NOVA ROYALTY CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Audited - Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Deloitte LLP
410 West Georgia Street
Vancouver BC, V6B 1Z3
Canada

www.deloitte.ca

Independent Auditor's Report

To the Shareholders and the Board of Directors of
Nova Royalty Corp.

Opinion

We have audited the consolidated financial statements of Nova Royalty Corp. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Convertible Debentures — Refer to Notes 2 and 7 to the financial statements

Key Audit Matter Description

In January and May of 2022, advances were drawn on the convertible loan facility held by the Company for a total amount of $3.0 million ("Convertible debentures"). Convertible debentures are compound financial instruments issued by the Company that can be converted to a fixed number of common shares of the Company at the option of the holder. The liability component of a compound financial instrument is recognized initially at the fair value measured as the present value of future cash flows associated with the convertible debenture, using the estimated interest rate at the date of issuance. The equity component is measured as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

While management is required to make several judgments, estimates and assumptions relating to the convertible debentures, those with the highest degree of subjectivity relate to 1) the appropriateness of the accounting treatment and 2) the reasonableness of the estimated interest rate used in the valuation of the convertible debentures. Auditing these judgments, estimates and assumptions required a high degree of auditor judgement and an increased extent of audit effort, including the involvement of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the appropriateness of the accounting treatment and reasonableness of the estimated interest rate used in the valuation of convertible debentures, included the following, among others:

- Evaluated the appropriateness of management's assessment relating to the accounting treatment of the convertible debentures by:
  - Obtaining and reading the executed contracts to determine whether all key facts and circumstances were incorporated into management's assessment;
  - Analyzing relevant accounting standards, including various aspects of IFRS, conceptual framework and guidance;

- With the assistance of fair value specialists, evaluated the reasonableness of the interest rate by developing an independent estimate of interest rates based on comparable debt transactions and comparing those to the interest rate selected by management.

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Brenton Francis.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
March 23, 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Nova Royalty Corp.

Opinion

We have audited the accompanying financial statements of Nova Royalty Corp. (the "Company"), which comprise the statement of financial position as at December 31, 2021, and the statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Guy Thomas.

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

April 27, 2022

NOVA ROYALTY CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	December 31 2022	December 31 2021
ASSETS		
Current assets		
Cash	$ 1,087,378	$ 962,745
Receivables (Note 3)	880,258	1,000,568
Prepaid expenses	108,990	217,091
Total current assets	2,076,626	2,180,404
Non-current assets		
Royalty interests (Note 4)	85,990,330	83,347,266
Deferred acquisition costs (Note 5)	82,062	291,538
Total non-current assets	86,072,392	83,638,804
TOTAL ASSETS	$ 88,149,018	$ 85,819,208
LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 6, 9)	$ 2,298,999	$ 2,493,967
Total current liabilities	2,298,999	2,493,967
Non-current liabilities		
Convertible debentures (Note 7)	9,151,616	4,898,593
Total non-current liabilities	9,151,616	4,898,593
Total liabilities	11,450,615	7,392,560
EQUITY		
Share capital (Note 8)	92,237,822	88,859,743
Commitment to issue shares (Note 9)	28,572	28,572
Equity portion of convertible debentures (Note 7)	317,043	202,378
Share based compensation reserve (Note 8)	5,861,966	3,175,909
Warrant reserve	-	10,818
Deficit	(21,747,000)	(13,850,772)
Total equity	76,698,403	78,426,648
TOTAL LIABILITIES AND EQUITY	$ 88,149,018	$ 85,819,208

Nature of operations and going concern (Note 1)
Commitments (Notes 4 and 12)
Events after reporting date (Note 14)

These consolidated financial statements were authorized for issuance by the Board of Directors on March 23, 2023.

Approved by the Board of Directors

"Alex Tsukernik" Director　　　　*"Guy Elliott"* Director

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

NOVA ROYALTY CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Year ended December 31 2022	Year ended December 31 2021
Revenue from royalty interests	$ 1,996,632	$ 703,044
Depletion on royalty interests (Note 4)	(1,200,840)	(395,829)
Gross profit	795,792	307,215
General and administrative expenses		
Consulting fees (Note 9)	1,614,073	1,265,812
Office and administrative expenses	1,662,767	1,420,822
Professional fees	456,380	513,415
Share based compensation (Note 8, 9)	3,696,551	2,886,380
Transfer agent and filing fees	110,421	183,608
	7,540,192	6,270,037
Loss from operations	(6,744,400)	(5,962,822)
Interest and accretion on convertible debentures (Note 7)	(1,084,677)	(838,036)
Impairment of royalty interest (Note 4)	-	(2,661,221)
Other expenses	(201)	(18,297)
Foreign exchange (loss) gain	(72,436)	47,559
Loss before income taxes	(7,901,714)	(9,432,817)
Deferred income tax recovery	5,486	8,553
Loss and comprehensive loss	$ (7,896,228)	$ (9,424,264)
Basic and diluted loss per share	$ (0.09)	$ (0.12)
Weighted average number of shares outstanding - basic and diluted	85,319,541	77,363,614

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

NOVA ROYALTY CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended December 31 2022	Year ended December 31 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (7,896,228)	$ (9,424,264)
Items not affecting cash:		
Depletion	1,200,840	395,829
Share-based payments	3,696,551	2,886,380
Interest and accretion on convertible debentures	1,084,677	838,036
Impairment of royalty interest	-	2,661,221
Unrealized foreign exchange effect	(30,711)	(37,590)
Deferred income tax recovery	(5,486)	(8,553)
Changes in non-cash operating working capital items		
Receivables	125,313	(922,692)
Prepaid expenses	108,101	(130,465)
Accounts payable and accrued liabilities	(423,615)	(752,646)
Net cash used in operating activities	(2,140,558)	(4,494,744)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of royalty interests	(2,286,098)	(29,597,405)
Deferred acquisition costs	(82,211)	(292,300)
Net cash used in investing activities	(2,368,309)	(29,889,705)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued	2,020,871	20,252,136
Share issue costs	(398,367)	(1,534,213)
Issuance of convertible debentures	3,000,000	5,000,000
Transaction costs for convertible debentures	(24,366)	(296,061)
Standby charges paid	-	(8,255)
Exercise of stock options and share purchase warrants	57,999	6,568,414
Net cash provided by financing activities	4,656,137	29,982,021
Effect of exchange rate changes on cash	(22,637)	(35,514)
Change in cash	124,633	(4,437,942)
Cash, beginning of year	962,745	5,400,687
Cash, end of year	$ 1,087,378	$ 962,745

Supplemental disclosure with respect to cash flows (Note 10)

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

NOVA ROYALTY CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Number of shares	Share capital	Commitment to issue shares	Equity portion of convertible debentures	Share based compensation reserves	Warrant reserves	Deficit	**Total equity**
Balance as at December 31, 2020	57,984,249	$ 31,134,746	$ 28,572	$ 151,947	$ 796,975	$ 378,550	$ (4,426,508)	$ 28,064,282
Shares issued for cash	6,018,900	20,252,136	-	-	-	-	-	20,252,136
Shares issued for royalty interests	6,381,757	28,239,714	-	-	-	-	-	28,239,714
Share issue costs	-	(1,534,213)	-	-	-	-	-	(1,534,213)
Stock options exercised	1,375,000	601,196	-	-	(257,446)	-	-	343,750
Share purchase warrants exercised	8,595,997	6,592,396	-	-	-	(367,732)	-	6,224,664
Convertible debenture converted	3,535,691	3,323,768	-	(151,947)	-	-	-	3,171,821
Convertible debenture - equity component	-	-	-	202,378	-	-	-	202,378
Share-based payments - RSUs	-	-	-	-	1,301,998	-	-	1,301,998
Share-based payments - Options	-	-	-	-	1,584,382	-	-	1,584,382
RSUs settled	500,000	250,000	-	-	(250,000)	-		-
Loss and comprehensive loss for the year	-	-	-	-	-	-	(9,424,264)	(9,424,264)
Balance as at December 31, 2021	84,391,594	88,859,743	28,572	202,378	3,175,909	10,818	(13,850,772)	78,426,648
Shares issued for cash	1,123,300	2,020,871	-	-	-	-	-	2,020,871
Shares issued for royalty interests	218,551	676,265	-	-	-	-	-	676,265
Share issue costs	-	(398,367)	-	-	-	-	-	(398,367)
Stock options exercised	150,000	65,585	-	-	(28,085)	-	-	37,500
Share purchase warrants exercised	40,998	31,317	-	-	-	(10,818)	-	20,499
Convertible debenture - equity component	-	-	-	114,665	-	-	-	114,665
Share-based payments - RSUs	-	-	-	-	707,256	-	-	707,256
Share-based payments - Options	-	-	-	-	2,989,294	-	-	2,989,294
RSUs settled	794,366	982,408	-	-	(982,408)	-	-	-
Loss and comprehensive loss for the year	-	-	-	-	-	-	(7,896,228)	(7,896,228)
Balance as at December 31, 2022	86,718,809	$ 92,237,822	$ 28,572	$ 317,043	$ 5,861,966	$ -	$ (21,747,000)	$ 76,698,403

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nova Royalty Corp. (the "Company") is a royalty company focused on copper and nickel deposits. The Company was incorporated pursuant to the provisions of the British Columbia Business Corporations Act on July 20, 2018 and changed its name to Nova Royalty Corp. on June 9, 2020. The Company's head office, registered, and records office address is 501 - 543 Granville Street, Vancouver, British Columbia, Canada. The Company's common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "NOVR" and on the OTCQB Venture Market ("OTCQB") under the symbol "NOVRF."

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next twelve months. Realization values may be substantially different from the carrying values shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Management estimates it will have sufficient cash to finance operations, and royalty acquisition milestone payments over the next 12 months through a combination of cash generated from royalty interests, draws on its convertible debt facility (Note 7), and issuance of shares under its at-the-market ("ATM") equity program (Note 8) or through other equity financings. The Company's continuing operations and the ability of the Company to meet commitments in the longer term are dependent on the realization of royalty interests, the acquisition of further cash generating royalty interests and upon the ability of the Company to continue to raise additional debt or equity financing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of Measurement and Presentation

These financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars ("CAD"), which is also the Company's functional currency.

Basis of consolidation

The consolidated financial statements comprise the accounts of Nova Royalty Corp., the parent company, and its controlled subsidiary, after the elimination of all significant intercompany balances and transactions.

Subsidiaries

Subsidiaries are all entities over which the Company has exposure to variable returns from its involvement and has the ability to use power over the investee to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. The accounts of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Inter-company transactions, balances and unrealized gains or losses on transactions are eliminated. The Company's only subsidiary is Nova Royalty USA Corp., wholly owned and incorporated in the state of Delaware, USA.

Reclassification

Certain comparative figures have been reclassified to conform to the current year presentation.

Foreign currency translation

The functional currency of the Company and its subsidiary is the Canadian dollar, which is the currency of the primary economic environment in which the entities operate. Determination of functional currency may involve certain judgments to determine the primary economic environment.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and convertible debentures. All financial instruments are initially recorded at fair value and subsequently as follows: Cash, receivables, accounts payable and accrued liabilities and the liability component of convertible debentures are classified at amortized cost. Both financial assets and financial liabilities recorded at amortized cost are measured using the effective interest method.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Expected Credit Losses ("ECLs")

The Company recognizes loss allowances for ECLs on financial assets accounted for at amortized cost which are subject to credit risk include cash and receivables. The Company measures loss allowances at an amount equal to 12-month ECLs, except for financial assets in which the credit risk has significantly increased since initial recognition, which are measured at lifetime ECLs. When considering whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, that includes forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed the credit risk.

Royalty interests

Royalty interests consist of acquired royalty interests pursuant to purchase agreements and deferred acquisition costs reallocated on signing of a definitive agreement. Royalty interests are recorded at cost and capitalized as tangible assets with finite lives. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses and reversals.

The major categories of the Company's royalty interests are producing, development and exploration. Producing assets are those that have generated revenue from steady-state operations for the Company or are expected to in the next year. Development assets are interests on projects which are not yet producing, but where in management's view, the technical feasibility and commercial viability of extracting mineral resource are demonstrable. Exploration assets represent interests in projects where technical feasibility and commercial viability of extracting a mineral resource are not demonstrable. Royalty interests for producing and development stage assets are recorded at cost and capitalized in accordance with IAS 16 Property, Plant and Equipment ("IAS 16"), while exploration assets are recorded and capitalized in accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources ("IFRS 6").

Management uses the following criteria in its assessment of technical feasibility and commercial viability:

(i) Geology: There is a known mineral deposit which contain mineral reserves or resources; or the project is adjacent to a mineral deposit that is already being mined or developed and there is sufficient geologic certainty of converting the deposit into mineral reserves or resources; and

(ii) Accessibility and authorization: there are no significant unresolved issue impacting the accessibility and authorization to develop or mine the mineral deposit, and social, environmental and governmental permits and approvals to develop or mine the mineral deposit appear obtainable.

Project evaluation costs that are not related to a specific agreement are expensed in the period incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Royalty interests (cont'd…)

Depletion

Producing mineral royalty interests are depleted using the units-of-production method over the life of the mineral property to which the interest relates. The Company uses publicly available statements of reserves and resources for the mineral royalty property to estimate the life of the property. The cost basis is amortized over the remaining life of the mineral property, using the estimated proven and probable reserves and the portion of measured and indicated resources that is reasonably expected to be extracted economically.

Acquisition costs of development and exploration stage royalty interests are capitalized and are not depleted until such time as revenue-generating activities begin.

Impairment of non-financial assets

Producing and development stage royalty interests are assessed for indications of impairment in accordance with IAS 36 Impairment of Assets ("IAS 36").

Exploration stage royalty interests are assessed for indications of impairment in accordance with IFRS 6. An interest that has previously been classified as exploration is also assessed for impairment before reclassification to either development or producing, and the impairment loss, if any, is recognized as a component of loss and comprehensive loss.

Impairment is assessed the level of cash-generating unit ("CGU"), which is the lowest level for which cash inflows are largely independent of those of other assets. This is usually at the individual royalty interest level for each property.

At the end of each reporting period, the Company assesses each royalty interest to determine whether any indication of impairment or impairment reversal exists. If such an indication exists, the recoverable amount of the royalty interest is estimated in order to determine the extent of the impairment or impairment reversal (if any). The recoverable amount of each royalty interest is the higher of fair value less cost of disposal ("FVLCD") and value in use ("VIU"). The FVLCD represents the amount that could be received from each royalty interest in an arm's length transaction at the measurement date. The VIU represents the present value of the future cash flows expected to be derived from a royalty interest.

The future cash flow expected is derived using estimates of proven and probable reserves, a portion of resources that is expected to be converted into reserves and information regarding the mineral property that could affect the future recoverability of the Company's interest. Discount factors are determined individually for each asset and reflect their respective risk profiles. In certain circumstances, the Company may use a market approach in determining the recoverable amount which may include an estimate of (i) net present value of estimated future cash flows; (ii) dollar value per ounce or pound of reserve/resource; (iii) cash-flow multiples; and/or (iv) market capitalization of comparable assets.

If the carrying amount of the royalty interest exceeds its recoverable amount, the royalty interest is considered impaired and an impairment charge is reflected as a component of loss and comprehensive loss so as to reduce the carrying amount to its recoverable value.

A previously recognized impairment charge is reversed only if there has been an indicator of a potential impairment reversal and the resulting assessment of the royalty interest's recoverable amount exceeds its carrying value. If this is the case, the carrying amount of the royalty interest is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depletion, had no impairment charge been recognized for the royalty interest in prior years. Such reversal is reflected as a component of loss and comprehensive loss.

Deferred acquisition costs

From the point an initial offer is submitted, costs incurred or accrued prior to the execution and closing of a royalty agreement are deferred. Deferred costs are reallocated to royalty interests upon signing of a definitive agreement. If management determines not to proceed with a proposed royalty acquisition, the deferred costs are expensed at that time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Convertible Debentures

Convertible debentures are compound financial instruments issued by the Company that can be converted to common shares of the Company at a fixed price at the option of the holder. The liability component of a compound financial instrument is recognized initially at the fair value measured as the present value of future cash flows associated with the convertible debenture, using the estimated interest rate at the date of issuance that would be required if the debenture did not have an equity conversion option. The equity component is measured as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, and recognized as a component of equity reserves. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. The impact of deferred taxes is recognized in equity reserves as the temporary difference relates to the amount attributed to the equity conversion option.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Finance costs

The Company's finance costs include interest expense and accretion recognized using the effective interest method and standby charges on the Company's convertible debentures. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the amortized cost of the financial liability.

Share based compensation

The Company has various forms of share based compensation, including stock options, and restricted share units ("RSUs"). The calculation of the fair value of stock options and RSUs requires the use of estimates.

The Company recognizes a share based compensation expense for all stock options and RSUs awarded to employees, officers, directors and consultants based on the fair values of the stock options and RSUs at the date of grant. The fair values of stock options and RSUs at the date of grant are expensed over the vesting periods of the stock options and RSUs, respectively, with a corresponding increase to equity reserves.

Stock options

The fair value of stock options granted to employees, officers, and directors are determined using the Black-Scholes option pricing model with market related inputs as of the date of grant. The fair value of stock options granted to consultants or other non-insiders are measured at the fair value of goods and services received from these parties or by using the Black-Scholes option pricing model if the fair value of goods or services received cannot be measured reliably.

When stock options are exercised, the cash proceeds along with the amount previously recorded as equity reserves are recorded as share capital. When the right to receive options is forfeited before the options have vested, any expense previously recorded is reversed.

Restricted share units

At the discretion of the Board of Directors of the Company, RSUs can be settled through a lump sum cash payment, through the issuance of common shares of the Company or a combination of both. The fair value of RSUs granted to employees, officers, and directors is the market value of the underlying shares at the date of grant. The fair value of RSUs granted to consultants or other non-insiders is measured at the fair value of goods and services received from these parties or at the market value of the underlying shares at the date of grant if the fair value of goods or services received cannot be measured reliably. RSUs granted to date have been treated as equity based grants as it has been the intention of the Board of Directors to settle RSUs in common shares.

On settlement of RSUs on or after the vesting date, the fair value of the underlying shares issued and previously recorded as equity reserves are transferred to share capital.

Stock options and RSUs with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates the fair value of common shares based on recent transactions or quoted market price on the date of issuance of the units and the balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded in reserves.

Joint arrangement

A joint arrangement is defined as an arrangement over which two or more parties have joint control, which is the contractually agreed sharing of control over an arrangement. This exists only when the decisions about relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

A joint arrangement can take the form of a joint venture or joint operation. A joint venture is a joint arrangement in which the Company has rights to only the net assets of the arrangement and is accounted for using the equity method of accounting. A joint operation is a joint arrangement in which the Company has rights to the assets and obligations for the liabilities relating to the arrangement. Joint operations are accounted for by recognizing the Company's share of the assets, liabilities, revenue, expenses and cash flows of the joint operation in these financial statements.

The Company is party to a joint operation with Metalla Royalty & Streaming Ltd. ("Metalla"), whereby the Company and Metalla jointly acquired the NuevaUnión royalty (Note 4) through incorporation of a Canadian special purpose vehicle Nueva Royalty Ltd ("Nueva"). The Company holds an economic interest equal to the copper derived royalty interest held by Nueva, and an equity interest equal to 50% of the common voting shares. The Company determined that it has joint control over Nueva given that decisions about relevant activities require unanimous consent of the parties to the joint arrangement. The Company further determined that the joint arrangement is a joint operation, based on the terms of a contractual agreement between the parties.

Revenue recognition

A performance obligation is a promise in a contract to transfer control of a distinct good or services (or integrated package of goods and/or services) to a customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, a performance obligation is satisfied. Revenue is comprised of revenue earned in the period from royalty interests.

For royalty interests, the commodities are sold by the mine operator to its customers under contracts that are established for the mining property on which the royalty interest is held. The Company recognizes revenue related to these sales when control over the commodity transfers from the mine operator to its customer. The transfer of control occurs when the mine operator delivers the commodity to the customer, and at that point, the risk and rewards of ownership transfers to the customer and the Company has an unconditional right to payment under the royalty agreement.

Revenue from the royalty arrangement is measured at the transaction price agreed in the royalty arrangement with the operator of each mining property. The transaction price is the percentage of gross revenues associated with the commodity sold less contractually allowable deductions and costs, if any, per the terms of the royalty agreement.

Loss per share

The Company presents basic and diluted loss per share ("EPS") data for its common shares, calculated by dividing the loss attributable to equity shareholders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted EPS is calculated by adjusting the loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares. The calculation of diluted EPS assumes that the proceeds to be received on the exercise of dilutive stock options, RSUs, and warrants are used to repurchase common shares at the average market price during the period. In addition, common shares that would have been outstanding if potentially dilutive common shares had been issued as a result of any convertible debentures outstanding are included using the "if converted" method. Diluted EPS does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is antidilutive.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent it relates to items recognized directly in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, and any adjustments to tax payable with regards to previous periods.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and losses carried forward. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Current and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decisionmaker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Chief Executive Officer ("CEO").

The Company operates in a single segment, the acquisition and management of royalty interests. Geographic information of the Company's royalty interests is included in Note 4.

Critical accounting estimates and judgments

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Information about significant areas of estimation uncertainty and judgments made by management in preparing the financial statements are described below. The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Fair value of share based compensation

The fair values of share based compensation are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices and expected option life, changes in subjective input assumptions can materially affect the fair value estimate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Critical accounting estimates and judgments (cont'd…)

Estimates (cont'd…)

Impairment of Royalty interests

In accordance with the Company's accounting policy, royalty interests are evaluated on a periodic basis to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognized to the extent that carrying amount exceeds recoverable amount. The recoverable amount of a royalty asset is measured at the higher of FVLCD and VIU. The determination of VIU requires management to make estimates and assumptions about expected production and sales volumes, the proportion of areas subject to royalty rights, commodity prices (considering current and historical prices, price trends and related factors), and reserves. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in profit or loss.

Depletion of producing royalty interests

The Company's revenue generating royalty interests are depleted using the unit of production method over the estimated life of the related mineral property. The estimated life of the related mineral property requires the use of estimates and assumptions, including the amount of contained metals, recovery rates and payable rates. Changes to these assumptions could directly impact the depletion rates used. Changes to depletion rates are accounted for prospectively.

Valuation of convertible debentures

On initial recognition, the fair value of the liability component of convertible debentures is calculated using a discounted cash flow method, which requires management to make an estimate of the appropriate discount rate that would be required if the debentures did not have a conversion feature.

Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements include:

Joint arrangements

Judgment is required to determine whether the Company has joint control of a contractual arrangement, which requires continuous assessment of the relevant activities and whether the decisions in relation to those activities require unanimous consent. Judgment is also continually required to classify a joint arrangement as either a joint operation or a joint venture when the arrangement has been structured through a separate vehicle. Classifying the arrangement requires the Company to assess its rights and obligations arising from the arrangement. Specifically, the Company considers the legal form of the separate vehicle, the terms of the contractual arrangement and other relevant facts and circumstances. This assessment often requires significant judgment, and a different conclusion on joint control, or whether the arrangement is a joint operation or a joint venture, may have a material impact on the accounting treatment.

Functional currency

The functional currency of the Company and each of its subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions.

Deferred acquisition costs

Judgment is required in determining whether acquisition related costs should be capitalized, including the stage of negotiation of a proposed royalty acquisition and whether the proposed acquisition will result in future economic benefits flowing to the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Critical accounting estimates and judgments (cont'd…)

Judgments (cont'd…)

Income taxes

The interpretation and application of existing tax laws, regulations or rules in Canada, the United States or any of the countries in which mining operations are located to which the Company holds a royalty interest requires the use of judgment. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on facts and circumstances of the relevant tax position considering all available evidence. Differing interpretation of these laws, regulations or rules could result in an increase in the Company's taxes, or other governmental charges, duties or impositions.

In assessing the probability of realizing deferred income tax assets, the Company makes estimates related to expectations of future taxable income and expected timing of reversals of existing temporary differences. Such estimates are based on forecasted cash flows from operations which require the use of estimates and assumptions such as long-term commodity prices and recoverable ounces of copper or other metals. Therefore, the amount of deferred income tax assets recognized on the statement of financial position could be materially different if actual results differ significantly from forecast.

Impairment indicators

Assessment of impairment and reversal of impairment on the Company's royalty interests at the end of each reporting period requires the use of judgments when assessing whether there are any indicators that give rise to the requirement to conduct an impairment or impairment reversal analysis.

Impact of global and market developments on commodity prices

A number of geopolitical and market factors impacting global commodity markets (including those related to COVID-19 pandemic and those related to developments in Russia and Ukraine) have contributed to extreme volatility in the price of copper and other metals. Assumptions about future commodity prices, interest rate levels of supply and demand of commodities continue to be subject to greater variability than normal and there is heightened potential for impairments or reversal of impairments with respect to the Company's royalty interests. The continuation of volatile commodity prices for a prolonged period may significantly affect the valuation of the Company's financial and non-financial assets and have a material adverse impact on the Company's profitability, results of operations, financial condition and the trading price of Nova Royalty Corp.

Accounting standard amendment issued but not yet effective

IAS 1 - Presentation of Financial Statements

In January 2020, the IASB issued an amendment to IAS 1, Presentation of Financial Statements, to clarify one of the requirements under the standard for classifying a liability as non-current in nature. The amendment includes:

a) Specifying that an entity's right to defer settlement must exist at the end of the reporting period;
b) Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
c) Clarifying how lending conditions affect classification; and
d) Clarifying if the settlement of a liability refers to the transfer of cash, equity instruments, other assets or services.

The Company will perform an assessment of the amendment on its financial statements prior to the effective date of January 1, 2024. Based on the currently available information, the Company does not anticipate any material impact from this amendment on its financial statements.

(Expressed in Canadian Dollars)

3. RECEIVABLES

	December 31 2022	December 31 2021
Royalty receivable	$ 854,874	$ 961,885
GST/VAT and other taxes recoverable	23,446	36,745
Other receivables	1,938	1,938
	$ 880,258	$ 1,000,568

4. ROYALTY INTERESTS

	December 31 2021	Additions	Depletion	Impairment	December 31 2022	**Historical Cost**	**Accumulated Depletion**
Josemaria	$ -	$ 357,358	$ -	$ -	$ 357,358	**$ 357,358**	**$ -**
Copper World/Rosemont	-	3,477,809	-	-	3,477,809	**3,477,809**	**-**
Aranzazu	11,448,754	2,781	(1,200,840)	-	10,250,695	**11,847,364**	**(1,596,669)**
West Wall	5,313,588	-	-	-	5,313,588	**5,313,588**	**-**
Taca Taca	44,041,003	5,956	-	-	44,046,959	**44,046,959**	**-**
Vizcachitas	12,851,393	-	-	-	12,851,393	**12,851,393**	**-**
NuevaUnión	4,349,688	-	-	-	4,349,688	**4,349,688**	**-**
Dumont	3,359,490	-	-	-	3,359,490	**3,359,490**	**-**
Other[1]	1,983,350	-	-	-	1,983,350	**1,983,350**	**-**
	$ 83,347,266	$ 3,843,904	$ (1,200,840)	$ -	$ 85,990,330	**$87,586,999**	**$(1,596,669)**

	December 31 2020	Additions	Depletion	Impairment	December 31 2021	**Historical Cost**	**Accumulated Depletion**
Aranzazu	$ -	$ 11,844,583	$ (395,829)	$ -	$ 11,448,754	**$11,844,583**	**$ (395,829)**
West Wall	-	5,313,588	-	-	5,313,588	**5,313,588**	**-**
Taca Taca	17,516,996	26,524,007	-	-	44,041,003	**44,041,003**	**-**
Vizcachitas	-	12,851,393	-	-	12,851,393	**12,851,393**	**-**
NuevaUnión	4,348,380	1,308	-	-	4,349,688	**4,349,688**	**-**
Dumont	3,357,582	1,908	-	-	3,359,490	**3,359,490**	**-**
Other[1]	4,636,397	8,174	-	(2,661,221)	1,983,350	**1,983,350**	**-**
	$ 29,859,355	$ 56,544,961	$ (395,829)	$ (2,661,221)	$ 83,347,266	**$83,743,095**	**$ (395,829)**

(1) Other consists of the Pacific Empire, Wollaston Copper Belt, and Twin Metals royalty interests.

Josemaria royalty

In May 2022, the Company entered into a purchase agreement with a group of existing royalty holders pursuant to which the Company has secured the right to acquire a portion of an existing royalty on the Josemaria copper-gold-silver project ("Josemaria") in San Juan, Argentina, owned by Lundin Mining Corporation (TSX:LUN, Nasdaq Stockholm:LUMI). The royalty includes a 0.5% net profit interest ("NPI") that covers the area of the mineral reserve estimate for Josemaria and is payable in cash for a period of 10 years commencing on production and an additional US$2,000,000 cash payment six months following two full years of production (in aggregate, the "Josemaria Royalty"). The portion of the royalty that will be acquired by the Company (the "Nova Portion") is subject to the finalization of an estate partitioning process in Argentina. The acquisition is not expected to close until the conclusion of this process. However, through this purchase agreement, the Company has secured rights to future ownership of the Nova Portion at a predetermined price.

This agreement specifies a total purchase price of US$13,712,000 for 100% of the Royalty (the "Total Price"), payable at the achievement of future milestones, plus an additional advanced payment of US$100,000.

The consideration payable to the sellers by the Company (the "Nova Consideration") will be calculated by adjusting the Total Price for the Nova Portion on a pro rata basis. The Company expects to acquire approximately 16.7% of the Josemaria Royalty (representing a 0.08325% NPI) for US$2,289,904, and currently holds a right of first refusal ("ROFR") over an additional 16.7% of the Josemaria Royalty. The total acquisition price of US$2,389,904 is payable as follows:

a) Advanced payments totaling US$100,000, where $34,413 (US$26,832) has been paid and 3,941 common shares have been issued with a fair value of $8,828 (US$6,500), and US$66,666 is due within 10 business days from the date of delivery of certified copies of the estate partitioning agreement;
b) 50% of the Nova Consideration (US$1,144,952), payable in cash 30 business days following the receipt of notice that the Company has been recorded as sole titleholder of the Nova Portion with the relevant mining authority;
c) 25% of the Nova Consideration (US$572,476), payable in cash 30 business days following commencement of construction at Josemaria, provided that the estate partitioning has first been finalized; and

4. ROYALTY INTERESTS (cont'd…)

Josemaria royalty (cont'd…)

d) 25% of the Nova Consideration (US$572,476), payable in cash 30 business days following the 12-month anniversary of commercial production at Josemaria, provided that the estate partitioning has first been finalized.

Copper World & Rosemont royalty

In January 2022, the Company acquired a 0.135% net smelter return ("NSR") royalty on the Copper World and Rosemont copper projects in Arizona, USA, owned by Hudbay Minerals Inc. ("HudBay"; TSX:HBM; NYSE:HBM). The total acquisition price of US$5,463,236, is payable as follows:

a) US$992,647 ($1,261,853) in cash and US$500,000 in common shares (issued 214,610 common shares of the Company with a fair value of $667,437) each paid on closing;
b) US$992,647 in cash (accrued $1,344,441 as at December 31, 2022) due on or before the earlier of: (i) January 25, 2023 (subsequently extended to May 8, 2023); and (ii) 30 days after the Company completes a single equity financing resulting in aggregate net proceeds of at least US$10,000,000; and
c) US$2,977,942 in cash due 30 days following the later of 12 months after the announcement of full-scale production and the receipt of the first three royalty payments under the agreement.

The Company retains a ROFR in respect to an additional 0.540% NSR owned by the sellers of the royalty.

Aranzazu royalty

In August 2021, the Company acquired a 1.0% NSR royalty on the Aranzazu producing copper-gold-silver mine (the "Aranzazu Royalty" or "Aranzazu") in Zacatecas, Mexico, owned by Aura Minerals Inc. ("Aura"; TSX:ORA). Consideration of $10,104,560 (US$8,000,000) cash and 388,093 common shares of the Company with a fair value of $1,206,970 was paid on closing of the acquisition.

The Company is entitled to 1.0% of the NSR on all products sold at Aranzazu, less certain allowable deductions, provided that the monthly average price per pound of copper, as quoted by the London Metals Exchange, equals or exceeds US$2.00 per pound. As part of the acquisition, the Company paid cash finder's fees of $73,776 and non-cash finders fees through the issuance of 35,218 common shares, valued at $101,428.

The Company recorded revenues from royalty interests of $1,988,168 related to the Aranzazu royalty during the year ended December 31, 2022 (2021 - $694,904).

West Wall royalty

In June 2021, the Company acquired rights to a 1.0% net proceeds royalty ("NPR") from Sociedad Minera Auromín Limitada ("Auromín") on the West Wall copper-gold-molybdenum project located in the central Chilean Andes. The project is a joint venture owned 50/50 by Anglo American PLC ("Anglo American"; GBX:AAL) and Glencore PLC ("Glencore"; LSE:GLEN). Cash consideration of $5,105,436 (US$4,200,000) was paid on closing of the acquisition.

Under the terms of the agreement, the Company also has rights to receive a 1.0% NPR in other mining tenements established as designated areas within the Project Area as defined in the agreement.

As part of the acquisition, the Company paid a 2% finder's fee through the issuance of 30,748 common shares, valued at $103,621.

Taca Taca royalty

In November 2020, the Company acquired a 0.24% NSR royalty on the Taca Taca copper-gold-molybdenum project operated by First Quantum Minerals (TSX:FM) in Salta Province of Argentina ("Taca Taca") from certain private sellers for total consideration of US$10,5000,000 cash and 2,000,000 common shares, payable as follows:

a) $11,070,230 (US$8,500,000) cash and 2,000,000 common shares of the Company, with a fair value of $3,200,000, each paid on closing;
b) US$500,000 cash due six months after closing ($608,045 paid May 2021);
c) US$1,000,000 cash due twelve months after closing ($1,239,478 paid November 2021); and
d) US$500,000 cash due twenty-four months after closing ($669,082 paid November 2022).

4. ROYALTY INTERESTS (cont'd…)

Taca Taca royalty (cont'd…)

As part of the acquisition, the Company paid a 2% finder's fee through the issuance of 212,702 common shares valued at $340,323. The royalty is subject to a buyback right based on the proven reserves at Taca Taca in a feasibility study completed by a recognized, international consulting firm that is contracted by mutual consent of all parties, including royalty holders. The buyback amount will be based on the amount of the proven reserves multiplied by the prevailing market prices of all applicable commodities within Taca Taca.

In February 2021, the Company acquired a further 0.18% NSR on the Taca Taca project, increasing the total NSR royalty to 0.42%. The acquisition price was $3,809,400 (US$3,000,000) in cash and 4,545,454 common shares of the Company, with a fair value of $21,954,543, both paid on closing of the agreement. A further US$4,000,000 is due within 10 days after the date of the commencement of commercial production on the Taca Taca project. As part of the acquisition, the Company paid a 2% finder's fee through the issuance of 103,359 common shares with a fair value of $525,064.

Vizcachitas royalty

In February 2021, the Company completed the acquisition of a 0.98% NSR royalty on open pit operations and 0.49% NSR royalty on underground operations on the San Jose 1/3000 exploitation concession which represents approximately 50% of the project area within the Vizcachitas copper-molybdenum porphyry project in Central Chile. Vizcachitas is 100% owned by Los Andes Copper Ltd. ("LAC"; TSXV:LA). The acquisition price was $8,264,373 (US$6,500,000) in cash paid on closing and a further US$9,500,000 payable in common shares of the Company upon achievement of certain project milestones, which include:

a) $1,948,052 (US$1,750,000) upon issuance of a valid Resolución de Calificación Ambiental ("RCA"), an environmental permit that allows drilling activities regarding the Vizcachitas project (paid in June 2021 through the issuance of 535,179 common shares with a fair value of $1,948,052);
b) $2,236,860 (US$1,750,000) upon issuance of the other permits required by the RCA to commence the execution of drilling on the Vizcachitas project (paid in November 2021 through the issuance of 703,415 common shares with a fair value of $2,236,860);
c) US$1,500,000 upon the disclosure of a pre-feasibility study prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects with respect to the Vizcachitas project which includes the San Jose 1/3000 exploitation concession (LAC announced the results of a pre-feasability study on February 23, 2023 and management expects the milestone payment to be due on publishing of the report within 45 days of the announcement); and
d) US$4,500,000 upon the first to occur of: (i) LAC or its successors or assign makes a fully-financed construction decision on the Vizcachitas project (or any part thereof that includes the exploitation concession); (ii) LAC or its successor or assign enters into an earn-in transaction with respect to the Vizcachitas project (or any part thereof that includes the exploitation concession) or for LAC itself, with a third party, for a minimum interest of 51%; or (iii) LAC or its successor or assign sells the Vizcachitas project (or any part thereof that includes the exploitation concession) or LAC to an arms' length third party.

As part of the acquisition, the Company paid a 1% finder's fee through the issuance of 40,291 common shares with a fair value of $163,179.

Twin Metals royalty

In November 2020, the Company acquired a 2.4% NSR on a portion of the Twin Metals Minnesota's copper-nickel-platinum group metals project (the "TMM Project") located in Minnesota and owned by Antofagasta PCL's ("Antofagasta") subsidiary Boart Longyear Ltd. (ASX:BLY). In additon to the up-front consideration of US$1,800,000 ($2,357,190) cash and 161,572 common shares (with a fair value of $258,515) paid on closing, the Company has agreed to make conditional payments totaling up to US$4,000,000 payable in cash and common shares upon the completion of certain milestones with respect to the TMM Project.

The Company recorded revenues from royalty interests of $8,464 (2021 - $8,140) related to the TMM Project during the twelve months ended December 31, 2022.

4. ROYALTY INTERESTS (cont'd…)

Twin Metals royalty (cont'd…)

In September 2021, the United States Forest Service ("USFS") submitted an application to withdraw approximately 225,000 acres of land in the Superior National Forest from the scope of federal mineral leasing laws. In October 2021, the United States Bureau of Land Management ("BLM") rejected Twin Metals' Preference Right Lease Applications ("PRLAs") and Prospecting Permit Applications ("PPAs"). In January 2022, the United States Department of the Interior cancelled Twin Metals' MNES-1352 and MNES-1353 federal mineral leases. The PRLAs and federal mineral leases form a significant proportion of the mineral resources contained within Twin Metals' current project plan and, accordingly, it was determined that these events collectively represented an indicator of impairment of the Company's royalty interest in the project.

Prior to the resulting impairment assessment being performed, as at December 31, 2021 the Company had capitalized acquisition and due diligence costs as royalty interests on the statement of financial position of $2,661,221.

Although Antofagasta has stated it intends to pursue validation of its rights, considering the time and uncertainty related to any legal action to challenge the government decisions, the recoverable value of the royalty interest was determined to be $Nil as at December 31, 2021 and an impairment charge recorded in the year ended December 31, 2021.

Wollaston Copper Belt exploration royalties

In September 2020, the Company acquired a portfolio of royalties from Transition Metals Corp. ("TMC"), which includes:

a) an existing 1.0% NSR royalty on the Janice Lake copper-silver project in Saskatchewan being advanced by Rio Tinto Exploration Canada Inc. (subject to a right of the royalty payor to buy back 0.375% of the royalty for $750,000 prior to commercial production);
b) a 1.0% NSR royalty on the Wollaston project;
c) a 1.25% NSR royalty on the Dundonald nickel project, and
d) six other royalties on exploration properties.

The Company will retain a right of first refusal ("ROFR") on the sale of any of TMC's retained NSR royalty interests on the Janice Lake, Dundonald, West Matachewan, and the Elephant Head projects.

In additon to the up-front consideration of $1,072,500 cash and 525,000 common shares (with a fair value of $677,250) paid on closing, the Company has agreed to make contingent payments totaling up to $2,000,000 payable in cash and common shares to TMC upon achievement of the following milestones in respect of the Janice Lake project:

a) $1,000,000 in cash upon the completion of a bankable feasibility study or the commencement of commercial production on the Janice Lake property; and
b) $1,000,000 in common shares if the projected annual production of the Janice Lake property is at least 30,000 tonnes of contained copper for a minimum of 10 years.

NuevaUnión royalty

In February 2020, the Company acquired an existing 2.0% NSR royalty on future copper production on the Cantarito claim which makes up part of the La Fortuna deposit forming part of the NuevaUnión copper-gold project ("NuevaUnión") located in in the Huasco Province in the Atacama region of Chile. NuevaUnión is jointly owned by Newmont Corporation ("Newmont"; NYSE:NEM) and Teck Resources Limited ("Teck"; NYSE:TECK). The acquisition was completed jointly with Metalla (TSXV:MTA) with the companies having formed a special purpose vehicle to hold the Cantarito royalty.

(Expressed in Canadian Dollars)

4. ROYALTY INTERESTS (cont'd…)

NuevaUnión royalty (cont'd…)

The aggregate consideration of US$8,000,000 was divided between the Company and Metalla, where the Company has agreed to pay 75% or US$6,000,000 and Metalla has agreed to pay 25% or US$2,000,000. On closing, the Company paid $2,992,635 (US$2,250,000) in cash. In February 2021, the Company paid $952,867 (US$750,000) in cash. The Company has agreed to pay a further US$1,500,000 in cash and US$1,500,000 in common shares upon the achievement of commercial production at the La Fortuna deposit. As part of the acquisition, the Company paid a finder's fee through the issuance of 425,280 common shares valued at $212,640.

In accordance with the Company's accounting policy for joint arrangements, the Company's share of the assets, liabilities, revenues, expenses and cash flows of Nueva are recognized in these financial statements, which is solely the NuevaUnión royalty interest recognized in the statement of financial position.

Dumont royalty

In January 2019, the Company acquired a 2.0% NSR on a portion of the Dumont nickel-cobalt project located in Quebec, Canada, which was previously held by Karora Resources Inc. ("Karora"). On closing of the agreement, $2,000,000 was paid in cash and 3,669,018 in common shares (with a fair value of $917,254). In January 2021, Karora sold its interest in the project to Waterton Global Resource Investments, who has the option to buy back one half of the NSR royalty for $1,000,000.

5. DEFERRED ACQUISITION COSTS

	December 31 2022	December 31 2021
Opening balance	$ 291,538	$ 75,658
Additions	562,884	397,096
Expensing of acquisitions not completed	(422,679)	-
Transferred to royalty interests for completed acquisitions	(349,681)	(181,216)
	$ 82,062	$ 291,538

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31 2022	December 31 2021
Trade and other payables	$ 224,825	$ 639,070
Payables on Taca Taca acquisition (Note 4)	-	633,900
Payables on Copper World/Rosemont acquisition (Note 4)	1,344,441	-
Accrued liabilities	729,733	1,220,997
	$ 2,298,999	$ 2,493,967

7. CONVERTIBLE DEBENTURES

	December 31 2022	December 31 2021
Opening balance	$ 5,211,455	$ 3,060,487
Additions	3,000,000	5,000,000
Transaction costs	(23,361)	(279,839)
Allocation of conversion feature	(121,155)	(273,961)
Accretion and interest	832,971	550,493
Accrued standby charge	251,706	287,543
Standby charge paid	-	(8,255)
Conversion to common shares	-	(3,125,013)
	$ 9,151,616	$ 5,211,455
Less: current portion included in accrued liabilities	$ -	$ (312,862)
	$ 9,151,616	$ 4,898,593

7. CONVERTIBLE DEBENTURES (cont'd…)

In October 2020, the Company obtained a convertible loan facility of up to $13,000,000 with Beedie Capital ("Beedie"). Advances are convertible at the option of Beedie. An initial advance of $3,500,000 was made at closing, and the remaining $9,500,000 was available for subsequent advances in minimum tranches of $1,500,000 over the term of the facility. The facility carries an interest rate of 8.0% on advanced funds and 1.5% standby fee on funds available, with the principal payment due 48 months after closing. The Company had the option under the loan to defer any interest payments during the first 24 months. Beedie also committed to a subscription of $2,000,000 in the Company's first public offering that subsequently closed in November 2020. The initial advance was convertible into common shares of the Company at a conversion price of $1.00 per share and any subsequent advance is convertible into common shares of the Company at a conversion price equal to a 20% premium above the 30-day volume-weighted average price ("VWAP") of the Company's common shares on the TSX-V at the time of the advance. Beedie retains a first ranking security interest in all of the Company's present and after acquired property and assets. Beedie may restrict the use of funds under the convertible loan facility for the sole purpose of funding acquisitions.

In October 2020, the Company drew down the initial advance of $3,500,000, of which $3,278,109 was allocated as a financial liability and the residual value of $221,891 was allocated to the conversion feature as equity. A deferred tax liability of $46,808 related to the taxable temporary difference arising from the equity portion of the convertible loan was recognized in equity reserves. Transaction costs of $341,795 and $23,136 were allocated to the financial liability and equity portions of the convertible debt respectively. The effective interest rate on the liability was 13.2% per annum, with an expected life of 4.00 years. In February 2021, all outstanding principal and accrued interest related to the initial advance was converted into 3,535,691 common shares of the Company. The Company also recorded a deferred income tax expense of $46,808 with an offset to equity reserves to unwind a portion of the deferred taxes that were recognized in October 2020 upon issuance of the initial advance.

In February 2021, an advance of $5,000,000 was drawn on the facility. This second advance is convertible into common shares of the Company at a conversion price of $5.67 per common share, accrues interest at 8.00% per annum and matures on October 7, 2024. On initial recognition of the second advance, $4,726,039 was allocated as a financial liability and the residual value of $273,961 was allocated to the conversion feature as equity. A deferred tax liability of $66,179 related to the taxable temporary difference arising from the equity portion of the convertible loan has been recognized in equity reserves. Transaction costs of $279,839 and $16,222 were allocated to the financial liability and equity portions of the convertible debt respectively. The effective interest rate on the liability is 11.8% per annum, with an original expected life of 3.62 years.

In February 2021, the Company entered into an amended and restated convertible loan agreement with Beedie in which remaining funds available under the facility increased to $20,000,000. The interest rate of 8%, maturity date of October 7, 2024 and other main terms remained unchanged. Under the amended and restated convertible loan agreement, the Company is required to maintain a cash balance of at least $500,000 at all times. During the year ended and as at December 31, 2022 and 2021, the Company was in compliance with its financial covenant.

In January 2022, an advance of $1,500,000 was drawn on the facility. This third advance is convertible into common shares of the Company at a conversion price of $3.51 per common share, accrues interest at 8.00% per annum and matures on October 7, 2024. On initial recognition of the third advance, $1,436,062 was allocated as a financial liability and the residual value of $63,937 was allocated to the conversion feature as equity. A deferred tax liability of $15,833 related to the taxable temporary difference arising from the equity portion of the convertible loan has been recognized in equity reserves. Transaction costs of $16,147 and $719 were allocated to the financial liability and equity portions of the convertible debt respectively. The effective interest rate on the liability is 10.3% per annum, with an original expected life of 2.70 years.

In May 2022, an advance of $1,500,000 was drawn on the facility. This fourth advance is convertible into common shares of the Company at a conversion price of $2.74 per common share, accrues interest at 8.00% per annum and matures on October 7, 2024. On initial recognition of the fourth advance, $1,442,784 was allocated as a financial liability and the residual value of $57,216 was allocated to the conversion feature as equity. A deferred tax liability of $14,688 related to the taxable temporary difference arising from the equity portion of the convertible loan has been recognized in equity reserves. Transaction costs of $7,214 and $286 were allocated to the financial liability and equity portions of the convertible debt respectively. The effective interest rate on the liability is 10.1% per annum, with an original expected life of 2.38 years.

As at December 31, 2022, total principal drawn under the convertible loan facility was $8,000,000 (2021 - $5,000,000), interest and standby charges accrued were $1,555,408 (2021 - $654,780), and undrawn funds available under the convertible loan facility were $17,000,000 (2021 - $20,000,000).

(Expressed in Canadian Dollars)

7. CONVERTIBLE DEBENTURES (cont'd…)

A summary of interest and accretion on each advance, and standby charges accrued for the years ended December 31, 2022 and 2021 is as follows:

	December 31 2022	December 31 2021
October 2020 advance	$ -	$ 98,100
February 2021 advance	598,525	452,393
January 2022 advance	144,243	-
May 2022 advance	90,203	-
Standby charge	251,706	287,543
	$ 1,084,677	$ 838,036

8. SHARE CAPITAL

As at December 31, 2022, the authorized share capital consists of an unlimited number of common and preferred shares without par value, of which Nil (2021 - 1,393,125) common shares are held in escrow to be released over time.

In February 2021, the Company established an ATM equity program to distribute up to $25,000,000 of common shares of the Company (the "2021 ATM Program"). The common shares under the ATM will be issued by the Company to the public from time to time, through the agents, at the Company's discretion. The distribution agreement for the 2021 ATM Program terminated on November 28, 2022.

In November 2022, the Company filed a short form base shelf prospectus to qualify the issuance of debt securities, warrants, subscription receipts and share purchase contracts up to an aggregate amount of $200,000,000. In connection with the filing of the short form base shelf prospectus, the Company extended then terminated its 2021 ATM Program and filed a new prospectus supplement to establish a new ATM equity program (the "2022 ATM Program") to distribute up to $25,000,000 of common shares of the Company. The common shares under the 2022 ATM Program will be issued by the Company to the public from time to time, through the agents, at the Company's discretion. The distribution agreement for the 2022 ATM Program terminates on the earlier of (a) the date that the aggregate gross sales proceeds of the shares sold under the ATM equity program reaches the aggregate amount of $25,000,000 ($25,000,000 remaining as at December 31, 2022), or (b) December 18, 2024.

Issued share capital

There were no preferred shares issued and outstanding during the years ended December 31, 2022 and 2021.

During the year ended December 31, 2022, the Company issued 1,123,300 (2021 - 1,879,300) common shares pursuant to its 2021 ATM program for gross proceeds of $2,020,871 (2021 - $6,591,456) with aggregate share issue costs paid and/or accrued of $398,367 (2021 - $503,890).

During the year ended December 31, 2021, the Company issued 4,139,600 common shares pursuant to a prospectus supplement for gross proceeds of $13,660,680 with aggregate share issuance costs of $1,005,552.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (cont'd…)

Stock options

The Company has adopted a stock option plan approved by the Company's shareholders. The maximum number of shares that may be reserved for issuance under the plan is limited to 10% of the issued common shares of the Company at any time, less the amount reserved for equity settled RSUs. The vesting terms, if any, are determined by the Company's Board of Directors at the time of the grant.

The continuity of stock options for the years ended December 31, 2022 and 2021 is as follows:

	Outstanding	Weighted average exercise price
As at December 31, 2020	2,600,000	$ 0.25
Granted	2,955,000	3.46
Exercised	(1,375,000)	0.25
As at December 31, 2021	4,180,000	2.52
Granted	1,790,000	1.56
Exercised	(150,000)	0.25
As at December 31, 2022	5,820,000	$ 2.28

The weighted average remaining life of stock options outstanding is 3.45 (2021 - 3.89) years. The Company's outstanding and exercisable stock options as at December 31, 2022 are as follows:

Expiry date	Exercise price	Outstanding	Exercisable
March 1, 2024	$ 0.25	1,075,000	1,075,000
March 1, 2026	$ 4.75	325,000	108,332
August 27, 2026	$ 3.30	2,630,000	1,315,000
July 20, 2027	$ 1.56	1,790,000	-
		5,820,000	2,498,332

Restricted share units

The continuity of RSUs for the years ended December 31, 2022 and 2021 is as follows:

	Outstanding
As at December 31, 2020	1,400,000
Granted	405,000
Settled	(500,000)
As at December 31, 2021	1,305,000
Settled	(794,366)
As at December 31, 2022	510,634

As at December 31, 2022, the weighted average remaining life of the RSUs outstanding was 0.61 (2021 - 0.89) years with vesting periods of up to 36 months. The Company's outstanding RSUs as at December 31, 2022 are as follows:

Final vesting date	Outstanding	Unvested
April 27, 2022	243,334	-
March 1, 2024	267,300	267,300
	510,634	267,300

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (cont'd…)

Share purchase warrants

The continuity of share purchase warrants for the years ended December 31, 2022 and 2021 is as follows:

	Outstanding		Weighted average exercise price
As at December 31, 2020	8,636,995	$	0.72
Exercised	(8,595,997)		0.72
As at December 31, 2021	40,998	$	0.50
Exercised	(40,998)		0.50
As at December 31, 2022	-	$	-

In January 2021, the Company accelerated the expiry of certain outstanding share purchase warrants exercisable at prices of $0.40 and $1.00 per share. Pursuant to the terms of these share purchase warrants, if the closing price of the Company's common shares was greater than $1.00 or $1.25 per share respectively for twenty (20) consecutive trading days after the issuance date, the Company was entitled to accelerate the expiry date of these warrants such that the warrants expire on the 30th day following the date of notice.

Share based compensation and share based compensation reserve

During the year ended December 31, 2022, the Company granted 1,790,000 (2021 - 2,955,000) stock options with a weighted average fair value of $0.68 (2021 - $1.68) per option. The fair value of the stock options granted was estimated using the Black-Scholes option pricing model with the following assumptions:

Weighted average:	Year ended December 31 2022	Year ended December 31 2021
Risk free interest rate	3.10%	0.86%
Expected dividend yield	0%	0%
Expected stock price volatility	46%	59%
Expected life in years	5	5
Forfeiture rate	0%	0%

During the year ended December 31, 2021, the Company granted 405,000 RSUs with a fair value of $4.75 per RSU. The fair value of the RSUs granted was determined using the Company's share price on the TSX-V on the date of grant.

During the year ended December 31, 2022, the Company recorded share based compensation expense of $3,696,551 (2021 - $2,886,380), of which $2,989,295 (2021 - $1,584,382) represents the fair value of options vested during the year, and $707,256 (2021 - $1,301,998) represents the fair value of RSUs vested during the year, with the offsetting amounts credited to share based compensation reserve.

(Expressed in Canadian Dollars)

9. RELATED PARTY BALANCES AND TRANSACTIONS

The Company considers key management personnel to include its directors, and senior officers and any entity controlled by them. The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

Year ended December 31, 2022	Salary or director fees	Share-based payments	Total
Senior officers	$ 208,464	$ 596,422	$ 804,886
Directors	406,257	1,684,809	2,091,066
	$ 614,721	$ 2,281,231	$ 2,895,952

Year ended December 31, 2021	Salary or director fees	Share-based payments	Total
Senior officers	$ 579,330	$ 437,471	$ 1,016,801
Directors	296,425	1,399,313	1,695,738
	$ 875,755	$ 1,836,784	$ 2,712,539

Included in the table above, during the year ended December 31, 2022, the Company paid or accrued $150,116 (2021 - $117,800) to a director for oversight function provided by the ATM committee.

In addition to the amounts in the table above, during the year ended December 31, 2022, the Company paid or accrued $180,000 (2021 - $180,000) to Seabord Services Corp. ("Seabord"). Seabord provides the following services: A Chief Financial Officer ("CFO"), a Corporate Secretary, accounting and administration staff, and office space to the Company. The CFO and Corporate Secretary are employees of Seabord and are not paid directly by the Company.

As at December 31, 2022, included in accounts payable and accrued liabilities is $109,092 (2021 - $489,997) payable to key management personnel for fees and reimbursable expenses. In addition, as at December 31, 2022, the Company has a commitment to issue 57,144 (2021 - 57,144) common shares, to Seabord for services rendered during 2020, valued at $28,572 (2021 - $28,572), before the Company's public listing was completed.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing activities

During the year ended December 31, 2022, the Company had the following non-cash investing and financing activities not disclosed elsewhere:

a) accrued $1,363,733 in accounts payable and accrued liabilities pursuant to royalty interest acquisition agreements and due diligence costs.

During the year ended December 31, 2021, the Company had the following non-cash investing and financing activities not disclosed elsewhere:

a) accrued $1,473,375 in accounts payable and accrued liabilities pursuant to royalty interest acquisition agreements and due diligence costs.

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

	December 31 2022	December 31 2021
Financial assets - amortized cost:		
Cash	$ 1,087,378	$ 962,745
Royalty receivable	854,874	961,885
Other receivables	1,938	1,938
Financial liabilities - amortized cost:		
Accounts payable and accrued liabilities	2,298,999	2,493,967
Convertible debentures (liability portion)	9,151,616	4,898,593

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: (a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities; (b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and (c) Level 3 - Inputs for assets and liabilities that are not based on observable market data. The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The Company has no financial instruments recorded at fair value on the statements for financial position.

The carrying value of cash, receivables, and accounts payable and accrued liabilities approximates their fair value due to the short-term nature of these instruments. The carrying value of the liability portion of the convertible debentures is estimated to approximate their fair value.

The Company's activities expose it to financial risks of varying degrees of significance, which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are metal price risk, credit risk, liquidity risk, currency risk, and interest rate risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

Capital risk management

Capital is comprised of the Company's shareholders' equity and the liability portion of the convertible debentures. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes cash flow budgeting and maintaining access to capital through equity financings and debt. The Company is subject to an externally imposed financial capital covenant as disclosed in Note 7.

Credit risk

Credit risk is the risk of loss arising from a customer or third party to a financial instrument failing to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and receivables. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company's exposure with respect to its receivables is primarily related to royalty revenue receivable, which management considers to be nominal at year-end.

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 attempts to ensure there is sufficient funds to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash as well as anticipated proceeds from future financings. The Company believes that these sources are sufficient to cover the short-term cash requirements, but that further funding will be required to meet long-term requirements. The maturities of the Company's non-current liabilities are disclosed in Notes 7 and 12.

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS (cont'd…)

Market risk

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company primarily operates in Canada and the United States and receives royalty revenue and incurs expenditures in currencies other than Canadian dollars. The Company has not hedged its exposure to currency fluctuations. Based on the above net exposure, as at December 31, 2022, and assuming that all other variables remain constant, a 1% depreciation or appreciation of the Canadian dollar against the United States dollar would result in an increase/decrease in the Company's pre-tax income or loss of approximately $9,000.

Interest rate risk

Interest rate risk refers to 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. The Company does not have any material interest rate risk exposure as its debt facilities are at fixed interest rates.

12. COMMITMENTS

As at December 31, 2022, the following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include all contractual interest payments:

	Less than 1 year	1 to 2 years	Total
Trade and other payables	$ 224,825	-	$ 224,825
Accrued liabilities	729,733	-	729,733
Payments related to acquisitions	1,344,441	-	1,344,441
Convertible debenture (including interest)	280,388	11,184,708	11,465,096
	$ 2,579,387	$ 11,184,708	$ 13,764,095

In addition to the commitments payable above, the Company could in the future have additional contingent commitment amounts payable in cash and/or common shares related to the acquisition of royalty interests as disclosed in Note 4. However, these payments have not been accrued as they are subject to certain milestone conditions that have not occurred as at December 31, 2022.

13. INCOME TAXES

Income tax expense differs from the amount that would result from applying Canadian income tax rates to earnings before income taxes. These differences result from the following items:

For the years ended	December 31 2022	December 31 2021
Loss before income taxes	$ (7,901,714)	$ (9,432,817)
Canadian federal and provincial income tax rates	27.00%	27.00%
Expected income tax recovery at statutory income tax rate	(2,133,463)	(2,546,861)
Permanent differences and other adjustments	739,354	513,865
Changes in unrecognized deferred tax assets	1,388,623	2,024,443
Income tax recovery	$ (5,486)	$ (8,553)
Current income tax recovery	$ -	$ -
Deferred income tax recovery	$ (5,486)	$ (8,553)

(Expressed in Canadian Dollars)

13. INCOME TAXES (cont'd…)

The composition of the Company's unrecognized deferred income tax assets is as follows:

Deferred income tax assets (liabilities)	December 31 2022	December 31 2021
Non-capital losses	$ 3,117,845	$ 1,952,867
Royalty interests	991,165	673,659
Financing costs	571,503	665,364
	4,680,513	3,291,890
Unrecognized deferred tax assets	(4,680,513)	(3,291,890)
Net deferred income tax asset (liability)	$ -	$ -

Significant components of the Company's deferred tax assets that have not been included in the statement of financial position are as follows:

	December 31 2022	Expiry date range	December 31 2021	Expiry date range
Non-capital losses	$ 11,547,569	2039 to 2042	$ 7,232,837	2038 to 2041
Royalty interests	$ 3,670,983	N/A	$ 2,495,035	N/A
Financing costs	$ 2,116,678	2023 to 2026	$ 2,464,310	2022 to 2025

Tax attributes are subject to review and potential adjustment by tax authorities.

14. EVENTS AFTER REPORTING DATE

Subsequent to December 31, 2022, the Company:

- Issued 1,034,400 common shares under the 2022 ATM Program for gross proceeds of $1,499,880 and with aggregate share issuance costs paid of $37,497;
- Granted 1,347,500 stock options with an exercise price of $1.47 per option;
- Granted 1,907,500 RSUs at a price of $1.47 per RSU;
- Settled 238,934 RSUs through the issuance of 238,934 common shares;
- Issued 636,963 common shares on the cashless exercise of 760,000 stock options with an exercise price of $0.25 per option;
- Entered into an agreement to acquire an additional 0.03% NSR royalty on Hudbay's Copperworld Project for up to US$1,400,000 in cash and common shares of the Company;
- Drew down $1,500,000 under its existing amended and restated convertible loan facility with Beedie. The drawdown is convertible into common shares of the Company at a conversion price of $1.7852 per common shares; and
- Entered into an amendment to the Beedie convertible loan facility to accrue the interest for the period from October 1, 2022 to September 30, 2023 to principal at an interest rate of 8.5% for that period. Under the amended agreement, the Company will begin to pay cash interest on its outstanding principal for the period commencing on October 1, 2023, at which point the interest rate will revert to 8.0% as per the original facility.