



Electric Royalties Ltd.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

(Expressed in Canadian Dollars)

(Unaudited)

Electric Royalties Ltd.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited – Expressed in Canadian Dollars)

	Note	September 30, 2021	December 31, 2020
ASSETS			
Current Assets			
Cash and cash equivalents	4	\$ 2,773,612	\$ 2,584,739
Prepaid expenses	5	130,812	131,619
		<u>2,904,424</u>	<u>2,716,358</u>
Non-current Assets			
Right-of-use asset	6	31,224	-
Investment in associate	8	4,707,225	-
Mineral royalty interests and deferred transaction costs	7	7,285,094	2,498,810
		<u>12,023,543</u>	<u>2,498,810</u>
TOTAL ASSETS		\$ 14,927,967	\$ 5,215,168
EQUITY			
Share capital	9	\$ 17,403,753	\$ 7,429,966
Reserves	10	1,254,238	353,000
Accumulated deficit		(4,202,736)	(2,690,860)
		<u>14,455,255</u>	<u>5,092,106</u>
LIABILITIES			
Non-Current Liabilities			
Lease liability	6	26,979	-
		<u>26,979</u>	<u>-</u>
Current Liabilities			
Lease liability	6	4,889	-
Accounts payable		440,844	123,062
		<u>445,733</u>	<u>123,062</u>
Total Liabilities		472,712	123,062
TOTAL EQUITY AND LIABILITIES		\$ 14,927,967	\$ 5,215,168

Events after the end of the reporting period (note 12)

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

These Financial Statements were approved for issuance by the Audit and Risk Committee of the Company's Board of Directors on November 29, 2021 and are signed on the Company's behalf by the following:

/s/ Brendan Yurik

Brendan Yurik
Director

/s/ Craig Lindsay

Craig Lindsay
Director

Electric Royalties Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss

(Unaudited – Expressed in Canadian Dollars, except for weighted average number of common shares)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
Operating Expenses					
Investor relations and shareholders communication		\$ 113,316	\$ 127,914	\$ 334,718	\$ 169,546
Salaries and benefits	11	76,538	77,319	235,524	156,518
Administration		107,906	89,299	265,003	174,198
Regulatory		74,604	28,844	91,662	28,844
Legal, and audit and audit related services		79,720	115,359	135,154	163,315
Property investigations - geology, resource modelling, metallurgy & engineering		78,029	34,212	181,552	181,542
Equity-settled share-based payments	10(a)	34,000	252,000	162,000	252,000
		564,113	724,947	1,405,613	1,125,963
Share of loss of associate	8	126,833	-	126,833	-
Foreign exchange loss		(2,519)	-	(8,418)	-
Interest income on cash and cash equivalents	4	(5,076)	(5,788)	(13,499)	(7,837)
Finance expenses – lease liability	6	801	-	1,347	-
Listing expenses	3	-	21,515	-	1,163,605
Net loss		\$ 684,152	\$ 740,674	\$ 1,511,876	\$ 2,281,731
Other comprehensive income					
Items that may be subsequently reclassified to net income					
Foreign exchange translation difference	8	(54,146)	-	(54,146)	-
Total other comprehensive income		(54,146)	-	(54,146)	-
Total comprehensive loss		\$ 630,006	\$ 740,674	\$ 1,457,730	\$ 2,281,731
Basic and diluted loss per share		\$ 0.01	\$ 0.02	\$ 0.03	\$ 0.08
Weighted average number of common shares outstanding		65,726,618	47,602,927	56,078,286	27,879,626

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

Electric Royalties Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited – Expressed in Canadian Dollars, except for number of shares)

	Note	Share Capital (note 9)		Reserves (note 10)			Accumulated deficit	Total equity
		Number of shares	Amount	Share	Share-based	Foreign		
				warrant reserve	payment reserve	currency translation reserve		
				10(b)	10(a)	10(c)		
Balance at January 1, 2020		10,000,100	\$ 100,001	\$ -	\$ -	\$ -	\$ (50,874)	\$ 49,127
Net loss		-	-	-	-	-	(2,281,731)	(2,281,731)
Other comprehensive loss		-	-	-	-	-	-	-
Total comprehensive loss		-	-	-	-	-	(2,281,731)	(2,281,731)
Common shares issued for cash	9	10,000,000	500,000	-	-	-	-	500,000
Common shares issued pursuant to the Private Placement completed concurrently with the Qualifying Transaction	3	20,925,000	4,997,880	-	-	-	-	4,997,880
Deemed issuance of common shares pursuant to the Qualifying Transaction	3	2,330,001	582,500	-	-	-	-	582,500
Deemed issuance of share purchase options pursuant to the Qualifying Transaction	3	-	-	-	13,000	-	-	13,000
Common Shares issued upon acquisition of the Bissett Creek Royalty	7(a)	2,000,000	500,000	-	-	-	-	500,000
Common Shares issued upon acquisition of the Globex Portfolio	7(b)	3,000,000	750,000	-	-	-	-	750,000
Equity-settled share-based payments	10(a)	-	-	-	252,000	-	-	252,000
Balance at September 30, 2020		48,255,101	\$ 7,430,381	\$ -	\$ 265,000	\$ -	\$ (2,332,605)	\$ 5,362,776
Balance at January 1, 2021		48,255,101	\$ 7,429,966	\$ -	\$ 353,000	\$ -	\$ (2,690,860)	\$ 5,092,106
Net loss		-	-	-	-	-	(1,511,876)	(1,511,876)
Other comprehensive income		-	-	-	-	54,146	-	54,146
Total comprehensive loss		-	-	-	-	54,146	(1,511,876)	(1,457,730)
Common Shares issued upon acquisition of the Global Royalties	7(c)	1,150,000	322,000	-	-	-	-	322,000
Common Shares issued upon acquisition of the Seymour Lake Royalty	7(d)	3,000,000	1,020,000	-	-	-	-	1,020,000
Common Shares issued upon acquisition of the Vox Royalty Portfolio	7(f)	7,270,408	2,908,163	-	-	-	-	2,908,163
Common Shares issued upon acquisition of the Glassville Royalty	7(e)	247,140	100,092	20,000	-	-	-	120,092
Common Shares issued upon acquisition of investment in associate	8	8,752,860	3,544,908	705,092	-	-	-	4,250,000
Common Shares issued pursuant to the 2021-Private Placement	9(c)	5,000,000	1,915,149	-	-	-	-	1,915,149
Share purchase warrants issued for finders' fees	9(c)	-	(10,000)	10,000	-	-	-	-
Common Shares issued pursuant to exercise of options	10(a)	426,000	123,475	-	-	-	-	123,475
Reallocation of reserve upon exercise of options	10(a)	-	50,000	-	(50,000)	-	-	-
Equity-settled share-based payments	10(a)	-	-	-	162,000	-	-	162,000
Balance at September 30, 2021		74,101,509	\$17,403,753	\$735,092	\$ 465,000	\$ 54,146	\$ (4,202,736)	\$14,455,255

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

Electric Royalties Ltd.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Expressed in Canadian Dollars)

	Note	Nine months ended September 30,	
		2021	2020
Operating activities			
Net loss		\$ (1,511,876)	\$ (2,281,731)
Adjustments for:			
Amortization of right-of-use asset	6	2,839	-
Common shares issued pursuant to the Private Placement completed concurrently with the Qualifying Transaction	3	-	582,500
Deemed issuance of common shares pursuant to the Qualifying Transaction	3	-	13,000
Cash acquired on completion of the RTO	3	-	(10,373)
Equity-settled share-based payments	10(a)	162,000	252,000
Share of loss of associate	8	126,833	-
Finance expenses – lease liability	6	1,347	-
Interest income on cash and cash equivalents	4	(13,499)	(7,837)
Changes in working capital items			
Prepaid expenses		807	(208,645)
Accounts payable		57,667	106,265
Cash used in operating activities		(1,173,882)	(1,554,821)
Investing activities			
Acquisition of mineral royalty interests, including transaction costs	7	(319,883)	(1,180,920)
Investment in associate	8	(365,943)	-
Interest received	4	13,499	7,837
Cash used in investing activities		(672,327)	(1,173,083)
Financing activities			
Proceeds from issuance of common shares	9(b)	-	500,000
Common Shares issued pursuant to the 2020-Private Placement	3	-	4,997,880
Common Shares issued pursuant to the 2021-Private Placement	9(c)	1,915,149	-
Common Shares issued pursuant to exercise of options	10(a)	123,475	-
Payment of principal on lease	6	(2,195)	-
Payment of interest on lease	6	(1,347)	-
Cash acquired on completion of the RTO	3	-	10,373
Cash provided by financing activities		2,035,082	5,508,253
Change in cash and cash equivalents		188,873	2,780,349
Cash and cash equivalents, opening balance		2,584,739	96,047
Cash and cash equivalents, closing balance		\$ 2,773,612	\$ 2,876,396

Supplemental cash and cash equivalents flow information (note 4)

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

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

1 . NATURE OF OPERATIONS

Electric Royalties Ltd., (“ELEC” or the “Company”) is a public company whose common shares are listed on the TSX Venture Exchange (“TSXV”), under the trading symbol “ELEC”. The Company was incorporated on September 16, 2016 under the laws of the Province of British Columbia, Canada. The address of the Company’s corporate office is 14th Floor, 1040 West Georgia Street, Vancouver, BC, V6E 4H1.

The Company is focused predominantly on acquiring royalty interests in advanced stage mineral projects as well as operating mines, located in jurisdictions with low geopolitical risk, to build a diversified portfolio of royalty interests in significant mineral deposits (resources and/or reserves) of a wide range of commodities, including lithium, vanadium, manganese, tin, graphite, cobalt, nickel, and copper, that will benefit from the drive to electrification (cars, rechargeable batteries, large scale energy storage, renewable energy generation and other applications).

These condensed consolidated interim financial statements (the “Financial Statements”) are comprised of the Company and its subsidiaries (all wholly-owned) – Electric Royalties (Canada) Ltd. (“ELEC Canada”), and Electric Royalties (USA) Inc. (“ELEC-US”) (note 2(b)) – (together referred to as the “Company” or the “Group”) and are prepared for the three and nine months ended September 30, 2021 and 2020. ELEC-US was incorporated in June 2021.

2 . SIGNIFICANT ACCOUNTING POLICIES

(a) *Statement of compliance*

These Financial Statements have been prepared on a going concern basis in accordance with IAS 34, Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”). These Financial Statements do not include all of the information and footnotes required by International Financial Reporting Standards (“IFRS”) for complete financial statements for year-end reporting purposes. These Financial Statements should be read in conjunction with the Company’s consolidated financial statements as at and for the year ended December 31, 2020. Results for the current reporting period are not necessarily indicative of future results. Accounting policies applied herein are the same as those applied in the Company’s annual financial statements except as outlined below.

(b) *Basis of consolidation*

These Financial Statements include the financial statements of the Company and subsidiaries (all wholly-owned); namely: Electric Royalties (Canada) Ltd., and Electric Royalties (USA) Inc.

Control is achieved when the Company 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. Specifically, the Company controls an investee if, and only if, the Company has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns.

Intra-group balances and transactions, including any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the Financial Statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company’s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

(c) Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. For these leases, the Company recognizes the lease payments as an expense in loss on a straight-line basis over the term of the lease.

The Company recognizes a lease liability and a right-of-use asset ("ROU Asset") at the lease commencement date.

The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following: a) fixed payments, including in-substance fixed payments, less any lease incentives receivable; b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; c) amounts expected to be payable by the Group under residual value guarantees; d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and e) payments of penalties for terminating the lease, if the Group expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

The ROU Asset is initially measured at cost, which comprises the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs incurred by the Group; and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The ROU Asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. It is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term using either the straight-line or units-of-production method depending on which method more accurately reflects the expected pattern of consumption of the future economic benefits.

Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

(d) Interest in associate

An associate is an entity over which the Company has significant influence and is neither a subsidiary nor a joint arrangement. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies.

The Company accounts for its investments in associates using the equity method. Under the equity method, the Company's investment in associates are initially recognized at cost when acquired and subsequently increased or decreased to recognize the Company's share of net income and losses of the associate, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the associate's reserves, and for impairment losses after the initial recognition date. The Company's share of income and losses of the associate is recognized in net income during the period. Cash distributions received from the associate are accounted for as a reduction in the carrying amount of the Company's investment.

The Company's investment in associate includes its interest in MTM LP (note 8).

(e) Foreign currency – foreign operation

A foreign operation is a subsidiary, associate, joint venture or branch whose activities are based or conducted in a country or currency other than those of the reporting entity. ELEC-US and MTM LP are considered as foreign operations for the purpose of these Financial Statements. The functional currency of ELEC US and MTM LP is the United States Dollar (USD).

The assets and liabilities of foreign operations are translated into the presentation currency (Canadian Dollar) at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Canadian Dollar are translated using the average rates for the period.

Foreign currency differences are recognised in other comprehensive income or loss and accumulated in the foreign currency translation reserve.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(f) Share purchase warrants

The Company applies the residual value approach to allocate the proceeds received from the unit offering or when assets are acquired with consideration made up of a combination of common shares and share purchase warrants to their respective components. The fair value of the common shares is determined by using the trading price of the Company's shares at the date of issuance. The excess of the unit price received or consideration paid over the fair value of the common shares is used to determine the residual value.

(g) Significant accounting estimates and judgements

In preparing these Financial Statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

The Company used judgment in terms of accounting for leases in accordance with IFRS 16 *Leases*, which applies a control model to the identification of leases and the determination of whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a fixed period of time.

The Company uses its incremental borrowing rate as the discount rate for determining its lease liabilities at the lease commencement date since the rate implicit in the lease cannot be readily determined. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes necessary adjustments to reflect the terms of the lease and type of the asset leased.

Except for the foregoing, there was no change in the use of estimates and judgments during the current period as compared to those described in Note 2 in the Company's consolidated financial statements for the year ended December 31, 2020.

(h) *Loss per share*

The Company presents basic and diluted loss per share information for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(i) *Operating Segments*

The Company operates as a single operating and reporting segment and these Financial Statements should be read as a whole for the results of this single reporting segment. The Company's mineral royalty interests and deferred transaction costs, and investment in an associate are located in the following locations:

	September 30, 2021	December 31, 2020
Mineral royalty interests and deferred transaction costs		
Canada	\$ 6,661,211	\$ 2,498,810
Australia	623,883	-
Investment in associate		
United States of America	4,707,225	-
Total	\$ 11,992,319	\$ 2,498,810

3 . REVERSE TAKEOVER

On June 24, 2020, the Company completed its qualifying transaction (the "Qualifying Transaction") under TSXV Policy 2.4 – Capital Pool Companies, and it concurrently changed its name from Rebel Capital Inc. to Electric Royalties Ltd. Prior to the Qualifying Transaction, the Company was a Capital Pool Company (CPC) as defined pursuant to Policy 2.4 of the TSXV that performed no significant business activities other than the identification and evaluation of assets or businesses with the view of completing a qualifying transaction.

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

The Qualifying Transaction was completed pursuant to a business combination agreement dated January 28, 2020, as amended, between the Company, 1238383 B.C. Ltd. (the “Subco”) and a private company then named Electric Royalties Ltd. (the “Legal Acquiree”). Following the consolidation (the “Consolidation”) of the Company’s shares on a 2:1 basis, the Qualifying Transaction was effected by way of a “three-cornered” amalgamation, in which: (a) the Subco was amalgamated with the Legal Acquiree to form an amalgamated company (“Amalco”); (b) all issued and outstanding shares of the Legal Acquiree were exchanged for post-Consolidation shares of the Company on a 1:1 basis; and (c) Amalco became a wholly-owned subsidiary of the Company and was renamed as Electric Royalties (Canada) Ltd.. The Qualifying Transaction was a reverse-takeover of the Company and upon completion thereof, the Company changed its name to “Electric Royalties Ltd.” and carried on the business previously carried on by the Legal Acquiree.

Concurrently with the Qualifying Transaction, the Company completed a private placement (the “2020-Private Placement”) of 20,925,000 of its common shares at \$0.25 per share for aggregate gross proceeds of \$5,231,250 and net proceeds of \$4,997,880, after deducting \$233,370 in financing costs. The Private Placement was completed by way of subscription receipts, which were automatically converted, without payment of additional consideration or further action by the holder thereof, into one post-Consolidation common share of the Company immediately before the completion of the Qualifying Transaction.

For accounting purposes, the Qualifying Transaction is considered as a “reverse takeover”. A reverse takeover transaction involving a non-public operating entity and a non-operating public company is in substance a capital transaction, rather than a business combination.

These Financial Statements are presented as a continuation of the Legal Acquiree but are issued in the name of the Company as a legal parent. The Qualifying Transaction has been measured at the fair value of the shares and options that are deemed to have been issued to the Company’s historical shareholders. Accordingly, the Qualifying Transaction has been recorded in these Financial Statements using a basis of accounting as summarized below:

Fair value of equity instruments deemed to have been issued pursuant to the Qualifying Transaction

Common shares(i)	\$	582,500
Share purchase options(ii) (note (a))		13,000
Total amount recorded in equity in these Financial Statements		595,500

Working capital of Rebel Capital Inc. immediately before the Qualifying Transaction

Total liabilities	41,523
Cash	(10,373)
	31,150

Other fees and expenses, including legal and regulatory costs

	536,955
Total listing expense	\$ 1,163,605

- i) The fair value of the common shares deemed to have been issued was determined with reference to the fair value of the share price as at the closing of the Qualifying Transaction.
- ii) (ii) The share purchase options were valued using the Black-Scholes valuation model and the following weighted average input: i) share price of \$0.25 per share; ii) exercise price of \$0.20 per share; iii) risk free rate of 0.25% p.a.; iv) average annualized volatility of 90%; v) remaining average life of 0.7 year; and vi) dividend yield of nil%.

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

4 . CASH AND CASH EQUIVALENTS

	September 30, 2021	December 31, 2020
Components of cash and cash equivalents and restricted cash:		
Cash held in business accounts		
Denominated in Canadian Dollars	\$ 2,706,769	\$ 2,584,739
Denominated in US Dollars	66,843	-
Total	\$ 2,773,612	\$ 2,584,739

The following table summarizes non-cash investing and financing activities during the nine months ended September 30, 2021 and 2020:

	Note	Nine months ended September 30,	
		2021	2020
Value of the Company's common shares with respect to:			
Royalty acquisitions	7	\$ 4,350,255	\$ 1,250,000
Investment in associate	8	3,544,908	-
Value of the Company's share purchase warrants with respect to:			
Royalty acquisitions	7	20,000	-
Investment in associate	8	705,092	-
Finders' fees relating to the 2021-Private Placement	9(b)	10,000	-
Deemed issuance of shares and options pursuant to the Qualifying Transaction	3	-	595,500
		\$ 8,630,255	\$ 1,845,500

5 . PREPAID EXPENSES

	September 30, 2021	December 31, 2020
Prepaid expenses	\$ 130,812	\$ 131,619
Total	\$ 130,812	\$ 131,619

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

6 . LEASE LIABILITY AND RIGHT-OF-USE ASSET

Effective May 1, 2021, the Company recognized \$34,063 in right-of use asset and a corresponding lease liability with respect to a lease for an office space with a 5 year term. The incremental borrowing rate applied to measure lease liabilities was 10% per annum.

Right-of-use asset	Three and nine months ended September 30	
	2021	2020
Beginning balance	\$ -	\$ -
Addition during the period	34,063	-
Depreciation expense during the period (included in administration expenses)	(2,839)	-
Ending balance	\$ 31,224	\$ -

Lease liability	Three and nine months ended September 30	
	2021	2020
Beginning balance	\$ -	\$ -
Addition during the period	34,063	-
Interest expense	1,347	-
Lease payments during the period	(3,542)	-
Ending balance	\$ 31,868	\$ -

Long-term portion	\$ 26,979	\$ -
Short-term portion	4,889	-
Ending balance	\$ 31,868	\$ -

7 . MINERAL ROYALTY INTERESTS AND DEFERRED TRANSACTION COSTS

	Note	Value of Shares Issued (i)	Value of Share Purchase Warrants (Note 10(b))	Cash Payments	Transaction Costs	Total
Beginning Balane at January 1, 2021						
Bissett Creek Graphite Royalty	7(a)	\$ 500,000	\$ -	\$ 500,000	\$ 65,790	\$ 1,065,790
Globex Royalties	7(b)	750,000	-	500,000	82,237	1,332,237
Global Royalties	7(c)	-	-	-	100,783	100,783
		\$ 1,250,000	\$ -	\$ 1,000,000	\$ 248,810	\$ 2,498,810
Additions during the nine months ended September 30, 2021						
Global Royalties	7(c)	\$ 322,000	\$ -	\$ 150,000	\$ 51,100	\$ 523,100
Seymour Lake Lithium Royalty	7(d)	1,020,000	-	-	41,686	1,061,686
Glassville Manganese Royalty	7(e)	100,092	20,000	-	10,242	130,334
Vox Graphite Royalties	7(f)	2,908,163	-	50,000	63,398	3,021,561
Cancet Lithium Royalty	12(a)	-	-	-	49,603	49,603
		\$ 4,350,255	\$ 20,000	\$ 200,000	\$ 216,029	\$ 4,786,284
Ending balance at September 30, 2021		\$ 5,600,255	\$ 20,000	\$ 1,200,000	\$ 464,839	\$ 7,285,094

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

Ending balance at September 30, 2021 – Breakdown:

Mineral Royalty Interests

Bissett Creek Graphite Royalty	7(a)	\$ 500,000	\$ –	\$ 500,000	\$ 65,790	\$ 1,065,790
Globex Royalties	7(b)	750,000	–	500,000	82,237	1,332,237
Global Royalties	7(c)	322,000	–	150,000	151,883	623,883
Seymour Lake Lithium Royalty	7(d)	1,020,000	–	–	41,686	1,061,686
Glassville Manganese Royalty	7(e)	100,092	20,000	–	10,242	130,334
Vox Graphite Royalties	7(f)	2,908,163	–	50,000	63,398	3,021,561
		\$ 5,600,255	\$ 20,000	\$ 1,200,000	\$ 415,236	\$ 7,235,491

Deferred Transaction Costs

Cancel Lithium Royalty	12(a)	–	–	–	49,603	49,603
		\$ –	\$ –	\$ –	\$ 49,603	\$ 49,603

Balance at September 30, 2021		\$ 5,600,255	\$ 20,000	\$ 1,200,000	\$ 464,839	\$ 7,285,094
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(i) Shares issued pursuant to royalty acquisitions have been measured with reference to the quoted prices of the shares as of the date of issuance.

(a) *Bissett Creek Graphite Royalty*

On July 16, 2020, the Company announced the closing of the acquisition of a royalty over the Bissett Creek graphite project (“Bissett Creek Project”) from Northern Graphite Corporation (“Northern Graphite”) pursuant a binding letter agreement dated March 18, 2020, as amended, between the Company and Northern Graphite. The Bissett Creek Project is an advanced stage graphite deposit located within 15 km of the Trans-Canada Highway near Deep River, Ontario.

The Bissett Creek Royalty (“Bissett Creek Royalty”) is a 1% Gross Revenue Royalty (“GRR”) over all revenues received or receivable by Northern Graphite in connection with graphite flotation concentrate produced from the Bissett Creek graphite project. The royalty will be based on pricing for 94% Cg concentrates and will not apply to the premiums received for higher purities or value-added products. The Company acquired the Bissett Creek Royalty in exchange for 2,000,000 Common Shares and \$500,000 cash.

The Company has a call option, exercisable at any time for a period of two years from July 15, 2020, to acquire a further 0.5% GRR on the Bissett Creek Project by paying \$750,000 to Northern Graphite, of which up to 25% can be paid in shares, valued at the preceding 5-day volume weighted closing price of the Company’s shares on the TSXV. The additional 0.5% GRR will become part of the Bissett Creek Royalty.

(b) *Globex Royalties*

On July 13, 2020, the Company announced the closing of the acquisition of a portfolio (the “Globex Portfolio”) of seven royalties from Globex Mining Enterprises Inc. (“Globex Mining”), pursuant to a binding letter agreement dated August 30, 2019, as amended, between the Company and Globex Mining.

Electric Royalties Ltd.

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(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

The Globex Portfolio consists of the following Royalties:

- 0.5% Gross Metal Royalty (“GMR”) on part of the Authier lithium project (the “Authier Lithium Project”), located in the municipality of Preissac in the Province of Quebec;
- 0.5% GMR on one claim that forms part of the Authier Lithium Project;
- 1.0% GMR on the Vanadium production only on the Mont Sorcier project located in Roy Township, Province of Quebec and comprises 37 mining claims;
- 2.0% GMR on the Battery Hill project; an advanced stage exploration project located in Carleton County, Province of New Brunswick and comprises 32 mining claims;
- 2.0% GMR on greenfield exploration claims adjacent to the Authier Lithium Project;
- 2.0% GMR on the Chubb lithium project, a greenfield exploration project located in Lacorne Townships of Quebec; and
- 2.0% GMR on the Bouvier lithium project, a greenfield exploration located in Figury Townships of Quebec.

The Company acquired the Globex Portfolio in exchange for 3,000,000 Common Shares and \$500,000 cash. In the event the Authier Lithium Project enters commercial production within six years, the Company shall make a bonus payment of \$250,000 in cash to Globex, such payment to be due and payable on the date that the Authier Lithium Project achieves 12 months of continuous commercial production, as defined in the definitive feasibility study for the Authier Lithium Project. The contingent bonus will escalate annually with the Consumer Price Index (“CPI”).

(c) *Global Royalties*

In July 2020, the Company announced the execution of the definitive acquisition agreements to acquire a portfolio of three royalties (the “Global Energy Portfolio”) from Global Energy Metals Corp. (“Global Energy”) pursuant to a binding letter agreement dated February 27, 2020, as amended.

In February 2021, the Company issued 1,150,000 shares and paid \$150,000 to complete the acquisition of the Global Energy Portfolio.

The Global Energy Portfolio consists of the following Royalties:

- 0.5% Gross Metal Royalty (“GMR”) on the Millennium cobalt project, an advanced exploration stage cobalt-copper project located near Mount Isa, Queensland, Australia;
- 0.5% GMR on the Mt. Dorothy cobalt project, an early stage exploration located near Mount Isa, Queensland, Australia; and
- 0.5% GMR on the Cobalt Ridge cobalt project, an early stage exploration project located near Mount Isa, Queensland, Australia.

Electric Royalty has a call option (the “First Global Option”) exercisable at any time in the two years from the closing date of the acquisition on February 1, 2021 (“Closing Date”) to acquire a 0.5% Royalty on the net smelter returns (“NSR”) from the Millennium Cobalt Project (the “Millennium NSR Royalty”) for \$500,000. Up to 25% of the payment is payable in shares, at the Company’s election. Upon exercise of the First Global Option, the Company will have a further call option, exercisable on the earlier of (i) the third anniversary of the Closing Date and (ii) six months from the date that a preliminary economic analysis or similar study on the Millennium Cobalt Project is provided by Global Metals to Electric Royalties, to increase the Millennium NSR Royalty to 1.5% for \$1,000,000. Up to 25% of the payment is payable in shares, at Electric Royalties’ election.

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(d) Seymour Lake Lithium Royalty

On February 17, 2021, the Company announced the execution of a Purchase and Sale Agreement to acquire a 1.5% NSR interest from an arm's-length party on the Seymour Lake Lithium Deposit. Seymour Lake deposit consists of multiple prospective targets including North Aubry, Central Aubry, South Aubry and Pye within spodumene-bearing pegmatites. The 16,654 ha property is located near significant infrastructure in northwestern Ontario, Canada.

The Company acquired the 1.5% NSR interest, being one-half of an aggregate 3.0% NSR (the "Project NSR"), directly from an arm's-length holder (the "Royalty Investor") who acquired the NSR Interest in 2011, with the balance of the Project NSR held by Sandstorm Gold Ltd.

(e) Glassville Royalty

The Company acquired a 1% GRR on the Glassville manganese project. The Glassville manganese project is located in close proximity to the Battery Hill project (note 7(b)) in New Brunswick, Canada.

(f) Acquisition of Graphite Royalties from Vox ("Vox Portfolio")

In August 2021, the Company completed a graphite royalty portfolio acquisition from Vox Royalty Ltd. ("Vox") that consists of the Graphmada Royalty and the Yalbra Royalty, as further described below.

The Graphmada Royalty is a 2.5% net smelter return royalty on graphite production at the Graphmada Graphite Mining Complex, located in Madagascar. The Graphmada royalty is capped at the earlier of A\$5 million in royalty revenues or at December 31, 2028.

The Yalbra Royalty is a 0.75% Gross Revenue Royalty on the Yalbra Graphite Project, located in Western Australia.

8 . INVESTMENT IN ASSOCIATE

In August 2021, the Company's wholly-owned subsidiary, Electric Royalties (USA) Inc., acquired a 25% interest in a limited partnership ("MTM LP"), which completed the acquisition of the Middle Tennessee Mine royalty ("MTM Royalty"). The Company's interest in the MTM LP entitles it to receive distribution of 25% of the MTM LP's revenue after deduction of 50% of its operating expenses.

The MTM Royalty is a sliding-scale gross metal royalty on the currently producing Middle Tennessee Mine complex in Tennessee that varies with the zinc price: no royalty is payable if the zinc price is below US\$0.90 per pound, a 1.0% royalty is paid at zinc prices between US\$0.90 and US\$1.10 and a 1.4% royalty is paid at zinc prices above US\$1.10 per pound.

The Company was granted an option (the "MTM Option"), exercisable on the first and second anniversary of the date of acquisition of the Company's initial interest in MTM LP, to acquire an additional 25% economic interest in the MTM LP for up to US\$4.34 million (\$5,52 million) in cash, subject to certain detections determinable with reference to the amount of royalty received by MTM LP prior to exercise of the MTM Option but not exceeding US\$0.24 million (\$0.31 million). As at initial recognition and September 30, 2021, the Company has determined the fair value of the MTM Option to be \$Nil.

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Upon initial recognition, the Company recorded its 25% interest in the MTM LP at cost, which includes purchase price and transaction costs, as summarized below:

	Note	Initial cost
Cash payment		\$ 250,000
Common Shares (8,752,860) issued		3,544,908
Share purchase warrants (5,348,970)	9(b)	705,092
Total Consideration		4,500,000
Transaction costs		279,912
Total cost at initial recognition		\$ 4,779,912

	Nine months ended September 30,	
	2021	2020
Beginning balance	\$ -	\$ -
Total cost at initial recognition	4,779,912	-
Company's share of net loss of associate	(126,833)	-
Currency translation adjustments	54,146	-
Carrying amount at the end of the period	\$ 4,707,225	\$ -

Summarized financial information for the Company's investment in associate, on a 100% basis and reflecting adjustments made by the Company, including fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies is as follows:

	Three and nine months ended September 30,	
	2021	2020
Royalty Revenue	\$ 298,000	\$ -
Depletion of royalty interest	(161,332)	-
Revenue, net of depletion	\$ 136,668	\$ -
Administration expenses	\$ 322,000	\$ -
Other (income) expenses	-	-
Operation expenses	\$ (322,000)	\$ -
Total net loss	\$ (185,332)	\$ -
Company's share (50%) of operating expenses of associate	\$ (161,000)	\$ -
Company's share (25%) of other items of net income of associate	34,167	-
Company's share of net loss of associate	\$ (126,833)	\$ -

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

	September 30, 2021	December 31, 2020
Current Assets	\$ 298,000	\$ -
Non-current Assets	18,052,000	-
Total Assets	\$ 18,350,000	\$ -
Current Liabilities	\$ 322,000	\$ -
Non-current Liabilities	-	-
Total Liabilities	\$ 322,000	\$ -
Net Assets	\$ 18,028,000	\$ -
Company's share of net assets of associate other than current liabilities	4,587,500	-
Company's share of current liabilities	(161,000)	-
Company's share of net assets of associate	4,426,500	-
Unamortized transaction costs	280,725	-
Carrying amount of investment in associate	\$ 4,707,225	\$ -

9 . SHARE CAPITAL

(a) Authorized share capital

The authorized share capital of the Company was comprised of an unlimited number of common shares without par value ("Common Shares"). All issued shares are fully paid.

(b) Issued and outstanding share capital

The continuity of the number of the Company's Common Shares before and after the Qualifying Transaction is as follows:

Issued and outstanding common shares	Note	Value per share (i)	Number of shares
Balance at January 1, 2020 and 2019	3		4,660,000
Consolidation pursuant to the Qualifying Transaction	3		(2,329,999)
Post-Consolidation Common Shares	3	\$ 0.250	2,330,001
Exchanged for the common shares of the Legal Acquiree	3		20,000,100
Issued pursuant to the 2020-Private Placement	3	\$ 0.250	20,925,000
Issued upon acquisition of the Bissett Creek Royalty	7(a)	\$ 0.250	2,000,000
Issued upon acquisition of the Globex Royalties	7(b)	\$ 0.250	3,000,000
Balance at December 31, 2020			48,255,101
Issued upon acquisition of the Global Royalties	7(c)	\$ 0.400	1,150,000
Issued upon acquisition of the Seymour Lake Royalty	7(d)	\$ 0.400	3,000,000
Issued upon acquisition of investment in associate	8	\$ 0.405	8,752,860
Issued upon acquisition of the Glassville Royalty	7(e)	\$ 0.405	247,140
Issued upon acquisition of the Vox Royalty Portfolio	7(f)	\$ 0.400	7,270,408
Issued pursuant to the 2021-Private Placement	9(c)	\$ 0.400	5,000,000
Issued pursuant to exercise of options	10(a)	\$ 0.400	426,000
Balance at September 30, 2021			74,101,509

(i) Shares issued pursuant to royalty acquisitions have been measured with reference to the quoted prices of the shares

Electric Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

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The common shares of the Legal Acquiree that were exchanged for the Company's Common Shares upon completion of the Qualifying Transaction comprised of the following:

- 10,000,000 common shares of the Legal Acquiree were issued in February 2020 at a price of \$0.05 per share aggregate gross proceeds of \$500,000.
- 10,000,000 common shares of the Legal Acquiree were issued at a price of \$0.01 per share and aggregate gross proceeds of \$100,000.
- 100 common shares of the Legal Acquiree were issued upon its incorporation.

(c) 2021-Private Placement

In July 2021, the Company announced that it closed a private placement (the "2021-Private Placement") of 5,000,000 units (the "Units") issued at a price of \$0.40 per Unit, for gross proceeds of \$2,000,000. Each Unit comprised of one common share plus one warrant, each warrant entitles the holder to acquire one common share at a price of \$0.60 per share for a two year period following closing of the 2021-Private Placement. In connection with the 2021-Private Placement, the Company paid cash fees of \$67,200 and issued 93,000 finders' warrants entitling the holders to acquire up to an aggregate of 93,000 common shares at a price of \$0.60 per share for a period of 12 months from closing.

Pursuant to the application of the residual value method, the fair value of the common shares was first determined by using the trading price of the Company's common shares at the date of issuance. There was no excess of the Unit's price over the fair value of the common shares as of the date of issuance; accordingly, no residual value was assigned to 5,000,000 warrants issued pursuant to the 2021-Private Placement.

10 . RESERVES

(a) Equity-settled share-based payment arrangements

The number and weighted-average exercise prices of share options were as follows:

Continuity of options	Note	Nine months ended September 30, 2021		Nine months ended September 30, 2020	
		Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding – beginning balance		3,898,500	\$ 0.29	-	\$ -
Deemed issuance of options	3	-	\$ -	100,000	\$ 0.20
Options granted		500,000	\$ 0.35	3,898,500	\$ 0.29
Options cancelled		(300,000)	\$ (0.40)	(91,666)	\$ (0.22)
Options exercised		(426,000)	\$ (0.29)	-	\$ -
Options outstanding – ending balance		3,672,500	\$ 0.29	3,906,834	\$ 0.29
Options exercisable – ending balance		3,605,834	\$ 0.29	1,182,508	\$ 0.29

The weighted-average share price at the date of exercise for share options exercised during the nine months ended September 30, 2021 was \$0.39 per share (nine months ended September 30, 2020: no options exercised).

The fair value of the Company's share options has been measured using the Black-Scholes option pricing model. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

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The fair value of the options granted during the nine months ended September 30, 2021 was \$0.15 per option. The weighted average inputs used in the measurement of the fair values at grant date were as follows: risk-free interest rate of 0.40%; expected volatility of 50%; underlying market price of \$0.39 per share; time to expiry of 3 years; and dividend yield of nil%.

The fair value of the options granted during the nine months ended September 30, 2020 was \$0.11 per option. The weighted average inputs used in the measurement of the fair values at grant date were as follows: risk-free interest rate of 0.33%; expected volatility of 50%; underlying market price of \$0.29 per share; time to expiry of 4.50 years; and dividend yield of nil%.

The following table summarizes information on the options outstanding:

Remaining contractual life of the Company's common share purchase options:	September 30, 2021		December 31, 2020	
	Number of Options	Weighted average remaining contractual life (years)	Number of Options	Weighted average remaining contractual life (years)
Exercise price				
\$0.20	25,000	0.78	25,000	1.27
\$0.28	200,000	2.62	-	-
\$0.29	3,447,500	3.37	3,873,500	3.87
	3,672,500	3.31	3,898,500	3.85

(b) Share purchase warrants

The number, exercise prices and expiration dates of the Company's share purchase warrants were as follows:

	Note	Exercise price	Expiration	Nine months ended September 30, 2021		
				Beginning	Issued	Ending
2021-Private Placement	9(c)	\$ 0.60	July 2023	-	5,000,000	5,000,000
Finders' fees (i)	9(c)	\$ 0.60	July 2022	-	93,000	93,000
Investment in associate (ii)	8	\$ 0.60	August 2025	-	5,348,970	5,348,970
Glassville Royalty (ii)	7(e)	\$ 0.60	August 2025	-	151,030	151,030
				-	10,593,000	10,593,000

(i) Warrants issued for finders' fees (note 9(c))

The fair value of these warrants on the date of issuance was \$0.11 per warrant and has been measured using the Black-Scholes option pricing model. The inputs used in the measurement of these warrants were as follows: share price \$0.425; expected volatility 93%; risk free interest rate 0.25%; time to expiry of 1 years; and dividend yield nil%.

(ii) Warrants issued pursuant to acquisition of investment in associate (note 8) and the Glassville Royalty (note 7(e))

In the event the Company's share price trades above \$1.00 per share for 10 consecutive days after year 2, 50% of these warrants expire within 30 days of such date; and in the event the Company's share price trades above \$1.50 per share for 10 consecutive days after year 3, all warrants expire within 30 days of such date.

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The fair value of the warrants issued pursuant to the acquisition of the Company's interest in MTM-LP (note 8) was determined using the residual value method (note 2(f)).

For the warrants issued pursuant to the acquisition of the Glassville Royalty, the fair value on the date of issuance was \$0.13 per warrant and was measured using the Black-Scholes option pricing model. The inputs used in the measurement of the fair values these warrants were as follows: share price \$0.405; expected volatility 57%; risk free interest rate 0.80%; time to expiry of 4 years; and dividend yield nil%.

(c) *Foreign currency translation reserve*

The foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations into Canadian Dollars (note 8).

11 . RELATED PARTY TRANSACTIONS

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company and include chief executive officer and directors of the Company. Transactions with the Company's key management personnel were as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Short-term employment benefits(i)	\$ 76,538	\$ 77,319	\$ 235,524	\$ 156,518
Share-based payments	3,000	143,000	55,000	143,000
Total	\$ 79,538	\$ 220,319	\$ 290,524	\$ 299,518

(i) Includes executive compensation and directors' fees relating to the Company's key management personnel.

12 . EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) *Cancel Lithium Royalty Acquisition*

In October 2021, the Company announced the acquisition of an aggregate 1% net smelter return (NSR) royalty on licenses comprising tenure at the Cancet Lithium Project situated in Quebec, Canada for a total consideration of 3,000,000 common shares of the Company.

(b) *Grant of Options*

In October 2021, the Company granted the following share purchase options:

	Term	Exercise price	Number of options
Directors and officers	5 years	\$ 0.415	2,450,000
Employees	5 years	\$ 0.415	550,000
Employees and consultants	3 years	\$ 0.415	350,000
Consultant	18 months	\$ 0.400	150,000
			3,500,000

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(c) Rana Nickel Project Letter of Intent

In October 2021, the Company announced the signing of a letter of intent with Scandinavian Resource Holdings and Global Energy Metals Corp. (TSX-V: GEMC) to acquire a 1% net smelter return (NSR) royalty on four exploration licenses totaling 25 square kilometers in the Rana mafic-ultramafic intrusion in Northern Norway for \$100,000 in cash and 2,000,000 common shares of the Company. The transaction is subject to completion of due diligence, approval of the TSX Venture Exchange and other customary conditions.