



ELEMENTAL ROYALTIES CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2022 and 2021

(Unaudited - Expressed in US Dollars)

ELEMENTAL ROYALTIES CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited - Expressed in thousands of US Dollars)

		June 30, 2022	December 31, 2021
	Notes	\$	\$
Assets			
Current assets			
Cash and cash equivalents		5,680	6,110
Accounts receivable	3	2,018	2,126
Prepaid expenses and other current assets		84	252
Total current assets		7,782	8,488
Non-current assets			
Stream and royalty interests	4	76,960	68,007
Total non-current assets		76,960	68,007
Total assets		84,742	76,495
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		1,865	1,442
Borrowings	5	24,690	-
Total current liabilities		26,555	1,442
Non-current liabilities			
Deferred tax liability		72	153
Borrowings	5	-	24,430
Total non-current liabilities		-	24,583
Total liabilities		26,627	26,025
Equity			
Share capital	6	67,511	56,437
Contributed surplus		1,830	1,717
Accumulated other comprehensive income ("AOCI")		60	43
Deficit		(11,286)	(7,727)
Total equity		58,115	50,470
Total liabilities and equity		84,742	76,495

Nature of operations and going concern (Note 1)

Commitments (Note 10)

Subsequent events (Note 11)

Approved by the Board of Directors on August 15, 2022

"Frederick Bell"
Frederick Bell

Director

"Martin Turenne"
Martin Turenne

Director

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

ELEMENTAL ROYALTIES CORP.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three and six months ended June 30, 2022 and 2021

(Unaudited - Expressed in thousands of US Dollars)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2022 \$	2021 \$	2022 \$	2021 \$
Revenue from royalty interests	4	2,082	1,240	4,277	2,388
Depletion of stream and royalty interests	4	(1,258)	(456)	(2,424)	(879)
Gross profit		824	784	1,853	1,509
General and administrative expenses	7	(588)	(676)	(1,173)	(1,020)
Project evaluation expenses	7	(144)	(53)	(191)	(233)
Share-based compensation expense	6(d), 8	(56)	(242)	(113)	(484)
Hostile takeover bid expenses	7	(412)	-	(926)	-
Transaction and integration expenses	11	(741)	-	(741)	-
Loss from operations		(1,117)	(187)	(1,291)	(228)
Other income and expenses					
Interest income		4	3	6	10
Interest and finance expenses	5	(783)	(763)	(1,538)	(1,482)
Foreign exchange (loss) gain		(188)	55	(177)	11
Loss before income taxes		(2,084)	(892)	(3,000)	(1,689)
Tax expense		(268)	(289)	(559)	(574)
Net loss for the period		(2,352)	(1,181)	(3,559)	(2,263)
Other comprehensive loss					
Items that may be reclassified subsequently to profit and loss:					
Foreign currency translation adjustment		17	(1)	17	(2)
Other comprehensive loss		17	(1)	17	-
Total comprehensive loss		(2,335)	(1,182)	(3,542)	(2,265)
Loss per share – basic and diluted		(0.03)	(0.02)	(0.05)	(0.04)
Weighted average number of shares outstanding – basic and diluted		78,266,221	68,991,221	73,705,586	63,854,610

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

ELEMENTAL ROYALTIES CORP.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the three and six months ended June 30, 2022 and 2021

(Unaudited - Expressed in thousands of US Dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Operating activities				
Net loss for the period	(2,352)	(1,181)	(3,559)	(2,263)
Adjustments for:				
Depletion of royalty and stream interests	1,258	456	2,424	879
Unrealized foreign exchange	(97)	48	(44)	92
Share-based compensation expense	56	242	113	484
Interest and finance expenses	783	763	1,538	1,482
Interest income	(4)	-	(6)	(7)
	(356)	328	466	667
Changes in non-cash working capital items:				
Accounts receivable	84	(92)	108	99
Prepaid expenses and other current assets	13	155	168	(54)
Accounts payable and accrued liabilities	267	(108)	446	(715)
Deferred tax liability	(56)	-	(81)	-
Net cash (used in) provided by operating activities	(48)	283	1,107	(3)
Investing activities				
Interest received	4	-	6	7
Purchase of royalty interests	-	-	-	(40,136)
Purchase of stream interest	(11,000)	-	(11,377)	-
Cash used in investing activities	(10,996)	-	(11,371)	(40,129)
Financing activities				
Proceeds from issue of shares	-	-	11,196	12,667
Share issue costs	-	-	(147)	(741)
Interest paid	(653)	(632)	(1,278)	(1,278)
Proceeds from borrowings, net of fees paid in cash	-	-	-	24,833
Net cash (used in) provided by financing activities	(653)	(632)	9,771	35,481
Exchange differences on cash and cash equivalents	120	(48)	63	(94)
Change in cash and cash equivalents	(11,577)	(397)	(430)	(4,745)
Cash and cash equivalents, beginning of the period	17,257	6,573	6,110	10,921
Cash and cash equivalents, end of the period	5,680	6,176	5,680	6,176

Supplemental cash flow information (Note 9)

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

ELEMENTAL ROYALTIES CORP.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the six months ended June 30, 2022 and 2021

(Unaudited - Expressed in thousands of US Dollars)

	Ordinary shares #	Share capital \$	Contributed Surplus \$	AOCI \$	Deficit \$	Total Equity \$
Balance as at December 31, 2020	44,524,734	28,792	1,079	40	(3,001)	26,910
Issued during the period:						
For cash	10,748,132	12,667	-	-	-	12,667
Less: finders' fees	-	(584)	-	-	-	(584)
Less: other cash issuance costs	-	(208)	-	-	-	(208)
Pursuant to royalty acquisition	13,065,100	15,000	-	-	-	15,000
Pursuant to loan as a finance cost	653,255	770	-	-	-	770
Share-based compensation expense	-	-	484	-	-	484
Loss and comprehensive loss for the period	-	-	-	(2)	(2,263)	(2,265)
Balance as at June 30, 2021	68,991,221	56,437	1,563	38	(5,264)	52,774
Share-based compensation expense	-	-	154	-	-	154
Loss and comprehensive loss for the period	-	-	-	5	(2,463)	(2,458)
Balance as at December 31, 2021	68,991,221	56,437	1,717	43	(7,727)	50,470
Issued during the period:						
For cash	9,275,000	11,196	-	-	-	11,196
Less: other cash issuance costs	-	(122)	-	-	-	(122)
Share-based compensation expense	-	-	113	-	-	113
Loss and comprehensive loss for the period	-	-	-	17	(3,559)	(3,542)
Balance as at June 30, 2022	78,266,221	67,511	1,830	60	(11,286)	58,115

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

ELEMENTAL ROYALTIES CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022 and 2021

(Unaudited - Expressed in thousands of US Dollars, except where otherwise noted)

1. NATURE OF OPERATIONS AND GOING CONCERN

Elemental Royalties Corp. (the “Company”, “Elemental” or “ERC”) was incorporated on March 11, 2014 under the laws of the Province of British Columbia. The Company is primarily involved in the acquisition of precious metal royalties and streams. The head office and principal address is 880 – 580 Hornby Street, Vancouver, British Columbia, Canada. The Company’s common shares trade on the TSX Venture Exchange under the ticker symbol “ELE” and the OTCQX market under the trading symbol “ELEM”.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least twelve months from June 30, 2022.

At June 30, 2022, the Company had a working capital deficiency of \$18.8 million, including the \$25 million Amended Sprott Credit Facility (“the loan”) (Note 5) which matures on January 31, 2023. The Company is in the process of refinancing the loan and has received proposals to refinance the loan but as of this time, a loan refinancing has not occurred. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to refinance the loan or that such refinancing will be on terms advantageous to the Company. These conditions give rise to material uncertainties which may cast significant doubt upon the Company’s ability to continue as a going concern and, therefore, it may be unable to realize its assets and settle its liabilities in the normal course of business.

These condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

(A) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2021.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2021, except as noted below.

The financial statements are presented in US Dollars. The notation “\$” represents US dollars, “CAD\$” represents Canadian dollars, and AU\$ represents Australian dollars.

The financial statements were approved by the Board of Directors and authorized for issue on August 15, 2022.

ELEMENTAL ROYALTIES CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended June 30, 2022 and 2021

(Unaudited - Expressed in thousands of US Dollars, except where otherwise noted)

(B) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries listed in the following table:

Name	Country of Incorporation	Functional Currency	% Equity Interest as at	
			June 30, 2022	December 31, 2021
Elemental Royalties Limited	BVI	US dollars	100	100
Elemental One Limited	BVI	US dollars	100	100
Elemental Royalties (Australia) Pty Ltd.	Australia	US dollars	100	100
Elemental Resources Limited	England and Wales	Pound Sterling	100	100
Elemental (Finance) Limited	Canada	Canadian dollars	100	100

The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date the Company's control over the subsidiary ceases. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. All intercompany transactions and balances have been eliminated.

(C) Critical accounting estimates and judgements

The Company uses the same critical accounting estimates and judgements as those that applied to the annual consolidated financial statements for the year ended December 31, 2021, except as noted below.

- *Classification of stream arrangements: initial recognition and measurement*

There is judgement to whether stream interests acquired should be accounted for as a financial asset, intangible asset or tangible asset. The determination of the accounting treatment requires consideration of factors such as the terms of the agreement, the applicability of the own use exemption under IFRS 9; whether there is a contractual commitment to repay amounts under the Stream; and the expected timing and amount of future deliveries of gold, under the Stream with reference to the existing mine plan.

- *Impairment review of stream interests*

Stream interests are assessed for indicators of impairment at each reporting date with the assessment considering variables such as the production profiles, production commissioning dates where applicable, forecast commodity prices and guidance from the mine operators such as reserve and resource estimates or other relevant information which would indicate reduced or ceased production from stream interests.

(D) New accounting policies adopted**Tangible assets***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.

ELEMENTAL ROYALTIES CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended June 30, 2022 and 2021

(Unaudited - Expressed in thousands of US Dollars, except where otherwise noted)

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.

3. ACCOUNTS RECEIVABLE

	June 30, 2022	December 31, 2021
	\$	\$
Accrued royalty income	1,894	2,043
Other receivables	124	83
Total accounts receivable	2,018	2,126

ELEMENTAL ROYALTIES CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended June 30, 2022 and 2021

(Unaudited - Expressed in thousands of US Dollars, except where otherwise noted)

4. STREAM AND ROYALTY INTERESTS

As of and for the three months ended June 30, 2022

	COST			ACCUMULATED DEPLETION			Carrying Amount
	Opening	Additions	Ending	Opening	Depletion	Ending	
Kwale							
<i>Kenya</i>	\$ 943	\$ -	\$ 943	\$ 776	\$ 22	\$ 798	\$ 145
Panton Sill							
<i>Australia</i>	94	-	94	-	-	-	94
Mount Pleasant							
<i>Australia</i>	476	-	476	19	113	132	344
Amancaya							
<i>Chile</i>	3,614	-	3,614	2,086	291	2,377	1,237
Mercedes							
<i>Mexico</i>	999	-	999	-	-	-	999
Wahgnion							
<i>Burkina Faso</i>	12,512	-	12,512	1,858	447	2,305	10,207
Karlawinda							
<i>Australia</i>	37,166	-	37,166	1,138	1,551	2,689	34,477
Laverton							
<i>Australia</i>	16,071	-	16,071	-	-	-	16,071
Western Queen							
<i>Australia</i>	2,009	-	2,009	-	-	-	2,009
Ming Stream							
<i>Canada</i>	-	11,377	11,377	-	-	-	11,377
Total	\$ 73,884	\$ 11,377	\$ 85,261	\$ 5,877	\$ 2,424	\$ 8,301	\$ 76,960

ELEMENTAL ROYALTIES CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022 and 2021

(Unaudited - Expressed in thousands of US Dollars, except where otherwise noted)

As of and for the year ended December 31, 2021

	COST			ACCUMULATED DEPLETION			Carrying Amount
	Opening	Additions	Ending	Opening	Depletion	Ending	
Kwale							
<i>Kenya</i>	\$ 943	\$ -	\$ 943	\$ 613	\$ 163	\$ 776	\$ 167
Panton Sill							
<i>Australia</i>	94	-	94	-	-	-	94
Mount Pleasant							
<i>Australia</i>	476	-	476	9	10	19	457
Amancaya							
<i>Chile</i>	3,614	-	3,614	1,574	512	2,086	1,528
Mercedes							
<i>Mexico</i>	999	-	999	-	-	-	999
Wahgnion							
<i>Burkina Faso</i>	12,512	-	12,512	797	1,061	1,858	10,654
Karlawinda							
<i>Australia</i>	-	37,166	37,166	-	1,138	1,138	36,028
Laverton							
<i>Australia</i>	-	16,071	16,071	-	-	-	16,071
Western Queen							
<i>Australia</i>	-	2,009	2,009	-	-	-	2,009
Total	\$ 18,638	\$ 55,246	\$ 73,884	\$ 2,993	\$ 2,884	\$ 5,877	\$ 68,007

The following table summarizes the Company's total revenue from royalty interests during the three and six months ended June 30, 2022 and 2021:

	Three months ended		Six months ended	
	2022	June 30, 2021	2022	June 30, 2021
	\$	\$	\$	\$
Kwale	93	156	206	309
Mount Pleasant	88	1	206	1
Amancaya	216	268	498	634
Wahgnion	469	815	1,006	1,444
Karlawinda	1,216	-	2,361	-
Total revenue from royalty interests	2,082	1,240	4,277	2,388

Kwale

In February 2017 the Company acquired a 0.25% gross revenue royalty ("GRR") royalty on the Kwale mineral sands mine located 50 kilometres south of Mombasa in Kenya, from Acacia Mining Plc for cash consideration of \$0.9 million. The Kwale mine is operated by Base Resources Limited, an Australian-based, African-focused mineral sands producer and developer which is dual-listed on the Australian Securities Exchange (ASX: BSE) and the London Alternative Investment Market (AIM: BSE).

ELEMENTAL ROYALTIES CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022 and 2021

(Unaudited - Expressed in thousands of US Dollars, except where otherwise noted)

Panton Sill

The Company acquired a 0.5% net smelter return (“NSR”) royalty on the Panton Sill project, located about 60km north of Halls Creek in the East Kimberley region of Western Australia, from Fevertree Resources Pty Ltd in February 2017 for the consideration of \$0.09 million, settled by the issue of shares of the Company. The Panton Sill project is held by Future Metals NL, a PGM focused company listed on the Australian Securities Exchange (ASX: FME) and the London Alternative Investment Market (AIM: FME).

Mount Pleasant

In December 2017 the Company acquired a royalty interest consisting of the lesser of either 5% net profit interest (“NPI”) or AU\$10/Ounce royalty on the Mount Pleasant operations, located 40km northwest of Kalgoorlie in Western Australia, from a subsidiary of the Carlton & United Breweries Company for cash consideration of AU\$0.6 million. A deferred payment of AU\$0.4 million is due at the point a decision is taken to mine a refractory portion of the resource and funds committed to its development. The Mount Pleasant mine is operated by Zijin Mining Group, a large Chinese international mining company engaged in the exploration and mining of gold, copper, zinc and other mineral resources, which is dual-listed on the Hong Kong Stock Exchange (HKSE: 2899) and the Shanghai Stock Exchange (SSEC: 601899).

Amancaya

In July 2018 the Company acquired a 2.25% NSR royalty on the Amancaya gold-silver mine, located in northern Chile approximately 200km southeast of Antofagasta, from Yamana Gold Inc (TSX: YRI) for cash consideration of \$3.55 million. The Amancaya mine is operated by Austral Gold Limited, a producer and explorer of precious metals which is dual-listed on the Australian Securities Exchange (ASX: AGD) and the Toronto Venture Exchange (TSX-V: AGLD).

Mercedes

In July 2018 the Company acquired a 1% NSR royalty on the Mercedes gold-silver mine, located in the State of Sonora in northern Mexico, 300km south of Tucson Arizona, from Yamana Gold Inc (TSX: YRI) for cash consideration of \$0.95 million. The Mercedes mine is operated by Equinox Gold Corp (TSX: EQX). On December 17, 2021 Equinox Gold Corp. announced that it had entered into a definitive agreement to sell the Mercedes mine to Bear Creek Mining Corporation (TSXV: BCM) (“Bear Creek”). The transaction closed on April 21, 2022.

Wahgnion

On December 13, 2019, the Company entered into a Binding Heads of Agreement with Sanembaore Sarl Pty Ltd, (“SNB”), pursuant to which the Company agreed to acquire 100% of the issued capital of (“SNB”), a company incorporated under the laws of Australia. SNB’s principal asset was a 1% NSR royalty over the Wahgnion gold project in Burkina Faso. The acquisition closed on January 29, 2020. The Wahgnion mine is operated by Endeavour Mining (TSX: EDV).

In consideration for SNB, the Company paid a total of \$12.5 million consisting of \$11.5 million in cash and issued 1,374,683 common shares (issued on January 16, 2020 at the fair value of \$1 million). The final payment was made on January 23, 2020. As SNB had no net assets other than the Wahgnion royalty, the purchase price and acquisition costs to acquire SNB were allocated to royalty interests.

South32 Portfolio

On February 9, 2021, the Company completed the acquisition of a portfolio of three gold royalties from South32 Limited (“South32 Portfolio”). The South32 portfolio included the following key assets: Karlawinda, Laverton and Western Queen. As consideration for the transaction, the Company made a cash payment of \$40 million and issued 13,065,100 common shares to South32 valued at \$15 million.

The Company allocated the purchase price of the South32 Portfolio to Karlawinda (\$37.2 million), Laverton (\$16.1 million) and Western Queen (\$2 million). The Company allocated \$3.3 million of the Karlawinda purchase price of

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\$37.2 million towards exploration potential, which is currently not depleted. The Company allocated \$8.2 million of the Laverton purchase price of \$16.1 million and the full \$2.0 million of the Western Queen purchase price towards exploration potential, which are currently not depleted.

Karlawinda

Elemental acquired a 2% NSR royalty on the Karlawinda gold project in February 2021 as part of the acquisition of the South32 Portfolio. The Karlawinda Gold Project is located in the Pilbara region of Western Australia, 70km by road south-east of the town of Newman. The Karlawinda gold project is operated by Capricorn Metals Ltd (ASX: CMM).

Laverton

Elemental acquired a 2% GRR royalty on the Laverton gold project in Feb 2021 as part of the acquisition of the South32 Portfolio. The Laverton gold project is located in the Eastern Goldfields region of Western Australia, surrounding the town of Laverton, approximately 250km north of Kalgoorlie. Elemental's interest is a 2% Gross Revenue Royalty payable on certain licences held by Focus Minerals Ltd. (ASX: FML).

Western Queen

Elemental acquired a A\$6-20/oz royalty on the Western Queen gold project in Feb 2021 as part of the acquisition of the South32 Portfolio. The Western Queen gold project lies 110km north-west of Mt Magnet within the Yalgoo mineral field of Western Australia. The Company's interest is a AU\$6-20/oz royalty over the 9.8km² Western Queen Central Mine and associated prospects held by Rumble Resources Ltd. (ASX: RTR).

Ming Gold Stream

On March 17, 2022, the Company entered into a gold purchase and sale agreement (the "Ming Gold Stream") with Rambler Metals and Mining Canada Limited, a wholly owned subsidiary of Rambler Metals and Mining PLC (AIM: RMM) ("Rambler"), the owner of the Ming Copper-Gold Mine in Newfoundland and Labrador in Canada.

Under the terms of the Ming Gold Stream, in exchange for consideration of \$11 million, the Company will receive 50% of the payable gold production until Rambler has delivered 10,000 ounces of gold to the Company, after which the Company will receive 35% of the payable gold production until Rambler has delivered a further 5,000 ounces to the Company. After Rambler has delivered a total of 15,000 ounces of gold, the Company will receive 25% of the payable gold production for the life of the mine.

The Company will make ongoing payments equal to 20% of the market price of gold with minimum gold recoveries set at 85%. Rambler must make minimum gold deliveries of 1,200 ounces to the Company in each of the first three years of the Ming Gold Stream.

The transaction completed on April 4, 2022. In connection with the acquisition of the stream, the Company incurred costs of \$0.38 million for legal fees, due diligence and other fees. Of the \$11.38 million purchase price, \$nil was allocated to exploration potential.

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For the six months ended June 30, 2022 and 2021

(Unaudited - Expressed in thousands of US Dollars, except where otherwise noted)

5. BORROWINGS

	June 30, 2022	December 31, 2021
	\$	\$
Opening balance	24,430	-
Additions from credit facility	-	25,000
Transaction costs	-	(1,039)
Amortization of transaction costs and arrangement fees	260	469
Closing balance	24,690	24,430

Credit Facility

On December 19, 2019, the Company entered into a Credit Agreement with Sprott Private Resource Lending ("Sprott"), an arm's length party, pursuant to which the Company would be provided with a \$8.5 million senior secured credit facility (the "Sprott Credit Facility"). On January 23, 2020, the Company received \$8.5 million from the Sprott Credit Facility. During 2020, the Company repaid the principal balance, except for one dollar which was repaid during 2021.

On December 29, 2020, the Sprott Credit Facility was amended and the Company entered into an Amended and Restated Credit Agreement with Sprott, pursuant to which the Company would be provided with a \$25 million senior secured credit facility (the "Amended Sprott Credit Facility"). On February 9, 2021, the Company received \$25 million from the Amended Sprott Credit Facility.

The Amended Sprott Credit Facility bears interest at a rate of 9% per annum plus the greater of (i) LIBOR and (ii) 1%, paid monthly, matures on January 31, 2023 and is secured by all assets of the Company. The Amended Sprott Credit Facility requires the Company to maintain cash and working capital balances of greater than \$1 million, which it has done.

Interest rate benchmark reform ("Reform") is a global reform of interest rate benchmarks, which includes the replacement of some interbank offered rates ("IBOR") with alternative benchmark rates. The Company is currently working with the lender to assess the potential alternatives to the use of LIBOR.

During the six months ended June 30, 2022, the Company recorded interest expense of \$1.3 million (2021 - \$1.3 million) and amortization of transaction costs of \$0.3 million (2021 - \$0.2 million) on the Amended Sprott Credit Facility and the Sprott Credit Facility. The estimated fair value of the Sprott credit facility at June 30, 2022 is \$25.3 million based on Level 3 fair value hierarchy.

6. SHARE CAPITAL*a) Authorized*

The Company's authorized share structure consists of an unlimited number of common shares without par value.

b) Share activities

Details of equity transactions during the six months ended June 30, 2022 are as follows:

- 1) On March 31, 2022, the Company completed a private placement of 9,275,000 common shares at CAD\$1.51 (\$1.21) per common share for gross proceeds of CAD\$14.0 million (\$11.2 million). In connection with the

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private placement, the Company incurred additional legal fees and other cash issuance costs of CAD\$0.16 million (\$0.12 million).

Details of equity transactions during the six months ended June 30, 2021 are as follows:

- 1) On February 8, 2021, the Company completed a private placement of 10,748,132 common shares at CAD\$1.50 (\$1.18) per common share for gross proceeds of CAD\$16.1 million (\$12.7 million). In connection with the private placement, the Company paid CAD\$0.7 million (\$0.6 million) of cash finders' fees and incurred additional legal fees and other cash issuance costs of CAD\$0.2 million (\$0.2 million).
- 2) On February 8, 2021, the Company issued 13,065,100 common shares at CAD\$1.50 (\$1.18) per common share as part of the acquisition of the South32 royalty portfolio (Note 4); and
- 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 (Note 5).

c) Stock options and performance share units

The Company has an incentive compensation plan for stock options, performance share units ("PSUs") and restricted share units. The maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX-V). The vesting terms of the awards are in the sole discretion of the Board of Directors. All stock options and PSUs become fully vested if a change of control of the Company occurs. Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as a director or officer of the Company.

Stock options

Changes in share purchase options during the six months ended June 30, 2022 are as follows:

	Number of stock options	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, December 31, 2021	900,000	CAD\$1.50	3.58
Outstanding, June 30, 2022	900,000	CAD\$1.50	3.08
Outstanding and exercisable, June 30, 2022	900,000	CAD\$1.50	3.08

During the six months ended June 30, 2022, the Company recorded \$nil (2021 - \$0.25 million) of share-based compensation to the statement of comprehensive loss based on the vesting of stock options.

Performance share units

The Company has certain performance share units outstanding which were issued to directors and officers. Changes in PSUs during the six months ended June 30, 2022 are as follows:

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	Number of PSUs
Outstanding, December 31, 2021	2,895,109
Outstanding, June 30, 2022	2,895,109
Outstanding and exercisable, June 30, 2022	2,395,109

On June 14, 2018, the Company issued 2,395,109 PSUs to directors and officers, expiring on June 14, 2023. The PSUs vest once the Company's share price reaches between \$0.62 and \$1.25 per share and a period of time has passed. 463,498 PSUs vest after 2 years if the share price reaches \$0.62. The remaining PSUs vest after 3 years with 579,483 vesting if the share price reaches \$0.78, 579,483 if the share price reaches \$0.94 and 772,645 if the share price reaches \$1.25.

On July 28, 2020, the Company issued 500,000 PSUs to certain employees of Elemental. The PSUs vest once the Company's share price reaches between CAD\$1.70 and CAD\$2.20 per share and a period of time has passed as follows: 160,000 PSUs vest after 2 years (July 28, 2022) if the share price reaches CAD\$1.70 and 340,000 PSUs vest after 3 years (July 28, 2023) if the share price reaches CAD\$2.20.

The fair value of the performance share units was estimated using the fair value of a common share at the grant date and various probabilities of the likelihood of the Company's stock price reaching the targets.

During the six months ended June 30, 2022, the Company recorded \$0.11 million (2021 - \$0.23 million) of share-based compensation to the statement of comprehensive loss based on the vesting of PSUs.

d) Escrowed Shares

On completion of reverse takeover and listing on the TSX Venture Exchange on July 30, 2020, certain principals of Elemental entered into a Tier 1 Value Escrow Agreement with the TSX Venture Exchange and Computershare Trust Company of Canada, as escrow agent, in respect of 9,564,143 Elemental common shares and 2,760,109 PSUs for aggregate escrowed securities of 12,324,252. Under the terms of the Escrow Agreement, 25% of such escrowed securities were released upon closing (July 30, 2020) with subsequent 25% releases occurring 6, 12, and 18 months from closing.

As at June 30, 2022, the full 9,564,143 common shares and 2,760,109 PSUs had been released.

e) Basic and diluted loss per share

During the six months ended June 30, 2022, potentially dilutive common shares totaling 3,795,109 (2021: 3,795,109) were not included in the calculation of basic and diluted loss per share because their effect was anti-dilutive. Potentially dilutive common shares are from PSUs and stock options.

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7. OPERATING EXPENSES BY NATURE

	Three months ended		Six months ended	
	2022	June 30, 2021	2022	June 30, 2021
	\$	\$	\$	\$
Salary, fees and pension	529	270	817	517
Corporate administration	70	96	112	133
Listing and filing fees	14	56	68	100
Marketing and promotion	76	194	264	274
Professional fees and consulting fees	1,196	113	1,770	229
Total operating expenses, including merger expenses	1,885	729	3,031	1,253
Less: hostile takeover bid expenses	(412)	-	(926)	-
Less: transaction and integration expenses (Note 11)	(741)	-	(741)	-
Total operating expenses	732	729	1,364	1,253

8. 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 six months ended June 30, 2022 and 2021 is as follows:

	Three months ended		Six months ended	
	2022	June 30, 2021	2022	June 30, 2021
	\$	\$	\$	\$
Salary, fees, pension and professional fees	387	232	625	416
Share-based compensation – PSUs and stock options	41	187	83	374
	428	419	708	790

9. SUPPLEMENTAL CASH FLOW INFORMATION

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the six months ended June 30, 2022, the Company did not have any non-cash investing and financing transactions.

During the six months ended June 30, 2021, the following transactions were excluded from the statement of cash flows:

- a) 13,065,100 common shares were issued at the fair value of \$15 million to acquire the South32 Portfolio (Note 4); and,
- b) 653,255 common shares were issued at the fair value of \$0.8 million to settle the Sprott finance cost (Note 5).

10. COMMITMENTS

In December 2017, the Company acquired the Mount Pleasant royalty. A deferred payment of AU\$0.4 million is due at the point a decision is taken to mine a refractory portion of the resource and funds committed to its development. As of the reporting date, the deferred payment has not been recognized as it is not considered more likely than not that the condition triggering the payment obligation will occur.

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11. SUBSEQUENT EVENTS

Subsequent to June 30, 2022, the Company received its first gold delivery of 408 gold ounces under the gold purchase and sale agreement with Rambler (Note 4).

On June 14, 2022, the Company reached an agreement with Altus Strategies plc ("Altus") on the terms and conditions of a recommended share-for-share merger of equals of Elemental and Altus with the entire issued and to be issued share capital of Altus being acquired by Elemental (the "Merger"). The Merger is anticipated to complete on August 16, 2022. The Merger will be implemented by way of a court-sanctioned scheme of arrangement (the "Scheme") under Part 26 of the Companies Act 2006. Under the terms of the Merger, each Altus Shareholder will receive 0.5940 New Elemental Shares for each Altus Share. This exchange ratio (the "Exchange Ratio") was agreed between the boards of Elemental and Altus taking into account the relative market capitalizations of both companies. Upon completion of the Merger, Elemental Shareholders will own approximately 52.9% and Altus Shareholders will own approximately 47.1% of the total issued share capital of the New Elemental Altus Group.