

# **ROYAL GOLD MINING INC.**

**Condensed Interim Financial Statements**

**Six Month Period Ended**

**August 31, 2020**

(Unaudited - Expressed in Canadian Dollars)

## **NOTICE TO READER**

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the management. The Company's independent auditor has not performed a review of these interim financial statements.

**Royal Gold Mining Inc.**

Condensed Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	August 31, 2020	February 29, 2020
	(\$)	(\$)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	46,304	109,423
Amounts receivable	12,259	11,162
	58,563	120,585
<b>Exploration and evaluation assets (Note 5)</b>	654,365	566,865
<b>Reclamation bond (Note 4)</b>	-	16,825
	712,928	704,275
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	127,196	488,241
Asset retirement obligation	13,041	13,041
Loans payable (Note 6)	31,436	144,904
	171,673	646,186
<b>Notes Payable (Note 7)</b>	326,658	-
	498,331	646,186
<b>Shareholders' deficiency</b>		
Share capital (Note 9)	18,261,914	17,977,664
Share subscriptions receivable (Note 9)	-	(5,673)
Share-based reserves (Note 9)	2,393,875	2,393,875
Deficit	(20,441,192)	(20,307,777)
	214,597	58,089
	712,928	704,275

Nature of operations and going concern (Note 1)

Subsequent Events (Note 12)

On behalf of the Board of Directors:

"Glen Macdonald" Director

"Ken Ralfs" Director

See accompanying notes to the condensed interim financial statements

**Royal Gold Mining Inc.**

Condensed Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	<b>Three Month Period Ended August 31, 2020</b>	<b>Three Month Period Ended August 31, 2019</b>	<b>Six Month Period Ended August 31, 2020</b>	<b>Six Month Period Ended August 31, 2019</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
<b>EXPENSES</b>				
Consulting fees (Note 8)	82,635	61,100	101,385	143,600
General and administrative	160	3,162	194	3,180
Professional fees	16,144	6,000	18,644	36,460
Transfer agent and filing fees	3,333	658	6,482	8,462
	<b>(102,272)</b>	<b>(70,920)</b>	<b>(126,705)</b>	<b>(191,702)</b>
Interest expense	(5,490)	(4,664)	(9,239)	(10,214)
Interest income	2,529	-	2,529	-
<b>Loss and comprehensive loss for the period</b>	<b>(105,233)</b>	<b>(75,584)</b>	<b>(133,415)</b>	<b>(201,916)</b>
<b>Basic and diluted loss per common share</b>	<b>(0.01)</b>	<b>(0.03)</b>	<b>(0.01)</b>	<b>(0.09)</b>
<b>Weighted average common shares outstanding</b>	<b>12,710,386</b>	<b>2,251,543</b>	<b>12,034,978</b>	<b>2,251,543</b>

See accompanying notes to the condensed interim financial statements

**Royal Gold Mining Inc.**

Condensed Interim Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars)

(Unaudited)

	Number of Shares	Amount (\$)	Share Subscriptions Receivable (\$)	Share-based Reserves (\$)	Deficit (\$)	Total Shareholders' Equity (\$)
<b>Balance at March 1, 2019</b>	<b>2,251,543</b>	<b>16,929,566</b>	-	<b>2,393,875</b>	<b>(19,959,746)</b>	<b>(636,305)</b>
Loss for the period	-	-	-	-	(201,916)	(201,916)
<b>Balance at August 31, 2019</b>	<b>2,251,543</b>	<b>16,929,566</b>	-	<b>2,393,875</b>	<b>(20,161,662)</b>	<b>(838,221)</b>
Debt settlement	4,017,919	361,613	-	-	-	361,613
Shares issued for exploration and evaluation assets	560,000	274,000	-	-	-	274,000
Private placement	4,000,000	360,000	(5,673)	-	-	354,327
Share issuance costs	-	(9,050)	-	2,160	-	(6,890)
Shares issued pursuant to the exercise of share purchase warrants	327,500	61,535	-	(2,160)	-	59,375
Loss for the period	-	-	-	-	(146,115)	(146,115)
<b>Balance at February 29, 2020</b>	<b>11,156,962</b>	<b>17,977,664</b>	<b>(5,673)</b>	<b>2,393,875</b>	<b>(20,307,777)</b>	<b>58,089</b>
Shares issued for exploration and evaluation assets	150,000	67,500	-	-	-	67,500
Private placement	-	-	5,673	-	-	5,673
Shares issued pursuant to the exercise of share purchase warrants	1,445,000	216,750	-	-	-	216,750
Loss for the period	-	-	-	-	(133,415)	(133,415)
<b>Balance at August 31, 2020</b>	<b>12,751,962</b>	<b>18,261,914</b>	-	<b>2,393,875</b>	<b>(20,441,192)</b>	<b>214,597</b>

**Royal Gold Mining Inc.**

Condensed Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Six Month Period Ended August 31, 2020 (\$)	Six Month Period Ended August 31, 2019 (\$)
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Loss for the period	(133,415)	(201,916)
Changes in non-cash working capital items:		
Amounts receivable	(1,097)	(54)
Accounts payable and accrued liabilities	(147,855)	(268,835)
	(282,367)	(470,805)
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation expenditures	(20,000)	(55,000)
Refund of reclamation bond	16,825	-
	(3,175)	(55,000)
<b>FINANCING ACTIVITIES</b>		
Proceeds from loans payable	-	175,541
Proceeds from share issuances	222,423	406,812
	222,423	582,353
<b>Change in cash during the period</b>	<b>(63,119)</b>	<b>56,548</b>
<b>Cash, beginning of period</b>	<b>109,423</b>	<b>8,503</b>
<b>Cash, end of period</b>	<b>46,304</b>	<b>65,051</b>
<b>Supplemental Cash Flow Information:</b>		
Units issued for acquisition of Eliza Gold Property	67,500	-

**Royal Gold Mining Inc.**

Notes to the Condensed Interim Financial Statements

Six Month Period Ended August 31, 2020

(Unaudited - Expressed in Canadian dollars)

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Royal Gold Mining Inc. ("Royal" or the "Company") was incorporated on April 23, 2005 under the Company Act of British Columbia. The Company changed its name from Shoshoni Gold Ltd. on July 30, 2019. The Company's offices are located at Suite 701, 595 Howe Street, Vancouver, BC, Canada, V6C 2T5. The Company is engaged in the exploration of mineral properties in Canada. The Company's shares are traded on the TSX Venture Exchange ("TSXV") under the symbol "ROYL".

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at August 31, 2020 the Company has not generated any revenues from operations, has a working capital deficit of \$113,110, and has an accumulated deficit of \$20,441,192. The Company's ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast doubt on the ability of the Company to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

**2. BASIS OF PREPARATION****Statement of Compliance**

These condensed interim financial statements, including comparatives, have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations committee. They do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements, and therefore should be read in conjunction with the Company's audited financial statements for the year ended February 29, 2020, prepared in accordance with IFRS as issued by the IASB

These condensed interim consolidated financial statements were approved by the Board of Directors of the Company on October 30, 2020.

**Basis of Measurement**

The condensed interim consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information.

**Royal Gold Mining Inc.**

Notes to the Condensed Interim Financial Statements

Six Month Period Ended August 31, 2020

(Unaudited - Expressed in Canadian dollars)

**2. BASIS OF PREPARATION****Functional and Presentation Currency**

The functional currency of the Company is the Canadian dollar, which is also the presentation currency of the consolidated financial statements.

**Use of Estimates and Judgements**

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates.

These condensed interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Income taxes

The calculation of income taxes requires judgment in applying tax laws and regulations, estimating the timing of the reversals of temporary differences, and estimating the reliability of deferred tax assets. These estimates impact current and deferred income tax assets and liabilities, and current and deferred income tax expense (recovery).

Significant judgements that management has made at the end of the reporting period are as follows:

Carrying value and the recoverability of exploration and evaluation assets

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

**3. SIGNIFICANT ACCOUNTING POLICIES**

These condensed interim financial statements have been prepared using the same accounting policies as those used in the Company's annual financial statements at February 29, 2020.

**Royal Gold Mining Inc.**

Notes to the Condensed Interim Financial Statements

Six Month Period Ended August 31, 2020

(Unaudited - Expressed in Canadian dollars)

**4. RECLAMATION BOND**

The Company's bond that was posted during fiscal 2008 in anticipation of the drilling on the Sunrise Natural Gas Lands was refunded during the six month period ended August 31, 2020.

**5. EXPLORATION AND EVALUATION ASSETS**

Although the Company has taken steps to verify title to resource properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and noncompliance with regulatory requirements.

	<b>Kirkland Creek</b>	<b>Eliza Gold</b>	<b>Sainte Sabine</b>	<b>Partridge Gold</b>	<b>Total</b>
	(\$)	(\$)	(\$)	(\$)	
<b>Acquisition costs:</b>					
Balance, February 28, 2019	25,001	-	-	-	25,001
Additions	25,000	-	149,000	180,000	354,000
Balance, February 29, 2020	50,001	-	149,000	180,000	379,001
Additions	-	87,500	-	-	-
<b>Balance, August 31, 2020</b>	<b>50,001</b>	<b>87,500</b>	<b>149,000</b>	<b>180,000</b>	<b>466,501</b>
<b>Exploration costs:</b>					
Balance, February 28, 2019	103,824	-	-	-	103,824
Geological and field labour	(1,275)	-	58,803	-	57,528
Equipment rental	-	-	5,905	-	5,905
Reports	-	-	7,756	-	7,756
Travel	-	-	12,851	-	12,851
Balance, February 29, 2020	102,549	-	85,315	-	187,864
Geological and field labour	-	-	-	-	-
Equipment rental	-	-	-	-	-
Reports	-	-	-	-	-
Travel	-	-	-	-	-
<b>Balance, August 31, 2020</b>	<b>102,549</b>	<b>-</b>	<b>85,315</b>	<b>-</b>	<b>187,864</b>
<b>Carrying amounts:</b>					
<b>Balance, February 29, 2020</b>	<b>152,550</b>	<b>-</b>	<b>234,315</b>	<b>180,000</b>	<b>566,865</b>
<b>Balance, August 31, 2020</b>	<b>152,550</b>	<b>87,500</b>	<b>234,315</b>	<b>180,000</b>	<b>654,365</b>

**Royal Gold Mining Inc.**

Notes to the Condensed Interim Financial Statements

Six Month Period Ended August 31, 2020

(Unaudited - Expressed in Canadian dollars)

**5. EXPLORATION AND EVALUATION ASSETS (continued)**Kirkland Creek Property Claims

The Company has negotiated the purchase of the Kirkland Creek Property, located 120 kilometers northwest of Whitehorse, Yukon, in the Ashihik Lake region. The property originally was comprised of 144 claims totaling approximately 7,300 acres. The Company paid the vendor 2,000,000 common shares for a 100% interest in the property. The vendor will retain a 3% net smelter royalty ("NSR") on any mineral production from the property. Effective November 2010, an advance royalty of \$25,000 is payable annually, the Company has incurred \$275,000 cumulatively to February 29, 2020. The Company has the right to purchase up to 2% of the 3% NSR for \$1,000,000 per percentage point. On May 7, 2007, the Company announced that it had expanded the property by staking an additional 36 claims (1,830 acres) adjoining the original 144-claim block. The Company has allowed some of the claims it considers to be of lesser importance to lapse. The Kirkland Creek property now consists of 40 contiguous claims.

During the year ended February 28, 2017, as a result of applying IFRS 6, the Company was forced to write down this property by \$2,296,719 to a nominal amount of \$1 as a result of not meeting the criteria for expenditures on the property. Under IFRS 6, where substantial expenditures are neither budgeted nor planned there is an indicator of impairment. During the year ended February 28, 2019, the Company resumed exploration activities on the property.

Saint Sabine Property, Quebec

In September 2019, the Company acquired an option to purchase a 100% ownership interest in 140 mining claims in the Beauce region of Quebec.

To earn this interest, the Company is to make cash payments totalling \$295,000, issue a total of 1,500,000 common shares, and incur exploration expenditures on the property aggregating \$2,200,000 as follows:

## Cash consideration to be paid:

- \$20,000 to be paid on execution of the agreement (paid);
- a further \$10,000 within 30 days of regulatory approval (paid);
- a further \$25,000 within 75 days of regulatory approval (paid);
- a further \$45,000 on or before September 26, 2020;
- a further \$55,000 on or before September 26, 2021;
- a further \$65,000 on or before September 26, 2022; and
- a further \$75,000 on or before September 26, 2023.

## Common shares to be issued:

- 200,000 shares within 75 days of regulatory approval (issued);
- a further 250,000 shares on or before September 26, 2020;
- a further 300,000 shares on or before September 26, 2021;
- a further 350,000 shares on or before September 26, 2022; and
- a further 400,000 shares on or before September 26, 2023.

## Exploration expenditures to be incurred:

- \$100,000 on or before September 26, 2020;
- \$500,000 in aggregate on or before September 26, 2021;
- \$1,200,000 in aggregate on or before September 26, 2022; and
- \$2,200,000 in aggregate on or before September 26, 2023.

The optionor has retained a 2% net smelter royalty, of which two tranches of 0.5% may be purchased by the Company for \$500,000 each.

**Royal Gold Mining Inc.**

Notes to the Condensed Interim Financial Statements

Six Month Period Ended August 31, 2020

(Unaudited - Expressed in Canadian dollars)

**5. EXPLORATION AND EVALUATION ASSETS (continued)**Partridge Gold Property, Quebec

On January 16, 2020, the Company entered into an agreement to acquire a 100% interest in 95 mineral claims located in Abitibi, Quebec in exchange for issuing 360,000 common shares to the vendor (issued on January 23, 2020).

The vendor has retained a 2% net smelter return ("NSR") royalty. The Company may purchase 50% of the NSR for \$1,000,000.

Eliza Gold Property, Quebec

On February 6, 2020, the Company entered into an option agreement whereby the Company has the right to earn a 100% interest in 8 mineral claims. To earn this interest, the Company is to pay \$20,000 within 3 days of TSXV approval, The Company is also to issue 150,000 units of the Company on each of the following dates: (1) within three days of TSXV approval; (2) March 13, 2021; (3) March 13, 2022; and (4) March 13, 2023. Each unit will be comprised of one common share and one share purchase warrant exercisable at \$0.60 per common share for a period of two years from the date of issuance. The optionor has retained a 2% net smelter royalty, of which two tranches of 0.5% may be purchased by the Company for \$500,000 each.

**6. LOANS PAYABLE**

- (a) As at August 31, 2020, the amount of \$18,936 (February 29, 2020 - \$18,936) is owed to a non-related party which bears interest at 20% per annum compounded monthly, is unsecured, and is due on demand. As at August 31, 2020, accrued interest of \$25,185 (February 29, 2020 - \$30,638) has been recorded in accounts payable and accrued liabilities.
- (b) As at August 31, 2020, the amount of \$10,000 (February 29, 2020 - \$10,000) is owed to a non-related party which bears interest at 20% per annum, is unsecured, and is due on demand. As at August 31, 2020, accrued interest of \$14,078 (February 29, 2020 - \$8,388) has been recorded in accounts payable and accrued liabilities.
- (c) As at August 31, 2020, the amount of \$Nil (February 29, 2020 - \$23,208) is owed to a non-related party which is non-interest bearing, unsecured, and due on demand.
- (d) As at August 31, 2020, the amount of \$2,500 (February 29, 2020 - \$82,500) was owed to companies controlled by the Chief Executive Officer of the Company which is non-interest bearing, unsecured, and due on demand.
- (e) As at August 31, 2020, the total amount of \$Nil (February 29, 2020 - \$10,260) is owed to non-related parties which bears interest at 10% per annum, is unsecured, and was due on September 30, 2019. As at August 31, 2020, accrued interest of \$Nil (February 29, 2020 - \$6,503) has been recorded in accounts payable and accrued liabilities.
- (f) As at August 31, 2020, there is historical loan interest of \$206 (February 29, 2020 - \$206) owing to the Chief Executive Officer of the Company which has been recorded in accounts payable and accrued liabilities.

**Royal Gold Mining Inc.**

Notes to the Condensed Interim Financial Statements

Six Month Period Ended August 31, 2020

(Unaudited - Expressed in Canadian dollars)

**7. NOTES PAYABLE**

On August 31, 2020, the Company issued notes payable to several debtors to settle certain liabilities totaling \$326,658. The notes are unsecured, bear interest at 5% per annum and mature on December 31, 2021.

**8. RELATED PARTY TRANSACTIONS**

The following summarizes the Company's related party transactions during the six month periods ended August 31, 2020 and 2019. Key management personnel included the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), directors and companies controlled by them:

	<b>August 31, 2020</b>	<b>August 31, 2019</b>
	(\$)	(\$)
Consulting fees paid or accrued to the CEO of the Company	21,250	22,500
	<u>21,250</u>	<u>22,500</u>

As at August 31, 2020, the amount of \$31,194 (February 29, 2020 – \$31,194) was owed to the Chief Executive Officer of the Company which is recorded in accounts payable and accrued liabilities. The amount due is non-interest bearing, unsecured, and due on demand

**9. SHARE CAPITAL*****Authorized share capital***

The Company's authorized share capital consists of an unlimited number of common shares without par value.

***Issued share capital***Six month period ended August 31, 2020

On March 15, 2020, the Company issued 150,000 units in connection with the Eliza Gold Property acquisition. Each unit is comprised of a common share valued at \$0.45 and a share purchase warrant exercisable at \$0.60 per share until March 15, 2022.

During the six month period ended August 31, 2020, the Company issued 1,445,000 common shares for proceeds of \$216,750 pursuant to the exercise of share purchase warrants.

Year ended February 29, 2020

On August 2, 2019, the Company issued 4,017,919 units with a fair value \$361,611 to settle accounts payable of \$229,614 and loans payable of \$131,999. Included in this issuance were 450,000 units issued to settle the loan payable of \$40,500 owed to the Chief Executive Officer of the Company. Each unit consisted of one common share and a share purchase warrant that entitles the holder to acquire an additional common share at \$0.15 in the first year and \$0.20 in the second year.

**Royal Gold Mining Inc.**

Notes to the Condensed Interim Financial Statements

Six Month Period Ended August 31, 2020

(Unaudited - Expressed in Canadian dollars)

**9. SHARE CAPITAL (continued)**

On August 7, 2019, the Company issued 4,000,000 units at \$0.09 per unit pursuant to a private placement for gross proceeds of \$360,000. Each unit consisted of one common share and a share purchase warrant that entitles the holder to acquire an additional common share at \$0.15 per share in the first year and \$0.20 in the second year. The Company incurred share issuance costs of \$6,890 and issued 102,500 finder's warrants with a fair value of \$2,160 in connection with the private placement. Each finder's warrant entitles the holder to acquire an additional common share at \$0.25 per share for a period of one year.

On January 17, 2020, the Company issued 200,000 common shares with a fair value at \$94,000 in connection with the Sainte Sabine mineral property option agreement. Refer to Note 5.

On January 23, 2020, the Company issued 360,000 common shares with a fair value at \$180,000 in connection with the Partridge Gold mineral property acquisition agreement. Refer to Note 5.

During the year ended February 29, 2020, the Company issued 327,500 common shares for proceeds of \$59,375 pursuant to the exercise of share purchase warrants. The fair value of \$2,160 for the agent's warrants exercised was transferred from share-based payment reserve to share capital upon exercise.

***Stock options***

The Company, in accordance with the policies of the TSXV, is authorized to grant options to directors, officers, and employees to acquire common shares. The essential elements of the 2015 Stock Option Plan ("Plan") provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 10% of the issued common shares of the Company from time to time. Options granted under the Plan may have a maximum term of ten years. The exercise price of options granted under the Plan will not be less than the fair market value price of the shares on the date of grant of the options (defined as the last closing market price of the Company's shares on the last day shares are traded prior to the grant date). Stock options granted under the Plan vest immediately subject to vesting terms which may be imposed at the discretion of the Directors. There were no options issued or outstanding during the six month period ended August 31, 2020 or the year ended February 29, 2020.

***Warrants***

A continuity schedule of the Company's warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, February 28, 2019	5,918,000	0.20
Issued	8,120,419	0.15
Exercised	(327,500)	0.18
Expired	(5,918,000)	0.20
Balance, February 29, 2020	7,792,919	0.15
Issued	150,000	0.60
Exercised	(1,445,000)	0.15
Balance, August 31, 2020	6,497,919	0.16

**Royal Gold Mining Inc.**

Notes to the Condensed Interim Financial Statements

Six Month Period Ended August 31, 2020

(Unaudited - Expressed in Canadian dollars)

**9. SHARE CAPITAL (continued)**

The following table summarizes the share purchase warrants outstanding as at August 31, 2020:

Expiry Date	Weighted Average Exercise Price (\$)	Number of Warrants	Weighted Average Remaining Contractual Life (yrs)
August 2, 2021 <sup>1</sup>	0.15	3,375,000	1.17
August 7, 2020 <sup>1</sup>	0.15	2,972,919	1.19
March 15, 2022	0.60	150,000	1.79
	0.16	6,497,919	1.19

<sup>1</sup> The exercise price increases to \$0.20 per share in the second year.

**10. FINANCIAL RISK MANAGEMENT**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its short-term investments as they are exposed to interest rate fluctuations on renewal. A 1% change in market interest rates would not have a material impact on the Company's net loss.

***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its amounts receivable. This risk for these receivables is considered minimal. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

***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 prepares general operating budget to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company uses its best efforts to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

The Company's financial liabilities consist of accounts payable and accrued liabilities, all of which are due within twelve months.

Historically, the Company's main source of funding has been through revenue earned from its operating well interests and the issuance of equity securities for cash. The Company's access to financing in the public markets is always uncertain. There can be no assurance of continued access to significant equity funding.

**Royal Gold Mining Inc.**

Notes to the Condensed Interim Financial Statements

Six Month Period Ended August 31, 2020

(Unaudited - Expressed in Canadian dollars)

**10. FINANCIAL RISK MANAGEMENT (continued)*****Foreign exchange risk***

Foreign currency exchange rate risk is the risk that the fair value of assets and future cash flows will fluctuate as a result of changes in foreign currency exchange rates. However, the Company's functional currency is the Canadian dollar and the Company doesn't have any material assets or operations that are denominated in a foreign currency. Accordingly, the Company is not exposed to any material foreign exchange risk and has not hedged its limited exposure to currency fluctuations.

***Commodity risk***

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. The Company's exposure to commodity price risk is minimal at present since the Company has not yet identified a mineral resource.

***Capital Management***

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets.

The Company is not subject to any externally imposed capital requirements.

There have been no changes to the Company's approach to capital management during the six month period ended August 31, 2020.

***Classification of financial instruments***

Financial assets included in the statement of financial position are cash. Financial liabilities included in the statement of financial position are accounts payable. The fair value of the Company's financial assets and liabilities approximates the carrying amount due to their short term to maturity, and the effect of changes in the Company's credit risk do not have a significant impact on the fair value due to the short term to maturity.

**11. SEGMENTED INFORMATION**

The Company operates in one segment being the acquisition, production, exploration and development of mineral resources properties in Canada.

**12. SUBSEQUENT EVENTS**

Subsequent to August 31, 2020:

(i) The Company entered into an agreement to purchase a 100% interest in 97 mineral claims that are contiguous to the existing Partridge Gold Property in Quebec. The consideration for the claims is the payment of \$20,000 in cash and the issuance of 100,000 units of the Company at a price of \$0.30 per unit. Each unit is comprised of one common share and one share purchase warrant exercisable at \$0.50 for a

**Royal Gold Mining Inc.**

Notes to the Condensed Interim Financial Statements

Six Month Period Ended August 31, 2020

(Unaudited - Expressed in Canadian dollars)

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period of 12 months. The vendor will retain a 2% net smelter return royalty (“NSR”). The Company may, at any time, purchase 50% of the NSR in exchange for a cash payment of \$1,000,000. This transaction is subject to regulatory approval;

(ii) The Company entered into an agreement an option to acquire up to a 70-per-cent interest in the advanced-stage Bellechasse Timmins gold property located in the Beauce region of southern Quebec from Yorkton Ventures Inc., an arm's-length party. In order to acquire a 35-per-cent interest in the property, the company will: (i) Make a \$250,000 cash payment prior to Oct. 2, 2020, to the optionor; (ii) Issue a \$100,000 two-year 10-per-cent promissory note to the optionor; (iii) Issue one million shares of the company to the optionor; and, (iv) incur \$200,000 of property expenditures within 12 months. In order to acquire an additional 35 per cent resulting in a 70-per-cent interest, the company shall make a cash payment to the optionor of \$350,000 on or before April 15, 2021, and expend \$250,000 in work expenditures prior to Sept. 30, 2023. At that point a joint venture partnership will be formed where each party will contribute their share of the project expenditures and costs, or will be diluted down accordingly. The agreement is subject to regulatory approval.

(iii) The Board of Directors resolved to changed the Companys name to AuQ Gold Mining Inc. to be effective November 4, 2020.