

EAGLE ROYALTIES LTD.
FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

For the year ended December 31, 2023
and period ended December 31, 2022

Independent Auditor's Report

To the Shareholders of Eagle Royalties Ltd

Opinion

We have audited the financial statements of Eagle Royalties Ltd (the "Company"), which comprise the statements of financial position as at December 31, 2023 and December 31, 2022 and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the periods then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and December 31, 2022, and its financial performance and its cash flows for the periods then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matter described in the Material Uncertainty Related to Going Concern section, we have determined there are no key audit matters to be communicated in our report.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

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

In connection with our audit of the financial statements, our responsibility is to read the other information

identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Hilda Leung.



Chartered Professional Accountants
Vancouver, Canada
April 11, 2024

EAGLE ROYALTIES LTD.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

| As at December 31 | 2023 | 2022 |
|---|--------------------|------------------|
| Assets | | |
| Current | | |
| Cash | \$ 1,131,188 | \$ 94,460 |
| Term deposits | 1,000,000 | - |
| Accounts receivable | 4,527 | 5,892 |
| Prepaid expenses | 36,632 | 8,362 |
| | 2,172,347 | 108,714 |
| Royalty assets (Note 5) | 1 | - |
| | \$2,172,348 | \$108,714 |
| Liabilities and Shareholders' Equity | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 7) | \$ 58,199 | \$ 17,445 |
| Due to related company (Note 7) | 528,637 | 300,000 |
| | 586,836 | 317,445 |
| Shareholders' equity | | |
| Share capital (Note 10) | 10,283,378 | 10 |
| Equity reserve | (7,456,171) | - |
| Contributed surplus (Note 10) | 41,615 | - |
| Deficit | (1,283,310) | (208,741) |
| | 1,585,512 | (208,731) |
| | \$2,172,348 | \$108,714 |

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 8)

On behalf of the Board:

"Timothy J Termuende" Director
Mr. Timothy J. Termuende (Signed)

"Charles C. Downie" Director
Mr. Charles C. Downie (Signed)

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

EAGLE ROYALTIES LTD.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

| | Year ended December 31 2023 | Period ended December 31 2022 |
|--|-----------------------------------|-------------------------------------|
| Operating expenses | | |
| Office and administration costs (Note 7) | \$ 57,989 | \$ 12,953 |
| Professional fees (Note 7) | 226,658 | 38,537 |
| Reporting, filing and corporate governance | 40,933 | - |
| Wages and consulting fees (Note 7) | 298,047 | 156,768 |
| Trade shows, travel and promotion | 44,821 | 483 |
| | <u>668,448</u> | <u>208,741</u> |
| Other items | | |
| Transaction costs | 432,500 | - |
| Other income | (26,379) | - |
| Loss and Comprehensive loss for the period | \$1,074,569 | \$ 208,741 |
| Loss per share - basic and diluted | \$(0.03) | \$(2,078.41) |
| Weighted average number of shares outstanding - basic and diluted | 35,328,533 | 100 |

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

EAGLE ROYALTIES LTD.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

| | Year ended December 31 2023 | Period ended December 31 2022 |
|--|--|-------------------------------------|
| Cash flows from operating activities | | |
| Loss for the period | \$(1,074,569) | \$(208,741) |
| Changes in non-cash working capital items | | |
| (Increase) decrease in accounts receivable | 1,365 | (5,892) |
| Increase in prepaid expenses | (28,270) | (8,362) |
| Increase in accounts payable and accrued liabilities | 27,729 | 17,445 |
| | (1,073,745) | (205,550) |
| Cash flows from financing activities | | |
| Advances from related company | 228,637 | 300,000 |
| Proceeds from issuance of shares | 103,528 | 10 |
| Proceeds from exercise of EPL options and warrants | 7,500 | - |
| Share issue costs paid on behalf of 138 | (243,342) | - |
| Cancellation of shares | (10) | - |
| | 339,655 | 300,010 |
| Cash flows from investing activities | | |
| Cash acquired through amalgamation | 3,014,160 | - |
| Purchase of term deposits | (1,000,000) | - |
| | 2,014,160 | - |
| Increase in cash | 1,036,728 | 94,460 |
| Cash, beginning of period | 94,460 | - |
| Cash, end of period | \$1,131,188 | \$94,460 |

The Company made no cash payments for income taxes in the period (2022 - \$nil).
The Company paid interest costs of \$8,836 (2022 - \$nil).
The Company received cash payments of \$26,184 (2022 - \$nil) for interest.
As at December 31, 2023, the Company's term deposits mature on June 10, 2024 and earn interest at 4.45% per year.

Non-cash investing and financing activities:

| | | |
|--|-------------|------|
| Shares issued to acquire net assets of 138 | \$2,716,178 | \$ - |
| Warrants issued to acquire net assets of 138 | \$ 41,615 | \$ - |

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

EAGLE ROYALTIES LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

| | Share Capital | | Equity | Contributed | | Total |
|---|-------------------|---------------------|----------------------|-----------------|----------------------|--------------------|
| | Shares | Amount | Reserve | Surplus | Deficit | |
| Balance, January 21, 2022 | - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Shares issued on incorporation | 100 | 10 | - | - | - | 10 |
| Loss for the period | - | - | - | - | (208,741) | (208,741) |
| Balance, December 31, 2022 | 100 | 10 | - | - | (208,741) | (208,731) |
| Shares issued to Eagle Plains and Eagle Plains shareholders on spin-out | 41,998,333 | 7,559,700 | (7,456,171) | - | - | 103,529 |
| Shares and warrants issued to 138 Shareholders on amalgamation | 15,011,978 | 2,716,178 | - | 41,615 | - | 2,757,793 |
| Shares issued on exercise of options | 33,333 | 3,750 | - | - | - | 3,750 |
| Shares issued on exercise of warrants | 16,666 | 3,750 | - | - | - | 3,750 |
| Cancellation of incorporation shares | (100) | (10) | - | - | - | (10) |
| Loss for the year | - | - | - | - | (1,074,569) | (1,074,569) |
| Balance, December 31, 2023 | 57,060,310 | \$10,283,378 | \$(7,456,171) | \$41,615 | \$(1,283,310) | \$1,585,512 |

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

December 31, 2023

1. Nature and Continuance of Operations

Eagle Royalties Ltd. ("Eagle Royalties" or the "Company" or "ER") was incorporated on January 21, 2022 under the laws of the province of Alberta as a wholly-owned subsidiary of Eagle Plains Resources Ltd. ("Eagle Plains" or "EPL"). The Company was incorporated to manage the royalty portfolio of Eagle Plains. On February 28, 2023, Eagle Plains entered into an arrangement agreement with ER, and ER entered into an amalgamation agreement with 2513756 Alberta Ltd., formerly 1386884 BC Ltd. ("138") whereby, among other things EPL transferred a majority of its portfolio of royalty interests (the "Royalties") to Eagle Royalties, in exchange for certain shares of Eagle Royalties (the "Spin-out Shares") and thereafter, ER and 138 amalgamated, and the resulting issuer, Eagle Royalties Ltd. was listed on the Canadian Securities Exchange under the symbol "ER".

The Company is a junior resource company holding royalty interests over mineral exploration projects in Western Canada.

The corporate office and principal place of business is Suite 200, 44-12th Avenue South, Cranbrook, British Columbia, Canada.

These financial statements are 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. As at December 31, 2023, the Company has had significant losses and has not generated revenues from operations. The Company has financed its operations primarily through the issuance of common shares and advances from Eagle Plains. In order to continue as a going concern and to meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. As such, there is a material uncertainty that raises significant doubt about the Company's ability to continue as a going concern.

The Company's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent regional conflicts and potential economic global challenges such as the risk of higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business.

These circumstances could have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These factors, amongst others, could have a significant impact on the Company's operations. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. Spin-out Transaction and Amalgamation

On February 28, 2023, Eagle Royalties entered into the following agreements:

- an arrangement agreement (the "Arrangement Agreement") with Eagle Plains pursuant to which Eagle Plains will, through a series of transactions, transfer a majority of its portfolio of royalty interests (the "Royalties") and cash of \$103,528 to the Company (the "Spin-out Transaction"); and
- an amalgamation agreement (the "Amalgamation Agreement") among Eagle Plains, the Company and 138, pursuant to which 138 and the Company will, immediately following the Spin-out Transaction, amalgamate and continue as one company (the "Resulting Issuer") under the name "Eagle Royalties Ltd." (the "Combination Transaction").

Under the Arrangement Agreement, for every Eagle Plains warrant or option outstanding as of Spin-out Transaction completion date that is exercised subsequently, the Company is required to issue 1/3 of a common share and will receive 1/3 proceeds from the warrant or option exercise.

The Spin-out Transaction and the Combination Transaction are collectively referred to herein as the "Transaction" and was completed on May 19, 2023.

Pursuant to the Spin-out Transaction, the Company issued an aggregate of 41,998,333 common shares to Eagle Plains (the "Spinco Shares") as consideration for royalty interests with a nominal carrying value and \$103,528 cash from EPL. Of the total Spinco Shares so issued, 5,176,425 Spinco Shares were retained by Eagle Plains and the remaining Spinco

December 31, 2023

2. Spin-out Transaction and Amalgamation - continued

Shares (i.e., 36,821,908) were distributed to shareholders of the Eagle Plains by way of a return on capital on a 1:3 basis. In accordance with the Arrangement Agreement, Spinco Shares are subject to escrow considerations whereby 20% of the total distributed shares would be released at the closing of the Transaction and 20% every 90 days thereafter over one year.

Concurrent with the Transaction, 138 completed a private placement financing (the "Concurrent Financing") raising gross proceeds of \$3,003,598 through the issuance of 10,011,978 units at a price of \$0.30 per unit. In connection with the Concurrent Financing, 138 paid commissions in cash and issued broker's warrants.

Pursuant to the Combination Transaction, the Company and 138 amalgamated, whereby each entity's shares and warrants were exchanged for shares and warrants of the Resulting Issuer on 1:1 basis. Following the completion of the Combination Transaction, the Resulting Issuer made an application for the listing of its common shares on the Canadian Securities Exchange and commenced trading May 25, 2023 under the symbol "ER".

As a result of the Combination Transaction, former holders of ER shares hold 41,998,333 common shares of the Resulting Issuer representing 74% and former holders of 138 shares hold 15,011,978 common shares of the Resulting Issuer representing 26%. The shareholders of ER, therefore, control the Resulting Issuer and is identified as the acquirer. The Combination Transaction does not constitute a business combination as 138 does not meet the definition of a business under IFRS 3: Business Combinations. As a result, the Combination Transaction has been accounted for as an asset acquisition by ER of 138's net assets in accordance with the guidance under IFRS 2: Share-based Payments, whereby all of the assets acquired and liabilities assumed from 138 are assigned a carrying amount based on their relative fair values, and the corresponding increase in equity was measured, directly, at the fair value of the net assets acquired. The fair value of the purchase price was then allocated between common shares and warrants issued on a pro-rata basis.

| | |
|--|---------------------|
| <u>Net Assets Acquired</u> | |
| Cash | \$ 3,014,160 |
| Accounts receivable | 26,616 |
| Accounts payable and accrued liabilities | <u>(282,983)</u> |
| | <u>\$ 2,757,793</u> |
| | |
| <u>Purchase price</u> | |
| Issuance of 15,011,978 common shares | \$ 2,716,178 |
| Issuance of 5,562,404 warrants | <u>41,615</u> |
| | <u>\$ 2,757,793</u> |

3. Basis of Preparation

(a) Statement of Compliance

The financial statements for the Company for the periods ending December 31, 2023 and 2022 are prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issue by the Board of Directors on April 11, 2024.

(b) Basis of Measurement

These financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL") which are stated at their fair value. These financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements are presented in Canadian dollars, which is also the Company's functional currency.

December 31, 2023

3. Basis of Preparation - continued

(c) Use of Estimates and Judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Financial results as determined by actual events could differ from these estimates.

The estimates and underlying assumptions are continuously evaluated and reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the revision affects both current and future periods.

Significant areas requiring the use of management estimates and judgments include the accounting for the spin-out transaction and amalgamation, which mainly involve:

- Measurement of the assets received from Eagle Plains (at fair value or carrying value)
- Determination of acquirer
- Measurement of the shares issued by the Company to amalgamate with 138

Other areas of significant judgment include the assessment of going concern assumption.

4. Material Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Financial instruments

Cash is recorded at FVTPL. Term deposits, accounts receivable, accounts payable and accrued liabilities and due to related company initially recognized at fair value, are subsequently recorded at amortized cost using the effective interest rate method.

b) Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year- end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

c) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet

December 31, 2023

4. Material Accounting Policies - continued

c) Share capital - continued

the definition of a financial liability or financial asset. The Company's common shares, share warrants and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

d) Per share amounts

Basic earnings (loss) per common share are computed by dividing the net income (loss) for the period by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares.

The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted earnings (loss) per share assumes that the deemed proceeds received from the exercise of stock options, share purchase warrants and their equivalents would be used to repurchase common shares of the Company at the average market price during the year.

e) Royalty assets

Royalty assets consist of net smelter return royalties on exploration stage mineral properties and are capitalized as intangible assets. They are initially recorded at cost and subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any. Depletion, using the units of production basis over the expected life of the related mineral property, commences when the mineral property enters the production stage. The expected life of the mineral property is determined using available estimates of future metal prices and future production. Proven and probable reserves and future production plans associated with the royalty assets as determined by the operators impact the measurement of the respective assets. These estimates affect the depletion of the royalty assets and the assessment of the recoverability of the carrying value of the royalty assets.

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's royalty assets are impaired. External sources of information that management considers include changes in the market, economic and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its royalty interests. Internal sources of information that management considers include the indications of economic performance of the assets.

In determining the recoverable amounts of the Company's royalty assets, management makes estimates of the discounted net cash flows expected to be derived from the Company's royalty assets, costs of disposal, and the appropriate discount rates and discount multiples that apply to the specific asset. Reductions in metal price forecasts, increases in estimated future costs of production for the mine operators, reductions in the amount of recoverable mineral reserves, mineral resources, and exploration potential, and/or adverse current economics can result in a write-down of the carrying amounts of the Company's royalty assets.

f) Share-based payments

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

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss in the statement of comprehensive income (loss) over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss in the statement of comprehensive income (loss), unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

December 31, 2023

4. Material Accounting Policies - continued

f) Share-based payments - continued

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

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

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied; the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. The fair value of the stock options that expire unexercised remains in contributed surplus.

g) Common control transaction using predecessor carrying values

Prior to the Spin-out Transaction, Eagle Plains and the Company were controlled by the same shareholders; consequently, the entities were under common control at the time of the transaction. Business combinations involving entities under common control are outside the scope of IFRS 3: Business Combinations. IFRS provides no guidance on the accounting for these types of transactions and an entity is required to develop an accounting policy.

The three most common methods utilized are the purchase method, the predecessor values since inception method, and the predecessor values from date of transaction method. A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party, both before and after the business combination, and control is not transitory.

Management has determined the predecessor values from date of transaction method to be most appropriate. This method requires the financial statements to be prepared using the predecessor carrying values without any step up to fair value. The difference between any consideration and the aggregate carrying value of the assets and liabilities is recorded as an equity contribution to subsidiary.

h) New accounting pronouncements

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for accounting years beginning after January 1, 2023, or later years. Updates that are not applicable and have no significant impact to the Company have been excluded in the preparation of these financial statements.

The Company has adopted these accounting standards and amendments effective January 1, 2023.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures. The implementation of these amendments reduced disclosures in the notes to the financial statements.

Amendments to IAS 8 – Definition of Accounting Estimates

These amendments clarify how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

December 31, 2023

4. Material Accounting Policies - continued

h) New accounting pronouncements - continued

The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively. Further, the amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. There were no significant impact to the financial statements as a result of the implementation of these amendments.

The following accounting standards and amendments are effective for future periods.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2024 and are expected to have no significant impact to the future financial statements.

5. Royalty Assets

The Company holds royalties on a large number of projects in western Canada covering a broad spectrum of metals and industrial mineral projects including gold, silver, base-metals, uranium, diamonds and gypsum.

6. Financial Instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – quoted prices (unadjusted) 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 (unobservable inputs).

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Cash is carried at fair value using a Level 1 fair value measurement. The carrying value of term deposits, accounts receivable, accounts payable and accrued liabilities and due to related company approximate their fair value because of the short-term nature of these instruments.

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy.

| December 31, 2023 | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|---------------------|----------------|----------------|---------------------|
| Assets: | | | | |
| Cash | \$ 1,131,188 | \$ - | \$ - | \$ 1,131,188 |

December 31, 2023

6. Financial Instruments - continued

| December 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
|-------------------|-----------|---------|---------|-----------|
| Assets: | | | | |
| Cash | \$ 94,460 | \$ - | \$ - | \$ 94,460 |

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations exposes the Company to concentration risk, credit risk, price risk and liquidity risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

a) Concentration risk

At December 31, 2023, substantially all of the Company's cash and term deposits were held at one recognized Canadian national financial institution. As a result, the Company was exposed to all of the risks associated with that institution.

b) Credit risk

The Company is exposed to credit risk, which is the risk that a customer or counterparty will fail to perform an obligation or settle a liability, resulting in financial loss to the Company. The Company manages exposure to credit risk by adopting credit risk guidelines that limit transactions according to counterparty credit worthiness. The maximum credit exposure associated with cash and term deposits is their carrying values on the statement of financial position.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of December 31, 2023 equal \$586,836. Accounts payable and accrued liabilities of \$58,199 are due within 30 days of December 31, 2023.

7. Related Party Transactions

The Company was involved in the following related party transactions during the period:

- (a) The Company is related to EPL through common directors starting May 19, 2023. During the year the Company had the following transactions with the related company:

| | |
|---|-------------------|
| | <u>2023</u> |
| Administrative services provided by EPL | \$ 16,068 |
| Costs reimbursed to EPL | 47,230 |
| Transaction costs due to EPL | 432,387 |
| Interest paid to EPL, included in office and administration costs | 8,836 |
| Proceeds from exercise of EPL options/warrants | <u>(7,500)</u> |
| | <u>\$ 497,021</u> |

December 31, 2023

7. Related Party Transactions - continued

At December 31, 2023, \$15,925 is included in accounts payable and accrued liabilities.
At December 31, 2023, \$528,637 is included in due to related company.

(b) Compensation to key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

The aggregate amount of expenditures paid or payable to key management personnel in the period was as follows:

| | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|
| Consulting fees | \$ 110,420 | \$ 79,383 |
| Professional fees | 50,000 | 37,000 |
| Wages | 68,000 | - |
| Director fees, included in office and administration costs | 7,500 | - |
| | <u>\$ 235,920</u> | <u>\$ 116,383</u> |

- (c) Included in wages and consulting fees is \$110,420 (2022 - \$79,383) paid or accrued for management services to a company owned by a director and officer of the Company.
- (d) Included in professional fees is \$50,000 (2022 - \$37,000) paid or accrued for accounting services to an officer of the Company.
- (e) Included in wages and consulting fees is \$68,000 (2022 - \$nil) paid or accrued for services to officers of the Company who are also directors.
- (f) Included in office and administration costs are director fees of \$7,500 (2022 - \$nil) paid or accrued to a director of the Company.

All related party transactions in the normal course of business have been measured at the agreed upon exchange amounts, which is the amount of consideration established and agreed to by the related parties. Amounts due to/from the related parties are non-interest bearing, unsecured and have no fixed terms of repayment, except for a \$300,000 Promissory Note, included in due to related company, that has an interest rate of 5% per year.

8. Commitments and Contingencies

The Company has agreed to indemnify directors and officers under the bylaws of the Company to the extent permitted by law. The nature of the indemnifications prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiary of such indemnification agreement. The Company has purchased various insurance policies to reduce the risks association with such indemnification. The Company has included in officers' management contracts a change of control clause that would entitle them to compensation of twenty-four (24) months' salary or a lump sum payment as disclosed in their contract should such an event occur.

Under the Arrangement Agreement, for every Eagle Plains warrant or option outstanding as of Spin-out Transaction completion date that is exercised subsequently, the Company has to issue 1/3 of a common share and will receive 1/3 proceeds from the warrant or option exercise. As at December 31, 2023, the total commitment is for 10,812,000 options exercisable at \$0.15 - \$0.24 with expiry dates of July 4, 2024 to January 6, 2028 and 5,261,529 warrants exercisable at \$0.25 - \$0.30 with expiry dates of July 11, 2024 to September 25, 2024.

9. Capital Management

The Company includes cash and shareholders' equity, comprising of issued common shares and deficit, in the definition of capital. 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 and development of royalty interests. The Board of Directors does not

December 31, 2023

9. Capital Management continued

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.

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 is not subject to externally imposed capital requirements.

10. Equity Instruments

(a) Authorized

Unlimited number of common shares without nominal or par value.

Unlimited number of preference shares, with the rights, privileges and conditions thereof determined by the directors of the Company at the time of issuance.

(b) Issued and outstanding

At December 31, 2023, there were 57,060,310 (2022 – 100) shares outstanding.

During the year ended December 31, 2023:

- 41,998,333 shares were issued to Eagle Plains shareholders and Eagle Plains as part of the spin-out transaction (these shares are subject to escrow provisions for a period of one year).
- 15,011,978 shares were issued to 138 shareholders as part of the amalgamation (10,011,978 shares are subject to escrow provisions for a period of one year).
- 16,666 shares were issued on the exercise of Eagle Plains warrants for proceeds of \$3,750.
- 33,333 shares were issued on the exercise of Eagle Plains options for proceeds of \$3,750.

(c) Stock Option Plan

The Company has a stock option plan for employees, directors, officers and consultants. Stock options can be issued up to a maximum number of common shares equal to 10% of the issued and outstanding common shares of the Company. The exercise price of options granted is not less than the market price of the common shares traded less the available discount under Canadian Securities Exchange policies, and is determined by the Board of Directors. Options granted can have a term of up to 10 years.

There were no stock option activities during the periods ended December 31, 2023 and 2022.

(d) Warrants outstanding

During the periods ended December 31, 2023 and 2022, the Company had the following warrant activities:

| | Number of Warrants | Exercise Price per Share Range |
|--|-----------------------|-----------------------------------|
| Balance, January 21, 2022 and December 31, 2022 | - | \$ - |
| Issued | 5,562,404 | 0.50 |
| Balance, December 31, 2023 | 5,562,404 | \$ 0.50 |

During the year ended December 31, 2023, the Company issued 5,562,404 warrants exercisable at \$0.50 for 2 years to 138 shareholders as part of the amalgamation.

As at December 31, 2023, the following table summarizes information about warrants outstanding:

| Warrants Outstanding December 31, 2023 | Exercise Price | Expiry Date | Weighted Average Remaining Life |
|--|-------------------|---------------------|---------------------------------------|
| 5,562,404 | \$0.50 | May 18, 2025 | 1.38 years |

December 31, 2023

11. Income Taxes

As of December 31, 2023, the effective tax rate of income varies from the statutory rate as follows:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------|----------------|---------------|
| Loss before income taxes | \$ (1,074,569) | \$(208,741) |
| Statutory tax rates | <u>23%</u> | <u>23%</u> |
| Tax recovery at statutory rate | (247,000) | (48,000) |
| Changes in unrecognized tax benefits | <u>247,000</u> | <u>48,000</u> |
| Deferred income tax recovery | <u>\$ -</u> | <u>\$ -</u> |

The summary of the Company's deductible temporary differences, unused tax losses, and unused tax credits is as following:

| | <u>2023</u> | <u>Expiry</u> | <u>2022</u> | <u>Expiry</u> |
|------------------------|-------------------|---------------|-------------|---------------|
| Non-capital tax losses | \$ 916,000 | 2042-2043 | \$ 209,000 | 2042 |
| Royalty assets | <u>\$ 366,000</u> | None | <u>\$ -</u> | - |