

**ROYALTIES INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

*(Unaudited)*

**For the three and six months ended June 30, 2024 and 2023**

(Expressed in US Dollars)

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

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

The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

**ROYALTIES INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

*(Unaudited)*

**For the three and six months ended June 30, 2024 and 2023**

(Expressed in US Dollars)

| <b><i>INDEX</i></b>  | <b><i>PAGE</i></b> |
|--|--------------------|
| Unaudited Condensed Consolidated Interim Statements of Financial Position                  | 1                  |
| Unaudited Condensed Consolidated Interim Statements of Operations and Comprehensive Loss   | 2                  |
| Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency | 3                  |
| Unaudited Condensed Consolidated Interim Statements of Cash Flows                          | 4                  |
| Notes to the Unaudited Condensed Consolidated Interim Financial Statements                 | 5-13               |

**ROYALTIES INC.**  
**Unaudited Condensed Consolidated Interim Statements of Financial Position**  
(Expressed in United States Dollars)

| As at   | Notes | June 30,<br>2024<br>\$ | December 31,<br>2023<br>\$ |
|---|-------|------------------------|----------------------------|
| <b>ASSETS</b>   |       |                        |                            |
| Current assets  |       |                        |                            |
| Cash  |       | 31,409                 | 33,155                     |
| Amounts receivable and other                                    | 4     | 6,404                  | 9,451                      |
| Prepaid expenses  |       | 10,824                 | 6,180                      |
| <b>Total current assets</b>                                     |       | <b>48,637</b>          | <b>48,786</b>              |
| Non-current assets  |       |                        |                            |
| Investment  | 5, 14 | 730,620                | 753,920                    |
| Music royalty assets  | 6     | 311,540                | 323,244                    |
| Exploration properties  | 7     | 1                      | 1                          |
| Mineral royalty interests                                       | 8     | 187,379                | 187,379                    |
| <b>Total non-current assets</b>                                 |       | <b>1,229,540</b>       | <b>1,264,544</b>           |
| <b>Total assets</b>   |       | <b>1,278,177</b>       | <b>1,313,330</b>           |
| <b>LIABILITIES</b>  |       |                        |                            |
| Current liabilities   |       |                        |                            |
| Accounts payable and accrued liabilities                        | 9, 13 | 123,383                | 118,263                    |
| Subscription receipts payable                                   | 10    | 24,340                 | -                          |
| <b>Current liabilities, before the undernoted</b>               |       | <b>147,723</b>         | <b>118,263</b>             |
| Other current liability of subsidiary                           | 16    | 2,000,000              | 2,000,000                  |
| <b>Total current liabilities</b>                                |       | <b>2,147,723</b>       | <b>2,118,263</b>           |
| <b>SHAREHOLDERS' DEFICIENCY</b>                                 |       |                        |                            |
| Share capital   | 10    | 38,573,695             | 38,573,695                 |
| Share-based payment reserve                                     | 12    | 124,267                | 124,267                    |
| Deficit   |       | (39,588,297)           | (39,523,684)               |
| <b>Deficiency attributable to equity holders of the company</b> |       | <b>(890,335)</b>       | <b>(825,722)</b>           |
| Non-controlling interest  | 8     | 20,789                 | 20,789                     |
| <b>Total shareholders' deficiency</b>                           |       | <b>(869,546)</b>       | <b>(804,933)</b>           |
| <b>Total liabilities and shareholders' deficiency</b>           |       | <b>1,278,177</b>       | <b>1,313,330</b>           |

GOING CONCERN (Note 2)

COMMITMENTS AND CONTINGENCIES (Notes 1, 7, 16)

Signed on behalf of the board of directors by:

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

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

ROYALTIES INC.

Unaudited Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

(Expressed in United States Dollars)

|   | Notes | Three months ended |             | Six months ended |             |
|---|-------|--------------------|-------------|------------------|-------------|
|   |       | June 30,           |             | June 30,         |             |
|   |       | 2024               | 2023        | 2024             | 2023        |
|   |       | \$                 | \$          | \$               | \$          |
| Income  |       |                    |             |                  |             |
| Dividend income                                       | 5, 13 | 13,125             | 11,201      | 26,483           | 22,299      |
| Royalty income  |       | 5,732              | 4,309       | 15,774           | 10,423      |
| Interest income                                       |       | -                  | 47          | -                | 47          |
| <b>Total income</b>                                   |       | <b>18,857</b>      | 15,557      | <b>42,257</b>    | 32,769      |
| Operating expenses                                    |       |                    |             |                  |             |
| Corporate expenses                                    |       | 7,014              | 12,951      | 10,207           | 34,096      |
| Professional fees                                     | 13    | 23,190             | 6,541       | 25,490           | 7,202       |
| General and administrative                            |       | 3,312              | 14,508      | 6,817            | 14,633      |
| Exploration and evaluation                            | 7     | 8,294              | 7,333       | 33,609           | 41,550      |
| Amortization of music royalties                       | 6     | 5,852              | 2,644       | 11,704           | 4,212       |
| <b>Total expenses</b>                                 |       | <b>47,662</b>      | 43,977      | <b>87,827</b>    | 101,693     |
| Operating loss before other income (expenses)         |       | (28,805)           | (28,420)    | (45,570)         | (68,924)    |
| Other income (expenses)                               |       |                    |             |                  |             |
| Foreign exchange gain (loss)                          |       | (5,566)            | 20,656      | (19,043)         | 23,057      |
| <b>Net loss and comprehensive loss for the period</b> |       | <b>(34,371)</b>    | (7,764)     | <b>(64,613)</b>  | (45,867)    |
| Net loss per share                                    |       |                    |             |                  |             |
| basic and diluted                                     |       | (0.000)            | (0.000)     | (0.000)          | (0.000)     |
| Weighted average Common Shares outstanding            |       |                    |             |                  |             |
| basic and diluted                                     |       | 216,023,057        | 210,702,508 | 216,023,057      | 206,023,775 |

See accompanying notes to the unaudited condensed consolidated interim financial statements.

ROYALTIES INC.

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency

(Expressed in United States Dollars)

|  | Shares<br>outstanding<br># | Share<br>Capital<br>\$ | Warrants<br>\$ | Share-<br>based<br>payment<br>reserve<br>\$ | Deficit<br>\$       | Attributable<br>to equity<br>holders of<br>the company<br>\$ | Non-<br>controlling<br>interest<br>\$ | Total<br>\$        |
|--|----------------------------|------------------------|----------------|---|---------------------|--|---------------------------------------|--------------------|
| <b>Balance, December 31, 2022</b>      | <b>201,293,057</b>         | <b>37,973,231</b>      | <b>219,637</b> | <b>195,960</b>                              | <b>(39,629,658)</b> | <b>(1,240,830)</b>   | <b>20,789</b>                         | <b>(1,220,041)</b> |
| Stock options expired (Note 12)        | -                          | -                      | -              | (23,933)                                    | 23,933              | -  | -                                     | -                  |
| Shares issued for cash                 | 14,730,000                 | 547,142                | -              | -   | -                   | 547,142  | -                                     | 547,142            |
| Stock options exercised                | -                          | -                      | -              | (47,760)                                    | 47,760              | -  | -                                     | -                  |
| Warrants expired                       | -                          | -                      | (219,637)      | -   | 219,637             | -  | -                                     | -                  |
| Net loss for the period                | -                          | -                      | -              | -   | (45,867)            | (45,867)   | -                                     | (45,867)           |
| <b>Balance as at June 30, 2023</b>     | <b>216,023,057</b>         | <b>38,520,373</b>      | <b>-</b>       | <b>124,267</b>                              | <b>(39,384,195)</b> | <b>(739,555)</b>   | <b>20,789</b>                         | <b>(718,766)</b>   |
| <b>Balance as at December 31, 2023</b> | <b>216,023,057</b>         | <b>38,573,695</b>      | <b>-</b>       | <b>124,267</b>                              | <b>(39,523,684)</b> | <b>(825,722)</b>   | <b>20,789</b>                         | <b>(804,933)</b>   |
| Net loss for the period                | -                          | -                      | -              | -   | (64,613)            | (64,613)   | -                                     | (64,613)           |
| <b>Balance as at June 30, 2024</b>     | <b>216,023,057</b>         | <b>38,573,695</b>      | <b>-</b>       | <b>124,267</b>                              | <b>(39,588,297)</b> | <b>(890,335)</b>   | <b>20,789</b>                         | <b>(869,546)</b>   |

See accompanying notes to the unaudited condensed consolidated interim financial statements.

ROYALTIES INC.

Unaudited Condensed Consolidated Interim Statements of Cash Flows

(Expressed in United States Dollars)

| For the six months ended June 30,                          | Note | 2024<br>\$      | 2023<br>\$       |
|--|------|-----------------|------------------|
| <b>Cash flow from operating activities</b>                 |      |                 |                  |
| Net loss for the period                                    |      | (64,613)        | (45,867)         |
| Unrealized foreign exchange loss (gain) on investment      | 5    | 23,300          | (16,953)         |
| Amortization of music royalties                            | 6    | 11,704          | 4,212            |
| <b>Changes in non-cash working capital</b>                 |      |                 |                  |
| Amounts receivable   |      | 3,047           | 3,258            |
| Prepaid expense  |      | (4,644)         | -                |
| Accounts payable and accrued liabilities                   |      | 5,120           | (32,316)         |
| <b>Net cash provided by (used in) operating activities</b> |      | <b>(26,086)</b> | <b>(87,666)</b>  |
| <b>Financing activities</b>                                |      |                 |                  |
| Subscription receipts                                      |      | 24,340          | (59,067)         |
| Shares issued for debt settlement                          |      | -               | 547,142          |
| <b>Total cash provided by financing activities</b>         |      | <b>24,340</b>   | <b>488,075</b>   |
| <b>Investing activities</b>                                |      |                 |                  |
| Purchase of music royalties                                | 6    | -               | (320,900)        |
| Shares issued for purchase of investment                   |      | -               | (18,532)         |
| <b>Total cash used in investing activities</b>             |      | <b>-</b>        | <b>(339,432)</b> |
| (Decrease) increase in cash                                |      | (1,746)         | 60,977           |
| Cash, beginning of period                                  |      | 33,155          | 13,479           |
| Cash, end of period  |      | 31,409          | 74,456           |

See accompanying notes to the unaudited condensed consolidated interim financial statements.

## **ROYALTIES INC.**

### **Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

#### **(Expressed in United States Dollars)**

#### **For the three and six months ended June 30, 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 believes that the experience of its management and board members will enable it to identify and capitalize upon royalty opportunities. The Company has focused initially 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 has a 2.1% 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) and currently holds a portfolio of approximately 28 cash-flowing music royalties.

The Company also has interests in exploration and evaluation properties located in Mexico, owning a 100% interest (subject to a 1.5% net smelter royalty repurchased in July 2019) 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., 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 unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on August 22, 2024.

These unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except cash flow information.

These financial statements are presented in United States dollars ("USD"), which is also the functional currency of the Company, unless otherwise stated. The determination of functional currency 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.

These unaudited condensed consolidated interim 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.

## **ROYALTIES INC.**

### **Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

#### **(Expressed in United States Dollars)**

#### **For the three and six months ended June 30, 2024 and 2023**

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## **2. BASIS OF PREPARATION AND GOING CONCERN (CONTINUED)**

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 period 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 14).

As at June 30, 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 and the recoverability 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These unaudited condensed consolidated interim financial statements of the Company and its subsidiaries are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below were consistently applied to all the periods presented, unless otherwise noted.

These unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023, prepared in accordance with IFRS and available under the Company's profile on [www.SEDARplus.ca](http://www.SEDARplus.ca).

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

### **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates. There have been no significant changes in the judgments, estimates or assumptions from those disclosed in the Company's audited annual consolidated financial statements for the years ended December 31, 2023 and 2022.



## ROYALTIES INC.

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in United States Dollars)

For the three and six months ended June 30, 2024 and 2023

#### 4. AMOUNTS RECEIVABLE

|                                 | June 30,<br>2024<br>\$ | December 31,<br>2023<br>\$ |
|---------------------------------|------------------------|----------------------------|
| Receivable sales taxes – Canada | 6,404                  | 8,100                      |
| Receivable sales taxes – Mexico | -                      | 32                         |
| Other receivable                | -                      | 1,319                      |
| Total amounts receivable        | 6,404                  | 9,451                      |

#### 5. INVESTMENT

On September 30, 2022, the Company acquired 2,000,000 common shares in Music Royalties Inc. (“MRI”), a private company. The MRI shares had a value of CAD\$0.50 per share amounting to \$721,400 (CAD\$1,000,000). As at June 30, 2024, the estimated fair market value of the royalty acquisition was \$730,620 (December 31, 2023 - \$753,920) (Note 14).

During the three and six months ended June 30, 2024, the Company received dividend income totaling \$13,125 and \$26,483 respectively (CAD\$18,000 and CAD\$36,000) (June 30, 2023 - \$11,201 and \$22,299 respectively (CAD\$15,000 and CAD\$30,000)).

#### 6. MUSIC ROYALTIES

During fiscal 2023, the Company acquired \$339,433 of royalty assets, of which \$320,901 was paid in cash and \$18,533 paid in shares (Note 10).

|   | \$      |
|---|---------|
| <b>Cost</b>                                   |         |
| Balance - December 31, 2022                   | -       |
| Additions                                     | 339,433 |
| Balance - December 31, 2023 and June 30, 2024 | 339,433 |
| <b>Accumulated Amortization</b>               |         |
| Balance - December 31, 2022                   | -       |
| Amortization                                  | 16,189  |
| Balance - December 31, 2023                   | 16,189  |
| Amortization                                  | 11,704  |
| Balance, June 30, 2024                        | 27,893  |
| <b>Net book value - December 31, 2023</b>     | 323,244 |
| <b>Net book value – June 30, 2024</b>         | 311,540 |

During the three and six months ended June 30, 2024, the Company received royalty income from music royalty assets totaling \$5,732 and \$15,774 respectively (June 30, 2023 - \$4,309 and \$10,423).

#### 7. EXPLORATION AND EVALUATION EXPENDITURES

The following table shows the Company’s cumulative exploration and evaluation expenditures:

|        | June 30,<br>2024<br>\$ | Additions<br>\$ | December 31,<br>2023<br>\$ | Additions<br>\$ | December 31,<br>2022<br>\$ |
|--------|------------------------|-----------------|----------------------------|-----------------|----------------------------|
| Bilbao | 23,426,866             | 33,609          | 23,393,257                 | 101,053         | 23,292,204                 |
| Laguna | 7,281,000              | -               | 7,281,000                  | -               | 7,281,000                  |
|        | 30,707,866             | 33,609          | 30,674,257                 | 101,053         | 30,573,204                 |

The Company has previously impaired the carrying values of its exploration properties.

## ROYALTIES INC.

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

#### (Expressed in United States Dollars)

#### For the three and six months ended June 30, 2024 and 2023

#### 7. EXPLORATION AND EVALUATION EXPENDITURES CONTINUED)

##### Bilbao

The Company, through its indirectly 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 8.

##### 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 \$81,000 (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.

#### 8. MINERAL ROYALTY INTERESTS

On April 22, 2020, the Company entered into an agreement to acquire 88% of the shares of Minera Portree de Zacatecas S.A. de C.V. in consideration of the payment of CAD\$56,000, and the issue to the vendors of 2,000,000 shares of the Company. The fair value of the common shares issued of CAD\$99,330, was estimated based on the market price of the shares on the date of issuance. Liabilities of \$14,280 were assumed and a non-controlling interest of \$20,789 was recognized as a result of the purchase. Minera Portree 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 Minera Portree to the 2002 royalty is contested by a third party and Capstone. Minera Portree 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.

#### 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

|                                       | June 30,<br>2024 | December 31,<br>2023 |
|---------------------------------------|------------------|----------------------|
|                                       | \$               | \$                   |
| Trade payable and accrued liabilities | 123,383          | 118,263              |

#### 10. SHARE CAPITAL

##### Common Shares

##### Authorized

Unlimited number of common shares

|  | Shares<br># | Amount<br>\$ |
|--|-------------|--------------|
| Balance as at December 31, 2022                          | 201,293,057 | 37,973,231   |
| Shares issued from the exercise of stock options         | 1,350,000   | 106,586      |
| Shares issued pursuant to acquisition agreement (Note 6) | 500,000     | 18,533       |
| Shares issued for debt settlement                        | 5,400,000   | 199,735      |
| Shares issued for private placement                      | 7,480,000   | 275,610      |
| Balance as at December 31, 2023 and June 30, 2024        | 216,023,057 | 38,573,695   |

**ROYALTIES INC.**  
**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**  
**(Expressed in United States Dollars)**  
**For the three and six months ended June 30, 2024 and 2023**

**10. SHARE CAPITAL (CONTINUED)**

Fiscal 2024

- During the three months ended June 30, 2024, subscription receipts totaling \$24,340 (CAD\$33,333) were received.
- There were no shares issued during the three and six months ended June 30, 2024.

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 \$58,826 (CAD\$81,000) and the fair value of these options totaling \$47,760 was reallocated to share capital.
- On June 20, 2023, the Company closed a non-brokered private placement for gross proceeds of \$68,477 (CAD\$94,000) through the issuance of 1,880,000 shares at CAD\$0.05 per share. An officer of the Company subscribed for a total of 150,000 shares for gross proceeds of approximately \$6,635 (CAD\$7,500).
- On May 11, 2023, the Company invested \$18,533 (CAD\$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 \$406,868 (CAD\$550,000) of which:
  - 5,400,000 shares were issued to MRI as settlement of debt owing by Royalties Inc. in the amount of \$199,735 (CAD\$270,000),
  - A director was issued 5,600,000 shares in the Company to settle share subscription proceeds received between December 2021 and April 2023 totaling \$207,133 (CAD\$280,000).

**11. 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 \$219,637. On April 27, 2023, all 5,000,000 warrants expired and the fair value of these warrants was reallocated to retained earnings.

**12. 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 periods ended June 30, 2024 and December 31, 2023 were as follows:

|   | Options<br>Granted and<br>Exercisable<br># | Estimated<br>Grant Date Fair<br>Value<br>\$ | Exercise Price<br>\$ |
|---|--|---|----------------------|
| Balance as at December 31, 2022                   | 5,800,000                                  | 195,960                                     | CAD\$0.059           |
| Stock options expired                             | (800,000)                                  | (23,933)                                    |                      |
| Stock options exercised                           | (1,350,000)                                | (47,760)                                    |                      |
| Balance as at December 31, 2023 and June 30, 2024 | 3,650,000                                  | 124,267                                     | CAD\$0.06            |

## ROYALTIES INC.

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Expressed in United States Dollars)

For the three and six months ended June 30, 2024 and 2023

#### 12. SHARE-BASED PAYMENT RESERVE (CONTINUED)

As at June 30, 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        | 0.99                            |

On January 30, 2023, 800,000 stock options expired and the grant date fair value of these options totaling \$23,933 was reallocated to retained earnings.

On June 20, 2023, 1,350,000 options were exercised for gross proceeds of \$58,826 (CAD\$81,000) and the grant date fair value of these options totaling \$47,760 was reallocated to retained earnings.

#### 13. 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.

|                   | Three months ended<br>June 30, |           | Six months ended<br>June 30, |           |
|-------------------|--------------------------------|-----------|------------------------------|-----------|
|                   | 2024                           | 2023      | 2024                         | 2023      |
| Dividend income   | \$ 13,125                      | \$ 11,201 | \$ 26,483                    | \$ 22,299 |
| Professional fees | 2,194                          | 2,398     | 4,411                        | 4,608     |

On April 19, 2023, a director was issued 5,600,000 shares in the Company to settle share subscription proceeds received between December 2021 and April 2023 totaling \$207,133 (CAD\$280,000).

On April 19, 2023, 5,400,000 shares were issued to MRI as settlement of debt owing by Royalties Inc. in the amount of \$199,735 (CAD\$270,000). Certain directors and officers of the Company are also directors and officers of MRI.

Included in accounts payable and accrued liabilities as at June 30, 2024, is \$4,958 (CAD\$6,780) (December 31, 2023 - \$5,053 or CAD\$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.

The subsidiaries of the Company as at June 30, 2024 and December 31, 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 |

## ROYALTIES INC.

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

#### (Expressed in United States Dollars)

#### For the three and six months ended June 30, 2024 and 2023

#### 14. 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 periods ended June 30, 2024 and December 31, 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 June 30, 2024, the Company had cash of \$31,409 (December 31, 2023 - \$33,155) to settle current liabilities of \$123,383 (December 31, 2023 - \$118,263), excluding the \$2,000,000 contingent liability of a subsidiary. The Company's accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

##### 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 United States dollar. The Company is therefore subject to gains and losses due to fluctuations in these currencies relative to the US dollar.

As at June 30, 2024 and December 31, 2023, the Company held the following Canadian monetary assets and liabilities:

|  | June 30, 2024 | December 31, 2023 |
|--|---------------|-------------------|
|  | CAD\$         | CAD\$             |
| Cash                                     | 34,653        | 7,659             |
| Marketable securities                    | 1,000,000     | 1,000,000         |
| Amounts receivable                       | 8,688         | 10,884            |
| Accounts payable and accrued liabilities | (143,559)     | (118,480)         |
| Total Canadian monetary assets           | 899,783       | 900,063           |

As at June 30, 2024 and December 31, 2023, the Company held the following Mexican monetary assets and liabilities:

|  | June 30, 2024 | December 31, 2023 |
|--|---------------|-------------------|
|  | MXN           | MXN               |
| Cash                                     | 25,604        | 62,683            |
| Amounts receivable                       | -             | 637               |
| Accounts payable and accrued liabilities | (317,245)     | (496,622)         |
| Total Canadian monetary assets           | (291,641)     | (433,302)         |

## ROYALTIES INC.

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements

#### (Expressed in United States Dollars)

#### For the three and six months ended June 30, 2024 and 2023

#### 14. FINANCIAL INSTRUMENTS (CONTINUED)

A 10% increase (decrease) in the fair value of the Canadian monetary assets as at June 30, 2024 totaling CAD \$899,783 (December 31, 2023 CAD \$900,063) would result in an estimated increase (decrease) in net income (loss) of approximately CAD \$90,000 (December 31, 2023 – CAD \$90,000).

A 10% increase (decrease) in the fair value of the Mexican monetary assets and liabilities as at June 30, 2024 totaling MXN \$(291,641) (December 31, 2023 – MXN \$(433,302)) would result in an estimated increase (decrease) in net income (loss) of approximately MXN \$29,000 (December 31, 2023 – MXN \$43,000).

#### *Fair value of financial instruments*

#### Level 3 Hierarchy

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).

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 during the periods ended June 30, 2024 and December 31, 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 loss.

|                              | June 30,<br>2024 | December 31,<br>2023 |
|------------------------------|------------------|----------------------|
|                              | \$               | \$                   |
| Investments, fair value      |                  |                      |
| Balance, beginning of period | 753,920          | 738,334              |
| Foreign exchange gain (loss) | (23,300)         | 15,586               |
| Balance, end of period       | \$ 730,620       | 753,920              |

There were no transfers between level 2 and 3 during the periods ended June 30, 2024 and December 31, 2023. The investment is comprised of an equity interest in Music Royalties Inc. measured at fair value based on the most recent financing price. The valuation of the private investments is inherently subjective.

A 10% increase (decrease) in the fair value of the investment as at June 30, 2024 would result in an estimated increase (decrease) in net income (loss) of approximately \$73,100 (December 31 2023 - \$75,400) and a one cent change in the USD/CAD exchange rate will result in a corresponding change in the value of investments as at June 30, 2024 of approximately \$7,310 (December 31, 2023 - \$7,539).

#### 15. 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 periods ended June 30, 2024 and December 31, 2023. The Company was not subject to any capital requirements imposed by a lending institution or regulatory body.

## **ROYALTIES INC.**

### **Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

#### **(Expressed in United States Dollars)**

#### **For the three and six months ended June 30, 2024 and 2023**

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#### **16. 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 \$81,000 (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 7.

Under an Indemnity and Guarantee Agreement dated August 11, 2008, entered into in connection with the acquisition by Orca Gold International Ltd. ("Orca Gold"), from Shoshone Silver Mining Company ("Shoshone Silver"), of the shares of Shoshone Mexico S.A. de C.V., ("Shoshone Mexico"), the registered owner of four mining concessions comprising the bulk of the Bilbao property, subject to a 1.5% net smelter royalty, and the beneficial owner of a 25% interest in the Bilbao concessions, Shoshone Silver agreed to indemnify Orca Gold and Shoshone Mexico against any damages or losses suffered from all liabilities and obligations of Shoshone Mexico, in consideration of the agreement by Orca Gold to pay to Shoshone Silver the total sum of \$4,900,000. Of this total amount, \$2,400,000 was paid on the date of transfer of the shares of Shoshone Mexico to Orca Gold in August 2008 and a further \$500,000 was paid one year after the date of the first payment.

The balance of \$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 \$500,000 each, the first such \$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 \$2,400,000 in August 2008 and provided that the remaining balance of \$2,000,000 was to be paid in full no later than ten years after the date of the first payment of \$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.

#### **17. SUBSEQUENT EVENT**

On August 21, 2024 the Company announced a non-brokered private placement up to \$210,000 at \$0.035 per share for 6,000,000 shares which will be used primarily to cover the increased cost of audit and tax professional fees in Canada, property taxes and litigation expenses in Mexico.