



ELEMENTAL ROYALTIES CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2021 and 2020

(Unaudited - Expressed in US Dollars)

**NOTICE OF NO AUDITOR REVIEW OF
COMPARATIVE PERIOD CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of Elemental Royalties Corp. (the "Company") for the three months ended March 31, 2021 and 2020, have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of the condensed interim financial position as at March 31, 2020, and the comparative condensed interim consolidated statements of loss and comprehensive loss, changes in equity and cash flow for the three-month period then ended and the related notes in accordance with standards established by the Chartered Professional Accountants of Canada ("CPA Canada") for a review of interim financial statements by an entity's auditor.

ELEMENTAL ROYALTIES CORP.

(Formerly “Fengro Industries Corp.”)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited - Expressed in US Dollars)

	Notes	March 31, 2021 \$	December 31, 2020 \$
Assets			
Current assets			
Cash and cash equivalents		6,572,585	10,920,888
Accounts receivable	3	912,237	1,103,831
Prepaid expenses and other current assets		321,931	112,905
Total current assets		7,806,753	12,137,624
Non-current assets			
Deferred acquisition costs	4	-	108,447
Deferred financing costs	5	-	153,390
Royalty interests	4	70,467,584	15,645,301
Total non-current assets		70,467,584	15,907,138
Total assets		78,274,337	28,044,762
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		527,667	1,135,066
Borrowings	5	-	1
Total current liabilities		527,667	1,135,067
Non-current liabilities			
Borrowings	5	24,033,816	-
Total non-current liabilities		24,033,816	-
Total liabilities		24,561,483	1,135,067
Equity			
Share capital	6	56,436,769	28,791,726
Contributed surplus		1,320,452	1,078,494
Accumulated other comprehensive (loss) income (“AOCI”)		38,742	40,183
Deficit		(4,083,109)	(3,000,708)
Total equity		53,712,854	26,909,695
Total liabilities and equity		78,274,337	28,044,762

Commitments (Note 10)

Subsequent events (Note 11)

Approved by the Board of Directors on May 26 2021

<u>“Frederick Bell”</u>	Director	<u>“Martin Turenne”</u>	Director
Frederick Bell		Martin Turenne	

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

ELEMENTAL ROYALTIES CORP.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three months ended March 31, 2021 and 2020

(Unaudited - Expressed in US Dollars)

	Notes	2021 \$	2020 \$
Revenue from royalty interests	4	1,148,405	1,212,663
Depletion of royalty interests	4	(422,647)	(411,210)
Gross profit		725,758	801,453
General and administrative expenses	7	(343,774)	(177,076)
Project evaluation expenses	7	(180,166)	(75,499)
Share-based compensation expense	6(c),8	(241,958)	(58,108)
(Loss) income from operations		(40,140)	490,770
Other income and expenses			
Interest income		7,410	-
Interest and finance expenses	5	(719,270)	(639,877)
Foreign exchange (loss) gain		(44,583)	9,611
Loss before income taxes		(796,583)	(139,496)
Tax expense		(285,818)	(239,806)
Net loss for the period		(1,082,401)	(379,302)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit and loss:			
Foreign currency translation adjustment		(1,441)	(54,099)
Other comprehensive loss		(1,441)	(54,099)
Total comprehensive loss		(1,083,842)	(433,401)
Loss per share – basic and diluted		(0.02)	(0.02)
Weighted average number of shares outstanding – basic and diluted		58,660,926	21,136,749

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

ELEMENTAL ROYALTIES CORP.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the three months ended March 31, 2021 and 2020

(Unaudited - Expressed in US Dollars)

	2021	2020
	\$	\$
Operating activities		
Net loss for the period	(1,082,401)	(379,302)
Adjustments for:		
Depletion of royalty interests	422,647	411,210
Foreign exchange	(1,441)	(2,333)
Share-based compensation expense	241,958	58,108
Interest and finance expenses	719,270	639,877
Interest income	(7,410)	-
	292,623	727,560
Changes in non-cash working capital items:		
Accounts receivable	191,594	(534,936)
Prepaid expenses and other current assets	(209,026)	50,789
Accounts payable and accrued liabilities	(607,399)	(60,244)
Net cash (used in) provided by operating activities	(332,208)	183,169
Investing activities		
Interest received	7,410	-
Purchase of royalty interests	(40,136,483)	(11,003,953)
Cash used in investing activities	(40,129,073)	(11,003,953)
Financing activities		
Proceeds from issue of shares	12,666,817	358,229
Share issue costs	(740,558)	-
Interest paid	(645,834)	(260,368)
Proceeds from borrowings, net of fees paid in cash	24,832,554	10,482,000
Repayment of borrowings	(1)	-
Net cash provided by financing activities	36,112,978	10,579,861
Change in cash and cash equivalents	(4,348,303)	(240,923)
Cash and cash equivalents, beginning of the period	10,920,888	812,572
Cash and cash equivalents, end of the period	6,572,585	571,649

Supplemental cash flow information (Note 9)

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

ELEMENTAL ROYALTIES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended March 31, 2021 and 2020

(Unaudited - Expressed in US Dollars)

	Ordinary shares #	Share capital \$	Contributed Surplus \$	Subscriptions received \$	Equity component convertible loan \$	AOCI \$	Deficit \$	Total Equity \$
Balance as at December 31, 2019	19,542,629	6,388,098	348,648	7,185	-	(970)	(370,070)	6,372,891
Issued during the period:								
For cash, net of issue costs	496,272	361,007	-	(7,185)	-	-	-	353,822
Pursuant to royalty acquisition	1,374,683	1,000,000	-	-	-	-	-	1,000,000
Subscriptions received	-	-	-	4,407	-	-	-	4,407
Convertible loan equity component	-	-	-	-	124,929	-	-	124,929
Share-based compensation expense	-	-	58,108	-	-	-	-	58,108
Loss and comprehensive loss for the period	-	-	-	-	-	(54,099)	(379,302)	(433,401)
Balance, March 31, 2020	21,413,584	7,749,105	406,756	4,407	124,929	(55,069)	(749,372)	7,480,756
Issued during the period:								
For cash	19,678,594	18,819,818	-	(4,407)	-	-	-	18,815,411
Less: finders' fees	-	(1,083,461)	-	-	-	-	-	(1,083,461)
Less: other cash issuance costs	-	(171,482)	-	-	-	-	-	(171,482)
Deemed issued by Elemental to acquire								
Fengro	753,706	732,426	-	-	-	-	-	732,426
For bonus	10,325	7,511	-	-	-	-	-	7,511
Pursuant to conversion of loan	2,406,322	2,459,596	-	-	(124,929)	-	-	2,334,667
To settle fees on loan	196,207	190,250	-	-	-	-	-	190,250
To settle loan	65,996	87,963	-	-	-	-	-	87,963
Share-based compensation expense	-	-	671,738	-	-	-	-	671,738
Loss and comprehensive loss for the period	-	-	-	-	-	95,252	(2,251,336)	(2,156,084)
Balance as at December 31, 2020	44,524,734	28,791,726	1,078,494	-	-	40,183	(3,000,708)	26,909,695
Issued during the period:								
For cash	10,748,132	12,666,817	-	-	-	-	-	12,666,817
Less: finders' fees	-	(584,203)	-	-	-	-	-	(584,203)
Less: other cash issuance costs	-	(207,441)	-	-	-	-	-	(207,441)
Pursuant to royalty acquisition	13,065,100	15,000,000	-	-	-	-	-	15,000,000
Pursuant to loan as a finance cost	653,255	769,870	-	-	-	-	-	769,870
Share-based compensation expense	-	-	241,958	-	-	-	-	241,958
Loss and comprehensive loss for the period	-	-	-	-	-	(1,441)	(1,082,401)	(1,083,842)
Balance as at March 31, 2021	68,991,221	56,436,769	1,320,452	-	-	38,742	(4,083,109)	53,712,854

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

ELEMENTAL ROYALTIES CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021 and 2020

(Unaudited - Expressed in US Dollars)

1. NATURE OF OPERATIONS

Elemental Royalties Corp. (the “Company”, “Elemental” or “ERC”) was incorporated on March 11, 2014 under the laws of the Province of British Columbia. The Company is primarily involved in the acquisition of precious metal royalties. The head office and principal address is 880 – 580 Hornby Street, Vancouver, British Columbia, Canada. The Company’s common shares trade on the TSX Venture Exchange under the ticker symbol “ELE” and the OTCQX market under the trading symbol “ELEMf”.

The outbreak of the COVID-19 pandemic in March 2020 may have a potential impact on the mining operations in which the Company holds royalty interests and receives revenues. The Company is closely monitoring the impact and mitigating actions by each of the mine operators and is pleased to note there has been no significant disruption to operations and in turn, royalty revenues to date. The diversified royalty interests held by the Company across a number of different mine operators and geographical locations significantly mitigate this risk.

2. BASIS OF PRESENTATION

(A) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2020.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2020.

The financial statements are presented in US Dollars rounded to the nearest dollar. The notation “\$” represents US dollars and “CAD\$” represents Canadian dollars.

The financial statements were approved by the board and authorized for issue on May 26, 2021.

(B) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries listed in the following table:

Name	Country of Incorporation	Functional Currency	% Equity Interest as at March 31, 2021
Elemental Royalties Limited	BVI	US dollars	100%
Elemental One Limited	BVI	US dollars	100%
Elemental Royalties (Australia) Pty Ltd.	Australia	US dollars	100%
Sanembaore Sarl Pty Ltd.	Australia	Australian dollars	100%
Elemental Resources Limited	England and Wales	Pound Sterling	100%
Elemental (Finance) Limited	Canada	Canadian dollars	100%

The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date the Company’s control over the subsidiary ceases. Control is defined as the exposure, or rights, to

ELEMENTAL ROYALTIES CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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variable returns from involvement with an investee and the ability to affect those returns through power over the investee. All intercompany transactions and balances have been eliminated.

(C) Critical accounting estimates and judgements

The Company uses the same critical accounting estimates and judgements as those that applied to the annual consolidated financial statements for the year ended December 31, 2020.

3. ACCOUNTS RECEIVABLE

	March 31, 2021	December 31, 2020
	\$	\$
Accrued royalty income	868,768	1,081,944
Other receivables	43,469	21,887
Total accounts receivable	912,237	1,103,831

ELEMENTAL ROYALTIES CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021 and 2020

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4. ROYALTY INTERESTS

	Kwale	Panton Sill	Mount Pleasant	Amancaya	Mercedes	Wahgnion	Karlawinda	Laverton	Western Queen	Total
	<i>Kenya</i>	<i>Australia</i>	<i>Australia</i>	<i>Chile</i>	<i>Mexico</i>	<i>Burkina Faso</i>	<i>Australia</i>	<i>Australia</i>	<i>Australia</i>	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2019	498,321	94,219	424,584	2,763,447	999,001	-	-	-	-	4,779,572
Additions	-	-	-	-	-	12,512,158	-	-	-	12,512,158
Depletion	(168,329)	-	(647)	(723,124)	-	(797,117)	-	-	-	(1,689,217)
Foreign exchange translation	-	-	42,788	-	-	-	-	-	-	42,788
Balance, December 31, 2020	329,992	94,219	466,725	2,040,323	999,001	11,715,041	-	-	-	15,645,301
Additions	-	-	-	-	-	-	37,164,772	16,071,252	2,008,906	55,244,930
Depletion	(46,524)	-	-	(136,488)	-	(239,635)	-	-	-	(422,647)
Balance, March 31, 2021	283,468	94,219	466,725	1,903,835	999,001	11,475,406	37,164,772	16,071,252	2,008,906	70,467,584

ELEMENTAL ROYALTIES CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended March 31, 2021 and 2020

(Unaudited - Expressed in US Dollars)

The following table summarizes the Company's total revenue from royalty interests during the three months ended March 31, 2021 and 2020:

	2021	2020
	\$	\$
Kwale	153,396	141,361
Amancaya	366,450	601,463
Wahgnion	628,559	469,839
Total revenue from royalty interests	1,148,405	1,212,663

Kwale

In February 2017 the Company acquired a 0.25% gross revenue royalty ("GRR") royalty on the Kwale mineral sands mine located 50 kilometres south of Mombasa in Kenya, from Acacia Mining Plc (LON: ACA) for cash consideration of \$937,500. The Kwale mine is operated by Base Resources Limited, an Australian-based, African-focused mineral sands producer and developer which is dual-listed on the Australian Securities Exchange (ASX: BSE) and the London Alternative Investment Market (AIM: BSE).

Panton Sill

The Company acquired a 0.5% net smelter return ("NSR") royalty on the Panton Sill project, located about 60km north of Halls Creek in the East Kimberley region of Western Australia, from Fevertree Resources Pty Ltd in February 2017 for the consideration of \$90,000, settled by the issue of shares of the Company. The Panton Sill project is owned by Panoramic Resources Limited, a base metal mining and exploration company which is listed on the Australian Securities Exchange (ASX: PAN).

Mount Pleasant

In December 2017 the Company acquired a royalty interest consisting of the lesser of either 5% net profit interest ("NPI") or AU\$10/Ounce royalty on the Mount Pleasant operations, located 40km northwest of Kalgoorlie in Western Australia, from a subsidiary of the Carlton & United Breweries Company for cash consideration of AU\$600,000. A deferred payment of AU\$400,000 is due at the point a decision is taken to mine a refractory portion of the resource and funds committed to its development. The Mount Pleasant mine is operated by Zijin Mining Group, a large Chinese international mining company engaged in the exploration and mining of gold, copper, zinc and other mineral resources, which is dual-listed on the Hong Kong Stock Exchange (HKSE: 2899) and the Shanghai Stock Exchange (SSEC: 601899).

Amancaya

In July 2018 the Company acquired a 2.25% NSR royalty on the Amancaya gold-silver mine, located in northern Chile approximately 200km south east of Antofagasta, from Yamana Gold Inc (TSX: YRI) for cash consideration of \$3.55m. The Amancaya mine is operated by Austral Gold Limited, a producer and explorer of precious metals which is dual-listed on the Australian Securities Exchange (ASX: AGD) and the Toronto Venture Exchange (TSX-V: AGLD).

Mercedes

In July 2018 the Company acquired a 1% NSR royalty on the Mercedes gold-silver mine, located in the State of Sonora in northern Mexico, 300km south of Tucson Arizona, from Yamana Gold Inc (TSX: YRI) for cash consideration of \$950,000. The Mercedes mine is operated by Equinox Gold Corp (TSX: EQX) following the completion of its acquisition of Premier Gold Mines Limited on April 7, 2021.

ELEMENTAL ROYALTIES CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021 and 2020

(Unaudited - Expressed in US Dollars)

Wahgnion

On December 13, 2019, the Company entered into a Binding Heads of Agreement between the Company and the Vendor pursuant to which the Company agreed to acquire 100% of the issued capital of Sanembaore Sarl Pty Ltd ("SNB"), a company incorporated under the laws of Australia. SNB's principal asset was a 1% NSR royalty over Teranga Gold's Wahgnion project in Burkina Faso. The acquisition closed on January 29, 2020. The Wahgnion mine is operated by Endeavour Mining (TSX: EDV) following the completion of its acquisition of Teranga Gold Corp. on February 10, 2021.

In consideration for SNB, the Company paid a total of \$12,500,000 consisting of \$11,500,000 and issued 1,374,683 common shares (issued on January 16, 2020 at the fair value of \$1,000,000). The final payment as well as a late interest payment of \$73,014 was made on January 23, 2020. As SNB had no net assets other than the Wahgnion royalty, the purchase price and acquisition costs to acquire SNB were allocated to royalty interests.

A Director of the Company owned a 30% interest in the Vendor; given this minority ownership position, the Vendor was considered to be an arm's length party.

South32 Portfolio

On February 9, 2021, the Company completed the acquisition of a portfolio of three gold royalties from South32 Limited ("South32 Portfolio"). The South32 portfolio included the following key assets: Karlawinda, Laverton and Western Queen. As consideration for the transaction, the Company made a cash payment of \$40,000,000 and issued 13,065,100 common shares to South32.

As at December 31, 2020, the Company had incurred deferred acquisition costs of \$108,447 for legal fees, due diligence costs and other fees related to the acquisition of these royalties. During the three months ended March 31, 2021, the Company incurred a further \$136,483 for legal fees, due diligence and other related fees.

The Company allocated the purchase price of the South32 Portfolio to Karlawinda (\$37,164,772), Laverton (\$16,071,252) and Western Queen (\$2,008,906).

Karlawinda

Elemental acquired a 2% NSR royalty on the Karlawinda gold project in February 2021 as part of the acquisition of the South32 Portfolio. The Karlawinda Gold Project is located in the Pilbara region of Western Australia, 70km by road south-east of the town of Newman. The Karlawinda gold project is operated by Capricorn Metals Ltd (ASX: CMM).

Laverton

Elemental acquired a 2% GRR royalty on the Laverton gold project in Feb 2021 as part of the acquisition of the South32 Portfolio. The Laverton gold project is located in the Eastern Goldfields region of Western Australia, surrounding the town of Laverton, approximately 250km north of Kalgoorlie. Elemental's interest is a 2% Gross Revenue Royalty payable on certain licences held by Focus Minerals Ltd. (ASX: FML).

Western Queen

Elemental acquired a A\$6-20/oz royalty on the Western Queen gold project in Feb 2021 as part of the acquisition of the South32 Portfolio. The Western Queen gold project lies 110km north-west of Mt Magnet within the Yalgoo mineral field of Western Australia. The Company's interest is a A\$6-20/oz royalty over the 9.8km² Western Queen Central Mine and associated prospects held by Rumble Resources Ltd. (ASX: RTR).

ELEMENTAL ROYALTIES CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended March 31, 2021 and 2020

(Unaudited - Expressed in US Dollars)

5. BORROWINGS

	March 31, 2021	December 31, 2020
	\$	\$
Opening balance	1	-
Additions from credit facility	25,000,000	8,500,000
Additions from convertible loan	-	2,000,000
Allocation to equity component of convertible loan	-	(124,929)
Accretion of convertible loan	-	124,929
Transaction costs	(1,039,620)	(113,933)
Amortization of transaction costs and arrangement fees	73,436	113,933
Additions from the reverse takeover	-	172,666
Foreign exchange loss on loan	-	2,676
Repayments – ordinary shares	-	(2,087,963)
Repayments - cash	(1)	(8,587,378)
Closing balance	24,033,816	1

Credit Facility

On December 19, 2019, the Company entered into a Credit Agreement with Sprott Private Resource Lending ("Sprott"), an arm's length party, pursuant to which the Company would be provided with a \$8,500,000 senior secured credit facility (the "Sprott Credit Facility"). On January 23, 2020, the Company received \$8,500,000 from the Sprott Credit Facility.

The Sprott Credit Facility bore interest at a rate of 11.50% per annum paid monthly, maturing on July 23, 2020 and was secured by all assets of the Company. The Sprott Credit Facility required the Company to maintain cash and working capital balances of greater than \$1.0 million.

On July 1, 2020, the Sprott Credit Facility was amended with a revised maturity date of August 23, 2020.

On August 7, 2020, the Company repaid \$8,499,999 of principal. The principal balance remaining on the Sprott Credit Facility was \$1, which was repaid during the three months ended March 31, 2021.

On December 29, 2020, the Sprott Credit Facility was amended and the Company entered into an Amended and Restated Credit Agreement with Sprott, an arms' length party, pursuant to which the Company would be provided with a \$25,000,000 senior secured credit facility (the "Amended Sprott Credit Facility"). On February 9, 2021, the Company received \$25,000,000 from the Amended Sprott Credit Facility.

The Amended Sprott Credit Facility bears interest at a rate of 9% per annum plus the greater of (i) LIBOR and (ii) 1%, paid monthly, matures on January 31, 2023 and is secured by all assets of the Company. The Amended Sprott Credit Facility requires the Company to maintain cash and working capital balances of greater than \$1.0 million, which it has done.

Interest rate benchmark reform ("Reform") is a global reform of interest rate benchmarks, which includes the replacement of some interbank offered rates ("IBOR") with alternative benchmark rates. The Company is currently working with the lender to assess the potential alternatives to the use of LIBOR.

ELEMENTAL ROYALTIES CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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On February 8, 2021, the Company issued 653,255 common shares to Sprott as a finance cost at the fair value of \$769,870. As at March 31, 2021, the Company had incurred costs of \$269,750 for legal fees and other fees in connection with the facility. The financing costs associated with the credit facility will be accreted up to the maturity date.

During the three months ended March 31, 2021, the Company recorded interest expense of \$645,834 (2020 - \$187,354) and amortization of transaction costs of \$73,436 (2020 - \$35,133) on the Amended Sprott Credit Facility and the Sprott Credit Facility.

6. SHARE CAPITAL

a) Authorized

The Company's authorized share structure consists of an unlimited number of common shares without par value.

b) Share activities

Details of equity transactions during the three months ended March 31, 2021 are as follows:

- 1) On February 8, 2021, the Company completed a private placement of 10,748,132 common shares at CAD\$1.50 (\$1.18) per common share for gross proceeds of CAD\$16,122,198 (\$12,666,817). In connection with the private placement, the Company paid CAD\$743,568 (\$584,203) of cash finders' fees and incurred additional legal fees and other cash issuance costs of CAD\$241,618 (\$207,441).
- 2) On February 8, 2021, the Company issued 13,065,100 common shares at CAD\$1.50 (\$1.18) per common share as part of the acquisition of the South32 royalty portfolio (Note 5); and
- 3) On February 8, 2021, the Company issued 653,255 common shares as a finance cost pursuant to the Amended and Restated Credit Agreement with Sprott (Note 6).

Details of equity transactions during the three months ended March 31, 2020 are as follows:

- 1) On January 7, 2020, the Company issued 496,272 common shares at \$0.73 per share to raise gross proceeds of \$361,008; and
- 2) On January 23, 2020, the Company issued 1,374,683 common shares at \$0.73 per share as part of the acquisition of SNB (Note 4).

c) Stock options and performance share units

The Company has an incentive compensation plan for stock options, performance share units and restricted share units. The maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX-V). The vesting terms of the awards are in the sole discretion of the Board of Directors. Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as a director or officer of the Company.

ELEMENTAL ROYALTIES CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended March 31, 2021 and 2020

(Unaudited - Expressed in US Dollars)

Stock options

Changes in share purchase options during the three months ended March 31, 2021 and during the year ended December 31, 2020 are as follows:

	Number of stock options	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, December 31, 2019	-		
Granted	900,000	CAD\$1.50	5.00
Outstanding, December 31, 2020	900,000	CAD\$1.50	4.58
Outstanding, March 31, 2021	900,000	CAD\$1.50	4.33
Outstanding and exercisable, March 31, 2021	-	CAD\$1.50	-

As at March 31, 2021, there were 900,000 stock options outstanding at CAD\$1.50 per share expiring on July 28, 2025. The stock options vest on July 28, 2021.

During the three months ended March 31, 2021, the Company recorded \$125,193 (2020 - \$nil) of share-based compensation to the statement of comprehensive loss based on the vesting of stock options.

Performance share units

The Company has certain performance share units (“PSUs”) outstanding which were issued to directors and officers. Changes in PSUs during the three months ended March 31, 2021 and the year ended December 31, 2020 are as follows:

	Number of PSUs
Outstanding, December 31, 2019	497,797
Recapitalization transactions	
Pursuant to the reverse takeover	(497,797)
Replacement PSUs issued	2,395,109
Issued	500,000
Outstanding, December 31, 2020	2,895,109
Outstanding, March 31, 2021	2,895,109
Outstanding and exercisable, March 31, 2021	463,498

On June 14, 2018, the Company issued 2,395,109 PSUs to directors and officers, expiring on June 14, 2023. The PSUs vest once the Company’s share price reaches between \$0.62 and \$1.25 per share and a period of time has passed. 463,498 PSUs vest after 2 years if the share price reaches \$0.62. The remaining PSUs vest after 3 years with 579,483 vesting if the share price reaches \$0.78, 579,483 if the share price reaches \$0.94 and 772,645 if the share price reaches \$1.25.

On July 28, 2020, the Company issued 500,000 PSUs to certain employees of Elemental. The PSUs vest once the Company’s share price reaches between CAD\$1.70 and CAD\$2.20 per share and a period of time has passed as

ELEMENTAL ROYALTIES CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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follows: 160,000 PSUs vest after 2 years (July 28, 2022) if the share price reaches CAD\$1.70 and 340,000 PSUs vest after 3 years (July 28, 2023) if the share price reaches CAD\$2.20.

The fair value of the performance share units was estimated using the fair value of a common share at the grant date and various probabilities of the likelihood of the Company's stock price reaching the targets.

During the three months ended March 31, 2021, the Company recorded \$116,765 (2020 - \$58,108) of share-based compensation to the statement of comprehensive loss based on the vesting of PSUs.

d) Escrowed Shares

On completion of the Transaction, certain principals of Elemental entered into a Tier 1 Value Escrow Agreement with the TSX Venture Exchange and Computershare Trust Company of Canada, as escrow agent, in respect of 9,564,143 Elemental common shares and 2,760,109 PSUs for aggregate escrowed securities of 12,324,252. Under the terms of the Escrow Agreement, 25% of such escrowed securities were released upon closing (July 30, 2020) with subsequent 25% releases occurring 6, 12, and 18 months from closing. These escrow shares have been and will be released as follows:

Date of Automatic Timed Release	Amount of Escrow Shares Released
On the date that the Company's common shares were listed on the TSX-V, July 30, 2020	1/4 of the escrow shares
6 months after the listing date (January 30, 2021)	1/4 of the escrow shares
12 months after the listing date (July 30, 2021)	1/4 of the escrow shares
18 months after the listing date (January 30, 2022)	The remainder of the escrow shares

As at March 31, 2021, 4,782,072 common shares and 1,380,055 PSUs remained in escrow.

e) Basic and diluted loss per share

During the three months ended March 31, 2021, potentially dilutive common shares totaling 3,795,109 (2020: 2,395,109) were not included in the calculation of basic and diluted loss per share because their effect was anti-dilutive. Potentially dilutive common shares are from PSUs and stock options.

7. OPERATING EXPENSES BY NATURE

	March 31, 2021 \$	March 31, 2020 \$
Salary, fees and pension	247,370	99,726
Corporate administration	117,360	79,074
Listing and filing fees	43,393	-
Professional fees and consulting fees	115,817	85,871
Total operating expenses, including reverse takeover expenses	523,940	264,671
Less: reverse takeover expenses	-	(12,096)
Total operating expenses	523,940	252,575

ELEMENTAL ROYALTIES CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended March 31, 2021 and 2020

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8. RELATED PARTY TRANSACTIONS

Key management includes the executive and non-executive directors and certain officers of the Company. Key management compensation during the three months ended March 31, 2021 and 2020 is as follows:

	2021	2020
	\$	\$
Salary, fees, pension and professional fees	171,132	100,080
Share-based compensation – PSUs and stock options	187,047	58,108
	<u>358,179</u>	<u>158,188</u>

9. SUPPLEMENTAL CASH FLOW INFORMATION

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the three months ended March 31, 2021, the following transactions were excluded from the statement of cash flows:

- a) 13,065,100 common shares were issued at the fair value of \$15,000,000 to acquire the South32 Portfolio (Note 4); and,
- b) 653,255 common shares were issued at the fair value of \$769,870 to settle the Sprott finance cost (Note 5).

During the three months ended March 31, 2020, the following transactions were excluded from the statement of cash flows:

- a) 1,374,683 common shares were issued at the fair value of \$1,000,000 to acquire the Wahgnion Royalty (Note 5).

10. COMMITMENTS

In December 2017, the Company acquired the Mount Pleasant royalty. A deferred payment of AU\$400,000 is due at the point a decision is taken to mine a refractory portion of the resource and funds committed to its development. As of the reporting date, the deferred payment has not been recognized as it is not considered more likely than not that the condition triggering the payment obligation will occur.

On March 16, 2021, the Company entered into a client services contract where the Company was committed to incurring CAD\$800,000, of which CAD\$350,000 had already been paid as at March 31, 2021.