



CONDENSED INTERIM FINANCIAL STATEMENTS
(Presented in United States (“US”) Dollars)
(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Star Royalties Ltd. have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

STAR ROYALTIES LTD.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(Presented in US Dollars)

(Unaudited)

As At

	September 30, 2021	December 31, 2020
ASSETS		
Current		
Cash and cash equivalents (Note 4)	\$ 4,320,714	\$ 1,988,993
Receivables (Note 5)	368,875	164,017
Prepaid and other	<u>68,463</u>	<u>120,106</u>
	4,758,052	2,273,116
Non-current		
Royalty and stream interests (Note 6)	<u>26,911,683</u>	<u>10,346,424</u>
	<u>\$ 31,669,735</u>	<u>\$ 12,619,540</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 7)	<u>\$ 427,619</u>	<u>\$ 134,835</u>
	427,619	134,835
Shareholders' equity		
Share capital (Note 9)	30,211,997	12,786,743
Contributed surplus	3,582,260	144,716
Accumulated other comprehensive income	423,762	459,289
Deficit	<u>(2,975,903)</u>	<u>(906,043)</u>
	<u>31,242,116</u>	<u>12,484,705</u>
	<u>\$ 31,669,735</u>	<u>\$ 12,619,540</u>

Subsequent event (Note 5)

Approved on behalf of the Board of Directors

"Alexandre Pernin"
Alexandre Pernin

Director

"Kylie Dickson"
Kylie Dickson

Director

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

STAR ROYALTIES LTD.

CONDENSED INTERIM STATEMENTS OF LOSS AND OTHER COMPREHENSIVE LOSS

(Presented in US Dollars)

(Unaudited)

	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Revenue				
Royalty income	\$ 225,458	\$ -	\$ 580,478	\$ -
Costs of sales				
Depletion	(144,272)	-	(404,692)	-
Gross profit	81,186	-	175,786	-
Expenses				
Marketing and shareholder communications	43,936	1,351	121,989	2,709
Management compensation (Note 8)	225,247	45,027	670,963	210,652
Office and miscellaneous	76,382	7,664	196,890	22,526
Professional fees	152,713	9,896	548,931	23,955
Share-based compensation (Notes 8 and 9)	194,210	-	830,241	-
Total operating expenses	(692,488)	(63,938)	(2,369,014)	(259,842)
Other income/(loss)				
Interest income	14,115	299	44,562	2,225
Foreign exchange income/(loss)	199,678	(70,726)	78,806	(70,726)
Net loss	(397,509)	(135,365)	(2,069,860)	(328,343)
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss				
Currency translation adjustment	(784,017)	(111,363)	(35,527)	(131,834)
Total other comprehensive loss	(784,017)	(111,363)	(35,527)	(131,834)
Total comprehensive loss	\$ (1,181,526)	\$ (246,728)	\$ (2,105,387)	\$ (460,177)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	71,098,873	9,890,850	63,921,705	8,493,275

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

STAR ROYALTIES LTD.**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**

(Presented in US Dollars)

(Unaudited)

	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (2,069,860)	\$ (328,343)
Items not affecting cash:		
Depletion	404,692	-
Foreign exchange (income)/loss	(78,806)	70,726
Share-based compensation	830,241	-
Non-cash working capital items changes:		
Accounts payable and accrued liabilities	297,049	24,113
Due to related parties	-	96,050
Prepaid and other	(92,904)	(3,627)
Receivables	<u>(61,973)</u>	<u>(64,266)</u>
Net cash used in operating activities	<u>(771,561)</u>	<u>(205,347)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of royalty and stream interests (Note 6)	<u>(16,348,387)</u>	<u>(194,567)</u>
Net cash used by investing activities	<u>(16,348,387)</u>	<u>(194,567)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares (Note 9)	18,379,529	8,407,573
Proceeds from issuance of warrants (Note 9)	2,772,665	-
Share issuance costs (Note 9)	(1,758,343)	(149,684)
Exercise of warrants (Note 9)	5,799	-
Proceeds from subscriptions received in advance	-	4,365,785
Repurchase of shares	<u>-</u>	<u>(292,383)</u>
Net cash provided by financing activities	<u>19,399,650</u>	<u>12,331,291</u>
Change in cash and cash equivalents for the period	2,279,638	11,931,377
Effect of exchange rate changes on cash and cash equivalents	52,083	(207,496)
Cash and cash equivalents, beginning of period	<u>1,988,993</u>	<u>396,916</u>
Cash and cash equivalents, end of period	<u>\$ 4,320,714</u>	<u>\$ 12,120,797</u>

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

STAR ROYALTIES LTD.

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Presented in US Dollars)

(Unaudited)

Share Capital									
	Number (Note 9)	Amount	Subscriptions received in advance	Contributed surplus	Accumulated other comprehensive income	Deficit	Total		
Balance, December 31, 2019	7,833,334	\$ 484,033	\$ 210,530	\$ -	\$ 7,669	\$ (106,150)	\$ 596,082		
Shares re-purchased related to acquisition of royalty interests (Note 9)	(2,833,333)	(292,383)	-	-	-	-	(292,383)		
Share cancellation (Note 9)	(2,500,000)	-	-	-	-	-	-		
Shares issued for cash	20,670,656	8,618,656	(210,530)	-	-	-	8,408,126		
Share issuance costs – cash	-	(357,397)	-	-	-	-	(357,397)		
Share issuance costs – broker warrants	-	(144,716)	-	144,716	-	-	-		
Shares issued to settle amount due to related parties	384,000	183,735	-	-	-	-	183,735		
Subscriptions received in advance	-	-	4,365,785	-	-	-	4,365,785		
Loss and other comprehensive loss	-	-	-	-	(131,834)	(328,343)	(460,177)		
Balance, September 30, 2020	23,554,657	\$ 8,491,375	\$ 4,365,785	\$ 144,716	\$ (124,165)	\$ (434,493)	\$ 12,443,218		
Balance, December 31, 2020	33,018,137	\$ 12,786,743	\$ -	\$ 144,716	\$ 459,289	\$ (906,043)	\$ 12,484,705		
Shares issued on initial public offering and over-allotment exercised	38,055,500	18,379,529	-	2,773,665	-	-	21,153,194		
Share issuance costs	-	(1,534,786)	-	(223,557)	-	-	(1,758,343)		
Shares issued for royalty	1,659,304	574,249	-	-	-	-	574,249		
Warrants issued for royalty	-	-	-	57,659	-	-	57,659		
Exercise of warrants	7,200	6,262	-	(463)	-	-	5,799		
Share-based compensation	-	-	-	830,240	-	-	830,240		
Loss and other comprehensive loss	-	-	-	-	(35,527)	(2,069,860)	(2,105,387)		
Balance, September 30, 2021	72,740,141	\$ 30,211,997	\$ -	\$ 3,582,260	\$ 423,762	\$ (2,975,903)	\$ 31,242,116		

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

STAR ROYALTIES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Presented in US Dollars)

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

1. NATURE AND CONTINUANCE OF OPERATIONS

Star Royalties Ltd. (formerly Oxford Royalties Ltd.) (the “Company”) was incorporated in Canada under the Canada Business Corporations Act on February 15, 2018. The Company changed its name on January 24, 2020. The Company is a precious metals and green royalty and streaming investment company. The head office, records office, and principal address of the Company is 902-18 King Street East, Toronto, Ontario, M5C 1C4. The Company listed its common shares and warrants on the TSX Venture Exchange in February 2021 under the symbols “STRR” and STRR.WT”, respectively. The Company’s common shares are also traded on the OTCQX under the symbol “STRFF”.

In February 2021, the Company completed its initial public offering (“IPO”) and issued 34,286,000 units of the Company at a price of CAD\$0.70 per unit, as described in Note 8, and commenced trading on the TSX Venture Exchange (“TSX-V”) under the symbol “STRR”. As a result of the proceeds generated from the IPO as well as the cash that was on hand September 30, 2021, the Company believes that it is in a position to meet its obligations and other commitments in the normal course.

These condensed interim financial statements were approved and authorized for issue by the Board of Directors of the Company on November 23, 2021.

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. The full extent and impact of the COVID-19 pandemic are unknown and to date has included volatility in financial markets, a slowdown in economic activity and volatility in commodity prices. The Company completed a review of all operations on which the Company holds royalty, stream and other interests to identify the impacts of COVID-19. Based on the review COVID-19 was not considered to have a material impact on any of the Company’s investments and as such at September 30, 2021, the Company has not recorded any adjustments directly attributable to the COVID-19 pandemic.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standards (“IAS”) 34 “Interim Financial Reporting”.

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2020. The accounting policies applied in preparation of these condensed interim financial statements are consistent with those applied and disclosed in the Company’s audited financial statements for the year ended December 31, 2020. In addition, the Company adopted the following accounting policy in relation to share-based compensation:

Share-based compensation

The Company grants share-based awards in the form of stock options and restricted share units (“RSUs”). The stock options and RSUs are equity-settled awards. The Company determines the fair value of the awards on the date of grant. This fair value is expensed to the statement of earnings (loss) using a graded vesting attribution method over the vesting period of the awards, with a corresponding credit to contributed surplus. When the share options or share units are exercised, the applicable amounts of contributed surplus are transferred to share capital.

STAR ROYALTIES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

2. BASIS OF PREPARATION (CONTINUED)

At the end of the reporting period, the Company updates its estimate of the number of awards that are expected to vest and adjusts the total expense to be recognized over the vesting period.

(b) Basis of measurement

The condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at their fair value as set out in the accounting policies in Note 3 of the audited annual financial statements for the year ended December 31, 2020.

3. USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Significant Accounting Judgments and Estimates

The preparation of these condensed interim financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

In preparing these condensed interim financial statements, the Company applied the significant accounting judgements and estimates as disclosed in Note 2 of the audited financial statements for the year ended December 31, 2020.

4. CASH AND CASH EQUIVALENTS

	September 30, 2021	December 31, 2020
Cash	\$ 4,320,714	\$ 856,094
Guaranteed investment certificates	-	1,132,899
Total	\$ 4,320,714	\$ 1,988,993

5. RECEIVABLES

	September 30, 2021	December 31, 2020
Goods and service tax ("GST") receivable	\$ 143,417	\$ 153,710
Royalty receivable	225,458	10,307
Total	\$ 368,875	\$ 164,017

Subsequent to September 30, 2021, the Company received the royalty receivable of \$225,458.

STAR ROYALTIES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

6. ROYALTY AND STREAM INTERESTS

As at September 30, 2021, the following are mining royalties:

	Baavhai Uul	Bayan Undur	Elk Gold	Keysbrook	Total
December 31, 2019	\$ 144,040	\$ 153,669	\$ -	\$ -	\$ 297,709
Additions during the year	-	-	-	3,163,116	3,163,116
Depletion during the year	-	-	-	(5,740)	(5,740)
Foreign currency translation	3,106	3,315	-	102,712	109,133
Closing, December 31, 2020	\$ 147,146	\$ 156,984	\$ -	\$ 3,260,088	\$ 3,564,218
Additions during the period	-	-	10,707,457	-	10,707,457
Depletion during the period	-	-	-	(404,692)	(404,692)
Foreign currency translation	388	414	24,998	14,885	40,685
Closing, September 30, 2021	\$ 147,534	\$ 157,398	\$ 10,732,455	\$ 2,870,280	\$ 13,907,668

As at September 30, 2021, the following are steam interest:

	Copperstone	Total
December 31, 2019	\$ -	\$ -
Additions during the year	6,537,566	6,537,566
Depletion during the year	-	-
Foreign currency translation	115,150	115,150
Closing, December 31, 2020	\$ 6,652,716	\$ 6,652,716
Additions during the period	6,008,948	6,008,948
Depletion during the period	-	-
Foreign currency translation	(27,457)	(27,457)
Closing, September 30, 2021	\$ 12,634,207	\$ 12,634,207

As at September 30, 2021, the following are carbon credit royalties:

	Elizabeth Metis	LSFN Forest	Total
December 31, 2019	\$ -	\$ -	\$ -
Additions during the year	-	117,366	117,366
Depletion during the year	-	-	-
Foreign currency translation	-	12,124	12,124
Closing, December 31, 2020	\$ -	\$ 129,490	\$ 129,490
Additions during the period	242,502	-	242,502
Depletion during the period	-	-	-
Foreign currency translation	(2,525)	341	(2,184)
Closing, September 30, 2021	\$ 239,977	\$ 129,831	\$ 369,808

Of the total net book value as at September 30, 2021, \$2,870,280 (December 31, 2020 - \$3,260,088) is depletable and \$24,041,403 (December 31, 2020 - \$7,086,336) is non-depletable.

STAR ROYALTIES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

6. ROYALTY AND STREAM INTERESTS (CONTINUED)

	Mining Royalties	Stream Interests	Carbon Credit Royalties	Total
December 31, 2019	\$ 297,709	\$ -	\$ -	\$ 297,709
Additions during the year	3,163,116	6,537,566	117,366	9,818,048
Depletion during the year	(5,740)	-	-	(5,740)
Foreign currency translation	109,133	115,150	12,124	236,407
Closing, December 31, 2020	\$ 3,564,218	\$ 6,652,716	\$ 129,490	\$ 10,346,424
Additions during the period	10,707,457	6,008,948	242,502	16,958,907
Depletion during the period	(404,692)	-	-	(404,692)
Foreign currency translation	40,685	(27,457)	(2,184)	(11,044)
Closing, September 30, 2021	\$ 13,907,668	\$ 12,634,207	\$ 369,808	\$ 26,911,683

Copperstone

In February 2021, the Company made the second instalment payment of \$6,000,000 pursuant to the purchase and sale agreement in respect of the Copperstone asset (the “Streaming Agreement”) with Sabre Gold Mines Corp. (“Sabre Gold”) (formerly Arizona Gold Corp.). Total acquisition costs of \$8,948 were incurred.

On June 28, 2021, the Streaming Agreement was amended whereby the previously defined final tranche payment date was removed and was replaced by certain closing conditions having to be met by Sabre Gold.

Elizabeth Metis Settlement

In July 2021, the Company executed a definitive royalty purchase agreement and gross revenue royalty agreement with Elizabeth Metis Settlement (“EMS”) to acquire a 13.5% gross revenue royalty on EMS’ revenue share from the creation and sale of emission reduction benefits (including carbon offset credits and emission reduction credits) from forested lands located in EMS in Alberta, Canada for a total consideration of \$238,569 (CAD\$300,000) in cash. Total acquisition costs of \$3,933 were incurred.

Elk Gold

In September 2021, the Company acquired an existing 2% net smelter return royalty from Almadex Minerals Ltd. on the Elk Gold Mine (“Elk Gold”) located in BC, Canada and owned and operated by Gold Mountain Mining Corp. for \$10,000,000 in cash, 1,659,304 common shares valued at \$574,249 (CAD\$730,094) and 829,652 common share purchase warrants valued at \$57,659 (CAD\$73,307). Each common share purchase warrant will be exercisable at CAD\$0.70 until September 29, 2023. Total acquisition costs of \$75,549 were incurred.

STAR ROYALTIES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Presented in US Dollars)

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2021	December 31, 2020
Accounts payable and accrued liabilities	\$ 427,619	\$ 7,766
Share issuance costs payable	<u>-</u>	<u>127,069</u>
	<u>\$ 427,619</u>	<u>\$ 134,835</u>

8. RELATED PARTY TRANSACTIONS

Related parties include key management personnel, and individuals or companies controlled by key management personnel. Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Board of Directors and corporate officers, including the Company's Executive Chairman, Chief Executive Officer, Chief Investment Officer, Chief Business Development Officer, and Chief Financial Officer.

During the three and nine months ended September 30, 2021 and 2020, the Company entered into the following transactions with related parties:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Management compensation	\$ 226,637	\$ 45,635	\$ 671,720	\$ 210,652
Marketing and shareholder communications	17,413	1,342	49,653	2,709
Share-based compensation	<u>194,210</u>	<u>-</u>	<u>830,241</u>	<u>-</u>
	<u>\$ 438,260</u>	<u>\$ 46,977</u>	<u>\$ 1,551,614</u>	<u>\$ 213,361</u>

9. SHAREHOLDERS' EQUITY

(a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

(b) Share consolidation

The Board of Directors authorized a five-to-one share consolidation, which was passed at the shareholders' meeting on November 30, 2020 and took effect on December 4, 2020. The number of issued and outstanding shares, broker warrants, and per share amounts have been retrospectively restated for all periods presented unless otherwise stated.

(c) Issued share capital

During the nine months ended September 30, 2021, the Company entered into the following transactions:

- a) In February 2021, the Company completed its initial public offering of 34,286,000 units of the Company at a price of CAD\$0.70 per unit for gross proceeds of \$18,974,650 (CAD\$24,000,200). Each unit consists of one common share and one publicly traded warrant. Each publicly traded warrant entitles the holder to purchase one common share at an exercise price of CAD\$1.00 per common share until February 19, 2024. The gross proceeds of \$18,974,650 were allocated between common shares and publicly traded warrants and recorded as \$16,562,159 to share capital and \$2,412,491 to contributed surplus.

STAR ROYALTIES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

9. SHAREHOLDERS' EQUITY (CONTINUED)

- b) In March 2021, the syndicate of underwriters for the Company's IPO exercised a portion of the over-allotment option granted to them. As a result of the exercise, the Company issued an additional 3,769,500 common shares at a price of CAD\$0.611 per common share and 5,142,900 publicly traded warrants at a price of CAD\$0.089 per warrant for combined gross proceeds of \$2,178,545 (CAD\$2,760,883). The gross proceeds of \$2,178,545 were allocated between common shares and publicly traded warrants and recorded as \$1,817,370 to share capital and \$361,175 to contributed surplus.
- c) Share issuance fees paid in cash totalled \$1,758,343 in relation to the Company's IPO and the exercise of the over-allotment option granted to the syndicate of underwriters. The share issuance costs of \$1,758,343 were recorded against share capital in the amount of \$1,534,786 and contributed surplus in the amount of \$223,557.
- d) Issued 7,200 common shares for publicly traded warrants exercised for gross proceeds of \$5,799. The Company allocated \$463 to share capital which was the fair value of share purchase warrants exercised.
- e) In September 2021, the Company issued 1,659,304 common shares at a price of CAD\$0.44 valued at \$574,249 (CAD\$730,094) and 829,652 warrants with a fair value of \$57,659 (CAD\$73,307) pursuant to the Elk Gold royalty acquisition (Note 6). Each warrant entitles the holder to purchase one common share at an exercise price of CAD\$0.70 per common share until September 29, 2023. The fair value of the warrants was estimated using the Black-Scholes option pricing model assuming a life expectancy of 2 years, a risk-free rate of 0.53%, a forfeiture rate of 0%, and a share price volatility of 60%.

(d) Broker Warrants

As at September 30, 2021, the following broker warrants were outstanding:

	Number of broker warrants	Weighted Average Exercise Price CAD
Balance, December 31, 2020	669,300	\$ 0.625
Granted	-	
Balance, September 30, 2021	669,300	\$ 0.625

The broker warrants expire between March 18, 2022 and March 30, 2022.

(e) Publicly Traded Warrants

As at September 30, 2021, the following publicly traded warrants were outstanding:

	Number of publicly traded warrants	Weighted Average Exercise Price CAD
Balance, December 31, 2020	-	-
Granted	39,428,900	\$ 1.00
Exercised	(7,200)	\$ 1.00
Balance, September 30, 2021	39,421,700	\$ 1.00

The publicly traded warrants expire on February 19, 2024.

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9. SHAREHOLDERS' EQUITY (CONTINUED)**(f) Share Purchase Warrants**

As at September 30, 2021, the following share purchase warrants were outstanding:

	Number of share purchase warrants	Weighted Average Exercise Price CAD
Balance, December 31, 2020	-	-
Granted	829,652	\$0.70
Balance, September 30, 2021	829,652	\$ 0.70

The share purchase warrants expire on September 29, 2023.

(g) Stock Options

The Company has an equity compensation plan, under which it is authorized to grant stock options, RSUs and performance share units, or some combination thereof up to 10% of its outstanding common shares. The equity compensation plan received shareholders' approval at the Annual General and Special Meeting held on June 23, 2021.

On February 19, 2021, the Company issued 3,735,000 stock options to officers and directors of the Company with an exercise price of CAD\$0.70 per share. The stock options expire on February 19, 2031 and vest 25% on grant and 25% annually over three years.

On June 23, 2021, upon receiving shareholders' approval on the equity compensation plan, the Company revised the earlier fair value estimate so that the amounts recognized for services received in respect of the grant are based on the grant date fair value. The weighted average fair value per stock option as determined on June 23, 2021 was CAD\$0.34. The fair value of the options was estimated using the Black-Scholes option pricing model assuming a life expectancy of 10 years, a risk-free rate of 1.21%, a forfeiture rate of 0%, and a share price volatility of 60%. During the nine months ended September 30, 2021, the Company recorded share-based compensation of \$586,634 in relation to stock options.

Stock option transactions are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance, December 31, 2020	-	\$ -
Granted	3,735,000	0.70
Balance, September 30, 2021	3,735,000	\$ 0.70
Vested and exercisable, September 30, 2021	933,750	\$ 0.70

The outstanding stock options expire on February 19, 2031.

STAR ROYALTIES LTD.

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9. SHAREHOLDERS' EQUITY (CONTINUED)

(h) RSUs

Pursuant to the equity compensation plan, which was approved by shareholders at the Annual General and Special Meeting on June 23, 2021, the Company is authorized to issue RSUs to directors, officers, employees or consultants. The RSUs entitle holders to common shares of the Company upon vesting, based on vesting terms determined by the Board of Directors at the time of grant.

On February 19, 2021, the Company granted 1,250,005 RSUs to officers and directors of the Company. The RSUs vest over three years. On June 23, 2021, upon receiving shareholders' approval on the equity compensation plan, the Company revised the earlier fair value estimate so that the amounts recognized for services received in respect of the grant are based on the grant date fair value. The weighted average fair value per unit as at June 23, 2021 was CAD\$0.54. During the nine months ended September 30, 2021, the Company recorded share-based compensation of \$243,606 in relation to RSUs.

10. SEGMENT INFORMATION

For the three and nine months ended September 30, 2021, the Company had revenue of \$225,458 and \$580,478 respectively (three and nine months ended September 30, 2020 - \$Nil and \$Nil, respectively) from one of its royalties located in Australia.

The Company has non-current assets in the following geographic locations:

	September 30, 2021	December 31, 2020
United States	\$ 12,634,207	\$ 6,652,716
Canada	2,870,280	3,260,088
Australia	11,102,264	129,490
Mongolia	304,932	304,130
	<u>\$ 26,911,683</u>	<u>\$ 10,346,424</u>

11. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of cash and cash equivalents, receivables and accounts payable and accrued liabilities, approximates fair value due to the short-term nature of the financial instruments. Cash and cash equivalents and receivables are classified as amortized cost. Accounts payable and accrued liabilities are classified as amortized cost.

STAR ROYALTIES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Presented in US Dollars)

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

12. COMMITMENTS

As at September 30, 2021, the Company had the following contractual obligations:

	Less than 1 year	1 to 3 years	Over 3 years	Total
Accounts payable	<u>\$ 181,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,346</u>
	<u>\$ 181,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,346</u>