

# **VIZSLA ROYALTIES CORP.**

**Combined and Consolidated Financial Statements**

**For the years ended April 30, 2024 and 2023**

(Expressed in Canadian dollars)

To the Shareholder of Vizsla Royalties Corp.:

## Opinion

We have audited the combined and consolidated financial statements of Vizsla Royalties Corp. and its subsidiaries (the "Company"), which comprise the combined and consolidated statements of financial position as at April 30, 2024 and April 30, 2023, and the combined and consolidated statements of (loss) income and comprehensive (loss) income, changes in shareholder's deficiency and cash flows for the years then ended, and notes to the combined and consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying combined and consolidated financial statements present fairly, in all material respects, the combined and consolidated financial position of the Company as at April 30, 2024 and April 30, 2023, and its combined and consolidated financial performance and its combined and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined And Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the combined and consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the combined and consolidated financial statements, which indicates that the Company had a working capital deficit as of April 30, 2024 and incurred a net loss for the year ended April 30, 2024. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the combined and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the combined and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the combined and consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Combined and Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the combined and consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of combined and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Combined and Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined and consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined and consolidated financial statements, including the disclosures, and whether the combined and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the combined and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Vancouver, British Columbia

July 25, 2024

*MNP LLP*

Chartered Professional Accountants

**VIZSLA ROYALTIES CORP.**  
**Combined and Consolidated Statements of Financial Position**  
(Expressed in Canadian dollars)

	Note	April 30, 2024	April 30, 2023
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		22,596	55,311
Taxes receivable	5	265,831	246,790
		<b>288,427</b>	<b>302,101</b>
Royalty interests	6	1	1
<b>Total assets</b>		<b>288,428</b>	<b>302,102</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		15,263	16,538
Due to related party	7	1,711,973	1,546,277
<b>Total liabilities</b>		<b>1,727,236</b>	<b>1,562,815</b>
<b>SHAREHOLDER'S DEFICIENCY</b>			
Share capital	8	1	1
Contributed deficit		(1,316,703)	(1,303,565)
Accumulated other comprehensive income		37,098	18,423
Retained earnings (deficit)		(159,204)	24,428
<b>Total shareholder's deficiency</b>		<b>(1,438,808)</b>	<b>(1,260,713)</b>
<b>Total liabilities and shareholder's deficiency</b>		<b>288,428</b>	<b>302,102</b>

Nature of operations and going concern (Note 1)  
Subsequent events (Note 12)

Approved and authorized for issue on behalf of the Board of Directors:

\_\_\_\_\_  
/s/ "Karlene Collier"  
Director

\_\_\_\_\_  
/s/ "Keith Bodnarchuk"  
Director

*The accompanying notes are an integral part of these combined and consolidated financial statements.*

**VIZSLA ROYALTIES CORP.****Combined and Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income**

(Expressed in Canadian dollars, except number of shares)

	Note	Years ended April 30, 2024	2023
		\$	\$
<b>Operating expenses</b>			
Office and miscellaneous		468	40
Professional fees		181,034	1,890
<b>Operating loss</b>		<b>(181,502)</b>	<b>(1,930)</b>
<b>Other income (expenses)</b>			
Foreign exchange (loss) gain		(2,130)	21,081
<b>Net (loss) income for the year</b>		<b>(183,632)</b>	<b>19,151</b>
<b>Other comprehensive income</b>			
Currency translation differences		18,675	26,463
<b>Comprehensive (loss) income for the year</b>		<b>(164,957)</b>	<b>45,614</b>
<b>Net (loss) income per share:</b>			
Basic and diluted		(183,632)	19,151
<b>Weighted average number of common shares:</b>			
Basic and diluted		1	1

*The accompanying notes are an integral part of these combined and consolidated financial statements.*

**VIZSLA ROYALTIES CORP.**  
**Combined and Consolidated Statements of Cash Flows**  
(Expressed in Canadian dollars)

	Years ended April 30,	
	2024	2023
	\$	\$
<b>Operating activities:</b>		
Net (loss) income for the year	(183,632)	19,151
Adjustments for:		
Foreign exchange gain	2,130	(21,081)
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	(1,452)	40,029
Taxes receivable	(2,189)	(40,029)
<b>Net cash used in operating activities</b>	<b>(185,143)</b>	<b>(1,930)</b>
<b>Investing activities:</b>		
Purchase of royalty interests	(13,138)	(1,542,452)
<b>Net cash used in investing activities</b>	<b>(13,138)</b>	<b>(1,542,452)</b>
<b>Financing activities:</b>		
Proceeds from related party	165,696	1,595,640
<b>Net cash provided by financing activities</b>	<b>165,696</b>	<b>1,595,640</b>
Effect of exchange rate on changes in cash	(130)	1,574
Change in cash and cash equivalents	(32,585)	51,258
Cash and cash equivalents, beginning of year	55,311	2,479
<b>Cash and cash equivalents, end of year</b>	<b>22,596</b>	<b>55,311</b>

*The accompanying notes are an integral part of these combined and consolidated financial statements.*

**VIZSLA ROYALTIES CORP.****Combined and Consolidated Statements of Changes in Shareholder's Deficiency**

(Expressed in Canadian dollars, except number of shares)

	<b>Common shares</b>	<b>Share capital</b>	<b>Contributed deficit</b>	<b>Accumulated other comprehensive income (loss)</b>	<b>Retained earnings (deficit)</b>	<b>Total shareholder's deficiency</b>
	<b>#</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, April 30, 2022	1	1	(1,289,541)	(8,040)	5,277	(1,292,303)
Royalty interests	-	-	(14,024)	-	-	(14,024)
Currency translation differences	-	-	-	26,463	-	26,463
Net income for the year	-	-	-	-	19,151	19,151
Balance, April 30, 2023	1	1	(1,303,565)	18,423	24,428	(1,260,713)
Royalty interests	-	-	(13,138)	-	-	(13,138)
Currency translation differences	-	-	-	18,675	-	18,675
Net loss for the year	-	-	-	-	(183,632)	(183,632)
<b>Balance, April 30, 2024</b>	<b>1</b>	<b>1</b>	<b>(1,316,703)</b>	<b>37,098</b>	<b>(159,204)</b>	<b>(1,438,808)</b>

*The accompanying notes are an integral part of these combined and consolidated financial statements.*

**VIZSLA ROYALTIES CORP.**  
**Notes to the Combined and Consolidated Financial Statements**  
**For the years ended April 30, 2024 and 2023**  
(Expressed in Canadian dollars, except where noted)

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

Panuco Royalty Corp. (the “Subsidiary”) was incorporated on January 11, 2021, under the Business Corporations Act (British Columbia) with the name Vizsla Copper Corp. as a wholly owned subsidiary of Vizsla Silver Corp. (“Vizsla Silver”). The Subsidiary changed its name (i) to 1283303 B.C. Ltd. on April 23, 2021, (ii) to Vizsla Royalty Corp. on July 9, 2021, and (iii) to Panuco Royalty Corp. on October 13, 2023.

Vizsla Royalties Corp. (“Vizsla Royalties” or the “Parent”) was incorporated on October 13, 2023 as a wholly owned subsidiary of Vizsla Silver. Vizsla Silver subsequently transferred its ownership of the Subsidiary to the Parent and therefore the Subsidiary became a wholly owned subsidiary of the Parent.

These financial statements present the results of the Parent and the Subsidiary on a combined basis (such combined entity being referred to as the “Company”).

The Company is a royalty-focused company holding net smelter return (“NSR”) royalties on Vizsla Silver’s wholly owned Panuco-Copala properties located in Mexico. The head office and principal address of the Company is located at suite 1723 - 595 Burrard street, Vancouver, BC V7X 1J1. As at June 24, 2024, the Company became a reporting issuer in all provinces and territories of Canada.

These combined and consolidated financial statements for the years ended April 30, 2024 and 2023 (“Financial Statements”) have been prepared on a going-concern basis, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. The Company’s ability to be a going concern depends on the ongoing financial support of its parent, Vizsla Silver, and/ or external financing since the Company has not historically and is not expected to generate revenue in the near future. Should the Company be unable to continue as a going concern, asset and liability realization values may be substantially different from their carrying values. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

The Company’s activities for royalty generation are in an emerging nation and consequently may be subject to a higher level of risk compared to other developed countries. Operations, the status of mineral property rights, and the recoverability of investments in emerging nations can be affected by changing economic, legal, regulatory, and political situations.

As at April 30, 2024, the Company has a working capital deficit of \$1,438,809 (April 30, 2023 - \$1,260,714). During the year ended April 30, 2024, the Company recorded a net loss of \$183,632 (2023 - net income of \$19,151). The Company expects to incur further losses in the development of its business, all of which indicate a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. The Company will require additional financing in order to meet its ongoing levels of corporate overhead and discharge its liabilities as they come due.

On March 27, 2024, the Company entered into an arrangement agreement with Vizsla Silver, whereby Vizsla Silver plans to spin out certain common shares and common share purchase warrants of the Company to the shareholders of Vizsla Silver (the “Spinout Transaction”). The Spinout Transaction involves, among other things, the distribution of common shares (the “Vizsla Royalties Shares”) and common share purchase warrants of Vizsla Royalties (the “Vizsla Royalties Warrants”) to the shareholders of Vizsla Silver. On June 24, 2024, Vizsla Silver and Vizsla Royalties completed the Spinout Transaction pursuant to a plan of arrangement under the Business Corporations Act of British Columbia (the “Arrangement”) (Note 12).

**2. BASIS OF PREPARATION**

**a) Statement of compliance**

These Financial Statements were approved by the Board of Directors and authorized for issue on July 25, 2024.

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”) as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

**VIZSLA ROYALTIES CORP.**  
**Notes to the Combined and Consolidated Financial Statements**  
**For the years ended April 30, 2024 and 2023**  
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**2. BASIS OF PREPARATION (continued)**

**b) Basis of presentation**

These Financial Statements have been prepared using the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, as set out in the accounting policies below. In addition, these Financial Statements have been prepared using the accrual basis of accounting other than the combined and consolidated statements of cash flows.

**c) Functional and presentation currency**

The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the Company is the Canadian dollar. The Financial Statements are presented in Canadian dollars, except as otherwise noted. References to "\$" or "CAD" are to Canadian dollars, references to "US\$" are to United States dollars, and references to "MXN" are to Mexican pesos.

**d) Basis of consolidation**

These Financial Statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the financial statements from the date control commences until the date control ceases.

A summary of the Company's subsidiaries included in these Financial Statements as at April 30, 2024 and 2023 is as follows:

<b>Subsidiary</b>	<b>Country of incorporation</b>	<b>Percentage ownership</b>	<b>Functional currency</b>	<b>Principal activities</b>
Canam Royalties Mexico, S.A. de C.V.	Mexico	100%	MXN	Royalty company
Panuco Royalty Corp.	Canada	100%	CAD	Royalty company

**3. MATERIAL ACCOUNTING POLICIES**

**a) Cash and cash equivalents**

Cash consists of cash on hand, deposits in banks with no restrictions, and highly liquid savings accounts. Cash equivalents include other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Company's cash and cash equivalents are deposited in major financial institutions in business accounts.

**b) Financial instruments**

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of its financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

**VIZSLA ROYALTIES CORP.**  
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**3. MATERIAL ACCOUNTING POLICIES (continued)**

A summary of the Company's classification of financial instruments under IFRS 9 *Financial Instruments* is as follows:

Financial instrument	Classification
Financial assets	
Cash and cash equivalents	Amortized cost
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Due to related party	Amortized cost

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the combined and consolidated statements of income and comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the combined and consolidated statements of income and comprehensive income.

Financial assets at FVTOCI

Financial assets carried at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income.

Financial assets at amortized cost

A financial asset is measured at amortized cost if the objective is to hold the financial asset for the collection on contractual cash flows and the asset's contractual cash flows are comprised solely of payments of principal and interest. The financial asset is classified as current or non-current based on its maturity date and is initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Financial liabilities

The Company recognizes accounts payable and accrued liabilities and due to related party at amortized cost using the effective interest method.

The effective interest method calculates the amortized cost of a financial liability and allocates interest expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial liability, or, where appropriate, a shorter period. Transaction costs in respect of financial liabilities at fair value through profit or loss are recognized in the combined and consolidated statements of (loss) income and comprehensive (loss) income immediately while transaction costs associated with other financial liabilities are included in the initial measurement of the financial liability.

The financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Financial liabilities are derecognized when its contractual obligations are discharged, cancelled or expire. The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

**c) Royalty interests**

Royalty interests consist of acquired royalty interests. These interests initially are recorded at fair value and capitalized as tangible assets with finite lives. They are subsequently measured at fair value less accumulated depletion and accumulated impairment losses, if any. Project evaluation costs that are not related to a specific royalty are expensed in the period incurred.

### **3. MATERIAL ACCOUNTING POLICIES (continued)**

Producing royalty interests are depleted using the units-of-production method over the life of the property to which the interest relates, which is estimated using available information of proven and probable reserves and the portion of resources expected to be classified as mineral reserves at the mine corresponding to the specific agreement.

On acquisition of a royalty interest, an allocation of its fair value may be attributed to the exploration potential of the interest and is recorded as an exploration asset on the acquisition date. The carrying value of the exploration potential is accounted for in accordance with IFRS 6 *Exploration and Evaluation of Mineral Resources* ("IFRS 6") and is not depleted until such time as the technical feasibility and commercial viability has been established, at which point the value of the asset is accounted for in accordance with IAS 16 *Property, Plant and Equipment* ("IAS 16"). Upon demonstration of the technical and commercial feasibility of a project and a development decision, the carrying value related to that project is subject to an impairment test and is reclassified in accordance with IAS 16.

#### **d) Earnings (loss) per share**

Basic earnings per share are computed using the weighted average number of common shares outstanding during the year. Diluted earnings per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. If the Company incurs net losses in a fiscal year, basic and diluted losses per share are the same.

#### **e) Income tax**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent it relates to items recognized directly in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **f) New accounting standards and interpretations**

The Company adopted the following amendments to accounting standards, which are effective for annual periods beginning on or after May 1, 2023:

##### Disclosure of accounting policies - International Accounting Standards ("IAS") 1 and IFRS Practice Statement 2

The amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition, or presentation of any items in the Company's Financial Statements.

##### Definition of accounting estimates - amendments to IAS 8

The amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Company's Financial Statements.

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**3. MATERIAL ACCOUNTING POLICIES (continued)**

Deferred tax related to assets and liabilities arising from a single transaction - amendments to IAS 12

The amendments to IAS 12 *Income Taxes* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Company's Financial Statements.

The Company has not early adopted any other new accounting standard, interpretation or amendment that has been issued but is not yet effective.

**4. SIGNIFICANT ACCOUNTING JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the combined and consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and related disclosure. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgment is used mainly in determining how a balance or transaction should be recognized in the Financial Statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. Actual results may differ from these estimates.

Significant areas where management's judgment has been applied include:

**a) Assessing whether deferred tax assets and liabilities are recognized in accordance with IAS 12 *Income taxes***

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

**b) Taxes receivable**

Value-added tax ("VAT") receivable is collectible from the government of Mexico. The collection of VAT is subject to risk due to the complex application and collection process and therefore, risk related to the collectability and timing of payment from the Mexican government. The Company uses its best estimates based on the facts known at the time and its experience to determine its best estimate of the collectability and timing of these recoveries. Changes in the assumptions regarding collectability and the timing of collection could impact the valuation and classification of VAT receivable.

**c) Going concern evaluation**

As discussed in Note 1, these Financial Statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these Financial Statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the statement of financial position classifications used, and such adjustments could be material.

**5. TAXES RECEIVABLE**

A summary of the Company's taxes receivable is as follows:

	<b>April 30, 2024</b>	April 30, 2023
	<b>\$</b>	<b>\$</b>
Mexican VAT in connection with purchase of royalty interests (Note 6)	<b>265,831</b>	246,790

**VIZSLA ROYALTIES CORP.**  
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(Expressed in Canadian dollars, except where noted)

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## 6. ROYALTY INTERESTS

On February 25, 2022, the Company signed two agreements to purchase a 0.5% and 2.0% NSR on properties that are part of the Panuco-Copala properties in Mexico from Minera Canam S.A. de C.V. ("Minera Canam"), a subsidiary of Vizsla Silver and an entity under common control with the Company. The Company paid US\$100,000 for the 0.5% NSR and US\$900,000 for the 2.0% NSR.

On November 16, 2022, the Company signed three agreements to purchase a 2.0% NSR royalty on multiple properties that are part of the Panuco-Copala properties in Mexico from Minera Canam for the following payments:

- US\$3,500 for the 2.0% royalty on the La Cruz Negra and La Cruz Negra 2 properties.
- US\$2,000 for the 2.0% royalty on the San Antonio property.
- US\$5,000 for the 2.0% royalty on the Maria Chuchena property.

On July 23, 2023, the Company signed an agreement to purchase a 2.0% NSR royalty on multiple properties that are part of the Panuco-Copala properties in Mexico from Minera Canam. On October 26, 2023, the Company paid US\$10,000 for the 2.0% royalty on the El Oregano, El Oregano 2, and Dos Compadres properties.

Under IFRS Accounting Standards, the purchase of the NSR from Minera Canam by the Company is a transaction between parties under common control. Accordingly, the royalty interests are recorded at fair value which is determined to be \$1 (April 30, 2023 - \$1). For the year ended April 30, 2024, the difference between the fair value and the agreed consideration of \$13,138 (US\$10,000) (April 30, 2023 - \$14,024 (US\$10,500)) is recorded as contributed deficit in equity.

## 7. DUE TO RELATED PARTY

A summary of the Company's due to related party is as follows:

	April 30, 2024	April 30, 2023
Vizsla Silver	\$ 1,711,973	\$ 1,546,277

Due to related party includes amounts transferred by Vizsla Silver to the Company to purchase the royalty interests from Minera Canam. The amounts are non-interest-bearing, no security and due on demand.

## 8. SHARE CAPITAL

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

As at April 30, 2024 and 2023, the Company has 1 common share with no par value was issued and outstanding.

## 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities, and due to related party.

The carrying value of cash and cash equivalent, accounts payable and accrued liabilities, and due to related party approximate their respective fair values due to the short-term nature of these financial instruments.

## **9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

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

### **a) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The Company's primary exposure to credit risk is through its cash and cash equivalents. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. The Company manages its credit risk relating to cash and cash equivalents through the use of a major financial institution which has a high credit quality as determined by rating agencies. Cash and cash equivalents are held with reputable banks in Canada and Mexico. The Company assesses its credit risk as low.

### **b) Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company is exposed to liquidity risk through its accounts payable and accrued liabilities as well as due to related party. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered. The Company has no sources of revenue and has obligations to settle its accounts payable, accrued liabilities, and due to related party. The Company manages this risk by careful management of its working capital to ensure the Company's expenditure will not exceed available resources. As at April 30, 2024, the Company had a working capital deficit of \$1,438,809 (April 30, 2023 - \$1,260,714). The Company assesses liquidity risk as high.

### **c) Foreign exchange risk**

Foreign exchange risk is the risk that a variation in exchange rates between the Canadian dollar, the United States dollar, and Mexican Peso will affect the Company's operations and financial results. The Company and its subsidiaries are exposed to foreign exchange risk to the extent that it has monetary assets and liabilities denominated in foreign currencies.

The Company measures the effect on total assets or total receipts of reasonably foreseen changes in foreign exchange rates. The analysis is used to determine if these risks are material to the financial position of the Company. A 1% change in the foreign exchange rate between the CAD to the MXN and the USD would increase (decrease) the net and comprehensive loss for the year ended April 30, 2024, by approximately \$2,875 (2023 - \$13,273). Actual financial results for the coming year will vary since the balances of financial assets are expected to decline as funds are used for Company expenses.

## **10. CAPITAL MANAGEMENT**

The Company manages its capital to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

In order to maintain or adjust the capital structure, the Company depends on Vizsla Silver's financial support. Vizsla Silver may issue new shares through short-form prospectuses, private placements, sell assets, incur debt, or return capital to shareholders.

There were no changes in the Company's approach to capital management during the year ended April 30, 2024. In the management of capital, the Company includes the components of shareholder's equity. As at April 30, 2024, the Company is not subject to externally imposed capital requirements.

**VIZSLA ROYALTIES CORP.**  
**Notes to the Combined and Consolidated Financial Statements**  
**For the years ended April 30, 2024 and 2023**  
(Expressed in Canadian dollars, except where noted)

**11. INCOME TAX**

**a) Income tax recovery**

A summary of the Company's reconciliation of income taxes at statutory rates for the years ended April 30, 2024 and 2023, is as follows:

	2024	2023
	\$	\$
Income (loss) before income tax	(183,632)	19,151
Expected income tax expense (recovery)	(49,581)	5,171
Tax impact of royalty interest and other	-	(3,363)
Foreign tax rate difference	(107)	711
Inflation adjustments	(4,153)	(4,231)
Foreign exchange difference	(31,626)	-
Change in unrecognized deferred tax assets	85,467	1,712
<b>Income tax recovery</b>	<b>-</b>	<b>-</b>

**b) Deferred taxes**

The deferred tax assets and liabilities reflect the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. The unrecognized temporary differences as at April 30, 2024 and 2023 are comprised of the following:

	April 30, 2024	April 30, 2023
	\$	\$
Deferred tax assets:		
Non-capital losses carry forward	1,774,528	1,563,526
Intangible assets	89,875	-
<b>Net deferred tax assets</b>	<b>1,864,403</b>	<b>1,563,526</b>

As at April 30, 2024, the Company has accumulated non-capital losses of \$90,205 in Canada (April 30, 2023 - \$nil) for income tax purposes, which may be carried forward to reduce taxable income in future years. The Canadian non-capital losses will, if unused, expire in 2044. The Company has non-capital losses in Mexico of \$1,684,323 (April 30, 2023 - \$1,563,526) which carry forward and will expire from 2032 to 2034.

**12. SUBSEQUENT EVENTS**

On June 24, 2024 (the "Effective Date"), Vizsla Silver and Vizsla Royalties completed the Arrangement (Note 1). Pursuant to the Arrangement, the shareholders of Vizsla Silver at the Effective Date received, in exchange for each Vizsla Silver share held at the close of business the day before the Effective Date, one-third of a Vizsla Royalties Share, one-third of a Vizsla Royalties Warrant, and one new common share of Vizsla Silver. Vizsla Silver warrants and options were adjusted in accordance with their terms pursuant to the Arrangement. As a result, Vizsla Royalties issued 80,493,553 Vizsla Royalties Shares and 80,493,553 Vizsla Royalties Warrant to Vizsla Silver shareholders. Vizsla Silver continues to hold a number of Vizsla Royalties' shares which represents more than 50% ownership. The purpose of the Arrangement was to reorganize Vizsla Silver into two separate companies: Vizsla Silver and Vizsla Royalties.

On the Effective Date, Vizsla Royalties became a reporting issuer in all provinces and territories of Canada.

On July 3, 2024, the Company entered into a debt settlement agreement with Vizsla Silver to settle the outstanding debt of \$1,609,312 by issuing the Company's common shares. On July 18, 2024, the Company issued 32,186,240 common shares to Vizsla Silver at a deemed price of \$0.05 per share.

On July 22, 2024, the Company issued 22,533 common shares pursuant to warrant exercises at an exercise price of \$0.05 for total gross proceeds of \$1,127.

**12. SUBSEQUENT EVENTS (continued)**

During July 2024, the Company issued in total 26,734 common shares pursuant to Vizsla Royalties Warrant exercises at an exercise price of \$0.05 for total gross proceeds of \$1,337.