

ELEMENTAL ROYALTIES CORP.
(formerly Fengro Industries Corp.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Presented in Canadian Dollars)

FOR THE NINE MONTHS ENDED JUNE 30, 2020

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

The accompanying unaudited condensed interim consolidated financial statements of 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 financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

ELEMENTAL ROYALTIES CORP.

(formerly Fengro Industries Corp.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Presented in Canadian Dollars) - unaudited

AS AT	June 30, 2020	September 30, 2019
ASSETS		
Current		
Cash	\$ 25,034	\$ 53,634
Goods and services tax receivable	1,634	2,861
Prepaid expenses and deposits	-	18,228
Assets held for sale (Note 3)	-	2,366,107
	26,668	2,440,830
Property, equipment and mining properties (Note 6)	-	1,668
Total assets	\$ 26,668	\$ 2,442,498
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 189,140	\$ 386,289
Convertible debenture (Note 11)	-	1,248,708
Loans payable (Note 12)	235,988	223,705
Advance received on disposal of subsidiary (Note 3)	-	168,345
Liabilities held for sale (Note 3)	-	2,047,807
Total liabilities	425,128	4,074,854
Shareholders' deficiency		
Share capital (Note 14)	35,341,401	33,517,917
Equity reserve	4,291,986	4,291,986
Accumulated other comprehensive loss (Note 3)	-	(1,428,954)
Deficit	(40,031,847)	(38,013,305)
Total shareholders' deficiency	(398,460)	(1,632,356)
Total liabilities and shareholders' deficiency	\$ 26,668	\$ 2,442,498

Nature of business and going concern (Note 1)**Subsequent events (Notes 14 and 19)**

The Directors approved and authorized these financial statements on August 28, 2020 and are signed on its behalf by:

"Frederick Bell"

Frederick Bell Director

"Peter Williams"

Peter Williams Director

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

ELEMENTAL ROYALTIES CORP.

(formerly Fengro Industries Corp.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

(Presented in Canadian Dollars) - unaudited

	Three Months Ended		Nine Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
Revenue	\$ -	\$ 443,304	\$ 568,760	\$ 1,046,630
Cost of goods sold	-	(292,394)	(260,414)	(790,241)
Depreciation and depletion	-	(12,992)	(12,235)	(43,884)
	-	137,918	296,111	212,505
Expenses				
Accounting	6,496	30,075	26,935	127,592
Bad debt expense	-	(2,660)	-	23,965
Conference	-	-	-	226
Consulting fees	-	3,019	3,953	30,775
Depreciation (Note 6)	-	6,971	1,668	22,377
Director fees (Note 15)	-	20,000	-	67,865
Insurance	86	7,603	40,898	24,575
Legal fees	62,720	29,500	122,549	64,763
Management fees (Note 15)	11,500	30,063	32,625	93,063
Office and miscellaneous	525	60,765	33,263	245,738
Rent	-	13,059	3,808	65,907
Salaries (Note 15)	-	183,951	281,383	748,398
Selling	-	26,454	45,879	115,402
Shareholder communication	-	619	2,883	15,226
Share-based compensation (Note 14)	-	13,788	-	75,345
Transfer agent & filing fees	8,872	641	25,266	13,384
Travel	-	10,821	1,903	83,175
	(90,199)	(434,669)	(623,013)	(1,817,776)
Loss before other items	(90,199)	(296,751)	(326,902)	(1,605,271)
Other items				
Loss on sale of assets (Note 3)	-	-	(1,634,136)	-
Impairment of exploration and evaluation assets	-	(1,308,374)	-	(1,308,374)
Finance cost (Note 16)	(5,416)	(37,803)	(81,983)	(217,886)
(Loss) gain on reversal of provisions	-	177,392	7,458	177,392
Gain (loss) on foreign exchange	3,711	(8,409)	17,021	(13,298)
Net loss	(91,904)	(1,473,945)	(2,018,542)	(2,967,437)
Other comprehensive loss				
Items that may be reclassified subsequent to income or loss				
Currency translation differences of foreign operations	-	(22,126)	1,428,954	137,766
Comprehensive loss	\$ (91,904)	\$ (1,496,071)	\$ (589,588)	\$ (2,829,671)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.03)	\$ (0.02)	\$ (0.06)
Weighted average number of shares outstanding – basic and diluted	119,900,352	50,051,985	84,976,168	50,051,985

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

ELEMENTAL ROYALTIES CORP.

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Presented in Canadian Dollars) - unaudited

For the nine months ended June 30,	2020	2019
CASH FROM OPERATING ACTIVITIES		
Loss for the period	\$ (2,018,542)	\$ (2,967,437)
Items not affecting cash:		
Finance cost – asset retirement obligation accretion	1,313	2,655
Finance cost – convertible debenture	64,776	96,923
Finance cost – finance lease obligations	1,579	9,266
Finance cost – accretion of acquisition payable	-	6,527
Finance cost – accrued interest on loan payable	12,283	16,144
Reversal of provisions	(7,458)	(177,392)
Impairment of exploration and evaluation assets	-	1,308,374
Depreciation and depletion	13,903	66,261
Share-based compensation	-	75,345
Bad debts	-	23,965
Loss on sale of assets	1,634,136	-
Changes in non-cash working capital items:		
Receivable	(237,974)	66,271
Prepaid expenses and deposits	(21,184)	10,321
Inventories	-	(101,920)
Deferred revenue	225,365	124,448
Accounts payable	(288,334)	705,159
Net cash used in operating activities	(620,137)	(735,090)
CASH FROM INVESTING ACTIVITIES		
Advance received on disposal of subsidiary	79,408	83,303
Acquisition of property, equipment and mining properties	-	(2,039)
Net cash from investing activities	79,408	81,264
CASH FROM FINANCING ACTIVITIES		
Issuance of common shares	510,000	-
Loans received	-	200,000
Repayment of lease obligations	-	(25,866)
Net cash from financing activities	510,000	174,134
Change in cash during the period	(30,729)	(479,692)
Effect of foreign exchange on cash	2,129	8,911
Cash included in assets held for sale	-	(2,591)
Cash, beginning of the period	53,634	559,448
Cash, end of the period	\$ 25,034	\$ 86,076

See Note 18 for supplemental cash flow information

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

ELEMENTAL ROYALTIES CORP.

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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

(Presented in Canadian Dollars) - unaudited

	Number of shares	Share Capital	Equity reserve	Deficit	Accumulated other comprehensive loss	Shareholders' equity (deficiency)
Balance, September 30, 2018	50,051,985	\$ 33,517,917	\$ 4,202,702	\$ (34,833,728)	\$ (1,554,860)	\$ 1,332,031
Share-based compensation	-	-	75,345	-	-	75,345
Net loss for the period	-	-	-	(2,967,437)	-	(2,967,437)
Currency translation differences	-	-	-	-	137,766	137,766
Balance, June 30, 2019	50,051,985	33,517,917	4,278,047	(37,801,165)	(1,417,094)	(1,422,295)
Share-based compensation	-	-	13,939	-	-	13,939
Net loss for the period	-	-	-	(212,140)	-	(212,140)
Currency translation differences	-	-	-	-	(11,860)	(11,860)
Balance, September 30, 2019	50,051,985	33,517,917	4,291,986	(38,013,305)	(1,428,954)	(1,632,356)
Issuance of common shares, convertible debt	5,472,851	1,313,484	-	-	-	1,313,484
Issuance of common shares for cash, net of costs	102,000,000	510,000	-	-	-	510,000
Net loss for the period	-	-	-	(2,018,542)	-	(2,018,542)
Currency translation differences on disposal of subsidiary	-	-	-	-	1,428,954	1,428,954
Balance, June 30, 2020	157,524,836	\$ 35,341,401	\$ 4,291,986	\$ (40,031,847)	\$ -	\$ (398,460)

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

ELEMENTAL ROYALTIES CORP.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended June 30, 2020

(Presented in Canadian Dollars) - unaudited

1. NATURE OF BUSINESS AND GOING CONCERN

Fengro Industries Corp. (the “Company”) was incorporated on March 11, 2004 under the laws of the Province of British Columbia. The Company was engaged in production of phosphate fertilizers, and acquiring, exploring and evaluating mineral properties in Brazil. The Company’s shares are publicly traded on the TSX Venture Exchange under the symbol FGR. The address of the Company’s corporate office is Suite 1100, 1111 Melville Street, Vancouver, British Columbia, Canada.

On October 1, 2014, the Company commenced production of Direct Application Natural Fertilizer (“DANF”) phosphate rock products on the Santiago claim of the Bonfim Project located in the state of Tocantins, Brazil. While the Company has used its best efforts to achieve its business plans by examining various financing alternatives, including raising additional equity financing, estimating future exercises of options and warrants, and considering the cash likely to be generated from future sales, the Company required additional financing for use in operations of its Campos Belos plant and processing facility to the planned capacity. Given difficulties in raising additional equity or other capital, the Company entered into a Share Purchase and Sale agreement and sold the subsidiaries that held its Brazilian assets and liabilities (Note 3) due to the ongoing working capital requirements necessary to continue operations and also repay the outstanding liabilities in Brazil.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business, results of operations and the timing of proposed transactions at this time.

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has a working capital deficiency of \$398,460 and accumulated losses of \$40,031,847. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

These condensed consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPERATION

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the IASB. Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS have been condensed or omitted and these condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended September 30, 2019. These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 28, 2020.

Basis of Presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The condensed consolidated interim financial statements of the Company are presented in Canadian dollars, which is the functional currency of the parent company and its subsidiaries.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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IFRS 16 Adoption

Effective October 1, 2019, the Company has adopted IFRS 16 using the modified retrospective application method where the 2018 comparatives are not restated and the cumulative effect of initially applying IFRS 16 has been recorded on October 1, 2019 for any differences identified, including adjustments to opening shareholders' deficiency balance.

IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-to-use asset ("ROU asset") and a lease liability at the lease commencement for all leases, except for short-term leases (lease terms of 12 months or less) and leases of low value assets.

In applying IFRS 16 for all leases, the Company (i) recognizes the ROU asset and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments; (ii) recognizes the depreciation of ROU assets and interest on lease liabilities in the condensed consolidated interim statement of comprehensive income (loss); and (iii) separates the total amount of cash paid into a principal portion (presented in financing activities) and interest (presented within operating activities) in the condensed consolidated interim statement of cash flows.

In transitioning to IFRS 16, the Company analyzed its contracts to identify whether they contain a lease arrangement. As at October 1, 2019, the Company does not have any leases on its condensed consolidated interim statement of financial position.

3. ASSETS HELD FOR SALE

During the year ended September 30, 2019, the Company entered into a share purchase and sale agreement with Geofoscal Comércio, Indústria, Representações e Transporte de Produtos Agropecuários Ltda. ("Geofoscal") to sell the totality of its interest in the shares of its wholly owned subsidiaries, DuSolo and P-TEC (the "Transaction") for consideration of R\$ 1,000,000 in accordance with the following schedule:

- a) R\$500,000 (\$168,345) on the execution of the agreement which was received during the year ended September 30, 2019.
- b) R\$250,000 on October 15, 2019 (received); and
- c) R\$250,000 on December 13, 2019 (received January 24, 2020 less closing costs of R\$80,000)

In addition to the consideration, the agreement includes a 10 year "tail" whereby if Geofoscal transfers any of its interest in the assets to a third party for a gain of net proceeds, the Company shall be entitled to 50% of such gain of net proceeds.

Management determined the assets and liabilities of DuSolo and PTEC meet the definitions of assets held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Consequently, assets and liabilities of DuSolo and PTEC were classified as a disposal group.

In accordance with IFRS 5, on the reclassification of disposal groups as assets held for sale and discontinued operations, the Company remeasured the net assets of DuSolo and PTEC to fair value less costs of disposal. During the year ended September 30, 2019, an impairment of \$1,612,149 was recognized against exploration and evaluation assets (Note 7), which is included in the statement of comprehensive loss for the year ended September 30, 2019.

The Transaction was completed on January 24th, 2020 and the Company recognized a loss on sale of assets of \$1,634,136, which included accumulated other comprehensive loss of \$1,428,954 related to the cumulative translation allowance on the Company's disposal group.

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For the period ended June 30, 2020

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	September 30, 2019
Assets held for sale	
Cash	\$ 41,890
Current portion of accounts receivable (Note 4)	332,553
Inventory (Note 5)	238,143
Prepaid expenses and deposits	62,080
	674,666
Accounts receivable (Note 4)	367,560
Property, equipment, and mining properties (Note 6)	770,128
Exploration and evaluation assets (Note 7)	553,753
	2,366,107
Total assets held for sale	\$ 2,366,107
Liabilities held for sale	
Accounts payable and accrued liabilities (Note 8)	\$ 1,900,392
Current portion of finance lease obligation (Note 10)	29,382
Deferred revenue	82,376
	2,012,150
Asset retirement obligation (Note 13)	25,174
Finance lease obligation (Note 10)	10,483
	2,047,807
Total liabilities held for sale	\$ 2,047,807

4. ACCOUNTS RECEIVABLE

	June 30, 2020	September 30, 2019
Trade receivables	\$ -	\$ 305,645
Brazilian tax receivable	-	394,468
	-	700,113
Non-current portion transferred to assets held for sale (Note 3)	-	(367,560)
Current portion transferred to assets held for sale (Note 3)	-	(332,553)
Current portion	\$ -	\$ -

5. INVENTORY

	June 30, 2020	September 30, 2019
Finished products	\$ -	\$ 175,523
Process material stockpiles	-	62,620
Transferred to assets held for sale (Note 3)	-	(238,143)
Total	\$ -	\$ -

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Presented in Canadian Dollars) - unaudited

6. PROPERTY, EQUIPMENT, AND MINING PROPERTIES

	Leasehold Improvement	Office furniture and equipment	Processing and field equipment	Computer equipment and software	Vehicles under finance lease	Mining properties	Total
Cost							
Balance, September 30, 2018	\$ 6,377	\$ 11,450	\$ 289,435	\$ 27,966	\$ 234,477	\$ 701,980	\$ 1,217,685
Current year additions	-	2,001	-	-	-	-	2,001
Movement in foreign exchange	(73)	(224)	(3,327)	113	(2,694)	(8,066)	(14,271)
Transferred to assets held for sale (Note 3)	(6,304)	(8,512)	(286,108)	(24,743)	(231,783)	(693,914)	(1,251,364)
Balance, September 30, 2019	-	4,715	-	3,336	-	-	8,051
Current year additions	-	-	-	-	-	-	-
Movement in foreign exchange	-	-	-	-	-	-	-
Balance, June 30, 2020	-	4,715	-	3,336	-	-	8,051
Accumulated Depreciation							
Balance, September 30, 2018	6,377	6,218	113,232	14,890	160,648	95,499	396,864
Depreciation expense	-	1,133	30,885	5,960	22,692	41,626	102,296
Movement in foreign exchange	(73)	(87)	(3,575)	(126)	(3,517)	(2,158)	(11,541)
Transferred to assets held for sale (Note 3)	(6,304)	(2,549)	(140,542)	(19,056)	(179,823)	(134,967)	(481,236)
Balance, September 30, 2019	-	4,715	-	1,668	-	-	6,383
Depreciation expense	-	-	-	1,668	-	-	1,668
Movement in foreign exchange	-	-	-	-	-	-	-
Balance, June 30, 2020	-	4,715	-	3,336	-	-	8,051
Carrying value, September 30, 2019	\$ -	\$ -	\$ -	\$ 1,668	\$ -	\$ -	\$ 1,668
Carrying value, June 30, 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended June 30, 2020

(Presented in Canadian Dollars) - unaudited

7. EXPLORATION AND EVALUATION ASSETS

The schedule below summarizes the carrying costs of acquisition costs and all deferred exploration costs incurred to date for the Company's mineral property interests:

	June 30, 2020	September 30, 2019
Balance, opening	\$ -	\$ 2,568,138
Current year additions	-	-
Total exploration and evaluation expenditures	-	2,568,138
Movement in foreign exchange	-	133,353
Disposals	-	(535,589)
Impairment write-down	-	(1,612,149)
Transferred to assets held for sale (Note 3)	-	(553,753)
Balance, closing	\$ -	\$ -

Bonfim Property

During the year ended September 30, 2012, the Company entered into an investment agreement to acquire mineral claims in an area located in the state of Tocantins, Brazil ("Bonfim property" or "Bonfim"). Under the agreement, the Company acquired a 75% interest in P-Tec Agro Mineraçao Spe Ltda. ("P-Tec"), which held a 100% interest in Bonfim, through payments of \$116,910 (R\$250,000). During the year ended September 30, 2014, upon deeming technical feasibility of one of the mineral claims and obtaining regulatory approval from the Brazilian government to commence commercial production, the Company acquired the remaining 25% of P-Tec by entering into a new purchase agreement and recognizing the acquisition payable (Note 9).

During the year ended September 30, 2019, the Company entered into an amending agreement with the vendor, whereby the Company relinquished to the vendor one concession deemed to have limited further exploration potential, valued at \$535,589, in exchange for the settlement of the remaining balance of the acquisition payable (Note 9). During the year ended September 30, 2018, the Company wrote-off \$44,554 relating to the excess carrying amount of the subsequently disposed of concession.

During the year ended September 30, 2019, upon remeasurement of its assets to fair value, the Company recognized impairment of \$1,612,149 on its exploration and evaluation assets (Note 3).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2020	September 30, 2019
Trade payables	\$ 189,140	\$ 920,365
Payroll liabilities	-	467,015
Financing and goods and services taxes	-	899,301
Transferred to liabilities held for sale (Note 3)	-	(1,900,392)
Total	\$ 189,140	\$ 386,289

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended June 30, 2020

(Presented in Canadian Dollars) - unaudited

9. ACQUISITION PAYABLE

During the year ended September 30, 2019, the Company settled the remaining amount payable, with a carrying value of \$535,589, through the issuance of one exploration concession. The movement during the period was:

	September 30, 2019
Balance at the beginning of the period	\$ 491,088
Accretion and interest	6,527
Settlement	(535,589)
Foreign exchange impact	37,974
Balance at the end of the period	\$ -

10. FINANCE LEASE OBLIGATION

As at June 30, 2020, there were no finance lease obligations outstanding. As at September 31, 2019, the Company's Brazilian subsidiary has financing leases for vehicles and the obligation outstanding was \$39,865.

The following is reconciliation of the changes in the finance lease obligations to financing cash flows:

	June 30, 2020	September 30, 2019
Balance, beginning of the period	\$ -	\$ 66,628
Payments made for lease obligation under finance lease	-	(34,678)
Finance cost – lease interest	-	6,613
	-	38,563
Foreign exchange	-	1,302
Current portion transferred to liabilities held for sale (Note 3)	-	(29,382)
Non-current portion transferred to liabilities held for sale (Note 3)	-	(10,483)
Balance, end of the period	\$ -	\$ -

11. CONVERTIBLE DEBENTURE

On October 1, 2015, the Company closed a convertible debenture financing, issuing unsecured convertible debentures of \$750,000. The debenture holder had the right to convert the principal amount together with all interest accrued and establishment fee into common shares and warrants of the Company up to the maturity date of September 30, 2016 (the "Maturity Date") at a conversion price of \$1.00 per unit. Each unit consists of one common share and one-half warrant. The debentures were subject to a one-time establishment fee of 5% and bear interest at 10% per annum, payable annually in arrears from the date of issue to the Maturity Date.

The proceeds of the debentures were allocated between equity and liability components by determining the estimated fair value of the liability component and applying the residual balance to the equity component. The fair value interest rate was estimated at 21% (for a liability without the conversion feature) and resulted in an initial fair value of the liability component of \$712,810 and a residual value of \$37,190 assigned to the equity component which was recorded in equity reserve.

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After initial recognition the liability component is carried on an amortized cost basis and will be accreted to its face amount over the term to maturity of the convertible debenture at an effective interest rate of 21%.

On September 29, 2016, the Company and the lender agreed to extend the maturity of the convertible debenture to October 31, 2016. On October 28, 2016, the Company and the lender of the convertible debenture agreed to extend the maturity of the convertible debenture to November 30, 2016. On November 30, 2016, the Company and the lender agreed to further extend the maturity of the convertible debenture to December 15, 2016. In each case, all of the key terms and conditions remained unchanged.

On December 7, 2016, the Company and the lender of the convertible debenture entered into an Amendment Agreement of the convertible debenture. Under the terms of the Amendment, the revised loan principal was \$876,267. The loan bears establishment fee of 5% and annual interest rate of 10% and matures on December 6, 2017. The lender has the right to convert the full outstanding balance into a unit for \$0.50 per unit. Each unit includes one common share and one half of one share purchase warrant at an exercise price of \$0.65. The amendment resulted in an extinguishment of the original instrument and the recognition of a new amended and restated promissory note valued using an effective interest rate of 21%.

On December 7, 2017, the Company and the lender entered into an agreement to extend the maturity of the convertible debenture to March 31, 2018. The instrument will maintain its 10% interest rate and the Company will incur an additional establishment fee of 2% on the balance at the time of extension of \$1,006,267. The Company subsequently negotiated a series of extensions to the convertible debenture, extending the maturity to June 12, 2018 without changing the terms and conditions of the loan.

On June 12, 2018, the Company and the lender of the convertible debenture entered into a second amending agreement of the convertible debenture. Under the terms of the second amendment, the revised loan principal was \$1,079,876. The loan bears an annual interest rate of 12% and matures on September 12, 2018. The lender has the right to convert the full outstanding balance into a unit for \$0.24 per unit. Each unit includes one common share and one half of one share purchase warrant at an exercise price of \$0.32. The amendment resulted in an extinguishment of the original instrument and the recognition of a new amended and restated promissory note valued using an effective interest rate of 21%. On September 12, 2018, the Company and the lender agreed to further extend the maturity of the convertible debenture to December 12, 2018 without changing the terms and conditions of the loan. The Company subsequently negotiated a series of extensions to the convertible debenture, extending the maturity to July 31, 2019 without changing the terms and conditions of the loan.

On March 20, 2020, the lender elected to exercise its right to convert the convertible debenture resulting in the issuance of 5,472,851 common shares of the Company. In addition, the lender waived its right to receive the warrants.

The movement in the note during the period was as follows:

	June 30, 2020	September 30, 2019
Balance, opening	\$ 1,248,708	\$ 1,119,122
Accretion and interest (Note 16)	64,776	129,586
Exercised for common shares	(1,313,484)	-
Balance, closing	\$ -	\$ 1,248,708

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(Presented in Canadian Dollars) - unaudited

12. LOANS PAYABLE

During the year ended September 30, 2019, the Company entered into a loan facility agreement with two parties whereby it may draw up to \$100,000 from each party to be repaid on May 31, 2019. The loan includes a 5% lending fee, bears interest at 10% per annum, to be increased to 15% on any overdue amounts. The Company is currently in default on the loan facilities.

	June 30, 2020	September 30, 2019
Balance, opening	\$ 223,705	\$ 200,000
Accretion and interest	12,283	23,705
Balance, closing	\$ 235,988	\$ 223,705

Subsequent to June 30, 2020, the loan facility was settled (Note 19).

13. ASSET RETIREMENT OBLIGATION

Management's estimate of the asset retirement obligation at June 30, 2020 was \$nil (September 30, 2019 - \$25,174) due to the disposition of Dusolo and P-Tec (Note 3). The present value of the obligation was calculated using a risk-free interest rate of 10%, an expected remaining life of 11 years, and an inflation rate of 4.1%. The undiscounted expected asset reclamation obligation is US\$42,000.

	June 30, 2020	September 30, 2019
Balance, opening	\$ -	\$ 20,575
Accretion of assessed obligation (Note 16)	-	5,220
Foreign exchange	-	(621)
Transferred to liabilities held for sale (Note 3)	-	(25,174)
Balance, closing	\$ -	\$ -

14. SHARE CAPITAL**Authorized**

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

Share activities

During the period ended June 30, 2020, the Company:

- a) on January 22, 2020, closed the first tranche of a private placement by issuing 82,000,000 common shares at a price of \$0.005 per common share for gross proceeds of \$410,000; and
- b) on February 26, 2020, closed the second and final tranche of a private placement by issuing 20,000,000 common shares at a price of \$0.005 per common share for gross proceeds of \$100,000.

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- c) on March 20, 2020, Tembo Capital Mining Fund LP elected to exercise its right to convert the convertible debenture (Note 10). As a result, the Company issued 5,472,851 common shares of the Company at a price of \$0.24 per share.

Warrants

Each whole warrant entitles the holder to purchase one common share of the Company. A summary of warrant activity during the period ended March 31, 2020 is as follows:

	Number of Warrants	Weighted Average Exercise Price \$
Balance, September 30, 2018	4,151,489	0.31
Expired	(3,828,573)	0.32
Balance, September 30, 2019	322,916	0.32
Expired	(322,916)	0.32
Balance, June 30, 2020	-	-

Stock Options

The Company has a stock option plan under which it is authorized to grant options for the acquisition of its common shares to directors, employees and consultants up to a maximum of 10% of the issued and outstanding common shares of the Company at the time the plan was adopted. The exercise price shall not be less than the market price of the Company's shares as at the grant date. The options may be granted for a maximum term of five years. Options granted to directors, employees and consultants, other than consultants engaged in investor relations activities, will vest fully upon the expiry of the hold period of four months from the grant date unless otherwise determined by the board of directors. Options granted to consultants engaged in investor relations activities will vest in stages over a minimum period of twelve months.

The Company did not grant stock options during the period ended June 30, 2020 (September 2019 – nil).

Stock option activity for the period ended June 30, 2020 is as follows:

	Number of Stock Options	Weighted Average Exercise Price \$
Balance, September 30, 2018	3,129,500	0.41
Expired / forfeited	(340,000)	0.57
Balance, September 30, 2019	2,789,500	0.39
Expired / forfeited	(364,500)	0.71
Balance, June 30, 2020	⁽¹⁾ 2,425,000	0.34
Exercisable, June 30, 2020	2,425,000	0.34

⁽¹⁾ Subsequent to June 30, 2020, all stock options were cancelled.

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The weighted average remaining contractual life of the outstanding options was 2.5 years. Details of stock options outstanding is as follows:

Expiry Date	Exercise Price \$	Number Outstanding	Number Exercisable
May 31, 2021	0.50	335,000	335,000
November 23, 2021	0.50	40,000	40,000
March 8, 2022	0.50	50,000	50,000
July 4, 2022	0.50	50,000	50,000
January 14, 2023	0.30	1,950,000	1,950,000
		2,425,000	2,425,000

15. RELATED PARTY TRANSACTIONS

A number of key management personnel, consisting of the directors, CEO, CFO, or their related parties, hold positions in other entities. All related party transactions are recorded at the exchange amount that is the amount agreed to by the Company and the related party.

The aggregate value of transactions with related parties was as follows:

An entity with significant influence (the "Entity") and a director in common loaned \$750,000 to the Company in 2015 which has been extended in 2018 and 2017 (Note 11) of which was converted into common shares of the Company.

During the year ended September 30, 2019, the Entity provided a loan in the amount of \$100,000 (Note 12). As at March 31, 2020, the amount owing, including interest was \$115,494.

As at June 30, 2020, \$26,500 (September 30, 2019 - \$141,925) was owed to a company with a common director of Fengro and is included in accounts payable and accrued liabilities. The amount payable to related parties is due on demand, unsecured and is non-interest bearing.

Key Management Personnel Compensation

Period ended June 30, 2020:

Compensation	Salaries	Management fees	Director fees	Share-based payments	Total
CEO	\$ 260,260	\$ -	\$ -	\$ -	\$ 260,260

Period ended June 30, 2019:

Compensation	Salaries	Management fees	Director fees	Share-based payments	Total
CEO	\$ 158,600	\$ -	\$ -	\$ 12,183	\$ 170,783
CFO	-	48,000	-	5,483	53,483
Directors	-	-	40,000	25,576	65,576
Former Director	-	-	7,865	6,542	14,407
Total	\$ 158,600	\$ 48,000	\$ 47,865	\$ 49,784	\$ 304,249

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16. FINANCE COST

	June 30, 2020	March 31, 2019
Accretion and interest on convertible debt (Note 11)	\$ 64,776	\$ 64,615
Loans payable (Note 12)	12,283	356
Finance cost - acquisition payable accretion	-	6,527
Finance cost – lease interest (Note 10)	-	5,965
Accretion on ARO (Note 13)	-	1,605
Regulatory fees and interest	4,924	101,015
	\$ 81,983	\$ 180,083

17. SEGMENTED INFORMATION

The Company's revenues of \$568,760 (2019 - \$603,326) are all attributable to Brazil where sales are recorded from shipments of DANF products from the Bonfim Project.

Geographical information relating to the Company is as follows:

	Canada \$	Brazil \$	Total \$
As at June 30, 2020			
Total assets	25,034	-	25,034
Total liabilities	425,128	-	425,128
Revenue	-	568,760	568,760
Gross profit	-	296,111	296,111
Net (loss) gain	(2,188,944)	170,402	(2,018,542)
As at September 30, 2019			
Total assets	76,391	2,366,107*	2,422,498
Total liabilities	2,027,047	2,047,807*	4,074,854
Revenue	-	2,202,438	2,202,438
Gross profit	-	790,430	790,430
Net loss	(820,914)	(2,358,663)	(3,179,577)

*Represent balances included in assets and liabilities held for sale at September 30, 2019

18. SUPPLEMENTAL CASH FLOW INFORMATION

The Company had the following non-cash transactions:

	June 30, 2020	June 30, 2019
Acquisition payable settled with exploration and evaluation assets	\$ -	\$ 535,589
Settlement of convertible debenture for common shares (Note 11)	1,313,484	-

There was no cash paid for interest or income taxes during the periods ended June 30, 2020 and 2019.

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19. SUBSEQUENT EVENTS

On July 27, 2020, Elemental Royalties Corp. (“Elemental”) completed the previously announced business combination resulting in the reverse takeover of Fengro by Elemental Royalties Limited (the “Transaction”).

As a condition to the completion of the Transaction, Fengro changed its name to “Elemental Royalties Corp.” and consolidated its share capital (the “Consolidation”) on the basis of 209 (old) common shares for 1 (new) common share. All references to shares or per share amounts in these financial statements are pre-Consolidation unless otherwise stated. Immediately following the Consolidation, Fengro had an aggregate of 753,706 common shares outstanding. Pursuant to the terms of the Transaction all outstanding securities of Elemental Royalties Limited, a British Virgin Island company, were exchanged (the “Share Exchange”) for post-Consolidation securities of Elemental on a 4.8114 for 1 basis, resulting in 22,664,788 Elemental common shares being issued to former shareholders of Elemental Royalties Limited. Further details regarding the Transaction can be found in the Filing Statement (the “Filing Statement”) dated July 15, 2020 and filed under Elemental’s profile on SEDAR at www.sedar.com. The parties to the Transaction have made their final submission to the TSX Venture Exchange (the “Exchange”) in connection with the Exchange’s issuance of its listing bulletin.

On August 4, 2020, Elemental entered into a settlement agreement with Tembo Mining Capital Fund LP (“Tembo”) whereby 65,996 post-Consolidation common shares were agreed to be issued to settle \$115,494 of debt incurred pursuant to a loan made to Fengro in March 2019 (Note 12). The debt was comprised of \$100,000 of principal, a \$5,000 establishment fee and \$10,494 of interest. The issuance of the shares is subject to TSX Venture Exchange approval.

An additional amount of \$115,494 was paid on August 19, 2020 to settle the remaining \$100,000 of principal, \$5,000 of establishment fee and \$10,494 of interest that was due to an arms’ length party.