



**ELEMENTAL ALTUS ROYALTIES CORP.**  
(formerly Elemental Royalties Corp.)

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
For the three and six months ended June 30, 2023 and 2022  
(Unaudited - Expressed in US Dollars)

**ELEMENTAL ALTUS ROYALTIES CORP.**  
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
As at June 30, 2023 and December 31, 2022  
(Unaudited - Expressed in thousands of US Dollars)

	Notes	June 30, 2023 \$'000	December 31, 2022 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		10,817	17,478
Accounts receivable and other	3	2,931	2,890
Held-for-sale assets	16	19,880	19,864
<b>Total current assets</b>		<b>33,628</b>	<b>40,232</b>
<b>Non-current assets</b>			
Stream and royalty interests	4	102,852	101,278
Exploration and evaluation assets	5	3,475	2,757
Equipment and right-of-use assets		157	193
Investments in associates	6	41,591	40,255
Investments	7	1,459	1,213
Total non-current assets		149,534	145,696
<b>Total assets</b>		<b>183,162</b>	<b>185,928</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	1,616	2,441
Held-for-sale liabilities	16	4,901	4,952
<b>Total current liabilities</b>		<b>6,517</b>	<b>7,393</b>
<b>Non-current liabilities</b>			
Borrowings	9	30,000	30,000
Deferred tax liability		1,926	2,070
Lease liabilities		29	38
Total non-current liabilities		31,955	32,108
<b>Total liabilities</b>		<b>38,472</b>	<b>39,501</b>
<b>Equity</b>			
Share capital	10	166,564	165,038
Contributed surplus		7,213	6,987
Accumulated other comprehensive income ("AOCI")		324	340
Deficit		(29,411)	(25,938)
<b>Total equity</b>		<b>144,690</b>	<b>146,427</b>
<b>Total liabilities and equity</b>		<b>183,162</b>	<b>185,928</b>

Nature of operations (Note 1)  
Commitments (Note 15)  
Subsequent events (Note 18)

**Approved by the Board of Directors on August 17, 2023**

Frederick Bell, CEO/Director      *"Frederick Bell"*  
  
Martin Turenne, Director      *"Martin Turenne"*

**ELEMENTAL ALTUS ROYALTIES CORP.**

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the Six Months Ended June 30, 2023 and 2022.

(Unaudited - Expressed in thousands of US Dollars)

	Notes	Three months ended		Six months ended	
		2023	2022	2023	2022
		\$'000	\$'000	\$'000	\$'000
Revenue from royalty interests	4	2,600	2,082	5,406	4,277
<b>Total Revenue</b>		<b>2,600</b>	<b>2,082</b>	<b>5,406</b>	<b>4,277</b>
Depletion of stream and royalty interests		(1,694)	(1,258)	(3,569)	(2,424)
<b>Gross profit</b>		<b>906</b>	<b>824</b>	<b>1,837</b>	<b>1,853</b>
General and administrative expenses	11	(1,519)	(732)	(3,456)	(1,364)
Impairment Charge		(3)	-	(127)	-
Share-based compensation expense	10	(207)	(56)	(226)	(113)
Share of profit of associate	6	977	-	1,186	-
Hostile takeover bid expenses		-	(412)	-	(926)
Transaction and integration expenses		-	(741)	-	(741)
Loss on disposal	17	(962)	-	(962)	-
<b>Loss from operations</b>		<b>(808)</b>	<b>(1,117)</b>	<b>(1,748)</b>	<b>(1,291)</b>
<b>Other income and expenses</b>					
Interest income		3	4	33	6
Interest and finance expenses		(676)	(783)	(1,296)	(1,538)
Fair value gain on investments	7	307	-	123	-
Foreign exchange (loss)		(48)	(188)	(13)	(177)
Other income		88	-	427	-
<b>Loss before income taxes</b>		<b>(1,134)</b>	<b>(2,084)</b>	<b>(2,474)</b>	<b>(3,000)</b>
Tax expense		(246)	(268)	(534)	(559)
<b>Net loss for the period of continuing operations</b>		<b>(1,380)</b>	<b>(2,352)</b>	<b>(3,008)</b>	<b>(3,559)</b>
Net loss of discontinued operations	16	(177)	-	(465)	-
<b>Total net loss</b>		<b>(1,557)</b>	<b>(2,352)</b>	<b>(3,473)</b>	<b>(3,559)</b>
<b>Other comprehensive profit /(loss)</b>					
Items that may be reclassified subsequently to profit and loss:					
Foreign currency translation adjustment		78	17	(16)	17
<b>Other comprehensive loss</b>		<b>78</b>	<b>17</b>	<b>(16)</b>	<b>17</b>
<b>Total comprehensive loss</b>		<b>(1,479)</b>	<b>(2,335)</b>	<b>(3,489)</b>	<b>(3,542)</b>
<b>Loss per share – basic and diluted</b>					
Discontinued operations		(0.00)	-	(0.00)	-
Continuing operations		(0.01)	(0.03)	(0.02)	(0.05)
Total net loss		(0.01)	(0.03)	(0.02)	(0.05)
Weighted average number of shares outstanding –basic and diluted		182,484,172	78,266,221	182,025,032	73,705,586

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

**ELEMENTAL ALTUS ROYALTIES CORP.**  
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Six Months Ended June 30, 2023 and 2022.  
(Unaudited - Expressed in thousands of US Dollars)

Title	Note	Three months ended		Six months ended	
		2023	2022	2023	2022
		\$'000	\$'000	\$'000	\$'000
<b>Operating activities</b>					
Net loss for the period		(1,557)	(2,352)	(3,473)	(3,559)
<i>Adjustments for:</i>					
Depletion of royalty interests	4	1,694	1,258	3,569	2,424
Depreciation of property, plant and equipment		20	-	44	-
Impairment charge		3	-	127	-
Accounts receivable impairment		41	-	41	-
Unrealized foreign exchange		19	(97)	(126)	(44)
Share-based compensation expense	10	207	56	226	113
Loss on disposal of subsidiary	17	962	-	962	-
Fair value gain on investments	7	(307)	-	(123)	-
Share of profit of associate	6	(977)	-	(1,186)	-
Interest income		(3)	(4)	(33)	(6)
Interest and finance expenses		676	783	1,296	1,538
		778	(356)	1,324	466
<b>Changes in non-cash working capital items:</b>					
Accounts receivable and other		297	97	(79)	276
Accounts payable and accrued liabilities		(379)	211	(1,130)	365
<b>Net cash (used in) provided by operating activities</b>		696	(48)	115	1,107
<b>Investing activities</b>					
Purchase of royalty interests		(361)	-	(3,842)	-
Investment in exploration assets		(715)	-	(1,508)	-
Purchase of stream interest		-	(11,000)	-	(11,377)
Payment for acquisition of associate	6	(2,004)	-	(2,004)	-
Purchase of PPE		(1)	-	(18)	-
Loss of cash on disposal on subsidiary		(9)	-	(9)	-
Distribution from associate	6	1,399	-	1,911	-
<b>Cash used in investing activities</b>		(1,691)	(11,000)	(5,470)	(11,377)
<b>Financing activities</b>					
Proceeds from issue of shares		-	-	-	11,196
Share issue costs		-	-	-	(147)
Interest received		3	4	33	6
Interest paid		(595)	(653)	(1,296)	(1,278)
Payments for finance lease		(31)	-	(30)	-
<b>Net cash provided by financing activities</b>		(623)	(649)	(1,293)	9,777
<b>Exchange differences on cash and cash equivalents</b>		(48)	120	(13)	63
Change in cash and cash equivalents		(1,666)	(11,577)	(6,661)	(430)
Cash and cash equivalents, beginning of the period		12,483	17,257	17,478	6,110
<b>Cash and cash equivalents, end of the period</b>		<b>10,817</b>	<b>5,680</b>	<b>10,817</b>	<b>5,680</b>

Supplemental cash flow information (Note 14)

**ELEMENTAL ALTUS ROYALTIES CORP.**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Six Months Ended June 30, 2023 and 2022.

(Unaudited - Expressed in thousands of US Dollars)

	Ordinary shares #	Share capital \$'000	Contributed Surplus \$'000	AOCI \$'000	Deficit \$'000	Total Equity \$'000
Balance as at December 31, 2021	68,991,221	56,437	1,717	43	(7,727)	50,470
Issued during the period:						
For cash	9,275,000	11,196	-	-	-	11,196
Less: other cash issuance costs	-	(122)	-	-	-	(122)
Share-based compensation expense	-	-	113	-	-	113
Loss and comprehensive loss for the period	-	-	-	17	(3,559)	(3,542)
<b>Balance as at June 30, 2022</b>	<b>78,266,221</b>	<b>67,511</b>	<b>1,830</b>	<b>60</b>	<b>(11,286)</b>	<b>58,115</b>
Balance as at December 31, 2022	180,886,010	165,038	6,987	340	(25,938)	146,427
Issued during the period (Note 4):						
Pursuant to acquisition of royalty assets	1,598,162	1,547	-	-	-	1,547
Less: other cash issuance costs	-	(21)	-	-	-	(21)
Share-based compensation expense	-	-	226	-	-	226
Loss and comprehensive loss for the period	-	-	-	(16)	(3,473)	(3,489)
<b>Balance as at June 30, 2023</b>	<b>182,484,172</b>	<b>166,564</b>	<b>7,213</b>	<b>324</b>	<b>(29,411)</b>	<b>144,690</b>

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

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

For the Six Months Ended June 30, 2023 and 2022.

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

**1. NATURE OF OPERATIONS**

Elemental Altus Royalties Corp. (the "Company" or "Elemental") was incorporated (as Elemental Royalties Corp.) on March 11, 2014, under the laws of the Province of British Columbia. The Company is primarily involved in the acquisition and generation of precious metal royalties. The registered office address is Suite 1020, 800 West Pender Street, Vancouver, British Columbia, Canada. The Company's common shares trade on the TSX Venture Exchange under the ticker symbol "ELE" and the OTCQX market under the trading symbol "ELEM".

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least twelve months from June 30, 2023.

**2. BASIS OF PRESENTATION****(A) Statement of compliance**

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2022.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2022. There was no material impact on the financial statements from new accounting standards or amendments to accounting standards, effective January 1, 2023.

The condensed interim consolidated financial statements are presented in US Dollars. The notation "\$" represents US dollars, "C\$" represents Canadian dollars, and A\$ represents Australian dollars.

The condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on August 17, 2023.

**(B) Basis of consolidation**

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

Name	Country of Incorporation	Functional Currency	% Equity Interest as at	
			June 30, 2023	December 31, 2022
Elemental Royalties Limited	BVI	US Dollar	100	100
Elemental One Limited	BVI	US Dollar	100	100
Elemental Royalties (Australia) Pty Ltd	Australia	US Dollar	100	100
Elemental Resources Limited	England & Wales	Pound Sterling	100	100
Altus Strategies Limited	England & Wales	US Dollar	100	100
Altus Exploration Management Limited	England & Wales	Pound Sterling	100	100
Akh Gold Limited	England & Wales	Pound Sterling	100	100
Akh Gold Limited (branch)	Egypt	Egyptian Pound	100	100
LGC Exploration Mali SARL	Mali	West African Franc	100	100

**(C) Critical accounting estimates and judgements**

The Company uses the same critical accounting estimates and judgements as those that applied to the annual consolidated financial statements for the year ended December 31, 2022.

**ELEMENTAL ALTUS ROYALTIES CORP.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2023 and 2022.

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

**(D) New accounting standards adopted**New accounting standards effective in 2023

There was no material impact on the financial statements from new accounting standards or amendments to accounting standards, effective January 1, 2023.

New accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material impact on the Company's current or future reporting periods.

**3. ACCOUNTS RECEIVABLE AND OTHER**

	<b>June 30, 2023 \$'000</b>	<b>December 31, 2022 \$'000</b>
Trade receivable	3	43
Accrued royalty income	2,422	2,083
Prepaid expenses and other assets	217	359
Amounts due from related parties	254	242
GST/VAT receivable	35	163
<b>Total accounts receivable and other</b>	<b>2,931</b>	<b>2,890</b>

**ELEMENTAL ALTUS ROYALTIES CORP.**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2023 and 2022.

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

**4. STREAM AND ROYALTY INTERESTS**

As of and for the six months ended June 30, 2023

	COST					ACCUMULATED DEPLETION				Carrying Amount \$'000
	Opening \$'000	Additions \$'000	Impair- ment \$'000	Disposal \$'000	Ending \$'000	Opening \$'000	Depletion \$'000	Disposal \$'000	Ending \$'000	
<b>Amancaya</b>										
<i>Chile</i>	3,614	-	-	-	3,614	2,706	256	-	2,962	652
<b>Ballarat</b>										
<i>Australia</i>	5,625	-	-	-	5,625	339	647	-	986	4,639
<b>Bonikro</b>										
<i>Côte d'Ivoire</i>	12,405	-	-	-	12,405	29	148	-	177	12,228
<b>Karlawinda</b>										
<i>Australia</i>	37,166	-	-	-	37,166	3,894	1,426	-	5,320	31,846
<b>Kwale</b>										
<i>Kenya</i>	943	-	(124)	-	819	819	-	-	819	-
<b>Laverton</b>										
<i>Australia</i>	16,071	-	-	-	16,071	-	-	-	-	16,071
<b>Mercedes</b>										
<i>Mexico</i>	999	-	-	-	999	69	56	-	125	874
<b>Mount Pleasant</b>										
<i>Australia</i>	476	-	-	-	476	204	74	-	278	198
<b>Panton Sill</b>										
<i>Australia</i>	94	-	-	-	94	-	-	-	-	94
<b>SKO</b>										
<i>Australia</i>	1,243	-	-	-	1,243	37	72	-	109	1,134
<b>Wahgnion</b>										
<i>Burkina Faso</i>	12,379	-	-	-	12,379	3,037	844	-	3,881	8,498
<b>Western Queen</b>										
<i>Australia</i>	2,009	-	-	-	2,009	-	-	-	-	2,009
<b>Mulgarrie</b>										
<i>Australia</i>	250	-	-	-	250	-	47	-	47	203
<b>Development assets</b>										
<i>Australia and other</i>	7,913	5,368	-	(100)	13,181	-	-	-	-	13,181
<b>Ming Stream</b>										
<i>Canada</i>	11,377	-	-	-	11,377	152	-	-	152	11,225
<b>Total</b>	<b>112,564</b>	<b>5,368</b>	<b>(124)</b>	<b>(100)</b>	<b>117,708</b>	<b>11,286</b>	<b>3,570</b>	<b>-</b>	<b>14,856</b>	<b>102,852</b>



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

For the Six Months Ended June 30, 2023 and 2022.

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

As of and for the year ended December 31, 2022

	COST				ACCUMULATED DEPLETION			Carrying Amount \$'000
	Opening \$'000	Additions \$'000	Impair- ment \$'000	Ending \$'000	Opening \$'000	Depletion \$'000	Ending \$'000	
<b>Amancaya</b>								
<i>Chile</i>	3,614	-	-	3,614	2,086	620	2,706	908
<b>Ballarat</b>								
<i>Australia</i>	-	5,625	-	5,625	-	339	339	5,286
<b>Bonikro</b>								
<i>Côte d'Ivoire</i>	-	12,405	-	12,405	-	29	29	12,376
<b>Karlawinda</b>								
<i>Australia</i>	37,166	-	-	37,166	1,138	2,756	3,894	33,272
<b>Kwale</b>								
<i>Kenya</i>	943	-	-	943	776	43	819	124
<b>Laverton</b>								
<i>Australia</i>	16,071	-	-	16,071	-	-	-	16,071
<b>Mercedes</b>								
<i>Mexico</i>	999	-	-	999	-	69	69	930
<b>Mount Pleasant</b>								
<i>Australia</i>	476	-	-	476	19	185	204	272
<b>Panton Sill</b>								
<i>Australia</i>	94	-	-	94	-	-	-	94
<b>SKO</b>								
<i>Australia</i>	-	1,243	-	1,243	-	37	37	1,206
<b>Wahgnion</b>								
<i>Burkina Faso</i>	12,512	-	(133)	12,379	1,858	1,179	3,037	9,342
<b>Western Queen</b>								
<i>Australia</i>	2,009	-	-	2,009	-	-	-	2,009
<b>Development assets</b>								
<i>Australia and other</i>	-	8,163	-	8,163	-	-	-	8,163
<b>Ming Stream</b>								
<i>Canada</i>	-	11,377	-	11,377	-	152	152	11,225
<b>Total</b>	<b>73,884</b>	<b>38,813</b>	<b>(133)</b>	<b>112,564</b>	<b>5,877</b>	<b>5,409</b>	<b>11,286</b>	<b>101,278</b>

**ELEMENTAL ALTUS ROYALTIES CORP.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2023 and 2022.

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

The following table summarizes the Company's total revenue from royalty interests during the three and six months ended June 30, 2023 and 2022:

	Three months ended		Six months ended	
	2023	June 30, 2022	2023	June 30, 2022
	\$'000	\$'000	\$'000	\$'000
<b>Revenue from royalties</b>				
Amancaya	211	216	448	498
Ballarat	179	-	214	-
Bonikro	87	-	266	-
Karlawinda	1,181	1,216	2,440	2,361
Kwale	-	93	-	206
Mercedes	193	-	433	-
Mulgarrie	14	-	14	-
Mount Pleasant	85	88	189	206
SKO	67	-	151	-
Wahgnion	583	469	1,251	1,006
<b>Revenue from streams</b>				
Ming	-	-	-	-
<b>Total revenue</b>	<b>2,600</b>	<b>2,082</b>	<b>5,406</b>	<b>4,277</b>

**Kwale**

In February 2017 the Company acquired a 0.25% gross revenue royalty ("GRR") royalty on the Kwale mineral sands mine located 50 kilometres south of Mombasa in Kenya, from Acacia Mining Plc (LON: ACA) for cash consideration of \$0.9 million. The Kwale mine is operated by Base Resources Limited, an Australian-based, African-focused mineral sands producer and developer which is dual-listed on the Australian Securities Exchange (ASX: BSE) and the London Alternative Investment Market (AIM: BSE).

On May 3, 2023, the royalty operator communicated to holders that the mining operations in the areas within the royalty's scope were completed in the December 2022 quarter, and there will be no royalty payments for the March quarter or subsequent quarters. As a result, the Company concluded that the Kwale royalty investment should be fully impaired as of March 31, 2023, and the carrying value of the investment of \$124,000 reduced to zero.

**Wahgnion**

In January 2020 the Company acquired a 100% equity interest in Sanembaore Sarl Pty Ltd ("SNB"), a company incorporated under the laws of Australia whose principal asset is a 1% NSR royalty over the Wahgnion gold project in Burkina Faso. In consideration, the Company paid \$11.5 million in cash and issued 1,374,683 common shares at a fair value of \$1 million. The purchase price was allocated to the Wahgnion royalty. The Wahgnion mine is operated by Endeavour Mining (TSX: EDV). An impairment charge of \$133,000 was recorded on the asset in Q4 2022 following a reduction by Endeavour in the estimated reserves and resources and estimated operating costs.

**Ballarat**

Elemental acquired a 1.25% NSR royalty interest (capped at A\$25 million) on the Ballarat gold project through the merger with Altus Strategies. Ballarat is an underground gold project located in Central Victoria, Australia, and is operated by Golden Point Group Pty Ltd, a wholly owned subsidiary of Singapore-listed public company, Shen Yao Holdings. Ballarat is held through Alcrest Royalties Australia (Pty) Ltd (50% interest) and is accounted for as a joint operation.

**ELEMENTAL ALTUS ROYALTIES CORP.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2023 and 2022.

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

**Acquisition during six months to June 30, 2023 - First Mining royalty portfolio**

A share purchase agreement was signed by the Company and First Mining Gold Corp. ("First Mining") on February 6, 2023. Under its terms, the Company agreed to buy a 100% equity interest in 1274577 B.C. Ltd ("BC Ltd"), a BC-registered subsidiary of First Mining holding a portfolio of 17 NSR royalties. As BC Ltd did not meet the criteria of a business under the test for a business combination, the transaction was treated as an asset acquisition.

The transaction was completed on February 21, 2023. Consideration for the acquisition was through a cash payment of C\$4.67 million (\$3.45 million) and through the issue of 1,598,162 shares of the Company to First Mining at C\$1.31 (\$0.97) per share (total fair value of \$1.55 million). Expenses of \$0.02 were also capitalized to give a total investment value of \$5.02 million.

The purchase price was allocated as follows: \$3.97 million for a 2.0% NSR royalty on Pickle Crow, a gold development project located in Ontario, Canada; \$1.02 million for a 1.5% NSR royalty on Hope Brook, a gold development project located in Newfoundland, Canada; and \$0.03 million for a portfolio of 14 gold NSR royalties and one iron ore NSR royalty on development projects in Mexico, and Quebec and Newfoundland, Canada.

On April 20, 2023, the Company announced that it paid a total of US\$0.3 million in cash to a private third-party entity to acquire an additional 0.25% NSR royalty on Pickle Crow, increasing the effective NSR royalty held by the Company to 2.25%.

**Ming Gold Stream**

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

Having delivered initial gold ounces to the Company in respect of Q2 2022 production, Rambler failed to deliver any ounces in respect of production for the subsequent two quarters. On February 9, 2023 the Company issued a written notice of default to Rambler.

Having announced a strategic financial restructuring plan in November 2022, in March 2023, Rambler announced that it had obtained an order under the Companies' Creditors Arrangement Act, allowing it to continue its business as usual while engaging in discussions with creditors regarding payment defaults. However, the mine has subsequently been placed in care and maintenance. This was concluded to be an indicator of impairment and the Company performed a test to determine the recoverable amount for its royalty asset on December 31, 2022. The Company used the Income Approach, assuming that the fair value of the asset is based on the future economic benefits that the asset will generate for the Company, and applied a probability weighting to a number of potential outcomes. The same blended approach to determining gold prices was used as for the Wahgnion royalty (see above) resulting in prices of \$1,875/oz for 2023-24 and long-term price of \$1,644/oz. A discount rate of 4.6% was applied. It was determined that the recoverable amount from the royalty asset following a resumption of operations exceeds the carrying amount of the asset and that no impairment was required. There was no further impairment indicator as at June 30, 2023.

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**5. EXPLORATION AND EVALUATION ASSETS**

	January 1, 2023 \$'000	Additions \$'000	Disposals \$'000	Transferred to HFS \$'000	June 30, 2023 \$'000
<b>Eastern Desert Projects</b> <i>Egypt</i>	2,109	1,366	-	-	3,475
<b>Laboum</b> <i>Cameroon</i>	254	35	(289)	-	-
<b>Bikoula</b> <i>Cameroon</i>	228	4	(232)	-	-
<b>Daro &amp; Zager</b> <i>Ethiopia</i>	166	43	-	(209)	-
<b>Total</b>	<b>2,757</b>	<b>1,448</b>	<b>(521)</b>	<b>(209)</b>	<b>3,475</b>

On June 12, 2023, the Company disposed of two entities that held Cameroon exploration and evaluation assets, Aucam SA, which was previously classified as held for sale, and Valnord SA for a total consideration of \$1.00. The loss on disposal before tax was \$0.96 million.

Altau Resources Ltd, which holds Daro and Zager exploration assets was transferred to the held for sale ("HFS") in the quarter (Note 16).

**6. INVESTMENT IN ASSOCIATES**

The Company holds three investments in associates as shown in the table below:

	SLM California \$'000	Legend Gold Mali \$'000	Aterian plc \$'000	Total \$'000
Opening balance at January 1, 2023	33,426	3,026	3,803	40,255
Additions	2,004	-	-	2,004
Share of profit or (loss) for the period	1,256	(9)	(151)	1,096
Distributions received	(1,911)	-	-	(1,911)
FX revaluation	-	-	147	147
<b>Closing balance at June 30, 2023</b>	<b>34,775</b>	<b>3,017</b>	<b>3,799</b>	<b>41,591</b>

In the statement of comprehensive loss, the share of profit of associate of \$1.19 million is formed of share of profit or (loss) for the period \$1.09 million and FX revaluation \$0.15 million.

**SLM California**

As of June 30, 2023, the Company held a 0.443% net smelter return royalty interest on the Caserones copper mine in northern Chile. The royalty is owned through the Company's 50% interest in Minera Tercero SpA which owns 43% of Sociedad Legal Minera California Una de la Sierra Peña Negra ("SLM California"). The Company's beneficial interest in the Caserones copper mine net smelter return royalty interest is therefore 21.5%. Minera Tercero SpA is jointly controlled by the Company and another operator and is accounted for as a joint operation. The Company recognizes 50% of the principal asset held by Minera Tercero SpA, which is an investment in SLM California and 50% of the respective income and expenses. SLM California is an associate of Minera Tercero SpA and is accounted for using the equity method. The Company's 50% share of profit/loss of the associate recognized by Minera Tercero SpA under the equity method is shown in the Statement of Comprehensive Loss. Distributions received from the associate reduce the carrying amount of the investment.

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In the quarter ended June 30, 2023, the Company acquired an additional 0.025% effective net smelter return royalty for a consideration of \$2 million. The Company received distributions from SLM California in respect of the royalty on production at the Caserones mine during Q2 2023 of \$1.40 million. The distributions were calculated after provisions made by SLM California for expenses and Chilean income tax. The Company adjusted this share of profit through an amortization of the investment based on a depletion calculation performed on the underlying royalty asset in order to conform with Elemental's consolidated accounting policies.

**7. INVESTMENTS**

Investments carried at fair value through profit or loss comprise listed equity shares (Level 1). The fair value of these equity shares is determined by reference to published price quotations in an active market. All three investments currently held by the Company are in public companies, and all are portfolio investments where the Company owns less than a 20% interest.

	<b>2023</b>
	<b>\$'000</b>
Opening balance at January 1, 2023	1,213
Revaluation gain	246
<b>Closing balance at June 30, 2023</b>	<b>1,459</b>

Of the \$0.12 million of fair value gain in the statement of comprehensive loss, \$0.12 million was an unrealized foreign exchange gain on revaluation of the Company's investments. There were no disposals of marketable securities during the quarter.

**a) Fair values of financial assets and liabilities measured at fair value**

The categories of the fair value hierarchy that reflect the significance of inputs used in making fair value measurements are as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities;

Level 2 - 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); and

Level 3 - inputs for the asset or liability that are not based on observable market data.

The levels in the fair value hierarchy into which our financial assets and liabilities that are measured and recognized in the condensed consolidated interim statements of financial position at fair value on a recurring basis were categorized as follows:

	<b>Fair value at June 30, 2023</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Recurring Measurements</b>				
Cash and cash equivalents	10,817	-	-	10,817
Accounts receivable and other	2,931	-	-	2,931
Investments	1,459	-	-	1,459
Accounts payable and accrued liabilities	(1,616)	-	-	(1,616)
Borrowings	(30,000)	-	-	(30,000)
<b>Total</b>	<b>(16,409)</b>	<b>-</b>	<b>-</b>	<b>(16,409)</b>

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	Fair value at June 30, 2022			Total
	Level 1	Level 2	Level 3	
<b>Recurring Measurements</b>				
Cash and cash equivalents	17,478	-	-	17,478
Accounts receivable and other	2,890	-	-	2,890
Investments	1,213	-	-	1,213
Accounts payable and accrued liabilities	(2,441)	-	-	(2,441)
Borrowings	(30,000)	-	-	(30,000)
<b>Total</b>	<b>(10,860)</b>	<b>-</b>	<b>-</b>	<b>(10,860)</b>

During the six months ended June 30, 2023 no amounts were transferred between Levels. The group also has a number of financial instruments which are not measured at fair value in the statement of financial position. For the majority of these instruments, the fair values are not materially different to their carrying amounts.

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	June 30, 2023	December 31, 2022
	\$'000	\$'000
Trade payables	599	1,166
Accrued interest (Note 9)	154	215
Accruals	508	586
Lease payables	22	-
Taxes payable	226	91
Other payables	107	383
<b>Total</b>	<b>1,616</b>	<b>2,441</b>

**9. BORROWINGS**

	2023
	\$'000
Opening balance at January 1, 2023	30,000
Closing balance at June 30, 2023	30,000

National Bank of Canada/Canadian Imperial Banking Corp. loan

On December 1, 2022, the Company entered into an agreement with National Bank of Canada ("NBC") and Canadian Imperial Bank of Commerce ("CIBC") for a \$40 million revolving credit facility (the "Facility"), with an option to increase to \$50 million subject to certain conditions. The Facility has a term of 3 years, extendable through mutual agreement between the Company, NBC, and CIBC. Depending on the company's leverage ratio, amounts drawn on the facility are subject to interest at SOFR plus 2.50% - 3.75% per annum, and the undrawn portion is subject to a standby fee of 0.56% - 0.84% per annum. As at June 30, 2023, the balance of accrued interest was \$154,000 (December 31, 2022: \$215,000).

On June 21, 2023, the Facility agreement was amended to reduce the interest coverage financial covenant to 3.50:1:00 (as at March 31 2023, and December 31, 2023, the interest coverage financial covenant was 4.00:1.00).

As at June 30, 2023, the Company had drawn down an initial \$30 million from the facility (December 31, 2022: \$30 million).

**ELEMENTAL ALTUS ROYALTIES CORP.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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The Facility has been entered into by the Company as borrower, NBC and its subsidiaries as Administrative Agent, Sole Bookrunner and Co-Lead Arranger, and CIBC as Co-Lead Arranger and Syndication Agent. The Facility includes a number of financial covenants including maintenance of an interest coverage ratio above 3.50:1.00, maintenance of a net leverage ratio below 3.50:1.00 and maintenance of a net worth relative to that at the date of the Facility plus cumulative net income thereafter. At June 30, 2023, March 31, 2023 and 31 December 2022, the Company certified that it was in compliance with the terms of the covenants.

**10. SHARE CAPITAL***a) Authorized*

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

*b) Share activities*

Details of equity transactions during the six months ended June 30, 2023 are as follows:

- 1) On February 21, 2023, the Company issued 1,598,162 common shares at C\$1.31 (\$0.97) per common share at a fair value of \$1.55 million as partial consideration for the acquisition of royalty interests from First Mining (Note 4).

Details of equity transactions during the six months ended June 30, 2022 are as follows:

- 1) On March 31, 2022, the Company completed a private placement of 9,275,000 common shares at C\$1.51 (\$1.21) per common share for gross proceeds of C\$14.0 million (\$11.2 million). In connection with the private placement, the Company incurred additional legal fees and other cash issuance costs of C\$0.16 million (\$0.12 million).

*c) Stock options, performance share units and warrants*

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

**ELEMENTAL ALTUS ROYALTIES CORP.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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*Stock options*

Changes in share purchase options during the six months ended June 30, 2023 and the year ended December 31, 2022 are as follows:

	Number of stock options	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, December 31, 2021	900,000	C\$1.50	3.58
Replacement Altus options granted	5,405,396	C\$1.91	
Granted	8,030,000	C\$1.40	
Outstanding, December 31, 2022	14,335,396	C\$1.60	4.20
Granted	175,000	C\$1.40	
Forfeited	(1,366,570)	C\$1.86	
Outstanding, June 30, 2023	13,143,826	C\$1.55	3.75
Outstanding and exercisable, June 30, 2023	12,588,436	C\$1.54	3.75

All of the outstanding unvested options vest during 2023. The expiration schedule of the 13,143,826 options outstanding at June 30, 2023 is as follows:

Year of expiry	Number of stock options	Weighted Average Exercise Price
2025	3,438,596	C\$1.82
2026	178,200	C\$1.92
2027	9,527,030	C\$1.45

During the six months ended June 30, 2023, the Company recorded \$0.19 million (2022: \$nil) of share-based compensation expense to the statement of comprehensive loss based on the vesting of stock options.

*Performance share units*

The Company has certain performance share units outstanding which were issued to directors and officers. Changes in PSUs during the six months ended June 30, 2023 and the year ended December 31, 2022 are as follows:

	Number of PSUs
Outstanding, December 31, 2022	2,895,109
Outstanding, June 30, 2023	2,895,109
Outstanding and exercisable, June 30, 2023	2,555,109

On June 14, 2018, the Company issued 2,395,109 PSUs to directors and officers, expiring on June 28, 2025. The PSUs vest once the Company's share price reaches between \$0.62 and \$1.25 per share and a period of time has passed. 463,498 PSUs vest after 2 years if the share price reaches \$0.62. The remaining PSUs vest after 3 years with 579,483 vesting if the share price reaches \$0.78, 579,483 if the share price reaches \$0.94 and 772,645 if the share price reaches \$1.25. Subsequent to period end, the Company awarded 2,395,109 shares in consideration for the PSUs.

On July 28, 2020, the Company issued 500,000 PSUs to certain employees of the Company, expiring on July 28, 2025. The PSUs vest once the Company's share price reaches between C\$1.70 and C\$2.20 per share and a period of time has passed as follows: 160,000 PSUs vest after 2 years (July 28, 2022) if the share price reaches C\$1.70



**ELEMENTAL ALTUS ROYALTIES CORP.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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– this threshold has been met - and 340,000 PSUs vest after 3 years (July 28, 2023) if the share price reaches C\$2.20 – this threshold has not been met as at June 30, 2023.

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

During the six months ended June 30, 2023, the Company recorded \$0.04 million (2022: \$0.06 million) of share-based compensation to the statement of comprehensive loss based on the vesting of PSUs.

*Warrants*

Changes in share purchase warrants during the six months ended June 30, 2023 and the year ended December 31, 2022 are as follows:

	Number of warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Outstanding, December 31, 2021	-	-	-
Replacement Altus warrants issued	3,291,574	C\$2.51	0.30
Outstanding, December 31, 2022	3,291,574	C\$2.51	0.30
Expired	(3,291,574)	-	-
Outstanding, June 30, 2023	-	-	-

*d) Basic and diluted loss per share*

During the six months ended June 30, 2023, potentially dilutive common shares totaling 16,038,935 (2022: 3,795,109) were not included in the calculation of basic and diluted loss per share because their effect was anti-dilutive. Potentially dilutive common shares are from PSUs, stock options and warrants.

**11. OPERATING EXPENSES BY NATURE**

	Three months ended		Six months ended	
	June 30,		June 30	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Salary, fees and pension	838	529	1,855	817
Corporate administration	101	70	251	112
Listing and filing fees	-	14	4	68
Marketing and promotion	68	76	255	264
Professional fees and consulting fees	431	43	849	103
Refinancing and other transaction related expenses	81	-	242	-
<b>Total (G&amp;A expenses)</b>	<b>1,519</b>	<b>732</b>	<b>3,456</b>	<b>1,364</b>

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**12. RELATED PARTY TRANSACTIONS**

Key management includes the executive and non-executive directors and certain officers of the Company. Key management compensation during three and six months ended June 30, 2023 and 2022 is as follows:

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Salary, fees, pension and professional fees	414	387	1,001	625
Share-based compensation – PSUs and stock options	24	41	44	83
	438	428	1,045	708

Amounts due from related parties at June 30, 2023 of \$246,000 (December 31, 2022: \$242,000, Note 3) is a receivable due from Aterian Plc in which the Company holds a 25% equity interest (Note 6).

**13. SEGMENTED INFORMATION**

The Company maintains a single business segment which is its royalty and streams interests, from which it derives its revenue, including its exploration and evaluation assets from which it intends to generate royalties.

	<b>North</b>	<b>South</b>	<b>Australia</b>	<b>Africa</b>	<b>Total</b>
	<b>America</b>	<b>America</b>			
	<b>2023</b>	<b>2023</b>			
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Royalty & stream interests	17,467	652	60,526	24,207	102,852
Exploration & evaluation assets	-	-	-	3,475	3,475
	17,467	652	60,526	27,682	106,327
Revenue – 6 months ending 30 June, 2023	432	449	2,994	1,531	5,406
Revenue – 3 months ending 30 June, 2023	193	211	1,512	684	2,600

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**14. SUPPLEMENTAL CASH FLOW INFORMATION**

In the statement of cash flows, cash and cash equivalents only includes cash on hand.

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

During the period ended June 30, 2023, the following transactions were excluded from the condensed interim consolidated statement of cash flows:

- a) 1,598,162 common shares at a fair value of \$1.55 million were issued to acquire royalties from First Mining (Note 4).

**15. COMMITMENTS**

In December 2017, the Company acquired the Mount Pleasant royalty. A deferred payment of A\$0.4 million is due at the point a decision is taken to mine a refractory portion of the resource and funds committed to its development. The deferred payment has not been recognized as it is not considered more likely than not that the condition triggering the payment obligation will occur.

**16. HELD-FOR-SALE ASSETS AND LIABILITIES AND DISCONTINUED OPERATIONS**

Held-for-sale assets and liabilities are accounted for under IFRS 5 Non-current Assets Held For Sale and Discontinued Operations. Items are classified as being held-for-sale once they meet the qualifying criteria:

- management is committed to a plan to sell
- the asset is available for immediate sale
- an active programme to locate a buyer is initiated
- the sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions)
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
- actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn

The balance of held-for-sale assets and liabilities is represented by the Diba-Lakanfla exploration project in Mali and Daro and Zager exploration licences in Ethiopia.

The Diba-Lakanfla gold project is held by 100% owned subsidiary Legend Mali (BVI) III Inc and its subsidiaries. The project is located in western Mali and comprises the Korali Sud (Diba) licence and the Lakanfla licence, which are situated on the Senegal-Malian shear corridor within the 'Kenieba window'. The nearby Sadiola gold mine is operated by Allied Gold Corp. and the Malian government. Mining and mineralisation hosted on these properties is not necessarily indicative of a resource at Diba-Lakanfla.

On July 21, 2023, the Company agreed the sale of 95% of Altai Resources Limited to Canadian incorporated ANS Exploration Corp. ("ANS"). The transaction consideration includes: two uncapped 2.5% NSR royalties \$200,000 in cash with \$50,000 upfront and 5 quarterly payments of \$30,000, 5% equity interest in Altai retained, non-dilutable until completion of a feasibility study, up to 5% equity interest in ANS upon any future Initial Public Offering of ANS equity, milestone performance cash payments (for delivery on either of the Projects) of: \$500,000 upon a compliant resource above 1 million ounces (gold equivalent) and \$500,000 on publication of a feasibility study. ANS has a 5 year buy-back option on up to 1% of the royalties for \$1.5 million each.

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The value of held-for-sale assets and liabilities at June 30, 2023, was as follows:

	<b>Assets held by Aucam SA \$'000</b>	<b>Assets held by Altai Resources Ltd \$'000</b>	<b>Assets held by LGC Exploration Mali SARL \$'000</b>	<b>Total \$'000</b>
January 1, 2023	148	-	19,716	19,864
Disposal of asset	(148)	-	-	(148)
Additions / (Disposal)		209	(45)	164
June 30, 2023	-	209	19,671	19,880

	<b>Liabilities held by Aucam SA \$'000</b>	<b>Liabilities held by Altai Resources Ltd \$'000</b>	<b>Liabilities held by LGC Exploration Mali SARL \$'000</b>	<b>Total \$'000</b>
January 1, 2023	50	-	4,902	4,952
Disposal of liability	(50)	-	-	(50)
Additions / (Disposal)	-	-	(1)	(1)
June 30, 2023	-	-	4,901	4,901

Aucam SA has been disposed in the period (Note 17)

**17. DISPOSAL OF SUBSIDIARY**

On June 12, 2023, the Company disposed of Aucam SA, which was previously classified as held for sale (Note 16), and Valnord SA for a total consideration of \$1.00. The loss on disposal before tax was \$0.96 million.

**18. SUBSEQUENT EVENTS**

Subsequent to period end, the Company acquired a further 1.56 new shares in SLM California for a total cash consideration of \$2.60 million through a newly incorporated 100% owned company, EA Regalías Chile SPA. The acquisition is in addition to the purchase of 1.29 shares announced on March 9, 2023 and increases the shareholding of the Company in SLM California to 24.35%. The Company's effective NSR interest in Caserones has increased by 0.030% to 0.473%

On July 20, 2023, the Company announced that it has executed a Sale & Purchase Agreement with Allied Gold Corporation for the sale of the Company's 100% owned subsidiary Legend Mali (BVI) III Inc. which indirectly owns 100% of the Korali-Sud Small Scale Mining Licence & Lakanfla Exploration Licence in western Mali. As consideration, Allied will pay up to \$6 million in cash and grant a Net Smelter Return royalty of up to 3% on gold produced from the Project.

The \$6 million in cash is made up of:

- \$1 million on Closing
- \$1 million 90 days after commercial production with a long-stop date of 2025
- \$2 million within 90 days of production of 100,000 ounces from Korali-Sud
- \$1 million within 90 days of production of 150,000 ounces from Korali-Sud
- \$1 million within 90 days of production of 200,000 ounces from Korali-Sud

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The sale will be completed after local regulatory approvals and filings are completed. As at June 30, 2023, the Legend Mali (BVI) III Inc was held for sale (Note 16).