ELEMENTAL ALTUS ROYALTIES CORP.
(FORMERLY ELEMENTAL ROYALTIES CORP.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2022

Date of Report: April 27, 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 year ended December 31, 2022 should be read in conjunction with the consolidated financial statements of Elemental for the same period. The information contained within this MD&A is as of April 27, 2023.

The referenced financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board ("IFRS"). All figures are expressed in US dollars unless otherwise indicated, which is the Company's presentation and functional currency.

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 is diversified by several top-tier operators and 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".

On August 16, 2022, Elemental completed a share-for-share merger ("the Merger") with Altus Strategies Plc ("Altus"), and on September 22, 2022, Elemental Royalties Corp. changed its name to Elemental Altus Royalties Corp. (effective September 26, 2022). The Merger was completed by way of a court-sanctioned scheme of arrangement (the "**Scheme**") under the laws of the United Kingdom and was subject to approval by shareholders of Altus. The transaction was approved by Altus shareholders at two special shareholder meetings held on August 8, 2022, and the issuance of Elemental common shares under the terms of the Merger was approved by Elemental shareholders at Elemental's annual general and special meeting held on August 8, 2022. On August 12, 2022, the United Kingdom High Court of Justice approved the Scheme under section 899 of the Companies Act 2006 pursuant to which the Merger was implemented. Under the Merger terms, Elemental acquired all issued and to be issued share capital of Altus, with each Altus share exchanged for 0.594 Elemental shares (the "**Exchange Ratio**"). The Exchange Ratio was agreed between the boards of Elemental and Altus taking into account the market capitalizations and relative net asset values of each company.

Through the Merger, the Company has significantly increased its scale and diversity with 11 producing royalties and streams in seven jurisdictions; a transformed revenue profile and organic opportunities to increase revenue; strong shareholder support from La Mancha and other institutional investors; an enhanced capital markets portfolio providing improved scale, liquidity and analyst coverage, a stronger revenue profile and balance sheet and enhanced opportunities to refinance the credit facility on improved terms; as well as complimentary management skills from the collective teams' extensive experience and their technical, financial and legal expertise.

Following completion of the Merger, Elemental updated its guidance to a range from 6,400 to 7,000 attributable gold equivalent ounces ("GEOs"), inclusive of Altus assets from August 16, 2022. Elemental produced 5,834 GEOs in 2022 due to underperformance from Caserones and Ming in Q4 2022. GEO is a non-IFRS measure - see section 12 – non-IFRS measures.

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 $9.6 million for the year ended December 31, 2022, an increase of approximately 46% on revenue of $6.6 million in 2021 and the fifth successive year of record revenue for the Company.
- Adjusted revenue of $10.5 million for the year ended December 31, 2022 (2021: $6.6 million). See section 12 – non-IFRS measures for definition of adjusted revenue.
- Total attributable GEOs of 5,834 for the year ended December 31, 2022 (2021: total attributable GEOs of 3,680).
- During the year, Elemental received approximately 408.4 gold ounces from the Ming Gold Stream with gross value of approximately $677,000 (see also Subsequent events below).
- Operating cash outflow of $0.7 million for the year ended December 31, 2022 (2021: $1.1 million cash inflow).
- Net loss of $18.2 million for the year ended December 31, 2022 (2021: $4.7 million net loss).
- Adjusted EBITDA of $6.7 million for the year ended December 31, 2022 (2021: $3.2 million) (refer to the "Non-IFRS Measures" section of this MD&A).

Highlights and key developments

- On August 16, 2022, the Company completed the Merger with Altus that was announced by the Company and Altus on June 14, 2022.
- Effective September 26, 2022, the Company changed its name to Elemental Altus Royalties Corp.
- On January 19, 2022, Capricorn Metals Limited (ASX: CMM) ("Capricorn"), the operator of the Karlawinda gold mine in western Australia, confirmed they remained on track to achieve FY22 guidance of 110,000 – 120,000 ounces. Production for the year to June 30, 2022, was 118,432 ounces.
- On April 4, 2022, the Company completed a gold purchase and sale agreement (the "Ming Gold Stream") with Rambler Metals and Mining Canada Limited ("RMMCL"), a wholly owned subsidiary of Rambler Metals and Mining PLC (AIM: RMM) ("Rambler"). Subsequent to year end, the Company delivered a written notice of default to Rambler on February 9, 2023, for non-delivery of gold under their Gold Stream agreement (see Subsequent events below).
- 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). The net proceeds of the placement were used to fund the acquisition of the Ming Gold Stream, with the remainder for general working capital purposes.
- On October 25, 2022, the Company announced the completion of the sale of its 100% owned Morocco-focused copper subsidiary, Aterian Resources Ltd. ("Aterian"), to Eastinco Mining and Exploration plc. ("Eastinco"). Aterian owns a 100% interest in 15 prospective projects primarily targeting copper and silver covering 762km^2 ("Projects"). In consideration, Elemental Altus received:
    - a 2.50% net smelter return ("NSR") royalty over each of the 15 Projects, with Eastinco retaining certain buyback rights of up to 1.0% of each NSR royalty for $0.5 million per 0.5%.
    - a 0.5% NSR royalty over Eastinco's Musasa tantalum operation in Rwanda.
    - 241,173,523 shares in Eastinco representing 25% of the issued share capital of Eastinco valued at approximately £2.5 million (approximately $2.9 million) on the transaction date. The shares are subject to a customary 12-month lock in period and a further 12-month orderly market provision.
    - 96,469,409 five-year warrants, with 48,234,704 (50%) of the warrants having an exercise price of £0.01 per share and 48,234,705 (50%) having an exercise price of £0.02 per share.
    - The Company's equity interest in Eastinco is 25% and is accounted for as an Investment in Associate.
    - Eastinco will reimburse the Company up to £250,000 (approximately $287,404) in cash in respect of certain historic exploration expenditures; the first of five quarterly payments was made in Q4 2022.

  - On November 2, 2022, Eastinco changed its name to Aterian plc.
- On October 31, 2022, the Company noted the recent announcement by Capricorn of an increase in Ore Reserves and Mineral Resources at the producing Karlawinda gold mine in Western Australia. Elemental Altus owns a 2.0% NSR royalty on Karlawinda.

Information about the Gold Royalty Corp ("Gold Royalty") Hostile Bid

- On January 11, 2022, the Company confirmed that Gold Royalty Corp. had commenced a highly conditional and unsolicited all-share takeover bid to acquire all outstanding common shares of the Company (the "Hostile Bid").
- On January 26, 2022, the Company announced that the Board, following the unanimous recommendation of a special committee of independent directors, has unanimously determined that the all-share hostile takeover bid from Gold Royalty is not in the best interests of the Company or its shareholders and unanimously recommended that shareholders reject and not tender their shares.
- On May 12, 2022, Elemental confirmed the Hostile Bid by Gold Royalty had not been successful, and that based on information from available sources, the Company estimates that significantly less than 5% of its shares were tendered to the Hostile Bid. Having failed to meet the statutory minimum tender condition of more than 50% of the Elemental shares outstanding (excluding those shares beneficially owned, or over which control or direction is exercised by, Gold Royalty or by any persons acting jointly or in concert with Gold Royalty), Gold Royalty allowed the Hostile Bid to expire. The Hostile Bid created an unfortunate and unnecessary drain on Elemental management's time and resources and at the time of expiry represented a material discount to Elemental shareholders rather than the premium announced by Gold Royalty.

Subsequent to December 31, 2022

- 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 until February 24, 2023 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.
- On February 21, 2023, the Company acquired a portfolio of 19 royalties from a wholly owned subsidiary of First Mining Gold Corp for consideration of $3.5 million in cash and $1.5 million in common shares based on the 20-day volume-weighted average price of shares traded on the TSX Venture Exchange prior to this announcement at a price of C$1.253. 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. Following the acquisition, Elemental Altus now holds an effective 0.443% NSR royalty on Caserones.

The following table summarizes the Company's revenue from royalty and streaming interests during the three and twelve months ended December 31, 2022 and 2021. Adjusted revenue also includes royalty revenue from equity investments for the same periods (see section 12 – Non-IFRS Measures).

	Three months ended December 31,		Twelve months ended December 31,	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Revenue from royalties				
Amancaya	272	262	994	1,270
Ballarat[1]	200	-	347	-
Bonikro[1]	13	-	45	-
Karlawinda	1,029	1,078	4,338	1,861
Kwale	75	146	325	611
Mercedes	243	-	380	-
Mount Pleasant	59	22	316	25
SKO[1]	49	-	84	-
Wahgnion	633	815	2,133	2,844
Revenue from streams				
Ming	-	-	677	-
Total revenue	2,573	2,323	9,639	6,611
Royalty revenue from equity investments				
Caserones[1,2]	242	-	898	-
Adjusted revenue	2,815	2,323	10,537	6,611

(1) For the post acquisition period commencing August 16, 2022.
(2) 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 December 31, 2022.

The following table summarizes the Company's GEOs from royalty interests during the three and twelve months ended December 31, 2022 and 2021:

	Three months ended December 31,		Twelve months ended December 31,	
	2022	**2021**	**2022**	**2021**
	GEO	**GEO**	**GEO**	**GEO**
Amancaya	156	146	551	706
Ballarat[1]	115	-	200	-
Bonikro[1]	8	-	26	-
Karlawinda	592	617	2,404	1,056
Kwale	44	81	179	340
Mercedes	140	-	219	-
Mount Pleasant	34	16	174	17
SKO[1]	28	-	48	-
Wahgnion	364	434	1,186	1,561
Ming	-	-	327	-
Caserones[1]	140	-	520	-
Total GEOs [2]	1,621	1,294	5,834	3,680

(1) For the post acquisition period commencing August 16, 2022.
(2) 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. ACQUISITION OF ALTUS STRATEGIES PLC

On June 14, 2022, the Company reached an agreement with Altus Strategies plc on the terms and conditions of a recommended share-for-share Merger of the Company and Altus with the entire issued and to be issued share capital of Altus being acquired by the Company. Altus is a company that is involved in the acquisition of precious metal royalties and project generation discovery.

On August 16, 2022, the Company completed the Merger with Altus and the Company changed its name to Elemental Altus Royalties Corp. Under the Merger terms, the Company acquired all issued and outstanding shares of Altus, with each Altus share exchanged for 0.594 Elemental shares. The Company issued 69,688,995 common shares to Altus shareholders at the fair value of $67.34 million as determined by the trading price of the Company on the TSX-V. In addition, the Company granted 5,405,396 replacement options and 3,291,574 replacement warrants. The fair value of the replacement options and replacement warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: stock price C$1.24; exercise price C$2.10; risk-free interest rate 3.19%; expected life 2.52 years; expected volatility 51% and expected dividends $nil.

Upon completion of the Merger, Elemental Royalties Corp. shareholders owned 52.9% and Altus shareholders owned 47.1% of the total issued and outstanding shares of Elemental Altus Royalties Corp.

The Merger was considered to be a business combination under IFRS 3. The table below presents the estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition. The Company considers that the allocation is now finalized following a small number of adjustments since the publication of the Q3 2022 interim accounts.

Net assets acquired	**$'000**
Cash	7,875
Held-for-sale assets	5,804
Accounts receivable and other	473
Royalty interests	25,836
Exploration and evaluation assets	25,418
Equipment and right-of-use assets	306
Investments in associates	37,650
Investments	1,235
Accounts payable and accrued liabilities	(3,653)
Loan	(24,022)
Held-for-sale liabilities	(41)
Deferred income tax liabilities	(8,338)
Net assets as at August 16, 2022	68,543

(Expressed in US Dollars, unless otherwise indicated)

Consideration paid	
Fair value of 69,688,995 common shares issued	67,340
Fair value of options fully vested	1,183
Fair value of warrants	20
Total consideration paid	68,543

Transaction and integration costs incurred in relation to the Merger of $3.93 million were expensed during the year.

From the date of the Merger to December 31, 2022, the Company results include Altus revenue of $0.48 million with adjusted revenue of $1.37 million. Net loss for Altus of $6.14 million was included in the Company's net loss. If the transaction had occurred at the beginning of the fiscal year, the Company would have included Altus revenue of $1.27 million, adjusted revenue of $5.34 million and net loss of $11.62 million, which includes costs of the Merger borne by Altus.

4. ROYALTY AND STREAM PORTFOLIO

Elemental's focus is on securing royalties and streams over high-quality precious metals assets with established operators. As at December 31, 2022, the Company owns 58 royalties and streams. Elemental has 11 royalties and streams that are currently paying, including four in Australia, two in Chile, and one each in Canada, Burkina Faso, Cote d'Ivoire, Mexico, and Kenya. 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[1]	Shen Yao Holdings	Australia	Gold	Production	1.25% NSR
Bonikro[1]	Allied Gold	Cote d'Ivoire	Gold	Production	2.25% NSR
Caserones[1]	JX Nippon	Chile	Copper	Production	0.418% NSR
Karlawinda	Capricorn Metals Ltd	Australia	Gold	Production	2% NSR
Kwale	Base Resources Ltd	Kenya	Ilmenite, rutile, zircon	Production	0.25% GRR
Laverton	Focus Minerals Ltd	Australia	Gold	Feasibility	2% GRR
Mercedes[2]	Bear Creek Mining Corp.	Mexico	Gold, silver	Production	1% NSR
Ming[3]	Rambler Metals and Mining PLC	Canada	Gold	Production	Stream
Mt. Pleasant	Zijin Mining Group	Australia	Gold	Production	5% NPI or A$10/oz
South Kalgoorlie[1]	Northern Star Resources	Australia	Gold	Production	A$5/oz
Wahgnion	Endeavour Mining Corp.	Burkina Faso	Gold	Production	1% NSR

(1) Royalty assets acquired in the merger with Altus completed on August 16, 2022.
(2) As of July 28, 2022, the Mercedes royalty became payable.

(Expressed in US Dollars, unless otherwise indicated)

(3) The Ming Gold Stream acquisition closed on April 4, 2022. The mine was placed into care and maintenance in Q1 2023.

5. PRINCIPAL ROYALTIES AND STREAMS

Karlawinda

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

Update

- Q4 2022 gold production from Karlawinda was 29,310 ounces (Q3 2022: 31,005 ounces).
- Capricorn expects to continue its strong operational performance in FY2023 with unchanged gold production guidance of 115,000 – 125,000 ounces.
- On November 3, 2022, Capricorn resumed load and haul mining operations following a temporary suspension since October 13, 2022, when an employee of a mining contractor was fatally injured in a significant incident at the mine.
- Subsequent to period end, 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.
- 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)

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 Q4 2022, the Company received adjusted royalty revenue of $0.24 million (before tax) and recorded a dividend receivable of $0.52 million.
- Production was lower than expected due to significant meteorological events which impacted the concentrate plant and tailings facility capacity, whilst also created logistical impediments.
- Substantial production recovery expected in Q1 2023 as throughput, grades and recoveries return to historical levels.
- Subsequent to December 31, 2022, 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.

(Expressed in US Dollars, unless otherwise indicated)

Wahgnion

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

Update:

- Production increased from 32koz in Q3 2022 to 36koz in Q4 2022 due to higher processed grades which were partially offset by slightly lower tonnes milled, while gold recovery rates remained flat.
- Total tonnes mined increased due to increased mining productivity following the end of the wet season and the benefit of a full quarter of mining at the Samavogo pit. In addition, mining continued at the Nogbele North and South pits while mining at the current stage of the Fourkoura pit ended during the quarter.
- Endeavour has guided Wahgnion to produce 150-165koz in 2023 compared with 124koz in 2022.
- 2023 production is expected to be weighted to the second half of the year as greater volumes of high-grade ore are expected to be sourced from the Samavogo pit in H2-2023, as the strip ratio reduces. Mill throughput rates are expected to be similar to FY-2022 while grades are expected to increase with the full year benefit of higher-grade deposits.
- Endeavour recognised a non-cash impairment of $197 million in FY2022 in relation to the mining interest at Wahgnion. The impairment follows updates to the life of mine plan which reflect an updated estimate of the reserve and resources, and estimated operating costs. The decrease in reserves and resources triggered an impairment review of the Company's royalty asset to ascertain whether the portion of the recoverable value had fallen below its carrying value under IFRS 6. The Company recorded an impairment charge of $0.13 million as the carrying value exceeded the determined recoverable amount on December 31, 2022.
- An exploration program of $4.0 million is planned for 2023, following a 2022 spend of $9.0m in 2022 which included 44,149 meters of drilling across 435 drill holes focussed on evaluating the Ouahiri South, Bozogo, Samavogo Nord and Kassera targets.

Bonikro

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

Update

- 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 Mali. At a gold price above US$1,450, the NSR royalty is at an effective rate of 2.25%, capped at 560,000 ounces.
- Elemental received approximately $14,000 in revenue from the development of Pushback 5 in Q4, compared to $45,000 in Q3 due to the operator sourcing ore from outside the royalty area.
- Allied Gold is expected to target full production from the royalty area from H2 2023.

(Expressed in US Dollars, unless otherwise indicated)

Ming

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

Update

- Elemental's acquisition of the Ming stream closed on April 4, 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 November 1, 2022, Rambler announced that operations are continuing as normal at its wholly-owned Ming copper-gold mine in Canada. This follows an event of default under the $16.4 million loan agreement with Newgen Resources Lending Inc ("Newgen") after Rambler failed to make a first principal repayment due to Newgen on October 31, 2022. Rambler stated that it remains in constructive discussions with Newgen to find a solution to the refinancing or restructuring.
- On February 27, 2023, Rambler announced it had applied for an initial order for Companies' Creditors Arrangement Act ("CCAA") protection from the Supreme court of Newfoundland, Canada.
- During the course of the CCAA Proceedings, Rambler Canada was expected to restart operations from 28 February 2023 and continue to operate in the ordinary course of business. Rambler Canada has secured a debtor in possession financing of up to US$5 million dollars over the course of the CCAA process through RMM Debt Limited Partnership, by its general partner, RMM General Partner Inc., whose partners include certain holders of NewGen loan notes, which will be used to fund the CCAA Proceeding.
- 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). 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 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.

(Expressed in US Dollars, unless otherwise indicated)

Mercedes

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

Update

- Q4 2022 represented the first full quarter of production attributable to Elemental Altus, with gold production from Mercedes of 13,710 ounces and silver production of 40,222 ounces (Q3 2022: 11,369 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 also announced a 2023 exploration budget of US$4.4 million exploration program at Mercedes, including 33,000 metres of drilling.
- On September 6, 2022, Bear Creek announced plans to design and implement a 32-week performance improvement program at the Mercedes mine. The program will cost US$2.15 million and will be completed by January 2023. The planned improvements are to re-open closed mining areas to achieve gold production rates of over 70,000 ounces per year and reduce costs.
- 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

- Guanaco/Amancaya production increased from 5,883 in Q3 2022 (or 5,679 gold ounces and 18,260 silver ounces) to 7,934 GEOs in Q4 2022 (7,441 gold ounces and 38,991 silver ounce), an 35% increase from the September 2022 quarter.
- Increased production during Q4 was mainly due to operational efficiencies, higher gold grades, and an increase in the number of tonnes of ore processed.
- Austral reported that they intend to continue to review exploration opportunities to increase mineral reserves in the Guanaco and Amancaya district.

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.

(Expressed in US Dollars, unless otherwise indicated)

- 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.

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% and also holds ownership of approximately $0.6 million in accrued royalty payments.
- 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.

6. ROYALTY GENERATION

During Q4 2022 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. Also, during the quarter, the transaction to vend out the Moroccan copper-focused portfolio was completed, generating 15 new royalties for the Company, and, in addition, a formal sale process was initiated for the Diba-Lakanfla gold project in western Mali. The following is a list of the Company's evaluation and exploration projects.

Mali

A process for the sale of the Diba-Lakanfla gold project in western Mali was initiated 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.

The sale process triggered an impairment review of the Company's exploration asset to ascertain whether that portion of the recoverable value had fallen below its carrying value under IFRS 6. If any impairment exists this would be considered an adjusting subsequent in accordance with IAS 10, Events after Reporting Period. The Company's estimate for the recoverable value of the project was based on a best estimate of proposed purchase consideration of the sale. The model employed a blended approach of gold future curves and analyst consensus in its gold price assumptions resulting in a price of $1,875/oz for 2023-24 and a long-term price of $1,644/oz. A discount rate of 5.6% was applied. The Company recorded an impairment charge of $4.35 million having determined that the carrying value of the asset exceeded the recoverable amount on December 31, 2022.

Egypt
During the quarter, a semi-permanent exploration camp was established on the Wadi Jundi (696km^2) licence to allow reconnaissance work to proceed without the need to travel to/from the field office at Marsa Alam. The team continued its program of licence mapping and sample collection, with the majority of sampling results awaited at the end of the year. However, the team identified the Manhi gossan target for future exploration work.

At the Wadi Dubur (175km^2) licence, a substantial channel sampling program was undertaken to identify economic widths of mineralisation from initial areas of spot sampling which will be followed up by detailed mapping of potential strikes with the objective of defining drill targets.

The team continued its reconnaissance sampling program at the Gabal Om Ourada (346km^2) licence, and the permitting process continued for the Company's two new licences, Gabal El Mayyet (174km^2) and Bir Esl (178km^2).

Morocco
During the quarter, the Company's copper-focused Moroccan assets were vended out to Eastinco Mining and Exploration plc following admission of its shares to trading on the London Stock Exchange Main Market. In consideration of the transaction, Elemental Altus received 241,173,523 shares in Eastinco, representing 25% of the issued share capital and 15 new, 2.50% NSR royalties on the Moroccan assets. Eastinco was subsequently renamed Aterian plc. Further details are included in the highlights section of Overall Performance.

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 is established. Meanwhile, the Company continues to seek a buyer or joint venture partner for the two projects.

7. SELECTED ANNUAL INFORMATION

The Company's fiscal years ends on December 31. The following is a summary of certain selected audited financial information for the last three fiscal years:

	December 31, 2022 $'000	**December 31, 2021 $'000**	**December 31, 2020 $'000**
Total revenues	9,639	6,611	5,121
Net loss	(18,211)	(4,726)	(2,631)
Loss per share – basic and diluted	(0.17)	(0.07)	(0.08)
Total assets	185,928	76,495	28,045
Total non-current liabilities	32,108	24,583	-
Dividends	-	-	-

The Company has acquired royalty assets during the year, increasing revenues and total assets. Details of royalties acquired during fiscal 2022 are discussed in the Overall Performance section of this report.

8. DISCUSSION OF OPERATIONS

The discussion of operations relates to the Company's three and twelve months ended December 31, 2022 and 2021.

	Three months ended December 31,		Twelve months ended December 31,	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Revenue from royalties and streams	2,573	2,323	9,639	6,611
Cost of sales, excluding depletion	-	-	(138)	-
Depletion of royalty interests	(1,640)	(1,099)	(5,409)	(2,884)
Share of profit/(loss) of associates	(62)	-	74	-
General and administrative expenses	(1,260)	(1,397)	(3,085)	(2,971)
Project evaluation expenses	(83)	(153)	(316)	(435)
Impairment charge	(4,484)	-	(4,484)	-
Share-based compensation expense	(3,852)	(57)	(4,066)	(638)
Hostile takeover bid expenses	-	-	(1,684)	-
Merger transaction and integration expenses	(1,564)	-	(3,928)	-
Interest and financing expenses, net	(1,474)	(769)	(4,274)	(3,010)
Loss on extinguishment of loan	(1,254)	-	(1,254)	-
Gain on extinguishment of loan	1,076	-	1,076	-
Fair value loss	(45)	-	(194)	-
Foreign exchange gain (loss)	(417)	36	(281)	(36)
Other income and expense	(8)	-	(8)	-
Tax (expense)/recovery	976	(511)	121	(1,363)
Net profit on discontinued operations	-	-	-	-
Net loss for the period	(11,518)	(1,627)	(18,211)	(4,726)
Operating cash flows	296	1,177	(723)	1,119
Adjusted revenue[1]	2,815	2,323	10,537	6,611
Adjusted depletion[1]	(1,817)	(1,099)	(6,270)	(2,884)
Adjusted EBITDA[1]	1,005	809	6,683	3,169

(1) See Non-IFRS Measures in section 12

Twelve months ended December 31, 2022

The Company recorded a net loss of $18.21 million for the year ended December 31, 2022, as compared to a net loss of $4.73 million for the year ended December 31, 2021. The increase in net loss is due to a combination of factors, as discussed below.

Total revenue increased to $9.64 million (2021: $6.61 million) due to the receipt of a full year of revenue from the Karlawinda royalty which was commissioned in Q3 2021, a higher average gold price during the year, plus initial income from the Altus royalty portfolio from August 2022 and from the Mercedes royalty in Q3 2022 partially offset by lower production at the Amancaya, Wahgnion and Kwale royalties. Adjusted revenue increased to $10.54

million (2021: $6.61 million) due to the inclusion of initial revenue from Altus' Caserones royalty interest in addition to the changes outlined in total revenue above.

Depletion of royalty interests increased to $5.41 million (2021: $2.88 million) which was linked closely to the increases in revenue listed above relating to newly producing or newly acquired assets. Royalty depletion as a percentage of revenue was 56.1% (2021: 43.6%). The increase is due to a lower proportion of resources included in the depletable base. Adjusted depletion increased to $5.93 million (2021: $2.88 million) due to the inclusion of initial depletion of Altus' Caserones royalty in addition to the changes outlined in depletion of royalty assets above. Adjusted depletion as a percentage of adjusted revenue was 56.3% (2021: 43.6%).

General and administrative expenses increased to $3.09 million (2021: $2.97 million) due primarily to an increase in employee costs as a result of salary increases and the inclusion from August 16, 2022 of the Altus staff. Project evaluation expenses decreased to $0.32 million (2021: $0.44 million) primarily due to lower business development costs incurred for potential acquisitions. Project evaluation expenses are those activities required to acquire and then manage the Company's portfolio of royalty assets. Certain employment costs and professional and consulting fees are allocated to project evaluation expenses.

Impairment charges were $4.48 million (2021: $nil) and were recorded against the Diba-Lakanfla held-for-sale asset ($4.35 million), triggered by ongoing sales process for the projects, and on the Wahgnion project ($0.13 million) following a reduction in the estimated reserves and resources of the mine operator.

Share-based compensation expense is derived from valuations of the stock options and PSUs awarded to directors, employees and some consultants, the cost of which is spread over the respective vesting periods of each instrument. Share-based compensation expense rose to $4.07 million (2021: $0.64 million) due to an award of stock options to directors and employees in December 2022 which vested immediately. The company did not issue options in 2021 due to the disruption associated with the Gold Royalty hostile bid.

Net interest and finance expense increased to $4.27 million (2021: $3.01 million) due to addition of the La Mancha Loan from August to December 2022. Both loans contained an element of variable interest and were affected by the increase in LIBOR during the year. Gain on extinguishment of debt was $1.08 million (2021: $nil) arising from a movement in the Company's share price at completion of the refinancing, and fair value loss was $0.19 million (2021: $nil) relating to holdings of investments and warrants. Loss on extinguishment of debt was $1.25 million and comprised all transaction costs of the refinancing of the Sprott loan with NBC/CIBC as well as amortization of residual Sprott loan costs.

Hostile takeover bid expenses increased to $1.68 million (2021: $nil) due to legal and professional fees associated with the Gold Royalty Hostile Bid. Transaction and integration expenses increased to $3.93 million (2021: $nil) as a result of the incurrence of legal, advisory and other professional fees associated with the Altus merger.

Tax recovery was $0.12 million for the year (2021: $1.36 million expense) which comprised a recovery of $1.35 million primarily in respect of the impairment of the held-for-sale Diba-Lakanfla project and a current tax charge of $1.23 million which resulted from the addition through the Merger of Australian projects subject to royalty withholding tax and from withholding tax on interest payments from the Company's 50%-owned entity in Chile offset by a reduction of revenue as outlined above on projects incurring withholding tax. The Company did not expect to have any taxable profits in Australia. In addition, distributions from the Company's associate relating to the Company's effective interest in the Caserones royalty are received by the Company net of Chilean corporate tax.

Three months ended December 31, 2022

The Company recorded a net loss of $11.52 million for the three months ended December 31, 2022, compared to a net loss of $1.63 million for the three months ended December 31, 2021. The increase in net loss is due to a combination of factors, as discussed below.

Total revenue increased to $2.57 million (2021 three months: $2.32 million) due to the inclusion of revenue from assets acquired through the Merger (Ballarat and SKO plus a small amount of revenue from Bonikro), the first revenues from Mercedes, and an increase in Mount Pleasant revenue. These increases were partially offset by a decrease in Kwale revenues and the non-delivery of gold from the Ming stream. Bonikro revenue was lower than expected due to the operator mining outside the royalty area but this is expected to improve in 2023. Adjusted revenue increased to $2.82 million (2021 three months: $2.32 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 $1.64 million (2021 three months: $1.10 million), which was linked closely to the increases in revenue listed above relating to newly producing or newly acquired assets. Adjusted depletion increased to $1.82 million (2021 three months: $1.10 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 were slightly lower than in comparative quarter at $1.26 million (2021 three months: $1.40 million). Project evaluation expenses decreased to $0.08 million (2021 three months: $0.15 million) due to lower business development costs for potential acquisitions.

Impairment charges were $4.48 million (2021 three months: $nil) as the impairments detailed above for the year were both triggered after the year end and recorded in Q4 2022.

Share-based compensation expense rose to $3.85 million (2021 three months: $0.06 million) due to an award of stock options to directors and employees in December 2022 as outlined above.

Net interest and finance expense increased to $1.47 million (2021 three months: $0.77 million) due to the addition of the La Mancha Loan from the merger date as well as an increase in LIBOR. Gain on extinguishment of debt was $1.08 million (2021: $nil) and fair value loss was $0.05 million (2021: $nil) as outlined above for the year.

No costs were incurred in the quarter or in the comparative quarter in respect of the hostile takeover. Merger transaction and integration expenses were $1.56 million in the quarter primarily relating to legal fees as well as consulting and tax advice costs; no costs were incurred in the comparative quarter.

Tax recovery for the quarter was $0.98 million (2021 three months: $0.51 million expense) which represented the recovery in respect of the Diba project outlined for the year above and the offsetting increases and decreases in withholding tax due on receipt of royalty revenues as outlined for the year above as well as withholding tax on the receipt of interest on the intercompany loan to the 50%-owned Chilean entity.

9. 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 December 31, 2022.

	THREE MONTHS ENDED			
	December 31, 2022 $'000	**September 30, 2022 $'000**	**June 30, 2022 $'000**	**March 31, 2022 $'000**
Total revenue	2,573	2,789	2,082	2,195
Adjusted revenue[1]	2,815	3,445	2,082	2,195
Net loss	(11,518)	(3,134)	(2,352)	(1,207)
Net loss per share – basic and diluted	(0.08)	(0.03)	(0.03)	(0.02)
Total assets	185,928	188,236	84,742	86,675

	THREE MONTHS ENDED			
	December 31, 2021 $'000	**September 30, 2021 $'000**	**June 30, 2021 $'000**	**March 31, 2021 $'000**
Total revenue	2,323	1,901	1,239	1,148
Adjusted revenue[1]	2,323	1,901	1,239	1,148
Net loss	(1,627)	(836)	(1,181)	(1,082)
Net loss per share – basic and diluted	(0.02)	(0.01)	(0.02)	(0.02)
Total assets	76,495	76,614	77,359	78,274

[1] See Non-IFRS Measures in section 12

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 quarter 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.

10. LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2022, the Company's cash balance was $17.5 million (2021: $6.1 million) with working capital of $32.8 million (2021: $7.0 million).

During the year to December 31, 2022, the Company's operating activities used $0.7 million (2021: generated $1.1 million), while its investing activities used $3.4 million (2021: $40.1 million), which included the receipt of a cash balance of $7.9 million held by Altus at the date of the Merger, and its financing activities generated $15.8 million (2021: $34.2 million), which included the refinancing of the Sprott Amended Sprott Credit Facility, the conversion to equity of the La Mancha Loan and two private placements.

The Company had no commitments to fund its royalties other than a contingent A$0.4 million payment on the Mount Pleasant royalty. At December 31, 2022, 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 year resulted in an increase in its cash balance of $11.4 million (2021: $4.8 million reduction).

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.

11. BORROWINGS

Sprott credit facility

On February 9, 2021, the Company received a loan of $25 million from Sprott Private Resource Lending ("Sprott"), drawn from the Amended Sprott Credit Facility provided under the terms of an Amended and Restated Credit Agreement signed with Sprott on December 29, 2020. The loan bore interest at a rate of 9% per annum plus the greater of (i) LIBOR and (ii) 1%, paid monthly.

On December 1, 2022, the Company undertook a re-financing exercise (see National Bank of Canada/Canadian Imperial Banking Corp. loan below) and terminated the Amended Sprott Credit Facility. At that date, the principal balance of $25 million was repaid, outstanding interest on the loan was settled and remaining capitalized transaction costs were expensed. During the year, the Company recorded interest expense on the loan of $2.56 million (2021: $2.56 million) and amortization of transaction costs of $0.57 million (2021: $0.47 million).

La Mancha loan

Through the Merger, the Company acquired a liability in the form of a fully drawn down loan facility from Altus' shareholder LMH Explorers S.à r.l. Funds, a subsidiary of La Mancha (the "La Mancha Loan"). At the date of the Merger, the balance of the liability was $26.5 million which included loan principal of $24.0 million and accrued interest. The loan bore annualized interest at a rate of 10% plus three-month USD LIBOR.

Coinciding with the refinancing of the Amended Sprott Credit Facility, the Company signed an agreement with La Mancha for the conversion into equity of the debt including the accrued interest balance, the combined total of which was $27.6 million. During the period from the Merger to the conversion of the debt, the Company accrued interest expense of $1.0 million. For the conversion of the debt, the Company issued 28,959,797 common shares at a fair value price of C$1.23 after which, all amounts owed by the Company to La Mancha were satisfied in full and the associated security released. This resulted in a gain of $1.08 million arising on the movement in the share price prior to completion of the agreement.

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 drew down an initial $30 million from the Facility on the date of the agreement, using approximately $25.3 million to settle outstanding loan principal owed to Sprott along with unpaid interest and fees. During the period to the end of the year, the Company recorded interest expense of $0.22 million. Transaction costs of $1.25 million associated with the refinancing process were deemed to represent costs of extinguishing the Sprott loan and were expensed in full.

12. 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. The non-recurring expenses relating to the Gold Royalty Hostile Bid and the Altus Merger have also been removed from adjusted EBITDA. 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 and twelve months ended December 31, 2022 and 2021:

	Three months ended December 31,		Twelve months ended December 31,	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Net loss from continuing operations	(11,518)	(1,627)	(18,211)	(4,726)
Interest and finance expenses, net	1,474	769	4,274	3,010
Adjusted tax expense/(recovery)[1]	(911)	511	121	1,363
Adjusted depletion[1]	1,817	1,099	5,929	2,884
Depreciation of equipment and right-of-use assets	20	-	36	-
Impairment charge	4,484	-	4,484	-
Loss on extinguishment of loan	1,254	-	1,254	-
Gain on extinguishment of loan	(1,076)	-	(1,076)	-
Fair value loss	45	-	194	-
Share-based compensation expense	3,852	57	4,066	638
Hostile takeover bid expenses	-	-	1,684	-
Merger transaction and integration expenses	1,564	-	3,928	-
Adjusted EBITDA	1,005	809	6,683	3,169

[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,		Twelve months ended December 31,	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Revenue from royalty and stream interests	2,573	2,323	9,639	6,611
Revenue from Caserones	242	-	898	-
Adjusted revenue	2,815	2,323	10,537	6,611
Depletion of royalty and stream interests	(1,640)	(1,099)	(5,409)	(2,884)
Depletion of Caserones	(177)	-	(520)	-
Adjusted depletion	(1,817)	(1,099)	(5,929)	(2,884)
Tax (expense)/recovery	976	(511)	121	(1,363)
Tax charge relating to Caserones	(65)	-	(242)	-
Adjusted tax expense	911	(511)	(121)	(1,363)

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.

13. FINANCING ACTIVITIES

During the twelve months ended December 31, 2022, the Company completed the following equity financing transactions:

1) 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).
2) On August 16, 2022, the Company issued 69,688,995 common shares to Altus shareholders, fair valued at $67.3 million as determined by the trading price of the Company on the TSX-V.
3) On December 1, 2022, the Company and La Mancha signed an agreement by which La Mancha converted approximately $27,559,844 of loan principal and accumulated interest into 28,959,797 common shares of the Company fair valued at a price of C$1.23 ($0.91) per share.
4) On December 20, 2022, the Company completed a private placement of 3,970,997 common shares at C$1.28 ($0.94) per common share for gross proceeds of C$5.1 million ($3.7 million). In connection with the private placement, the Company incurred additional legal fees and other cash issuance costs of C$0.03 million ($0.03 million).

During the twelve months ended December 31, 2021, the Company completed the following equity financing transactions:

1) On February 8, 2021, the Company completed a private placement of 10,748,132 common shares at C$1.50 ($1.18) per common share for gross proceeds of C$16.1 million ($12.7 million). In connection with the private placement, the Company paid C$0.74 million ($0.58 million) of cash finders' fees and incurred additional legal fees and other cash issuance costs of C$0.24 million ($0.21 million).
2) On February 8, 2021, the Company issued 13,065,100 common shares at C$1.50 ($1.18) per common share as part of the acquisition of the South32 royalty portfolio.
3) On February 8, 2021, the Company issued 653,255 common shares as a finance cost pursuant to the Amended and Restated Credit Agreement with Sprott.

14. OFF-BALANCE SHEET ARRANGEMENTS

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

15. ACCOUNTING STANDARDS RECENTLY ADOPTED

As a result of the Merger with Altus on August 16, 2022, a number of new accounting standards were adopted by the Company. These new standards included business combinations, investments in associate and exploration and evaluation expenditures. These new standards were needed in order to account for the acquisition of Altus as a business combination as well as accounting for certain assets classified as investments in associates and exploration and evaluation assets. The adoption of these accounting standards had no impact on the historical financial statements of the Company as they were only applied to new transactions as a result of the Merger.

The acquisition of the Ming Gold Stream resulted in the Company adopting the stream arrangement, inventory and stream revenue accounting policies. The adoption of these accounting standards had no impact on the historical financial statements of the Company as they were only applied to new transactions as a result of the Ming Gold Stream.

Business combinations

On the acquisition of a business, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the identifiable assets and liabilities on the basis of fair value at the date of acquisition. Provisional fair values allocated at a reporting date are finalized as soon as the relevant information is available within a period not to exceed twelve months from the acquisition date with retrospective restatement of the impact of adjustments to those provisional fair values effective as at the acquisition date. Incremental costs related to acquisitions are expensed as incurred.

When the cost of the acquisition exceeds the fair values of the identifiable net assets acquired, the difference is recorded as goodwill. If the fair value attributable to the Company's share of the identifiable net assets exceeds the cost of acquisition, the difference is recognized as a gain in the Consolidated Statements of Loss.

Non-controlling interests represent the fair value of net assets in subsidiaries, as at the date of acquisition, which are not held by the Company and are presented in the equity section of the Consolidated Statements of Financial Position.

Investment in associate
An associate is an entity over which the Company has significant influence and is neither a subsidiary nor a joint operation. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies. A joint venture is an entity over which the Company has joint control through a joint arrangement that requires the unanimous consent of the parties sharing control, and whereby the joint arrangement does not confer a right to the assets or an obligation for the liabilities of the entity.

The Company accounts for its investment in an associate and joint ventures using the equity method. Under the equity method, the Company's investment in an associate or joint venture is initially recognized at fair value when acquired and subsequently increased or decreased to recognize the Company's share of net income and losses of the associate or joint venture, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the associate's or joint ventures reserves, and for impairment losses after the initial recognition date. The Company's share of income and losses of the associate or joint venture is recognized in net loss during the period. Dividends received from the associate or joint venture are accounted for as a reduction in the carrying amount of the Company's investment.

Exploration and evaluation expenditures
Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Exploration and evaluation expenditures are capitalized. The Company capitalizes costs to specific blocks of claims or areas of geological interest. Government tax credits are recorded as a reduction to the cumulative costs incurred and capitalized on the related property on an accrual basis.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to mine development assets according to the nature of the asset.

Stream arrangement
Stream interests are initially measured at cost, including any directly attributable transaction costs. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any. Project evaluation costs that are not related to a specific stream interest are expensed in the period incurred.

Stream interests are depleted using the units-of-production ("UoP") method, based on units sold, over the anticipated life of the mine to which the interest relates, which is estimated using available information on proven and probable reserves and the portion of resources expected to be classified as mineral reserves at the mine corresponding to the specific agreement, where management is confident that further resources will be converted into reserves and are approaching economic decisions affecting the mine on this basis.

In situations when the expectations change, and management determines that an alternative basis may be more appropriate, such change is treated as a change in accounting estimate under IAS 8. The effect of the change is recognized prospectively from the period in which the change has been made.

When acquiring a new stream interest, an allocation of its cost is attributed to the exploration potential of the interest and is recorded as a non-depletable asset on the acquisition date. The value of the exploration potential is accounted for in accordance with IFRS 6, Exploration and Evaluation of Mineral Resources and is not depleted until such time as the technical feasibility and commercial viability have been established at which point the value of the asset is accounted for in accordance with IAS 16, Property, Plant and Equipment.

Inventory
Pertaining to stream agreements, when refined gold is delivered to the Company, it is recorded as inventory. The amount recognized in inventory includes both the cash payment and the related depletion associated with the related stream interest, once it is sold to its third-party customers.

Revenue
Revenue is comprised of revenue earned from royalty and stream interests. 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 or stream 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.

Royalty revenue
The Company recognizes revenue upon the transfer of control of the relevant commodity from the operator to the end customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those commodities.

Stream revenue
The Company recognizes revenue upon the transfer of the relevant commodity received from the stream operator by the Company to its third-party customers.

16. RELATED PARTY TRANSACTIONS

Key management includes the executive and non-executive directors and certain officers of the Company. Key management compensation during the three and twelve months ended December 31, 2022 and 2021 is as follows:

	Three months ended December 31,		Twelve months ended December 31,	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Salary, fees, pension and professional fees	139	708	1,185	1,281
Share-based compensation – PSUs and stock options	1,956	41	2,104	485
	2,095	749	3,289	1,766

17. 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 denominated monetary assets and liabilities at December 31, 2022, a 10% strengthening in CAD, GBP and AUD relative to the US Dollar would result in an increase of approximately $0.18 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 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 December 31, 2022 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)

18. 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	-	3,029,396	3,029,396
	November 23, 2025	C$1.92	-	59,400	59,400
	April 1, 2026	C$1.92	-	44,550	44,550
	August 20, 2026	C$1.92	-	237,600	237,600
	February 9, 2027	C$1.70	-	1,856,250	1,165,725
	February 9, 2027	C$1.92	-	178,200	89,100
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				17,230,505	16,110,880

19. RISKS & UNCERTAINTIES

Some of the primary risk factors affecting the Company are set out below.

A number of global economic issues that have arisen in the wake of the COVID-19 pandemic have created conditions which could adversely impact the Company's business plans and activities in the coming months and the market price of the Company's common shares. An increase in inflation, labour shortages and labour strikes and supply chain issues have affected countries around the world, compounded by the effects of the war in Ukraine which have also affected energy and food supplies. There can be no assurance that the Company will not be impacted by adverse consequences of these issues on global industrial and financial markets which may reduce commodity prices, share prices and financial liquidity, thereby limiting access to additional capital. The Company is focused on the health and well-being of its workers and the communities in which it operates and has implemented measures accordingly. The Company will continue to monitor local government advice and regulations and adjust measures as appropriate.

The diversified portfolio of royalty and stream interests held by the Company across a number of different mine operators and geographical locations significantly mitigates the risks the Company faces.

Changes in commodity prices will affect the revenues generated from the Company's asset portfolio as well as the profitability of the Company

The revenue derived by the Company from its asset portfolio will be significantly affected by changes in the prices of the commodities underlying the Company's royalty interests. Commodity prices, including those to which the Company is exposed, fluctuate on a daily basis and are affected by numerous factors beyond the control of the Company, including levels of supply and demand, industrial investment levels, inflation and the level of interest rates, the strength of the US Dollar and geopolitical events. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. In addition, geo-political tensions with Russia, due to its war with Ukraine, and resulting sanctions, may serve to further compound supply constraints over a longer term, which could materially and adversely impact the quantum of production and increase the costs of production thereby reducing the returns upon which some or all of Elemental's royalties or streams are calculated, or both, from any or all of the mines in which Elemental holds royalty or stream interests.

Future material reductions in commodity prices may result in a decrease in revenue or, in the case of a severe reduction that causes a suspension or termination of production by relevant operators, a complete cessation of revenue from royalties applicable to one or more relevant commodities. Moreover, despite the Company's commodity diversification, the broader commodity market tends to be cyclical, and a general downturn in overall commodity prices could result in a significant decrease in overall revenue. Any such price decline may result in a material adverse effect on the Company's business, financial condition, results of operations and the trading price of its securities.

The precious metals that are subject to the royalty and stream interests in the Company's asset portfolio are produced or will be produced as by-product metals. Therefore, production decisions and the economic cut-off applied to the reporting of mineral reserves and mineral resources, as applicable, may be influenced by changes in the commodity prices of other metals at the mines. Where the Company's interest is in respect of a by-product metal, commodity prices of the by-product metal and the principal metal may diverge such that the interests of owners or operators of the mines, and those of the Company, may not be aligned.

The Company has limited or no control over the operation of the properties in respect of which the Company holds a royalty interest and a third-party operator's failure to perform, or a decision to cease or suspend operations will affect the revenues of the Company

The Company is not directly involved in the operation of mines. The revenue derived from its royalty portfolio is based on production by third-party property owners and operators of mines. The owners and operators generally will have the power to determine the manner in which the properties are exploited, including decisions to expand, continue or reduce, suspend or discontinue production from a property, decisions about the marketing of products extracted from the property and decisions to advance exploration efforts and conduct development of non-producing properties. The interests of third-party owners and operators and those of the Company on the relevant properties may not always be aligned. As an example, it will usually be in the interest of the Company to advance development and production on properties as rapidly as possible in order to maximize near-term cash flow, while third-party owners and operators may take a more cautious approach to development as they are at risk with respect to the cost of development and operations. Likewise, it may be in the interest of property owners to invest in the development of and emphasize production from projects or areas of a project that are not subject to royalty interests. The inability of the Company to control the operations for the properties in respect of which it has a royalty interest may result in a material adverse effect on the Company's profitability, results of operations and financial condition and the trading price of its securities. In addition, the owners or operators may take action contrary to the Company's objectives, be unable or unwilling to fulfill their obligations under their contracts with the Company, have difficulty obtaining or be unable to obtain the financing necessary to advance projects or experience financial, operational or other difficulties, including insolvency, which could limit the owner or operator's ability to perform its obligations under agreements with the Company.

At any time, any of the operators of the properties in respect of which the Company holds a royalty or stream interest or their successors may decide to suspend or discontinue operations, as was the case at the height of the COVID-19 pandemic. The Company may not be entitled to any material compensation if any of these properties shuts down or discontinues its operations on either a temporary or permanent basis.

As the Company increases its portfolio, it seeks to steadily reduce the materiality of each individual asset such that a disruption to production at any one asset will have only a limited impact on the overall revenue and profitability of the Company.

<u>Some of the properties in which the Company has an interest may never achieve commercial production</u>
Some of the projects or properties in which the Company has a royalty interest are not yet in production. There can be no assurance that feasibility, construction or development will be undertaken or that it will be completed within a timescale that meets the expectations of the Company or of shareholders. Such a delay or cancellation may have an adverse effect on future revenues of the Company and may result in an impairment of the development-phase asset held by the Company, reducing its profitability.

<u>Assets on which the Company holds a royalty interest may be sold to a new operator over which the Company has not had the opportunity to perform due diligence</u>
The owners or operators of the projects or mines in respect of which the Company holds a royalty interest may from time to time announce transactions, including the sale or transfer of the projects or mines or of the operator itself, over which the Company has little or no control. If any such transaction is completed, it may result in a new operator controlling the project or mine, who may or may not operate the project or mine in a similar manner to the current operator, and which may positively or negatively impact the Company and could have a material adverse effect on the Company's business, financial condition, results of operations and the trading price of its securities. If any such transaction is announced, there is no certainty that such transaction will be completed, or be completed as announced, and any consequences of such non-completion on the Company may be difficult or impossible to predict.

<u>The Company may acquire royalties on properties that are speculative and there can be no guarantee that mineable deposits will be discovered, developed or mined</u>
Exploration for metals and minerals is a speculative venture necessarily involving substantial risk. There is no certainty that the expenditures made by the operator of any given project will result in discoveries of commercial quantities of minerals on lands where the Company holds royalties. If mineable deposits are discovered, substantial expenditures may be required to establish mineral reserves through drilling, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure to facilitate mineral extraction. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that resources will be discovered in sufficient quantities to justify commercial operations or that the funding required for development can be obtained on terms acceptable to the operator or at all. Although, in respect of these properties, the Company intends to hold only royalties and not be responsible for these expenditures, the operator may not be in a financial position to obtain the necessary funding to advance the project, thereby resulting in the Company not earning revenues from the royalty or stream interests it holds in such properties.

The Company may have limited access to data and disclosure regarding the operation of properties in which it has an interest, which may affect its ability to assess and predict the performance of its royalties

As a holder of royalties, the Company generally has limited access to data on the operations or to the actual properties themselves. Accordingly, the Company needs to rely on the accuracy and timeliness of the public disclosure and other information it receives from the owners and operators of the properties in respect of which it holds royalties. The Company will use such information, including production estimates, in its analyses, forecasts and assessments relating to its own business. If such information contains material inaccuracies or omissions, the Company's ability to assess and accurately forecast its own performance or achieve its stated objectives may be materially impaired. In addition, some royalties may be subject to confidentiality arrangements which govern the disclosure of information with regard to the royalties and, as such, the Company may not be in a position to publicly disclose such information with respect to certain royalties. The limited access to data and disclosure regarding the operations of the properties in respect of which the Company will acquire an interest may restrict the Company's ability to assess, forecast or enhance its performance, which could result in a material adverse effect on the Company's business, financial condition, results of operations and the trading price of its securities.

Although the Company will attempt to secure contractual rights when it creates new royalty or stream interests, such as audit or access rights that will permit it to monitor operators' compliance with their obligations to the Company, there can be no assurance that the Company will be able to secure such rights, or that such rights will be sufficient to ensure such compliance or to affect operations in ways that would be beneficial to the Company.

The Company depends on the operators of the properties in which it holds a royalty or stream interest for the calculation of royalty payments, and it may not be possible to detect errors in payment calculations

Payments and deliveries to the Company pursuant to royalties are calculated by the operators of the relevant properties based on reported production. Each operator's calculations are subject to and dependent upon the adequacy and accuracy of its production and accounting functions, and errors may occur from time to time in the calculations made by an operator. Certain contracts for royalties to be acquired by the Company will require the operators to provide the Company with production and operating information that may, depending on the completeness and accuracy of such information, enable the Company to detect errors in such calculations. However, the Company may not have the contractual right to receive complete production information for all of its royalties. As a result, the Company's ability to detect payment errors in respect of royalties through its monitoring program of its interests and its associated internal controls and procedures will be limited, and the possibility will exist that the Company will need to make retroactive revenue adjustments in respect of royalties. The contracts for royalties in the Company's asset portfolio generally provide the right to audit the operational calculations and production data for the associated payments and deliveries in respect of such royalties; however, such audits may occur many months following the Company's recognition of the revenue in respect of the royalties and may require the Company to adjust its revenue in later periods.

The Company is dependent on the payment by the owners and operators of the properties in respect of which the Company has a royalty and any delay in or failure of such payments will affect the revenues generated by the Company's asset portfolio.

The Company is dependent, to a large extent, upon the financial viability of the owners and operators of the relevant properties in respect of which it holds royalties. Payments from production will generally flow through the operator and there is a risk of delay and additional expense in receiving such payments. Payments may be delayed as a result of restrictions imposed by lenders, delays in the sale or delivery of products, the ability or willingness of smelters and refiners to process mine products, blowouts or other accidents, recovery by the operators of expenses incurred in the operation of the properties, the establishment by the operators of mineral reserves for such expenses or the insolvency of the operator. The Company's rights to payment pursuant to royalties will, in some cases, be enforced by contract without the protection of the ability to liquidate a property.

This will inhibit the Company's ability to collect outstanding payments in respect of such royalties upon a default. Additionally, some contracts may provide limited recourse in particular circumstances which may further inhibit the Company's ability to recover or obtain equitable relief in the event of a default by the owner or operator under such contracts. In the event of a bankruptcy of an operator or owner, it is possible that an operator may claim that the Company should be treated as an unsecured creditor and, therefore, have a limited prospect for full recovery of revenue. There is also a possibility that a creditor or the owner or operator may claim that the royalty contract should be terminated in the insolvency proceeding. Alternatively, in order to preserve its interest in a royalty or stream interest in the context of an insolvency or similar proceeding, the Company may be required to make additional investments in, or provide funding to, owners or operators, which would increase its exposure to the relevant interest and counterparty risk. Failure to receive payments from the owners and operators of the relevant properties or termination of the Company's rights could result in a material adverse effect on the Company's business, financial condition, results of operations and the trading price of its securities.

Global financial conditions may destabilize

In the future, global financial conditions could suddenly and rapidly destabilize in response to events, as government authorities may have limited resources to respond to future crises. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, changes to energy prices or sovereign defaults. Any sudden or rapid destabilization of global economic conditions could negatively impact the Company's ability, or the ability of the owners or operators of the properties in respect of which the Company holds royalties, to obtain equity or debt financing or make other suitable arrangements to finance their projects. In the event of increased levels of volatility or a rapid destabilization of global economic conditions, the Company's business, financial condition, results of operations and the trading price of its securities could be materially and adversely affected. The COVID-19 pandemic had a significant, negative impact on the global economy as well as on certain commodity prices, and the residual effects of the pandemic may continue to have an adverse effect on the Company. In addition, certain countries including Canada and the United States have imposed strict financial and trade sanctions against Russia in connection with the ongoing military conflict between Russia and Ukraine, which sanctions may have far reaching effects on the global economy in addition to the near term effects on Russia. The long-term impacts of the conflict remain uncertain.

The Company is exposed to counterparty and liquidity risk, and any delay or failure of counterparties to make payments will affect the revenues of the Company

The Company is exposed to various counterparty risks including, but not limited to (i) the Company's royalty counterparties; (ii) other companies that have payables owing to the Company; (iii) the Company's insurance providers; and (iv) the Company's lenders. The Company is also exposed to liquidity risks in meeting its operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans or other credit facilities or obtain equity financing in the future or to obtain them on terms favourable to the Company.

Royalties may not be honoured by operators of a project

Royalties in respect of natural resource properties are largely contractual in nature. Parties to contracts do not always honour contractual terms and contracts themselves may be subject to interpretation or technical defects. To the extent grantors of royalties do not abide by their contractual obligations, the Company may be forced to take legal action to enforce its contractual rights. Such legal action may be time consuming and costly and there is no guarantee of success. Any pending proceedings or actions or any decisions determined adversely to the Company could have a material adverse effect on the Company's business, financial condition, results of operations and the trading price of its securities.

Not all of the Company's royalties are secured and the Company's security interests, if any, may be subordinated and difficult to enforce

Although certain of the Company's royalties are secured, certain of the Company's royalty or stream interests are unsecured. In a default, liquidation or realization situation, any unsecured royalty or stream interest of the Company will be satisfied pro rata with all other unsecured claims after all secured claims, property claims and prior ranking claims are satisfied in full. Absent a security interest, the Company's likely potential recourse against a defaulting property owner or mining operator would be for breach of the applicable contract which would result in damages and unsecured claims for which the likelihood of recovery is remote and time-consuming. In the event that a mining operator or property owner has insufficient funds to pay its liabilities and obligations as they become due, it is possible that other liabilities and obligations will be satisfied prior to those owing to the Company. Even valid security interests which are or may be held by the Company could be (i) subordinated to other indebtedness; (ii) unenforceable; (iii) difficult to enforce; or (iv) subject to attack by other creditors or stakeholders. Further, in insolvency proceedings, any security or other interest held by the Company will likely be further subordinated by court-ordered charges or other court-ordered relief, including for interim financing.

The Company's profitability, results of operations and financial condition are subject to variations in foreign exchange rates

Certain of the Company's activities and its head office are located in Canada and the costs associated with these activities are largely denominated in Canadian dollars. Additionally, the Company has subsidiaries in the United Kingdom and Australia, creating potential foreign currency fluctuations between these subsidiaries. Furthermore, some of the Company's royalties may be subject to foreign currency fluctuations and inflationary pressures, which could have a material adverse effect on the Company's business, financial condition, results of operations and the trading price of its securities. There can be no assurance that the steps taken by management to address variations in foreign exchange rates will eliminate all adverse effects and the Company may suffer losses due to adverse foreign currency rate fluctuations.

Operators of mines may not be able to replace depleted mineral reserves and mineral resources, which would reduce the Company's revenue from royalties

The revenue generated by the Company will principally be based on the exploitation of mineral reserves on assets underlying the Company's royalties. mineral reserves are continually being depleted through extraction and the long-term viability of the Company's royalty portfolio will depend on the replacement of mineral reserves by owners or operators of the associated properties through new producing assets and increases in mineral reserves on existing producing assets. As any mine in respect of which the Company has a royalty matures, the Company expects overall declines in production over the years unless the operator of such mine is able to replace mineral reserves that are mined through mine expansion or successful new exploration. Exploration for minerals is a speculative venture necessarily involving substantial risk. There is no certainty that the expenditures made by the operator of any given mineral project will result in discoveries of commercial quantities of minerals on properties underlying the Company's royalty interest or that discoveries will be located on properties covered by the relevant royalty. Even in those cases where a significant mineral deposit is identified and covered by a royalty owned by the Company, there is no guarantee that the deposit can be economically extracted. Substantial expenditures are required to establish mineral reserves through drilling, to develop processes to extract the mineral reserves and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit covered by a royalty owned by the Company, no assurance can be given that new mineral reserves will be identified to replace or increase the amount of mineral reserves underlying a royalty interest held by the Company. This includes mineral resources, as the mineral resources that have been discovered may not have been subjected to sufficient analysis to justify commercial operations or the allocation of funds required for development. The inability of operators to add additional mineral reserves or to replace existing mineral reserves through either the development of existing mineral resources or the acquisition of new mineral producing assets, in each case covered by a royalty owned by the Company, could result in a material adverse effect on the Company's business, financial condition, results of operations and the trading price of its securities.

The Company may enter into acquisitions or other royalty or streaming transactions from time to time, which may be material, may involve the issuance of the Company's securities or may involve the incurrence of indebtedness and will be subject to transaction-specific risks

The Company regularly reviews opportunities to acquire existing royalties or streams, to create new royalty, streaming or other arrangements through the financing of mining projects, financing of new acquisitions or to acquire companies that hold royalties or streams in respect of mineral properties. At any given time, the Company may have various types of transactions and acquisition opportunities in various stages of active review, including submissions of indications of interest and participation in discussions or negotiations in respect of such transactions. This process also involves the engagement of consultants and advisors to assist in analyzing particular opportunities. Any such acquisition or transaction could be material to the Company and may involve the issuance of Common Shares or other securities by the Company or the incurrence of indebtedness to fund any such acquisition. In addition, any such transaction may have other transaction-specific risks associated with it, including risks related to the completion of the transaction, the project operators or the jurisdictions in which assets may be acquired or underlying properties located. Additionally, the Company may consider opportunities to restructure its royalty arrangements where it believes such a restructuring may provide a long-term benefit to the Company, even if such restructuring may reduce near-term revenues or result in the Company incurring transaction-related costs.

Increased competition for royalties or streams could adversely affect the Company's ability to acquire additional royalties or streams in mineral properties

Many companies are engaged in the search for and the acquisition of mineral interests, including royalties and streams and there is a limited supply of desirable mineral interests. The mineral exploration and mining businesses are competitive in all phases. Many companies are engaged in the acquisition of mineral interests, including large, established companies with substantial financial resources, operational capabilities and long earnings records. The Company may be at a competitive disadvantage in acquiring those interests, whether by way of royalty or stream as competitors may have greater financial resources and technical staffs. There can be no assurance that the Company will be able to compete successfully against other companies in acquiring new royalties or streams. In addition, the Company may be unable to acquire royalties or streams at acceptable valuations which could result in a material adverse effect on the Company's business, financial condition, results of operations and the trading price of its securities.

The Company can provide no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could impede the Company's funding obligations or result in delay or postponement of further business activities which could result in a material adverse effect on the Company's business, financial condition, results of operations and the trading price of its securities.

The Company may experience difficulty attracting and retaining qualified management and technical personnel to efficiently operate its business

The Company is dependent upon the continued availability and commitment of its key management personnel, whose contributions to immediate and future operations of the Company are of significant importance. The loss of any such key management personnel, and, in particular, of its chief executive officer, could negatively affect the Company's business operations. From time to time, the Company may also need to identify and retain additional skilled management and specialized technical personnel to efficiently operate its business. In addition, the Company expects to frequently retain third-party specialized technical personnel to assess and execute on opportunities. These individuals may have conflicts of interest or scheduling conflicts, which may delay or inhibit the Company's ability to employ such individuals' expertise. The number of persons skilled in the acquisition, exploration and development of royalties and streams in natural resource properties is limited and competition for such persons is intense. Recruiting and retaining qualified personnel will be critical to the Company's success and there can be no assurance that the Company will be able to recruit and retain such personnel. If the Company is not successful in recruiting and retaining qualified personnel, the Company's ability to execute its business model and growth strategy could be affected, which could have a material adverse effect on its business, financial condition, results of operations and the trading price of its securities.

<u>Certain of the Company's directors and officers may serve as directors and officers with other companies, which could put them in a conflict position from time to time</u>

Certain of the directors and officers of the Company may also serve as directors or officers of, or have significant shareholdings in, other companies involved in natural resource exploration, development and production and, to the extent that such other companies may engage in transactions or participate in the same ventures in which the Company participates, or in transactions or ventures in which the Company may seek to participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such conflicts of the directors and officers could result in a material adverse effect on the Company's business, financial condition, results of operations and the trading price of its securities.

<u>Changes in or in the interpretation of tax legislation or accounting rules could affect the profitability of the Company</u>

Changes to, or differing interpretation of, taxation laws or regulations in any of Canada or any of the countries in which the Company's assets or relevant contracting parties or underlying properties are located could result in some or all of the Company's profits being subject to additional taxation. No assurance can be given that new taxation rules or accounting policies will not be enacted or that existing rules will not be applied in a manner which could result in the Company's profits being subject to additional taxation or which could otherwise have a material adverse effect on the Company's profitability, results of operations and financial condition and the trading price of its securities. In addition, the introduction of new tax rules or accounting policies, or changes to, or differing interpretations of, or application of, existing tax rules or accounting policies could make royalties held by the Company less attractive to counterparties. Such changes could adversely affect the Company's ability to acquire new assets or make future investments.

<u>The Company may be unable to repay its indebtedness and comply with its obligations under a credit facility</u>

The Company entered into the NBC/CIBC loan agreement and drew on the resulting facility provided primarily to fund the acquisition of royalties. The Company will be required to use a portion of its cash flow to service principal and interest on the debt thereunder, which will limit the cash flow available for other business opportunities. The Company's ability to make scheduled payments of the principal of, to pay interest on, or to refinance indebtedness will depend on its future performance, which is subject to economic, financial, competitive and other factors beyond its control. The Company may not generate future cash flow that is sufficient to service debt and make necessary capital expenditures. If the Company is unable to generate such cash flow, it may be required to adopt one or more alternatives, such as reducing or eliminating dividends, if any, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. The Company's ability to refinance indebtedness will depend on the capital markets and its financial condition at such time. The Company may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on its debt obligations.

The terms of the loan agreement require the Company to satisfy various affirmative and negative covenants. These covenants may limit, among other things, the Company's ability to incur further indebtedness, create certain liens on assets or engage in certain types of transactions. These covenants could also limit the ability of the Company to amend its royalty contracts without the consent of the lenders. There can be no assurances that, in the future, the Company will not be limited in its ability to respond to changes in its business or competitive activities or be restricted in its ability to engage in mergers, acquisitions or dispositions of assets. Furthermore, a failure to comply with these covenants, could likely result in an event of default under such credit facilities and would allow the lenders to accelerate the debt, which could materially and adversely affect the Company's business, financial condition, results of operations and the trading price of its securities.

The Company's operations will depend on information systems that may be vulnerable to cyber security threats

The Company's operations depend, in part, on its IT systems, networks, equipment and software and the security of these systems. The Company depends on various IT systems to process and record financial and technical data, administer its contracts with its counterparties and communicate with employees and third parties. These IT systems, and those of its third-party service providers and vendors and the counterparties under its contracts for royalties may be vulnerable to an increasing number of continually evolving cyber security risks. Unauthorized third parties may be able to penetrate network security and misappropriate or compromise confidential information, create system disruptions or cause shutdowns. Any such breach or compromise may go undetected for an extended period of time.

A significant breach of the Company's IT systems or data security or misuse of data, particularly if such breach or misuse goes undetected for an extended period of time, could result in significant costs, loss of revenue, fines or lawsuits and damage to reputation. The costs to eliminate or alleviate cyber or other security problems, including bugs, viruses, worms, malware and other security vulnerabilities, could be significant, and the Company's efforts to address these problems may not be successful. The significance of any cyber-security breach is difficult to quantify, but may, in certain circumstances, be material and could have a material adverse effect on the Company's financial condition, results of operations and the trading price of its securities.

Risks relating to Mines and Mining Operations

The Company is indirectly exposed to many of the same risk factors as the owners and operators of properties on which it holds a royalty

The Company is indirectly subject to the risk factors applicable to the owners and operators of properties in respect of which the Company holds a royalty, to the extent that such risks relate to the production of minerals from, or the continued operation of, such mines or projects.

Production at mines and projects on which the Company holds a royalty or stream is dependent on operators' employees

Production from the properties in respect of which the Company holds a royalty or stream interest depends on the efforts of operators' employees. There is competition for geologists and persons with mining expertise. The ability of the owners and operators of such properties to hire and retain geologists and persons with mining expertise is key to those operations. Further, relations with employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in the jurisdictions in which those operations are conducted. Changes in such legislation or otherwise in the relationships of the owners and operators of such properties with their employees may result in strikes, lockouts or other work stoppages, or could result in the owners and operators of such properties to decide to cease production at one or more of the properties, any of which could have a material adverse effect on the Company's business, financial condition, results of operations and the trading price of its securities.

Mineral reserves and mineral resources are estimates based on interpretation and assumptions and actual production may differ from amounts identified in such estimates

The mineral reserves and mineral resources on properties in respect of which the Company holds royalties are estimates only, and no assurance can be given that the estimated mineral reserves and mineral resources will be accurate or that the indicated level of minerals will be produced. mineral reserve and mineral resource estimates for certain of the Company's royalties will be prepared by the operators of the underlying properties. The Company will not participate in the preparation or verification of such estimates (or the reports in which they are presented) and the Company will not independently assess or verify the accuracy of such estimates. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralization or formations may be different from those predicted. Further, it may take many years from the initial phase of drilling before production is possible and during that time the economic feasibility of exploiting a mineral deposit discovery may change.

Market price fluctuations of the applicable commodity, as well as increased production and capital costs or reduced recovery rates, may render the proven and probable mineral reserves on properties underlying the Company's royalties unprofitable to develop at a particular site or sites for periods of time or may render mineral reserves containing relatively lower-grade mineralization uneconomic. Moreover, short-term operating factors relating to the mineral reserves, such as the need for the orderly development of ore bodies or the processing of new or different ore grades, may cause mineral reserves to be reduced or not extracted. Estimated mineral reserves may have to be recalculated based on actual production experience. The economic viability of a mineral deposit may also be impacted by other attributes of a particular deposit, such as size, grade and proximity to infrastructure, governmental regulations and policy relating to price, taxes, royalties, land tenure, land use permitting, the import and export of minerals and environmental protection and by political and economic stability. While these risks may exist for all of the Company's assets, they will be heightened in the case of interests in properties which have not yet commenced production.

Mineral resource estimates, in particular, must be considered with caution. Mineral resource estimates for properties that have not commenced production are based, in many instances, on limited and widely-spaced drill hole or other limited information, which is not necessarily indicative of the conditions between and around drill holes. Such mineral resource estimates may require revision as more drilling or other exploration information becomes available or as actual production experience is gained. Further, mineral resources may not have demonstrated economic viability and may never be extracted by the operator of a property. It should not be assumed that all or any part of the mineral resources on properties underlying the Company's royalties constitute or will be converted into mineral reserves.

Any of the foregoing factors may require operators to reduce their mineral reserves and mineral resources, which could result in a material adverse effect on the Company's business, financial condition, results of operations and the trading price of its securities.

Production forecasts may not prove to be accurate

The Company prepares estimates and forecasts of future mineral production attributable to the Company pursuant to the properties in respect of which it holds royalties and, in doing so, the Company relies on public disclosure and other information it receives from the owners, operators and independent experts of such properties to prepare such estimates. Such information may necessarily be imprecise because it depends upon the judgment of the individuals who operate such properties as well as those who review and assess the geological and engineering information. These production estimates and forecasts will typically be based on existing mine plans and other assumptions with respect to such properties, which may change from time to time and over which the Company will have no control, including the availability, accessibility, sufficiency and quality of ore, the costs of production, the operators' ability to sustain and increase production levels, the sufficiency of infrastructure, the performance of personnel and equipment, the availability of materials and equipment including reagents and fuel, the ability to maintain and obtain mining interests and permits and compliance with existing and future laws and regulations.

Any such information is forward-looking and no assurance can be given that such production estimates and forecasts will be achieved. Actual production attributable to the Company's royalty or stream interests may vary from the Company's estimates for a variety of reasons, including: actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; actual ore mined being less amenable than expected to mining or treatment; lower than expected mill feed grades; lower than anticipated sweep efficiency at certain mines; short-term operating factors relating to the mineral reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades; delays in the commencement of production and ramp up at new mines; revisions to mine plans; unusual or unexpected ore body formations; risks and hazards associated with the properties in respect of which the Company holds royalties, including but not limited to cave-ins, rock falls, rock bursts, pit wall failures, seismic activity, weather-related complications, fires or flooding or as a result of other operational problems such as production drilling or material removal challenges, power failures or a failure of a key production component such as a hoist, an autoclave, a filter press or a grinding mill; and unexpected labour shortages, strikes, local community opposition or blockades. Occurrences of this nature and other accidents, adverse conditions or operational problems in future years may result in the Company's failure to realize the benefits of its production forecasts anticipated from time to time. If the Company's production forecasts prove to be incorrect, it could result in a material adverse effect on the Company's business, financial condition, results of operations and the trading price of its securities.

<u>The exploration and development of mineral properties is inherently dangerous and subject to risks beyond the control of the Company</u>

Companies engaged in mining activities are subject to all of the hazards and risks inherent in exploring for and developing natural resource projects. These risks and uncertainties include, but are not limited to, environmental hazards, industrial accidents, labour disputes, increases in the cost of labour, social unrest, changes in the regulatory environment, permitting and title risks, impact of non-compliance with laws and regulations, fires, explosions, blowouts, cratering, encountering unusual or unexpected geological formations or other geological or grade problems, unanticipated metallurgical characteristics or less than expected mineral recovery, encountering unanticipated ground or water conditions, cave-ins, pit wall failures, flooding, rock bursts, tailings dam failures, periodic interruptions due to inclement or hazardous weather conditions, earthquakes, seismic activity, other natural disasters or unfavourable operating conditions and losses. Should any of these risks or hazards affect a company's exploration or development activities, it may (i) result in an environmental release or environmental pollution and liability; (ii) cause the cost of development or production to increase to a point where it would no longer be economic to produce the metal from the mineral projects in respect of which the Company holds a royalty; (iii) result in a write-down or write-off of the carrying value of one or more mineral projects; (iv) cause delays or stoppage of mining or processing; (v) result in the destruction of properties, processing facilities or third-party facilities necessary to the company's operations; (vi) cause personal injury or death and related legal liability; (vii) result in regulatory fines and penalties or the revocation or suspension of licences; (viii) result in the loss of insurance coverage; or (ix) result in the loss of social licence to operate.

The occurrence of any of the above-mentioned risks or hazards could result in an interruption or suspension of operations of the properties in respect of which the Company holds a royalty, which in turn could have a material adverse effect on the Company's business, financial condition, results of operations and the trading price of its securities.

The exploration and evaluation projects that the Company acquired as part of the Merger are covered by a robust set of environmental and operational policies and procedures developed by Altus. These are reviewed at regular periods by management and benchmarked against peer information where available, and initial and refresher training is given to all staff.

Defects in title to properties underlying the Company's royalties may result in a loss of entitlement by the operator and a loss of the Company's interest
A defect in the chain of title to any of the properties underlying one of the Company's royalties or necessary for the anticipated development or operation of a particular project to which a royalty relates may arise to defeat or impair the claim of the operator to a property which could in turn result in a loss of the Company's interest in respect of that property. In addition, claims by third parties or aboriginal groups may impact the operator's ability to conduct activities on a property to the detriment of the Company's royalties. To the extent an owner or operator does not have title to the property, it may be required to cease operations or transfer operational control to another party. Many royalties are contractual, rather than an interest in land, with the risk that an assignment or bankruptcy or insolvency proceedings by an owner will result in the loss of any effective royalty in a particular property. Further, even in those jurisdictions where there is a right to record or register royalties held by the Company in land registries or mining recorder's offices, such registrations may not necessarily provide any protection to the Company. As a result, known title defects, as well as unforeseen and unknown title defects, may impact operations at a project in respect of which the Company has a royalty and could result in a material adverse effect on the Company's business, financial condition, results of operations and the trading price of its securities.

Future litigation affecting the properties in respect of which the Company holds its royalties could have an adverse effect on the Company
Potential litigation may arise on a property on which the Company holds a royalty (for example, litigation between joint venture partners or between operators and original property owners or neighbouring property owners). As a holder of such interests, the Company does not generally have any influence on the litigation and does not generally have access to data. Any such litigation that results in the cessation or reduction of production from a property (whether temporary or permanent) or the expropriation or loss of rights to a property could have a material adverse effect on the Company's profitability, results of operations and financial condition and the trading price of its securities.

Moreover, the courts in some of the jurisdictions in which the Company has a royalty may offer less certainty as to the judicial outcome of legal proceedings or a more protracted judicial process than is the case in more established economies. Accordingly, there can be no assurance that contracts, joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities and the effectiveness of and enforcement of such arrangements in these jurisdictions. Moreover, the commitment of local businesses, government officials and agencies and the judicial system in these jurisdictions to abide by legal requirements and negotiated agreements may be more uncertain and may be susceptible to revision or cancellation, and legal redress may be uncertain or delayed. These uncertainties and delays could have a material adverse effect on the business, financial condition, results of operations of the Company and on the trading price of its securities.

Defects or disputes relating to the Company's royalties could have an adverse effect on the Company
Defects in or disputes relating to the royalties in the Company's royalty portfolio may prevent the Company from realizing the anticipated benefits from these interests. Material changes could also occur that may adversely affect management's estimate of the carrying value of the Company's royalties and could result in impairment charges. While the Company seeks to confirm the existence, validity, enforceability, terms and geographic extent of the royalties it acquires, there can be no assurance that disputes or other problems concerning these and other matters or other problems will not arise. Confirming these matters is complex and is subject to the application of the laws of each jurisdiction to the particular circumstances of each parcel of mineral property and to the

documents reflecting the royalties. The discovery of any defects in, or any disputes in respect of, the royalties, could have a material adverse effect on the Company's profitability, results of operations and financial condition and the trading price of its securities.

The operations in respect of which the Company holds a royalty requires various property rights, permits and licences to be held by the operator in order to conduct current and future operations, and delays or a failure to obtain or maintain such property rights, permits and licences, or a failure to comply with the terms of any of such property rights, permits and licences could result in the interruption or closure of operations or exploration on the properties

The exploration, development and operation of mining properties are subject to laws and regulations governing health and worker safety, employment standards, environmental matters, mine development, project development, mineral production, permitting and maintenance of titles, exports, taxes, labour standards, reclamation obligations, heritage, historic and archaeological matters and other matters. The owners and operators of the properties in respect of which the Company holds royalties require licences and permits from various governmental authorities in order to conduct their operations. Future changes in such laws and regulations or in such licences and permits could have a material adverse effect on the revenue that the Company will derive from its royalties. Such licences and permits are subject to change in various circumstances and are required to be kept in good standing through a variety of means, including cash payments and satisfaction of conditions of issues. Such licences and permits are subject to expiration, relinquishment and/or termination without notice to, control of or recourse by the Company. There can be no guarantee that the owners or operators of those properties in respect of which the Company holds royalties are able to obtain or maintain all necessary licences and permits in good standing that may be required to explore, develop and operate the properties, commence the construction or operation of mining facilities, or maintain operations that economically justify the cost. Any failure to comply with applicable laws and regulations, permits and licences, or to maintain permits and licences in good standing, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or in fines, penalties or other liabilities accruing to the owner or operator of a project. Any such occurrence could substantially decrease production or cause the termination of operations on a property in which the Company holds a royalty interest and could have a material adverse effect on the Company's business, financial condition, results of operations and the trading price of its securities.

<u>The Company may be exposed to risks related to the construction, development and/or expansion in relation to the mines, projects and properties in respect of which it holds a royalty</u>
Many of the projects or properties in respect of which the Company holds an interest are in the construction or development stage, and such projects are subject to numerous risks, including, but not limited to delays in obtaining equipment, materials and services essential to the construction and development of such projects in a timely manner, currency exchange rates, labour shortages, cost escalations and fluctuations in metal prices. There can be no assurance that the owners or operators of such projects will have the financial, technical and operational resources to complete construction, development and/or expansion of such projects in accordance with current expectations or at all.

<u>The operations in which the Company holds an interest are subject to environmental and endangered species laws and regulations that may increase the costs of doing business and may restrict operations, which could reduce the Company's revenues</u>
All phases of the mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of government laws and regulations, including laws and regulations relating to the protection of endangered and threatened species. Compliance with such laws and regulations can require significant expenditures and a breach may result in the imposition of fines and penalties, which may be material. In addition, such laws and regulations can constrain or prohibit the exploration and development of new projects

or the development or expansion of existing projects. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, increases in land- use restrictions, larger fines and liability and potentially increased capital expenditures and operating costs. Any breach of environmental legislation by owners or operators of properties underlying the Company's asset portfolio, could have a material impact on the viability of the relevant property and impair the revenue derived by the Company from the applicable royalty, which could have a material adverse effect on the Company's business, financial condition, results of operations and the trading price of its securities.

<u>Changes in government regulation could inhibit exploration, construction and development on, or production from, the mineral properties in respect of which the Company holds royalties</u>
The properties on which the Company holds a royalty interest may be located in multiple legal jurisdictions and political systems. There can be no assurance that future political and economic conditions in such countries will not result in the adoption of different policies or attitudes respecting the development and ownership of resources. Changes in applicable laws, regulations, or in their enforcement or regulatory interpretation could result in adverse changes to mineral development or operations. Any such changes in policy or attitudes may result in changes in laws affecting ownership of assets, land tenure and resource concessions, licensing fees, taxation, royalties, price controls, exchange rates, export controls, environmental protection, labour relations, foreign investment, nationalization, expropriation, repatriation of income and return of capital, which may affect both the ability to undertake exploration, construction and development on, or production from, the properties in respect of which the Company holds royalty or stream interests or the payments under such royalties. In certain areas where the Company holds a royalty, the regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. Any changes in governmental laws, regulations, economic conditions or shifts in political attitudes or stability are beyond the control of the Company and the owners and operators of the properties in respect of which the Company holds a royalty or stream interest and such changes could result in a material adverse effect on the Company's business, financial condition, results of operations and the trading price of its securities.

<u>The Company is subject to risks related to certain operations in developing economies</u>
The Company is subject to risks normally associated with the conduct of business in developing economies. Risks may include, among others, problems relating to power supply, labour disputes, delays or invalidation of governmental orders and permits, corruption, uncertain political and economic environments, civil disturbances and crime, arbitrary changes in laws or policies, foreign taxation and exchange controls, nationalization of assets, opposition to mining from environmental or other non-governmental organizations or changes in the political attitude towards mining, empowerment of previously disadvantaged people, local ownership requirements, limitations on foreign ownership, power supply issues, limitations on repatriation of earnings, infrastructure limitations and increased financing costs. The above risks could limit, disrupt or negatively impact the Company's business, financial condition, results of operations and the trading price of its securities.

<u>Mineral properties in which the Company holds royalties may be subject to risks related to indigenous peoples, which could inhibit operations at such properties</u>
Various international, national, state and provincial laws, codes, resolutions, conventions, guidelines, treaties and other principles and considerations relate to the rights of indigenous peoples. The Company holds royalties in respect of operations located in some areas currently or previously inhabited or used by indigenous peoples. In these areas, governments may have obligations to respect the rights of indigenous people. Some mandate consultation with indigenous people regarding actions which may affect indigenous people, including actions to approve or grant mining rights or permits. The obligations of government and private parties under the various international and national requirements, principles and considerations pertaining to indigenous people continue to evolve and be defined. The properties in respect of which the Company holds royalty or stream interests are subject to the risk that one or more groups of indigenous people may oppose operations or new development.

Such opposition may be directed through legal or administrative proceedings or protests, roadblocks or other forms of public expression against the operator's or the Company's activities. Opposition by indigenous people to such activities may require modification of or preclude operation or development of projects or may require the entering into of agreements with indigenous people. Claims and protests of indigenous peoples may disrupt or delay activities of the operators of properties in respect of which the Company holds royalty or stream interests which could result in a material adverse effect on the Company's business, financial condition, results of operations and the trading price of its securities.

Risks Related to the Securities of Elemental

The market price of the Common Shares may be volatile, which could result in substantial losses for holders of Common Shares

The market price of the Common Shares could be subject to significant fluctuations. In addition, securities markets worldwide have experienced, and are likely to continue to experience, significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions and the risk factors described in this MD&A could subject the market price of the Common Shares to wide price fluctuations regardless of the Company's operating performance.

The Company may have to raise additional capital through the issuance of additional equity, which could result in dilution to shareholders

The issuance of additional Common Shares or of securities convertible into or exchangeable or exercisable for Common Shares may have a dilutive effect on the interests of shareholders. The number of Common Shares that the Company is authorized to issue is unlimited. The Company may, in its sole discretion, subject to applicable law and the rules of the TSX-V, issue additional Common Shares from time to time (including pursuant to any equity-based compensation plans that may be introduced in the future), and the equity interest in the Company of the holders of its Common Shares may be diluted thereby.

The Company may require new capital to continue to grow its business and there are no assurances that capital will be available when needed, if at all. It is likely that, at least to some extent, such additional capital will be raised through the issuance of additional equity, which could result in substantial dilution to shareholders.

The Canada Revenue Agency's ("CRA") recent focus on foreign income earned by Canadian companies may result in adverse tax consequences for the Company

There has been a recent focus by the CRA on income earned by foreign subsidiaries of Canadian companies. The majority of the Company's royalty assets will be owned by and the related revenue is received by subsidiaries of Elemental. Elemental has not received any reassessment or proposal from the CRA in connection with income earned by its foreign subsidiaries. Although management believes that the Company will be in full compliance with Canadian tax law, there can be no assurance that the Company's structure may not be challenged in future. In the event the CRA successfully challenges the Company's structure, this could potentially result in additional federal and provincial taxes and penalties, which may have a material adverse effect on the Company's profitability, results of operations and financial condition and the trading price of its securities.

Changes in or in the interpretation of tax legislation or accounting rules could affect the profitability of the Company

Changes to, or differing interpretation of, taxation laws or regulations in any of Canada or any of the countries in which the Company's assets or relevant contracting parties or underlying properties are located could result in some or all of the Company's profits being subject to additional taxation. No assurance can be given that new taxation rules or accounting policies will not be enacted or that existing rules will not be applied in a manner which could result in the Company's profits being subject to additional taxation or which could otherwise have a material adverse effect on the Company's profitability, results of operations and financial condition and the trading price of its securities. In addition, the introduction of new tax rules or accounting policies, or changes to, or differing interpretations of, or application of, existing tax rules or accounting policies could make royalties or other interests held by the Company less attractive to counterparties. Such changes could adversely affect the Company's ability to acquire new assets or make future investments.

The Company's operations will depend on information systems that may be vulnerable to cyber security threats
The Company's information technology and internal infrastructure is susceptible to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. Significant disruption to the availability of information technology and internal infrastructure could cause delays in research and development work. The Company would incur liability and development of product candidates would be delayed if any disruption or security breach were to result in a loss of, or damage to, the Company's data.

20. 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.