

**ROYALTIES INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2024 and 2023**

(Expressed in Canadian Dollars)

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## **Independent Auditor's Report**

To the Shareholders of Royalties Inc.

### **Opinion**

We have audited the consolidated financial statements of Royalties Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023 and as at January 1, 2023, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and 2023 and as at January 1, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### **Basis for opinion**

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

### **Emphasis of Matter**

We draw attention to Note 3 to the consolidated financial statements, which explains that certain comparative information for the year ended December 31, 2023 and as at January 1, 2023, has been restated. Our opinion is not modified in respect of this matter.

### **Material uncertainty related to going concern**

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2024 and, as of that date, the Company's current liabilities exceeded its current assets. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><i>Fair value measurement of private investments</i></p> <p>The Company has private investments with a value of \$1,000,000 as at December 31, 2024, which are recorded at fair value through profit or loss. See Note 4 to the financial statements. The fair value hierarchy is considered level 3 for which quoted prices or observable inputs were not available. For each investment, management uses valuation techniques that require significant non-observable inputs, requiring management's estimation and judgement.</p> <p>The fair value measurement of private investments was a key audit matter as the valuation required the application of significant judgment in assessing the non-observable inputs used, including significant valuation judgements.</p>	<p>In this regard, our audit procedures included:</p> <ul style="list-style-type: none"> <li>- Evaluating the methodologies and significant inputs used by the Company;</li> <li>- Performing a valuation approach to assess the modelling assumptions and significant inputs used to estimate the fair value, which involved corroboration of certain inputs and assumptions as applied by management.</li> </ul>

## *Impairment of music royalty assets*

During the year ended December 31, 2024, management assessed there were indicators of impairment on the music royalty assets and thus performed an impairment analysis as of December 31, 2024. The assessment of impairment and assessment of impairment indicators requires a significant amount of management judgement.

We identified impairment of music royalty assets as a key audit matter due to the significant level of management judgement required in calculating the recoverable amount. This includes determining the assumptions to be adopted in the impairment assessment, which are inherently uncertain.

This results in a high degree of judgement and subjectivity in management's estimates and assumptions. Significant assumptions included revenue assumptions, and discount rate.

In this regard, our audit procedures included:

- Discussing indicators of impairment with management;
- Obtained and evaluated management's impairment model;
- Professionals with specialized skill and knowledge in the field of valuations assisted in assessing the reasonableness of the fair values and assessing the reasonableness of key assumptions used in the calculations;
- We obtained an understanding of and evaluated management's basis for determining the assumptions and compared them to indicative market information as well as internal evidence available;
- Evaluated management's disclosure in the notes to the consolidated financial statements of significant judgements in relation to this matter.

### **Other information**

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of management and those charged with governance for the consolidated financial statements**

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

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

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

## **Auditor's responsibilities for the audit of the consolidated financial statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Nimesh Ratnarajah.

**McGovern Hurley LLP**



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
March 10, 2025

ROYALTIES INC.  
Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

	Notes	December 31, 2024 \$	December 31, 2023 \$	January 1, 2023 \$
			(Restated – Note 3)	(Restated – Note 3)
<b>ASSETS</b>				
Current assets				
Cash		17,046	43,439	18,256
Amounts receivable and other		3,722	12,458	13,125
Prepaid expenses		16,864	8,174	298
<b>Total current assets</b>		<b>37,632</b>	<b>64,071</b>	<b>31,679</b>
Non-current assets				
Investment	4, 11	1,000,000	1,000,000	1,000,000
Music royalty assets	5	214,752	265,513	-
<b>Total non-current assets</b>		<b>1,214,752</b>	<b>1,265,513</b>	<b>1,000,000</b>
<b>Total assets</b>		<b>1,252,384</b>	<b>1,329,584</b>	<b>1,031,679</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued liabilities	11	151,216	156,518	229,090
Other current liability of subsidiary	14	2,880,200	2,645,200	2,708,800
<b>Total current liabilities</b>		<b>3,031,416</b>	<b>2,801,718</b>	<b>2,937,890</b>
<b>SHAREHOLDERS' DEFICIENCY</b>				
Share capital	8	40,049,463	39,944,463	39,130,223
Share-based payment reserve	10	154,916	154,916	253,110
Warrants	9	-	-	272,422
Accumulated other comprehensive income		15,510	35,116	-
Deficit		(42,026,689)	(41,634,397)	(41,589,734)
Deficiency attributable to equity holders of the company		(1,806,800)	(1,499,902)	(1,933,979)
Non-controlling interest		27,768	27,768	27,768
<b>Total shareholders' deficiency</b>		<b>(1,779,032)</b>	<b>(1,472,134)</b>	<b>(1,906,211)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>1,252,384</b>	<b>1,329,584</b>	<b>1,031,679</b>

GOING CONCERN (Note 2)  
COMMITMENTS AND CONTINGENCIES (Notes 7, 14)  
SUBSEQUENT EVENTS (Note 16)

Signed on behalf of the board of directors by:

Signed - "Timothy Gallagher"  
\_\_\_\_\_  
Timothy Gallagher, Director

Signed - "Andrew Robertson"  
\_\_\_\_\_  
Andrew Robertson, Director

See accompanying notes to the consolidated financial statements.



ROYALTIES INC.  
Consolidated Statements of Operations and Comprehensive Loss  
(Expressed in Canadian Dollars)

For the years ended December 31,

	Notes	2024 \$	2023 \$
			(Restated – Note 3)
Income			
Dividend income	4, 11	72,000	65,979
Royalty income	5	37,301	44,251
Interest income		8	112
<b>Total income</b>		<b>109,309</b>	<b>110,342</b>
Operating expenses			
Corporate expenses		25,943	56,383
Professional fees	11	105,504	89,869
General and administrative		18,845	11,744
Exploration and evaluation		83,927	133,489
Amortization of music royalties	5	14,220	21,850
<b>Total expenses</b>		<b>248,439</b>	<b>313,335</b>
Operating loss before other (income) expenses		(139,130)	(202,993)
Other (income) expenses			
Impairment of music royalty assets	5	41,800	165,327
Foreign exchange (gain) loss		211,362	(17,281)
<b>Total other (income) expenses</b>		<b>253,162</b>	<b>148,046</b>
<b>Net loss for the year</b>		<b>(392,292)</b>	<b>(351,039)</b>
Other comprehensive (income) loss			
Foreign currency translation adjustments		19,606	(35,116)
<b>Net loss and comprehensive loss for the year</b>		<b>(411,898)</b>	<b>(315,923)</b>
Net loss per share			
basic and diluted		(0.002)	(0.002)
Weighted average Common Shares outstanding			
basic and diluted		216,834,532	209,393,497

See accompanying notes to the consolidated financial statements.

ROYALTIES INC.  
Consolidated Statements of Changes in Shareholders' Deficiency  
(Expressed in Canadian Dollars)

	Shares outstanding #	Share Capital \$	Warrants \$	Share- based payment reserve \$	Accumulated other comprehensive income (loss) \$	Accumulated Deficit \$	Attributable to equity holders of the company \$	Non- controlling Interest \$	Total \$
		(Restated – Note 3)	(Restated – Note 3)	(Restated – Note 3)	(Restated – Note 3)	(Restated – Note 3)	(Restated – Note 3)	(Restated – Note 3)	(Restated – Note 3)
Balance, January 1, 2023 (restated)	201,293,057	39,130,223	272,422	253,110	-	(41,589,734)	(1,933,979)	27,768	(1,906,211)
Shares issued for cash (Note 8)	7,480,000	374,000	-	-	-	-	374,000	-	374,000
Shares issued for debt settlement (Note 8)	5,400,000	270,000	-	-	-	-	270,000	-	270,000
Stock options exercised (Note 8)	1,350,000	145,240	-	(64,240)	-	-	81,000	-	81,000
Shares issued for music royalty asset (note 5, 8)	500,000	25,000	-	-	-	-	25,000	-	25,000
Stock options expired (Note 10)	-	-	-	(33,954)	-	33,954	-	-	-
Warrants expired (Note 9)	-	-	(272,422)	-	-	272,422	-	-	-
Foreign currency translation adjustments	-	-	-	-	35,116	-	35,116	-	35,116
Net loss for the year	-	-	-	-	-	(351,039)	(351,039)	-	(351,039)
Balance as at December 31, 2023 (restated)	216,023,057	39,944,463	-	154,916	35,116	(41,634,397)	(1,499,902)	27,768	(1,472,134)
Shares issued for cash (Note 8)	3,000,000	105,000	-	-	-	-	105,000	-	105,000
Foreign currency translation adjustments	-	-	-	-	(19,606)	-	(19,606)	-	(19,606)
Net loss for the year	-	-	-	-	-	(392,292)	(392,292)	-	(392,292)
Balance as at December 31, 2024	219,023,057	40,049,463	-	154,916	15,510	(42,026,689)	(1,806,800)	27,768	(1,779,032)

See accompanying notes to the consolidated financial statements.

ROYALTIES INC.  
Consolidated Statements of Cash Flows  
(Expressed in Canadian Dollars)

For the years ended December 31,	Note	2024 \$	2023 \$
			(Restated - Note 3)
Cash flow from operating activities			
Net loss for the year		(392,292)	(351,039)
Foreign exchange (gain) loss		211,829	(27,231)
Amortization of music royalties	5	14,220	21,850
Impairment of music royalties	5	41,800	165,327
Changes in non-cash working capital			
Amounts receivable		8,736	667
Prepaid expense		(8,690)	(7,876)
Accounts payable and accrued liabilities		(6,996)	277,428
Net cash (used in) provided by operating activities		(131,393)	79,126
Financing activities			
Proceeds from private placements	8	105,000	294,000
Proceeds from exercise of stock options	8	-	81,000
Total cash provided by financing activities		105,000	375,000
Investing activities			
Purchase of music royalties	5	-	(428,943)
Total cash used in investing activities		-	(428,943)
(Decrease) increase in cash		(26,393)	25,183
Cash, beginning of year		43,439	18,256
Cash, end of year		17,046	43,439
Share issuance for acquisition of music royalties	5	-	25,000
Shares issued for debt settlement	8	-	270,000

See accompanying notes to the consolidated financial statements.

## **ROYALTIES INC.**

### **Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)**

**For the years ended December 31, 2024 and 2023**

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#### **1. NATURE OF OPERATIONS**

Royalties Inc. (the "Company" or "Royalties Inc.") operates as a diversified royalties company. The Company is focused on resource royalties and entertainment royalties (such as music, film and television), but may determine to expand the scope of the industries it will focus on in the future. The Company's common shares are listed on the Canadian Securities Exchange (the "CSE") under the trading symbol "CSE:RI".

The Company currently has holdings in four entertainment royalty interests, and approximately 2% stake in Music Royalties Inc. ("MRI"), a Canadian-based private company that acquires passive music royalties from rightsholders (including but not limited to artists, producers and songwriters). MRI currently holds a portfolio of approximately 30 cash-flowing music royalties.

The Company also has interests in exploration and evaluation properties located in Mexico, owning a 100% interest on the Bilbao silver-zinc-lead project located in the southeastern part of the State of Zacatecas and 88% of the outstanding shares of Minera Portree de Zacatecas, S.A. de C.V ("Minera Portree"). Minera Portree holds an asserted claim to a 2% net smelter royalty on five mining concessions located adjacent to the Cozamin Mine operated by Capstone Copper Corp. ("Capstone"), which claim is challenged by Capstone.

There has been no determination whether the Company's interests in exploration and evaluation projects contain mineral deposits which are economically recoverable. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The value of the Company's mining interests is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable mineral deposits, the achievement of profitable operations, or the ability of the Company to raise additional financing, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. All of the Company's mineral exploration interests are located outside of Canada and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, and mineral royalty interests, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. The Company's properties may be subject to government licensing requirements, social licensing requirements, unregistered prior agreements, unregistered claims, local indigenous or aboriginal claims and regulatory and environmental requirements.

#### **2. BASIS OF PREPARATION AND GOING CONCERN**

These consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFIRC"). The policies set out below were consistently applied to all the periods presented, unless otherwise noted.

These consolidated financial statements were authorized for issuance by the Board of Directors on March 10, 2025.

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments classified as fair value through profit and loss which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information.

These consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for the current fiscal year.

Several conditions discussed below create a material uncertainty and significant doubt about the Company's ability to continue as a going concern.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Company. All material intra-Company transactions, balances, income and expenses are eliminated on consolidation (See note 11).

## **ROYALTIES INC.**

### **Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)**

#### **For the years ended December 31, 2024 and 2023**

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As at December 31, 2024, the Company had not achieved profitable operations, had a working capital deficiency, had an accumulated deficit since inception and expects to incur further losses in the development of its business. The Company will have to rely on equity financing to generate additional financial resources to fund its working capital requirements and will need to generate additional financial resources to fund its planned acquisitions. There is a risk that additional financing will not be available to the Company on a timely basis or on acceptable terms. There are no assurances that the Company will continue to obtain additional financial resources and/or achieve positive cash flows or profitability. Based on the assumptions that such finance will become available, the Directors believe that the going concern basis is appropriate for group financial statements.

The underlying value of the exploration and evaluation projects is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the exploration and evaluation projects, and the generation of future profitable production or proceeds from the disposition of the exploration and evaluation projects.

### **3. MATERIAL ACCOUNTING POLICIES**

#### **(a) Exploration and evaluation expenditures**

Exploration and evaluation costs are expensed as incurred and included in the statement of operations until technical feasibility and commercial viability of extraction of reserves are demonstrable. Once a mine development decision has been made by the Company, subsequent expenditures incurred to develop the mine are capitalized to mineral properties. Exploration costs include acquisition costs of mineral exploration properties and an allocation of administration and salary costs (including share-based payments) as determined by management, where they relate to specific projects.

#### **(b) Asset retirement obligations**

The Company will record a liability for the estimated future costs associated with legal and constructive obligations relating to the reclamation and closure of its exploration and evaluation projects. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion expense on the discounted liability. An equivalent amount is recorded as an increase to mineral exploration properties and amortized over the useful life of these assets. Management is currently not aware of any existing significant asset retirement obligations and the Company does not currently have any legal or constructive obligations relating to the reclamation of its exploration and evaluation projects as at December 31, 2024 and 2023.

#### **(c) Mineral royalty interests**

Mineral royalty interests consist of acquired royalty interests. The mineral royalty interests held by the Company all relate to non-producing assets in the exploration stage. The value of the exploration stage royalties is accounted for in accordance with IFRS 6, Exploration and Evaluation of Mineral Resources and is expensed on initial recognition.

Producing mineral royalty and stream interests are depleted using the units-of-production method over the life of the property to which the interest relates. The life of the property is estimated using life of mine models specifically associated with the mineral royalty or stream properties which include proven and probable reserves and may include a portion of resources expected to be converted into reserves. Where life of mine models are not available, the Company uses publicly available statements of reserves and resources for the mineral royalty or stream properties to estimate the life of the property and portion of resources that the Company expects to be converted into reserves. Where life of mine models and publicly available reserve and resource statements are not available, depletion is based on the Company's best estimate of the ounces to be produced and delivered under the contract. The Company relies on information available to it under contracts with operators and/or public disclosures for information on reserves and resources from the operators of the producing mineral and stream interests.

If the consideration of a royalty interest includes variable consideration, the variable consideration is not recorded on initial recognition of the asset but is either capitalized when incurred if it meets the definition of an asset or is expensed.

#### **(d) Cash**

Cash is comprised of cash on hand and deposits in banks.

## **ROYALTIES INC.**

### **Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)**

**For the years ended December 31, 2024 and 2023**

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#### **(e) Financial instruments**

##### **Financial assets**

###### **Initial recognition and measurement**

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit and loss (“FVTPL”) or fair value through other comprehensive income (“FVOCI”), or “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVTPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVTPL or at amortized cost. Accounts receivable held for collection of contractual cash flows are measured at amortized cost.

###### **Subsequent measurement – financial assets at amortized cost**

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of operations. Cash and amounts receivable are measured at amortized cost.

###### **Subsequent measurement – financial assets at FVTPL**

Financial assets measured at FVTPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVTPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations. The Company measures its investments at FVTPL.

###### **Subsequent measurement – financial assets at FVOCI**

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive loss in the consolidated statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statements of operations when the right to receive payments is established.

###### **Derecognition**

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

###### **Impairment of financial assets**

The Company’s only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

##### **Financial liabilities**

###### **Initial recognition and measurement**

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. The Company’s financial liabilities include accounts payable and accrued liabilities, and other liability of subsidiary, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

## **ROYALTIES INC.**

### **Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)**

**For the years ended December 31, 2024 and 2023**

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#### **Subsequent measurement – financial liabilities at amortized cost**

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of operations.

#### **Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of operations.

#### **(f) Functional and presentation currency**

The determination of functional currency of an entity is based on the primary economic environment (including monetary policy) in which an entity operates. The functional currency of an entity reflects the underlying transactions, events and conditions that are relevant to the entity. Factors that an entity considers when determining its functional currency include: (i) the currency that mainly influences sale price for goods and services; (ii) the currency of the country whose competitive forces and regulations mainly determine that sale price of its goods and services; (iii) the currency that mainly influences labour, material and other costs of providing goods and services; (iv) the currency in which funds from financing activities are generated; and (v) the currency in which receipts from operating activities are usually retained.

On September 30, 2024, the functional currency of the Company and its subsidiaries changed prospectively to the Canadian dollar from the U.S. dollar. The Company reconsiders the functional currency of its operations if there is a change in events and conditions which determine the primary economic environment or when a change occurs over time. There has been a gradual shift in the Company's operations that increasingly aligns with the Canadian dollar as the functional currency of the Company. In September 2024, the Company completed a Canadian dollar private placement and received \$105,000. Due to increasing Canadian dollar revenue and decreasing US dollar revenues, the Company's future revenues and costs will be largely denominated in the Canadian dollar. The change was applied to the consolidated financial statements prospectively. This is a significant judgment considering the significance of the revenues and costs to the Company's activities, and the primary economic environments in which the Company and its subsidiaries operate. The Company also changed its presentation currency to the Canadian dollar and this change has been applied retrospectively (Note 3). For the purpose of the consolidated financial statements, the results and financial position of each company are expressed in CAD Dollars (the Company's presentation currency). In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the Statement of Financial Position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was re-determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in operations for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in operations.

#### **(g) Share-based payments**

Where equity-settled share options are awarded to employees and consultants, the fair value of the options at the date of grant is charged to the statements of loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statements of loss over the remaining vesting period. When stock options are granted by the Company, the corresponding increase is recorded to contributed surplus.

Where equity instruments are granted to employees, they are recorded at the fair value at the grant date. The grant date fair value is recognized in the statement of loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statements of income and comprehensive income. When the value of goods and services received in exchange for the share-based payment cannot be reliably estimated, the transaction is measured at the fair value of the equity instrument granted.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, the shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital for any consideration paid.

## **ROYALTIES INC.**

### **Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)**

**For the years ended December 31, 2024 and 2023**

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#### **(h) Impairment of non-financial assets**

At the end of each reporting period, non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Any impairment is recognized in the consolidated statement of operations.

#### **(i) Loss per share**

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options, warrants and other convertible securities that would decrease loss per share, as a result, all outstanding convertible securities for the years ended December 31, 2024 and 2023 have been excluded from diluted loss per share.

#### **(j) Income taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to taxes payable with regards to previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **(k) Marketable securities and long-term investments**

##### **Privately-held investments**

Shares in privately-held companies (other than options and warrants) are initially recorded at cost, being the fair value at the time of acquisition. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements. These are included in Level 3 in the fair value hierarchy.

With respect to valuation, the financial information of private companies in which the Company has investments may not always be available, or such information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these may not be realized or realizable. In addition to the events described below, which may affect a specific investment, the Company will take into account general market conditions when valuing the privately-held investments in its portfolio. In the absence of occurrence of any of these events or any significant change in general market conditions indicates generally that the fair value of the investment has not materially changed.

An upward adjustment is considered appropriate and supported by pervasive and objective evidence such as a significant subsequent equity financing by an unrelated investor at a transaction price higher than the Company's carrying value; or if there has been a significant increase in the cash distributions received from the investment, or operating events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimate may not be realized or realizable.

Downward adjustments to carrying values are made when there is evidence of a decline in value as indicated by the assessment of the financial condition of the investment based on third party financing, operational results, forecasts, and other developments since acquisition, or if there have been significant corporate or operating events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and therefore its fair value. The amount of the change to the fair value of the investment is based on management's judgment and any value estimated may not be realized or realizable.

The resulting values may differ from values that would be realized had a ready market existed. The amounts at which the Company's privately-held investments could be disposed of may differ from the carrying value assigned. Such differences could be material.



## **ROYALTIES INC.**

### **Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)**

**For the years ended December 31, 2024 and 2023**

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#### **(l) Music royalties**

##### **Catalogues of songs and other investments**

Catalogues of songs and other investments include music catalogues, artist producer and manager's contracts, and music publishing rights and are recognised as intangible assets measured initially at the fair value of the consideration paid. Catalogues of songs and other investments are subsequently amortized over the estimated useful life of the asset. Catalogues of songs and other investments with an indefinite useful life are not amortized but are subject to an annual impairment test. Useful life is separately considered for each catalogue of songs and other investments are reviewed at the end of each reporting period.

All catalogues of songs are carried at cost less accumulated amortization and any applicable impairment provision. An impairment provision was recognized as at December 31, 2024 and 2023 (note 5).

The Company amortizes catalogues of songs with a limited useful life using the straight-line method based on the terms of the agreements. Terms negotiated are either life of artist ("LOA") plus 70 years, in which case a 20-year straight-line amortization method is used, or straight-line over a contract term of 10 years.

##### **Contingent consideration**

Under the terms of the acquisition agreements for Catalogues of songs, contingent consideration may be payable dependent on future independent valuations of the Catalogues or revenue received within a specific time frame of acquiring the Catalogues. Contingent consideration will be recognised when performance conditions are met or the amount is a deferred liability. In such cases, a liability will be recognised alongside an associated finance charge which will be accrued over the respective deferral period.

##### **Asset impairment**

Each time events or changes in the economic environment indicate a risk of impairment of intangible assets, the Company re-examines the value of these assets. This impairment test is performed to compare the recoverable amount to the carrying value of the asset. The recoverable amount is determined as the higher of the value in use; or the fair value (less costs to sell) as described hereafter, for each individual asset. The impairment losses recognised in respect of intangible assets may be reversed in a later period if the recoverable amount becomes greater than the carrying value, within the limit of impairment losses previously recognised.

##### **Derecognition of assets**

The Company derecognises an asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. On derecognition of an asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

#### **(m) Royalty Revenue Recognition**

The Company enters into licence arrangements in respect of Catalogues of songs with third party collection agents. The Company is generally entitled to receive royalty payments paid subsequent to the purchase of the Catalogue regardless of when the performance occurred that generated the royalty. Revenue arising from licences entered into with collection agents is recognised in the period when the royalty payments are received. The contractual basis of the licence arrangements is such that the agents are deemed as 'principals' for tax purposes, therefore the Company recognises its revenue net of administration fees.

#### **(n) Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires the application of estimates and assumptions which may affect the results reported in the financial statements. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty are discussed below:

## **ROYALTIES INC.**

### **Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)**

#### **For the years ended December 31, 2024 and 2023**

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##### *Impairment of Royalty, Stream and Other Interests*

Assessment of impairment of royalty interests requires the use of judgments, assumptions and estimates when assessing whether there are any indicators that could give rise to the requirement to conduct a formal impairment test as well as in the assessment of fair values. The assessment of the fair values of royalty interests requires the use of estimates and assumptions for recoverable production, commodity prices, discount rates, mineral reserve/resource conversion, foreign exchange rates, taxes, future capital expansion plans and the associated production implications. Changes in any of the estimates used in determining the fair value of the royalty interests could impact the impairment analysis.

##### *Mineral resource estimates*

Mineral resources are estimated in accordance with Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Reserves, Definitions and Guidelines and disclosed in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects" issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation.

##### *Share-based payments*

Estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. The model used by the Company is the Black-Scholes valuation model.

##### *Fair value of investment in securities not quoted in an active market or private company investments*

Where the fair values of financial assets and financial liabilities recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values.

##### *Income, value added, withholding and other taxes*

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

##### *Determination of functional currency*

Functional currency is determined annually for each entity based on a set of primary and secondary factors that include; the currency that influences sales prices for goods and services; the currency of the country that determines the sales prices of goods and services; the currency that mainly influences the costs of providing goods and services; the currency in which funds from financing activities are generated; the currency in which receipts from operating activities are usually retained. When the factors do not provide clear indicators, management judgement must be applied in the determination of functional currency.

##### *Contingencies*

See Note 14.

##### *Assessment of useful life of music royalties*

In order to calculate the amortized cost of the music royalties it is necessary to assess the useful economic life of the copyright interests in songs. This requires forecasts of the expected future revenue from the copyright interests, which contains significant uncertainties as the ongoing popularity of a song can fluctuate unexpectedly.

The actual useful life of a catalogue depends on the Catalogue's genre and listener demographic. The Company will separately consider the useful life of each Catalogue of songs, which is expected to be 20 years.

## ROYALTIES INC.

### Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars) For the years ended December 31, 2024 and 2023

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#### (o) Changes in accounting policies and restatement due to error

Effective January 1, 2024, the Company adopted the new and amended IFRS pronouncement listed below, in accordance with the transitional provisions outlined in the respective standard.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The adoption did not have an impact on the Company’s consolidated financial statements.

#### New standards and interpretations not yet adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2025. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently evaluating the impact of these pronouncements on its consolidated financial statements.

#### Lack of Exchangeability (Amendments to IAS 21)

In August 2023, the IASB amended IAS 21, The effects of changes in foreign exchange rates, to clarify when a currency is exchangeable into another currency; and how a company estimates a spot rate when a currency lacks exchangeability. Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on financial statements. The amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted.

#### Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

In May 2024, the IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments – Disclosures*. The amendments clarify the derecognition of financial liabilities and introduces an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system. The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features and the treatment of non-recourse assets and contractually linked instruments (CLIs). Further, the amendments mandate additional disclosures in IFRS 7 for financial instruments with contingent features and equity instruments classified at FVOCI. The amendments are effective for annual periods starting on or after January 1, 2026. Retrospective application is required and early adoption is permitted.

#### Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* to improve reporting of financial performance. The new standards replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new categories and required subtotals in the statement of profit and loss and also requires disclosure of management-defined performance measures. It also includes new requirements for the location, aggregation and disaggregation of financial information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements. Retrospective application is required and early adoption is permitted.

#### Exploration and evaluation expenditures

During the year ended December 31, 2024, the Company changed its accounting policy of capitalizing mineral exploration properties acquired. The Company believes expensing such costs as incurred provides more reliable and relevant financial information. The cost of mineral exploration properties acquired are expensed until it has been established that a mineral property is commercially viable and technically feasible. Previously, the Company capitalized these amounts.

The consolidated financial statements for the year ended December 31, 2023, and as of January 1, 2023 have been restated to reflect adjustments made as a result of these changes in accounting policy. The accumulated effect of the change of \$187,380 USD has been reflected in the ending deficit of the consolidated financial statements as at December 31, 2023.

#### Presentation currency

Effective September 30, 2024, the presentation currency of the Company was changed from US dollars to Canadian dollars to align with the functional currency. The change in presentation currency represents a voluntary change in accounting policy, which has been applied retrospectively. Information for fiscal year ending December 31, 2023, and comparative year ending December 31, 2022 were translated from US dollars to Canadian dollars using the procedures outlined below:

## ROYALTIES INC.

### Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

For the years ended December 31, 2024 and 2023

- Assets and liabilities were translated into Canadian dollars at each period-end closing rate of exchange;
- Income and expenses were translated into Canadian dollars at average rates of exchange for each period as the average rate was considered a reasonable proxy for the prevailing rates at the dates of the transactions;
- Differences resulting from the retranslation of opening net asset and the results for each period have been taken to accumulated other comprehensive income;
- Share capital and other reserves were translated at the closing rate of exchange prevailing at each period end closing rate; and
- Accumulated retained losses and non-controlling interest were translated at the average rates of exchange for each period.

The exchange rates used were as follows:

	December 31, 2023 USD:CAD	December 31, 2022 USD:CAD
Average rate	1.3497	1.3544
Closing rate	1.3226	1.3011

#### Restatement due to error

The consolidated financial statements have been restated to reflect impairment of music royalty assets of \$165,237 (\$122,493 USD) as of December 31, 2023. There were no restatement changes to the January 1, 2023 Consolidated Statement of Financial Position.

The following is a reconciliation of the Company's consolidated financial statements as at December 31, 2023 and January 1, 2023 for the change in accounting policies and restatement due to error.

#### Consolidated statement of financial position

As at December 31, 2023	As previously reported \$	Adjustment \$	Restated \$
<b>ASSETS</b>			
Current assets			
Cash	33,155	10,284	43,439
Amounts receivable and other	9,451	3,007	12,458
Prepaid expenses	6,180	1,994	8,174
Total current assets	48,786	15,285	64,071
Non-current assets			
Investment	753,920	246,080	1,000,000
Music royalty assets	323,244	(57,731)	265,513
Exploration properties	1	(1)	-
Mineral royalty interests	187,379	(187,379)	-
Total non-current assets	1,264,544	969	1,265,513
Total assets	1,313,330	16,254	1,329,584
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	118,263	38,255	156,518
Current liabilities, before the undernoted	118,263	38,255	156,518
Other current liability of subsidiary	2,000,000	645,200	2,645,200
Total current liabilities	2,118,263	683,455	2,801,718
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	38,573,695	1,370,768	39,944,463
Share-based payment reserve	124,267	30,649	154,916
Accumulated other comprehensive income	-	35,116	35,116
Deficit	(39,523,684)	(2,110,713)	(41,634,397)
Deficiency attributable to equity holders of the Company	(825,722)	(674,180)	(1,499,902)
Non-controlling interest	20,789	6,979	27,768
Total shareholders' deficiency	(804,933)	(667,201)	(1,472,134)
Total liabilities and shareholders' deficiency	1,313,330	16,254	1,329,584

**ROYALTIES INC.****Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)****For the years ended December 31, 2024 and 2023****Consolidated statement of financial position**

<b>As at January 1, 2023</b>	As previously reported \$	Adjustment \$	Restated \$
<b>ASSETS</b>			
Current assets			
Cash	13,479	4,777	18,256
Amounts receivable and other	9,690	3,435	13,125
Prepaid expenses	220	78	298
Total current assets	23,389	8,290	31,679
Non-current assets			
Investment	738,334	261,666	1,000,000
Exploration properties	1	(1)	-
Mineral royalty interests	187,379	(187,379)	-
Total non-current assets	925,714	74,286	1,000,000
Total assets	949,103	82,576	1,031,679
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	169,144	59,946	229,090
Other current liability of subsidiary	2,000,000	708,800	2,708,800
Total current liabilities	2,169,144	768,746	2,937,890
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	37,973,231	1,156,992	39,130,223
Warrants	219,637	52,785	272,422
Share-based payment reserve	195,960	57,150	253,110
Deficit	(39,629,658)	(1,960,076)	(41,589,734)
Deficiency attributable to equity holders of the Company	(1,240,830)	(693,149)	(1,933,979)
Non-controlling interest	20,789	6,979	27,768
Total shareholders' deficiency	(1,220,041)	(686,170)	(1,906,211)
Total liabilities and shareholders' deficiency	949,103	82,576	1,031,679

**Consolidated statement of loss and comprehensive loss**

<b>For the year ended December 31, 2023</b>	As previously reported \$	Adjustment \$	Restated \$
<b>Income</b>			
Dividend income	48,886	17,093	65,979
Royalty income	32,786	11,465	44,251
Interest income	82	30	112
Total income	81,754	28,588	110,362
<b>Operating expenses</b>			
Corporate	41,774	14,609	56,383
Professional fees	66,585	23,284	89,869
General and administrative	8,989	2,755	11,744
Exploration and evaluation	101,053	32,436	133,489
Amortization of music royalties	16,189	5,661	21,850
Total expenses	234,590	78,745	313,335
Operating loss before other income	(152,836)	(50,157)	(202,993)
<b>Other (income) expenses</b>			
Loss on investment	-	165,327	165,327
Foreign exchange gain	(15,240)	(2,041)	(17,281)
Total other income (loss)	(15,240)	(163,286)	(148,046)
Net loss	(137,596)	(213,443)	(351,039)
<b>Other comprehensive (income) loss</b>			
Foreign currency translation adjustments	-	(35,116)	(35,116)
Net loss and comprehensive loss for the year	(137,596)	(178,327)	(315,923)
Net loss per share	(0.001)		(0.002)
Weighted average Common Shares outstanding			
Basic and diluted	209,393,497		209,393,497

## ROYALTIES INC.

### Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

For the years ended December 31, 2024 and 2023

#### Consolidated statement of cash flows

For the year ended December 31, 2023	As previously reported \$	Adjustment \$	Restated \$
Cash flow from operating activities			
Loss for the year	(137,596)	(213,443)	(351,039)
Unrealized foreign exchange gain on investment	(15,586)	(11,645)	(27,231)
Amortization of music royalties	16,189	5,661	21,850
Impairment of music royalties	-	165,327	165,327
Changes in non-cash working capital			
Amounts receivable	239	428	667
Prepaid expense	(5,960)	(1,916)	(7,876)
Accounts payable and accrued liabilities	207,921	69,507	277,428
Net cash used in operating activities	65,207	13,919	79,126
Financing activities			
Proceeds from private placements	216,543	77,457	294,000
Proceeds from exercise of stock options	58,826	22,174	81,000
Total cash provided by financing activities	275,369	99,631	375,000
Investing activities			
Purchase of music royalties	(320,900)	(108,043)	(428,943)
Total cash used in investing activities	(320,900)	(108,043)	(428,943)
Increase in cash	19,676	5,507	25,183
Cash, beginning of year	13,479	4,777	18,256
Cash, end of year	33,155	10,284	43,439

#### 4. INVESTMENT

On September 30, 2022, the Company acquired 2,000,000 common shares in Music Royalties Inc. ("MRI"), a private company. As at December 31, 2024, MRI shares had a value of CAD\$0.50 per share amounting to \$1,000,000 (2023 - \$1,000,000).

During the year ended December 31, 2024, the Company received dividend income totaling \$72,000 (2023 - \$66,000).

#### 5. MUSIC ROYALTIES

	CAD \$
Cost	
Balance - January 1, 2023	-
Additions	453,943
Impairment of music royalties	(165,327)
Effect of currency adjustment	(874)
Balance - December 31, 2023	287,742
Impairment of music royalties	(41,800)
Effect of currency adjustment	5,448
Balance - December 31, 2024	251,390
Accumulated Amortization	
Balance - January 1, 2023	-
Amortization	21,850
Effect of currency adjustment	379
Balance - December 31, 2023	22,229
Amortization	14,220
Effect of currency adjustment	189
Balance, December 31, 2024	36,638
Net book value - December 31, 2023	214,752
Net book value - December 31, 2024	265,513

## ROYALTIES INC.

### Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars) For the years ended December 31, 2024 and 2023

During fiscal 2023, the Company acquired \$453,943 (USD\$339,433) of royalty assets, of which \$428,943 was paid in cash and \$25,000 paid in shares (Note 8).

During the year ended December 31, 2024, given the decline in expected future royalty revenue of the Company's Apple catalogue, an impairment totaling \$41,800 was recorded on the asset. During the year ended December 31, 2023, an impairment totaling \$165,327 on Carbonaro Effect which was originally purchased on June 13, 2023 for a 10-year term was fully impaired due to the program's cancellation.

During the year ended December 31, 2024, the Company received royalty income from music royalty assets totaling \$37,301 (USD\$27,506) (2023 - \$44,251 (USD\$32,786)).

#### 6. EXPLORATION AND EVALUATION EXPENDITURES

##### Bilbao

The Company, through wholly owned Mexican subsidiaries, holds a 100% interest in the Bilbao silver-zinc-lead project, including the necessary surface lands for surface installations and development of the Bilbao deposit. See Note 7.

##### Laguna

The Company held a 100% interest in the Laguna silver-gold-mercury tailings development project and was granted a twenty-year concession dated December 10, 2003 by the *Comision Nacional del Agua* ("Conagua") relating to the extraction rights to six million cubic metres of tailings material, subject to an amount payable to Conagua in the amount MXN\$11.00 (approximately \$1.00) per cubic metre of tailings. The permit expired in December, 2023 and is unlikely to be renewed.

In order to maintain the Company's mineral concessions and titles in good standing, the Company is required to maintain a prescribed minimum of annual exploration expenditure and pay fees semi-annually to the Secretaria de Economia in Mexico. Minimum expenditure commitments and concession payments totaling approximately \$103,000 (MXN \$1,488,000) are required annually. Failure to make the annual concession payments or incur the minimum annual exploration expenditures, to the satisfaction of the Mexican authorities, or a determination that the expenditures incurred are not qualifying expenditures, may result in the cancellation or forfeiture of the mineral concessions.

#### 7. MINERAL ROYALTY INTERESTS

The Company holds various legal or royalty interests in certain mineral properties in Mexico, and an asserted claim to a 2% net smelter royalty emanating from its former ownership of six mining concessions located adjacent to the Cozamin Mine in Zacatecas operated by Capstone Copper Corp. (TSX:CS) ("Capstone"). The entitlement of royalty is contested by a third party and Capstone. The Company filed lawsuits against both parties to properly recognize the 2% NSR. In August 2022, the Zacatecas courts requested the Public Mines Registry in Mexico City register the Minera Portree royalty claims on title. The key witnesses were deposed in court in September and October 2023. A court ordered site inspection of the Portree claims was blocked by Capstone in November 2023. The timing and outcome of the lawsuits are uncertain.

#### 8. SHARE CAPITAL

##### Common Shares

##### Authorized

Unlimited number of common shares

	Shares #	Amount \$
Balance as at January 1, 2023	201,293,057	39,130,223
Shares issued from the exercise of stock options	1,350,000	145,240
Shares issued pursuant to acquisition agreement (Note 5)	500,000	25,000
Shares issued for debt settlement	5,400,000	270,000
Shares issued for private placement	7,480,000	374,000
Balance as at December 31, 2023	216,023,057	39,944,463
Shares issued for private placement	3,000,000	105,000
Balance as at December 31, 2024	219,023,057	40,049,463

## ROYALTIES INC.

### Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

#### For the years ended December 31, 2024 and 2023

##### Fiscal 2024

- On September 24, 2024, the Company closed a non-brokered private placement for gross proceeds of \$105,000 through the issuance of 3,000,000 shares at \$0.035 per share of which 2,000,000 shares were subscribed for by Officers and directors of the Company for gross proceeds of \$70,000.

##### Fiscal 2023

During fiscal 2023, a total of 14,730,000 shares were issued from treasury. Details are as follows:

- On June 20, 2023, 1,350,000 stock options were exercised for gross proceeds of \$81,000 and the fair value of these options totaling \$64,240 was reallocated to share capital.
- On June 20, 2023, the Company closed a non-brokered private placement for gross proceeds of \$94,000 through the issuance of 1,880,000 shares at \$0.05 per share. An officer of the Company subscribed for a total of 150,000 shares for gross proceeds of approximately \$7,500.
- On May 11, 2023, the Company invested \$25,000 through the issuance of 500,000 shares at CAD\$0.05 per share in order to participate in a royalty song catalogue.
- On April 19, 2023, 11,000,000 shares were issued at CAD\$0.05 per share for a total of \$550,000 of which:
- 5,400,000 shares were issued to MRI as settlement of debt owing by Royalties Inc. in the amount of \$270,000. Certain directors and officers of the Company are also directors and officers of MRI.,
- A director was issued 5,600,000 shares in the Company to settle share subscription proceeds received between December 2021 and April 2023 totaling \$280,000.

## 9. WARRANTS

On April 27, 2021, the Company issued 5,000,000 share purchase warrants to an investor, each warrant entitling the holder to purchase one common share of Royalties Inc. at a price of CAD\$0.10 per share for a term of two years. The value of the warrants received was estimated to be \$272,422. On April 27, 2023, all 5,000,000 warrants expired and the fair value of these warrants was reallocated to retained earnings.

## 10. SHARE-BASED PAYMENT RESERVE

The board of directors has approved a Stock Option Plan for directors, officers, management, employees and other persons who perform ongoing services for the Company or any of its subsidiaries. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and to benefit from its growth.

The maximum number of common shares reserved for issuance upon the exercise of options is not to exceed 10% of the total number of common shares outstanding immediately prior to such an issuance. The options are exercisable over a period not exceeding ten years. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options is fixed by the board of directors at the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

Stock options transactions during the years ended December 31, 2024 and 2023 were as follows:

	Options Granted and Exercisable #	Estimated Grant Date Fair Value \$	Exercise Price \$
Balance as at January 1, 2023	5,800,000	253,110	0.06
Stock options expired	(800,000)	(33,954)	
Stock options exercised	(1,350,000)	(64,240)	
Balance as at December 31, 2023 and 2024	3,650,000	154,916	0.06

As at December 31, 2024, the following options were outstanding and exercisable:

Grant date	Expiry date	# of options O/S	# of options exercisable	Exercise Price	Weighted average remaining life
04-Jun-20	04-Jun-25	3,650,000	3,650,000	\$ 0.06	0.49

On January 30, 2023, 800,000 stock options expired and the grant date fair value of these options totaling \$33,954 was reallocated to retained earnings.

On June 20, 2023, 1,350,000 options were exercised for gross proceeds of \$81,000 and the grant date fair value of these options totaling \$64,240 was reallocated to share capital.



## ROYALTIES INC.

### Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars) For the years ended December 31, 2024 and 2023

#### 11. RELATED PARTY TRANSACTIONS

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors of the Company.

	2024	2023
	\$	\$
Dividend income	72,000	66,000
Professional fees	12,000	12,000

Also included in accounts payable and accrued liabilities as at December 31, 2024, is \$10,170 (December 31, 2023 - \$6,780) due to a company controlled by an officer of the Company for professional fees. These balances are due on demand, unsecured and non-interest bearing.

See note 8.

The subsidiaries of the Company as at December 31, 2024 and 2023 were as follows:

Name of Subsidiary	Country of Incorporation	Percentage owned	Principal activity
Orca Minerals Limited	Canada	100%	Holding company for Orca Gold International
Orca Gold International Ltd.	Bahamas	100%	Holding company for Mexican subsidiaries
Bilbao Resources SA de CV	Mexico	100%	Exploration
Bilbao Mining SA de CV	Mexico	100%	Exploration
Minera Orca SA de CV	Mexico	100%	Exploration
Orca Mining Exploration SA de CV	Mexico	100%	Exploration
Minera Portree de Zacatecas SA de CV	Mexico	88%	Holding company for mineral royalty interests

#### 12. FINANCIAL INSTRUMENTS

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that the risks are properly identified and managed and that the capital base is adequate in relation to those risks. There have been no significant changes in the risks or the Company's objectives, policies and procedures related to risk management during the years ended December 31, 2024 and 2023.

The Company has designated its long-term investments as fair value through profit or loss, which are measured at fair value. Cash, amounts receivable, accounts payable and accrued liabilities, and other liability of subsidiary are measured at amortized cost.

##### Capital Risk:

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain its exploration and evaluation projects.

##### Credit Risk:

Credit risk is the risk that a counterparty will be unable to pay amounts owing to the Company. Management's assessment of the Company's risk is low.

##### Liquidity Risk:

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at December 31, 2024, the Company had cash of \$17,046 (2023 - \$43,439) to settle current liabilities of \$151,216 (December 31, 2023 - \$156,518), excluding the contingent liability of a subsidiary totaling \$2,880,200 (USD\$2,000,000) (December 31, 2023 - \$2,645,800 (USD\$2,000,000)). The Company's accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

## ROYALTIES INC.

### Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

#### For the years ended December 31, 2024 and 2023

##### Price Risk:

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not a producing entity.

##### Interest Rate Risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to interest rate risk due to the minimal cash levels, and debt has been repaid.

##### Foreign Currency Risk:

The Company is subject to foreign exchange risk as some of its operating, investing and financing activities are transacted in currencies other than the Canadian dollar. The Company is therefore subject to gains and losses due to fluctuations in these currencies relative to the CAD dollar.

As at December 31, 2024 and 2023, the Company held the following USD monetary assets and liabilities:

	2024 USD	2023 USD
Cash	3,130	23,441
Other liability of subsidiary	(2,000,000)	(2,000,000)
Total USD monetary assets	(1,996,870)	(1,976,559)

As at December 31, 2024 and 2023, the Company held the following Mexican monetary assets and liabilities:

	2024 MXN	2023 MXN
Cash	33,830	61,662
Amounts receivable	-	637
Accounts payable and accrued liabilities	(358,797)	(496,622)
Total Mexican monetary assets	(324,967)	(434,323)

A 10% increase (decrease) in the fair value of the USD monetary assets as at December 31, 2024 would result in an estimated increase (decrease) in net income (loss) of approximately \$284,000 (December 31, 2023 -\$264,000).

A 10% increase (decrease) in the fair value of the Mexican monetary assets and liabilities as at December 31, 2024 would result in an estimated increase (decrease) in net income (loss) of approximately \$1,900 (December 31, 2023 -\$3,000).

##### *Fair value of financial instruments*

##### Level 3 Hierarchy

IFRS require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

As at December 31, 2024 and 2023, the carrying and fair value amounts of the Company's financial instruments, other than investments are approximately the same because of the short-term nature of these instruments.

The fair value hierarchy has the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

## ROYALTIES INC.

### Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars) For the years ended December 31, 2024 and 2023

The following tables illustrates the classification and hierarchy of the Company's financial instruments, measured at fair value in the statements of financial position as at December 31, 2024.

	Level 1	Level 2	Level 3
Private investment	-	-	\$ 1,000,000

The following tables illustrates the classification and hierarchy of the Company's financial instruments, measured at fair value in the statements of financial position as at December 31, 2023.

	Level 1	Level 2	Level 3
Private investment	-	-	\$ 1,000,000

Within Level 3, the Company included private company investments that are not quoted on an exchange. The key assumptions used in the valuation of these instruments include (but are not limited to) the value at which a recent financing was done by the investee.

There were no transfers between levels during the years ended December 31, 2024 and 2023.

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 as at December 31, 2024 and 2023. These financial instruments are measured at fair value utilizing non-observable market inputs. The net realized and unrealized gain are recognized in the statements of income (loss).

Investment, fair value	2024	2023
Beginning, balance of year	\$ 1,000,000	\$ 1,000,000
Purchase - shares	-	-
Balance, end of year	\$ 1,000,000	\$ 1,000,000

#### Music Royalties Inc.

The valuation was based on Music Royalties Inc.'s most recent financing. Management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at December 31, 2024. As at December 31, 2024, a +/- 10% change in the fair value of Music Royalties Inc. will result in a corresponding +/- \$100,000 change in net loss (December 31, 2023 - \$100,000).

The sensitivity analysis is intended to reflect the significant uncertainty inherent in the valuation of private investments under current market conditions, and the results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the estimated fair value of these investments. Furthermore, the analysis does not indicate a probability of changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

### 13. CAPITAL MANAGEMENT

The Company's capital structure consists of its capital stock and share-based payment reserve. The Company manages its capital structure, and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition of catalogues of songs, and the exploration and development of mineral properties. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company will continue to assess new music royalties and seek to acquire an interest in additional music royalties if it feels there is economic potential and if it has adequate financial resources to do so.

The properties in which the Company currently has an interest are in the exploration stage and historically the Company was dependent on external financing to fund its activities. In order to carry out the planned acquisition of cash flowing royalties, the Company will utilize its existing working capital and seek to raise additional amounts as needed through the issue of common shares or other securities.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2024 and 2023. The Company was not subject to any capital requirements imposed by a lending institution or regulatory body.

## ROYALTIES INC.

### Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

For the years ended December 31, 2024 and 2023

#### 14. COMMITMENTS AND CONTINGENCIES

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

In order to maintain the Company's mineral concessions and titles in good standing, the Company is required to maintain a prescribed minimum of annual exploration expenditure and pay fees semi-annually to the Secretaria de Economia in Mexico. Minimum expenditure commitments and concession payments totaling approximately \$103,000 (MXN \$1,488,000) are required annually. Failure to make the annual concession payments or incur the minimum annual exploration expenditures, to the satisfaction of the Mexican authorities, or a determination that the expenditures incurred are not qualifying expenditures, may result in the cancellation or forfeiture of the mineral concessions. See Note 6.

Orca Gold International Ltd. ("Orca Gold") acquired shares of Shoshone Mexico S.A. de C.V. ("Shoshone Mexico") from Shoshone Silver Mining Company ("Shoshone Silver"). Shoshone Mexico is the registered owner of four mining concessions that make up the majority of the Bilbao property, subject to a 1.5% net smelter royalty, and the beneficial owner of a 25% interest in the Bilbao concessions. As part of the agreement, Shoshone Silver agreed to indemnify Orca Gold and Shoshone Mexico against any liabilities or obligations of Shoshone Mexico. In return, Orca Gold agreed to pay Shoshone Silver a total of USD \$4,900,000, with USD \$2,400,000 paid upon the transfer of shares in August 2008 and an additional USD \$500,000 paid one year later.

The balance of \$2,880,200 (USD\$2,000,000) expressed to be payable by Orca Gold to Shoshone Silver pursuant to the Indemnity and Guarantee Agreement was to be payable in four consecutive equal annual payments of USD\$500,000 each, the first such USD\$500,000 annual payment to be made at the time of commencement of construction of any mine developed on the Bilbao concessions, but in any event not less than six years after the date of the first payment of USD\$2,400,000 in August 2008 and provided that the remaining balance of USD\$2,000,000 was to be paid in full no later than ten years after the date of the first payment of USD\$2,400,000. Construction of a mine on the Bilbao concessions has not commenced to date. The payment was secured by a charge granted by Shoshone Mexico in favor of Shoshone Silver and registered against the four Bilbao mining concessions.

#### 15. INCOME TAXES

##### Provision for Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory rate of 26.5% (2023 – 26.5%) to the effective tax rate is as follows:

	2024 \$	2023 \$
Loss before income taxes	(392,292)	(351,070)
Expected income tax recovery based on statutory rate	(104,000)	(93,000)
Adjustment to expected income tax recovery:		
Expenses not deductible for tax purposes	7,000	91,000
Other	(103,000)	528,000
Change in foreign exchange rates	(1,000,000)	909,000
Change in benefit of taxes assets not recognized	1,200,000	(1,435,000)
Deferred income tax provision (recovery)	-	-

**ROYALTIES INC.****Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)****For the years ended December 31, 2024 and 2023**Deferred Income Tax

Deferred taxes are a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities.

	2024 \$	2023 \$
Non-capital loss carry-forwards – Canada	7,261,000	7,167,000
Non-capital loss carry-forwards - Mexico	9,822,000	6,305,000
Other temporary differences	239,000	177,000
Total	17,322,000	13,649,000

The Company has approximately \$7,261,000 of non-capital losses in Canada and approximately \$9,822,000 (MXN 141,843,876) of non-capital losses in Mexico which under certain circumstances can be used to reduce the taxable income of future years. The Canadian losses expire from 2027 to 2044 and the Mexican losses expire from 2025 to 2034.

**16. SUBSEQUENT EVENTS**

On January 13, 2025, the Company completed a non-brokered private placement with directors and officers for 5,280,000 shares at \$0.03 per share for proceeds totaling \$158,400. In addition, the Company issued 720,000 shares at \$0.03 per share as debt settlement totaling \$21,600.