMCL and the court-appointed Monitor, Grant Thornton Limited, will be applying to the Court to address the payment issue, cessation of operations, and the Sales and Investment Solicitation Process (SISP).

(Expressed in US Dollars, unless otherwise indicated)

Operations are not expected to resume for the balance of the SISP, and Ming will remain on care and maintenance.

- The cessation of operations and placing into care and maintenance triggered an impairment review in Q4 2022 of the Company's stream asset. The Company used the Income Approach, assuming that the fair value of the asset is based on the future economic benefits the asset will generate for the Company, and applied a probability weighting to a number of potential outcomes. It concluded that the recoverable amount from the royalty asset following the resumption of operations exceeds the carrying amount of the asset and that no impairment was required. The Company is continuing to monitor the expected outcomes of the SISP, which is expected to complete in Q3 2023.

Mercedes

Location:	Mexico
Commodity:	Gold & silver
Operator:	Bear Creek Mining Corporation ("Bear Creek")
Royalty:	1% NSR royalty

Update

- Q1 2023 gold sales from Mercedes was 12,419 ounces (Q4 2022: 13,670 ounces).
- On January 4, 2023, Bear Creek announced the discovery of two new high-grade veins discovered by underground drilling in the Marianas zone in the vicinity of existing development. They report that drillhole UG-MR22-107 intercepted 3.5 meters grading 5.8 g/t gold and 3.6 meters grading 13.1 g/t gold; and, UG-MR22-114 intersected 0.8 meters grading 89.1 g/t gold and 192 g/t silver, marking the discovery of another new vein, and a second intercept of 3.0 meters grading 15.8 g/t gold and 151 g/t silver representing the extension, as projected, of a known vein. Additional drilling to test these veins was expected to be conducted in February 2023 with the goal of defining ore for mining in 2024.
- Bear Creek Mining reported that despite throughput increasing quarter over quarter, development work progressed slower than anticipated during the March quarter. As such, the expected increase in grade from gaining access to the San Martin and Rey de Oro deposits is likely to occur during the June quarter.
- Bear Creek also announced a 2023 exploration budget of $4.4 million exploration program at Mercedes, including 33,000 metres of drilling.
- Bear Creek announced 2023 gold production guidance of 65,000 - 75,000 ounces of gold in 2023, representing a 49% increase relative to 2022.

Amancaya

Location:	Chile
Commodity:	Gold
Operator:	Austral Gold Corp. ("Austral")
Royalty:	2.25% NSR royalty

Update

- Amancaya gold sales in Q1 2023 were 7,470 ounces (Q4 2022: 6,833 ounces)
- Austral Gold report that production during the March quarter was 18% higher than their budget for Guanco/Amancaya, with higher than budgeted mill throughput.
- Austral reported that they intend to continue to review exploration opportunities to increase mineral reserves in the Guanaco and Amancaya district.

(Expressed in US Dollars, unless otherwise indicated)

South Kalgoorlie (SKO)

Location:	Western Australia
Commodity:	Gold
Operator:	Northern Star Resources Ltd ("Northern Star")
Royalty:	Australian Dollar ("A$")5/oz gold production royalty, A$0.5m Discovery Bonus on each new orebody above 250koz

Update

- Elemental owns a A$5/oz production royalty on Northern Star's South Kalgoorlie Operations (SKO), acquired through Altus' acquisition of a portfolio of royalties purchased in 2021 from Newcrest Mining.
- In addition to the A$5/oz production royalty, a A$0.5m Discovery Bonus on each new orebody above 250koz. In-mine exploration drilling at SKO has successfully identified further extensions across the northern area of the mine, which remains open down plunge.
- On January 19, 2023, Northern Star that they are continuing to process SKO ore through the Kanowna Belle mill, with Kanowna Belle and HBJ underground mine (partially covered by Elemental's royalty) being primary ore sources.
- Subsequent to the period end, on May 4, 2023 Northern Star announced strong exploration results from the SKO project, including a 200m extension of the Mutooroo ore zone at the producing HBJ underground mine and the discovery of Hercules, situated approximately 20km west of HBJ and less than 30km from Fimiston Plant.

Ballarat

Location:	Victoria, Australia
Commodity:	Gold
Operator:	Shen Yao Holdings Ltd ("Shen Yao")
Royalty:	1.25% NSR royalty, capped at A$25m in royalty payments

Update

- The Company owns a NSR royalty on the underground Ballarat mine at a rate of 1.25%
- While mining continued uninterrupted, the Ballarat Gold Mine in Australia voluntarily halted processing of ore from November 30th to January 11th due to excess water in the tailings which have now been resolved. Mining continued through the period and high-grade ore that was stockpiled was prioritized for processing.
- Shen Yao's Australian subsidiary, Balmaine Gold, subsequently received statutory demands from lenders in February in relation to existing loans and accrued interest. Shen Yao has acknowledged the notice and is engaging with the parties to resolve the matter while operations continue.

5. ROYALTY GENERATION

During Q1 2023 the royalty generation team, acquired by Elemental as part of the Altus Strategies merger, focused primarily on continuing their exploration work on the Company's assets in Egypt., In addition, a formal sale process was continued for the Diba-Lakanfla gold project in western Mali. The following is a list of the Company's evaluation and exploration projects.

Mali

The sale process for the Diba-Lakanfla gold project in western Mali continued during the quarter. No further exploration was undertaken on the licence following the finalization of a PEA on the project, dated July 28, 2022, which included an updated Mineral Resource Estimate ("MRE"). The PEA was based on an open pit heap leach gold mine and has low capital expenditure requirements and strong cash flows. The assessment details an after-tax net present value ("NPV") of $149.78 million and a payback of 5.7 months. The NPV is based on an 8% discount rate, $1,700/oz gold price and 95% recovery. The updated MRE for the project comprises 7,800,000 tonnes at 1.24 g/t Au for 312,000 ounces in the Indicated category and 12,700,000 tonnes at 0.87 g/t Au for 362,000 ounces in the inferred category. The PEA technical report was prepared in accordance with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators ("NI 43-101") by the independent consulting firm Mining Plus UK Ltd.

Egypt
During the quarter, the team continued a program of geological mapping and sample collection on the Wadi Jundi (696km^2) project. Advancing numerous targets, including Manih a 2.4km zone with gossans and other VMS indicators, Grey Granite a 3km x 3km intrusion with >5km cumulative discontinuous hard rock working on its flanks and Kabb Hamdallah a 6km zone of discontinues hard rock workings on the margin of an intrusive.

At the Wadi Dubur (175km^2) project, results from a substantial channel sampling program were received. The program identified numerous zones with economic widths of mineralisation, defining multiple drill targets. Results include 0.98 g/t Au over 79.2 m, including 1.99 g/t Au over 33.2 m and 6.8 g/t Au over 18.0 m.

The team started a reconnaissance sampling program at the Gabal Al Shaluhl (348km^2) project, and the permitting process continued for the Company's two new licences, Gabal El Mayyet (174km^2) and Bir Esl (178km^2).

Ethiopia
The condition of Force Majeure was officially terminated on 20 December 2022, however, the Company has not resumed activity on the Daro and Zager gold projects pending the establishment of a new Tigray regional administration. Meanwhile, the Company continues to seek a buyer or joint venture partner for the two projects.

6. DISCUSSION OF OPERATIONS
The discussion of operations relates to the Company's three months ended March 31, 2023 and 2022.

	Three months ended March 31,	
	2023	**2022**
	$'000	**$'000**
Revenue from royalties and streams	2,806	2,195
Depletion of royalty interests	(1,875)	(1,166)
Share of profit/(loss) of associates	209	-
General and administrative expenses	(1,890)	(1,095)
Project evaluation expenses	(47)	(51)
Impairment charge	(124)	-
Share-based compensation expense	(19)	(57)
Interest income	30	2
Interest and financing expenses	(620)	(755)
Fair value loss on investments	(184)	-
Foreign exchange gains	35	11
Other income	339	-
Tax expense	(288)	(291)
Net profit on discontinued operations	(288)	-
Net loss for the period	(1,916)	(1,207)
Operating cash flows	(580)	1,155

(Expressed in US Dollars, unless otherwise indicated)

Adjusted revenue[1]	3,827	2,195
Adjusted depletion[1]	(2,329)	(1,082)
Adjusted EBITDA[1]	2,367	976

[1] See Non-IFRS Measures in section 12

Three months ended March 31, 2023

The Company recorded a net loss of $1.92 million for the three months ended March 31, 2023, compared to a net loss of $1.21 million for the three months ended March 31, 2022. The increase in net loss is due to a combination of factors, as discussed below.

Total revenue increased to $2.81 million (2022: $2.20 million) due to revenue from projects acquired through the Altus merger and initial payments from the Mercedes royalty. These increases were partially offset by a decrease in Kwale revenues. Adjusted revenue increased to $3.83 million (2022: $2.20 million) due to the inclusion of initial revenue from Altus' Caserones royalty interest in addition to the changes outlined in total revenue above. No revenue was recorded for the Ming stream as no gold was received from the operator during the quarter.

Depletion of royalty interests increased to $1.88 million (2022: $1.17 million), which was linked closely to the increases in revenue listed above relating to newly producing or newly acquired assets and a lower estimated depletable base at Wahgnion and SKO. Adjusted depletion increased to $2.33 million (2022: $1.08 million) due to the inclusion of initial depletion of Altus' Caserones royalty in addition to the changes outlined in depletion of royalty assets above.

General and administrative expenses increased to $1.89 million (2022: $1.15 million) resulting from the absorption of Altus' staff following the merger partly offset by savings in regulatory and operational costs from the combined operation. No costs were recorded in the quarter for either the Gold Royalty Corp. bid or merger transaction and integration costs (2021 three months: $0.51 million). Project evaluation expenses at $0.05 million were unchanged from the comparative period (2022: $0.05 million).

Impairment charges were $0.12 million (2022: $nil) relating to the Kwale project. The Company has been informed by the mine operator that the Q4 2022 royalty will be the last one to be received from the mine.

Share-based compensation decreased to $0.02 million (2022: $0.06 million) due to forfeit of options by leavers from the scheme and to the completion of vesting of certain performance share units.

Interest and finance expenses reduced to $0.62 million (2022: $0.76 million) due to the lower rate of interest on the loan obtained through the refinancing in December 2022. A certain portion of the loan is subject to fluctuations in SOFR (see section 9).

Tax expense for the quarter was unchanged at $0.29 million (2022: $0.29 million expense) due to the initial receipt of revenue on the Mercedes project offset by a tax recovery in respect of cross-border intercompany loans.

7. SUMMARY OF QUARTERLY RESULTS

The following is selected financial data of the Company for the last eight quarters ending with the most recently completed quarter, being the three months ended March 31, 2023.

	THREE MONTHS ENDED			
	March 31, 2023 $'000	**December 31, 2022 $'000**	**September 30, 2022 $'000**	**June 30, 2022 $'000**
Total revenue	2,806	2,573	2,789	2,082
Adjusted revenue[1]	3,827	2,815	3,445	2,082
Net loss	(1,916)	(11,518)	(3,134)	(2,352)
Net loss per share – basic and diluted	(0.01)	(0.08)	(0.03)	(0.03)
Total assets	184,646	185,928	188,236	84,742

	THREE MONTHS ENDED			
	March 31, 2022 $'000	**December 31, 2021 $'000**	**September 30, 2021 $'000**	**June 30, 2021 $'000**
Total revenue	2,195	2,323	1,901	1,239
Adjusted revenue[1]	2,195	2,323	1,901	1,239
Net loss	(1,207)	(1,627)	(836)	(1,181)
Net loss per share – basic and diluted	(0.02)	(0.02)	(0.01)	(0.02)
Total assets	86,675	76,495	76,614	77,359

[1] See Non-IFRS Measures in section 12

The reduction in net loss in Q1 2023 was as a result of it being the first quarter since Q1 2022 that the Company did not incur significant costs arising from either the bid by Gold Royalty or the merger with Altus Strategies (see below). The increase in assets in Q3 2022 was due to the acquisition of additional royalty assets, cash and exploration and evaluation assets through the merger with Altus. The increase in assets in Q1 2022 was due to the equity financing closed in Q1 which was used for the acquisition of the Ming gold stream for aggregate consideration of $11.4 million.

The increases in loss during Q4 2022 and Q3 2022 were due to costs arising from the merger with Altus, additional costs related to the Altus business in months after the Merger, impairment charges of $4.48 million and share based compensation costs of $3.83 million relating to stock options issued during the quarters which vested immediately. The increase in loss during Q2 2022 and Q1 2022 was due to increased general and administrative expenditures as a result of the unsolicited and unsupported bid made by Gold Royalty as well as interest and finance expenses relating to refinancing the Sprott loan. The increase in loss during Q4 2021 was due to increased general and administrative expenses compared to Q3 2021.

8. LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2023, the Company's cash balance was $12.48 million (December 31, 2022: $17.48 million) with working capital of $28.94 million (December 31, 2022: $32.84 million).

During the three months to March 31, 2023, the Company's operating activities used $0.58 million (2022: generated $1.16 million), while its investing activities used $3.78 million (2022: $0.38 million), which included the acquisition of royalties from First Mining, and its financing activities used $0.67 million (2022: generated $10.43 million).

The Company had no commitments to fund its royalties other than a contingent A$0.4 million payment on the Mount Pleasant royalty. At March 31, 2023, there had been no decision made to mine Mount Pleasant and therefore the contingent payment is not due.

The Company's aggregate operating, investing and financing activities during the quarter plus a FX gain of $0.03 million on revaluation of cash balances resulted in a decrease in its cash balance of $5.00 million (2022: $11.37 million increase).

Management regularly reviews cash flow forecasts to determine whether the Company has sufficient cash reserves to meet future working capital requirements and discretionary business development opportunities.

9. BORROWINGS

National Bank of Canada/Canadian Imperial Banking Corp. loan

On December 1, 2022, the Company entered into an agreement with National Bank of Canada ("NBC") and Canadian Imperial Bank of Commerce ("CIBC") for a $40 million revolving credit facility (the "Facility"), with an option to increase to $50 million subject to certain conditions. The Facility has a term of 3 years, extendable through mutual agreement between the Company, NBC, and CIBC. Depending on the Company's leverage ratio, amounts drawn on the facility are subject to interest at SOFR plus 2.50% - 3.75% per annum, and the undrawn portion is subject to a standby fee of 0.56% - 0.84% per annum.

The Facility was entered into by the Company as borrower, NBC and its subsidiaries as Administrative Agent, Sole Bookrunner and Co-Lead Arranger, and CIBC as Co-Lead Arranger and Syndication Agent.

The Company has drawn down $30 million from the Facility at March 31, 2023 and December 31, 2022. During the three months ended March 31, 2023, the Company recorded interest expense of $0.62 million.

10. NON-IFRS MEASURES

The Company has included performance measures which are non-IFRS and are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The non-IFRS measures do not have any standard meaning under IFRS and other companies may calculate measures differently.

Adjusted EBITDA

Adjusted EBITDA excludes the effects of certain other income/expenses and unusual non-recurring items. Adjusted EBITDA is comprised of earnings before interest, taxes, depletion, including depletion and taxes relating to share of profit from associate, and share-based compensation. Management believes that this is a useful measure of the Company's performance because it adjusts for items which may not relate to underlying operating performance of the Company and/or are not necessarily indicative of future operating results.

The table below provides a reconciliation of adjusted EBITDA for the three months ended March 31, 2023 and 2022:

	Three months ended March 31,	
	2023	2022
	$'000	$'000
Net loss from continuing operations	(1,628)	(1,207)
Interest income	(30)	(2)
Interest and finance expenses, net	620	755
Adjusted tax expense[1]	564	291
Adjusted depletion[1]	2,329	1,082
Depreciation of property, plant and equipment	24	-
Impairment charge	124	-
Fair value loss on investments	184	-
Share-based compensation expense	19	57
Refinancing and other transaction related expenses	161	-
Adjusted EBITDA	2,367	976

[1] See Adjusted revenue, depletion and tax expense below

The presentation of this non-IFRS measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate these non-IFRS measures differently.

Adjusted revenue, depletion and tax expense

Adjusted revenue is a non-IFRS financial measure, which is defined as including gross royalty revenue from associated entities holding royalty interests related to Elemental's effective royalty on the Caserones copper mine. Management uses adjusted revenue to evaluate the underlying operating performance of the Company for the reporting periods presented, to assist with the planning and forecasting of future operating results, and to supplement information in its financial statements. Management believes that in addition to measures prepared in accordance with IFRS such as revenue, investors may use adjusted revenue to evaluate the results of the underlying business, particularly as the adjusted revenue may not typically be included in operating results. Management believes that adjusted revenue is a useful measure of the Company performance because it adjusts for items which management believes reflect the Company's core operating results from period to period. Adjusted revenue is intended to provide additional information to investors and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. It does not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other issuers.

Adjusted depletion and adjusted tax expense are non-IFRS measures which include depletion and tax of the Caserones royalty asset in line with the recognition of adjusted revenue as described above.

	Three months ended December 31,	
	2023	**2022**
	$'000	**$'000**
Revenue from royalty and stream interests	2,806	2,195
Revenue from Caserones	1,021	-
Adjusted revenue	3,827	2,195
Depletion of royalty and stream interests	(1,875)	(1,166)
Depletion of Caserones	(454)	-
Other adjustments	-	84
Adjusted depletion	(2,329)	(1,082)
Tax expense	(288)	(291)
Tax charge relating to Caserones	(276)	-
Adjusted tax expense	(564)	(291)

Gold Equivalent Ounces

Elemental's adjusted royalty, streaming, and other revenue is converted to an attributable gold equivalent ounce, or GEO, basis by dividing the royalty and other revenue from associates in a period by the average gold price for the same respective period, plus the net gold ounces received in the period from streaming investments. The presentation of this non-IFRS measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate these non-IFRS measures differently. The production forecast was derived using information that is available in the public domain as at the date hereof, which included guidance and estimates prepared and issued by management of the operators of the mining operations in which Elemental holds an interest. The production forecast is sensitive to the performance and operating status of the underlying mines. None of the information has been independently verified by Elemental and may be subject to uncertainty. There can be no assurance that such information is complete or accurate.

11. FINANCING ACTIVITIES

During the three months ended March 31, 2023, the Company completed the following equity financing transactions:

- On February 21, 2023, the Company issued 1,598,162 common shares at C$1.31 ($0.97) per common share as part of the acquisition of the First Mining royalty portfolio

During the three months ended March 31, 2022, the Company completed the following equity financing transactions:

- On March 31, 2022, the Company completed a private placement of 9,275,000 common shares at C$1.51 ($1.21) per common share for gross proceeds of C$14.0 million ($11.2 million). In connection with the private placement, the Company incurred additional legal fees and other cash issuance costs of C$0.18 million ($0.15 million).

12. OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

13. ACCOUNTING STANDARDS RECENTLY ADOPTED

New accounting standards effective in 2023

There was no material impact on the financial statements from new accounting standards or amendments to accounting standards, effective January 1, 2023.

New accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material impact on the Company's current or future reporting periods.

14. RELATED PARTY TRANSACTIONS

Key management includes the executive and non-executive directors and certain officers of the Company. Key management compensation during the three months ended March 31, 2023 and 2022 is as follows:

	Three months ended March 31,	
	2023	**2022**
	$'000	**$'000**
Salary, fees, pension and professional fees	587	233
Share-based compensation – PSUs and stock options	20	41
	607	274

Amounts due from related parties at March 31, 2023 of $246,000 (December 31, 2022: $242,000) is a receivable due from Aterian Plc in which the Company holds a 25% equity interest.

15. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, investments, accounts receivable and other, accounts payable and accrued liabilities and borrowings which are all measured at amortized cost except for investments which are measured at fair value through profit or loss.

Discussions of risks associated with financial assets and liabilities are detailed below:

Market risk

Market risk is the risk that the Company's future earnings will be adversely impacted by changes in market prices. Market risk for the Company comprises two types of risk: price risk and foreign currency risk.

Price risk

The price risk is the risk that the Company's future earnings will be adversely impacted by changes in the market prices of commodities. In addition, the Company's investments in listed securities are subject to movements in their respective share price.

Foreign currency risk

Foreign currency risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's transactions are carried out in a variety of currencies, including Sterling, Australian Dollar, Canadian Dollar and US Dollar as well as Egyptian Pound and West African Franc and it is exposed to movements in the US Dollar against these other currencies. The Company has not hedged its exposure to currency fluctuations.

Sensitivity analysis has been performed to indicate how the profit or loss would have been affected by changes in the exchange rate between the US Dollar and each of these currencies. The analysis is based on a weakening and strengthening of these currencies by 10% against the US Dollar in which the Company has assets and liabilities at the end of each respective period. A movement of 10% reflects a reasonably possible sensitivity when compared to historical movements over a three-to-five-year timeframe. Based on the Company's CAD, GBP and AUD denominated monetary assets and liabilities at March 31, 2023, a 10% strengthening in CAD, GBP and AUD relative to the US Dollar would result in an increase of approximately $0.17 million in the Company's net loss. A 10% increase (decrease) of the value of other currencies relative to the US Dollar would not have a material impact on net loss.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest-bearing financial assets and liabilities that the Company uses. Treasury activities are managed using procedures and policies approved and monitored by the Board to minimize the financial risk faced by the Company. Interest-bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets, and interest-bearing liabilities comprise the loan drawn under the revolving credit facility with NBC and CIBC which bears interest at a rate of SOFR plus 2.50% - 3.75% per annum.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuing to monitor forecasted and actual cash flows. The Company has in place a planning and budgeting process to help determine the funds required to support its normal operating requirements on an ongoing basis and its development plans. The Company strives to maintain sufficient liquidity to meet its short-term business requirements, taking into account its anticipated cash flows from royalty interests, its holdings in cash and its committed liabilities.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's maximum exposure to credit risk is attributable to cash. The credit risk on cash is limited because the Company invests its cash in deposits with well capitalized financial institutions. The Company's accounts receivable is subject to the credit risk of the counterparties who own and operate the mines underlying the royalty portfolio. In order to mitigate its exposure to credit risk, the Company closely monitors its financial assets.

Fair values

It is the Board's opinion that the carrying values of the cash and cash equivalents, other receivables, all trade and other payables in the condensed interim consolidated statement of financial position approximate their fair values due to their short-term nature. The estimated fair value of the NBC/CIBC loan at March 31, 2023 was $30.0 million, based on a Level 3 fair value hierarchy. Investments are carried at fair value, which is a Level 1 valuation based on the published prices of listed securities.

Capital risk management

The Company's objectives when managing capital are to provide shareholder returns through maximization of the profitable growth of the business and to maintain a degree of financial flexibility relevant to the underlying operating and metal price risks while safeguarding the Company's ability to continue as a going concern. The Company manages its capital structure and makes adjustments in light of changes in economic conditions and in the risk characteristics of underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, acquire debt, or sell assets. Management regularly reviews cash flow forecasts to determine whether the Company has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.

(Expressed in US Dollars, unless otherwise indicated)

16. OUTSTANDING SHARE DATA

Common shares

As at the date of this MD&A, the Company had 182,484,172 common shares issued and outstanding.

Stock Options and Performance Share Units

The following is a summary of Elemental's issued and outstanding stock options and PSUs at the date of this MD&A:

Type	Expiry Date	Exercise Price	Trading Price Hurdle	Number Outstanding	Number Exercisable
Stock options					
	July 28, 2025	C$1.50	-	900,000	900,000
	December 20, 2027	C$1.40	-	8,030,000	8,030,000
Altus replacement options					
	August 28, 2025	C$1.92	-	2,940,296	2,940,296
	August 20, 2026	C$1.92	-	237,600	118,800
	February 9, 2027	C$1.70	-	1,704,780	1,089,990
Performance Share Units					
	June 14, 2023	-	$0.62	463,498	463,498
	June 14, 2023	-	$0.78	579,483	579,483
	June 14, 2023	-	$0.94	579,483	579,483
	June 14, 2023	-	$1.25	772,645	772,645
	July 28, 2025	-	C$1.70	160,000	160,000
	July 28, 2025	-	C$2.20	340,000	-
Total stock options, PSUs, and Altus replacement options				16,707,785	15,634,195

17. RISKS & UNCERTAINTIES

For detailed risks and uncertainties, refer to the MD&A for the year ended December 31, 2022 and the Annual Information Form ("AIF") dated May 1, 2023, both of which are available on the Company's SEDAR profile at www.sedar.com.

18. FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements and forward-looking information (within the meaning of applicable Canadian securities laws) (collectively, "forward-looking statements"). All statements and information, other than statements and information of historical fact, constitute "forward-looking statements" and include any information that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future including the Company's strategy, plans or future financial or operating performance and other statements that express management's expectations or estimates of future performance.

Forward-looking statements are generally identifiable by the use of the words "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate" and similar expressions (including negative and grammatical variations) have been used to identify these forward-looking statements. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant risks, uncertainties and assumptions. Forward-looking statements involve significant risks, uncertainties and assumptions and in this MD&A include, but are not limited to: statements with respect to the Company's financial guidance, outlook, the completion of mine expansion under construction phases, and the results of exploration and timing thereof, at the mines or properties that the Company holds an interest in, future royalty payments relating to royalties and streams the Company holds an interest in, and refinancing of the debt. Many factors could cause the 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, without limitation, those listed in the "Risk Factors" section of this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by the forward-looking statements contained in this MD&A. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management currently believes to be reasonable assumptions, the Company cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A have been based on expectations, factors and assumptions concerning future events which may prove to be inaccurate and are subject to numerous risks and uncertainties, certain of which are beyond the Company's control, including without limitation: the impact of general business and economic conditions; the absence of control over mining operations from which it will receive royalty payments and risks related to those mining operations, including risks related to international operations, government and environmental regulation, delays in mine construction and operations, actual results of mining and current exploration activities, conclusions of economic evaluations and changes in project parameters as plans are refined; problems related to the ability to market precious metals or other minerals; industry conditions, including inflation, commodity price fluctuations, interest and exchange rate fluctuations; regulatory, political or economic developments in any of the countries where properties underlying the royalty, stream interests or exploration assets are located or through which they are held; risks related to the operators of the properties underlying royalty or other interest, including changes in the ownership and control of such operators; risks related to geopolitics and conflict including the impact of the war in Ukraine which has affected energy and food prices, global pandemics, including the COVID-19 pandemic, and the spread of other viruses or pathogens; influence of macroeconomic developments, compounded by the effects of the war in Ukraine which have also affected energy and food supplies; business opportunities that become available, or are pursued; title, permit or license disputes related to interests on any of the properties in which a royalty or other interest is held; loss of key employees; regulatory restrictions; litigation; fluctuations in foreign exchange or interest rates; and other factors, many of which are beyond the control of Elemental. The Company assumes no responsibility to update forward looking statements, other than as may be required by applicable securities laws. The factors identified above are not intended to represent a complete list of the factors that could affect the Company.

For a cautionary statement on forward-looking information related to the Altus merger, refer to the Altus Information Circular dated July 15, 2022, which is available on the Company's SEDAR profile at www.sedar.com.

Qualified Person:
Steven Poulton, FIMM, is Executive Chairman and Richard Evans, FAusIMM, is Senior Vice President Technical of Elemental. Each is a qualified person under National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"), and together they have reviewed and approved the scientific and technical disclosure contained in this document.