



NOVA ROYALTY CORP.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

AS AT JUNE 30, 2023

AND

**FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2023 AND 2022**

NOVA ROYALTY CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited - Expressed in Canadian Dollars)

	June 30 2023	December 31 2022
ASSETS		
Current assets		
Cash	\$ 2,302,770	\$ 1,087,378
Receivables (Note 3)	1,109,219	880,258
Prepaid expenses	326,843	108,990
Total current assets	3,738,832	2,076,626
Non-current assets		
Royalty interests (Note 4)	92,167,554	86,072,392
Total non-current assets	92,167,554	86,072,392
TOTAL ASSETS	\$ 95,906,386	\$ 88,149,018
LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 5, 9)	\$ 618,582	\$ 954,558
Royalty interest acquisition payables (Note 4)	993,000	1,344,441
Total current liabilities	1,611,582	2,298,999
Non-current liabilities		
Convertible debentures (Note 6)	13,898,022	9,151,616
Total non-current liabilities	13,898,022	9,151,616
Total liabilities	15,509,604	11,450,615
EQUITY		
Share capital (Note 7)	99,503,179	92,237,822
Commitment to issue shares (Note 9)	-	28,572
Equity portion of convertible debentures (Note 6)	378,171	317,043
Share based compensation reserve (Note 7)	6,985,277	5,861,966
Deficit	(26,469,845)	(21,747,000)
Total equity	80,396,782	76,698,403
TOTAL LIABILITIES AND EQUITY	\$ 95,906,386	\$ 88,149,018

Nature of operations and going concern (Note 1)

Commitments (Notes 4 and 12)

Events after reporting date (Note 3, 4, 7 and 13)

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on August 14, 2023.

Approved by the Board of Directors

"Hashim Ahmed" Interim Chief Executive Officer

"Guy Elliott" Director

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

NOVA ROYALTY CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited - Expressed in Canadian Dollars)

	Three months ended June 30 2023	Three months ended June 30 2022	Six months ended June 30 2023	Six months ended June 30 2022
Revenue from royalty interests	\$ 520,258	\$ 470,788	\$ 1,112,110	\$ 1,144,306
Depletion on royalty interests (Note 4)	(397,382)	(243,084)	(777,518)	(503,664)
Gross profit	122,876	227,704	334,592	640,642
Expenses				
General and administrative (Note 8)	1,442,363	930,073	2,266,540	1,598,105
Share based compensation (Note 7, 9)	1,036,827	940,201	1,820,304	2,077,471
Project evaluation costs	75,914	43,126	300,452	205,075
	2,555,104	1,913,400	4,387,296	3,880,651
Loss from operations	(2,432,228)	(1,685,696)	(4,052,704)	(3,240,009)
Finance costs (Note 6)	(356,706)	(254,230)	(706,866)	(481,607)
Foreign exchange loss	(9,436)	(24,747)	(23,390)	(2,799)
Loss before income taxes	(2,798,370)	(1,964,673)	(4,782,960)	(3,724,415)
Deferred income tax recovery	36,032	8,407	60,115	20,629
Loss and comprehensive loss	\$ (2,762,338)	\$ (1,956,266)	\$ (4,722,845)	\$ (3,703,786)
Basic and diluted loss per share	\$ (0.03)	\$ (0.02)	\$ (0.05)	\$ (0.04)
Weighted average number of shares outstanding - basic and diluted	89,944,016	85,080,461	88,698,619	84,898,914

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

NOVA ROYALTY CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited - Expressed in Canadian Dollars)

	Six months ended June 30 2023	Six months ended June 30 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (4,722,845)	\$ (3,703,786)
Items not affecting cash:		
Depletion	777,518	503,664
Share-based payments	1,820,304	2,077,471
Interest and accretion on convertible debentures	706,866	481,607
Unrealized foreign exchange effect	31,583	13,461
Deferred income tax recovery	(60,115)	(20,629)
Changes in non-cash operating working capital items		
Receivables	(249,961)	(194,901)
Prepaid expenses	(217,853)	(115,820)
Accounts payable and accrued liabilities	(335,795)	(771,079)
Net cash used in operating activities	(2,250,298)	(1,730,012)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisitions of royalty interests	(3,766,207)	(1,708,461)
Net cash used in investing activities	(3,766,207)	(1,708,461)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued	3,286,030	526,839
Share issue costs	(198,014)	(109,236)
Issuance of convertible debentures	4,200,000	3,000,000
Transaction costs for convertible debentures	(39,215)	(24,366)
Exercise of stock options and share purchase warrants	-	20,499
Net cash provided by financing activities	7,248,801	3,413,736
Effect of exchange rate changes on cash	(16,904)	(1,429)
Change in cash	1,215,392	(26,166)
Cash, beginning of period	1,087,378	962,745
Cash, end of period	\$ 2,302,770	\$ 936,579

Supplemental disclosure with respect to cash flows (Note 10)

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

NOVA ROYALTY CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Unaudited - 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, 2021	84,391,594	\$ 88,859,743	\$ 28,572	\$ 202,378	\$ 3,186,727	\$ 10,818	\$ (13,850,772)	\$ 78,437,466
Shares issued for cash	154,600	526,839	-	-	-	-	-	526,839
Shares issued for royalty interests	218,551	676,265	-	-	-	-	-	676,265
Share issue costs	-	(109,236)	-	-	-	-	-	(109,236)
Share purchase warrants exercised	40,998	31,317	-	-	(10,818)	(10,818)	-	9,681
Convertible debenture - equity component	-	-	-	99,521	-	-	-	99,521
Share-based payments - RSUs	-	-	-	-	440,566	-	-	440,566
Share-based payments - Options	-	-	-	-	1,636,905	-	-	1,636,905
RSUs settled	370,566	669,358	-	-	(669,358)	-	-	-
Loss and comprehensive loss for the period	-	-	-	-	-	-	(3,703,786)	(3,703,786)
Balance as at June 30, 2022	85,176,309	90,654,286	28,572	301,899	4,584,022	-	(17,554,558)	78,014,221
	Number of shares	Share capital	Commitment to issue shares	Equity portion of convertible debentures and other	Share based compensation reserves	Warrant reserves	Deficit	Total equity
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
Shares issued for cash	2,063,400	3,286,030	-	-	-	-	-	3,286,030
Shares issued for royalty interests	2,119,003	3,451,776	-	-	-	-	-	3,451,776
Share issue costs	-	(198,014)	-	-	-	-	-	(198,014)
Cashless exercise of stock options	636,963	142,298	-	-	(142,298)	-	-	-
Settlement of commitment to issue shares (Note 7)	-	-	(28,572)	-	28,572	-	-	-
Convertible debenture - equity component	-	-	-	61,128	-	-	-	61,128
Share-based payments - RSUs	-	-	-	-	638,446	-	-	638,446
Share-based payments - Options	-	-	-	-	1,181,858	-	-	1,181,858
RSUs settled	268,934	583,267	-	-	(583,267)	-	-	-
Loss and comprehensive loss for the period	-	-	-	-	-	-	(4,722,845)	(4,722,845)
Balance as at June 30, 2023	91,807,109	\$ 99,503,179	\$ -	\$ 378,171	\$ 6,985,277	\$ -	\$ (26,469,845)	\$ 80,396,782

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

NOVA ROYALTY CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2023

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. 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 condensed consolidated interim 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 6), and issuance of shares under its at-the-market ("ATM") equity program (Note 7) 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 ACCOUNTING POLICIES**Basis of preparation and measurement**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") have been condensed or omitted, and accordingly, these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022.

The accounting policies, estimates, and judgements applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2022. The Company's interim results are not necessarily indicative of its results for a full year.

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

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.

NOVA ROYALTY CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED JUNE 30, 2023

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

Accounting standard amendment issued but not yet effective

IAS 1 - Presentation of Financial Statements

In January 2020, the International Account Standards Board ("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 is currently evaluating the potential impact on its financial statements prior to the effective date of January 1, 2024, if any. Based on the currently available information, the Company does not anticipate any material impact from this amendment on its financial statements.

Newly adopted accounting standards

Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued an amendment to IAS 1, Presentation of Financial Statements and IFRS Practice Statement 2. The key amendments to IAS 1 include:

- a) requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- b) clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- c) clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective from January 1, 2023. The amendments did not have a significant impact to the Company's condensed consolidated interim financial statements.

3. RECEIVABLES

	June 30 2023	December 31 2022
Royalty receivable	\$ 1,086,744	\$ 854,874
GST receivable	20,537	23,446
Other receivables	1,938	1,938
	\$ 1,109,219	\$ 880,258

Subsequent to June 30, 2023, the Company collected the full balance in royalty receivable as at June 30, 2023.

NOVA ROYALTY CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2023

4. ROYALTY INTERESTS

	December 31 2022	Additions	Depletion	Acquisition Costs Expensed	June 30 2023	Historical Cost	Accumulated Depletion
Josemaria	\$ 357,358	\$ 28,392	\$ -	\$ -	\$ 385,750	\$ 385,750	\$ -
Copper World	3,477,809	4,700,789	-	-	8,178,598	8,178,598	-
Aranzazu	10,250,695	-	(777,518)	-	9,473,177	11,847,364	(2,374,187)
West Wall	5,313,588	-	-	-	5,313,588	5,313,588	-
Taca Taca	44,046,959	-	-	-	44,046,959	44,046,959	-
Vizcachitas	12,851,393	2,206,336	-	-	15,057,729	15,057,729	-
NuevaUnión	4,349,688	-	-	-	4,349,688	4,349,688	-
Dumont	3,359,490	-	-	-	3,359,490	3,359,490	-
Other ¹	2,065,412	19,225	-	(82,062)	2,002,575	2,002,575	-
	\$ 86,072,392	\$ 6,954,742	\$ (777,518)	\$ (82,062)	\$ 92,167,554	\$ 94,541,741	\$ (2,374,187)

⁽¹⁾Other consists of acquisitions in process costs and 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\$26,834) was paid in May 2022 and 3,941 common shares were issued in June 2022 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
- 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.

NOVA ROYALTY CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED JUNE 30, 2023

4. ROYALTY INTERESTS (cont'd...)

Copper World Complex royalty

In January 2022, the Company acquired a 0.135% net smelter return ("NSR") royalty on the Copper World Complex project 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 due on or before the earlier of: (i) January 25, 2023 (extended and paid \$1,343,349 in May 2023); or (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.

In April 2023, the Company acquired an additional 0.03% NSR royalty on Hudbay's Copper World Complex project for upfront consideration of US\$340,000 in cash (paid \$461,784 in April 2023), and US\$170,000 in common shares, for which Nova issued 161,307 common shares in April 2023 with a fair value of \$256,478. An additional US\$890,000 is payable as follows:

- a) US\$150,000 in cash, payable 12 months after closing of the agreement due April 10, 2024; and
- b) US\$740,000 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.

In June 2023, the Company acquired an additional 0.12% NSR royalty on Hudbay's Copper World Complex project for upfront consideration of US\$1,360,000 in cash (paid \$1,820,844 in June 2023), and US\$680,000 in common shares, for which Nova issued 595,760 common shares in June 2023 with a fair value of \$988,961. An additional US\$3,560,000 is payable as follows:

- a) US\$600,000 in cash, payable 12 months after closing of the agreement due June 15, 2024; and
- b) US\$2,960,000 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.

As at June 30, 2023, the Company has a ROFR in respect to an additional 0.390% NSR owned by the sellers of the royalty (subsequently reduced by an additional 0.03% NSR acquired subsequent to June 30, 2023, see note 13).

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 \$1,107,744 related to the Aranzazu royalty during the six months ended June 30, 2023 (2022 - \$1,140,146).

NOVA ROYALTY CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2023

4. ROYALTY INTERESTS (cont'd...)**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\$10,500,000 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).

As part of the acquisition, the Company paid a 2.00% finder's fee through the issuance of 212,702 common shares valued at \$340,323.

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 in cash 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.

The Taca Taca royalties are 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.

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);

NOVA ROYALTY CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2023

4. ROYALTY INTERESTS (cont'd...)**Vizcachitas royalty** (cont'd...)

- 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 (paid in May 2023 through the issuance of 1,361,936 common shares with a fair value of \$2,206,336); 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.

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 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.

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.

NOVA ROYALTY CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED JUNE 30, 2023

4. ROYALTY INTERESTS (cont'd...)

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 owns a 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 addition 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.

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 PLC's ("Antofagasta") subsidiary Boart Longyear Ltd. (ASX:BLY). In addition 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 \$4,366 (2022 - \$4,160) related to the TMM Project during the six months ended June 30, 2023.

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.

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 a full impairment charge was recorded in the year ended December 31, 2021. No impairment reversal has been recorded as of June 30, 2023.

NOVA ROYALTY CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2023

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30 2023	December 31 2022
Trade and other payables	\$ 132,503	\$ 224,825
Accrued liabilities	486,079	729,733
	<u>\$ 618,582</u>	<u>\$ 954,558</u>

6. CONVERTIBLE DEBENTURES

	For the six months ended June 30 2023	For the year ended December 31 2022
Balance, beginning of period/year	\$ 9,151,616	\$ 5,211,455
Additions	4,200,000	3,000,000
Transaction costs	(36,753)	(23,361)
Allocation of conversion feature	(123,707)	(121,155)
Accretion and interest	514,541	832,971
Loss on debt modification	49,191	-
Accrued standby charge	143,134	251,706
Balance, ending of period/year	<u>\$ 13,898,022</u>	<u>\$ 9,151,616</u>

Initial Advance

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 purpose of funding acquisitions. Under the convertible loan agreement, the Company is required to maintain a cash balance of at least \$500,000 at all times (the "financial covenant"). During the six months ended and as at June 30, 2023, the Company was in compliance with its financial covenant.

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.

Advance 2

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.

NOVA ROYALTY CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2023

6. CONVERTIBLE DEBENTURES (cont'd...)**First Amendment to the Facility**

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.

Advance 3

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.

Advance 4

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.

Advance 5 and Second Amendment to the Facility

In March 2023, an advance of \$1,500,000 was drawn on the facility. This fifth advance is convertible into common shares of the Company at a conversion price of \$1.78 per common share, accrues interest at 8.50% per annum until September 30, 2023 and 8.00% thereafter until maturity on October 7, 2024. On initial recognition of the fifth advance, \$1,400,137 was allocated as a financial liability and the residual value of \$99,863 was allocated to the conversion feature as equity. A deferred tax liability of \$31,676 related to the taxable temporary difference arising from the equity portion of the convertible loan has been recognized in equity reserves. Transaction costs of \$17,454 and \$1,245 were allocated to the financial liability and equity portions of the convertible debt respectively. The effective interest rate on the liability is 14.1% per annum, with an original expected life of 1.57 years.

Concurrently, in March 2023, the Company entered into an amendment to the Beedie convertible loan facility to accrue the interest costs for the period from October 1, 2022 to September 30, 2023 to all principal at an interest rate of 8.5% for that period. Subsequent to this period, the initial interest rate of 8.0% will apply. 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. As a result of the amendment, management determined that there was a non-substantial debt modification. The liability portion of each advance drawn before the amendment was revalued at the present value of the modified cash flows under the amendment discounted at the original effective interest rate, resulting in a \$49,191 loss on modification being recognized as finance costs during the six months ended June 30, 2023.

NOVA ROYALTY CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2023

6. CONVERTIBLE DEBENTURES (cont'd...)
Advance 6

In June 2023, an advance of \$2,700,000 was drawn on the facility. This sixth advance is convertible into common shares of the Company at a conversion price of \$1.88 per common share, accrues interest at 8.50% per annum until September 30, 2023 and 8.00% thereafter until maturity on October 7, 2024. On initial recognition of the sixth advance, \$2,539,749 was allocated as a financial liability and the residual value of \$160,251 was allocated to the conversion feature as equity. A deferred tax liability of \$48,357 related to the taxable temporary difference arising from the equity portion of the convertible loan has been recognized in equity reserves. Transaction costs of \$19,299 and \$1,218 were allocated to the financial liability and equity portions of the convertible debt respectively. The effective interest rate on the liability is 14.1% per annum, with an original expected life of 1.32 years.

As at June 30, 2023, total principal drawn under the convertible loan facility was \$12,200,000 (December 31, 2022 - \$8,000,000), interest and standby charges accrued were \$2,146,029 (December 31, 2022 - \$1,555,408), and undrawn funds available under the convertible loan facility were \$12,800,000 (December 31, 2022 - \$17,000,000).

A summary of finance costs on each advance, and standby charges on the unused facility for the six months ended June 30, 2023 and 2022 is as follows:

	June 30 2023	June 30 2022
Advance 2 - \$5,000,000	\$ 289,033	\$ 267,608
Advance 3 - \$1,500,000	75,215	62,166
Advance 4 - \$1,500,000	76,502	15,024
Advance 5 - \$1,500,000	58,252	-
Advance 6 - \$2,700,000	15,539	-
Standby Charges	143,134	136,809
Loss on debt modification	49,191	-
	\$ 706,866	\$ 481,607

7. SHARE CAPITAL

As at June 30, 2023, the authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares without par value.

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 (\$21,713,970 remaining as at June 30, 2023), or (b) December 18, 2024.

Issued share capital

There are no preferred shares issued and outstanding.

During the six months ended June 30, 2023, the Company issued 2,063,400 (2021 - 154,600) common shares pursuant to its ATM program for gross proceeds of \$3,286,030 (2022 - \$526,839) with aggregate share issuance costs paid and/or accrued of \$198,014 (2022 - \$109,236).

NOVA ROYALTY CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2023

7. SHARE CAPITAL (cont'd...)
Stock options

The Company has 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 six months ended June 30, 2023 is as follows:

	Outstanding	Weighted average exercise price
As at December 31, 2022	5,820,000	2.28
Granted	1,347,500	1.47
Exercised	(760,000)	0.25
Cancelled	(20,834)	0.25
As at June 30, 2023	6,386,666	\$ 3.59

The weighted average remaining life of stock options outstanding is 3.59 (December 31, 2022 - 3.45) years.

The Company's outstanding and exercisable stock options as at June 30, 2023 are as follows:

Expiry date	Exercise price	Outstanding	Exercisable
March 1, 2024	\$ 0.25	294,166	294,166
March 1, 2026	\$ 4.75	325,000	325,000
August 27, 2026	\$ 3.30	2,630,000	1,315,000
July 20, 2027	\$ 1.56	1,790,000	-
February 23, 2028	\$ 1.47	1,347,500	-
		6,386,666	1,934,166

Subsequent to June 30, 2023, 566,666 stock options were cancelled.

Restricted share units

The continuity of RSUs for the six months ended June 30, 2023 is as follows:

	Outstanding
As at December 31, 2022	510,634
Granted	1,907,500
Settled	(268,934)
Cancelled	(23,100)
As at June 30, 2023	2,126,100

As at June 30, 2023, the weighted average remaining life of the RSUs outstanding was 2.09 (December 31, 2022 - 0.61) years with vesting periods of up to 48 months.

The Company's outstanding RSUs as at June 30, 2023 are as follows:

Final vesting date	Outstanding	Unvested
April 27, 2022	80,000	-
March 1, 2024	138,600	110,550
February 22, 2025	1,307,500	1,307,500
February 22, 2027	600,000	600,000
	2,126,100	2,018,050

Subsequent to June 30, 2023, 33,000 RSUs were cancelled.

NOVA ROYALTY CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2023

7. SHARE CAPITAL (cont'd...)
Share based compensation and share based compensation reserve

During the six months ended June 30, 2023, the Company granted 1,347,500 (2022 - Nil) stock options with a weighted average fair value of \$0.68 (2022 - \$Nil) per option. The fair value of the stock options granted was estimated using the Black-Scholes option pricing model with the following assumptions:

	Six months ended June 30 2023	Six months ended June 30 2022
Weighted average:		
Risk free interest rate	3.40%	N/A
Expected dividend yield	0%	N/A
Expected stock price volatility	49%	N/A
Expected life in years	5	N/A
Forfeiture rate	0%	N/A

During the six months ended June 30, 2023, the Company granted 1,907,500 RSUs with a fair value of \$1.47 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 three and six months ended June 30, 2023, the Company recorded share-based compensation expense of \$1,036,827 and \$1,820,304 respectively (2022 - \$940,201 and \$2,077,471), of which \$595,951 and \$1,181,858 respectively (2022 - \$791,639 and \$1,636,905) represents the fair value of options vested during the period, and \$440,876 and \$638,446 respectively (2022 - \$148,562 and \$440,566) represents the fair value of RSUs vested during the period, with the offsetting amounts credited to share based compensation reserve.

8. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30 2023	Three months ended June 30 2022	Six months ended June 30 2023	Six months ended June 30 2022
Management and board fees	\$ 372,784	\$ 218,718	\$ 711,551	\$ 296,484
Severance	477,553	-	477,553	-
Corporate administration	70,128	134,766	154,094	257,451
Regulatory and insurance costs	103,578	152,449	188,672	219,696
Legal and audit	172,144	131,240	328,265	232,468
Consultants	226,765	174,340	328,320	348,470
Investor relations	19,411	118,560	78,085	243,536
	\$ 1,442,363	\$ 930,073	\$ 2,266,540	\$ 1,598,105

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:

For the six months ended June 30, 2023	Severance	Salary or director fees	Share-based payments	Total
Senior officers	\$ 477,553	\$ 185,256	\$ 320,465	\$ 983,274
Directors	-	264,499	847,903	1,112,402
	\$ 477,553	\$ 449,755	\$ 1,168,368	\$ 2,095,676
For the six months ended June 30, 2022	Severance	Salary or director fees	Share-based payments	Total
Senior officers	-	\$ 82,593	\$ 357,260	\$ 439,853
Directors	-	193,174	933,288	1,126,462
	\$ -	\$ 275,767	\$ 1,290,548	\$ 1,566,315

NOVA ROYALTY CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2023

9. RELATED PARTY BALANCES AND TRANSACTIONS (cont'd...)

Included in the table above, during the six months ended June 30, 2023, the Company paid \$56,422 (2022 - \$73,174) to a director for oversight function provided by the ATM committee.

In addition to the amounts in the table above, during the six months ended June 30, 2023, the Company paid or accrued \$109,000 (2022 - \$90,000) to Seabord Services Corp. ("Seabord"). Seabord provides the following services: a CFO, Corporate Secretary, accounting and administration staff, and office space to the Company.

As at June 30, 2023, included in accounts payable and accrued liabilities is \$48,149 (December 31, 2022 - \$109,092) payable to key management personnel for fees and reimbursable expenses and \$10,000 (2022 - \$Nil) to Seabord.

During the six months ended June 30, 2023, the Company settled its commitment to issue 57,144 common shares to Seabord for services rendered during 2020, through the issuance of RSUs. As a result, the value recognized as a commitment to issue shares of \$28,572 as at December 31, 2022 was reclassified to share based compensation reserve.

During the six months ended June 30, 2023, the Company reallocated 1,580,000 unvested stock options and 630,000 unvested RSUs. None of the terms of the stock options and RSUs were modified from the initial grant date.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS
Significant non-cash investing and financing activities

During the six months ended June 30, 2023, the Company had the following non-cash investing and financing activities not disclosed elsewhere:

- a) accrued \$1,099,467 (2022 - \$1,358,865) in accounts payable and accrued liabilities pursuant to royalty interest acquisition agreements and acquisitions in process costs; and
- b) Issued 2,119,003 (2022 - 218,551) common shares for royalty interest acquisitions with a fair value of \$3,451,776 (2022 - \$676,265).

11. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

	June 30 2023	December 31 2022
Financial assets - amortized cost:		
Cash	\$ 2,302,770	\$ 1,087,378
Royalty receivable	1,086,744	854,874
Other receivables	1,938	1,938
Financial liabilities - amortized cost:		
Accounts payable and accrued liabilities	618,582	954,558
Royalty interest acquisition payables	993,000	1,344,441
Convertible debentures (liability portion)	13,898,022	9,151,616

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 of financial position.

NOVA ROYALTY CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2023

11. FINANCIAL INSTRUMENTS (cont'd...)

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 6.

Credit risk

Credit risk is the risk of loss arising from an operator or counter 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 receivable is primarily related to royalty revenue receivable from one mine operator, which management considers to be nominal at period-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 (see Note 1). The Company's convertible debentures mature on October 7, 2024 as disclosed in Notes 6 and 12.

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 receives royalty revenue in United States dollars and incurs some expenditures in currencies other than Canadian dollars. The Company has not hedged its exposure to currency fluctuations. Based on the net exposure, as at June 30, 2023, 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 \$1,000.

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 material interest rate risk exposure as its debt facilities are at fixed interest rates.

NOVA ROYALTY CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2023

12. COMMITMENTS

As at June 30, 2023, 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	\$ 132,503	-	\$ 132,503
Accrued liabilities	486,079	-	486,079
Payments related to acquisitions - cash (Note 4)	993,000	-	993,000
Convertible debenture:			
Interest and standby charge	1,027,044	2,872,866	3,899,910
Principal	-	12,200,000	12,200,000
	\$ 2,638,626	\$ 15,072,866	\$ 17,711,492

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 and 13. However, these payments have not been accrued as they are subject to milestone conditions that have not occurred as at June 30, 2023.

13. EVENTS AFTER REPORTING DATE

Subsequent to June 30, 2023, the Company:

- Acquired an additional 0.03% NSR royalty on Hudbay's Copper World Complex project for upfront consideration of US\$340,000 in cash (paid July 2023), and US\$170,000 in common shares, for which Nova issued 134,646 common shares in July 2023. An additional US\$890,000 is payable as follows:
 - US\$150,000 in cash, payable 12 months after closing of the agreement; and
 - US\$740,000 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; and
- Acquired a 0.25% NSR royalty on Newmont Corporation's (NYSE: NEM) Tatogga Property, which contains the Saddle North copper-gold-silver deposit located in British Columbia, Canada. Upfront consideration of \$1,000,000 in cash, and \$2,750,000 in common shares, for which Nova issued 2,159,429 common shares were both paid on closing of the transaction in July 2023.