

NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2020

NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)
 CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
 (Unaudited - Expressed in Canadian Dollars)

	June 30, 2020	December 31, 2019
ASSETS		
Current assets		
Cash	\$ 2,458,640	\$ 157,098
Receivables (Note 3)	22,747	6,894
Prepaid expenditures	21,149	4,167
Total current assets	2,502,536	168,159
Non-current assets		
Deferred acquisition costs (Note 4)	-	46,154
Royalty interests (Note 5)	7,867,824	3,521,049
Total non-current assets	7,867,824	3,567,203
TOTAL ASSETS	\$ 10,370,360	\$ 3,735,362
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 6 & 8)	\$ 1,237,938	\$ 262,190
Total liabilities	1,237,938	262,190
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	4,459,857	3,703,537
Commitment to issue shares	87,500	-
Reserves	6,603,427	775,154
Deficit	(2,018,362)	(1,005,519)
Total shareholders' equity	9,132,422	3,473,172
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 10,370,360	\$ 3,735,362
Nature and continuance of operations (Note 1)		
Commitments (Note 11)		
Events after the reporting date (Note 12)		

These condensed interim financial statements were authorized for issuance by the Board of Directors on August 28, 2020.

Approved by the Board of Directors

 "Alex Tsukernik" Director

 "Parviz Farsangi" Director

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

NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

	Three months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
General and administrative expenses				
Consulting fees (Note 8)	\$ 114,363	\$ 44,284	\$ 189,280	\$ 57,575
Filing fees	8,822	-	11,322	-
Investor relations	-	-	2,240	-
Office and administrative expenses	18,650	1,533	27,976	2,807
Professional fees (Note 8)	125,414	27,819	179,207	29,638
Share-based payments (Note 7 and 8)	153,594	152,333	670,919	227,553
Travel and related expenses	-	10,058	7,390	22,552
Loss from operations	(420,843)	(236,027)	(1,088,334)	(340,125)
Foreign exchange gain (loss)	(51,747)	49	75,491	1,193
Loss and comprehensive loss for the period	\$ (472,590)	\$ (235,978)	\$ (1,012,843)	\$ (338,932)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.01)	\$ (0.04)	\$ (0.02)
Weighted average number of common shares outstanding	23,606,757	22,054,618	23,419,772	20,684,589

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

NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Six Months Ended	
	June 30, 2020	June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (1,012,843)	\$ (338,932)
Items not affecting operating activities:		
Unrealized foreign exchange effect on cash	95,361	-
Items not affecting cash:		
Share-based payments	670,919	227,553
Shares issued for services	17,250	-
Net change in non-cash working capital items		
Receivables	(15,853)	(5,233)
Accounts payable and accrued liabilities	(10,546)	(115,786)
Prepaid expenses	(16,982)	(13,294)
Net cash used in operating activities	(272,694)	(245,692)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of royalty interests	(3,025,257)	(1,879,999)
Net cash used in investing activities	(3,025,257)	(1,879,999)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued	-	964,650
Special warrants issued for cash	5,846,586	-
Special warrant and share issue costs	(239,232)	(1,070)
Cash received for options exercised	87,500	-
Net cash provided by financing activities	5,694,854	963,580
Effect of exchange rate changes on cash	(95,361)	-
Change in cash	2,301,542	(1,162,111)
Cash, beginning of period	157,098	1,570,009
Cash, end of period	\$ 2,458,640	\$ 407,898
Supplemental disclosure with respect to cash flows (Note 10)		

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

NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited - Expressed in Canadian Dollars)

	Number of shares	Share capital	Subscriptions received in advance	Commitment to issue shares	Equity Reserves	Deficit	Total shareholders' equity
Balance as at December 31, 2018	13,582,000	\$ 1,591,287	\$ 125,000	\$ -	\$ 18,068	\$ (78,079)	\$ 1,656,276
Share issuances for cash	4,458,600	1,114,650	(150,000)	-	-	-	964,650
Units issued - royalty agreement	3,669,018	917,255	-	-	343,482	-	1,260,737
Shares issued - royalty agreement	345,000	86,250	-	-	-	-	86,250
Share issuance costs	-	(33,592)	-	-	-	-	(33,592)
Share-based payments	-	-	25,000	-	202,553	-	227,553
Loss for the period	-	-	-	-	-	(338,932)	(338,932)
Balance as at June 30, 2019	22,054,618	\$ 3,675,850	\$ -	\$ -	\$ 564,103	\$ (417,011)	\$ 3,822,942

	Number of shares	Share capital	Subscriptions received in advance	Commitment to issue shares	Equity Reserves	Deficit	Total shareholders' equity
Balance as at December 31, 2019	22,169,618	\$ 3,703,537	\$ -	\$ -	\$ 775,154	\$ (1,005,519)	\$ 3,473,172
Special warrants issued for cash (Note 7)	-	-	-	-	5,846,586	-	5,846,586
Shares issued - royalty agreement	425,280	212,640	-	-	-	-	212,640
Special warrant issue costs - cash	-	-	-	-	(239,232)	-	(239,232)
Share-based payments	900,000	450,000	-	-	220,919	-	670,919
Exercise of stock options	-	-	-	87,500	-	-	87,500
Shares issued for services	34,500	17,250	-	-	-	-	17,250
Shares issued for debt	200,004	76,430	-	-	-	-	76,430
Loss for the period	-	-	-	-	-	(1,012,843)	(1,012,843)
Balance as at June 30, 2020	23,729,402	\$ 4,459,857	\$ -	\$ 87,500	\$ 6,603,427	\$ (2,018,362)	\$ 9,132,422

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

NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

1. NATURE AND CONTINUANCE OF OPERATIONS

Nova Royalty Corp. (formerly BatteryOne Royalty Corp.) (the "Company") is a private royalty company focused on nickel and copper 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 filed a non-offering prospectus on August 14, 2020 to apply for trading on the TSX Venture Exchange ("TSX-V") (Note 12).

These 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 fiscal year. Realization values may be substantially different from the carrying values shown and these 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. The Company's continuing operations and the ability of the Company to meet commitments are dependent upon the ability of the Company to continue to raise additional equity or debt financing, or the realization of cash generating royalty interests. At the date of these financial statements, the Company has not realized cash generating operations on any of its planned royalty interests. The Company has not achieved profitable operations and has accumulated losses since inception. Management estimates it has sufficient cash to continue operations for the next 12 months.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and measurement

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with IFRS have been condensed or omitted. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2019.

The accounting policies applied in the preparation of these unaudited condensed interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2019, except for those noted below. The Company's interim results are not necessarily indicative of its results for a full year.

New accounting policy for interests in Joint Arrangements

A joint arrangement can take the form of a joint venture or joint operation. All joint arrangements involve a contractual arrangement that establishes joint control, which exists only when decisions about the activities that significantly affect the returns of the investee require unanimous consent of the parties sharing control. A joint operation is a joint arrangement in which we have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement in which we have rights to only the net assets of the arrangement.

Joint operations are accounted for by recognizing our share of the assets, liabilities, revenue, expenses and cash flows of the joint operation in our consolidated financial statements. The Company has no joint arrangements accounted for as a joint venture.

NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

3. RECEIVABLES

The Company's receivables arise from goods and services tax receivable from government taxation authorities and amounts due from a joint operating partner.

		June 30		December 31
		2020		2019
GST and HST recoverable	\$	18,528	\$	6,894
Due from joint operating partner		4,219		-
	\$	22,747	\$	6,894

4. DEFERRED ACQUISITION COSTS

Costs incurred or accrued prior to the execution of a royalty agreement are deferred. Deferred costs are re-allocated to royalty interests upon signing of a definitive agreement. If management determines not to proceed with a proposed acquisition, the deferred costs are expensed at that time.

During the six months ended June 30, 2020, the changes in deferred acquisition costs is as follows:

Balance, December 31, 2019	\$	46,154
Re-allocated to royalty interests (Note 5)		(46,154)
Balance, June 30, 2020	\$	-

5. ROYALTY INTERESTS

Nueva Union

In February 2020, the Company acquired an existing 2.0% net smelter returns royalty ("NSR") on future copper production on the Cantarito claim of the La Fortuna deposit in the Huasco Province in the Atacama Region of Chile. The acquisition was completed as a joint venture with Metalla Royalty & Streaming Ltd. ("Metalla") with the companies having formed a special purpose vehicle to hold the Cantarito royalty. The total acquisition value was US\$8,000,000, with \$3,996,030 (US\$3,000,000) cash paid on closing, \$1,332,000 (US\$1,000,000) to be paid 12 months after closing, and US\$4,000,000 upon achievement of commercial production, to be paid equally in cash and common shares of the purchasers. All acquisition payments will be split pro-rata with the Company paying 75% and Metalla 25%. As part of the acquisition the Company paid a 2% finder's fee through the issuance of 425,280 common shares valued at \$212,640.

Dumont Nickel - Cobalt Project

In January 2019, the Company completed the acquisition of a 2.0% NSR on future production over metals from Karora Resources Inc.'s ("KRR") Dumont Nickel-Cobalt ("Dumont") project, in Quebec, Canada from two private royalty holders by way of exercise of an option to purchase agreement. The acquisition price was \$2,000,000 in cash and 3,669,018 units of the Company, with each unit consisting of one common share and one half of one common share purchase warrant. The compensatory warrants were valued at \$343,482 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.93%, dividend yield of 0%, volatility of 100% and an expected life of 5 years. KRR can buyback 1% of the NSR for \$1,000,000. The Dumont royalty is subject to advance royalty payments of \$5,000 per year.

NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

5. ROYALTY INTERESTS (Continued)*Pacific Empire royalties*

In March 2019, the Company acquired a portfolio of royalties from Pacific Empire Minerals Corp. ("PEMC"). The portfolio includes a 1.0% NSR on all metals and minerals produced from PEMC's Copper King, NUB East and NWT projects. As part of the agreement, PEMC also agreed to grant to the Company a right to acquire a 1.0% NSR on all metals and minerals produced from PEMC's Pinnacle Reef project in the event the existing option agreement on this property is terminated or expires. PEMC has also agreed to grant the Company a right of first refusal on any future royalty or streaming transactions on the projects. Pursuant to the agreement for the royalties, the Company paid \$10,000 in cash and issued 345,000 common shares valued at \$86,250.

In August 2019 as a result of the termination of the existing option agreement on the Pinnacle Reef property, the Company exercised its right to acquire the 1% percent NSR on the Pinnacle Reef property. In exchange the Company issued to PEMC 115,000 common shares valued at \$28,750.

During the six-month period ended June 30, 2020 the changes in royalty interests is as follows:

	Dumont						Total royalty
	Nickel	Copper King	NUB East	NWT	Pinnacle Reef	Nueva Union	interests
Balance, December 31, 2019	\$ 3,357,582	\$ 41,781	\$ 41,781	\$ 41,781	\$ 38,124	\$ -	\$ 3,521,049
Cash consideration	-	-	-	-	-	2,992,638	2,992,638
Accrual for staged acquisition payments	-	-	-	-	-	1,062,724	1,062,724
Shares issued as finders fees	-	-	-	-	-	186,060	186,060
Professional fees and other expenses	-	-	-	-	-	59,199	59,199
Re-allocation from deferred acquisition costs	-	-	-	-	-	46,154	46,154
Balance, June 30, 2020	\$ 3,357,582	\$ 41,781	\$ 41,781	\$ 41,781	\$ 38,124	\$ 4,346,775	\$ 7,867,824

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30	December 31
	2020	2019
Accounts payable	\$ 198,366	\$ 106,061
Accrued liabilities	16,470	156,129
Payable on Nueva Union Acquisition (Note 5)	1,023,102	-
	\$ 1,237,938	\$ 262,190

7. SHARE CAPITAL

As at June 30, 2020, the authorized share capital of the Company was an unlimited number of common and preferred shares without par value.

NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

7. SHARE CAPITAL (Continued)

Issued share capital

During the six months ended June 30, 2020, the Company:

- Issued 11,693,172 special warrants of the Company for gross proceeds of \$5,846,586. Each special warrant had a subscription price of \$0.50 and will be deemed exercised into one unit of the Company for no additional consideration, on the earlier of (i) becoming a reporting issuer and obtaining a listing of the common shares of the Company on a recognized stock exchange in Canada; (ii) a transaction that provides holders of the special warrants with comparable liquidity; or (iii) the date that is four months and one day following the closing. Each unit will consist of one common share and one-half of one common share purchase warrant. Each warrant shall entitle the holder thereof to purchase one common share at an exercise price of \$1.00 at any time up to 24 months following the closing subject to an acceleration clause.

As part of the issuance of special warrants the Company incurred \$302,298 in share issue costs as follows:

- Paid \$239,232 in cash; and
 - Issued 239,000 broker warrants valued at \$63,066. Each broker's warrant being exercisable into one common share of the Company at an exercise price of \$0.50 and expiring 24 months from the date of issuance. The fair value of broker warrants was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows: risk-free interest rate of 1.52%, dividend yield of 0%, volatility of 100%, forfeiture rate of 0%, and an expected life of 2 years.
- Issued 425,280 common shares valued at \$212,640 or \$0.50 per share as finders' fees for the Nueva Union royalty acquisition (Note 5).
 - Issued 900,000 common shares valued at \$450,000 pursuant to the vesting of Restricted Share Units ("RSU");
 - Issued 200,004 common shares to Seabord Services Corp. for settlement of debt in the amount of \$76,430; and
 - Issued 34,500 common shares to consultants of the Company in exchange for consulting and legal services rendered in the amount of \$17,250.

During the six months ended June 30, 2019, the Company:

- Issued 2,059,600 units of the Company at a price of \$0.25 per unit for gross proceeds of \$514,900 of which \$150,000 was received during the year ended December 31, 2018. Each unit was comprised of one common share and one-half common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.40 per share until January 10, 2021;
- Completed the purchase of the Dumont Royalty through the issuance of 3,669,018 units of the Company valued at \$917,255 or \$0.25 per share. Each unit was comprised of one common share and one-half of one common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.25 per share until January 16, 2024;
- Issued 2,399,000 units of the Company at a price of \$0.25 per unit for gross proceeds of \$599,750. Each unit comprised of one common share and one-half common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.40 per share until February 22, 2021; and
- Issued 345,000 common shares of the Company valued at \$86,250 or \$0.25 per share pursuant to PEMC pursuant to the Copper King, NUB East and NWT royalty interests.

The Company paid or accrued \$33,592 in legal and regulatory costs related to the private placements and property purchases.

NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

7. SHARE CAPITAL (Continued)

Share Compensation Plan

On January 3, 2020, the Board adopted the amended and restated share compensation plan. The Share Compensation Plan is a fixed plan pursuant to which the number of common shares which may be issued pursuant to restricted share units and stock options granted under the Share Compensation Plan is a maximum of 6,952,558 in aggregate or such additional amount as may be approved from time to time by the shareholders of the Company and the exchange on which the common shares trade.

Stock options

The total maximum number of common shares that may be issued on exercise of options, together with any other share compensation arrangements of the Company, shall not exceed 3,476,279. The exercise price of each option is to be not less than the fair market value of the Company's stock as determined by the plan administrator. The vesting terms are determined at the time of the option grant.

There were no changes to the stock options outstanding during the six months ended June 30, 2020.

The following table summarizes the stock options outstanding and exercisable at June 30, 2020:

Date Granted	Number of Options	Exercisable	Exercise Price	Expiry Date
March 1, 2019	3,150,000	1,575,000	\$ 0.25	March 1, 2024

Stock options vest 25% every 6 months starting September 1, 2019.

The weighted average remaining useful life of exercisable stock options is 3.67 years (December 31, 2019 – 4.17 years).

Restricted Share Units

The RSU's entitle employees, directors, or officers to common shares of the Company upon vesting based on vesting terms determined by the Company's Board of Directors at the time of grant. A total of 3,476,279 RSU's are reserved for issuance under the plan.

During the six month period ended June 30, 2020, the changes in RSU's outstanding is as follows:

Date Granted	December 31, 2019	Granted	Vested	Expired/Cancelled	June 30, 2020
January 3, 2020	-	900,000	(900,000)	-	-
April 28, 2020	-	1,800,000	-	-	1,800,000
	-	2,700,000	(900,000)	-	1,800,000

Share-based payments

During the six months ended June 30, 2020, the Company recorded share-based payments expense of \$670,919 (2019 - \$227,553), of which \$110,076 (2019 - \$202,553) represents the fair value of options vested during the period with the offsetting amounts credited to reserves, \$Nil (2019 - \$25,000) represents the value of 500,000 common shares subscribed to at \$0.05 which was converted to compensation, and \$560,843 (2019- \$Nil) represents the fair value of RSU's vesting during the period.

NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

7. SHARE CAPITAL (Continued)

Warrants

During the six months ended June 30, 2020, the Company issued warrants as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2019	10,854,810	\$ 0.26
Issued	239,000	0.50
Balance, June 30, 2020	11,093,810	\$ 0.27

The following table summarizes the warrants outstanding at June 30, 2020:

Date Issued	Number of Warrants	Exercise Price	Expiry Date
July 20, 2018	1,950,000	\$ 0.10	July 20, 2021
August 7, 2018	750,000	0.10	August 7, 2021
September 10, 2018	1,300,000	0.10	September 10, 2021
October 15, 2018	500,000	0.40	October 15, 2020
October 25, 2018	1,556,000	0.40	October 25, 2020
December 21, 2018	735,000	0.40	December 21, 2020
January 10, 2019	1,029,800	0.40	January 10, 2021
January 16, 2019	1,834,510	0.25	January 16, 2024
February 22, 2019	165,000	0.40	February 22, 2021
March 1, 2019	1,034,500	0.40	March 1, 2021
February 19, 2020 - Broker warrants	239,000	0.50	February 19, 2022
	11,093,810		

NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)

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(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

8. RELATED PARTY TRANSACTIONS AND BALANCES

The Company entered into certain transactions with key management personnel, which the Company has defined as Officers and Directors of the Company. The aggregate value of these transactions and outstanding balances are as follows:

	Six Months Ended	
	June 30, 2020	June 30, 2019
<u>Consulting fees</u>		
President and CEO	\$ 84,795	\$ 53,675
<u>Share-based payments</u>		
Management and directors	349,261	67,871
	\$ 434,056	\$ 121,546

During the six months ended June 30, 2020, the Company paid or accrued \$106,507 (2019 - \$1,192) for professional services and \$46,312 (2019 - \$30,996) for share issue costs, and \$50,281 (2019 - \$2,955) in royalty interest costs to Gowling WLG (Canada) LLP ("Gowling") a law firm in which a director is a former partner.

Also, during the six months ended June 30, 2020, the Company paid or accrued \$38,572 (2019 - \$15,000) 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 June 30, 2020, included in accounts payable and accrued liabilities is \$3,410 (December 31, 2019 - \$1,847) to key management personnel for fees and reimbursable expenses, \$7,143 (December 31, 2019 - \$45,000) to Seabord, and \$122,748 (December 31, 2019 - \$102,741) to Gowling.

During the six months ended June 30, 2020, the Company issued 200,004 common shares to Seabord Services Corp. for settlement of \$76,430 in debt related to services provided.

9. FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows:

	June 30	December 31
	2020	2019
Financial assets		
Fair value through profit or loss:		
Cash	\$ 2,458,640	\$ 157,098
Financial liabilities		
Amortized cost:		
Accounts payable and accrued liabilities	\$ 1,237,938	\$ 262,190

NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

9. FINANCIAL INSTRUMENTS (Continued)

Fair value

Financial instruments recorded at fair value on the statement 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:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- 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 carrying value of receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments. Cash is measured at level 1 of the fair value hierarchy.

Capital risk management

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. 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 maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. The Company is not subject to externally imposed capital requirements.

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. Amounts due from joint operating partner are subject to normal credit terms. GST receivable is due from a government agency.

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 capital 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 estimates that these sources are sufficient to cover operations for the next 12 months. All the Company's financial liabilities are expected to be settled within one year.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing transactions during the six months ended June 30, 2020 included:

- a) Issuance of 425,280 common shares as finders fees pursuant to the Nueva Union royalty acquisition (Note 5). The shares were valued at \$212,640 or \$0.50 with \$186,060 included in the royalty balance and \$26,580 received in cash from a joint operating partner;
- b) Issuance of 239,000 brokers warrants valued at \$63,066 recorded to reserves;
- c) Reallocation of \$46,154 from deferred acquisition costs to royalty interests on completion of the Nueva Union acquisition agreement; and

NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (Continued)

- d) Accrual of \$1,063,724 in accounts payable for staged royalty acquisition payments.
- e) Issuance of 200,004 common shares for settlement of debt in the amount of \$76,430.

Significant non-cash investing and financing transactions during the six months ended June 30, 2019 included:

- a) Issuance of 4,014,018 of common shares valued at \$1,003,505 pursuant to royalty interest acquisition agreements;
- b) Issuance of 1,834,510 warrants valued at \$343,482 pursuant to royalty interest acquisition agreements;
- c) Reallocation of \$222,725 of deferred acquisition costs to royalty interests on execution of the related acquisition agreement; and
- d) Reallocation of subscriptions received in advance of \$150,000 related to the Issuance of 600,000 common shares at \$0.25 per share for which the proceeds were received in the prior year.
- e) Share issue costs of \$32,522 and royalty interest costs of \$2,955 in accounts payable and accrued liabilities.

11. COMMITMENTS

The Company may be required to make payments related to its royalty interests (Note 5), including milestone payments subject to certain achievements being met related to the Nueva Union royalty acquisition.

12. EVENTS AFTER THE REPORTING DATE

Subsequent to June 30, 2020, the Company:

- a) The Company filed and obtained a receipt for its final non-offering prospectus, and received conditional approval to list the Company's common shares on the TSX-V subject to the completion of customary requirements, including the receipt of all required documentation. Once the Company receives final approval from the TSX-V, the Common Shares of the Company will trade on the TSX-V under the ticker symbol "NOVR". The Company has not yet determined a listing date for its common shares.
- b) Issued 350,000 common shares upon the exercise of stock options for which the proceeds of the exercise were received during the six months ended June 30, 2020 and included in commitment to issue shares.
- c) Issued 650,000 common shares upon the exercise of stock options and warrants.
- d) Issued 11,500 common shares to a consultant and lawyer of the Company in exchange for services.