

# Management's Discussion and Analysis

**For the years ended December 31, 2023 and 2022**

(Expressed in thousands of United States dollars, unless otherwise denoted)

# Management's Discussion and Analysis

## BASIS OF PRESENTATION

This Management's Discussion and Analysis ("MD&A") is intended to help the reader understand Lithium Royalty Corp. ("LRC" or the "Company"), its operations, financial performance and the present and anticipated future business environment. This MD&A, which has been prepared as of March 28, 2024, should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the years ended December 31, 2023 and 2022 (the "Annual Financial Statements"), which have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). Certain notes to the Annual Financial Statements are specifically referred to in this MD&A. Certain financial measures contained in this MD&A are non-IFRS measures and are discussed further in the *Non-IFRS Measures* section of this MD&A. All amounts in this MD&A are in thousands of U.S. dollars unless otherwise indicated. References to "US\$", "\$" or "dollars" are to United States dollars, references to "C\$" are to Canadian dollars and references to "A\$" are to Australian dollars. In this MD&A, all references to "LRC", the "Company", "we", "us" or "our" refer to Lithium Royalty Corp. together with its subsidiaries, on a consolidated basis.

This MD&A contains forward-looking information. Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that LRC considered appropriate and reasonable as of the date such statements are made, and are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the risk factors described in the "Risk Factors" section of the Company's Annual Information Form dated March 27, 2024, available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). There can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, users should not place undue reliance on forward-looking information, which speaks only as of the date made. See the *Forward-Looking Information* section at the end of this MD&A.

## COMPANY OVERVIEW

LRC is a lithium-focused royalty company organized in Canada which has established a diversified portfolio of royalties on mineral properties around the world that supply or are expected to supply raw materials to support the electrification and decarbonization of the global economy. Our royalty portfolio has been focused to date on the battery supply chain for the transportation industry. Our focus on batteries has been amplified more recently by battery demand from energy storage system installations. Our royalty portfolio is underpinned by mineral properties that produce or are expected to produce lithium and other battery minerals.

Since commencing operations in 2018, our overarching objective has been to grow our portfolio and net asset value through ongoing investments in royalties within an electrification and decarbonization macroeconomic theme, with an emphasis on lithium. LRC owns a portfolio of 35 royalties on 33 properties and continues to seek opportunities to acquire additional royalty assets.

The major categories of the Company's interests are (i) producing, (ii) development, and (iii) exploration and evaluation interests. Producing assets are royalty interests over mineral projects which have reached commercial production. Development assets are royalty interests on projects which are not yet producing, but where the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets represent royalty interests where the technical feasibility and commercial viability of extracting a mineral resource have not yet been demonstrated.

Our royalty acquisition strategy targets high-grade and low-cost mineral projects that are primarily located in Australia, Canada, South America and the United States; however, LRC also targets high-quality assets in other jurisdictions when LRC deems risk-adjusted returns to be appropriate and LRC is satisfied with available protections. Our portfolio includes a number of projects in the earlier stages of the mine life cycle, representing a development and exploration and evaluation stage pipeline and the opportunity to increase EBITDA\* per share over the long term after the underlying mines come into production in a favourable commodity price environment. Integration of ESG factors and sustainable mining are considerations in our investment and royalty acquisitions.

\* Adjusted Net Loss, EBITDA, and Adjusted EBITDA are non-IFRS measures. For a reconciliation of these items to IFRS measures, see page 24 of this MD&A.

On March 15, 2023, the Company completed an Initial Public Offering ("IPO"), raising proceeds of \$102.7 million (C\$141.4 million), net of underwriting fees and related underwriting expenses of \$6.3 million (C\$8.6 million), through the issuance of 8,824,000 common shares from treasury at a price of \$12.35 per share (C\$17.00 per share). Refer to the *Initial Public Offering* section of this MD&A.

## Selected Financial Highlights

KEY INCOME STATEMENT ITEMS	For the three months ended December 31,		For the years ended December 31,	
	2023	2022	2023	2022
Royalty revenue	\$ 1,013	\$ 337	\$ 5,522	\$ 1,684
Depletion	(279)	(192)	(935)	(961)
Gross profit	734	145	4,587	723
(Loss) income from operations	(1,577)	(677)	(4,533)	(1,334)
Gain (loss) on investments at fair value through profit and loss ("FVTPL")	–	4,117	(37)	17,093
<b>Net (loss) income for the period</b>	<b>\$ (826)</b>	<b>\$ 3,812</b>	<b>\$ (4,967)</b>	<b>\$ 13,967</b>
Net (loss) income attributable to non-controlling interest	11	–	72	188
Net (loss) income attributable to equity holders of Lithium Royalty Corp.	(837)	3,812	(5,039)	13,779
Adjusted Net (Loss)*	(202)	(344)	(2,721)	(2,671)
EBITDA*	(1,254)	3,903	(2,474)	16,004
<b>Adjusted EBITDA*</b>	<b>\$ (695)</b>	<b>\$ (390)</b>	<b>\$ (306)</b>	<b>\$ (100)</b>

\* Adjusted Net Loss, EBITDA, and Adjusted EBITDA are non-IFRS measures. For a reconciliation of these items to IFRS measures, see page 24 of this MD&A.

KEY CASH FLOW STATEMENT ITEMS	For the three months ended December 31,		For the years ended December 31,	
	2023	2022	2023	2022
Net cash provided by / (used in) operating activities	\$ 950	\$ (469)	\$ (7,535)	\$ (2,116)
Net cash used in investing activities	(2,521)	(11,524)	(53,609)	(3,166)
Net cash (used in) / provided by financing activities	(301)	20,711	35,828	20,921

KEY BALANCE SHEET ITEMS	As at December 31,	
	2023	2022
Cash	\$ 11,757	\$ 35,877
Royalty and working interests	140,661	78,204
Total assets	154,847	150,319
Total non-current liabilities	3,098	2,772

## OUR ASSETS

The Company is organized into a single operating segment. Operations consist of acquiring and managing the administration of our royalty interests, as part of a portfolio that provides exposure to lithium. The Company's chief operating decision maker, the Executive Chair, makes resource allocation decisions, reviews operating results and assesses performance.

### Production Stage Assets

#### *Mt Cattlin (Operator: Arcadium Lithium PLC ("Arcadium"))*

LRC owns a A\$1.50 per tonne of tantalum ore royalty on the Mt Cattlin mine, which is located near Ravensthorpe in the Great Southern region of Western Australia. On August 1, 2023, the operator announced an additional reserve update for Mt Cattlin, which provided an extension of four to five years of mine life using open pit methods. Arcadium expects to release an underground feasibility study in Q1 2024. On January 4, 2024, Arcadium announced the completion of the merger between Allkem and Livent. On February 22, 2024, Arcadium announced that it expected to produce 17kt LCE to their year ended December 31, 2024, which represents a reduction of 37% as compared to 2023.

#### *Finniss (Operator: Core Lithium Ltd. ("Core Lithium"))*

LRC owns a 2.5% gross overriding revenue ("GOR") royalty over the Finniss spodumene project in the Northern Territory, Australia, operated by Core Lithium. During the second quarter of 2023, Core Lithium continued the ramp up of the Finniss project, triggering an obligation on the Company to pay additional acquisition consideration of \$844 (A\$1,250) to Core Lithium, which was paid during the second quarter of 2023. In accordance with the terms of the royalty agreement, this payment triggered an increase in our royalty rate from 2.115% to 2.5%. On January 5, 2024, Core Lithium announced that it was temporarily suspending mining operations, while continuing to process stockpiled ore. Core Lithium will continue the mine study for the BP33 projects, with early works on pause until market conditions improve.

#### *Grota do Cirilo (Operator: Sigma Lithium Corporation ("Sigma Lithium"))*

LRC owns a net 0.9% NSR royalty over the Grota do Cirilo lithium project operated by Sigma Lithium in Brazil. Commercial production for the Xuxa Phase 1 of that project commenced in April 2023. In 2023, the Grota do Cirilo project generated \$1.0 million of revenue for LRC. On January 31, 2024, Sigma Lithium announced an updated NI 43-101 mineral resource to 37 million tonnes of measured and 40 million tonnes of indicated mineral resource on the Grota do Cirilo project. On February 12, 2023, Sigma Lithium announced plans to advance Phase 2 of the project, which would increase annual production from 270,000 tonnes to approximately 510,000 tonnes on an annualized basis if completed.

### Development Stage Assets

#### *Tres Quebradas (Operator: Zijin Mining Group Ltd. ("Zijin Mining"))*

LRC owns a net 1.4% GOR royalty on the Tres Quebradas lithium project operated by Zijin Mining in Argentina. Zijin Mining commenced construction of the Tres Quebradas project in February 2022. On July 24, 2023, LRC acquired an additional 0.5% GOR royalty interest in the project. Refer to the *Asset Acquisition Activity* section of this MD&A. In its annual results announcement of March 22, 2024, Zijin Mining disclosed that it anticipated completing construction of the project and commencing production in 2024.

#### *Horse Creek Silica Mine (Operator: Sinova Quartz Inc. ("Sinova"))*

LRC owns a GOR royalty on the Horse Creek silica mine operated by Sinova Quartz Inc. ("Sinova") in British Columbia, Canada. Pilot production at the Horse Creek quarry began in the third quarter of 2021. The Horse Creek mine has not yet commenced full production and there have been no subsequent royalty payments since the fourth quarter of 2021. Commercial production is anticipated to commence in 2025. The Horse Creek quarry produces high-purity quartz that is used in the production of silicon metal. Silicon metal is increasingly being used as an anode battery material to increase the energy density of EV batteries and, as a result, the range of EVs. Silicon metal is also used in the production of semiconductors and solar panels. Sinova is in the process of building a silicon metal manufacturing operation in Tennessee to process quartz from the Horse Creek quarry. The Horse Creek quarry is permitted for 1,400,000 tonnes of quartz production per year.

#### *Mariana (Operator: Ganfeng Lithium Co. ("Ganfeng"))*

LRC owns a net 0.45% NSR royalty on the Mariana Lithium project operated by Ganfeng in Salta, Argentina. Construction of the Mariana project is underway and Ganfeng projected in its 2022 Annual Report for production to commence in 2024. In May 2022, Ganfeng announced its commitment to spend \$600 million to build a lithium chloride production facility in Salta with a targeted output of 20,000 tonnes. In its annual results announcement in March 2023, Ganfeng disclosed that the project is progressing smoothly and the first evaporation pond is in the stage of water injection.

### Exploration and Evaluation Stage Assets

LRC has royalty interests over assets that are at varying stages of exploration and evaluation, which are listed in the table below. LRC considers properties to be in the exploration and evaluation stage if they have not yet shown the technical feasibility and commercial viability of a project. LRC does not expect that any of the following projects will graduate from this stage prior to December 31, 2024, other than the Das Neves project, which has nearly completed permitting.

UNDERLYING ASSET	LOCATION	OPERATOR	COMMODITY EXPOSURE	STATUS
<b>Moblan</b>	Québec, Canada	Sayona	Lithium Spodumene	DFS complete, regulatory approval in progress
<b>Tansim</b>	Québec, Canada	Sayona	Lithium Spodumene	Exploration
<b>Mallina</b>	Western Australia, Australia	Morella	Lithium Spodumene	Drilling for mineral resource
<b>Valjevo</b>	Valjevo, Serbia	Euro Lithium	Lithium Carbonate and Boric Acid	PEA in progress
<b>Cancet</b>	Québec, Canada	Winsome	Lithium Spodumene	Drilling for mineral resource
<b>Adina</b>	Québec, Canada	Winsome	Lithium Spodumene	Mineral resource, PEA in progress
<b>Sirmac-Clapier</b>	Québec, Canada	Winsome	Lithium Spodumene	Exploration
<b>Donner Lake</b>	Manitoba, Canada	Grid Metals	Lithium Spodumene	Scoping study
<b>Campus Creek</b>	Ontario, Canada	Grid Metals	Lithium Spodumene	Drilling for mineral resource
<b>Lithium Springs</b>	Northern Territory, Australia	Lithium Springs Limited	Lithium Spodumene	Exploration
<b>Zeus</b>	Nevada, United States	Noram	Lithium Carbonate	PFS in progress
<b>Basin East &amp; West/ Wikieup</b>	Arizona, United States	Bradda Head	Lithium Hydroxide	Updated mineral resource estimate
<b>Shatford Lake/ Cat-Euclid</b>	Manitoba, Canada	ACME Lithium	Lithium Spodumene	Exploration
<b>Yinnetharra</b>	Western Australia, Australia	Red Dirt	Lithium Spodumene	Mineral resource, scoping study in progress
<b>Tabba Tabba</b>	Western Australia, Australia	Sayona and Morella	Lithium Spodumene	Exploration
<b>Mt Edon/ Mt Edon West</b>	Western Australia, Australia	Sayona and Morella	Lithium Spodumene	Exploration
<b>Seymour Lake</b>	Ontario, Canada	Green Technology Metals	Lithium Spodumene	PEA complete, DFS in progress
<b>Root Lake</b>	Ontario, Canada	Green Technology Metals	Lithium Spodumene	PEA complete, PFS in progress
<b>Wisa Lake</b>	Ontario, Canada	Green Technology Metals	Lithium Spodumene	Exploration
<b>Eyre</b>	Western Australia, Australia	Larvotto Resources	Lithium Spodumene	Exploration
<b>Kaustinen/Ilmajoki</b>	Finland	Arvo Lithium	Lithium Spodumene	Exploration
<b>James Bay</b>	Québec, Canada	Arcadium	Lithium Spodumene	Construction planning and design; awaiting permits
<b>Das Neves</b>	Minas Gerais, Brazil	Atlas Lithium Corporation	Lithium Spodumene	Drilling for mineral resource, resource expected Q1 2024
<b>Case Lake</b>	Ontario, Canada	Power Metals Corp	Lithium Spodumene	Drilling for mineral resource
<b>Adina East</b>	Québec, Canada	Winsome	Lithium Spodumene	Exploration
<b>Mia Lithium</b>	Québec, Canada	Q2 Metals Corp	Lithium Spodumene	Drilling for mineral resource
<b>Whitebushes and Mt. Elephant</b>	Brazil	M4E Lithium	Lithium Spodumene	Exploration

## MARKET OVERVIEW

The royalties held by the Company are predominantly GOR royalties, but also include several net smelter return ("NSR") royalties and one tonnage-based royalty. For GOR and NSR royalties, royalty payments to the Company are heavily influenced by the realized revenues earned on the production of lithium precursor products (predominantly spodumene and to a lesser extent lithium carbonate and lithium hydroxide) by the parties bearing the royalty obligations. The royalty payments received by the Company have limited exposure to the operating costs of the payors.

In addition to directly affecting the revenues earned by royalty payors, the market price of lithium significantly affects the economic viability of, and ability to finance, the underlying projects. In addition to other factors, higher lithium prices increase the likelihood that any given lithium project will be developed and brought into production. On the contrary, lower lithium prices create more opportunities for the Company given the need for capital in the lithium sector. At this time, most of the royalties held by the Company are granted over development and exploration projects, and the likelihood of development of an underlying project has a significant impact on the expected value of a royalty on that lithium project. Higher lithium prices also influence the scope of development of a particular lithium project and accordingly the production volumes eventually realized for that project.

Accordingly, most royalty payments are predominantly determined by both the market price of lithium and the production volumes of the mineral projects covered by our royalties. Changes in foreign exchange rates also have an impact on our results. For LRC's one producing royalty which earns Australian dollars, LRC incurs foreign exchange gains or losses when revenues are converted to USD.

The prices in this section are based on Bloomberg data for spot market prices for 6% lithium spodumene, delivered in China.

BENCHMARK LITHIUM PRODUCT (\$/tonne)	Average price in the years ended December 31,	
	2023	2022
99.5% lithium carbonate <sup>1</sup>	\$ 36,659	\$ 71,715
56.5% lithium hydroxide <sup>2</sup>	\$ 38,985	\$ 69,011
6% lithium spodumene <sup>3</sup>	\$ 3,728	\$ 4,368

1 Based on Bloomberg data for spot market price for 99.5% lithium carbonate, delivered in China.

2 Based on Bloomberg data for spot market price for 56.5% lithium hydroxide, delivered in China.

3 Based on Bloomberg data for spot market price for 6% lithium spodumene, delivered in China.

## Lithium

The market price of lithium is a primary driver of the Company's profitability and ability to generate free cash flow for investors, particularly as the projects covered by its GOR and NSR royalties commence production. In addition to the direct increase in the value of royalty payments, an elevated market price of lithium is a significant contributor to the Company's royalty portfolio by stimulating exploration and development activity in the underlying lithium projects and improving the economics of development projects.

The market price of lithium is generally determined by the balance of demand and supply for lithium and the various precursor forms of extracted lithium. Currently, the lithium market is seeing demand growth that is significantly outpacing global GDP and passenger vehicle sales. Incremental supply has grown in 2023 with key marginal producers in China and Africa contributing, which in turn resulted in price volatility during 2023. Despite the volatility in the year, the average consensus price used for long-term forecasts by the analyst community has largely stayed unchanged or increased.

LRC believes inflation is generally positive for the Company, as the cost of developing and operating a mine rises with inflation, which has the effect of raising the marginal cost of lithium production and thereby increasing lithium commodity prices. As LRC's business model is dependent on the overall revenue potential of the mines under royalty agreements and LRC has targeted royalties on lower-cost projects, LRC benefits disproportionately from rising lithium commodity prices that may occur as a result of inflation as our costs are generally fixed, resulting in strong operating leverage at the Company.

Lithium demand is largely driven by electric vehicle sales and overall lithium-ion battery installations, which also include energy storage applications. Electric vehicle sales have continued to outpace overall passenger vehicle sales and continue to show positive year over year growth. In China, the world's largest EV market, sales have grown by approximately 36% in 2023. In the United States, EV sales grew by 49% in the year and in Europe, EV sales grew by 19%. There continues to be strategic investment into the industry to develop the lithium-ion battery supply chain.

### Currency Exchange Rates

The Company is subject to currency fluctuations. For the year ended December 31, 2023 and 2022, the revenues earned by the Mt Cattlin royalty interests were denominated in Australian dollars and paid to the Company's subsidiary LRC I Corporation, which used Australian dollars as its functional currency for accounting purposes up to September 30, 2023. The Company is subject to currency fluctuations on receivables, payables and cash balances denominated in currencies other than the functional currency of the Company and its subsidiaries. The majority of corporate administrative costs are denominated in Canadian dollars. The Company does not have any hedging programs in place for its non-U.S. dollar operating expenses. The following table sets forth exchange rate information for the periods indicated.

AVERAGE EXCHANGE RATES <sup>1</sup>	Year Ended December 31,	
	2023	2022
C\$/US\$ exchange rate	1.3495	1.3019
A\$/US\$ exchange rate	1.5063	1.4394

PERIOD-END EXCHANGE RATES <sup>1</sup>	Year Ended December 31,	
	2023	2022
C\$/US\$ exchange rate	1.3230	1.3552
A\$/US\$ exchange rate	1.4649	1.4780

<sup>1</sup> Based on Bloomberg data for daily exchange rates.

### INITIAL PUBLIC OFFERING

On March 15, 2023, the Company completed an IPO, raising proceeds of \$102.7 million (C\$141.4 million), net of underwriting fees and related underwriting expense of \$6.3 million (C\$8.6 million), through the issuance of 8,824,000 common shares from treasury at a price of \$12.35 per share (C\$17.00 per share). Prior to the closing of the IPO, the following pre-closing reorganization and capital changes were implemented:

- The Company disposed of its working interests, substantially all of its investments and \$28.3 million of cash by way of distributions to the shareholders before the IPO ("Pre-IPO Shareholders");
- The Company distributed non-interest-bearing shareholder notes of \$36.3 million to the Pre-IPO Shareholders, which were repaid after the IPO;
- The issued Class A and Class B shares were converted into convertible common shares;
- The issued Class C shares were converted into common shares;
- The issued and outstanding common shares and convertible common shares were split on a 448.6678:1 basis;
- The Company approved a new equity incentive plan to cover future grants of options, restricted share units ("RSUs") and performance share units ("PSUs") to key personnel and deferred share units ("DSUs") to the independent directors.

	Carrying value on the date of distribution	
Cash	\$	65,235
Working interests		1,516
Investments		29,928
Other assets		403
<b>Total amount of distribution</b>	<b>\$</b>	<b>97,082</b>

## ASSET ACQUISITION ACTIVITY

### Year Ended December 31, 2023

On November 2, 2023, LRC announced that it acquired a pre-existing 1.0% NSR royalty on the Mia lithium property in Québec, Canada, operated by Q2 Metals Corp, in exchange for 76,000 common shares of the Company.

On July 24, 2023, the Company acquired a 0.5% GOR royalty on the Tres Quebradas lithium project to supplement the existing 1.0% GOR royalty covering the same project. The consideration delivered to the sellers was comprised of \$25 million in cash and 207,844 common shares of the Company. After accounting for the 10% non-controlling interest in the original 1.0% GOR royalty held by Altius Minerals, LRC now holds a net 1.4% interest in the Tres Quebradas lithium project.

On May 4, 2023, LRC acquired a 2.0% GOR royalty on the Case Lake project in Ontario, Canada from Power Metals Corp. for an aggregate purchase price of \$1.1 million (C\$1.5 million).

On May 2, 2023, LRC acquired a 3.0% GOR royalty on the Das Neves lithium project in Brazil for consideration of \$20.0 million from Atlas Lithium Corporation.

In March 2023, prior to the closing of the IPO, the Company disposed of its working interests, substantially all of its investments and \$28.3 million of cash by way of distributions to the Pre-IPO Shareholders. Subsequent to the IPO, the Company distributed non-interest-bearing shareholder notes of \$36.2 million to the Pre-IPO Shareholders, which were repaid in cash and treated as a cash distribution during the quarter, after the IPO.

On March 16, 2023, the Company completed the acquisition of an existing 1.5% NSR royalty on a portion of the James Bay lithium project in Québec, Canada, from a third-party seller, for an aggregate purchase price of \$1.8 million (C\$2.35 million). Arcadium, the operator of the project, has the right to repurchase one-third (0.5%) of the NSR royalty on the project for C\$0.5 million.

On February 1, 2023, the Company elected to waive the sole remaining closing condition and complete the acquisition of the Mariana royalty, by releasing all remaining funds held in escrow to the seller.

On January 31, 2023, for an aggregate purchase price of \$1.9 million (C\$2.5 million), LRC acquired an existing 2.0% NSR royalty on the Adina project in Québec, Canada from two third-party sellers.

### Subsequent to December 31, 2023

On March 8, 2024, for an aggregate purchase price of \$1.5 million, plus an additional \$2.0 million contingent milestone payment to be made upon M4E Lithium Ltd. ("M4E") achieving a 10 million tonne mineral resource prior to December 31, 2025, LRC acquired a 1.5% GOR royalty on the Whitebushes and Mt. Elephant projects in Brazil.

## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)

### Years Ended December 31, 2023 and 2022

The following table presents summarized consolidated statements of income and comprehensive income (loss) for the three months and years ended December 31, 2023 and 2022:

	For the three months ended December 31,		For the years ended December 31,	
	2023	2022	2023	2022
Royalty revenue	\$ 1,013	\$ 337	\$ 5,522	\$ 1,684
Depletion	(279)	(192)	(935)	(961)
<b>Gross profit</b>	<b>\$ 734</b>	<b>\$ 145</b>	<b>\$ 4,587</b>	<b>\$ 723</b>
Impairment recovery	–	–	–	1,895
Management services	(110)	(170)	(810)	(637)
General and administrative expenses	(2,201)	(295)	(7,896)	(2,435)
Exploration expenses	–	(357)	(414)	(880)
<b>Loss from operations</b>	<b>\$ (1,577)</b>	<b>\$ (677)</b>	<b>\$ (4,533)</b>	<b>\$ (1,334)</b>
<b>Other income (expense)</b>				
Finance income	54	158	1,329	197
Gain (loss) on investments at fair value through profit and loss ("FVTPL")	–	4,117	(37)	17,093
Foreign exchange gain (loss)	44	271	1,161	(717)
<b>(Loss) income before income taxes</b>	<b>\$ (1,479)</b>	<b>\$ 3,869</b>	<b>\$ (2,080)</b>	<b>\$ 15,239</b>
Current income tax expense	(99)	(35)	(1,141)	(204)
Deferred income tax expense	752	(22)	(1,746)	(1,068)
<b>Net (loss) income for the period</b>	<b>\$ (826)</b>	<b>\$ 3,812</b>	<b>\$ (4,967)</b>	<b>\$ 13,967</b>
<b>Net (loss) income attributable to:</b>				
Non-controlling interest	11	–	72	188
Equity holders of Lithium Royalty Corp.	(837)	3,812	(5,039)	13,779
	<b>\$ (826)</b>	<b>\$ 3,812</b>	<b>\$ (4,967)</b>	<b>\$ 13,967</b>
<b>(Loss) earnings per share attributable to shareholders of Lithium Royalty Corp.</b>	<b>\$ (0.02)</b>	<b>\$ 0.08</b>	<b>\$ (0.09)</b>	<b>\$ 0.31</b>

Royalty revenue for the three months ended December 31, 2023 was \$1,013, an increase of \$676 as compared to \$337 for the same period in 2022. The increase in revenue was mostly attributable to the Finnis and Grota do Cirilo projects coming online, which were not producing in 2022. During the year ended December 31, 2023, royalty revenue increased by \$3,838 from \$1,684 to \$5,522 as compared to the same period in 2023.

The depletion expense for the three months ended December 31, 2023 was \$279, an increase of \$87 as compared to \$192 for the same period in 2022. Similar to revenue, the increase was due to the addition of Finnis and Grota do Cirilo in 2023, which were not producing in 2022. The increase in depletion was partially offset by Mt Cattlin, which had a life of mine extension in 2023 which led to a reduction of depletion per tonne of ore mined as compared to 2022. The depletion expense for the year ended December 31, 2023 was \$935, a decrease of \$26 compared to the same period in 2022. The reduction of depletion expense is due to Mt Cattlin's mine extension, which was partially offset by the incremental depletion expense coming from the Finnis and Grota do Cirilo projects. The two new projects contributed a small portion to the total depletion, despite the substantial increase in revenue in 2023.

General and administrative expenses for the three months ended December 31, 2023 were \$2,201, an increase of \$1,906 compared to \$295 for the same period in 2022. The Company incurred increased compensation and other expenses in 2023 as a result of becoming a public company. For the year ended December 31, 2023, general and administrative expenses increased by \$5,461 from \$2,435 to \$7,896. In addition to the compensation incurred in 2023, the Company also engaged third-party service providers for its IPO, which was completed in March 2023, as well as for other engagements.

Exploration expenses for the year ended December 31, 2023 were \$414, a decrease of \$466 as compared to \$880 for the same period in 2022. The exploration expenses relate to both the Donner Lake and Campus Creek working interests held by the Company in 2022. These working interests were extracted from the Company in March 2023 as part of the Pre-IPO reorganization and the Company no longer has any working interests.

Loss on investments at FVTPL for the year ended December 31, 2023 was \$37, an unfavourable variance of \$17,130 compared to a gain of \$17,093 for the same period in 2022. The loss was incurred in connection with the distribution of substantially all of the investments held by the Company to the Pre-IPO Shareholders in March 2023.

Income tax expense for the year ended December 31, 2023 was \$2,887, as compared to \$1,272 for the same period in 2022. The increase is largely due to a higher deferred tax expense related to expenses which are not tax deductible such as share-based compensation.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table presents summarized condensed consolidated statements of financial position information as at December 31, 2023 and 2022:

	As at December 31,	
	2023	2022
Cash	\$ 11,757	\$ 35,877
Royalty and working interests <sup>1</sup>	140,661	78,204
Investments <sup>1</sup>	–	24,281
Prepaid non-current assets	–	9,164
<b>Total assets</b>	<b>\$ 155,033</b>	<b>\$ 150,319</b>
Total liabilities	5,011	9,771
<b>Total equity attributable to equity holders of the Company</b>	<b>\$ 146,842</b>	<b>\$ 137,440</b>
Non-controlling interest	3,180	3,108
<b>Total equity</b>	<b>\$ 150,022</b>	<b>\$ 140,548</b>

<sup>1</sup> As part of the Pre-IPO reorganization in March 2023, working interests and substantially all investments were distributed to the Pre-IPO Shareholders. Refer to the *Initial Public Offering* section of this MD&A.

Total assets were \$155,033 at December 31, 2023, as compared to \$150,319 at December 31, 2022. The Company's asset base primarily consists of cash and royalty interests. The increase in total assets from 2022 reflects proceeds received from the IPO and additional royalties acquired in 2023. On February 1, 2023, the Company completed the acquisition of the Mariana royalty and accordingly reclassified the prepaid non-current assets to royalty interests.

Total liabilities at December 31, 2023 were \$5,011, as compared to \$9,771 at December 31, 2022. Liabilities comprised accounts payable and accrued liabilities, related party payables, financial liabilities and deferred tax liabilities. The \$2,699 decrease in total liabilities primarily comprises (a) a payment of \$4,108 related to the settlement of an outstanding obligation relating to the acquisition of the Seymour Lake, Root Lake and Wisa Lake royalties, (b) payments of \$2,091 related to the Company's IPO readiness expenses, offset by (c) a \$326 increase in deferred tax liabilities. The remaining difference is due to cyclical fluctuations in working capital.

Total equity increased to \$150,022 as at December 31, 2023 from \$140,548 as at December 31, 2022, due to the increase in share capital of \$103,077 from the IPO share issuance, an increase in other comprehensive income of \$4,072, an increase of \$2,645 due to the share portion of consideration paid for the Tres Quebradas and Mia royalty, and an increase in contributed surplus of \$2,939 from share-based compensation. The increase in other comprehensive income was largely driven by a gain in fair value of \$5,003, net of income tax, from the investments designated as FVTOCI. The increase in equity was partially offset by a \$97,082 dividend declared in connection with the Pre-IPO reorganization, a \$1,296 share buyback of common shares pursuant to the Company's NCIB and a net loss of \$4,967.

## STATEMENTS OF CASH FLOWS

### Years Ended December 31, 2023 and 2022

The following table presents the consolidated statements of cash flow information for the three months and years ended December 31, 2023 and 2022:

	For the three months ended December 31,		For the years ended December 31,	
	2023	2022	2023	2022
Net (loss) income for the period	\$ (826)	\$ 3,811	\$ (4,967)	\$ 13,967
Depletion	279	192	935	961
Impairment recovery	–	–	–	(1,895)
Non-cash management services	–	105	65	105
Share-based compensation expense	855	–	3,048	–
Current income tax expense	99	57	1,141	204
Deferred income tax (recovery) expense	(752)	–	1,746	1,068
(Gain) loss on investments at FVTPL	–	(4,117)	37	(17,093)
Foreign exchange (gain) loss	(44)	(270)	(1,161)	717
Income taxes withheld at source	(553)	(101)	(1,025)	(505)
Non-cash finance expense	31	–	15	–
Changes in non-cash working capital	1,861	(1,324)	(7,527)	81
Income tax refunded	–	–	158	274
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 950</b>	<b>\$ (1,647)</b>	<b>\$ (7,535)</b>	<b>\$ (2,116)</b>
Acquisition of royalty and working interests	(2,630)	(1,650)	(53,689)	(15,500)
Acquisition of prepaid non-current assets	–	(43)	–	(9,164)
Acquisition of investments	–	(352)	(30)	(4,202)
Proceeds from sale of investments	109	16,735	110	32,032
<b>Net cash (used in) provided by investing activities</b>	<b>\$ (2,521)</b>	<b>\$ 14,690</b>	<b>\$ (53,609)</b>	<b>\$ 3,166</b>
Proceeds from issuance of common shares, net of issuance costs	–	–	102,359	19,290
Proceeds from contribution to existing common shares	–	210	86	774
Repurchase of common shares	(301)	–	(1,296)	–
Proceeds from non-controlling interest	–	–	–	913
Pre-IPO distribution to shareholders	–	–	(65,235)	–
Repayment of related party loan	–	–	(86)	(56)
<b>Net cash (used in) provided by financing activities</b>	<b>\$ (301)</b>	<b>\$ 210</b>	<b>\$ 35,828</b>	<b>\$ 20,921</b>
Effect of exchange rate changes on cash	153	886	1,196	(1,116)
(Decrease) Increase in cash	(1,719)	14,139	(24,120)	20,855
Cash at the beginning of the period	13,476	21,738	35,877	15,022
<b>Cash at the end of the period</b>	<b>\$ 11,757</b>	<b>\$ 35,877</b>	<b>\$ 11,757</b>	<b>\$ 35,877</b>

### Operating Activities

Net cash used by operating activities for the year ended December 31, 2023 was \$7,535 (2022; \$2,116 outflow). The increase in cash used by operating activities as compared to the same period in the prior year is partly due to an increase in working capital attributable to the increase in the Company's account receivables as a result of the rapid increase in revenues in addition to the decrease in the Company's accounts payable during the year. Further, G&A expense attributable to the Company's IPO and the engagement of additional employees during the year further increased cash used by operating activities.

### Investing Activities

Net cash used in investing activities for the year ended December 31, 2023 was \$53,609 (December 31, 2022; proceeds of \$3,166). During 2023, the Company deployed \$53,689 of capital to acquire royalty interests compared to the \$24,664 spent in 2022. In addition, during 2022, the Company received net proceeds of \$27,830 from the sale of its equity investments.

### Financing Activities

Net cash provided by financing activities for the year ended December 31, 2023 was \$35,828 (December 31, 2022 – \$20,921 inflow). The variance was mainly attributable to the increase in proceeds from issuance of shares of \$83,069 as compared to 2022. The increase was partially offset by the \$65,235 dividend paid to Pre-IPO Shareholders for the first quarter of 2023. In addition, the Company also used \$1,296 to repurchase the Company's common shares pursuant to the Company's normal course issuer bid.

## QUARTERLY INFORMATION

The following table presents revenue, net (loss) income attributable to shareholders and basic EPS by quarter:

	2023				2022	
	Q4	Q3	Q2	Q1	Q4	Q3
Royalty revenue	\$ 1,013	\$ 2,963	\$ 838	\$ 708	\$ 337	\$ 448
Net income attributable to shareholders of Lithium Royalty Corp.	(837)	(1,578)	(893)	(1,738)	3,812	4,840
Basic (loss) earnings per share	\$ (0.02)	\$ (0.03)	\$ (0.02)	\$ (0.04)	\$ 0.08	\$ 0.11

## OUTSTANDING EQUITY INSTRUMENTS

As at March 28, 2024	Number of shares
Convertible common shares	30,549,214
Common shares	24,865,816
Stock options	–
Restricted share units	391,999
Deferred share units	16,180
Performance share units	–
As at December 31, 2022	Number of shares
Class A shares	43,595
Class B shares	24,494
Class C shares	35,466
Total	103,555

Except for certain limited share provisions disclosed in the Annual Information Form of the Company dated March 27, 2024, the common shares and convertible common shares have the same rights, are equal in all respects and are treated by the Company as if they were a single class of shares. Refer to the *Initial Public Offering* section of this MD&A for additional details.

In connection with the Initial Public Offering of the Company, the Company implemented a new omnibus equity incentive plan, which provides for long-term incentives for executive officers of the Company, including the issuance of stock options, RSUs and PSUs. The terms and conditions of grants of RSUs or PSUs, including the quantity, type of award, grant date, vesting conditions, vesting periods, settlement date and other terms and conditions with respect to the awards, will be set out in the participant's grant agreement.

The Company also established a director deferred share unit plan to issue DSUs to directors of the Company. A DSU is a unit, equivalent in value to a common share, credited by means of a bookkeeping entry in the books of the Company, to an account in the name of the director. Following an eligible director ceasing to hold all positions with the Company and its related entities, the director will receive a payment in cash at the fair market value of the common shares represented by his or her DSUs on the director's elected redemption date.

## LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2023, the Company's cash balances were \$11,757, as compared to \$35,877 at December 31, 2022. Significant variations in the liquidity and capital resources during the period are explained in the *Statements of Cash Flows* section of this MD&A.

Management of the Company believes that the combination of the Company's existing cash balances and the three currently producing properties, and additional royalties expected to commence production during 2024, will generate sufficient cash flow to support the Company's operations and working capital requirements during 2024. As additional royalties begin production, the cash generated will reduce the risk further by adding to the overall annual cash flow potential and also diversify the portfolio.

On July 6, 2023, the Company entered into a credit agreement with National Bank of Canada (the "Credit Facility"), permitting the Company to draw up to \$25.0 million, either on a revolving or term basis (up to six months). The Credit Facility is to be used for general corporate purposes and to make investments in the mineral industry, including the acquisition of mineral royalty interests. The Credit Facility is secured by the Company's current and future assets. The Credit Facility is subject to certain financial covenants and includes a variable stand-by charge on any undrawn amounts, which depends on the Company's leverage. The Credit Facility expires July 6, 2026.

Advances under the Credit Facility can be drawn as follows:

- Base rate advances at the National Bank base rate, plus between 2.00% and 3.25% per annum depending upon the Company's leverage ratio; or
- Term loans for periods of one, three or six months with interest payable at the rate of term-based Secured Overnight Financing Rate ("SOFR"), plus between 3.1% and 4.5% per annum, depending on the Company's leverage.

Finance costs relating to the Credit Facility for the year ended December 31, 2023 were \$176, including amortization of debt issuance costs and standby fees. The Credit Facility includes covenants that require the Company to maintain certain financial ratios, including leverage ratios, as well as certain non-financial requirements.

The contractual obligations of the Company for the acquisition of royalties and other interests for which the Company has purchase price commitments are set out under *Contractual Obligations and Commitments* in the Financial Statements.

## COMMITMENTS AND CONTINGENCIES

### Litigation and Claims

From time to time, LRC may be involved in disputes with other parties arising in the ordinary course of business that may result in litigation. If LRC is unable to resolve these disputes favourably, it may have a material adverse impact on the financial condition, cash flow and results of operations of the Company.

#### *Thacker Pass Litigation with Orion Resource Partners*

In February 2021, the Company brought an application against Orion Resource Partners in connection with the sale by Orion Resource Partners of part of its interest in a royalty over the Thacker Pass lithium project. The Company asserted that it had reached a binding legal agreement with Orion Resource Partners for Orion Resource Partners to sell an 85% interest in the Thacker Pass project royalty to the Company. Orion Resource Partners disputed this assertion and sold 60% of its interest in the Thacker Pass lithium project royalty to Trident Royalties PLC in 2021, retaining a 40% interest in that royalty and not completing any sale of the royalty to the Company. The Company's claim against Trident Royalties PLC has been stayed by the Ontario Superior Court of Justice for lack of jurisdiction, but the Company continued to advance its claim against Orion Resource Partners before the Ontario Superior Court of Justice.

On August 15, 2023, the Ontario court released its decision, confirming that the Ontario court had jurisdiction over Orion Resource Partners and related Orion entities and finding that a binding legal agreement had been reached. The Ontario court has not yet decided on the appropriate remedies for the breach by Orion Resource Partners, which will be addressed in a separate court hearing yet to be scheduled. On September 11, 2023, Orion Resource Partners commenced an appeal of the Ontario court's decision, including both the jurisdiction and the contract rulings. On October 20, 2023, the Ontario Court of Appeal dismissed a motion from Orion Resource Partners to stay the remedies phase of the litigation pending their appeal.

On January 3, 2024, the Ontario court granted an injunction restraining Orion, and any entity that employs that trade name in its business dealings, and its employees, agents, officers, directors and any other person acting on their behalf or in conjunction with any of them, from any conduct, or causing any conduct, that dissipates, transfers or encumbers that 40% interest in the Thacker Pass royalty that would hinder the delivery up for the Thacker Pass royalty as a remedy to LRC, pending the final disposition of the ongoing litigation between LRC and Orion.

The Company does not currently recognize this litigation as an asset of the Company and expects that resolution of this matter may be subject to further delays. Neither Orion Resource Partners nor Trident Royalties PLC has asserted any claims against the Company.

## Contractual Obligations and Commitments

### Investments in Royalty Interests

As of December 31, 2023, the Company had contingent payment commitments related to the acquisition of royalties as detailed in the following table:

COMPANY	PROJECT (ASSET)	PAYMENTS	TRIGGERING EVENT
<b>Bradda Head<sup>1</sup></b>	Basin East & West/ Wikieup	\$ 3,000	Bradda Head discloses a mineral resource of at least 2.5 Mt contained LCE with a minimum grade of 800 ppm
<b>Lithium Springs<sup>2</sup></b>	Lithium Springs	\$ 613	The Company elects to exercise its royalty option on or before the earlier of (a) April 20, 2024, and (b) Lithium Springs completes a listing on the Australian Securities Exchange.
		A\$ (900)	
		\$ 511	Commitment by the Company to act as a cornerstone investor in a public listing by Lithium Springs
		A\$ (750)	
<b>Noram</b>	Zeus	\$ 1,000	Noram releases a definitive feasibility study
<b>Morella</b>	Tabba Tabba	\$ 350	Morella discloses a 5.0 Mt resource at the Tabba Tabba project at 1% Li <sub>2</sub> O grade
<b>Morella</b>	Mt Edon/Mt Edon West	\$ 100	Morella discloses a 5.0 Mt resource at the Mt Edon project at 1% Li <sub>2</sub> O grade

1 During the year ended December 31, 2023, the Company made a payment to Bradda Head for \$2,500 relating to a contingent payment arising from Bradda Head disclosing a mineral resource of 1.0 Mt contained LCE at the Basin Wikieup lithium project. The contingent payment was capitalized and is now classified within royalty interests. This payment is distinct from the additional contingent obligation to Bradda Head set out in the table above.

2 On April 13, 2023, Lithium Springs and the Company agreed to extend the Company's option to acquire a royalty covering the Lithium Springs project by an additional year, to April 30, 2024.

Our commitments related to the acquisition of royalties as detailed in the above table are expected to be funded from the Company's cash on hand and the expected cash flow from the Company's royalties and National Bank credit facility.

At year end, the Company had no funded debt, including no outstanding advances under the National Bank credit facility. The Company has contractual obligations under the management services agreement entered into with an owner of LRC, Waratah

Capital Advisors Ltd. ("Waratah") on March 8, 2023, which is further described in the Annual Information Form of the Company dated March 27, 2023 under the heading "Material Contracts – Services Agreement".

### Off-Balance Sheet Obligations and Commitments

The Company has not entered into any off-balance sheet arrangements or commitments other than as set forth under the *Contractual Obligations and Commitments* section of this MD&A.

## MATERIAL ACCOUNTING POLICIES

The Company's material accounting policies, including the accounting policies discussed below, are set out in Note 2 of our Annual Financial Statements.

### Royalty Interests

Royalty interests are recorded at cost and capitalized as tangible non-current assets and are not depleted until such time as revenue-generating activities begin. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any. The cost of a royalty interest comprises the purchase price and any closing costs directly attributable to acquiring the interest. Project evaluation costs that are not related to a specific royalty are expensed in the period incurred. Variable payments, such as contingent payments that are dependent on future events, are excluded from the cost of acquiring a royalty interest on initial recognition. These contingent payments are capitalized as part of the cost of the royalty interest when the underlying obligating event has occurred.

The major categories of the Company's interests are (i) producing, (ii) development, and (iii) exploration and evaluation interests.

Producing assets are royalty interests over mineral projects which have reached commercial production. Development assets are royalty interests on projects which are not yet producing, but where the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets represent royalty interests where the technical feasibility and commercial viability of extracting a mineral resource have not yet been demonstrated.

Royalty interests are recorded initially at cost and are depleted using the units of production basis (based on the extraction of mineral products at the project) over the available estimates of future production when revenue generating activities commence. Measurement of the royalty interests is based on the proven and probable reserves and future production plans associated with the projects underlying the royalty interests, as determined by the project operator. These estimates affect the depletion of the royalty interests and the assessment of the recoverability of the carrying value of the royalty interests.

### Impairment of Royalty Interests

The Company reviews the carrying values of royalty interests for impairment when events or changes in circumstances indicate that any of the carrying values may not be recoverable. Management considers each royalty interest in a project to be a separate cash generating unit ("CGU"), which is the lowest level for which cash inflows are largely independent of cash inflows from other royalty interests. Where the Company identifies impairment indicators, the Company recognizes an impairment loss for the amount by which the asset's carrying value exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less cost of disposal ("FVLCD") and value in use ("VIU"). When determining the recoverable amount, the Company focuses on the FVLCD, as this will generally be greater than or equal to the VIU. FVLCD is based on the best available information, to reflect the amount the Company could receive for the CGU in an arm's length transaction, and is often estimated using discounted cash flow techniques. Impairment charges are included in the "Impairment (charges)/recovery" line within the consolidated statements of income (loss) and comprehensive income (loss).

An impairment charge is reversed if there is an indication that an impairment charge recognized in prior periods may no longer exist or may have decreased in amount since the impairment charge was recognized. Impairment charges can only be reversed up to the carrying amount that would have been applicable had no impairment been recognized previously.

### Revenue Recognition

#### *(i) Production-based royalty arrangements*

Under production-based royalty arrangements, revenue is recognized when the underlying commodity is extracted from the mineral property, and it is probable that the economic benefits associated with a transaction will flow to the Company. Revenue is measured at the transaction price agreed to in the royalty agreement. In some instances, management makes an assumption of revenue, based on information received from an operator. In some instances, the Company will not have access to sufficient information to make a reasonable estimate of revenue and, accordingly, revenue recognition will be deferred until management can make a reasonable estimate. Differences between estimates and actual amounts are recorded in the period that the actual amounts are known.

### **(ii) Revenue-based royalty arrangements**

Under revenue-based royalty arrangements, revenue is measured at an agreed-upon percentage of the gross proceeds, less contractually allowable costs, received by the operator of the mineral property. The Company recognizes revenue when the commodities produced at the mineral property covered under the royalty agreement are sold to the operator's customers and control over the commodities transfers from the operator to its customers. In some instances, the Company will not have access to sufficient information to make a reasonable estimate of revenue and, accordingly, revenue recognition will be deferred until management can make a reasonable estimate. Differences between estimates and actual amounts are recorded in the period that the actual amounts are known.

## **Share-based Compensation**

### **(i) RSUs**

The Company may grant RSUs to officers, employees, and certain other parties under the terms of its Omnibus Equity Incentive Plan (the "Omnibus Plan"). When each RSU vests, the Company plans to settle every RSU with one common share of the Company. The fair value of the RSUs is based on the stock price at the date of the grant. The Company expenses the fair value of the RSUs over the applicable service period, with a corresponding change in contributed surplus.

### **(ii) DSUs**

The Company may grant DSUs to non-executive directors under its director deferred share unit plan (the "DSU Plan") as compensation. Non-executive directors may choose to convert their director's fees into DSUs. When dividends are declared by the Company, directors are also credited with dividend equivalents in the form of additional DSUs based on the number of vested DSUs each director holds on the record date for the payment of a dividend. DSUs vest immediately. The fair value of the DSUs, which are settled in cash, is recognized as a share-based compensation expense with a corresponding increase in financial liabilities. The fair value of the DSUs is marked to the quoted market price of the Company's common shares at each reporting date, with a corresponding change in the consolidated statement of income. Participants are restricted from redeeming their DSUs until retirement or termination of directorship.

## **Income Taxes**

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the consolidated statements of income and comprehensive income.

Current tax expense is the expected amount to be paid based on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and losses carried forward. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recognized. Deferred tax assets and liabilities are offset against each other when (a) there is a legally enforceable right to offset current tax assets against current tax liabilities, and (b) when those tax assets and liabilities relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

## Critical Accounting Judgments, Estimates and Assumptions

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. However, actual outcomes may differ from the amounts included in the consolidated financial statements.

Judgments are made in the selection and assessment of the Company's accounting policies. Estimates are used mainly in determining the measurement of recognized transactions and balances. Estimates are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Judgments and estimates are often interrelated. The Company's judgments and estimates are continually re-evaluated to assess if they remain appropriate. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The Company's critical accounting judgments, estimates and assumptions are disclosed in Note 3 of our Annual Financial Statements.

## Related-Party Transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including any director of the Company. All transactions with related parties are recorded at the exchange amount.

Management services have been provided to the Company during the years ended December 31, 2023 and December 31, 2022 by certain employees of Waratah, including the Chief Executive Officer of Waratah (who also serves as the Executive Chair of the Company), for which the Company has compensated Waratah only through management services expenses for those periods.

Management services in the statement of income represent services provided to the Company by Waratah under the management services agreement and by parties related to Waratah and/or the Company, including consulting services provided by an officer of the Company. For the year ended December 31, 2023, management services expense was \$810, of which \$371 related to consulting and \$439 related to management fees under the Waratah management services agreement (December 31, 2022 – \$637, of which \$217 related to consulting and \$420 related to management fees).

Related party payables are comprised of amounts owing both to Waratah and to officers of the Company. As at December 31, 2023, \$236 (December 31, 2022 – \$202) was owing to Waratah for management services provided by Waratah. In addition, \$45 of the amount payable to Waratah is related to a payment received by the Company which was intended for eventual receipt by Waratah. All amounts owing to related parties at December 31, 2023 were unsecured, non-interest bearing and had no fixed terms of repayment.

The following table summarizes the compensation breakdown for key management personnel:

	For the years ended December 31,	
	2023	2022
Salaries and other benefits	\$ 1,435	\$ –
Share-based compensation	2,792	–
<b>Total</b>	<b>\$ 4,227</b>	<b>\$ –</b>

## FINANCIAL RISK MANAGEMENT

### Credit Risk

Credit risk is the risk that the counterparty to a financial instrument held by the Company will fail to discharge an obligation or commitment that it has entered into for the benefit of the Company. Credit risk exposure for the Company arises from cash balances and receivables held by the Company, including receivables from our royalties' operators. In order to mitigate its exposure to credit risk, the Company closely monitors its financial assets and maintains its cash deposits with high-quality financial institutions.

### Currency Risk

The Company's activities involve holding foreign currencies, incurring costs and earning revenue denominated in foreign currencies. These activities result in exposure to fluctuations in foreign currency exchange rates.

### Liquidity Risk

In managing liquidity risk, the Company considers anticipated cash flows from operations, contingent payment obligations, holdings of cash and cash equivalents, and access to an undrawn \$25 million credit facility with National Bank. As at December 31, 2023, the Company has a working capital balance of \$12.3 million (December 31, 2022 – \$31.7 million), including a cash balance of \$11.7 million (December 31, 2022 – \$35.9 million). The Company's maximum exposure related to its future contingent payment obligations as at December 31, 2023 is approximately \$5.6 million (December 31, 2022 – \$8.8 million).

## CONTROLS AND PROCEDURES

### Internal Controls over Financial Reporting ("ICFR")

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control framework was designed based on the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission 2013 Framework.

During the year ended December 31, 2023, management focused on the design and implementation of ICFR in a variety of areas, including information technology general controls, segregation of duties, and management review controls and implementing a new accounting system. The Company also engaged a financial control advisor to assist with the Company's ICFR program and compliance with National Instrument 52-109. The financial control advisor assessed the effectiveness of the Company's ICFR program as at December 31, 2023 and concluded that the program was effective.

### Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure.

### Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any internal controls over financial reporting and disclosure controls and procedures, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

## NON-IFRS MEASURES

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, the non-IFRS measures should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS.

### Adjusted Net Income

Adjusted Net Income is a non-IFRS financial measure, which excludes the following from net earnings:

- impairment charges and reversals
- gain/loss on sale / disposition of assets/mineral interests
- foreign currency translation gains/losses
- increase/decrease in fair value of financial assets
- expense related to share-based compensation granted on IPO
- other non-recurring charges

### *Adjusted Net Income*

Management believes that in addition to measures prepared in accordance with IFRS such as net income and EPS, our investors and analysts use Adjusted Net Income to evaluate the results of the underlying business of LRC. While the adjustments to net income and EPS in these measures include items that are both recurring and non-recurring, management believes that Adjusted Net Income is a useful measure of LRC's performance because it adjusts for items which may not relate to or have a disproportionate effect on the period in which it is recognized, impact the comparability of our core operating results from period to period, are not always reflective of the underlying operating performance of our business and/or are not necessarily indicative of future operating results. Adjusted Net Income is intended to provide additional information to investors and analysts and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

## RECONCILIATION FROM NET (LOSS) INCOME TO ADJUSTED NET (LOSS) INCOME

The following table presents the reconciliation from net (loss) income to Adjusted Net Income for the three months and years ended December 31, 2023 and 2022.

### Adjusted Net Income

ADJUSTED NET INCOME	For the three months ended December 31,		For the years ended December 31,	
	2023	2022	2023	2022
Net (loss) Income	\$ (826)	\$ 3,812	\$ (4,967)	\$ 13,968
Foreign exchange (gain) loss	(44)	(271)	(1,161)	717
One time share-based compensation	603	–	2,009	–
One-time IPO costs	–	(262)	869	1,287
Exploration costs	–	357	414	880
Impairment recovery	–	–	–	(1,895)
(Increase) decrease in fair value of financial assets	–	(4,117)	37	(17,093)
Income tax impact of adjustments	65	137	78	(535)
<b>Adjusted Net (Loss) Income</b>	<b>\$ (202)</b>	<b>\$ (344)</b>	<b>\$ (2,721)</b>	<b>\$ (2,671)</b>

### EBITDA and Adjusted EBITDA

EBITDA is a non-IFRS financial measure, which excludes the following from net earnings:

- income tax expense
- finance costs, netted against finance income
- depletion and amortization

EBITDA is a common metric used by investors and investment platforms to assist in the valuation of the Company. In addition to EBITDA, we have determined that additional adjustments are necessary to arrive at an accurate indicator of the Company's ongoing operational performance. The adjustments below are applied to EBITDA to arrive at Adjusted EBITDA.

- impairment charges and reversals
- gain/loss on sale / disposition of assets/mineral interests
- foreign currency translation gains/losses
- increase/decrease in fair value of financial assets
- expense related to share-based compensation granted on IPO
- other non-recurring charges

### EBITDA and Adjusted EBITDA

Management believes that EBITDA and Adjusted EBITDA are valuable indicators of our ability to generate liquidity by producing operating cash flow to fund working capital needs and fund acquisitions. These metrics are also frequently used by investors and analysts for valuation purposes whereby the metrics are multiplied by a factor or "multiple" that is based on an observed or inferred relationship between Adjusted EBITDA and market values to determine the approximate total enterprise value of a company. LRC believes it assists analysts, investors and our shareholders to better understand our ability to generate liquidity from operating cash flow, as LRC believes that the excluded amounts are not indicative of the performance of our core business and do not necessarily reflect the underlying operating results for the periods presented.

## RECONCILIATION FROM NET (LOSS) INCOME TO ADJUSTED EBITDA

The following table presents the reconciliation from net (loss) income to Adjusted EBITDA for the three months and years ended December 31, 2023 and 2022.

ADJUSTED EBITDA	For the three months ended December 31,		For the years ended December 31,	
	2023	2022	2023	2022
Net (loss) income	\$ (826)	\$ 3,812	\$ (4,967)	\$ 13,968
Income taxes	(653)	57	2,887	1,272
Finance (income)	(54)	(158)	(1,329)	(197)
Depletion	279	192	935	961
<b>EBITDA</b>	<b>\$ (1,254)</b>	<b>\$ 3,903</b>	<b>\$ (2,474)</b>	<b>\$ 16,004</b>
Foreign exchange (gain) loss	(44)	(271)	(1,161)	717
One time share-based compensation	603	–	2,009	–
One-time IPO costs	–	(262)	869	1,287
Exploration costs	–	357	414	880
Impairment recovery	–	–	–	(1,895)
(Increase) decrease in fair value of financial assets	–	(4,117)	37	(17,093)
<b>Adjusted EBITDA</b>	<b>\$ (695)</b>	<b>\$ (390)</b>	<b>\$ (306)</b>	<b>\$ (100)</b>

## FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws. Forward-looking information may be identified by the use of forward-looking terminology such as "plans", "targets", "expects", "is expected", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "believes", or variations of such words and phrases or terminology which state that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". Our assessments of, and expectations for, future periods, described in this MD&A are considered forward-looking information. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding possible future events or circumstances. The forward-looking information included in this MD&A is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that LRC currently believes are appropriate and reasonable in the circumstances.

The forward-looking statements contained in this MD&A are also based upon the ongoing operation of the properties in which LRC holds a royalty or other similar interest by the owners or operators of such properties in a manner consistent with past practice; the accuracy of public statements and disclosures made by the owners or operators of such underlying properties; and the accuracy of publicly disclosed expectations for the development of underlying properties that are not yet in production. These assumptions include, but are not limited to, the following: assumptions in respect of current and future market conditions and the execution of our business strategies; that operations, or ramp-up where applicable, at properties in which LRC holds a royalty or other interest continue without further interruption throughout the period; and the absence of any other factors that could cause actions, events or results to differ from those anticipated, estimated, intended or implied. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Forward-looking information is also subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. Such risks, uncertainties and other

factors include, but are not limited to, those set forth under the caption "Risk Factors" in our Annual Information Form filed from time to time and available on SEDAR+. For clarity, mineral resources that are not mineral reserves do not have demonstrated economic viability and inferred resources are considered too geologically speculative for the application of economic considerations.

Although LRC has attempted to identify important risk factors that could cause actual results or future events to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to LRC or that LRC presently believes are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A and is subject to change after such date. LRC disclaims any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required by applicable securities laws. All of the forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.

## **TECHNICAL AND THIRD-PARTY INFORMATION**

LRC does not own, develop or mine the underlying properties on which it holds royalty interests. As a royalty holder, LRC has limited, if any, access to properties included in its asset portfolio. As a result, LRC is dependent on the owners or operators of the properties and their qualified persons to provide information to LRC or on publicly available information to prepare disclosure pertaining to properties and operations on the properties on which LRC holds royalty interests. LRC generally has limited or no ability to independently verify such information. Although LRC does not believe that such information is inaccurate or incomplete in any material respect, there can be no assurance that such third-party information is complete or accurate.