



ELEMENTAL ALTUS ROYALTIES CORP.
(FORMERLY ELEMENTAL ROYALTIES CORP.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2022 and 2021
(Unaudited - Expressed in US Dollars)

ELEMENTAL ALTUS ROYALTIES CORP. (FORMERLY ELEMENTAL ROYALTIES CORP.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in US Dollars)

	Notes	September 30, 2022 \$'000	December 31, 2021 \$'000
Assets			
Current assets			
Cash and cash equivalents		11,160	6,110
Accounts receivable and other	4	2,873	2,378
Held-for-sale assets	16,17	7,415	-
Total current assets		21,448	8,488
Non-current assets			
Stream and royalty interests	5	102,893	68,007
Exploration and evaluation assets	6	29,452	-
Equipment and right-of-use assets		185	-
Investments in associates	7	33,172	-
Investments	8	1,086	-
Total non-current assets		166,788	68,007
Total assets		188,236	76,495
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		4,619	1,442
Borrowings	9	48,844	-
Held-for-sale liabilities	16,17	1,854	-
Total current liabilities		55,317	1,442
Non-current liabilities			
Other		44	-
Deferred tax liability		9,863	153
Borrowings	9	-	24,430
Total non-current liabilities		9,907	24,583
Total liabilities		65,224	26,025
Equity			
Share capital	10	134,851	56,437
Contributed surplus		3,134	1,717
Accumulated other comprehensive (loss) income ("AOCI")		(553)	43
Deficit		(14,420)	(7,727)
Total equity		123,012	50,470
Total liabilities and equity		188,236	76,495

Nature of operations and going concern (Note 1)

Commitments (Note 15)

Subsequent events (Note 17)

Approved by the Board of Directors on November 28, 2022			
<i>"Frederick Bell"</i>	Director	<i>"Martin Turenne"</i>	Director
Frederick Bell		Martin Turenne	

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

ELEMENTAL ALTUS ROYALTIES CORP. (FORMERLY ELEMENTAL ROYALTIES CORP.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the three and nine months ended September 30, 2022 and 2021
(Unaudited - Expressed in US Dollars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Revenue from royalty interests	5	2,112	1,901	6,389	4,289
Streams	5	677	-	677	-
Total Revenue		2,789	1,901	7,066	4,289
Cost of sales, excluding depletion		(138)	-	(138)	-
Depletion of stream and royalty interests	5	(1,345)	(905)	(3,769)	(1,784)
Gross profit		1,306	996	3,159	2,505
General and administrative expenses	11	(652)	(555)	(1,825)	(1,575)
Project evaluation expenses	11	(42)	(48)	(233)	(282)
Share-based compensation expense	10(c), 12	(101)	(98)	(214)	(582)
Hostile takeover bid expenses	11	(758)	-	(1,684)	-
Transaction and integration expenses	3, 11	(1,623)	-	(2,364)	-
Share of profit of associate	7	136	-	136	-
(Loss) income from operations		(1,734)	295	(3,025)	66
Other income and expenses					
Interest and finance expenses, net	9	(1,268)	(769)	(2,800)	(2,240)
Foreign exchange gain (loss)		313	(83)	136	(72)
Fair value loss on investments	8	(149)	-	(149)	-
Loss before income taxes		(2,838)	(557)	(5,838)	(2,246)
Tax expense		(296)	(279)	(855)	(853)
Net loss for the period		(3,134)	(836)	(6,693)	(3,099)
Other comprehensive loss					
Items that may be reclassified subsequently to profit and loss:					
Foreign currency translation adjustment		(613)	(1)	(596)	(2)
Other comprehensive loss		(613)	(1)	(596)	(2)
Total comprehensive loss		(3,747)	(837)	(7,289)	(3,101)
Loss per share – basic and diluted		(0.03)	(0.01)	(0.08)	(0.05)
Weighted average number of shares outstanding – basic and diluted		113,110,719	68,991,221	86,984,971	65,585,629

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

ELEMENTAL ALTUS ROYALTIES CORP. (FORMERLY ELEMENTAL ROYALTIES CORP.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three and nine months ended September 30, 2022 and 2021
(Unaudited - Expressed in US Dollars)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Operating activities				
Net loss for the period	(3,134)	(836)	(6,693)	(3,099)
Adjustments for:				
Depletion of royalty and stream interests	1,345	905	3,769	1,784
Depreciation of property, plant and equipment	16	-	16	-
Unrealized foreign exchange	(70)	(88)	(114)	(5)
Share-based compensation expense	101	98	214	582
Fair value loss on investments	149	-	149	-
Share of profit of associate	(136)	-	(136)	-
Interest and finance expenses, net	1,268	769	2,800	2,240
Deferred tax liability	(51)	-	(132)	-
	(512)	848	(127)	1,502
Changes in non-cash working capital items:				
Accounts receivable and other	(297)	(751)	(21)	(706)
Accounts payable and accrued liabilities	(1,279)	(139)	(858)	(854)
Held for sale assets	(10)	-	(10)	-
Held for sale liabilities	(3)	-	(3)	-
Net cash used in operating activities	(2,101)	(42)	(1,019)	(58)
Investing activities				
Purchase of royalty interests	-	-	-	(40,136)
Purchase of stream interest	-	-	(11,377)	-
Exploration and evaluation expenditure	(225)	-	(225)	-
Cash received on acquisition of Altus (Note 3)	7,875	-	7,875	-
Distribution from associate	1,064	-	1,064	-
Other	104	3	110	13
Cash provided by (used in) investing activities	8,818	3	(2,553)	(40,123)
Financing activities				
Proceeds from issue of shares	-	-	11,196	12,667
Share issue costs	-	-	(122)	(741)
Interest paid	(700)	(639)	(1,978)	(1,917)
Proceeds from borrowings, net of fees paid in cash	-	-	-	24,833
Other	(14)	-	(14)	-
Net cash (used in) provided by financing activities	(714)	(639)	9,082	34,842
Exchange differences on cash and cash equivalents	(523)	87	(460)	3
Change in cash and cash equivalents	5,480	(591)	5,050	(5,336)
Cash and cash equivalents, beginning of the period	5,680	6,176	6,110	10,921
Cash and cash equivalents, end of the period	11,160	5,585	11,160	5,585

Supplemental cash flow information (Note 14)

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

ELEMENTAL ALTUS ROYALTIES CORP. (FORMERLY ELEMENTAL ROYALTIES CORP.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the nine months ended September 30, 2022 and 2021
(Unaudited - Expressed in US Dollars)

	Ordinary shares #	Share capital \$'000	Contributed Surplus \$'000	AOCI \$'000	Deficit \$'000	Total Equity \$'000
Balance as at December 31, 2020	44,524,734	28,792	1,079	40	(3,001)	26,910
Issued during the period:						
For cash	10,748,132	12,667	-	-	-	12,667
Less: finders' fees	-	(584)	-	-	-	(584)
Less: other cash issuance costs	-	(208)	-	-	-	(208)
Pursuant to royalty acquisition	13,065,100	15,000	-	-	-	15,000
Pursuant to loan as a finance cost	653,255	770	-	-	-	770
Share-based compensation expense	-	-	582	-	-	582
Loss and comprehensive loss for the period	-	-	-	(2)	(3,099)	(3,101)
Balance as at September 30, 2021	68,991,221	56,437	1,661	38	(6,100)	52,036
Share-based compensation expense	-	-	56	-	-	56
Loss and comprehensive loss for the period	-	-	-	5	(1,627)	(1,622)
Balance as at December 31, 2021	68,991,221	56,437	1,717	43	(7,727)	50,470
Issued during the period:						
Pursuant to acquisition of Altus Strategies plc	69,688,995	67,340	-	-	-	67,340
For cash	9,275,000	11,196	-	-	-	11,196
Less: other cash issuance costs	-	(122)	-	-	-	(122)
Options and warrants issued on acquisition of Altus Strategies plc	-	-	1,203	-	-	1,203
Share-based compensation expense	-	-	214	-	-	214
Loss and comprehensive loss for the period	-	-	-	(596)	(6,693)	(7,289)
Balance as at September 30, 2022	147,955,216	134,851	3,134	(553)	(14,420)	123,012

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

ELEMENTAL ALTUS ROYALTIES CORP. (FORMERLY ELEMENTAL ROYALTIES CORP.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

(Unaudited - Expressed in US Dollars, except where otherwise noted)

1. NATURE OF OPERATIONS AND GOING CONCERN

Elemental Altus Royalties Corp. (the "Company", "Elemental" or "EARC") 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 and streams. The head office and principal address is 1020 – 800 West Pender 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 "ELEM".

On June 14, 2022, the Company reached an agreement with Altus Strategies plc ("Altus") on the terms and conditions of a recommended share-for-share merger of equals of Elemental and Altus with the entire issued and to be issued share capital of Altus being acquired by Elemental (the "Merger") (Note 3). The Merger was completed on August 16, 2022. The Merger was implemented by way of a court-sanctioned scheme of arrangement (the "Scheme") under Part 26 of the Companies Act 2006. Under the terms of the Merger, each Altus Shareholder received 0.5940 New Elemental Shares for each Altus Share. This exchange ratio (the "Exchange Ratio") was agreed between the boards of Elemental and Altus taking into account the relative market capitalizations of each company. Upon completion of the Merger, Elemental Shareholders own approximately 52.9% and Altus Shareholders own approximately 47.1% of the total issued share capital of the New Elemental Altus Group. On September 26, 2022, Elemental Royalties Corp. changed its name to Elemental Altus Royalties Corp.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least twelve months from September 30, 2022.

During the nine months ended September 30, 2022, the Company incurred a loss of \$6.69 million and had operating cash outflows of \$1.02 million. At September 30, 2022, the Company had a working capital deficiency of \$33.9 million, including the \$25 million Amended Sprott Credit Facility (Note 9) which matures on January 31, 2023 and the acquisition loan facility provided by LMH Explorers S.à r.l. which had a balance of \$24.0 million at September 30, 2022 and which matures on December 31, 2022.

Management is actively working on plans to refinance the debt and, where circumstances allow, to reduce the overall level of debt held by the Company. As at the date of these consolidated financial statements no transaction had been concluded.

While negotiations to refinance the debt are underway, a temporary waiver has been issued by Sprott with regard to the covenant in the Amended Sprott Credit Facility requiring a positive working capital balance. This waiver expires on December 7, 2022.

Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to refinance the loan or that such refinancing will be on terms advantageous to the Company. These conditions give rise to material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and settle its liabilities in the normal course of business.

These condensed interim consolidated 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.

ELEMENTAL ALTUS ROYALTIES CORP. (FORMERLY ELEMENTAL ROYALTIES CORP.)**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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(Unaudited - Expressed in US Dollars, except where otherwise noted)

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, 2021.

The financial statements are presented in US Dollars. The notation “\$” represents US dollars, “CAD\$” represents Canadian dollars, “GBP” or “£” represents Great British Pound and AU\$ represents Australian dollars.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2021, except as noted below.

The financial statements were approved by the Board of Directors and authorized for issue on November 28, 2022.

(B) Basis of consolidation

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

Name	Country of Incorporation	Functional Currency	% Equity Interest as at September 30, 2022	December 31, 2021
Elemental Royalties Limited	BVI	US dollars	100	100
Elemental One Limited	BVI	US dollars	100	100
Elemental Royalties (Australia) Pty Ltd.	Australia	US dollars	100	100
Elemental Resources Limited	England & Wales	Pound Sterling	100	100
Altus Strategies Plc	England & Wales	US dollars	100	-
Altus Exploration Management Limited	England & Wales	Pound Sterling	100	-
Aterian Resources Limited	England & Wales	Pound Sterling	100	-
Akh Gold Limited	England & Wales	Pound Sterling	100	-
LGC Exploration Mali SARL	Mali	West African Franc	100	-
Alpha 2 SPV Ltd	UAE	US dollars	50	-
Alcrest Royalties Australia (Pty) Ltd	Australia	Australian dollars	50	-
Minera Tercero SpA	Chile	US dollars	50	-

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 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:

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- 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
- The ability to use its power over the investee to affect its future

Generally, there is a presumption that a majority of the voting rights results in control. To support this presumption and when the Company has less than a majority of the voting rights or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has the power over an investee, including:

- The contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent company of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Joint arrangements are where the Company has joint control and they are classified as either a joint operation or a joint venture.

Entities are recognized as joint operations if:

- Their legal form gives parties rights to the assets and obligations for the liabilities relating to the joint arrangement
- The contractual terms of the joint arrangement specify that parties have rights to the assets and obligations for the liabilities relating to the arrangement
- The arrangement has been designed by the parties so that its activities provide the parties with an output which represents rights to substantially all of the economic benefits of the assets held in the separate vehicle

Joint operations are accounted for on a proportional assets and liabilities basis.

Joint ventures and investments in associates are accounted for using the equity method.

All intra-group assets and liabilities, equity income, expense and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

(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, 2021, except as noted below.

- *Classification of stream arrangements: initial recognition and measurement*

There is judgement to whether stream interests acquired should be accounted for as a financial asset, intangible asset or tangible asset. The determination of the accounting treatment requires consideration of factors such as the terms

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of the agreement, the applicability of the own use exemption under IFRS 9; whether there is a contractual commitment to repay amounts under the Stream; and the expected timing and amount of future deliveries of gold, under the Stream with reference to the existing mine plan.

- *Impairment review of stream interests*

Stream interests are assessed for indicators of impairment at each reporting date with the assessment considering variables such as the production profiles, production commissioning dates where applicable, forecast commodity prices and guidance from the mine operators such as reserve and resource estimates or other relevant information which would indicate reduced or ceased production from stream interests.

- *Investments in associates*

There is judgement as to whether the SLM California (Note 7) investment should be treated as a joint operation or as a joint venture. As the SLM California shareholders agreement refers to distribution of net profits and not an allocation of revenues and expenses, the SLM California investment has been accounted for as a joint venture, using the equity method of accounting.

- *Fair value of net assets acquired from Altus*

The net assets acquired from Altus (Note 3) must be recorded at fair value. The determination of the fair values of assets and liabilities requires significant estimates.

(D) New accounting policies adopted

Business combinations

On the acquisition of a business, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the identifiable assets and liabilities on the basis of fair value at the date of acquisition. Provisional fair values allocated at a reporting date are finalized as soon as the relevant information is available within a period not to exceed twelve months from the acquisition date with retrospective restatement of the impact of adjustments to those provisional fair values effective as at the acquisition date. Incremental costs related to acquisitions are expensed as incurred.

When the cost of the acquisition exceeds the fair values of the identifiable net assets acquired, the difference is recorded as goodwill. If the fair value attributable to the Company's share of the identifiable net assets exceeds the cost of acquisition, the difference is recognized as a gain in the Consolidated Statements of Loss.

Non-controlling interests represent the fair value of net assets in subsidiaries, as at the date of acquisition, which are not held by the Company and are presented in the equity section of the Consolidated Statements of Financial Position.

Investment in associate

An associate is an entity over which the Company has significant influence and is neither a subsidiary nor a joint operation. 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. A joint venture is an entity over which the Company has joint control through a joint arrangement that requires the unanimous consent of the parties sharing control, and whereby the joint arrangement does not confer a right to the assets or an obligation for the liabilities of the entity.

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

Exploration and evaluation expenditures

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Exploration and evaluation expenditures are capitalized. The Company capitalizes costs to specific blocks of claims or areas of geological interest. Government tax credits are recorded as a reduction to the cumulative costs incurred and capitalized on the related property on an accrual basis.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to mine development assets according to the nature of the asset.

Stream arrangement

Stream interests are initially measured at cost, including any directly attributable transaction costs. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any. Project evaluation costs that are not related to a specific stream interest are expensed in the period incurred.

Stream interests are depleted using the units-of-production ("UoP") method, based on units sold, over the anticipated life of the mine to which the interest relates, which is estimated using available information on proven and probable reserves and the portion of resources expected to be classified as mineral reserves at the mine corresponding to the specific agreement, where management is confident that further resources will be converted into reserves and are approaching economic decisions affecting the mine on this basis.

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In situations when the expectations change, and management determines that an alternative basis may be more appropriate, such change is treated as a change in accounting estimate under IAS 8. The effect of the change is recognized prospectively from the period in which the change has been made.

When acquiring a new stream interest, an allocation of its cost is attributed to the exploration potential of the interest and is recorded as a non-depletable asset on the acquisition date. The value of the exploration potential is accounted for in accordance with IFRS 6, Exploration and Evaluation of Mineral Resources and is not depleted until such time as the technical feasibility and commercial viability have been established at which point the value of the asset is accounted for in accordance with IAS 16, Property, Plant and Equipment.

Inventory

Pertaining to stream agreements, when refined gold is delivered to the Company, it is recorded as inventory. The amount recognized in inventory includes both the cash payment and the related depletion associated with the related stream interest, once it is sold to its third-party customers.

Revenue

Revenue is comprised of revenue earned from royalty and stream interests. Revenue is measured at the fair value of the consideration received or receivable when management can reliably estimate the amount, pursuant to the terms of the royalty or stream agreement. In some instances, the Company will not have access to sufficient information to make a reasonable estimate of consideration to which it expects to be entitled and, accordingly, revenue recognition is deferred until management can make a reasonable estimate. Differences between estimates and actual amounts are adjusted and recorded in the period that the actual amounts are known.

Royalty revenue

The Company recognizes revenue upon the transfer of control of the relevant commodity from the operator to the end customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those commodities.

Stream revenue

The Company recognizes revenue upon the transfer of the relevant commodity received from the stream operator by the Company to its third-party customers.

3. ACQUISITION OF ALTUS STRATEGIES PLC

On June 14, 2022, the Company reached an agreement with Altus Strategies plc on the terms and conditions of a recommended share-for-share merger of equals of the Company and Altus with the entire issued and to be issued share capital of Altus being acquired by the Company. Altus is a company that is primarily involved in the acquisition of precious metal royalties and project generation discovery.

The Merger was completed by way of a court-sanctioned scheme of arrangement (the "Scheme") under the laws of the United Kingdom and was subject to approval by shareholders of Altus. The transaction was approved by Altus shareholders at two special shareholder meetings held on August 8, 2022 and the issuance of Elemental common shares under the terms of the Merger was approved by Elemental shareholders at Elemental's annual general and special meeting held on August 8, 2022. On August 12, 2022, the United Kingdom High Court of Justice approved the Scheme under section 899 of the Companies Act 2006 pursuant to which the Merger is being implemented.

On August 16, 2022, the Company completed the Merger with Altus and the Company changed its name to Elemental Altus Royalties Corp. Under the Merger terms, the Company acquired all issued and outstanding shares of Altus, which each Altus share exchanged for 0.594 Elemental shares. The Company issued 69,688,995 common shares to Altus shareholders at the fair value of \$67.34 million as determined by the trading price of the Company on the TSX-V. In

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addition, the Company granted 5,405,400 replacement options and 3,291,585 replacement warrants. The fair value of the replacement options and replacement warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: stock price – CAD\$1.24; exercise price – CAD\$2.10; risk-free interest rate – 3.19%; expected life 2.52 years; expected volatility - 51% and expected dividends - \$nil.

Upon completion of the Merger, Elemental Royalties Corp. shareholders owned 52.9% and Altus shareholders owned 47.1% of the total issued and outstanding shares of Elemental Altus Royalties Corp.

In accordance with IFRS, Elemental Royalties Corp. was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying values. Altus's results of operations have been included from August 16, 2022.

The Merger is considered to be a business combination under IFRS 3. The table below presents the estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition. The allocation is preliminary and the fair values are subject to change based on relevant information existing at the date of acquisition. Held-for-sale assets, royalty interests, exploration and evaluation assets, investments in associates and deferred income tax liabilities are all subject to change. Any adjustments made will be recognized retrospectively and comparative information will be revised. The purchase price allocation must be finalized within twelve months following the acquisition date.

	\$'000
Cash	7,875
Held-for-sale assets	7,404
Accounts receivable and other	474
Royalty interests	27,278
Exploration and evaluation assets	29,245
Equipment and right-of-use assets	306
Investments in associates	34,100
Investments	1,235
Assets acquired	107,917
Accounts payable and accrued liabilities	(3,653)
Loan	(24,022)
Held-for-sale liabilities	(1,857)
Deferred income tax liabilities	(9,842)
Liabilities acquired	(39,374)
Net assets as at August 16, 2022	68,543
Consideration paid	
Fair value of 69,688,995 common shares issued	67,340
Fair value of options fully vested	1,183
Fair value of warrants	20
Total consideration paid	68,543

ELEMENTAL ALTUS ROYALTIES CORP. (FORMERLY ELEMENTAL ROYALTIES CORP.)**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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Accounts and other receivables were fair valued at \$474K which the Company considered to be equal to the gross contractual amounts receivable. At the Merger date, there was no expectation that any of the contractual cashflows would not be collected. Receivables comprised \$345K of receivable royalty income, \$46K of trade and related party receivables, \$52K of recoverable taxes and \$31K of other receivables.

In accordance with the acquisition method of accounting, the consideration has been allocated on a preliminary basis to the underlying assets acquired and liabilities assumed, based upon their estimated fair values as at the date of acquisition.

The preliminary fair values of the held-for-sale assets have been estimated using the actual disposition value of the Company's subsidiary to Aterian Resources Ltd. (Notes 16 and 17). The transaction had been contemplated since prior to the Merger, and was completed subsequent to September 30, 2022.

The preliminary fair values of the royalty interests have been estimated by both comparable transactions over the same or similar size royalties and discount cash flow modelling. For the discounted cash flow analysis, the Company calculated a real Weighted Average Cost of Capital, used consensus commodity pricing as of the date of the Merger, and production assumptions sourced from operator information and other information available in the public domain which was reviewed by the Company's technical advisors. The Company also considered previous sales prices for the royalties.

The preliminary fair values of the exploration and evaluation assets have been estimated by either price to net asset value multiples, price to contained resource multiples, or historical expenditure as appropriate. The Company also considered the likely market valuation for these assets.

The preliminary fair values of the investments in associates have been estimated similar to royalty interests, using discounted cash flow modelling.

The preliminary fair values of the investments have been estimated using the actual value of the investment as of August 16, 2022. The investments are all in shares traded on recognised global exchanges.

The preliminary fair values of the deferred tax liability has been estimated by evaluating the tax basis of assets and liabilities, as well as considering other tax attributes, and determining if there are any taxable temporary differences between the tax basis and the book value.

Transaction and integration costs incurred in relation to the Merger of \$2,364K were expensed during the nine months ended September 30, 2022.

From the date of the Merger to September 30, 2022, the Company results include Altus revenue of \$214K and net loss of \$319K was included in the consolidated statement of comprehensive loss. If the transaction had occurred at the beginning of the fiscal year, the Company would have included Altus revenue of \$1,022K and net loss of \$5,090K.

4. ACCOUNTS RECEIVABLE AND OTHER

	September 30, 2022 \$'000	December 31, 2021 \$'000
Accrued royalty income	2,391	2,043
Other receivables	281	83
Prepaid expenses and other assets	201	252
Total accounts receivable	2,873	2,378

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5. STREAM AND ROYALTY INTERESTS

As of and for the nine months ended September 30, 2022

	COST			ACCUMULATED DEPLETION			Carrying Amount \$'000
	Opening \$'000	Additions \$'000	Ending \$'000	Opening \$'000	Depletion \$'000	Ending \$'000	
Kwale <i>Kenya</i>	943	-	943	776	34	810	133
Panton Sill <i>Australia</i>	94	-	94	-	-	-	94
Mount Pleasant <i>Australia</i>	476	-	476	19	153	172	304
Amancaya <i>Chile</i>	3,614	-	3,614	2,086	444	2,530	1,084
Mercedes <i>Mexico</i>	999	-	999	-	34	34	965
Wahgnion <i>Burkina Faso</i>	12,512	-	12,512	1,858	703	2,561	9,951
Karlawinda <i>Australia</i>	37,166	-	37,166	1,138	2,115	3,253	33,913
Laverton <i>Australia</i>	16,071	-	16,071	-	-	-	16,071
Western Queen <i>Australia</i>	2,009	-	2,009	-	-	-	2,009
Bonikro <i>Côte d'Ivoire</i>	-	9,835	9,835	-	15	15	9,820
Ballarat <i>Australia</i>	-	5,625	5,625	-	108	108	5,517
SKO <i>Australia</i>	-	1,243	1,243	-	12	12	1,231
AER <i>Australia</i>	-	10,575	10,575	-	-	-	10,575
Ming Stream <i>Canada</i>	-	11,377	11,377	-	151	151	11,226
Total	73,884	38,655	112,539	5,877	3,769	9,646	102,893

ELEMENTAL ALTUS ROYALTIES CORP. (FORMERLY ELEMENTAL ROYALTIES CORP.)

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As of and for the year ended December 31, 2021

	COST			ACCUMULATED DEPLETION			Carrying Amount \$'000
	Opening \$'000	Additions \$'000	Ending \$'000	Opening \$'000	Depletion \$'000	Ending \$'000	
Kwale							
<i>Kenya</i>	943	-	943	613	163	776	167
Panton Sill							
<i>Australia</i>	94	-	94	-	-	-	94
Mount Pleasant							
<i>Australia</i>	476	-	476	9	10	19	457
Amancaya							
<i>Chile</i>	3,614	-	3,614	1,574	512	2,086	1,528
Mercedes							
<i>Mexico</i>	999	-	999	-	-	-	999
Wahgnion							
<i>Burkina Faso</i>	12,512	-	12,512	797	1,061	1,858	10,654
Karlawinda							
<i>Australia</i>	-	37,166	37,166	-	1,138	1,138	36,028
Laverton							
<i>Australia</i>	-	16,071	16,071	-	-	-	16,071
Western Queen							
<i>Australia</i>	-	2,009	2,009	-	-	-	2,009
Total	18,638	55,246	73,884	2,993	2,884	5,877	68,007

The following table summarizes the Company's total revenue during the three and nine months ended September 30, 2022 and 2021:

	Three months ended September 30,		Nine months ended September 30,	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Revenue from royalties				
Kwale	44	157	250	467
Mount Pleasant	51	1	257	2
Amancaya	224	373	722	1,007
Mercedes	137	-	137	-
Wahgnion	494	586	1,500	2,029
Karlawinda	948	784	3,309	784
Bonikro	32	-	32	-
Ballarat	147	-	147	-
SKO	35	-	35	-
	2,112	1,901	6,389	4,289
Revenue from streams				
Ming	677	-	677	-
Total revenue	2,789	1,901	7,066	4,289

ELEMENTAL ALTUS ROYALTIES CORP. (FORMERLY ELEMENTAL ROYALTIES CORP.)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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Ming Gold Stream

On March 17, 2022, the Company entered into a gold purchase and sale agreement (the “Ming Gold Stream”) with Rambler Metals and Mining Canada Limited, a wholly owned subsidiary of Rambler Metals and Mining PLC (AIM: RMM) (“Rambler”), the owner of the Ming Copper-Gold Mine in Newfoundland and Labrador in Canada.

Under the terms of the Ming Gold Stream, in exchange for consideration of \$11 million, the Company will receive 50% of the payable gold production until Rambler has delivered 10,000 ounces of gold to the Company, after which the Company will receive 35% of the payable gold production until Rambler has delivered a further 5,000 ounces to the Company. After Rambler has delivered a total of 15,000 ounces of gold, the Company will receive 25% of the payable gold production for the life of the mine.

The Company will make ongoing payments equal to 20% of the market price of gold with minimum gold recoveries set at 85%. Rambler must make minimum gold deliveries of 1,200 ounces to the Company in each of the first three years of the Ming Gold Stream.

The transaction completed on April 4, 2022. In connection with the acquisition of the stream, the Company incurred costs of \$0.38 million for legal fees, due diligence and other fees. Of the \$11.38 million purchase price, \$nil was allocated to exploration potential.

During the quarter ended September 30, 2022, the Company received its first gold delivery of 408 gold ounces under the gold purchase and sale agreement with Rambler. The gold was sold in September 2022 and revenue of \$677K was recognized.

Altus Strategies portfolio

On August 16, 2022, the Company completed a share-for-share merger with Altus Strategies plc. The portfolio of Altus included the following key royalty assets: Bonikro, Ballarat, South Kalgoorlie Operations (“SKO”) and Australian Exploration Royalties (“AER”).

Bonikro

Elemental acquired an NSR royalty of up to 2.25% on the Bonikro gold project through the merger in August 2022 with Altus Strategies. The rate of the royalty is dependent on the gold price and is capped at 280,000 oz. Bonikro is an open-pit gold mine located in Côte d’Ivoire, 230km north-west of Abidjan, and is operated by Allied Gold Corp. with Capital Drilling acting as the mining contractor. Bonikro is held through Alpha 2 SPV Ltd (50% interest) and is accounted for as a joint operation using the proportionate consolidation method.

Ballarat

Elemental acquired a 1.25% NSR royalty interest on the Ballarat gold project through the merger with Altus Strategies. Ballarat is an underground gold project located in Central Victoria, Australia, and is operated by Golden Point Group Pty Ltd, a wholly owned subsidiary of Singapore-listed public company, Shen Yao Holdings. Ballarat is held through Alcrest Royalties Australia (Pty) Ltd (50% interest) and is accounted for as a joint operation using the proportionate consolidation method.

SKO

Elemental acquired a A\$5/oz Au royalty on the SKO gold project through the merger with Altus Strategies. SKO is an underground gold project located in Kalgoorlie, Western Australia, and is operated by Northern Star Resources Limited (ASX: NST). The project, which has a long history of stable production, is part of the wider operations of Northern Star around Kalgoorlie.

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AER

AER comprises royalties on 21 development and exploration stage projects in Australia. These include several which cover large land positions in well-known mining districts and which are owned by established operators, such as BHP, Northern Star Resources, Gold Fields, Sandfire Resources, Evolution Mining and Silver Lake Resources. The portfolio is primarily on gold assets with by-products including copper, silver and zinc.

6. EXPLORATION AND EVALUATION ASSETS

As of and for the nine months ended September 30, 2022

	Opening \$'000	Acquired from Altus (Note 3) \$'000	Additions \$'000	Translation adjustment \$'000	Ending \$'000
Diba-Lakanfla & Tabakorole					
<i>Mali</i>	-	26,163	11	(10)	26,164
Eastern Desert Projects					
<i>Egypt</i>	-	1,571	191	(6)	1,756
Laboum					
<i>Cameroon</i>	-	724	7	(1)	730
Bikoula					
<i>Cameroon</i>	-	351	5	(1)	355
Daro & Zager					
<i>Ethiopia</i>	-	436	11	-	447
Total	-	29,245	225	(18)	29,452

Diba-Lakanfla

The Diba & Lakanfla gold project is located in western Mali and comprises the Korali Sud (Diba) licence and the Lakanfla licence, which are situated 5km apart on the Senegal-Malian shear corridor within the world renowned 'Kenieba window'. The nearby Sadiola gold mine, 13km from Diba and 6.5km from Lakanfla, is operated by Allied Gold Corp. and the Malian government. Mining and mineralisation hosted on these properties is not necessarily indicative of a resource at Diba & Lakanfla.

Eastern Desert Projects

Elemental acquired the projects through its merger with Altus Strategies. The Eastern Desert Projects comprise six gold exploration projects, four of which were awarded to Altus in 2021 – Wadi Jundi, Gabal Al-Shaluhl, Gabal Om Ourada and Wadi Dubur, and two which were awarded in 2022, currently referred to as Dc75 and Dg75. The projects are accessible from the coastal cities of Marsa Alam and Quseer.

Laboum

The Laboum gold project is located in Cameroon, 600km northeast of Yaoundé. The licence hosts a major regional shear zone, which is up to 5km wide and comprises highly prospective Birimian metavolcanic and metasedimentary rocks.

Bikoula

The Bikoula iron ore project comprises the Bikoula and Ndjele licences and is located in Cameroon, 150km south of Yaoundé. The project is situated on the westerly geological strike of Nkout iron ore deposit and hosts a high-grade friable supergene resource covered with a free digging colluvial iron ore blanket.

ELEMENTAL ALTUS ROYALTIES CORP. (FORMERLY ELEMENTAL ROYALTIES CORP.)**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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Daro & Zager

The Daro and Zager projects are situated 75km apart in the Tigray State of northern Ethiopia.

7. INVESTMENT IN ASSOCIATES

The Company holds one investment in associate, which was acquired by the Company through its merger with Altus Strategies, as shown in the table below.

	SLM California \$'000	Legend Gold Mali \$'000	Total \$'000
Opening balance at January 1, 2022	-	-	-
Merger with Altus (Note 3)	33,983	117	34,100
Share of profit	136	-	136
Distribution received	(1,064)	-	(1,064)
Closing balance at September 30, 2022	33,055	117	33,172

Included in share of profit from the date of the Merger are revenues (US\$0.66 million) less tax expense (US\$0.18 million) and depletion (US\$0.34 million).

SLM California

The Company holds a 0.418% net smelter return royalty interest on the Caserones copper mine in northern Chile. The royalty is owned through the Company's 50% interest in Minera Tercero SpA which owns 43% of Sociedad Legal Minera California Una de la Sierra Peña Negra ("SLM California"). The Company's interest in the Caserones copper mine net smelter return royalty interest is therefore 21.5%. Minera Tercero SpA is accounted for as a joint operation using the proportionate consolidation method. As the Company has joint control over SLM California, it is a joint arrangement. SLM California is accounted for as a joint venture using the equity method. The Company's share of profit is shown in the Statement of Comprehensive Loss. Distributions received from the associate reduce the carrying amount of the investment.

During the quarter, the Company received a distribution from SLM California in respect of the royalty on production at the Caserones mine during Q2 2022 of 946 million Chilean pesos (\$1,064K). The distribution was calculated after provisions by SLM California for expenses and Chilean income tax.

Legend Gold Mali

Legend Gold Mali SARL is a 30%-owned associate of the Company which holds the Tabakorole gold project and two contiguous licences with a total area of 292km² in southern Mali. As the Company has significant influence but not control or joint control over Legend Gold Mali SARL, it is an investment in associate accounted for using the equity method. The company is the subject of an agreement between the Company and Marvel Gold that was renewed in January 2022. Marvel Gold retains the right to increase its holding to 80% by sole funding a definitive feasibility study on the Tabakorole project.

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8. INVESTMENTS

Investments carried at fair value through profit or loss comprise listed equity shares (Level 1). The fair value of these equity shares is determined by reference to published price quotations in an active market.

	September 30, 2022 \$'000	December 31, 2021 \$'000
Opening balance	-	-
Merger with Altus (Note 3)	1,235	-
Revaluation losses	(149)	-
Closing balance	1,086	-

9. BORROWINGS

	September 30, 2022 \$'000	December 31, 2021 \$'000
Sprott		
Opening balance	24,430	-
Additions from credit facility	-	25,000
Transaction costs	-	(1,039)
Amortization of transaction costs and arrangement fees	392	469
Closing balance	24,822	24,430
La Mancha		
Opening balance	-	-
Merger with Altus (Note 3)	24,022	-
Closing balance	24,022	-
Closing balance - total	48,844	24,430

Sprott Credit Facility

The Company entered into an Amended and Restated Credit Agreement with Sprott Private Resource Lending ("Sprott"), an arm's length party, pursuant to which the Company would be provided with a \$25 million senior secured credit facility (the "Amended Sprott Credit Facility"). On February 9, 2021, the Company received \$25 million 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 million, which it has done. A temporary waiver has been issued by Sprott with regard to the covenant in the Amended Sprott Credit Facility requiring a positive working capital balance. This waiver expires on November 30, 2022.

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 ALTUS ROYALTIES CORP. (FORMERLY ELEMENTAL ROYALTIES CORP.)

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During the nine months ended September 30, 2022, the Company recorded interest expense of \$2.0 million (2021 - \$1.9 million) and amortization of transaction costs of \$0.4 million (2021 - \$0.3 million) on the Amended Sprott Credit Facility. The estimated fair value of the Sprott credit facility at September 30, 2022 is \$25.3 million based on Level 3 fair value hierarchy.

La Mancha Loan

As part of the Altus Merger (Note 3), the Company acquired a loan facility provided by its shareholder LMH Explorers S.à r.l. Funds, a subsidiary of La Mancha (the “La Mancha Loan”).

The La Mancha Loan bears annualized interest at a rate of 10% plus three-month USD LIBOR and is repayable on December 31, 2022. The La Mancha Loan is senior secured against the shares of Altus Royalties Limited, the material asset of which is the Company’s 50% shareholding in Minera Tercero SpA which holds SLM California (Note 7). The La Mancha Loan incorporates an automatic prepayment provision which applies to future cash proceeds from equity capital raised by the Company. Interest will be payable on a quarterly basis.

During the period since the Merger to September 30, 2022, the Company recorded interest expense of \$443K. As at September 30, 2022, accounts payable and accrued liabilities included interest payable of \$2,941K (date of Merger – \$2,498K).

10. 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 nine months ended September 30, 2022 are as follows:

- 1) On March 31, 2022, the Company completed a private placement of 9,275,000 common shares at CAD\$1.51 (\$1.21) per common share for gross proceeds of CAD\$14.0 million (\$11.2 million). In connection with the private placement, the Company incurred additional legal fees and other cash issuance costs of CAD\$0.16 million (\$0.12 million).
- 2) On August 16, 2022, the Company issued 69,688,995 common shares to Altus shareholders, fair valued at \$67.3 million as determined by the trading price of the Company on the TSX-V (Note 3).

Details of equity transactions during the nine months ended September 30, 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\$16.1 million (\$12.7 million). In connection with the private placement, the Company paid CAD\$0.7 million (\$0.6 million) of cash finders’ fees and incurred additional legal fees and other cash issuance costs of CAD\$0.2 million (\$0.2 million).
- 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 9).

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c) Stock options, performance share units and warrants

The Company has an incentive compensation plan for stock options, performance share units (“PSUs”) 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. All stock options and PSUs become fully vested if a change of control of the Company occurs. 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.

Stock options

Changes in share purchase options during the nine months ended September 30, 2022 are as follows:

	Number of stock options	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, December 31, 2021	900,000	CAD\$1.50	3.58
Replacement Altus options granted	5,405,400	CAD\$1.84	3.51
Outstanding, September 30, 2022	6,305,400	CAD\$1.79	3.41
Outstanding and exercisable, September 30, 2022	4,605,075	CAD\$1.81	3.08

During the nine months ended September 30, 2022, the Company recorded \$59K (2021 - \$29K) of share-based compensation to the statement of comprehensive loss based on the vesting of stock options. The share purchase options vest over time with the final vesting date being in August 2023.

At September 30, 2022, the following share purchase options were outstanding entitling the holder thereof the right to purchase one common share for each option held:

Number	Exercise Price CAD\$	Expiry Date
900,000	1.50	July 28, 2025
3,029,400	1.91	August 28, 2025
59,400	1.91	November 23, 2025
44,550	1.91	April 1, 2026
237,600	1.91	August 20, 2026
1,856,250	1.70	February 9, 2027
178,200	1.91	February 9, 2027
<u>6,305,400</u>		

ELEMENTAL ALTUS ROYALTIES CORP. (FORMERLY ELEMENTAL ROYALTIES CORP.)**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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Performance share units

The Company has certain performance share units outstanding which were issued to directors and officers. Changes in PSUs during the nine months ended September 30, 2022 are as follows:

	Number of PSUs
Outstanding, December 31, 2021	2,895,109
Outstanding, September 30, 2022	2,895,109
Outstanding and exercisable, September 30, 2022	2,555,109

During the nine months ended September 30, 2022, the Company recorded \$21K (2021 - \$29K) of share-based compensation to the statement of comprehensive loss based on the vesting of PSUs.

Warrants

Changes in share purchase warrants during the nine months ended September 30, 2022 are as follows:

	Number of stock options	Weighted Average Exercise Price CAD\$	Weighted Average Life (Years)
Outstanding, December 31, 2021	-	-	-
Replacement Altus warrants issued	3,291,585	2.53	
Outstanding, September 30, 2022	3,291,585	2.53	0.55

37,461 warrants with an exercise price of CAD\$2.94 per share expire on March 24, 2023 and 3,254,124 warrants with an exercise price of CAD\$2.53 per share expire on April 18, 2023.

d) Escrowed Shares

On completion of reverse takeover and listing on the TSX Venture Exchange on July 30, 2020, 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.

As at September 30, 2022, the full 9,564,143 common shares and 2,760,109 PSUs had been released.

e) Basic and diluted loss per share

During the nine months ended September 30, 2022, potentially dilutive common shares totaling 12,492,094 (2021: 3,795,109) 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.

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11. OPERATING EXPENSES BY NATURE

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Salary, fees and pension	307	244	1,124	762
Corporate administration	126	60	238	193
Listing and filing fees	15	18	83	118
Marketing and promotion	115	185	379	459
Professional fees and consulting fees	2,512	96	4,282	325
Total operating expenses, including merger expenses and hostile takeover bid expenses	3,075	603	6,106	1,857
Less: hostile takeover bid expenses	(758)	-	(1,684)	-
Less: transaction and integration expenses (Note 3)	(1,623)	-	(2,364)	-
Total operating expenses, excluding merger and hostile takeover bid expenses	694	603	2,058	1,857

12. RELATED PARTY TRANSACTIONS

Key management includes the executive and non-executive directors and certain officers of the Company. Key management compensation during the three and nine months ended September 30, 2022 and 2021 is as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Salary, fees, pension and professional fees	343	183	1,046	573
Share-based compensation – PSUs and stock options	65	70	148	444
	408	253	1,194	1,017

13. SEGMENTED INFORMATION

The group holds royalty assets and exploration and evaluation assets in jurisdictions around the world from which it derives its revenue. It also has operations in jurisdictions where exploration and evaluation assets are held. The administrative functions of the Company, including cash management, are undertaken in Canada and the UK. The revenue and total assets of the Company has been segmented according to geographical area as follows:

	North America	South America	Australia	Africa	Europe	Total
	2022	2022	2022	2022	2022	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total revenue	814	722	5,248	282	-	7,066
Total assets	15,973	34,323	72,173	58,509	7,258	188,236

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14. 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 nine months ended September 30, 2022, the following transactions were excluded from the statement of cash flows

- a) 69,688,995 common shares at the fair value of \$67.3 million and \$1.2 million of options and warrants were issued to acquire Altus (Note 3).

During the nine months ended September 30, 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 million to acquire the South32 Portfolio; and,
- b) 653,255 common shares were issued at the fair value of \$0.8 million to settle the Sprott finance cost.

15. COMMITMENTS

In December 2017, the Company acquired the Mount Pleasant royalty. A deferred payment of AU\$0.4 million 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.

16. HELD-FOR-SALE ASSETS AND LIABILITIES

Held-for-sale assets and liabilities are accounted for under IFRS 5 Non-current Assets Held For Sale and Discontinued Operations. Items are classified as being held-for-sale once they meet criteria relating to the intention to sell and the likelihood of a sale taking place.

Held-for-sale assets and liabilities are represented by two items brought into the Company by the merger with Altus (Note 3), namely a portfolio of fifteen royalty generation assets in Morocco (the "Moroccan Portfolio") and the Birsok royalty asset in Cameroon. In segmented information (Note 13), both of these items are included in the total assets segment "Africa".

The Moroccan Portfolio was held by Aterian Resources Ltd, ("Aterian Resources"), a subsidiary of Altus. Aterian Resources was the subject of an agreement between Altus and Eastinco Mining and Exploration plc ("Eastinco") dated November 21, 2021 under which Eastinco agreed to acquire a 100% interest in the Aterian Resources. Details are included in Note 17. The transaction closed on October 25, 2022.

The Birsok royalty was held by Aucam SA, a subsidiary of Altus. Aucam SA was the subject of an agreement between Altus and Canyon Resources Ltd ("Canyon") dated February 6, 2019 under which Canyon agreed to acquire a 100% interest in Aucam, giving as consideration 5 million shares in Canyon and a \$1.50 per tonne royalty on the Birsok project. The agreement was subject to the satisfaction of certain conditions precedent, including a reorganization of Aucam involving the transfer of other exploration assets out of the company..

The valuation of the held-for-sale assets and liabilities was determined on a fair value basis in accordance with the Merger (Note 3). For the shares of Aterian Resources, the valuation included 241,173,523 shares and 96,469,409 warrants of Eastinco, £250,000 of repayable expenses and royalties on the Moroccan Portfolio. Shares were valued at the initial listing price of £0.01. Warrants were valued using a Black-Scholes model based on an exercise price equal to the stock price (£0.01), 100% volatility, 2.32% risk-free rate and a five-year life. Royalty assets were estimated with

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reference to both comparable transactions over similar size royalties and discount cash flow modelling. For the assets and liabilities of Aucam SA, the fair value was deemed to be equivalent to the book value per the Altus accounts.

The combined loss before tax for all held-for-sale entities included in the income statement for both the three and nine months ended September 30, 2022 was \$29K (2021 - \$nil).

	Opening \$'000	Acquired from Altus (Note 3) \$'000	Change \$'000	Ending \$'000
Held-for-sale assets				
Assets held by Aterian Resources Ltd.	-	7,294	8	7,302
Assets held by Aucam SA	-	110	3	113
	-	7,404	11	7,415
Held-for-sale liabilities				
Liabilities held by Aterian Resources Ltd.	-	-	-	-
Liabilities held by Aucam SA	-	41	(3)	38
Deferred tax liability		1,816	-	1,816
	-	1,857	(3)	1,854

17. SUBSEQUENT EVENTS*Vend-out of Aterian Resources Ltd.*

On October 25, 2022, the Company announced the completion of the vend-out of its wholly-owned Morocco-focused copper subsidiary Aterian Resources to Eastinco (the "Transaction"). Aterian Resources owns a 100% interest in 15 prospective projects primarily targeting copper and silver.

Aterian Resources was included as held-for sale assets and liabilities at the date of the Altus Merger (Note 3) and at September 30, 2022.

Completion of the Transaction followed the satisfaction of certain conditions precedent, including admission to trading of the entire issued share capital of Eastinco to the Official List of the FCA (Standard Segment) and to trading on the London Stock Exchange's Main Market for listed securities ("LSE"). On November 2, 2022, Eastinco changed its name to Aterian Plc and is trading on the LSE under the symbol "ATN".

In consideration for the sale of Aterian Resources, the Company received:

- a 2.50% net smelter return royalty over each of the 15 projects, with Aterian retaining certain buyback rights of up to 1.0% of each NSR royalty for \$0.5 million per 0.5%;
- a 0.5% NSR royalty over Aterian's Musasa tantalum operation in Rwanda;
- 241,173,523 shares in Aterian representing 25% of the issued share capital of Aterian valued at approximately \$2.9 million on completion of the Transaction. The shares are subject to a customary 12-month lock in period and a further 12-month orderly market provision;
- five-year warrants to purchase up to an additional 10% of the enlarged share capital of Aterian, with 50% of the warrants having an exercise price of £0.01 per share and the balance having an exercise price of £0.02 per share; and,
- Aterian will reimburse the Company up to £250,000 (\$0.3 million) in cash in respect of certain historic exploration expenditures.

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Under the terms of the Transaction, the Company's Executive VP of Royalty Investments, Alister Hume, has been appointed as a Non-Executive Director of Aterian.