

AUQ GOLD MINING INC.

Condensed Interim Financial Statements

Six Month Period Ended

August 31, 2021

(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.

AUQ Gold Mining Inc.

Condensed Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	August 31, 2021	February 28, 2021
	(\$)	(\$)
ASSETS		
Current assets		
Cash	236,798	166,007
Advance receivable (Note 4)	-	125,000
Amounts receivable	14,153	13,309
Prepaid expenses	180,000	180,000
	430,951	484,316
Exploration and evaluation assets (Note 5)	981,259	904,159
	1,412,210	1,388,475
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	244,391	175,958
Asset retirement obligation	13,041	13,041
Loans payable (Note 6)	44,254	31,436
	301,686	220,435
Notes payable (Note 7)	226,658	226,658
	528,344	447,093
Shareholders' equity		
Share capital (Note 9)	19,104,454	19,065,454
Share-based payments reserve (Note 9)	2,497,969	2,484,869
Deficit	(20,718,557)	(20,608,941)
	883,866	941,382
	1,412,210	1,388,475

Nature of operations and going concern (Note 1)

On behalf of the Board of Directors:

"Glen Macdonald" Director"Ken Ralfs" Director

See accompanying notes to the condensed interim financial statements

AUQ Gold Mining Inc.

Condensed Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Month Period Ended August 31, 2021	Three Month Period Ended August 31, 2020	Six Month Period Ended August 31, 2021	Six Month Period Ended August 31, 2020
	(\$)	(\$)	(\$)	(\$)
EXPENSES				
Consulting fees (Note 8)	25,263	82,635	70,685	101,385
General and administrative	4,691	160	4,761	194
Professional fees	2,432	16,144	12,432	18,644
Transfer agent and filing fees	2,270	3,333	8,170	6,482
	(34,656)	(102,272)	(96,048)	(126,705)
Interest expense	(10,735)	(2,961)	(13,568)	(6,710)
Loss and comprehensive loss for the period	(45,391)	(105,233)	(109,616)	(133,415)
Basic and diluted loss per common share	(0.00)	(0.01)	(0.01)	(0.01)
Weighted average common shares outstanding	15,467,179	12,710,386	15,412,891	12,034,978

See accompanying notes to the condensed interim financial statements

AUQ Gold Mining Inc.

Condensed Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Six Month Period Ended August 31, 2021 (\$)	Six Month Period Ended August 31, 2020 (\$)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the period	(109,616)	(133,415)
Changes in non-cash working capital items:		
Advance receivable	125,000	-
Amounts receivable	(844)	(5,829)
Prepays	-	(20,000)
Accounts payable and accrued liabilities	56,251	(40,447)
	70,791	(199,691)
INVESTING ACTIVITIES		
Exploration and evaluation expenditures	-	(20,000)
	-	(20,000)
FINANCING ACTIVITIES		
Proceeds from share issuances	-	212,673
	-	212,673
Change in cash during the period	70,791	(7,018)
Cash, beginning of period	166,007	109,423
Cash, end of period	236,798	102,405
Supplemental Cash Flow Information:		
Exploration and evaluation expenditures included in accounts payable	25,000	-
Units issued for acquisition of Eliza Gold Property	52,100	67,500

See accompanying notes to the condensed interim financial statements

AUQ 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 (\$)
Balance at March 1, 2020	11,156,962	17,977,664	(5,673)	2,393,875	(20,307,777)	58,089
Shares issued for exploration and evaluation assets	150,000	67,500	-	-	-	67,500
Share subscriptions received	-	-	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)
Balance at August 31, 2020	12,751,962	18,261,914	-	2,393,875	(20,441,192)	214,597
Shares issued for private placement	550,000	385,000	-	-	-	385,000
Flow-through share premium	-	(17,200)	-	-	-	(17,200)
Share issuance costs	-	(24,760)	-	6,700	-	(18,060)
Shares issued pursuant to the exercise of share purchase warrants	2,000,000	400,000	-	-	-	400,000
Shares issued for exploration and evaluation assets	100,000	60,500	-	84,294	-	144,794
Loss for the period	-	-	-	-	(167,749)	(167,749)
Balance at February 28, 2021	15,401,962	19,065,454	-	2,484,869	(20,608,941)	941,382
Shares issued for exploration and evaluation assets	150,000	39,000	-	13,100	-	52,100
Loss for the period	-	-	-	-	(109,616)	(109,616)
Balance at August 31, 2021	15,551,962	19,104,454	-	2,497,969	(20,718,557)	883,866

See accompanying notes to the condensed interim financial statements

Royal Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

Six Month Period Ended August 31, 2021

(Unaudited - Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

AUQ Gold Mining Inc. ("AUQ" or the "Company") was incorporated on April 23, 2005 under the Company Act of British Columbia. The Company changed its name from Royal Gold Mining Inc. on October 26, 2020. 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 "AUQ".

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company has not been significant, but management continues to monitor the situation.

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. During the six month period ended August 31, 2021, the Company did not generate any revenues and incurred negative cash flow from operations. As at August 31, 2021 the Company has an accumulated deficit of \$20,718,557. 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 28, 2021, 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, 2021.

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.

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.

Royal Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

Six Month Period Ended August 31, 2021

(Unaudited - Expressed in Canadian dollars)

2. BASIS OF PREPARATION**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 28, 2021.

4. ADVANCE RECEIVABLE

During the year ended February 28, 2021, the Company advanced \$125,000 for a potential mineral property transaction. During the six month period ended August 31, 2021, the Company received a full refund of the advance.

Royal Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

Six Month Period Ended August 31, 2021

(Unaudited - Expressed in Canadian dollars)

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.

	Kirkland Creek	Eliza Gold	Sainte Sabine	Partridge Gold	Total
	(\$)	(\$)	(\$)	(\$)	
Acquisition costs:					
Balance, February 29, 2020	50,001	-	149,000	180,000	379,001
Additions	25,000	157,054	-	95,240	277,294
Balance, February 28, 2021	75,001	157,054	149,000	275,240	656,295
Additions	25,000	52,100	-	-	77,100
Balance, August 31, 2021	100,001	209,154	149,000	275,240	733,395
Exploration costs:					
Balance, February 29, 2020	102,549	-	85,315	-	187,864
Geological and field labour	-	-	60,000	-	60,000
Balance, February 28, 2021 and August 31, 2021	102,549	-	145,315	-	247,864
Carrying amounts:					
Balance, February 28, 2021	177,550	157,054	294,315	275,240	904,159
Balance, August 31, 2021	202,550	209,154	294,315	275,240	981,259

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 is the common law spouse of the Chief Executive Officer of the Company. 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.

Royal Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

Six Month Period Ended August 31, 2021

(Unaudited - Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

During the year ended February 28, 2017, as a result of applying IFRS 6, the Company recorded a write down of this property of \$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

On September 17, 2019 (as amended on August 9, 2021), the Company entered into an option agreement whereby the Company has the right to earn 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 December 10, 2021;
- a further \$55,000 on or before June 10, 2022;
- 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 15, 2021;
- 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 by the Company:

- \$100,000 on or before September 1, 2021;
- \$400,000 in aggregate on or before September 10, 2022;
- \$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.

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).

Royal Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

Six Month Period Ended August 31, 2021

(Unaudited - Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

On October 8, 2020, the Company entered into an agreement to purchase 97 mineral claims that are contiguous to the existing Partridge Property in exchange for a cash payment of \$20,000 and the issuance of 100,000 units. Each unit consisted of a common share and a share purchase warrant that entitles the holder to acquire an additional common share at \$0.50 for a period of one year.

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 three days of TSX-V approval (paid). The Company is also to issue 150,000 units of the Company on each of the following dates: (1) within three days of TSX-V approval (issued); (2) March 13, 2021 (issued); (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, 2021, the amount of \$18,936 (February 28, 2021 - \$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, 2021, accrued interest of \$34,694 (February 29, 2021 - \$29,670) has been recorded in accounts payable and accrued liabilities.
- (b) As at August 31, 2021, the amount of \$10,000 (February 28, 2021 - \$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, 2021, accrued interest of \$19,082 (February 28, 2021 - \$16,438) has been recorded in accounts payable and accrued liabilities.
- (c) As at August 31, 2021, the amount of \$2,500 (February 28, 2021 - \$2,500) was owed to companies controlled by the Chief Executive Officer of the Company which is non-interest bearing, unsecured, and due on demand.

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, 2022. During the year ended February 28, 2021, the Company repaid \$100,000 of the notes payable. During the six month period ended August 31, 2021, the Company incurred \$5,900 in interest expense.

8. RELATED PARTY TRANSACTIONS

As at August 31, 2021, the amount of \$2,139 (February 28, 2021 - \$2,139) 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.

During the six month period ended August 31, 2021, the amount of \$15,000 (2020 - \$21,250) was incurred to the Chief Executive Officer of the Company for consulting fees.

Royal Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

Six Month Period Ended August 31, 2021

(Unaudited - Expressed in Canadian dollars)

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, 2021

On July 23, 2021, the Company issued 150,000 units with a fair value of \$52,100 in connection with the Eliza Gold mineral property option agreement (refer to Note 4). Each unit consisted of a common share and a share purchase warrant exercisable at \$0.60 per common share until July 23, 2023. The common shares and share purchase warrants issued had a fair value of \$39,000 and \$13,100, respectively. The fair value of warrants was determined using the Black-Scholes option pricing model based on the following assumptions: risk-free rate of 0.38%; expected dividend of 0%; expected life of tow year; and expected volatility of 102%.

Year ended February 28, 2021

On March 15, 2020, the Company issued 150,000 units with a fair value of \$130,252 in connection with the Eliza Gold mineral property option agreement (refer to Note 4). Each unit consisted of a common share and a share purchase warrant exercisable at \$0.60 per common share until March 15, 2022. The common shares and share purchase warrants issued had a fair value of \$75,000 and \$62,054, respectively. The fair value of warrants was determined using the Black-Scholes option pricing model based on the following assumptions: risk-free rate of 0.33%; expected dividend of 0%; expected life of tow year; and expected volatility of 200%.

On November 19, 2020 the Company issued 100,000 units with a fair value of \$78,079 in connection with the Partridge Gold Property acquisition (refer to Note 4). Each unit consisted of one common share and one share purchase warrant exercisable at \$0.50 per common share expiring on November 19, 2022. The common shares and share purchase warrants issued had a fair value of \$53,000 and \$22,240, respectively. The fair value of warrants was determined using the Black-Scholes option pricing model based on the following assumptions: risk-free rate of 0.21%; expected dividend of 0%; expected life of one year; and expected volatility of 105%.

On December 22, 2020, the Company issued 430,000 flow-through common shares at a price of \$0.70 per share for proceeds of \$301,000. There was a flow-through share premium of \$18,200 on this private placement. The Company paid a finder's fee of \$18,060 and issued 25,800 finder's warrants at an exercise price of \$0.70 to June 22, 2021 and at \$0.90 per share to December 22, 2021. The finder's warrants were fair valued at \$6,700 using the Black-Scholes option pricing model based on the following assumptions: risk-free rate of 0.20%; expected dividend of nil; expected life of one year; and expected volatility of 107%.

On December 30, 2020, the Company issued 120,000 flow-through common shares at a price of \$0.70 per share for proceeds of \$84,000. There was no flow-through share premium on the private placement.

Royal Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

Six Month Period Ended August 31, 2021

(Unaudited - Expressed in Canadian dollars)

During the year ended February 28, 2021, the Company issued 3,445,000 common shares for proceeds of \$616,750 pursuant to the exercise of share purchase warrants. Included in this issuance were 480,000 common shares for proceeds of \$72,000 issued to the Chief Executive Officer of the Company.

Royal Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

Six Month Period Ended August 31, 2021

(Unaudited - Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)*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, 2021 or the year ended February 28, 2021.

Warrants

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

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, February 29, 2020	7,792,919	0.15
Issued	275,800	0.57
Expired	(3,445,000)	0.18
Balance, February 28, 2021	4,623,719	0.22
Issued	150,000	0.60
Expired	(4,347,919)	0.20
Balance, August 31, 2021	425,800	0.59

The following table summarizes the share purchase warrants outstanding as at August 31, 2021:

Expiry Date	Weighted Average Exercise Price (\$)	Number of Warrants	Weighted Average Remaining Contractual Life (yrs)
November 30, 2021	0.50	100,000	0.25
December 22, 2021	0.90	25,800	0.31
April 15, 2022	0.60	150,000	0.62
July 23, 2023	0.60	150,000	1.89
	0.59	425,800	0.96

Royal Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

Six Month Period Ended August 31, 2021

(Unaudited - Expressed in Canadian dollars)

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.

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.

Royal Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

Six Month Period Ended August 31, 2021

(Unaudited - Expressed in Canadian dollars)

10. FINANCIAL RISK MANAGEMENT (continued)***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, 2021.

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.