



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

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED 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 consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated 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 consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim consolidated financial statements by an entity's auditor.

**STAR ROYALTIES LTD.**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Presented in US Dollars)

(Unaudited)

As At

	September 30, 2022	December 31, 2021
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 2,455,628	\$ 4,160,206
Receivables (Note 4)	307,617	283,472
Prepays and other	<u>39,356</u>	<u>61,366</u>
	2,802,601	4,505,044
<b>Non-current</b>		
Investment in Green Star joint venture (Note 5)	18,419,486	-
Royalty and stream interests (Note 6)	<u>23,928,020</u>	<u>26,711,573</u>
	\$ 45,150,107	\$ 31,216,617
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	<u>\$ 417,086</u>	<u>\$ 435,723</u>
	417,086	435,723
<b>Shareholders' equity</b>		
Share capital (Note 8)	28,224,482	28,008,825
Contributed surplus	6,172,984	5,888,237
Accumulated other comprehensive (loss)/income	(3,067,091)	459,157
Retaining earnings/(deficit)	<u>13,402,646</u>	<u>(3,575,325)</u>
	<u>44,733,021</u>	<u>30,780,894</u>
	\$ 45,150,107	\$ 31,216,617

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 consolidated financial statements.

**STAR ROYALTIES LTD.**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME/(LOSS) AND OTHER COMPREHENSIVE INCOME/(LOSS)

(Presented in US Dollars)

(Unaudited)

	<b>For the Three Months Ended September 30, 2022</b>	For the Three Months Ended September 30, 2021	<b>For the Nine Months Ended September 30, 2022</b>	For the Nine Months Ended September 30, 2021
<b>Revenue</b>				
Royalty income	\$ 234,854	\$ 225,458	\$ 714,418	\$ 580,478
<b>Costs of sales</b>				
Depletion (Note 2c)	<u>(144,970)</u>	<u>(204,001)</u>	<u>(507,714)</u>	<u>(572,235)</u>
<b>Gross profit</b>	<u>89,884</u>	<u>21,457</u>	<u>206,704</u>	<u>8,243</u>
<b>Expenses</b>				
Marketing and shareholder communications	37,610	43,936	215,639	121,989
Management and board compensation (Note 7)	313,999	225,247	1,077,214	670,963
Office and miscellaneous	65,262	76,382	197,879	196,890
Professional fees	12,980	152,713	172,762	548,931
Share-based compensation (Notes 7 and 8)	<u>213,963</u>	<u>194,210</u>	<u>645,120</u>	<u>830,241</u>
<b>Total expenses</b>	<u>(643,814)</u>	<u>(692,488)</u>	<u>(2,308,614)</u>	<u>(2,369,014)</u>
<b>Other income</b>				
Foreign exchange income	143,891	199,678	187,685	78,806
Interest income	10,397	14,115	15,060	44,562
Management fees from Green Star joint venture	116,588	-	155,909	-
Equity income from Green Star joint venture (Note 5)	6,558	-	821	-
Gain on deconsolidation of subsidiary (Note 5)	<u>-</u>	<u>-</u>	<u>18,575,690</u>	<u>-</u>
<b>Net (loss)/income</b>	<u>(276,496)</u>	<u>(457,238)</u>	<u>16,833,255</u>	<u>(2,237,403)</u>
<b>Other comprehensive loss</b>				
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Currency translation adjustment	<u>(2,823,221)</u>	<u>(784,017)</u>	<u>(3,526,248)</u>	<u>(35,527)</u>
<b>Total other comprehensive loss</b>	(2,823,221)	(784,017)	(3,526,248)	(35,527)
<b>Total comprehensive (loss)/income</b>	<u>\$ (3,099,717)</u>	<u>\$ (1,241,225)</u>	<u>\$ 13,307,007</u>	<u>\$ (2,272,930)</u>
<b>Basic and diluted (loss)/income per common share</b>	\$ (0.00)	\$ (0.01)	\$ 0.23	\$ (0.03)
<b>Weighted average number of common shares outstanding – basic and diluted</b>	73,181,651	71,098,873	73,084,288	63,921,705

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

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

(Presented in US Dollars)

(Unaudited)

	<b>For the Nine Months Ended September 30, 2022</b>	For the Nine Months Ended September 30, 2021 (Note 2c)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income/(loss) for the period	\$ 16,833,255	\$ (2,237,403)
Items not affecting cash:		
Depletion (Note 2c)	507,714	572,235
Equity income from Green Star joint venture	(821)	-
Foreign exchange income	(187,685)	(78,806)
Gain on deconsolidation of subsidiary (Note 5)	(18,575,690)	-
Share-based compensation	645,120	830,241
Non-cash working capital items changes:		
Accounts payable and accrued liabilities	14,382	169,980
Prepaid and other	18,688	(92,904)
Receivables	(48,111)	(61,973)
Net cash used in operating activities	<u>(793,148)</u>	<u>(898,630)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in Green Star Royalties Ltd.	(901,451)	-
Purchase of royalty and stream interests	<u>-</u>	<u>(16,348,387)</u>
Net cash used by investing activities	<u>(901,451)</u>	<u>(16,348,387)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	-	18,379,529
Proceeds from issuance of warrants	-	2,772,665
Issuance costs	-	(1,631,274)
Exercise of warrants	<u>-</u>	<u>5,799</u>
Net cash provided by financing activities	<u>-</u>	<u>19,526,719</u>
<b>Change in cash and cash equivalents for the period</b>	(1,694,599)	2,279,702
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(9,979)	52,083
<b>Cash and cash equivalents, beginning of the period</b>	<u>4,160,206</u>	<u>1,988,993</u>
<b>Cash and cash equivalents, end of the period</b>	<u>\$ 2,455,628</u>	<u>\$ 4,320,778</u>

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

**STAR ROYALTIES LTD.**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Presented in US Dollars)

(Unaudited)

<b>Share Capital</b>						
	<b>Number</b>	<b>Amount</b>	<b>Contributed surplus</b>	<b>Accumulated other comprehensive income/(loss)</b>	<b>(Deficit)/ Retained earnings</b>	<b>Total</b>
<b>Balance, December 31, 2020</b>	33,018,137	\$ 12,786,743	\$ 144,716	\$ 459,289	\$ (906,043)	\$ 12,484,705
Units issued on initial public offering and overallotment exercised	38,055,500	16,048,245	5,104,949	-	-	21,153,194
Issuance costs	-	(1,406,674)	(351,669)	-	-	(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)	(2,237,403)	(2,272,930)
<b>Balance, September 30, 2021</b>	<u>72,740,141</u>	<u>\$ 28,008,825</u>	<u>\$ 5,785,432</u>	<u>\$ 423,762</u>	<u>\$ (3,143,446)</u>	<u>\$ 31,074,573</u>
<b>Balance, December 31, 2021</b>	72,740,141	\$ 28,008,825	\$ 5,888,237	\$ 459,157	\$ (3,575,325)	\$ 30,780,894
Shares issued on vesting of share units (Note 8)	511,904	215,657	(215,657)	-	-	-
Expiry of broker warrants	-	-	(144,716)	-	144,716	-
Share-based compensation (Note 7 and 8)	-	-	645,120	-	-	645,120
Income and other comprehensive loss	-	-	-	(3,526,248)	16,833,255	13,307,007
<b>Balance, September 30, 2022</b>	<u>73,252,045</u>	<u>\$ 28,224,482</u>	<u>\$ 6,172,984</u>	<u>\$ (3,067,091)</u>	<u>\$ 13,402,646</u>	<u>\$ 44,733,021</u>

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

# **STAR ROYALTIES LTD.**

## **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Presented in US Dollars)

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Star Royalties Ltd. (the “Company”) was incorporated in Canada under the Canada Business Corporations Act on February 15, 2018. The Company is a precious metals royalty and streaming investment company. The Company conducts its green royalty investments via a joint venture company, Green Star Royalties Ltd. (“Green Star”). 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 (“TSX-V”) 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 and commenced trading on the TSX-V under the symbol “STRR”. Although the Company has not generated substantial income and has accumulated a deficit, the Company believes that between the cash balance at September 30, 2022, royalty income from Keysbrook and Elk Gold, and management fees from the Green Star joint venture, it has sufficient resources to fund operations and commitments as required.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on November 22, 2022.

### **2. BASIS OF PREPARATION**

#### **(a) Statement of compliance**

These condensed interim consolidated 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, 2021. 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, 2021. In addition, the Company adopted an accounting policy in relation to investment in a joint venture during the second quarter of 2022 (see Note 5).

#### **(b) Basis of measurement**

These condensed interim consolidated 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 5 of the audited consolidated financial statements for the year ended December 31, 2021.

## STAR ROYALTIES LTD.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Presented in US Dollars)

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

## 2. BASIS OF PREPARATION (CONTINUED)

### (c) Recast for prior period

During the year ended December 31, 2021, the Company recorded additional depletion on the Keysbrook royalty asset. The additional depletion recorded included additional \$167,543 depletion expense relating to the nine months ended September 30, 2021. As a result of this adjustment, the condensed interim consolidated statements of income/(loss) and comprehensive income/(loss) for the three and nine months ended September 30, 2021 has been recast, with depletion increased to \$204,001 and \$572,235, respectively, for the three and nine months ended September 30, 2021. The net impact was an increase to net loss by \$59,729 and \$167,543, respectively, for the three and nine months ended September 30, 2021.

In addition, non-cash working capital changes of \$127,069 relating to the prepaid initial public offering expenses for the nine months ended September 30, 2021 have been reclassified from cash flow from operating activities to cash flow from financing activities in the condensed interim consolidated statements of cash flows.

## 3. USE OF ESTIMATES, ASSUMPTION AND JUDGEMENT

### Critical Accounting Judgments and Estimates

The preparation of these condensed interim consolidated 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 consolidated financial statements, the Company applied the critical accounting judgements and estimates as disclosed in Note 4 of the audited financial statements for the year ended December 31, 2021. In addition, the Company applied the following critical judgment in relation to investment in joint arrangement:

#### Investment in joint arrangement:

Judgement is required to determine when the Company has joint control of a contractual arrangement, which requires a continuous assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. Judgement is also required to classify a joint arrangement as either a joint venture or a joint operation. Classifying the arrangement requires the Company to assess its rights and obligations arising from the arrangement. Specifically, the Company considers the legal form of the separate vehicle, the terms of the contractual arrangement and other relevant facts and circumstances. This assessment often requires critical judgement, and a different conclusion on joint control, or whether the arrangement is a joint venture or a joint operation, may have a material impact on the accounting treatment.

## 4. RECEIVABLES

	September 30, 2022	December 31, 2021
Goods and service tax ("GST") receivable	\$ 83,905	\$ 173,181
Royalty receivable	<u>223,712</u>	<u>110,291</u>
Total	<u>\$ 307,617</u>	<u>\$ 283,472</u>

## STAR ROYALTIES LTD.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

#### 5. INVESTMENT IN GREEN STAR JOINT VENTURE

The Company conducts green royalty investments with its joint venture partner Agnico Eagle Mines Limited (“Agnico Eagle”) via Green Star. Green Star was incorporated in Canada under the Canada Business Corporations Act on June 15, 2020 and domiciled in Canada.

In May 2022, the Company’s subsidiary, Green Star, completed the closing of a non-brokered private placement of 15,384,620 shares at a price of CAD\$1.00 per Green Star class A share (each a “Green Star share”) for total gross proceeds of CAD\$15,384,620. Following the closing of the non-brokered private placement, Green Star is now owned 61.9% by the Company, 35% by Agnico Eagle, and 3.1% by the Company’s management team and Board of Directors.

Prior to the closing of the non-brokered private placement in May 2022, Green Star was a wholly-owned subsidiary of the Company. Contemporaneously with the closing of the private placement transaction, the Company entered into a unanimous shareholders’ agreement and a co-investment and environmental attribute purchase agreement with Agnico Eagle. These agreements provide certain rights to Agnico Eagle for its holding of the Green Star shares, which includes board of directors and technical committee nomination, the right to co-invest in green opportunities, and rights to first offer to participate in future offerings, among other things. As a result of the governance structure on Green Star due to the joint arrangement entered into with Agnico Eagle, the Company has derecognized related assets and liabilities of Green Star from its consolidated financial statements as of the closing date of the private placement transaction in May 2022 and recorded an investment in joint venture in accordance with IFRS 11 *Joint arrangement* and IAS 28 *Investment in associates and joint ventures*. The accounting policies of the joint venture are consistent with the policies described herein.

The Company has assessed the nature of its joint arrangement and determined it to be a joint venture. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Company accounts for its investment in the joint venture using the equity method in accordance with IAS 28 *Investment in associates and joint ventures*. Under the equity method, the Company’s initial investment is subsequently increased or decreased to recognize the Company’s share of net income and losses of the joint venture, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the joint venture’s reserves, and for impairment losses after the initial recognition date. The Company’s share of income and losses of the joint venture is recognized in net income during the period.

The following tables shows the assets and liabilities that were deconsolidated from the Company’s consolidated financial statements, and the gain on the transaction that was recognized in the statements of income/(loss).

#### **Assets and liabilities deconsolidated**

	<b>Green Star</b>
Assets	
Royalty interests <sup>1</sup>	\$ 1,082,712
Liabilities	-
Net assets deconsolidated	\$ 1,082,712

1. This relates to the royalty interests on EMS Forest, LSFN Forest and MOBISMART

**STAR ROYALTIES LTD.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Presented in US Dollars)

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FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

**5. INVESTMENT IN GREEN STAR JOINT VENTURE (CONTINUED)**

Upon derecognition of Green Star's net assets of \$1,082,712 (CAD\$1,379,158) from the consolidated financial statement, the Company recorded an initial recognition of its investment in joint venture relating to Green Star of \$19,626,315 (CAD\$25,000,000), which was based on fair value of Green Star shares at CAD\$1.00 per share. This resulted in a gain on deconsolidation of subsidiary of \$18,575,690 (CAD\$23,620,842) In addition, transaction costs of \$186,492 were incurred and capitalized to Investment in joint venture.

The following table discloses the continuity of the Company's investment in Green Star joint venture as at September 30, 2022:

	<b>Investment in joint venture</b>
Balance as at December 31, 2021	\$ -
Initial recognition	19,626,315
Transaction costs	186,492
Equity income for the period	821
Foreign currency translation	<u>(1,394,142)</u>
Balance as at September 30, 2022	\$ 18,419,486

The following is a summary of the Green Star joint venture financial information on a 100% basis:

	<b>For the Nine Months Ended September 30, 2022</b>
Income for the period	\$ 1,329
	<b>September 30, 2022</b>
Total assets	\$ 12,210,509
Total liabilities	\$ 9,581
Total equity	<u>\$ 12,200,928</u>

**STAR ROYALTIES LTD.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Presented in US Dollars)

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

**6. ROYALTY AND STREAM INTERESTS**

	Mining Royalties	Stream Interests	Carbon Credit & Other Royalties	Total
<b>Cost, December 31, 2020</b>	\$ 3,569,958	\$ 6,652,716	\$ 129,490	\$ 10,352,164
Additions during the period	10,702,142	6,008,948	242,502	16,953,592
Foreign currency translation	53,861	(15,277)	(1,822)	36,762
<b>Cost, December 31, 2021</b>	\$ 14,325,961	\$ 12,646,387	\$ 370,170	\$ 27,342,518
Additions during the period	-	-	722,078	722,078
Deconsolidation during the period (Note 6)	-	-	(1,082,712)	(1,082,712)
Foreign currency translation	(974,096)	(931,573)	(9,536)	(1,915,205)
<b>Cost, September 30, 2022</b>	\$ 13,351,865	\$ 11,714,814	\$ -	\$ 25,066,679
	Mining Royalties	Stream Interests	Carbon Credit & Other Royalties	Total
<b>Accumulated depreciation, December 31, 2020</b>	\$ 5,740	\$ -	\$ -	\$ 5,740
Depletion during the period	625,205	-	-	625,205
<b>Accumulated depreciation, December 31, 2021</b>	\$ 630,945	\$ -	\$ -	\$ 630,945
Depletion during the period	507,714	-	-	507,714
<b>Accumulated depreciation, September 30, 2022</b>	\$ 1,138,659	\$ -	\$ -	\$ 1,138,659
<b>Net book value, December 31, 2021</b>	\$ 13,695,016	\$ 12,646,387	\$ 370,170	\$ 26,711,573
<b>Net book value, September 30, 2022</b>	\$ 12,213,206	\$ 11,714,814	\$ -	\$ 23,928,020

Of the total net book value as at September 30, 2022, \$11,930,465 (December 31, 2021 - \$2,835,314) is depletable and \$11,997,555 (December 31, 2021 - \$23,876,259) is non-depletable.

**7. RELATED PARTY TRANSACTIONS**

Related parties include key management personnel, individuals or companies controlled by key management personnel and Green Star. 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, and Chief Financial Officer.

During the three and nine months period ended September 30, 2022 and 2021, key management compensation was as follows:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Management and board compensation	\$ 276,378	\$ 226,637	\$ 901,971	\$ 671,720
Severance	-	-	137,622	-
Share-based compensation	213,963	194,210	645,120	830,241
	\$ 490,341	\$ 420,847	\$ 1,684,713	\$ 1,501,961

## **STAR ROYALTIES LTD.**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Presented in US Dollars)

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FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

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#### **7. RELATED PARTY TRANSACTIONS (CONTINUED)**

In addition, the Company paid consulting fees in relations to marketing and shareholder communication to an entity controlled by a former executive officer of the Company in the amount of \$Nil and \$24,726, respectively, for the three and nine months ended September 30, 2022 (three and nine months ended September 30, 2021 - \$17,413 and \$49,653, respectively).

The Company also received management fees of \$116,588 and \$155,909 from Green Star for the three and nine months ended September 30, 2022, respectively.

#### **8. SHAREHOLDERS' EQUITY**

##### **(a) Authorized**

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

##### **(b) Issued share capital**

During the nine-month period ended September 30, 2022, the Company entered into the following transactions:

- i.) In February 2022, the Company issued 416,665 common shares valued at \$176,492 (CAD\$225,001) in relation to vested restricted share units ("RSUs").
- ii.) In March 2022, the Company reclassified \$144,716 (CAD\$192,696) relating to the expired broker warrants, from contributed surplus to retained earnings/(deficit).
- iii.) In September 2022, the Company issued 95,239 common shares valued at \$39,165 (CAD\$51,429) in relation to vested RSUs. The Company issued 95,239 common shares valued at \$39,165 (CAD\$51,429).

##### **(c) Stock options**

During the nine-month period ended September 30, 2022, the Company entered into the following transactions:

On February 21, 2022, the Company issued 625,000 stock options to officers and directors of the Company with an exercise price of CAD\$0.60 per share. The stock options expire on February 21, 2032 and vest over three years in equal portions on the anniversary of the grant date. The fair value per stock option as determined on grant date was CAD\$0.40.

During the three and nine-month period ended September 30, 2022, the Company recorded share-based compensation expense of \$79,549 and \$266,140 (three and nine months ended September 30, 2021 - \$112,297 and \$586,634) in relation to vesting stock options in share-based compensation in the condensed interim consolidated statements of income/(loss) and other comprehensive income/(loss).

## STAR ROYALTIES LTD.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Presented in US Dollars)

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FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

#### 8. SHAREHOLDERS' EQUITY (CONTINUED)

##### (d) RSUs

During the nine-month period ended September 30, 2022, the Company entered into the following transactions:

On February 21, 2022, the Company granted 1,215,000 RSUs to officers and directors of the Company. The RSUs granted are vested over three years in equal portions on the anniversary of the grant date. The fair value per unit on grant date was CAD\$0.60.

During the three and nine-month period ended September 30, 2022, the Company recorded share-based compensation expense of \$134,414 and \$378,980 (three and nine months ended September 30, 2021 - \$81,913 and \$243,607) in relation to RSUs in share-based compensation in the condensed interim consolidated statements of income/(loss) and other comprehensive income/(loss).

#### 9. SEGMENT INFORMATION

For the nine-month period ended September 30, 2022, the Company had mining royalty revenues from two of its royalties located in Australia and Canada of \$649,125 and \$65,293, respectively (nine months ended September 30, 2021 - \$580,478 from one of its royalties in Australia).

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

	September 30, 2022	December 31, 2021
United States	\$ 11,714,814	\$ 12,646,387
Canada	9,904,019	11,107,699
Australia	2,026,446	2,652,262
Mongolia	282,741	305,225
	<u>\$ 23,928,020</u>	<u>\$ 26,711,573</u>

#### 10. 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.

**STAR ROYALTIES LTD.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Presented in US Dollars)

(Unaudited)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

**11. COMMITMENTS**

As at September 30, 2022, the Company had the following contractual obligations:

	<b>Less than</b>			<b>Total</b>
	<b>1 year</b>	<b>1 to 3 years</b>	<b>Over 3 years</b>	
Accounts payable	\$ 88,456	\$ -	\$ -	\$ 88,456
	\$ 88,456	\$ -	\$ -	\$ 88,456