ELEMENTAL ROYALTIES CORP.

(formerly "Fengro Industries Corp.")

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

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GENERAL

The information contained in this Management's Discussion and Analysis ("MD&A") for the nine months ended September 30, 2020 has been prepared as of November 17, 2020. It should be read in conjunction with the unaudited condensed interim consolidated financial statements of Elemental Royalties Corp. (the "Company" or "ERC") (formerly "Fengro Industries Corp.") ("Fengro") for the nine months ended September 30, 2020.

The referenced financial statements have been prepared in accordance with international Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). All amounts are expressed in US dollars unless otherwise indicated.

Additional information is available under Elemental's profile on SEDAR at www.sedar.com.

COMPANY OVERVIEW

Elemental Royalties Corp. is a newly TSX Venture Exchange ("TSX-V") listed precious metals royalty company focused on acquiring royalties over producing, or near producing assets, from established operators and counter-parties. The Company's common shares are listed on the TSX-V under the symbol "ELE" and the OTCQX under the symbol "ELEMF".

The Company's public listing in July 2020 followed a three-year period as a private company during which the management team made disciplined and accretive acquisitions over late-stage mining assets, with a heavy focus on gold. Since 2017 the Company has acquired five producing royalties, comprising Net Smelter Return Royalties ("NSRs"), Gross Value Return Royalties ("GRRs"), and Net Profit Interests ("NPIs"), which are expected to generate an estimated $5.3M in gross revenue in fiscal 2020, weighted 85% towards gold.

The Company has created a gold-focussed portfolio diversified by several top-tier operators and by jurisdiction. This diversification serves 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. Finally, the Company focuses on acquiring assets which are located in proven jurisdictions which provides protection from political instability and policy changes.

The Company's focus on late stage royalties results in the vast majority of the Company's royalty assets being attributable to producing assets, with 85% of revenue being generated from gold production and the remainder from silver and mineral sands.

The Company's royalties provide uncapped revenue and are not subject to any buybacks, meaning that all future mineral resource to mineral reserve conversion over the royalty areas deliver both value and greater certainty to Elemental at no additional cost. In addition, the portfolio contains significant exploration upside; Teranga Gold Corporation's Wahgnion mine in Burkina Faso sits within a licence package of over 1,000km^2, and Premier Gold Mines' Mercedes mine in Mexico sits within a nearly 700km^2 licence. These district scale land packages provide Elemental with significant optionality to future exploration success, without any operational or financial contribution from Elemental. Elemental's royalty over Premier Gold Mines' Mercedes mine in Mexico is due to generate revenue for the Company from mid-2022 following a production or date hurdle being met.

The Company is well positioned to continue to make highly selective acquisitions. Prior to becoming a public company, ERC (through ERL (as defined below)) built extensive relationships within the industry which when combined with the team's entrepreneurial drive and detailed understanding of the sector has created a strong deal pipeline. As a public company ERC is able to offer prospective vendors equity, thereby reducing the cash price of an acquisition while allowing the vendor to retain exposure to the Company's future upside.

On the November 4, 2020 the Company's shares began trading on the OTXQX market, as a means of enhancing Elemental's visibility to prospective U.S. investors. OTCQX is the premier tier of the U.S. OTC market operated by OTC Markets Group Inc. (OTCQX: OTCM). OTCQX is a trading platform designed for established, investor-focused U.S. and international companies. Using the OTCQX platform, shares of over 11,000 securities are traded by a network of dealers in the U.S. To qualify, companies must meet high financial standards, follow best practice corporate governance, and demonstrate compliance with applicable securities laws and have a professional third-party sponsor introduction.

Current financial disclosures and Real-Time Level 2 quotes for Elemental are available at https://www.otcmarkets.com/stock/ELEMF/.

OVERALL PERFORMANCE

Highlights of the Company for the nine months ended September 30, 2020 and subsequent to September 30, 2020:

- Gross revenue of $3,660,272 for the nine months ended September 30, 2020.
- Operating cash outflow of $331,020.
- Net loss of $2,364,162.
- Adjusted EBITDA of $2,509,080 (refer to the Non-IFRS Measures section of this MD&A).
- On December 13, 2019, the Company entered into an agreement to acquire 100% of the issued capital of Sanembaore Sarl Pty Ltd ("SNB"), a company incorporated under the laws of Australia. SNB's principal asset was a 1% net smelter return royalty over Teranga Gold Corporation's Wahgnion project in Burkina Faso (the "Wahgnion Royalty"). The acquisition closed on January 29, 2020. In consideration for 100% of the issued capital of SNB, Elemental Royalties Limited ("ERL") agreed to pay a total of $12,500,000 consisting of a first payment of $500,000, a second payment of $2,500,000 and issuing 1,374,683 common shares (issued on January 16, 2020 at the fair value of $1,000,000) and a final payment of $8,500,000.
- On July 27, 2020 Elemental announced the closing of the Business Combination Agreement with Fengro Industries Corp. As a result of this transaction, the shareholders of ERL acquired more than 50% of the issued and outstanding common shares of the resulting issuer, being ERC, and the transaction was considered to be a reverse takeover. Effective July 27, 2020, Fengro changed its name to "Elemental Royalties Corp." On July 30, 2020 the Company began trading on the TSX-V under the symbol "ELE".
- 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 common share for gross proceeds of CAD$23,969,030 ($17,917,153). In connection with the financing, the Company paid cash finders' fees of $1,083,461 and incurred cash issuance costs of $162,422.
- On July 30, 2020, the convertible loan due to Tembo Mining Capital Fund LP ("Tembo") was converted into common shares using the conversion price of CAD$1.30 ($0.97) per common share resulting in Elemental issuing 2,406,322 common shares to Tembo. The amount converted included principal of $2,000,000, a $200,000 arrangement fee and $134,667 of accrued interest. The loan amount was used to satisfy in part the total acquisition price of the Wahgnion royalty, completed on January 29, 2020.
- On August 4, 2020 Elemental entered into a settlement agreement with Tembo which resulted in the settlement of CAD$115,493 ($87,963) in debt in exchange for the issuance by the Company of 65,996 common shares. The debt was incurred pursuant to a bridge loan made by, among others, Tembo to Fengro in March 2019.
- On August 6, 2020 Teranga Gold Corporation (TSX: TGZ) reported an updated life of mine plan and increased 2020 production guidance for its Wahgnion project, located in southwest Burkina Faso, West Africa. The

(Unaudited - Expressed in US Dollars, unless otherwise indicated)

Company acquired the Wahgnion Royalty in January 2020. Teranga increased Wahgnion's 2020 production guidance to between 150,000 – 165,000 ounces, a 15% – 18% increase from earlier guidance of 130,000 – 140,000 ounces. Since commissioning, Wahgnion's processing plant has performed approximately 25% above nameplate capacity for throughput and gold recovered.

- On August 7, 2020, the Company repaid $8,539,939 of the Sprott Credit Facility (as defined below) which included $8,499,999 of principal, $20,933 of legal fees and $19,007 of accrued interest. The principal balance remaining on the Sprott Credit Facility is $1 to assist with a future financing facility.
- On October 13, 2020 Elemental noted that Panoramic Resources (ASX: PAN) had entered into an agreement to sell the Panton PGM Project and associated tenements to Dubai 2020 Limited or its nominee. Elemental acquired a 0.5% NSR royalty on Panton in 2017.

The following table summarizes the Company's total revenue from royalty interests during the three and nine months ended September 30, 2020 and 2019:

	Three months ended September 30,		**Nine months ended September 30,**	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Kwale	96,479	97,059	403,015	359,785
Mount Pleasant	-	427	8,678	17,367
Amancaya	358,069	563,363	1,305,916	1,390,216
Wahgnion	698,374	-	1,942,663	-
Total revenue from royalty interests	1,152,922	660,849	3,660,272	1,767,368

TSX-V LISTING & REVERSE TAKE-OVER TRANSACTION

The Company listed on the TSX-V on July 30, 2020 following the completion of a reverse take over transaction of Fengro Industries Corp by Elemental Royalties Limited (the "Transaction"). Fengro was engaged in production of phosphate fertilizers, and acquiring, exploring and evaluating mineral properties in Brazil. In February 2020, Fengro completed a disposition of all the assets, liabilities and undertakings in Brazil.

ERL is a company incorporated on July 15, 2016 in the British Virgin Islands pursuant to the BVI Business Companies Act, 2004, and as a result of the Transaction, is now a wholly-owned subsidiary of the Company. On April 27, 2020, ERL entered into a binding business combination agreement pursuant to the November 5, 2019 non-binding letter of intent with Fengro. On July 27, 2020, ERL completed the reverse takeover of Fengro and on July 30, 2020 the Company's shares commenced trading on the TSX-V 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 Transaction all outstanding securities of ERL were exchanged (the "Share Exchange") for post-Consolidation securities of Fengro on a 4.8114 for 1 basis, resulting in 22,664,788 common shares being issued to former shareholders of ERL. The 497,797 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 share and per share amounts in this MD&A have been re-stated to reflect the post-4.8114 for 1 exchange ratio.

The Transaction is a reverse takeover transaction as ERL shareholders held 96.78% of the resulting issuer shares and Fengro shareholders held 3.22% of the resulting issuer shares. As ERL was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in the consolidated financial statements at their historical carrying values. Fengro's results of operations have been included from July 27, 2020.

Further details regarding the Transaction can be found in the Company's filing statement dated July 15, 2020 filed under Elemental's profile on SEDAR at www.sedar.com.

BORROWINGS

Credit Facility

On December 19, 2019, ERL entered into a Credit Agreement with Sprott Private Resource Lending ("Sprott"), an arm's length company, pursuant to which ERL 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 bears interest at a rate of 11.50% per annum paid monthly, maturing on July 23, 2020 and is secured by all assets of the Company. In addition, the lender was to receive a fee of $190,250 payable on completion of the Transaction in shares at the Transaction share price. A separate fee of $80,000 was paid for the lender making a potential future financing facility available. 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 $8,539,939 of the Sprott Credit Facility which included $8,499,999 of principal, $20,933 of legal fees and $19,007 of interest. Elemental also issued 196,207 common shares to settle the $190,250 arrangement fee. The principal balance remaining on the Sprott Credit Facility is $1 to maintain credit agreements for a potential future financing facility.

Convertible Loan

On January 9, 2020, ERL entered into a convertible loan agreement with Tembo, an arm's length company. Pursuant to the terms of the agreement, ERL received a loan of $2,000,000 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 $200,000 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.

On July 30, 2020, Tembo converted the $2,000,000 loan, the $200,000 arrangement fee and $134,667 of accrued interest. The conversion price was CAD$1.30 per common share resulting in Elemental issuing 2,406,322 common shares.

Fengro Loan

On August 4, 2020, Elemental entered into a settlement agreement with Tembo whereby 65,996 common shares were agreed to be issued to settle CAD$115,494 of debt incurred pursuant to a bridge loan made to Fengro in March 2019. The debt was comprised of CAD$100,000 of principal, a CAD$5,000 establishment fee and CAD$10,494 of accrued interest. The shares were issued on September 3, 2020 at the fair value of $87,963 based on the share price of CAD$1.75 per common share ($1.333).

An additional amount of CAD$115,494 ($87,379) was paid on August 19, 2020 to settle the remaining CAD$100,000 of principal, CAD$5,000 of establishment fee and CAD$10,494 of accrued interest that was due to an arm's length party.

(Unaudited - Expressed in US Dollars, unless otherwise indicated)

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 September 30, 2020:

Property	Operator	Location	Commodity Exposure	Stage	Royalty Interest
Wahgnion	Teranga Gold	Burkina Faso	Gold	Production	1% NSR
Amancaya	Austral Gold Limited	Chile	Gold & Silver	Production	2.25% NSR
Mercedes	Premier Gold Mines Limited	Mexico	Gold & Silver	Production	1% NSR(1)
Kwale	Base Resources Limited	Kenya	Mineral Sands	Production	0.25% GRR
Mount Pleasant	Zijin Mining Group	Western Australia	Gold	Production	5% NPI or A$10/oz
Panton Sill	Panoramic Resources Limited	Western Australia	Palladium Platinum Gold	Feasibility	0.5% NSR

(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).

Principal Royalties:

Wahgnion Project
Burkina Faso

Origin:

On January 29, 2020, ERL completed the acquisition of the Wahgnion Royalty pursuant to the Wahgnion Royalty Purchase Agreement for aggregate consideration of $12,500,000. The Wahgnion Royalty was created pursuant to a contract of sale between Sanembaore SARL Pty Ltd. and Gryphon Minerals West Africa Pty Ltd. dated November 12, 2007 as amended May 22, 2008. Under this contract of sale, Gryphon Minerals West Africa Pty Ltd acquired a 51% interest in the project and joint venture assets of Wahgnion, and Sanembaore SARL Pty Ltd. received a 1% NSR royalty.

Wahgnion reported its first production September 2019, achieving commercial production in November 2019.

Update:

- In August 2020 Teranga Gold announced an increase to Wahgnion's 2020 production guidance to between 150,000 – 165,000 ounces, a 15% – 18% improvement on earlier guidance.
- Teranga also updated the Life of Mine plan, increasing annual expected ore production by 25% with annual gold production expected to average 149,000 ounces to 2025.
- As of September 30, 2020, Wahgnion completed its fourth full quarter of production with record ore production of 1.1Mt for the quarter compared to the revised Mine Plan of 3Mtpa. Gold production of 40.6koz in the quarter totaled 135.1koz for the nine months to September 30, 2020.

- Teranga recognizes the impact the increased production rate will have on mine life, and they have instituted a multi-year drilling and exploration program with the goal of extending the mine life to 15 years at three existing deposit areas and more than a dozen exploration targets.

Amancaya Project
Chile

Origin:

ERL acquired the Amancaya Royalty from Minera Meridian Limitada, pursuant to the Amancaya Royalty Purchase Agreement on June 15, 2018 for an aggregate consideration of $3,550,000. Under the terms of the Amancaya Royalty Purchase Agreement, ERL acquired the 2.25% NSR royalty including the royalty payments accrued or payable from April 1, 2018.

The Amancaya Royalty was created pursuant to the terms of a net smelter returns royalty agreement between Minera Meridian Limitada, and Guanaco Compania Minera, SPA entered into on August 8, 2014. Under this agreement, Guanaco Compania Minera SPA, the owner of an interest in certain mineral properties granted a 2.25% NSR royalty calculated on production from the properties to Minera Meridian Ltda.

Update:

- The operation has been progressing well with the vast majority of production coming from Amancaya, maintaining guidance for 2020 of 55 to 60koz of gold equivalent production, in spite of significant disruptions during the second quarter of 2020 due to the COVID-19 pandemic and a now-resolved strike related to the three yearly mining contract negotiation.
- While combined production of 15.2koz for the quarter was on track to meet guidance, gold sales were only 7.7koz, meaning that subsequent quarters will benefit from additional sales of gold drawing down on this inventory.
- A recent exploration review has been completed and a drill program has commenced to test ore continuity and extensions to Amancaya's main Central Vein, with results expected in Q4 2020.

Mercedes Project
Mexico

Origin:

ERL acquired the Mercedes Royalty from Yamana Gold Inc. pursuant to the Mercedes Royalty Purchase Agreement entered into on June 15, 2018 for an aggregate consideration of $950,000.

The Mercedes Royalty was created pursuant to the terms of the net smelter return royalty agreement dated September 30, 2016 between Yamana Minera Meridian S. de. R. L., de C.V., Premier Gold Mines (Netherlands) B.V., and 2536066 Ontario Inc. Under this agreement, Yamana Minera Meridian S. de. R.L., de C.V. was granted a 1% NSR royalty on the property as part of the consideration for the share purchase agreement under which Premier Gold Mines (Netherlands) B.V., and 2536066 Ontario Inc., acquired all shares of Meridian Gold Holdings the parent company of Minera Meridian Minerales.

Update:

- The Mercedes Mine (Mexico) was placed on care and maintenance following a decree from the Mexican Federal Government which took effect on March 30, 2020 and which listed gold mining as a non-essential service.

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- The Mercedes Mine restarted its operations following a decree from the Mexican Health Ministry on May 13, 2020 that amended the March 30, 2020 decree to include (effective June 1, 2020) mining as an essential service. Operations at the Mercedes Mine restarted in July following a two-month suspension. Operations with reduced staffing focused on higher grades and improved efficiency are currently concentrating on the promising, fast-evolving Diluvio / Lupita / San Martin system while also implementing continued exploration, underground development and mill maintenance programs with the intention of returning to full production in due course. The delays and reduced production now mean that the start of royalty payments to Elemental are likely to be payable from July 28, 2022, rather than the 400koz production hurdle.

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.

DISCUSSION OF OPERATIONS

The discussion of operations relates to the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2020 and 2019.

	Three months ended September 30,		**Nine months ended September 30,**	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Revenue from royalty interests	1,152,922	660,849	3,660,272	1,767,368
Depletion of royalty interests	(400,288)	(167,091)	(1,165,651)	(475,103)
General and administrative expenses	(177,297)	(126,155)	(441,839)	(306,196)
Project evaluation expenses	(114,972)	(20,863)	(301,877)	(103,900)
Share-based compensation expense	(170,406)	(58,108)	(476,915)	(174,324)
Interest and financing expenses	(208,355)	-	(1,454,417)	(84,600)
Listing expense	(1,083,122)	-	(1,523,182)	-
Other	4,539	13	78,779	113
Tax expense	(219,848)	(216,589)	(739,332)	(560,656)
Net (loss) income for the period	(1,216,827)	72,056	(2,364,162)	62,702
Operating cash flows	(469,274)	363,076	(331,020)	600,235
Adjusted EBITDA(1)	818,997	513,844	2,509,080	1,357,385

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

The Company recorded a net loss of $2,364,162 for the nine months ended September 30, 2020 as compared to net income of $62,702 for the nine months ended September 30, 2019. The increase in net loss is due to a combination of factors including:

- Royalty revenue increased to $3,660,272 for the nine months ended September 30, 2020 compared to $1,767,368 for the nine months ended September 30, 2019 due to an increased gold price and the royalty revenue from the Wahgnion Royalty acquired in January 2020. Depletion of royalty interests increased from

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$475,103 for the nine months ended September 30, 2019 to $1,165,651 for the nine months ended September 30, 2020.

- General and administrative expenses and project evaluation expenses increased from $410,096 for the nine months ended September 30, 2019 to $743,716 for the nine months ended September 30, 2020 due primarily to an increase in employment costs from $227,181 to $371,292 and an increase in professional and consultancy fees and corporate administration expenses. Project evaluation expenses are those activities required to acquire and then manage the Company's portfolio of royalty assets.
- Interest and finance expense increased from $84,600 in the 2019 period to $1,454,417 in the 2020 period due to interest and fees associated with the Sprott Credit Facility and the Tembo loan.
- Withholding tax expense increased from $560,656 in the 2019 period to $739,332 in the 2020 period due to the increase in revenues subject to withholding tax.
- Listing expense relates to the reverse take-over with Fengro. A portion of the listing expense ($1,036,927) represents the fair value of shares deemed issued in excess of the book value of Fengro net assets acquired. The Company incurred $486,255 of professional fees, listing fees and other expenses related to the Transaction.

During the three months ended September 30, 2020, the Company recorded a net loss of $1,216,827 as compared to net income of $72,056 for the three months ended September 30, 2019. The loss during the 2020 period includes additional interest and finance expense from the Sprott Credit Facility and the Tembo Loan, additional professional fees relating to the reverse takeover transaction and the listing expense from the reverse takeover. These additional expenses were offset by increased revenues from the Wahgnion royalty. During Q3 2020, the Company determined that the vendors of the Wahgnion Royalty were entitled to $43,175 of additional revenue from Q1 2020. The reduction in Q1 2020 revenue was included in Q3 2020.

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 September 30, 2020.

	THREE MONTHS ENDED			
	September 30, 2020 ($)	**June 30, 2020 ($)**	**March 31, 2020 ($)**	**December 31, 2019 ($)**
Total revenues	1,152,922	1,294,687	1,212,663	647,991
Net (loss) income	(1,216,827)	(768,033)	(379,302)	(144,512)
(Loss) earnings per share – basic and diluted	(0.03)	(0.03)	(0.02)	(0.01)
Total assets	27,049,681	19,312,334	18,375,516	6,666,315

	THREE MONTHS ENDED			
	September 30, 2019 ($)	**June 30, 2019 ($)**	**March 31, 2019 ($)**	**December 31, 2018 ($)**
Total revenues	660,849	709,059	397,460	503,565
Net income (loss)	72,056	95,777	(105,131)	(161,551)
(Loss) earnings per share – basic and diluted	0.00	0.01	(0.01)	(0.01)
Total assets	6,227,180	6,117,450	5,825,721	6,057,916

(Unaudited - Expressed in US Dollars, unless otherwise indicated)

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.

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.

The table below provides a reconciling of adjusted EBITDA:

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Net (loss) income	(1,216,827)	72,056	(2,364,162)	62,702
Tax expense	219,848	216,589	739,332	560,656
Interest and finance expenses	208,355	-	1,454,417	84,600
Depletion	400,288	167,091	1,165,651	475,103
Share-based compensation expense	170,406	58,108	476,915	174,324
Listing expense (non-cash portion)	1,036,927	-	1,036,927	-
Adjusted EBITDA	818,997	513,844	2,509,080	1,357,385

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2020, the Company's cash balance was $8,757,279 (December 31, 2019 - $812,572) with a working capital of $10,766,500 (December 31, 2019 – working capital of $1,015,119). The increase in working capital was due to the proceeds of $17,917,153 received from the brokered subscription receipt financing and proceeds from borrowings of $10,461,067. These cash receipts were offset with the repayment of $8,499,999 of the Sprott credit facility and the purchase of the Wahgnion Royalty for $11,008,958, among other items.

The Company's operations used $331,020 during the nine months ended September 30, 2020 (2019 –$606,618 provided by) with $10,915,080 (2019 - $nil) used in investing activities. The cash requirements during the first three quarters of fiscal 2020 was funded from the $8,500,000 credit facility, $2,000,000 convertible loan and the net proceeds from share issuances of $17,927,757.

The Company's aggregate operating, investing, and financing activities during the nine months ended September 30, 2020 resulted in an increase in its cash balance from $812,572 at December 31, 2019 to $8,757,279 at September 30, 2020.

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

The condensed interim consolidated financial statements are prepared on a going concern basis. In assessing whether the going concern basis is appropriate, the Directors have taken into account all relevant available information about the current and future position of the Company, including the current level of resources, expected royalty revenues and securing additional funding from investors.

In the current business climate, the Company acknowledges the COVID-19 pandemic and the potential impact on the mining operations in which the Company holds royalty interests and receives revenues. The Company is closely monitoring the impact and mitigating actions by each of the mine operators and are pleased to note there has been no significant disruption to projected royalty revenues to date. The diversified royalty interests held by the Company across a number of different mine operators and geographical locations further mitigate this risk.

FINANCING ACTIVITIES

During the nine months ended September 30, 2020, the Company completed the following equity financing transactions:

1) On January 7, 2020, the Company issued 496,272 common shares at a price of $0.73 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 per share as part of the acquisition of SNB;
3) On April 21, 2020, the Company issued 10,325 common shares at $0.73 per share as payment of a bonus to a Company employee;
4) On May 1, 2020, the Company issued 1,240,879 common shares at $0.73 per share to raise gross proceeds of $902,664;
5) On July 27, 2020, pursuant to the reverse takeover transaction, all of the Company's outstanding securities were exchanged for post-Consolidation Elemental securities on a 4.8114 for 1 basis. All share and per share amounts in this MD&A have been re-stated to reflect the post-4.8114 for 1 exchange ratio;
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$23,969,030 ($17,917,153). In connection with the financing, the Company paid cash finders' fees of $1,083,461 and incurred cash issuance costs of $162,422;
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 $2,334,667 convertible loan;
8) On July 30, 2020, the Company issued 196,207 common shares at CAD$1.30 ($0.97) to settle the $190,250 arrangement fee for the Sprott Credit Facility; and
9) On September 3, 2020, the Company issued 65,996 common shares to settle CAD$115,494 of debt incurred pursuant to a bridge loan made to Fengro in March 2019.

During the nine months ended September 30, 2019, the Company completed the following equity financing transactions:

1) On February 22, 2019, the Company issued 129,908 common shares at $0.62 per share to raise gross proceeds of $81,000;
2) On February 22, 2019, the Company issued 40,214 common shares at $0.62 per share as payment of $25,074 of dividends;

(Unaudited - Expressed in US Dollars, unless otherwise indicated)

3) On February 22, 2019, the Company issued 31,717 common shares at $0.62 per share as payment of $19,776 of a bonus to a Company employee;
4) On June 14, 2019, the Company issued 481,140 common shares at $0.62 per share to settle the remainder of the loan to Flewis Holdings Pty Limited;
5) On June 14, 2019, the Company issued 2,303,790 common shares at $0.62 per share to raise gross proceeds of $1,436,457. The Company incurred finders' fees of $2,700; and
6) On June 14, 2019, the Company issued 46,377 common shares at $0.62 per share as payment of $28,917 of dividends.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

Key management includes the executive and non-executive directors, the Senior Vice President, Technical and the Vice President, Operations. Key management compensation during the three and nine months ended September 30, 2020 and 2019 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Salary, fees and pension	115,421	71,354	312,849	232,539
Share-based payments – PSUs	136,761	58,018	443,270	174,324
	252,182	129,372	756,119	406,863

Acquisition of Elemental Resources Ltd.

During the period Elemental Resources Ltd. ("ERLUK"), a company in which Frederick Bell and Richard Evans are directors and controlling shareholders, charged employment and office related expenses in the amount of $159,586 (2019: $132,075). As at December 31, 2019, $59,205 was outstanding as payable.

On May 30, 2020, the Company acquired ERLUK for a purchase price of $1. ERLUK is a management company used to pay United Kingdom based directors, officers and employees as well as other administrative expenses.

At the date of acquisition, ERLUK had net liabilities of $4,552 as well as a receivable from the Company of $78,793, resulting in a gain on acquisition of $74,240.

(Unaudited - Expressed in US Dollars, unless otherwise indicated)

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

New standards, interpretations and amendments effective from January 1, 2020:

	Issued Date	IASB mandatory effective date[1]
Amendments to Existing Standards		
Amendments to References to the conceptual framework in IFRSs	29-Mar-18	01-Jan-20
Amendment to IFRS 3 Business Combinations	22-Oct-18	01-Jan-20
Amendments to IAS 1 and IAS 8: Definition of Material	31-Oct-18	01-Jan-20

[1] Periods beginning unless noted otherwise.

The application of the above standards in did not have a material impact on the financial statements.

FINANCIAL INSTRUMENTS AND OTHER 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 and Tembo. The borrowings, which were settled during the quarter ended September 30, 2020, were at fixed rates of interest of 12% and 11.5%, respectively.

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

(Unaudited - Expressed in US Dollars, unless otherwise indicated)

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.

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.

OUTSTANDING SHARE DATA

Common shares

As at the date of this report, the Company had 44,524,734 common shares issued and outstanding.

Stock Options and Performance Share Units ("PSUs")

A summary of Elemental's issued and outstanding stock options and PSUs at the date of this report was as follows:

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

RISK FACTORS

Refer to the Filing Statement, dated July 15, 2020 available at www.sedar.com under Elemental's profile, for risk factors relating to the Company.

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements are generally identifiable by the use of the words "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate" and similar expressions 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. Many factors could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the "Risk Factors" section of this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by the forward-looking statements contained in this MD&A. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management currently believes to be reasonable assumptions, the Company cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A have been based on expectations, factors and assumptions concerning future events which may prove to be inaccurate and are subject to numerous risks and uncertainties, certain of which are beyond the Company's control, including without limitation: the impact of general business and economic conditions; the absence of control over mining operations from which it will receive royalty payments and risks related to those mining operations, including risks related to international operations, government and environmental regulation, delays in mine construction and operations, actual results of mining and current exploration activities, conclusions of economic evaluations and changes in project parameters as plans are refined; problems related to the ability to market precious metals or other minerals; industry conditions, including commodity price fluctuations, interest and exchange rate fluctuations; regulatory, political or economic developments in any of the countries where properties underlying the royalty or other interest 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 novel coronavirus ("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 not intended to represent a complete list of the factors that could affect the Company.