ELEMENTAL ROYALTIES CORP.

CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020
(Expressed in US Dollars)

Independent auditor's report

To the Shareholders of Elemental Royalties Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Elemental Royalties Corp. and its subsidiaries (together, the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Dean Larocque.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 31, 2022

ELEMENTAL ROYALTIES CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in thousands of US Dollars)

	Notes	December 31, 2021 $	December 31, 2020 $
Assets			
Current assets			
Cash and cash equivalents		6,110	10,921
Accounts receivable	5	2,126	1,104
Prepaid expenses and other current assets		252	113
Total current assets		8,488	12,138
Non-current assets			
Deferred acquisition costs	6	-	109
Deferred financing costs	7	-	153
Royalty interests	6	68,007	15,645
Total non-current assets		68,007	15,907
Total assets		76,495	28,045
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		1,442	1,135
Deferred tax liability	9	153	-
Total current liabilities		1,595	1,135
Non-current liabilities			
Borrowings	7	24,430	-
Total non-current liabilities		24,430	-
Total liabilities		26,025	1,135
Equity			
Share capital	8	56,437	28,792
Contributed surplus		1,717	1,079
Accumulated other comprehensive income ("AOCI")		43	40
Deficit		(7,727)	(3,001)
Total equity		50,470	26,910
Total liabilities and equity		76,495	28,045

Commitments (Note 14)
Subsequent events (Note 15)

Approved by the Board of Directors on March 28, 2022

"Frederick Bell"	Director	*"Martin Turenne"*	Director
Frederick Bell		Martin Turenne	

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

ELEMENTAL ROYALTIES CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended December 31, 2021 and 2020
(Expressed in thousands of US Dollars)

	Notes	2021 $	2020 $
Revenue from royalty interests	6	6,611	5,121
Depletion of royalty interests	6	(2,884)	(1,689)
Gross profit		3,727	3,432
General and administrative expenses	10	(2,971)	(1,080)
Project evaluation expenses	10	(435)	(380)
Share-based compensation expense	8(d),11	(638)	(730)
(Loss) income from operations		(317)	1,242
Other income and expenses			
Interest income		15	15
Interest and finance expenses	7	(3,025)	(1,454)
Foreign exchange (loss) gain		(36)	340
Gain on acquisition	11	-	74
Listing expense	4,8	-	(1,534)
Loss before income taxes		(3,363)	(1,317)
Tax expense		(1,363)	(1,314)
Net loss for the year		(4,726)	(2,631)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Foreign currency translation adjustment		3	41
Other comprehensive income		3	41
Total comprehensive loss		(4,723)	(2,590)
Loss per share – basic and diluted		(0.07)	(0.08)
Weighted average number of shares outstanding – basic and diluted		66,444,025	31,551,973

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

ELEMENTAL ROYALTIES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2021 and 2020
(Expressed in thousands of US Dollars)

	2021	**2020**
	$	**$**
Operating activities		
Net loss for the year	(4,726)	(2,631)
Adjustments for:		
Depletion of royalty interests	2,884	1,689
Unrealized foreign exchange	14	(240)
Expenses settled in shares	-	8
Share-based compensation expense	638	730
Interest and finance expenses	3,025	1,454
Interest income	(15)	(15)
Gain on acquisition	-	(74)
Listing expense	-	1,037
	1,820	1,958
Changes in non-cash working capital items:		
Accounts receivable	(1,022)	(634)
Prepaid expenses and other current assets	(139)	(62)
Accounts payable and accrued liabilities	307	585
Deferred tax liability	153	-
Net cash provided by operating activities	1,119	1,847
Investing activities		
Interest received	15	15
Purchase of royalty interests	(40,136)	(11,116)
Cash received on acquisition of ERL UK	-	81
Cash received on acquisition of Fengro	-	12
Cash used in investing activities	(40,121)	(11,008)
Financing activities		
Proceeds from issue of shares	12,667	19,174
Share issue costs	(741)	(1,256)
Interest paid	(2,556)	(611)
Proceeds from borrowings, net of fees paid in cash	24,833	10,461
Deferred financing costs	-	(153)
Repayment of borrowings	-	(8,587)
Net cash provided by financing activities	34,203	19,028
Exchange differences on cash and cash equivalents	(12)	241
Change in cash and cash equivalents	(4,811)	10,108
Cash and cash equivalents, beginning of the year	10,921	813
Cash and cash equivalents, end of the year	6,110	10,921

Supplemental cash flow information (Note 12)

ELEMENTAL ROYALTIES CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2021 and 2020
(Expressed in thousands of US Dollars)

	Ordinary shares #	**Share capital** $	**Contributed Surplus** $	**Subscriptions received** $	**Equity component convertible loan** $	**AOCI** $	**Deficit** $	**Total Equity** $
Balance as at December 31, 2019	19,542,629	6,388	349	7	-	(1)	(370)	6,373
Issued during the year:								
For cash, net of issue costs	20,174,866	19,181	-	(7)	-	-	-	19,174
Less: finders' fees	-	(1,083)	-	-	-	-	-	(1,083)
Less: other cash issuance costs	-	(171)	-	-	-	-	-	(171)
Pursuant to royalty acquisition	1,374,683	1,000	-	-	-	-	-	1,000
Deemed issued by Elemental to acquire Fengro	753,706	732	-	-	-	-	-	732
For bonus	10,325	7	-	-	-	-	-	7
Convertible loan equity component	-	-	-	-	125	-	-	125
Pursuant to conversion of loan	2,406,322	2,460	-	-	(125)	-	-	2,335
To settle fees on loan	196,207	190	-	-	-	-	-	190
To settle loan	65,996	88	-	-	-	-	-	88
Share-based compensation expense	-	-	730	-	-	-	-	730
Loss and comprehensive loss for the year	-	-	-	-	-	41	(2,631)	(2,590)
Balance as at December 31, 2020	44,524,734	28,792	1,079	-	-	40	(3,001)	26,910
Issued during the year:								
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	-	-	638	-	-	-	-	638
Loss and comprehensive loss for the year	-	-	-	-	-	3	(4,726)	(4,723)
Balance as at December 31, 2021	68,991,221	56,437	1,717	-	-	43	(7,727)	50,470

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

1. NATURE OF OPERATIONS

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. 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 "ELEMF".

2. BASIS OF PRESENTATION

(A) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

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 and authorized for issue on March 28, 2022.

(B) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about such judgements and estimates are contained in the accounting policies and/or the notes to the consolidated financial statements. Areas of judgement and estimation that have the most significant effect on the amounts recognized in the consolidated financial statements are outlined below.

(a) Areas of judgement

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

There is judgement to whether the royalty interests should be accounted for as a financial asset, intangible asset or tangible asset. Royalties, where the right to receive cash exists only to the extent there is production and there are no interest payments, minimum payment obligations or any other means to enforce production or guarantee repayment are classified as tangible assets by the Company. The purchase price of each royalty interest acquired is economically similar to holding a direct interest in the underlying mineral asset. Existence risk (the commodity physically existing in the quantity demonstrated), production risk (that the operator can achieve production and operate a commercially viable project), timing risk (commencement and quantity produced, determined by the operator) and price risk (returns vary depending on the future commodity price, driven by future supply and demand) are all risks which the Company indirectly participates in on a similar basis to an owner of the underlying mineral licence. However, due to the nature of royalty interests, the Company has no input into the operations of the mines of which it has an interest.

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

- *Impairment review of royalty interests*

Royalty 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 royalty interests.

(b) Sources of estimation uncertainty

- *Mineral reserves and mineral resources*

The Company's royalty interests that generate economic benefits are considered depletable and are depleted on a units-of-production method, based on units sold, over the anticipated life of the mine to which the interest relates, which is determined using available information on proven and probable mineral reserves and the portion of mineral resources expected to be classified as mineral reserves at the mine corresponding to the specific agreement. These calculations require the use of estimates and assumptions, including the mineral reserves and mineral resources relating to each royalty interest. Mineral reserves and mineral resources are estimates of the amount of minerals that can be extracted from the mining properties at which the Company has royalty interests. Changes to the mineral reserves mineral and resources assumptions could directly impact the depletion rates used. Changes to depletion rates are accounted for prospectively.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Company entities.

(A) Basis of consolidation

These 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 December 31, 2021	2020
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
Sanembaore Sarl Pty Ltd.[1]	Australia	Australian dollars	-	100
Elemental Resources Limited	England and Wales	Pound Sterling	100	100
Elemental (Finance) Limited	Canada	Canadian dollars	100	100

[1] Sanembaore Sarl Ltd was wound up on August 4, 2021.

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.

(B) Foreign Currency

(i) Foreign currency transactions
Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the consolidated statement of financial position are translated at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognized in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Financial statements of foreign operations
The functional currency of the Company and its subsidiaries is the principal currency of the economic environment in which they operate. The assets and liabilities of foreign operations are translated to United States dollars at exchange rates ruling at the date of the consolidated statement of financial position. The revenues and expenses of operations are translated to United States dollars at rates approximating to the exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognized in other comprehensive income.

On disposal of a foreign operation, the cumulative exchange differences recognized in accumulated other comprehensive income relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

(C) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments held in the form of money market investments and certificates of deposit with investment terms that allow for penalty free redemption after one month.

(D) Revenue

Revenue is comprised of revenue earned from royalty interests. 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. Revenue is measured at the fair value of the consideration received or receivable when management can reliably estimate the amount, pursuant to the terms of the royalty agreement. In some instances, the Company will not have access to sufficient information to make a reasonable estimate of consideration to which it expects to be entitled and, accordingly, revenue recognition is deferred until management can make a reasonable estimate. Differences between estimates and actual amounts are adjusted and recorded in the period that the actual amounts are known.

Royalty income is recognized gross of directly-related withholding tax, if applicable, which is deducted at source. Withholding tax is a form of income tax in accordance with IAS 12 and recognized as tax expense in the financial statements.

(D) Income tax

Income tax comprises current and deferred tax.

Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(E) Earnings per share

The Company presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares, which comprises irrevocable ordinary share subscriptions.

(F) Tangible assets

Royalty arrangements
Royalty interests consist of acquired royalty interests. Royalty interests which are identified and classified as tangible assets 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 royalty interest are expensed in the period incurred.

Producing royalty 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 royalty 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.

(G) Impairment of royalty interests

Evaluation of the carrying values of each royalty interest is undertaken when events or changes in circumstances indicate that the carrying values may not be recoverable. If any indication of impairment exists, the recoverable amount is estimated to determine the extent of any impairment loss. For assets classified as exploration potential, the impairment is assessed at each reporting period in accordance with IFRS 6. The recoverable amount is the higher of the fair value less costs of disposal and value in use. The calculation of the recoverable amount includes the following significant assumptions: production based on estimated mineral reserves and mineral resources, long-term commodity prices, and discount rate. Estimated future production is determined using estimated mineral reserves and mineral resources, as well as exploration potential expected to be converted into resources or reserves. Long-term commodity prices are determined by reference to average long-term price forecasts per analyst consensus pricing. If it is determined that the recoverable amount is less than the carrying value, then an impairment is recorded with a charge to net income (loss).

An assessment is made at each reporting period if there is any indication that a previous impairment loss may no longer exist or has decreased. If indications are present, the carrying amount of the royalty interest is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount net of depletion that would have been determined had no impairment loss been recognized for the royalty interest in previous periods.

(H) Financial instruments

Financial instruments are recognized in the statements of financial position when the Company has become a party to the contractual provisions of the instruments.

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

(i) Financial assets carried at amortized cost
These assets incorporate such types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment. Impairment of provisions for receivables are recognized based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the receivables. On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Company applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the Company does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date.

The Company considers a financial asset in default when contractual payments are four weeks past due without communication from the operator of the mine over which the Company holds a royalty. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred which aligns to the definition of default.

The Company's financial assets measured at amortized cost comprise other receivables, cash and cash equivalents, prepaid expenses, deferred acquisition costs and deferred financing costs in the consolidated statement of financial position.

(ii) Financial liabilities measured at amortized cost
Financial liabilities measured at amortized cost using the effective interest rate method include borrowings, and trade and other payables that are short term in nature. Financial liabilities are derecognized if the Company's obligations specified in the contract expire or are discharged or cancelled.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate ("EIR"). The EIR amortization is included as finance costs in the statement of profit or loss and other comprehensive income.

(l) Share-based compensation

Directors and officers receive remuneration in the form of share-based payments whereby services are rendered for equity instruments (equity-settled transactions).

Directors and officers receive remuneration in the form of share-based payments whereby services are rendered for equity instruments (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 8. The cost is recognised in share-based compensation expense, together with a corresponding increase in equity (Reserves) over the period in which the service and performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

The fair value of share purchase options granted is recognized as an employee or consultant expense with a corresponding increase in equity. The fair value of share purchase options granted is determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of share purchase options, the fair value of the Company's shares and the risk-free interest rate. For employees, the fair value of the options is measured at the date of grant. For non-employees, the options are measured at the fair value of the goods or services received, unless they cannot be reliably measured in which case their values are determined by the Black-Scholes option pricing model. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable.

The estimated fair value of awards of share purchase options is recognized in profit or loss over the vesting period, with offsetting amounts to equity reserve. If the share purchase options are granted for past services, they are recognized in profit or loss immediately. If the share purchase options are forfeited prior to vesting, no amounts are recognized in profit or loss. If share purchase options are exercised, then the fair value of the options is reclassified from equity reserve to share capital.

At each financial position reporting date, the amount recognized as profit or loss is adjusted to reflect the actual number of share purchase options that are expected to vest.

(J) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost. All borrowings costs are recognized in profit or loss in the period in which they are incurred.

(K) Segment reporting

In accordance with IFRS 8 'Operating Segments', an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision maker ('CODM') and for which discrete information is available. The Company's CODM is the Chief Executive Officer.

The Company operates in a single segment, the acquisition of royalties and similar production-based interests. In addition, the Company has corporate activities, which include the evaluation and acquisition of new royalties, streams and similar production-based interests and corporate administration. The Company's income, costs, assets, liabilities and cash flows are therefore totally attributable to its one segment.

(L) New accounting standards adopted

The Company adopted Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16 (the "Phase 2 Amendments") effective on January 1, 2021. Interest rate benchmark reform ("Reform") refers to a global reform of interest rate benchmarks, which includes the replacement of some interbank offered rates ("IBOR") with alternative benchmark rates. The Phase 2 Amendments provide a practical expedient requiring the effective interest rate be adjusted when accounting for changes in the basis for determining the contractual cash flow of financial assets and liabilities that relate directly to the Reform rather than applying modification accounting which might have resulted in a gain or loss. In addition, the Phase 2 Amendments require disclosures to assist users in understanding the effect of the Reform on the Company's financial instruments and risk management strategy.

The Company's Credit Facility bears interest at a floating rate equal to a base rate of 9% plus the greater of i) the London interbank offered rates ("LIBOR") and ii) 1% paid monthly and has not yet transitioned to alternative benchmark rates at the end of the current reporting period. The Company is working with the lenders to assess the potential alternatives to the use of the LIBOR.

4. REVERSE TAKEOVER

On April 27, 2020, the Company entered into a binding business combination agreement pursuant to the November 5, 2019 non-binding letter of intent with Fengro Industries Corp., a company trading on the TSX Venture Exchange, whereby Elemental and Fengro agreed to complete a reverse takeover.

On July 27, 2020, the Company completed the reverse takeover with Fengro and on July 30, 2020 the Company's shares commenced trading on the TSX Venture Exchange under the trading symbol "ELE".

Effective July 27, 2020, Fengro changed its name to "Elemental Royalties Corp." and consolidated its share capital (the "Consolidation") on the basis of 209 (old) common shares for 1 (new) common share. Immediately following the Consolidation, Fengro had an aggregate of 753,706 common shares outstanding.

Pursuant to the terms of the RTO all outstanding securities of ERL were exchanged (the "Share Exchange") for post-Consolidation securities of ERC on a 4.8114 for 1 basis, resulting in 22,664,788 ERC common shares being issued to former shareholders of ERL. The 497,797 Performance Share Units (PSUs) outstanding at July 27, 2020 were exchanged on a 4.8114 for 1 basis, resulting in 2,395,109 replacement PSUs being issued. All references to share and per share amounts in these consolidated financial statements have been retroactively restated to reflect the post-4.8114 for 1 exchange ratio.

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

In accordance with IFRS 3, *Business Combinations*, the substance of the acquisition is a reverse takeover as the shareholders of ERL held 96.78% of the resulting issuer shares and Fengro shareholders held 3.22% of the resulting issuer shares. Accordingly, for accounting purposes, ERL was treated as the accounting parent company (legal subsidiary) and Fengro has been treated as the accounting subsidiary (legal parent) in these consolidated financial statements. As ERL was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying values. Fengro's results of operations have been included from July 27, 2020.

As the acquisition of Fengro did not constitute a business combination, the reverse takeover transaction was accounted for in accordance with IFRS 2 *Share-based Payments* whereby equity instruments issued were recognized at fair value and allocated to the net assets acquired (liabilities assumed). Any difference is the value of the listing which was expensed on completion of the RTO.

The consideration paid was the fair value of common shares issued by ERL which had a fair value of $0.7 million. These are the 753,706 shares issued to the Fengro shareholders. The fair value of the 753,706 common shares was determined based on the pricing of the concurrent financing with a value of CAD$1.30 ($0.972) being allocated to each common share (Note 8(c)). The purchase price was allocated to the net assets acquired as follows:

Net assets acquired	**$**
Assets acquired	
Cash	12
Accounts receivable	2
Liabilities assumed	
Accounts payable and accrued liabilities	(146)
Loans payable	(173)
Net assets as at July 27, 2020	(305)
Consideration paid	
Fair value of 753,706 common shares deemed issued	732
Listing expense	**1,037**

Transaction costs of the RTO of $0.5 million were expensed.

5. ACCOUNTS RECEIVABLE

	December 31, 2021 $	**December 31, 2020** $
Accrued royalty income	2,043	1,082
Other receivables	83	22
Total accounts receivable	2,126	1,104

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

6. ROYALTY INTERESTS

As of and for the year ended December 31, 2021

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

As of and for the year ended December 31, 2020

	COST			ACCUMULATED DEPLETION			
	Opening	Additions	Ending	Opening	Depletion	Ending	Carrying Amount
Kwale							
Kenya	$ 943	$ -	$ 943	$ 445	$ 168	$ 613	$ 330
Panton Sill							
Australia	94	-	94	-	-	-	94
Mount Pleasant							
Australia	434	42	476	8	1	9	467
Amancaya							
Chile	3,614	-	3,614	851	723	1,574	2,040
Mercedes							
Mexico	999	-	999	-	-	-	999
Wahgnion							
Burkina Faso	-	12,512	12,512	-	797	797	11,715
Total	**$ 6,084**	**$ 12,554**	**$ 18,638**	**$ 1,304**	**$ 1,689**	**$ 2,993**	**$ 15,645**

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

The following table summarizes the Company's total revenue from royalty interests during the years ended December 31, 2021 and 2020:

	2021 $	2020 $
Kwale	611	486
Mount Pleasant	25	9
Amancaya	1,270	1,915
Wahgnion	2,844	2,711
Karlawinda	1,861	-
Total revenue from royalty interests	6,611	5,121

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 (LON: ACA) 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).

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. Future Metals NL ("Future Metals") (ASX: FME) acquired the Panton Sill project from Panoramic Resources Limited, a base metal mining and exploration company listed on the Australian Securities Exchange (ASX: PAN) in June 2021.

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 US$0.95 million. The Mercedes mine is operated by Equinox Gold Corp (TSX: EQX) following the completion of its acquisition of Premier Gold Mines Limited on April 7, 2021. 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")") for aggregate consideration of $100 million in cash, ($75 million on closing of the transaction; and $25 million payable within six months of closing of the transaction) plus 24,730,000 common shares of Bear Creek valued at approximately $25 million based on current trading prices; and a 2% net smelter return payable on production from Mercedes.

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) following the completion of its acquisition of Teranga Gold Corp. on February 10, 2021.

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.

As at December 31, 2020, the Company had incurred deferred acquisition costs of $0.1 million for legal fees, due diligence costs and other fees related to the acquisition of these royalties. During the year ended December 31, 2021, the Company incurred a further $0.1 million for legal fees, due diligence and other related fees.

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 $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).

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

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 9.8km^2 Western Queen Central Mine and associated prospects held by Rumble Resources Ltd. (ASX: RTR).

7. BORROWINGS

	December 31, 2021 $	December 31, 2020 $
Opening balance	-	-
Additions from credit facility	25,000	8,500
Additions from convertible loan	-	2,000
Allocation to equity component of convertible loan	-	(125)
Accretion of convertible loan	-	125
Transaction costs	(1,039)	(114)
Amortization of transaction costs and arrangement fees	469	114
Additions from the reverse takeover (Note 4)	-	173
Foreign exchange loss on loan	-	3
Repayments – ordinary shares	-	(2,088)
Repayments - cash	-	(8,588)
Closing balance	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.

The Sprott Credit Facility bore interest at a rate of 11.50% per annum paid monthly, maturing on July 23, 2020 and was secured by all assets of the Company. The Sprott Credit Facility required the Company to maintain cash and working capital balances of greater than $1 million

On July 1, 2020, the Sprott Credit Facility was amended with a revised maturity date of August 23, 2020.

On August 7, 2020, the Company repaid $8.54 million which included $8.5 million of principal, $0.02 million of legal fees and $0.02 million of interest. The Company also issued 196,207 common shares to settle the $0.2 million arrangement fee at the fair value of CAD$1.30 per common share ($0.970). The principal balance remaining on the Sprott Credit Facility was one dollar, which was repaid during the year ended December 31, 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.

On February 8, 2021, the Company issued 653,255 common shares to Sprott as a finance cost at the fair value of $0.8 million. As at December 31, 2021, the Company had incurred costs of $0.3 million for legal fees and other fees in connection with the facility. The financing costs associated with the credit facility will be accreted up to the maturity date.

During the year ended December 31, 2021, the Company recorded interest expense of US$2.6 million (2020 - $0.5 million) and amortization of transaction costs of $0.5 million (2020 - $0.1 million) and arrangement fee expense of $nil (2020 - $0.3 million) on the Amended Sprott Credit Facility and the Sprott Credit Facility.

Convertible Loan

On January 9, 2020, the Company entered into a Convertible Loan Agreement with Tembo Mining Capital Fund LP (“Tembo”), an arm’s length party. Pursuant to the terms of the agreement, the Company received a loan of $2 million bearing interest at a rate of 12% per annum and maturing on July 7, 2020. In addition, the lender was to receive an arrangement fee of $0.2 million payable on maturity. On May 13, 2020, the Convertible Loan Agreement was amended with a revised maturity date of August 6, 2020. All other terms remained the same.

The loan was convertible into ordinary shares of the Company at the lower of (i) the price per post-RTO share at which the first equity offering following the RTO is completed provided that the equity offering is at least $0.2 million and (ii) the volume weighted average price of the post-RTO share for the five trading days before conversion. On July 30, 2020, Tembo converted the $2 million loan, the $0.2 million arrangement fee and $0.1 million of accrued interest. The conversion price was CAD$1.30 per common share ($0.970) resulting in Elemental issuing 2,406,322 common shares to settle the Convertible Loan.

The Company determined that the fair value of the liability component of the Convertible Loan to be $1.875 million, based on the net present value of future cash flows. The residual value of $0.125 million was allocated to the equity component of the Convertible Loan. On conversion of the loan, the amount was transferred to share capital.

During the year ended December 31, 2020, the Company recorded interest expense of $0.1 million, accretion expense of $0.1 million and arrangement fee expense of $0.2 million on the Convertible Loan.

Fengro Loan

As part of the RTO with Fengro, the Company assumed the CAD$0.23 million ($0.17 million) loan payable due to Tembo and an arm’s length lender.

On August 4, 2020, the Company entered into a settlement agreement with Tembo whereby 65,996 common shares were issued to settle CAD$0.115 million of the loan. The shares were issued on September 3, 2020 at the fair value of $88 based on the share price of CAD$1.75 per common share ($1.333).

On August 19, 2020, the Company paid the arm’s length lender CAD$0.115 million ($0.087 million) to settle the remaining balance of the loan.

8. SHARE CAPITAL

a) Authorized

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

b) Share Exchange

Pursuant to the terms of the RTO all outstanding securities of ERL were exchanged for post-Consolidation securities of ERC on a 4.8114 for 1 basis (Note 4). All references to share and per share amounts in these consolidated financial statements have been retroactively restated to reflect the post-4.8114 for 1 exchange ratio.

c) Share activities

Details of equity transactions during the year ended December 31, 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 6); 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 7).

Details of equity transactions during the year ended December 31, 2020 are as follows:

1) On January 7, 2020, the Company issued 496,272 common shares at $0.73 per share to raise gross proceeds of $0.4 million;
2) On January 23, 2020, the Company issued 1,374,683 common shares at $0.73 per share as part of the acquisition of SNB (Note 6);
3) On April 21, 2020, the Company issued 10,325 ordinary shares at $0.73 per share as payment of a bonus;
4) On May 1, 2020, the Company issued 1,240,879 ordinary shares at $0.73 per share to raise gross proceeds of $0.9 million;
5) On July 27, 2020, the Company was deemed to have issued 753,706 common shares at CAD $1.30 ($0.972) per share as part of the reverse takeover transaction (Note 4);
6) On July 28, 2020, the Company completed a brokered subscription receipt financing of 18,437,715 common shares at CAD$1.30 ($0.972) per share for gross proceeds of CAD$24 million ($18 million). In connection with the financing, the Company paid cash finders' fees of $1.1 million and incurred cash issuance costs of $0.2 million;
7) On July 30, 2020, the Company issued 2,406,322 common shares to convert the Tembo loan, including the arrangement fee and accrued interest at a conversion price of CAD$1.30 ($0.97) as repayment of the $2.3 million convertible loan (Note 7);
8) On July 30, 2020, the Company issued 196,207 common shares at CAD$1.30 ($0.97) to settle the $0.2 million arrangement fee for the Sprott Credit Facility (Note 7); and
9) On September 3, 2020, the Company issued 65,996 common shares to settle CAD$0.1 million of debt incurred pursuant to a bridge loan made to Fengro in March 2019.

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

d) 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 years ended December 31, 2021 and 2020 are as follows:

	Number of stock options	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, December 31, 2019	-		
Granted	900,000	CAD$1.50	5.00
Outstanding, December 31, 2020	900,000	CAD$1.50	4.58
Outstanding, December 31, 2021	900,000	CAD$1.50	3.58
Outstanding and exercisable, December 31, 2021	900,000	CAD$1.50	3.58

As at December 31, 2021, there were 900,000 stock options outstanding at CAD$1.50 per share expiring on July 28, 2025. All 900,000 stock options vested fully on July 28, 2021.

During the year ended December 31, 2021, the Company recorded $0.3 million (2020 - $0.2 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 years ended December 31, 2021 and 2020 are as follows:

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

	Number of PSUs
Outstanding, December 31, 2019	497,797
Recapitalization transactions	
Pursuant to the reverse takeover	(497,797)
Replacement PSUs issued	2,395,109
Issued	500,000
Outstanding, December 31, 2020	2,895,109
Outstanding, December 31, 2021	2,895,109
Outstanding and exercisable, December 31, 2021	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 year ended December 31, 2021, the Company recorded $0.3 million (2020 - $0.5 million) of share-based compensation to the statement of comprehensive loss based on the vesting of PSUs.

e) 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. These escrow shares have been and will be released as follows:

Date of Automatic Timed Release	Amount of Escrow Shares Released
On the date that the Company's common shares were listed on the TSX-V, July 30, 2020	1/4 of the escrow shares
6 months after the listing date (January 30, 2021)	1/4 of the escrow shares
12 months after the listing date (July 30, 2021)	1/4 of the escrow shares
18 months after the listing date (January 30, 2022)	The remainder of the escrow shares

As at December 31, 2021, 2,391,036 common shares and 690,028 PSUs remained in escrow.

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

f) Basic and diluted loss per share

During the year ended December 31, 2021, potentially dilutive common shares totaling 3,795,109 (2020: 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.

9. INCOME TAXES

Income tax expense differs from the amount that would result from applying corporate income tax rates to earnings before income taxes. The differences result from the following items during the years ended December 31, 2021 and 2020:

	2021 $	2020 $
Loss before income taxes	(3,363)	(1,317)
Statutory tax rate of parent	27%	27%
Expected income tax expense (recovery) at statutory income tax rate	(908)	(356)
Difference between parent and foreign tax rate	(626)	(134)
Withholding taxes	1,363	1,314
Permanent differences	124	387
Changes in unrecognized deferred tax assets	1,561	446
Other adjustments	(151)	(343)
Total income tax expense (recovery)	1,363	1,314
Current income tax expense (recovery)	1,210	1,314
Deferred income tax expense (recovery)	153	-
Total income tax expense (recovery)	1,363	1,314

The Company has the following unrecognized tax attributes as at December 31, 2021 and 2020:

	2021 $	2020 $
Deferred tax assets		
Share issue costs	485	321
Accrued interest	459	-
Non-capital losses and others	1,240	150
	2,184	471
Unrecognised deferred tax assets	(2,184)	(471)
Deferred tax liabilities	(153)	-
Net deferred income tax liability	(153)	-

The Company has Canadian tax losses of $3.6 million available to offset future taxable income. The losses expire in 2041. The Company has Australian tax losses of $0.4 million and United Kingdom tax losses of $nil available to offset future taxable income that do not expire. Tax attributes are subject to review and potential adjustments by tax authorities.

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

10. OPERATING EXPENSES BY NATURE

	2021 $	2020 $
Salary, fees and pension	1,634	790
Corporate administration	236	226
Listing and filing fees	122	42
Marketing and promotion	697	100
Professional fees and consulting fees	717	799
Total operating expenses, including reverse takeover expenses	3,406	1,957
Less: reverse takeover expenses	-	(497)
Total operating expenses	3,406	1,460

11. RELATED PARTY TRANSACTIONS

Key management includes the executive and non-executive directors and certain officers of the Company. Key management compensation during the years ended December 31, 2021 and 2020 is as follows:

	2021 $	2020 $
Salary, fees, pension and professional fees	1,281	815
Share-based compensation – PSUs and stock options	485	638
	1,766	1,453

Acquisition of Elemental Resources Ltd.

On May 30, 2020, the Company acquired Elemental Resources Ltd. ("ERLUK"), a company in which Frederick Bell and Richard Evans are directors and controlling shareholders, for a purchase price of $1.

At the date of acquisition, ERLUK had net liabilities of $0.005 million as well as a receivable from the Company of $0.079 million, resulting in a gain on acquisition of $0.074 million.

12. 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 year ended December 31, 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 6); and,
b) 653,255 common shares were issued at the fair value of $0.8 million to settle the Sprott finance cost (Note 7).

During the year ended December 31, 2020, the following transactions were excluded from the statement of cash flows:

a) 1,374,683 common shares were issued at the fair value of $1 million to acquire the Wahgnion Royalty (Note 6);
b) 196,207 common shares were issued at the fair value of $0.2 million to settle the Sprott arrangement fee (Note 7);

c) 2,406,322 common shares were issued at the fair value of $2.3 million on the conversion of the Tembo Convertible Loan (Note 7); and,
d) 65,996 common shares were issued at the fair value of $0.1 million to settle the Fengro Loan (Note 7).

13. FINANCIAL INSTRUMENTS

Management of Capital

Management monitors the Company's financial risk management policies and exposures and approves financial transactions.

The Company's objectives when managing capital are to provide shareholder returns through maximisation 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 the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the 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.

The Company was not subject to any externally imposed capital requirements with the exception of complying with certain covenants under the Sprott Credit Facility (Note 7). The Company was in compliance with the debt covenants as at December 31, 2021.

Fair Value of Financial Instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity.

The Company did not have financial instruments measured at fair value on a recurring basis during the years ended December 31, 2021 and 2020.

The carrying amounts of the Company's cash and cash equivalents, other receivables, all trade and other payables and loans in the consolidated statement of financial position approximate their fair values due to their short-term nature. The estimated fair value of the Sprott credit facility at December 31, 2021 is $25.6 million.

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

Credit risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's maximum exposure to credit risk is attributable to cash and cash equivalents and accounts receivable relating to royalty revenues. 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.

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 the Company's 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.

The Company continues to review strategic options in relation to the Amended Sprott Credit Facility (Note 8) which matures on January 31, 2023. Discussions are underway with Sprott and other lending groups to negotiate an amended credit facility on improved terms.

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: foreign currency risk and interest rate risk.

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. The Company has not hedged its exposure to currency fluctuations.

The Company is exposed to movements in the US$ against CAD, GBP and AUD. 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$ and each of these currencies. The analysis is based on a weakening and strengthening of these currencies by 10% against the US$ 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, 2021, a 10% strengthening in CAD, GBP and AUD relative to the US$ would result in an increase (decrease) of approximately $0.4 million in the Company's net loss. A 10% increase (decrease) of the value of other currencies relative to the US$ 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 take place under 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 which comprises the loan from Sprott. The loan bears interest at a rate of 9% per annum plus the greater of (i) LIBOR and (ii) 1%, which exposes the Company to interest rate risk. An increase in the LIBOR rate to 2% would increase the interest expense and net loss by $0.3 million and an increase in the LIBOR rate to 4% would increase interest expense and net loss by $0.8 million.

14. 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.

15. SUBSEQUENT EVENTS

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 (the "Ming 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 payable gold production until Rambler has delivered 10,000 ounces of gold to the Company, after which the Company will receive 35% of payable gold production until Rambler has delivered a further 5,000 ounces to the Company. After Ramber has delivered a total of 15,000 ounces of gold, the Company will receive 25% of 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 will make minimum gold deliveries of 1,200 ounces to the Company in each of the first three years of the Ming Gold Stream.

Closing of the transaction is subject to certain conditions including the Company raising net proceeds of at least $7 million in financing and TSX-V approval as well as various closing conditions.