ELEMENTAL ROYALTIES CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021

Date of Report: August 23, 2021

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

The information contained in this MD&A for the six months ended June 30, 2021 should be read in conjunction with the condensed interim consolidated financial statements of Elemental for the same period together with the audited consolidated financial statements for the year ended December 31, 2020 and the accompanying MD&A for that fiscal year. The information contained within this MD&A is as of August 23, 2021.

The referenced condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"), applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. All amounts are expressed in US dollars unless otherwise indicated, which is the Company's presentation and functional currency.

Additional information is available on the Company's SEDAR profile at www.sedar.com. Current financial disclosures and Real-Time Level 2 quotes for Elemental are available at:
https://www.otcmarkets.com/stock/ELEMF/.

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1. DESCRIPTION OF THE BUSINESS

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

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

On July 27, 2020 the Company completed a reverse takeover ("RTO") with Fengro Industries Corp., a company trading on the TSX Venture Exchange 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 on the basis of 209 (old) common shares for 1 (new) common share (the "Consolidation"). 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 Elemental Royalties Limited ("ERL") were exchanged for post-Consolidation securities of Elemental on a 4.8114 for 1 basis (the "Share Exchange"), resulting in 22,664,788 Elemental common shares being issued to former shareholders of ERL. The 497,797 Performance Share Units outstanding at July 27, 2020 were also exchanged on a 4.8114 for 1 basis, resulting in 2,395,109 replacement Performance Share Units being issued. All references to share and per share amounts in this MD&A have been retroactively restated to reflect the post-4.8114 for 1 exchange ratio.

Before listing in July 2020, the Company completed the acquisition of five producing royalties. These generated gross revenue of approximately $5.1 million for the year ended December 31, 2020 and together with the portfolio of Australian gold royalties acquired from South32 in February 2021 are expected to generate estimated gross revenue of approximately $7.0 million to $7.9 million in fiscal 2021.

In 2021, Elemental continues to expect 4,000 to 4,400 Attributable Gold Equivalent ounces from its existing portfolio, weighted towards the second half of the year, with 94% of expected revenue derived from gold and silver production. At a range of US$1,750 to US$1,800 per ounce average received gold price, this would achieve revenue of US$7.0 million to US$7.9 million in 2021. For the methodology used to calculate Attributable Gold Equivalent ounces see Non-IFRS Financial Measures.

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

The Company's royalties provide uncapped revenue and are not subject to any buybacks as of the date of this report and at June 30, 2021, meaning that all future mineral resource to mineral reserve conversion over the royalty areas delivers both value and greater certainty to Elemental at no additional cost.

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

2. OVERALL PERFORMANCE

- Revenue of $1,239,390 for the three months ended June 30, 2021 and $2,387,795 for the six months ended June 30, 2021.
- Total Attributable Gold Equivalent ounces of 683 for the three months ended June 30, 2021 and 1,323 Attributable Gold Equivalent ounces for the six months ended June 30, 2021 (refer to the "Non-IFRS Measures" section of this MD&A).
- Operating cash flow inflow of $283,383 for the three months ended June 30, 2021 and outflow of $3,007 for the six months ended June 30, 2021.
- Net loss of $1,180,627 for the three months ended June 30, 2021 and $2,263,028 for the six months ended June 30, 2021.
- Adjusted EBITDA of $568,363 for the three months ended June 30, 2021 and $1,155,655 for the six months ended June 30, 2021 (refer to the "Non-IFRS Measures" section of this MD&A).

Highlights and key developments include:

- On February 8, 2021, Elemental completed the acquisition of a portfolio of Australian gold royalties from South32, (the "South32 Acquisition"). Together with Elemental's existing assets, these are expected to generate estimated gross revenue of approximately $7.0 million to $7.9 million in fiscal 2021.
- 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$16,122,198 ($12,666,817).
- Also on February 8, 2021, the Company issued 13,065,100 common shares to South32 representing approximately 19% of the issued and outstanding common shares of the Company to acquire the South32 Portfolio.
- Following the South32 Acquisition, and in accordance with an Investor Rights Agreement, South32 nominated Simon Collins to the Board of Elemental to increase the number of directors to five. Simon has more than 25 years' experience in the resources industry in senior leadership and business development roles. At South32, Simon leads the Corporate Development team which covers portfolio strategy, business development, mergers and acquisitions and greenfields exploration. Simon also has accountability for South32's non-operated Brazilian alumina refining joint venture, the Hermosa base metals development project located in southern Arizona and the 50% owned Ambler Metals base metals exploration joint venture in Alaska. Prior to joining South32, Simon worked for BHP for more than a decade, where he led global business development teams. Simon started his career in mine operations in Australia and South Africa.
- On May 20, 2021 Elemental submitted an Annual Information Form, followed by the preliminary filing of a Base Shelf Prospectus with BCSC.
- On April 20, 2021, Focus Minerals Limited (ASX: FML) ("Focus") announced the first phase of an Open Pit Pre-Feasibility Study ("PFS") at their 100% Laverton Project in Western Australia, over which the Company holds a 2% Gross Revenue Royalty.
- Endeavour Mining (TSX: EDV) ("Endeavour") completed the acquisition of Teranga Gold and committed to a major exploration program at the Wahgnion mine.
- Development work has begun on the Tuart Underground Mine covered by Elemental's 5% Net Profits Interest or A$10/oz Royalty at Zijin Mining's (HKG: 2899) ("Zijin") Mount Pleasant Operations. Elemental received its first royalty revenue from the Tuart Mine in Q2 2021.
- On June 3, 2021, Capricorn Metals Limited ("Capricorn") (ASX: CMM) announced that commissioning had commenced at its Karlawinda Gold Project in Western Australia where Elemental holds a 2% NSR royalty. The commissioning phase at Karlawinda commenced following installation of the ball mill, construction of the Tailings Storage Facility, 18MW gas fired power station electrification, and process water borefield operational. The total overall capital cost estimate remains within Capricorn's guidance range of A$165-170 million.

(Expressed in US Dollars, unless otherwise indicated)

- On June 21, 2021, Future Metals NL ("Future Metals") announced reinstatement to trading on the Australian Securities Exchange following the acquisition of the Panton PGM project where Elemental holds a 0.5% NSR royalty. A 10,000 meter drilling contract is scheduled to commence in Q3 2021. Recent metallurgical test work has shown >80% PGM recoveries to a high-grade PGM concentrate using conventional flotation.
- On June 25, 2021, Capricorn announced that it had completed construction and commenced continuous ore processing at its Karlawinda Gold Project in Western Australia where Elemental holds a 2% NSR royalty.
- Outbreak of the corona virus and the worldwide COVID-19 pandemic could adversely affect the economies and financial markets of many countries, which could adversely impact the Company's business plans and activities in 2021 and the market price of the Company's common shares. The Company may face disruption to operations, supply chain delays, travel and trade restrictions, labour shortages and shutdowns and impacts on economic activity in affected countries or regions can be expected that are difficult to quantify. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the COVID-19 pandemic's impact on global industrial and financial markets which may reduce commodity prices, share prices and financial liquidity, thereby limiting access to additional capital. The Company is focused on the health and well-being of its workers and the communities in which we work and has implemented preventative measures accordingly. The Company will continue to monitor advice and regulations from the World Health Organization, governments and local communities, and adjust measures as appropriate.

Subsequent to June 30, 2021:

- On July 1, 2021, Capricorn announced that it had completed first gold pour at its Karlawinda Gold Project in Western Australia. Capricorn's first gold pour at its wholly owned Karlawinda Gold Project on schedule and within budget is a major milestone and is a major de-risking event for Elemental. Once at full production, Karlawinda will be the Company's largest revenue contributor.
- On August 2, Rumble Resources Ltd (ASX: RTR) ("Rumble") announced an updated Mineral Resource Estimate ("MRE") at the Western Queen Project. The updated MRE produced a 35% increase in the total resource from the previous estimate. The combined Indicated and Inferred Resource is 2.1Mt @ 2.42g/t Au for a total of 163,268 ounces. The total Indicated Resources now stand at 1.1Mt @ 1.95g/t Au for a total of 67,145 ounces, which represents a 145% increase over the previous estimate.

The following table summarizes the Company's total revenue from royalty interests during the three and six months ended June 30, 2021 and 2020:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	$	$	$	$
Kwale	155,804	165,175	309,200	306,536
Mount Pleasant	1,028	8,678	1,028	8,678
Amancaya	268,071	346,384	634,521	947,847
Wahgnion	814,487	774,450	1,443,046	1,244,289
Total revenue from royalty interests	1,239,390	1,294,687	2,387,795	2,507,350

(Expressed in US Dollars, unless otherwise indicated)

The following table summarizes the Company's Attributable Gold Equivalent ounces from royalty interests during the three and six months ended June 30, 2021 and 2020:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	oz	oz	oz	oz
Kwale	86	96	171	185
Amancaya	148	200	352	579
Wahgnion	448	448	799	717
Mount Pleasant	1	-	1	-
Total Attributable Gold Equivalent ounces[1]	683	744	1,323	1,481

(1) For the methodology used to calculate Attributable Gold Equivalent ounces see Non-IFRS Financial Measures

Quarterly changes in royalty sales are primarily driven by fluctuations in production at the underlying mines, the timing of sales, changes in the price of commodities, royalties being advanced to production and the acquisition of new royalties.

In January 2021, the planned transition of operations to a new mining contractor at Amancaya was undertaken and has had an impact on production. Production at Amancaya was also impacted by lower availability of mining equipment, lower gold grades, and issues with a tailings filter that resulted in the shutdown of the plant for 12 days in June. Overall mine performance has improved through Q2 2021 and Austral has maintained its production guidance of 45,000 to 50,000 Gold Equivalent ounces.

(Expressed in US Dollars, unless otherwise indicated)

3. ROYALTY PORTFOLIO

Elemental's focus is securing royalties over high-quality precious metals assets with established operators. The following table lists the royalty interests that Elemental owns either directly, or indirectly through its subsidiaries as at June 30, 2021.

Project	Operator	Location	Commodity	Stage	Royalty Type
Amancaya	Austral Gold Ltd	Chile	Gold, silver	Production	2.25% NSR
Karlawinda[2]	Capricorn Metals Ltd	W. Australia	Gold	Development	2% NSR
Kwale	Base Resources Ltd.	Kenya	Ilmenite, rutile, zircon	Production	0.25% GRR
Laverton[2]	Focus Minerals Ltd	W. Australia	Gold	Feasibility	2% GRR
Mercedes[1]	Equinox Gold Corp.	Mexico	Gold, silver	Production	1% NSR
Mt. Pleasant	Zijin Mining Group	W. Australia	Gold	Production	5% NPI or AU$10/oz
Panton	Future Metals NL	W. Australia	PGM	Feasibility	0.5% NSR
Wahgnion	Endeavour Mining Corp.	Burkina Faso	Gold	Production	1% NSR
Western Queen[2]	Rumble Resources Ltd	W. Australia	Gold	Exploration	AU$6-20/oz royalty

(1) Royalty revenue due to Elemental after the earlier of: (a) the date on which 450,000 ounces of gold equivalent have been produced after July 28, 2016 or b) the sixth anniversary of that date (July 28, 2022).
(2) Royalty assets acquired in the South32 Acquisition on February 8, 2021.

4. PRINCIPAL ROYALTIES:

Amancaya Project:

Location: Chile
Commodity: Gold
Operator: Austral Gold Corp. ("Austral")
Royalty: 2.25% Net Smelter Return ("NSR")
Update:

- Production at Amancaya during Q2 2021 has improved after the completion of outsourcing to new underground mining contractor at Amancaya. A total of 8,351 gold equivalent ounces ("GEOs") (7,966 gold ounces and 26,332 silver ounces) were produced during the quarter, a 78% increase from Q1 2021.
- Austral expects production to increase during the second half of the year and meet its 45,000-50,000 GEOs guidance provided for 2021.
- In January 2021, Austral announced that in the course of a successful delineation program at its Amancaya mine it has discovered a new mineralized zone. Veins have been intercepted 50 to 100 metres immediately below existing workings, exhibiting similar widths and tenor. In addition, Austral also reported the discovery of a new mineralized breccia system, some 40 metres downhole beyond an intersection through the vein (the "Veta Central") that is currently being mined.
- Exploration at the Guanaco/Amancaya mine complex has discovered two new veins. Highlights from reported assays reported in Austral's 19 May 2021 media release include:

(Expressed in US Dollars, unless otherwise indicated)

  - DAM-024 2.41 meters @ 10.19 g/t gold and 55.2 g/t silver
  - DAM-026 1.17 meters @ 24.98 g/t gold and 77.3 g/t silver
  - DAM-019 4.27 meters @ 7.81 g/t gold and 33.0 g/t silver
  - DAM-016 1.8 meters @ 3.1 g/t gold and 1.5 g/t silver
- This, together with the new wide zone of hydrothermal breccia announced in Q1 may have the potential to enhance the production profile and further extend mine life at Amancaya beyond that of extensions to the currently mined vein.

Karlawinda Project:

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

- Development of the Karlawinda project was completed on time and on budget, with first gold poured during Q2 – gold weighing 386 ounces was poured on June 30, 2021, with the first gold shipment from site to the refinery of 1,491oz following in early July.
- The first sale of gold, 1,477oz at A$1450/oz for $3.6M. was completed in early July 2021
- Operations at Karlawinda will now move to the ramp-up phase as construction of the processing plant is complete, the majority of commissioning is also complete and ore processing & optimization are underway. Once complete, Karlawinda is expected to achieve a long-term production range of 110,000 to 125,000 ounces of gold per annum.
- Guidance on steady-state throughput rates is expected from Capricorn by the end of the third quarter of 2021

Laverton Project:

Location:	Western Australia
Commodity:	Gold
Operator:	Focus Minerals Ltd. ("Focus")
Royalty:	2% Gross Revenue Royalty ("GRR")
Update:	

- 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 licenses held by Focus Minerals Ltd at their brownfield Laverton gold project in Western Australia.
- Focus has been actively exploring royalty-linked tenements and advancing its Stage 1 production plan, which contemplates open pit mining of the Beasley Creek, Beasley Creek South, Telegraph and Wedge - Lancefield North deposits.
- An updated Stage 1 Open Pit Pre-Feasibility Study was released in April 2021, assuming mining three deposits which Elemental holds a royalty and milling at a refurbished Barnicoat Mill.
- Beasley Creek and Beasley Creek South Mineral Resources are expected to be updated in the fourth quarter of 2021.

(Expressed in US Dollars, unless otherwise indicated)

Mercedes Project:

Location:	Mexico
Commodity:	Gold & silver
Operator:	Equinox Gold Corp. ("Equinox")
Royalty:	1% NSR

Update:

- Royalty revenue is due to Elemental after the earlier of: (a) the date on which 450,000 ounces of gold equivalent have been produced after July 28, 2016 or (b) the sixth anniversary of that date (July 28, 2022). Elemental expects that as a result of the COVID-19 stoppages, the start of royalty payments are likely to be payable from July 28, 2022, rather than the 450,000 ounce production hurdle.
- On December 16, 2020 Equinox and Premier Gold Mines ("Premier") announced that the companies had entered into a definitive agreement whereby Equinox would acquire all of the outstanding shares of Premier. The acquisition was completed on April 7, 2021 on which date Equinox assumed operational control of the Mercedes Mine.
- During Q2 2021, Mercedes produced 10,708 oz of gold. Equinox sold 10,416 oz at an average realized price of $1,731 per oz, realizing revenue of $19.3 million for the Quarter.
- The 2021 exploration program at Mercedes commenced in Q2 2021 with 870 m of core drilling (three holes) completed at the Neo target. The remainder of the $1.3 million drill program will be focused on scout drilling peripheral to the Diluvio deposit.
- Mercedes production attributable to Equinox in 2021, following acquisition of the asset on April 7, 2021, is estimated at 30,000 to 35,000 oz of gold, which is unchanged from previous guidance.

Wahgnion Project:

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

Update:

- On February 10 2021, Endeavour completed the acquisition of Teranga Gold, including the Wahgnion mine.
- Given strong H1 2021 performance, Endeavour believe Wahgnion remains well positioned to meet its FY-2021 production guidance of 140,000 - 155,000 ounces of gold, for the post acquisition period commencing on 10 February 2021.
- Production during Q2 2020 was 41,000 ounces of gold, compared with 43,000 ounces of gold in Q1 2021. Production decreased slightly despite higher mill throughput due to the lower average grade processed, 1.31g/t Au in Q2 2021 compared with 1.46g/t Au in Q1 2021.
    - Total tonnes and ore mined remained consistent. Ore mined was sourced mainly from the Nogbele North and Nogbele South pits and supplemented with ore from the Fourkoura pit where mining commenced earlier this year.
    - Tonnes milled increased as a result of planned maintenance carried out in Q1 2021, leading to increased mill availability in Q2 2021. The mill feed blend and recoveries remained consistent with Q1 2021, with minimal transitional ore and a 60/40 split between oxide and fresh ore.
    - Average grade milled decreased slightly as the proportion of lower grade ore sourced from the Nogbele South deposit increased during the quarter.
- All In Sustaining Cost per ounce increased in Q2 2021 compared to Q1 2021 (for the period commencing February 10, 2021) mainly due to increased sustaining capital per ounce sold and higher unit mining and processing costs. Both mining and processing unit costs were higher as a result of increased fuel costs, with increased drilling and blasting and haulage costs also contributing to the higher unit mining cost.

(Expressed in US Dollars, unless otherwise indicated)

- Mining is expected to continue at Nogbele North, Nogbele South, and Fourkoura pits with significant waste development continuing throughout 2021. Plant throughput is expected to decrease in the second half of 2021 compared to the first half of 2021 due to the wet season and a higher proportion of fresh ore being processed, while process grades are expected to increase and recovery rates to slightly decline.
- An exploration budget of $12 million has been allocated to Wahgnion for 2021, the second largest exploration expenditure in the Elemental portfolio. Efforts remain on track to discover over 2.5 million ounces of Indicated resources in 2021, which represents significantly more than the expected depletion for the year.

5. DISCUSSION OF OPERATIONS

The discussion of operations relates to the Company's three and six months ended June 30, 2021 and 2020.

	Three months ended June 30,		Six months ended June 30,	
	2021 $	2020 $	2021 $	2020 $
Revenue from royalty interests	1,239,390	1,294,687	2,387,795	2,507,350
Depletion of royalty interests	(456,174)	(354,153)	(878,821)	(765,363)
General and administrative expenses	(632,845)	(497,056)	(1,019,642)	(674,132)
Project evaluation expenses	(96,314)	(129,771)	(233,457)	(205,270)
Share-based compensation expense	(241,956)	(248,401)	(483,914)	(306,509)
Interest income	2,706	-	10,116	-
Interest and financing expenses	(762,977)	(606,185)	(1,482,247)	(1,246,062)
Foreign exchange and other	55,426	(21,716)	10,843	(12,105)
Gain on acquisition	-	74,240	-	74,240
Withholding tax expense	(287,883)	(279,678)	(573,701)	(519,484)
Net loss for the period	(1,180,627)	(768,033)	(2,263,028)	(1,147,335)
Operating cash flows	283,383	(57,693)	(3,007)	119,333
Adjusted EBITDA(1)	568,363	720,384	1,155,655	1,690,083

(1) Refer to the "Non-IFRS Measures" section of this MD&A.

Six months ended June 30, 2021

The Company recorded a net loss of $2,263,028 for the six months ended June 30, 2021, as compared to a net loss of $1,147,335 for the six months ended June 30, 2020. The increase in net loss is due to a combination of factors including:

- Royalty revenue decreased to $2,387,795 for the six months ended June 30, 2021, compared to $2,507,350 for the six months ended June 30, 2020, due to a decrease in Amancaya revenue caused by the transition to contractor mining, offset partially by higher sales from Wahgnion. Depletion of royalty interests increased from $765,363 for the six months ended June 30, 2020, to $878,821 for the six months ended June 30, 2021 due primarily to changes in the estimated depletable base.
- General and administrative expenses increased from $674,132 for the six months ended June 30, 2020, to $1,019,642 for the six months ended June 30, 2021, due primarily to an increase in employment costs from $217,091 to $517,522 as a result of the additional employees and consultants associated with the listing, an increase in listing and filing fees from $nil to $99,802 and an increase in marketing and promotion from $nil to $276,648, partially offset by a decrease in professional and consultancy fees from $551,442 to $229,112 and corporate administration expenses from $577,834 to $133,015.

- Project evaluation expenses increased from $205,270 for the six months ended June 30, 2020, to $233,457 for the six months ended June 30, 2021, primarily due to increased due diligence activities on new royalty opportunities. Project evaluation expenses are those activities required to acquire and then manage the Company's portfolio of royalty assets. Certain employment costs and professional and consulting fees are allocated to project evaluation expenses.
- Share-based compensation expense increased during the current period due to vesting of PSUs and stock options that were granted in July 2020.
- Interest and finance expense increased from $1,246,062 for the six months ended June 30, 2020, to $1,482,247 for the six months ended June 30, 2021, due to the interest and fees associated with the Amended Sprott Credit Facility.
- Withholding tax expense increased from $519,484 for the six months ended June 30, 2020, to $573,701 for the six months ended June 30, 2021, due to the increase in Kwale and Wahgnion revenues subject to withholding tax.

Three months ended June 30, 2021

The Company recorded a net loss of $1,180,627 for the three months ended June 30, 2021, as compared to a net loss of $768,033 for the three months ended June 30, 2020. The increase in net loss is due to a combination of factors including:

- Royalty revenue decreased to $1,239,390 for the three months ended June 30, 2021, compared to $1,294,687 for the three months ended June 30, 2020, due to a decrease in Amancaya revenue caused by the transition to contractor mining, offset partially by higher sales from Wahgnion. Depletion of royalty interests increased from $354,153 for the three months ended June 30, 2020, to $456,174 for the three months ended June 30, 2021, due primarily to changes in the estimated depletable base.
- General and administrative expenses increased from $497,056 for the three months ended June 30, 2020, to $632,845 for the three months ended June 30, 2021, due primarily to an increase in employment costs from $117,365 to $270,152 as a result of the additional employees and consultants associated with the listing and an increase in listing and filing fees from $nil to $56,409, partially offset by a decrease in professional and consultancy fees from $465,571 to $113,295 and corporate administration expenses from $498,760 to $95,573.
- Project evaluation expenses decreased from $129,771 for the three months ended June 30, 2020, to $96,314 for the three months ended June 30, 2021, primarily due to decreased due diligence activities on new royalty opportunities during Q2 2021 after the recent South32 Portfolio acquisition. Project evaluation expenses are those activities required to acquire and then manage the Company's portfolio of royalty assets. Certain employment costs and professional and consulting fees are allocated to project evaluation expenses.
- Interest and finance expense increased from $606,185 for the three months ended June 30, 2020, to $762,977 for the three months ended June 30, 2021, due to the interest and fees associated with the Amended Sprott Credit Facility.
- Withholding tax expense increased from $279,678 for the three months ended June 30, 2020, to $287,883 for the three months ended June 30, 2021, due to the increase in Kwale and Wahgnion revenues subject to withholding tax.

(Expressed in US Dollars, unless otherwise indicated)

6. SUMMARY OF QUARTERLY RESULTS

The following is selected financial data of the Company for the last eight quarters ending with the most recently completed quarter, being the three months ended June 30, 2021.

	THREE MONTHS ENDED			
	June 30, 2021 ($)	March 31, 2021 ($)	December 31, 2020 ($)	September 30, 2020 ($)
Total revenues	1,239,390	1,148,405	1,460,712	1,152,922
Net loss	(1,180,627)	(1,082,401)	(266,476)	(1,216,827)
Net loss per share – basic and diluted	(0.02)	(0.02)	(0.01)	(0.03)
Total assets	77,358,925	78,274,337	28,314,061	27,049,681

	THREE MONTHS ENDED			
	June 30, 2020 ($)	March 31, 2020 ($)	December 31, 2019 ($)	September 30, 2019 ($)
Total revenues	1,294,687	1,212,663	647,991	660,849
Net income (loss)	(768,033)	(379,302)	(144,512)	72,056
Net income (loss) per share – basic and diluted	(0.03)	(0.02)	(0.01)	0.00
Total assets	19,312,334	18,375,516	6,666,315	6,227,180

The increase in assets in Q1 2021 was due to the acquisition of South32 royalty assets for aggregate consideration of $55,000,000. The increase in assets in Q3 2020 was due to the brokered financing closed in July 2020. The increase in assets in Q1 2020 was due to the acquisition of the Wahgnion Royalty on January 29, 2020, for aggregate consideration of $12,500,000.

The increase in loss during Q1 2021 was due to increased general and administrative expenditures as well as a reduction in gross profit from $801,453 in Q1 2020 to $725,758 in Q1 2021. The increased loss during Q3 2020 was due to the listing expense on closing the reverse takeover transaction.

7. LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2021, the Company's cash balance was $6,175,775 (December 31, 2020 - $10,920,888) with a working capital of $6,927,489 (December 31, 2020 – working capital of $11,002,557). The decrease in working capitalwas due to the cash portion of the purchase of the South32 Royalty portfolio for $40,136,483 partially offset with the net proceeds of $11,926,259 received from equity financings and proceeds from borrowings, net of fees paid in cash of $24,832,554.

The Company's operations used $3,007 during the six months ended June 30, 2021 (2020 – operations provided $119,333) with $40,129,073 (2020 - $10,927,542) used in investing activities. As at June 30, 2021, the Company had sufficient working capital to fund operations and had no commitments to make further funding of its royalties other than a contingent AU$400,000 payment on the Mount Pleasant royalty.

The Company's aggregate operating, investing, and financing activities during the six months ended June 30, 2021, resulted in a decrease in its cash balance from $10,920,888 at December 31, 2020 to $6,175,775 at June 30, 2021.

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

The continuation of the COVID-19 pandemic in 2021 may have a potential impact on the mining operations in which the Company holds royalty interests and from which it receives revenues. The Company is closely monitoring the impact and mitigating actions by each of the mine operators and is pleased to note there has been no significant disruption to operations in Q1 and Q2. The diversified royalty interests held by the Company across a number of different mine operators and geographical locations significantly mitigate this risk.

8. BORROWINGS

Credit Facility

On December 19, 2019, the Company entered into a Credit Agreement with Sprott Private Resource Lending, an arm's length party, pursuant to which the Company would be provided with a $8,500,000 senior secured credit facility (the "Sprott Credit Facility"). On January 23, 2020, the Company received $8,500,000 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.

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

On August 7, 2020, Elemental repaid $8,499,999 of principal. The principal balance remaining on the Sprott Credit Facility was $1, which was repaid during the six months ended June 30, 2021.

On December 29, 2020, the Company entered into an Amended and Restated Credit Agreement with Sprott pursuant to which the Company would be provided with a $25,000,000 senior secured credit facility (the "Amended Sprott Credit Facility"). On February 9, 2021, the Company received $25,000,000 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 $1.0 million, which it has done.

On February 8, 2021, the Company issued 653,255 common shares to Sprott as a finance cost at the fair value of $769,870. As at June 30, 2021, the Company had incurred costs of $269,750 for legal fees and other fees in connection with the facility.

During the six months ended June 30, 2021, the Company recorded interest expense of $1,277,779 and amortization of transaction costs of $204,468 on the Amended Sprott Credit Facility.

9. NON-IFRS MEASURES:

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

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

(Expressed in US Dollars, unless otherwise indicated)

The table below provides a reconciliation of adjusted EBITDA for the three and six months ended June 30, 2021 and 2020:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	$	$	$	$
Net loss	(1,180,627)	(768,033)	(2,263,028)	(1,147,335)
Tax expense	287,883	279,678	573,701	519,484
Interest and finance expenses	762,977	606,185	1,482,247	1,246,062
Depletion	456,174	354,153	878,821	765,363
Share-based compensation expense	241,956	248,401	483,914	306,509
Adjusted EBITDA	568,363	720,384	1,155,655	1,690,083

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

Attributable Gold Equivalent Ounces are calculated by dividing royalty revenue by the average gold price.

10. FINANCING ACTIVITIES

During the six months ended June 30, 2021, the Company completed the following equity financing transactions:

1) On February 8, 2021, the Company completed a private placement of 10,748,132 common shares at CAD$1.50 ($1.18) per common share for gross proceeds of CAD$16,122,198 ($12,666,817). In connection with the private placement, the Company paid CAD$743,568 ($584,203) of cash finders' fees and incurred additional legal fees and other cash issuance costs of CAD$241,618 ($207,441).
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; 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.

During the six months ended June 30, 2020, the Company completed the following equity financing transactions:

1) On January 7, 2020, the Company issued 496,272 common shares at $0.73 (CAD$1.01) per share to raise gross proceeds of $361,008;
2) On January 23, 2020, the Company issued 1,374,683 common shares at $0.73 (CAD$1.01) per share as part of the acquisition of Sanembaore Sarl Pty Ltd. ("SNB");
3) On April 21, 2020, the Company issued 10,325 ordinary shares at $0.73 per share as payment of $7,511 of a bonus; and
4) On May 1, 2020, the Company issued 1,240,879 ordinary shares at $0.73 per share to raise gross proceeds of $902,664.

OFF-BALANCE SHEET ARRANGEMENTS
The Company has not entered into any off-balance sheet arrangements.

(Expressed in US Dollars, unless otherwise indicated)

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of application applied by the Company in the Interim Financial Statements are the same as those applied in the Company's audited financial statements for the year ended December 31, 2020.

ACCOUNTING STANDARDS RECENTLY 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.

11. 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, 2021 and 2020 is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	$	$	$	$
Salary, fees, pension and professional fees	219,168	104,025	390,301	204,104
Share-based compensation – PSUs and stock options	187,045	248,401	374,091	306,509
	406,213	352,426	764,392	510,613

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables and borrowings are all measured at amortized cost.

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

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

Price risk: The price risk is the risk that the Company's future earnings will be adversely impacted by changes in the market prices of commodities.

Foreign currency risk: 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.

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 minimise 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 the borrowings from Sprott. The borrowing from Sprott bears interest at a rate of 9% per annum plus the greater of (i) LIBOR and (ii) 1%.

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

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

Fair values

It is the Board's opinion that the carrying values of the cash and cash equivalents, other receivables, all trade and other payables in the consolidated statement of financial position approximate their fair values due to their short-term nature.

Capital risk management

The Company's objectives when managing capital are to provide shareholder returns through maximization of the profitable growth of the business and to maintain a degree of financial flexibility relevant to the underlying operating and metal price risks while safeguarding the Company's ability to continue as a going concern. The Company manages 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.

13. OUTSTANDING SHARE DATA

Common shares:
As at the date of this MD&A, the Company had 68,991,221 common shares issued and outstanding.

(Expressed in US Dollars, unless otherwise indicated)

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

Type	Expiry Date	Exercise Price	Trading Price Hurdle	Number Outstanding	Number Exercisable
Stock Options	July 28, 2025	CAD$1.50		900,000	900,000
Performance Share Units	July 28, 2025		CAD$1.70	160,000	160,000
Performance Share Units	July 28, 2025		CAD$2.20	340,000	-
Performance Share Units	June 14, 2023		US$0.62	463,498	463,498
Performance Share Units	June 14, 2023		US$0.78	579,483	579,483
Performance Share Units	June 14, 2023		US$0.94	579,483	579,483
Performance Share Units	June 14, 2023		US$1.25	772,645	772,645
TOTAL				3,795,109	3,455,109

14. RISKS & UNCERTAINTIES

For detailed risks and uncertainties, refer to the MD&A for the year ended December 31, 2020 and the Annual Information Form ("AIF") dated May 19, 2021, both of which are available on the Company's SEDAR profile at www.sedar.com.

15. FORWARD-LOOKING STATEMENTS

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

Forward-looking statements are generally identifiable by the use of the words "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate" and similar expressions (including negative and grammatical variations) have been used to identify these forward-looking statements. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant risks, uncertainties and assumptions. Forward-looking statements involve significant risks, uncertainties and assumptions and in this MD&A include, but are not limited to: statements with respect to the Company's financial guidance, outlook, the completion of mine expansion under construction phases, and the results of exploration and timing thereof, at the mines or properties that the Company holds an interest in, future royalty payments relating to the Wahgnion Project, the Amancaya Project, and the Mercedes Project; the timing for Elemental to receive royalty payments relating to the Mercedes Project, and future royalty payments pursuant to the South32 Acquisition. Many factors could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements thatmay be expressed or implied by such forward-looking statements, including, without limitation, those listed in the "Risk Factors" section of this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by the forward-looking statements contained in this MD&A. These factors should be considered carefully and prospective investors should not place undue relianceon the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management currently believes to be reasonable assumptions, the Company cannot assure prospectiveinvestors that actual results, performance or achievements will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A have been based on expectations, factors andassumptions concerning future events which may prove to be inaccurate and are subject to numerous risks and uncertainties, certain of which are beyond the Company's control, including without limitation: the impact of general business and economic conditions; the absence of control over mining operations from which it will receive royaltypayments and risks related to those mining operations, including risks related to international operations, government and environmental regulation, delays in mine construction and operations, actual results of mining andcurrent exploration activities, conclusions of economic evaluations and changes in project parameters as plans are refined; problems related to the ability to market precious metals or other minerals; industry conditions, including commodity price fluctuations, interest and exchange rate fluctuations; regulatory, political or economic developments in any of the countries where properties underlying the royalty interests are located or through which they are held; risks related to the operators of the properties underlying royalty or other interest, including changes in the ownership and control of such operators; risks related to global pandemics, including the COVID-19 global health pandemic, and the spread of other viruses or pathogens; influence of macroeconomic developments; business opportunities that become available, or are pursued; title, permit or license disputes related to interests on any of the properties in which a royalty or other interest is held; loss of key employees; regulatory restrictions; litigation; fluctuations in foreign exchange or interest rates; and other factors, many of which are beyond the control of ERC. The Company assumes no responsibility to update forward looking statements, other than as may be required by applicable securities laws. The factors identified above are notintended to represent a complete list of the factors that could affect the Company.

Qualified Person:

Richard Evans, FAusIMM, is Senior Vice President Technical for Elemental, and a qualified person under National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"), has reviewed and approved the scientific and technical disclosure contained in this document.