Management's Discussion and Analysis of Financial Condition and Results of Operations

For the year ended December 31, 2022

This Management's Discussion and Analysis ("MD&A") is intended to help the reader understand Lithium Royalty Corp. ("LRC" or "The Company"), its operations, financial performance and the present and anticipated future business environment. This MD&A, which has been prepared as of March 31, 2023, should be read in conjunction with the audited consolidated financial statements for the Company for the years ended December 31, 2021 and 2022 and the notes to those statements (the "Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Certain notes to the Annual Financial Statements are specifically referred to in this MD&A. All amounts in this MD&A are in U.S. dollars unless otherwise indicated. Reference to "US$", "$" or "dollars" are to United Sates dollars, reference to "C$" are to Canadian dollars and references to "A$" are to Australian dollars. In this MD&A, all references to "LRC", the "Company", "we", "us" or "our" refer to Lithium Royalty Corp. together with its subsidiaries, on a consolidated basis.

This MD&A contains forward-looking information. Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the risk factors described in the "Risk Factors" section of the Company's annual information form dated March 31, 2023, available on SEDAR at www.sedar.com. There can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, users should not place undue reliance on forward-looking information, which speaks only as of the date made. See "Forward-Looking Information" at the end of this MD&A.

Company Overview

We are a lithium-focused royalty company organized in Canada which, with affiliates or joint venture partners, has established a diversified portfolio of royalties on mineral properties around the world that supply and are expected to supply raw materials to support the electrification and decarbonization of the global economy. Our royalty portfolio has focused to-date on the battery supply chain for the transportation industry and is underpinned by mineral properties that produce or are expected to produce lithium and other battery minerals.

Since commencing operations in 2018, our overarching objective has been to grow our portfolio and net asset value through ongoing investments in royalties within an electrification and decarbonization macroeconomic theme, with an emphasis on lithium. We own a portfolio of 30 royalties on 28 properties and continue to seek opportunities to acquire additional royalty assets. Our investments are tied to mining assets at various stages of the mine life cycle, including two producing mines, four projects in construction and 21 development and exploration-stage projects. We consider properties to be in the development phase if they have not yet reached the production or construction phases of the mine life cycle and our classification of properties in the development and exploration phase includes projects that are in both the late stages of development and the early stages of exploration.[1]

Our royalty portfolio is focused on high-grade and low-cost mineral projects that are primarily located in Australia, Canada, South America and the United States. However, we also pursue high quality assets in other jurisdictions when we deem risk-adjusted returns to be appropriate and we are satisfied with available protections.

[1] We use a different categorization of the Company's royalty interests for accounting purposes, including in our financial statements. The major categories of the Company's interests for accounting purposes are (i) producing, (ii) development, and (iii) exploration and evaluation interests. Producing assets for accounting purposes are royalty interests over mineral projects which have reached commercial production, and are generally equivalent to royalties over mineral properties identified in the Company's other continuous disclosure documents as producing. Development assets for accounting purposes are interests on projects which are not yet producing, but where the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. This category is equivalent to the royalties over mineral properties identified in the Company's other continuous disclosure documents as in construction. Exploration and evaluation assets for accounting purposes represent assets where the technical feasibility and commercial viability of extracting a mineral resource has not yet been demonstrated, and are equivalent to royalties over mineral properties identified in the Company's other continuous disclosure documents as development or exploration.

Our portfolio includes a number of projects in the earlier stages of the mine life cycle, representing a development and exploration stage pipeline and the opportunity to increase free cash flow per share over the long term after the underlying mines come into production in a favorable commodity price environment. Integration of ESG factors is an important consideration in our investment analysis and our target investment criteria.

Financial Highlights

For the year ended December 31,	2022	2021
Royalty Income	$1,683,801	$1,803,175
Depletion	961,322	1,036,170
Gross profit	722,479	767,005
Impairment recovery	1,894,737	4,520,391
(Loss) gain from operations	(1,333,857)	4,268,674
Gain on investments at fair value through profit and loss (“FVTPL”)	17,093,306	7,552,863
Net income for the period	13,968,425	11,171,231
Net income attributable to non-controlling interests	188,075	449,993
Net income attributable to shareholders	13,780,350	10,721,238
Net cash provided by (used in) operating activities	$(2,115,989)	$779,450
Net cash provided by (used in) investing activities	$3,166,390	$(44,193,060)
Net cash provided by financing activities	$20,921,095	$53,412,553

As at December 31 ($)	2022	2021
Cash	$35,876,777	$15,021,619
Royalty and working interests	78,204,389	58,120,909
Total assets	$150,319,433	$101,180,602
Total non-current liabilities	2,771,848	643,331

For the years ended December 31, 2022 and 2021

- Royalty income in 2022 was $1,683,801, a decrease of $119,374 from $1,803,175 in 2021. Production at the Mt Cattlin mine was 1.1% higher in 2022 than 2021, primarily in response to tighter market conditions and higher lithium prices. The continued easing of equipment and labour disruptions experienced in 2021 and 2020 related to the COVID-19 pandemic, together with increased lithium prices in 2022, allowed Allkem Limited (“**Allkem**”) to mine lower grade ore at the Mt Cattlin mine, which resulted in a higher volume of ore to be processed which resulted in increased royalty payments to the Company. However, the higher production and royalty payments from Allkem was more than offset by an 8.0% depreciation in the Australian dollar relative to the U.S. dollar in 2022.
- Gross profit in 2022 was $722,479, a decrease of $44,526 compared to $767,005 in 2021. The decrease was largely due to decreased royalty income, which was negatively impacted by an 8.0% depreciation in the Australian dollar and offset the increase in production at the Mt Cattlin mine.

- An impairment recovery of $1,894,737 was recorded in 2022 on the Tres Quebradas royalty interest, following the increase in long-term lithium prices and due to continuing positive developments in the advancement of the project to the commencement of production. This impairment recovery, combined with the impairment recovery of $4,520,391 taken in 2021, fully reversed the impairment charge taken in 2019.
- Loss from operations in 2022 was $1,333,857, an unfavourable variance of $5,602,531 from the gain of $4,268,674 in 2021. The variance was primarily attributable to the increase of $1,922,440 in general and administrative cost associated with preparing for the initial public offering ("**IPO**") of the Company. In addition, 2022 had a decrease of $2,625,654 in impairment recovery for the Tres Quebradas project and an increase of $879,629 in exploration expense. The exploration expense arises primarily from the Company's 25% working interest in the Donner Lake project, acquired from Grid Metals in January 2022.
- Gain on investments at FVTPL in 2022 was $17,093,306, an increase of $9,540,443 compared to $7,552,863 in 2021.
- Net income for 2022 was $13,968,425, an increase of $2,797,194 compared to $11,171,231 in 2021, primarily attributable to the increase in the gain on Investment at FVTPL of $9,540,443, increase in finance income of $197,404, partially offset by the decrease in gain from operation of $5,602,531, increase in income tax expense of $629,617, and increase in foreign exchange loss of $708,505.
- Net cash used by operating activities for 2022 was $2,115,989, a decrease of $2,895,439 compared to 2021. Net income in 2022 of $13,968,425, after adjusting for non-cash items, resulted in a use of cash of $2,389,847. The net income of $11,171,231 in 2021, after adjusting for non-cash items, generated a cash source of $739,739, or $3,129,586 higher than in 2022, resulting mainly from the cost incurred for the IPO-readiness in 2022. In addition, the Company funded $1,088,130 to Grid Metals in 2022, representing primarily the Company's share of exploration costs attributable to the Donner Lake working interest, as compared to $nil in 2021. The lower cash flow in 2022 was partially offset by the increase in income tax refund of $234,147.
- Net cash provided by investing activities for 2022 was $3,166,390, an increase of $47,359,450 compared to 2021. During 2022, the Company disposed of its investments in Sigma Lithium Corporation ("Sigma") and Sayona for total proceeds of $32,032,439. In addition, cash used for acquisitions of royalty interests and investments decreased by $15,327,011 compared to 2021. Acquisitions of mineral interests in 2022 included the acquisition of two royalty interests from Grid Metal Corp. ("**Grid Metal**") (covering each of the Donner Laker and Campus Creek projects), two royalty interests from ACME Lithium Inc. ("**ACME Lithium**") (covering Shatford Lake and Cat-Euclid Lake projects), two royalty interests from Arvo Lithium Ltd. ("**Arvo**") (covering Kaustinen and Ilmajoki projects), three royalty interests from Green Technology Metals Limited ("**Green Technology Metal**") (covering Seymour Lake, Root Lake and Wisa Lake projects), the Zeus Lithium project, the Malinda project, the Tabba Tabba project, the Mariana project and the Eyre project. Comparatively, acquisitions of mineral interests in 2021 included the acquisition of three royalty interests from Sayona Mining Limited ("**Sayona**") (covering each of the Moblan, Tansim and Mallina projects), three royalty interests from Winsome Resources Limited ("**Winsome**") (covering each of the Cancet, Adina and Sirmac-Clapier projects), the Horse Creek royalty interest, the Valjevo royalty interest and the Basin East & West / Wikieup royalty interest.
- Net cash provided by financing activities for 2022 was $20,921,095, a decrease of $32,491,458 compared to 2021. The variance was mainly attributable to the decrease in proceeds from issuance of common shares of $34,209,961 as compared to 2021. In 2022, the Company issued additional shares to its existing shareholders for $19,290,039 as compared to the share issuance of $53,500,000 in 2021. In addition, Riverstone contributed $774,411 to its existing Class C shares in 2022.

Quarterly Information

The following table presents the revenue, net income attributable to the shareholders and basic EPS by quarter:

Amounts in USD	**Q4 2022**	**Q3 2022**
Revenue	$337,119	$447,949
Net income attributable to shareholders of Lithium Royalty corp.	3,812,202	4,839,886
Basic earnings per share	$0.08	$0.11

Market Overview

The royalties held by the Company are predominantly gross overriding revenue ("**GOR**") royalties, but also include several net smelter return ("**NSR**") royalties and one tonnage-based royalty. For GOR and NSR royalties, royalty payments to the Company are heavily influenced by the realized revenues earned on the production of lithium precursor products (predominantly spodumene and to a lesser extent lithium carbonate and lithium hydroxide) by the parties bearing the royalty obligations. The royalty payments received by the Company have limited exposure to the operating costs of the payors.

In addition to directly affecting the revenues earned by royalty payors, the market price of lithium significantly affects the economic viability of, and ability to finance, the underlying projects. In addition to other factors, higher lithium prices increase the likelihood that any given lithium project will be developed and brought into production. At this time, most of the royalties held by the Company are granted over development and exploration projects, and the likelihood of development of a project has a significant impact on the expected value of a royalty on a lithium project. Higher lithium prices also influence the scope of development of a particular lithium project and accordingly the production volumes eventually realized for that project.

Accordingly, most royalty payments are predominantly determined by both the market price of lithium and the production volumes of the mineral projects covered by our royalties.

Lithium

The market price of lithium is a primary driver of the Company's future profitability and ability to generate free cash flow for investors, particularly as the projects covered by its GOR and NSR royalties commence production. In addition to the direct increase in the value of royalty payments, an elevated market price of lithium is a significant contributor to the Company's royalty portfolio by stimulating exploration and development activity in the underlying lithium projects and improving the economics of development projects.

The market price of lithium is generally determined by the balance of demand and supply for lithium and the various precursor forms of extracted lithium. Currently, the lithium market is facing significant volatility and a generally rising price due to growing concerns that future lithium demand will significantly outpace lithium supply. Market prices across all three main lithium product categories remained near all-time highs at the end of 2022.

Lithium Carbonate

On March 30, 2023, the lithium carbonate price was $34,425 per tonne. During the year ended December 31, 2022, the lithium carbonate price ranged from $43,546 to $84,524 per tonne, averaging $71,715 per tonne for the period, a 282% increase from the same period in the prior year. At December 31, 2022, the lithium price was $75,305 per tonne. Lithium carbonate prices increased through 2022, with the lithium carbonate price reaching its all-time high of $84,524 per tonne on November 14, 2022.

During 2021, the lithium carbonate price ranged from $8,043 to $43,659 per tonne, averaging $18,751 for the year. At December 31, 2021, the lithium carbonate price was $43,659 per tonne (based on Bloomberg data). That was 443% higher than the lowest lithium carbonate price during 2021 ($8,043 on January 3, 2021) and was the highest lithium carbonate price reached during 2021.

The prices in this section are based on Bloomberg data for spot market prices for 99.5% lithium carbonate, delivered in China.

Lithium Hydroxide

On March 30, 2023, the lithium hydroxide price was $46,943 per tonne. During the year ended December 31, 2022, the lithium hydroxide price ranged from $32,803 to $81,490 per tonne, averaging $69,011 for the period, a 297% increase from the same period in the prior year. At December 31, 2022, the lithium hydroxide price was $75,450 per tonne. Lithium hydroxide prices increased through 2022, with the lithium hydroxide price reaching its all-time high of $81,490 per tonne on December 13, 2022.

During 2021, the lithium hydroxide price ranged from $7,354 to $32,803 per tonne, averaging $17,389 for the year. At December 31, 2021, the lithium hydroxide price was $32,803 per tonne (based on Bloomberg data). That was 346% higher than the lowest lithium hydroxide price during 2020 ($7,354 on January 1, 2021) and was the highest lithium hydroxide price reached during 2021.

The prices in this section are based on Bloomberg data for spot market prices for 56.5% lithium hydroxide, delivered in China.

Lithium Spodumene

On March 30, 2023, the lithium spodumene price was $4,610 per tonne. During the year ended December 31, 2022, the lithium spodumene price ranged from $2,560 to $6,110 per tonne, averaging $4,368 for the period, a 358% increase from the same period in the prior year. At December 31, 2022, the lithium spodumene price was $6,010 per tonne. Lithium spodumene prices have remained elevated throughout 2022, with the spodumene price reaching its all-time high of $6,110 per tonne through November and early December, 2022.

During 2021, the lithium spodumene price ranged from $405 to $2,560 per tonne, averaging $953 for the year. At December 31, 2021, the lithium spodumene price was $2,560 per tonne (based on Bloomberg data). That was 532% higher than the lowest lithium spodumene price during 2021 ($405 on January 7, 2021) and was the highest lithium spodumene price reached during 2021.

The prices in this section are based on Bloomberg data for spot market prices for 6% lithium spodumene, delivered in China.

Summary Lithium Price Information

	Years ended December 31	
Average Lithium Prices	**2022**	**2021**
99.5% lithium carbonate ($ / tonne)(1)	$71,715	$18,751
56.5% lithium hydroxide ($ / tonne)(2)	$69,011	$17,389
6% lithium spodumene ($ / tonne)(3)	$4,368	$953

(1) Based on Bloomberg data for spot market price for 99.5% lithium carbonate spot market price, delivered in China.

(2) Based on Bloomberg data for spot market price for 56.5% lithium hydroxide spot market price, delivered in China.

(3) Based on Bloomberg data for spot market price for 6% lithium spodumene, delivered in China.

Currency Exchange Rates

The Company is subject to currency fluctuations. For 2022 and 2021, royalty revenues have been earned solely from the Mt Cattlin royalty interest, which are paid in Australian dollars to the Company's subsidiary LRC I Corporation, which uses Australian dollars as its functional currency for accounting purposes. The Company is subject to currency fluctuations on receivables, payables and cash balances denominated in currencies other than the functional currency of the Company and its subsidiaries, as well as when translating Australian dollar functional currency results of LRC I Corporation into the presentation currency of the financial statements which is in U.S dollars. The Company does not have any hedging programs in place for its non-U.S. dollar operating expenses.

The following table sets forth exchange rate information, for the periods indicated, based on Bloomberg data for exchange rates.

	Years ended December 31	
Average Exchange Rates(1)	**2022**	**2021**
C$ / US$ Exchange rate	1.3019	1.2537
A$ / US$ Exchange rate	1.4394	1.3323

(1) Based on Bloomberg data for daily exchange rates.

Key Developments

Events Subsequent to December 31, 2022

On January 31, 2023, for an aggregate purchase price of $1.9 million (C$2.5 million), we acquired an existing 2.0% NSR royalty on the Adina project in Québec, Canada from two third-party sellers.

On February 1, 2023, the Company elected to waive the sole remaining closing condition and complete the acquisition of an existing 2.0% NSR royalty on the Mariana lithium brine project in Salta, Argentina. The Mariana project is operated by Ganfeng Lithium Co. Ltd. ("**Ganfeng**"). On July 22, 2022, we had agreed to acquire the Mariana royalty for $9.0 million, from TNR Gold Corp ("**TNR Gold**"), with closing subject to registration of the royalty on title, with an option to waive the closing condition. At that time, $8.65 million of the purchase price was paid into a closing escrow and an additional $0.35 million was paid on a non-refundable basis to TNR Gold. On November 14, 2022, the Company and TNR Gold agreed to extend the closing date and release an additional $0.35 million from escrow to TNR Gold, so that $8.3 million remained in escrow until closing and an aggregate of $0.7 million had been paid on a non-refundable basis to TNR Gold. Notwithstanding that the registration had not yet been completed, we waived the closing condition on February 1, 2023, releasing to TNR Gold all remaining funds held in escrow. Altius Minerals Corporation elected to exercise its right to participate in 10% of the Mariana transaction and funded $912,848 into LRC LP I for its 10% share of the estimated acquisition cost in the third quarter of 2022.

On March 15, 2023, the Company completed an initial public offering ("IPO"), raising proceeds of $102.7 million (C$141.4 million), net of underwriting fees and related underwriting expenses of $6.3 million (C$8.6 million), through the issuance of 8,824,000 common shares from treasury at a price of $12.35 per share (C$17.00 per share). Prior to the closing of the IPO, the following pre-closing reorganization and capital changes were implemented:

- The Company disposed of its working interests, substantially all of its investments and $28.3 million of cash by way of distributions to the shareholders before the IPO ("Pre-IPO Shareholders");
- The Company distributed non-interest-bearing shareholder notes of $36.3 million to the Pre-IPO Shareholders, which were repaid after the IPO;
- The issued Class A and Class B shares were converted into convertible common shares;
- The issued Class C shares were converted into common shares;
- The issued and outstanding common shares and convertible common shares were split on a 448.6678:1 basis; and
- The Company approved a new equity incentive plan to cover future grants of options, restricted share units ("RSUs") and performance share units ("PSUs") to key personnel and deferred share units ("DSUs") to the independent directors.

On March 16, 2023, the Company completed the acquisition of an existing 1.5% NSR royalty on a portion of the James Bay Lithium Project in Québec, Canada, from a third-party seller, for an aggregate purchase price of $1.8 million (C$2.35 million). The royalty is subject to a buy-back right of one third (0.5%) of the NSR royalty for $0.365 million.

For the year ended December 31, 2022

On December 28, 2022, we acquired a 1.25% gross overriding revenue royalty on each of the Kaustinen and Ilmajoki reservation areas in Finland, owned by a wholly-owned subsidiary of Arvo for $625,000. Concurrently, the Company acquired 36,585 shares of Arvo for $150,000 and an option to invest up to $500,000 in Arvo at a price of $14.50 per share for a period of 36 months.

On October 9, 2022, the Company acquired a 1.0% gross overriding revenue royalty on the Eyre project in Western Australia, Australia, owned by Larvotto Resources Limited ("Larvotto") for A$700,000. On December 22, 2022, the Company also acquired: (i) for A$700,000, an offtake agreement for 20% of the production of lithium and all other pegmatite materials extracted from the Eyre project, and (ii) for A$200,000, approximately 1.1 million shares and 1.1 million options of Larvotto. Each option is exercisable to acquire one share of Larvotto at a price of A$0.30 per share for a period of 36 months.

On September 9, 2022, for aggregate consideration of $7.5 million (A$11.0 million), we acquired from a third party seller two-thirds of a 1.5% GOR royalty on the 80% portion of each of the Seymour Lake lithium spodumene project, the Root Lake lithium spodumene project and the Wisa Lake lithium spodumene project. All three projects are located in Ontario, Canada and are operated by Green Technology Metals. We also agreed to an additional contingent payment of A$1.5 million if Green Technology Metals increases its interest in the projects from 80% to 100%, which Green Technology Metals achieved on November 7, 2022. We have withheld one-half of the aggregate purchase price payable to the seller, in accordance with our Canadian tax withholding obligations as a purchase of Canadian resource assets from a seller not resident in Canada, pending the seller clearing its tax obligations with the Canada Revenue Agency. The withheld amount is payable in Canadian dollars. The remaining aggregate purchase that has not been withheld has been paid to the seller.

On August 9, 2022, we acquired a 1.25% GOR royalty on the Tabba Tabba lithium spodumene project in Western Australia, Australia, for $0.67 million, plus an additional contingent payment of $0.35 million if a Mineral Resource is declared with a minimum 5 Mt and 1% Li_2O grade in respect of the Tabba Tabba project. In addition, we acquired a 1.25% GOR royalty on the Mt Edon and Mt Edon West lithium spodumene projects in Western Australia, Australia, for $0.49 million (including transaction costs), plus an additional contingent payment of $0.1 million, if a

Mineral Resource is declared with a minimum 5 Mt and 1% Li2O grade in respect of the Mt Edon project. Both projects are operated by Morella Corporation Limited, pursuant to Morella's earn-in agreement with Sayona. Concurrent with these royalty transactions, the Company participated in an equity offering by Morella, where it acquired 16,666,667 ordinary shares of Morella, at an aggregate cost of $176,750 (A$0.25 million or A$0.015 per share).

On May 26, 2022, we acquired a 1.0% GOR royalty on the Yinnetharra lithium spodumene project (formerly known as the Malinda project) in Western Australia, Australia, from Electrostate Pty Ltd. ("**Electrostate**") for $0.325 million in cash and a contingent payment. On September 28, 2022, Red Dirt Metals Limited ("**Red Dirt Metals**") acquired Electrostate, including the Yinnetharra lithium spodumene project, for consideration equal to 0.83527 Red Dirt Metals shares for each Electrostate share, plus contingent consideration if Red Dirt Metals achieves certain milestones in respect of the underlying lithium project. In connection with that announcement, the Company's contingent payment obligation to Electrostate was waived and the project was renamed by Red Dirt Metals as the Yinnetharra lithium project. In addition, the Company received 170,400 options to acquire shares of Red Dirt Metals at a price of A$0.75 per share for a period of 18 months, in exchange for terminating the Company's right to participate in future Electrostate financings.

On March 9, 2022, for an aggregate purchase price of $0.65 million, we acquired a 2.0% GOR royalty over the Shatford Lake and Cat-Euclid Lake projects in Manitoba, Canada, operated by ACME Lithium. Concurrently, we acquired 473,542 common shares of ACME Lithium and 236,771 common share purchase warrants of ACME Lithium, for an aggregate cost of $345,450 (C$445,130). Each common share purchase warrant is exercisable at a price of C$1.22 at any time prior to March 9, 2024.

On February 25, 2022, for a purchase price of $4.0 million, we acquired a 1.0% GOR royalty over the Zeus lithium project operated in Nevada, United States, by Noram Lithium Corp. ("**Noram**"). Concurrently, the Company acquired 2,331,002 common shares of Noram for aggregate cost of $1.5 million. We have agreed to pay Noram a further $1.0 million upon release of a definitive feasibility study.

On January 12, 2022, we acquired a 2.0% GOR royalty on the Donner Lake project in Manitoba, Canada for a purchase price of $1.25 million and a 2.0% GOR royalty on the Campus Creek project in Ontario, Canada for a purchase price of $1.0 million. Both projects are operated by Grid Metals. Concurrently, we acquired a 25% working interest in the Donner Lake project for a purchase price of $1.25 million, and a 25% working interest in the Campus Creek project for a purchase price of $0.25 million. In accordance with the agreement, the Company, from time to time, is required make cash contributions into the two working interests, based on the planned exploration activities. For the year ended December 31, 2022, the Company contributed a total of $1,088,130 into the two working interests. We also entered into an offtake agreement with Grid Metals for 25% of the production of each of the two projects and acquired 13,962,404 common shares of Grid Metals for an aggregate purchase price of $1,330,718 (or $0.09 per share).

For the year ended December 31, 2021

On December 21, 2021, we acquired a 2.0% GOR royalty over the Basin East, Basin West and Wikieup projects operated by Bradda Head. Each project is located in the same region of Arizona, United States. Concurrently, the Company acquired 19,481,475 common shares of Bradda Head at an aggregate cost of $2.0 million and 1,185,687 share purchase warrants of Bradda Head at an aggregate cost of $0.14 million. We agreed to a contingent payment of $2.5 million upon Bradda Head achieving a Mineral Resource containing 1 million tonnes lithium carbonate equivalent ("**LCE**") with a minimum lithium grade of 800 parts per million ("**ppm**") reported and a further contingent payment of $3.0 million upon achieving a Mineral Resource containing 2.5 million tonnes LCE with a minimum lithium grade of 800 ppm reported. Including (a) transaction costs paid by the Company, and (b) a structuring fee of $0.14 million received by the Company, aggregate consideration was $2.42 million.

On October 20, 2021, we acquired an option to acquire a 1.5% GOR royalty on the Lithium Springs project in Northern Territory, Australia, for an aggregate purchase price of A$5,000. The Lithium Springs project is operated by Lithium Springs Limited ("**Lithium Springs**"). The option is exercisable at an exercise price of A$0.9 million, until the earlier of (i) April 20, 2023, and (ii) Lithium Springs completing a listing of its shares on the ASX.

On October 15, 2021, we acquired royalties over the Moblan, Tansim and Mallina projects owned by Sayona and an offtake arrangement on the Moblan project. The Moblan royalty and offtake were acquired for a purchase price of $5.0 million and consist of a 1.5% to 2.5% GOR royalty on the Moblan project in Québec, Canada. The Tansim royalty was acquired for a purchase price of $3.0 million and consists of NSR royalty on the Tansim project in Québec, Canada. The Mallina royalty interest was acquired for a purchase price of $0.5 million and consists of a 1.5% GOR royalty on the Mallina project in Australia. We also entered into an offtake with Sayona for 10% of the production from the Moblan project at 95% of market prices, and received a $1.0 million structuring fee from Sayona in connection with this transaction. Including (a) transaction costs paid by the Company, and (b) a structuring fee of $1.0 million received by the Company, aggregate consideration was $3.8 million for the Moblan royalty interest, $0.7 million for the Moblan offtake, $2.7 million for the Tansim royalty interest and $0.4 million for the Mallina royalty interest. The Company also acquired 48,275,863 ordinary shares of Sayona at an aggregate cost of $5.2 million (A$7.0 million or A$01.45 per share).

On October 12, 2021, for an aggregate purchase price of $0.8 million (C$1.0 million), we acquired two-thirds of an existing 1.5% NSR royalty on the Cancet project in Québec, Canada from two third-party sellers. Including transaction costs, aggregate consideration was $0.82 million.

On July 2, 2021, for an aggregate purchase price of $5.0 million, we acquired 3.0% to 4.0% GOR royalties over the Cancet, Adina and Sirmac-Clapier projects, owned and operated by Winsome. All three projects are located in Québec, Canada. Including transaction costs, aggregate consideration was $5.1 million.

On May 13, 2021, we acquired a revenue-based royalty at various rates over the Valjevo lithium-borate deposit located in Valjevo, Serbia, operated by Euro Lithium Inc. ("**Euro Lithium**"). After the first day of the fiscal year immediately following the twentieth anniversary of Euro Lithium producing at least 1,400 tonnes of lithium chemicals per fiscal year, Euro Lithium has the right to reduce the Valjevo royalty interest by 50%, upon payment to the Company of an amount determined based on the net present value of the Valjevo royalty interest at that time, calculated by discounting the next 20 years of projected royalty payments relating to all remaining mineral resources from the Valjevo project and using a 10% discount rate. Concurrently, the Company acquired 62,344 common shares of Euro Lithium at an aggregate cost of $0.5 million ($8.02 per share).

On March 22, 2021, the Company acquired (a) a gross revenue royalty over the Horse Creek polysilicon grade silica quartz project in Golden, British Columbia, Canada, owned by Sinova Global Inc. ("**Sinova**"), and (b) 1,000 Class A shares and 2,209 share purchase warrants of the seller of the royalty. The aggregate purchase price, including transaction costs, was $15.1 million and was allocated (a) $10.4 million for the royalty interest, (b) $2.0 million for the Class A shares, and (c) $2.7 million for the warrants. The royalty is assessed at 8.0% of annual gross revenues up to $45.0 million and 4.0% on any portion of annual gross revenues in excess of $45.0 million. The shares and warrants were subsequently restructured as 127,271 shares and 260,476 warrants of Sinova Global Inc., the parent of the seller. Each warrant entitles the holder to purchase Class A shares of Sinova Global at a price of $18.07 per share, until the earlier of March 22, 2026 and the acquisition of all the shares of Sinova Global by an arm's length party.

In January 2021, The Company raised additional capital, including from Riverstone Holdings LLC ("**Riverstone**").

Mineral Assets – Performance

The Company is organized into a single operating segment. Operations consist of acquiring and managing the administration of our royalty and working interests, as part of a portfolio that provides exposure to lithium. The Company's Chief Operating Decision-Maker, the Executive Chair, reviews operating results, assesses performance and makes capital allocation decisions.

Production Stage Assets

*Mt Cattlin (Operator: Allkem Limited ("**Allkem")***

During the second quarter of 2018, we acquired a A$1.50 per tonne of tantalum ore royalty on the Mt Cattlin mine, which is located near Ravensthorpe in the Great Southern region of Western Australia. All of our royalty income for the year ended December 31, 2022 and 2021 was attributable to our royalty on the Mt Cattlin mine. Detailed explanations regarding royalty income during each of these periods is set out elsewhere in this MD&A.

Finniss (Operator: Core Lithium)

In June 2019, we acquired a 2.5% GOR royalty over the Finniss spodumene project in the Northern Territory, Australia, operated by Core Lithium Limited ("**Core Lithium**"). On October 3, 2022, Core Lithium announced that it had completed the first sale of 15,000 dmt of spodumene direct shipping ore ("**DSO**") with an average grade of 1.4% Li_2O for $951/dmt, using a digital exchange platform. On October 10, 2022, Core Lithium announced the official opening of the Finniss project. On January 5, 2023, Core Lithium announced that that DSO shipment had left the port of Darwin, Northern Territory for transport by ship to Fangcheng, China. On March 23, 2023, Core Lithium announced that it had entered into agreements to sell an additional 18,500 tonnes of spodumene concentrate to Sichuan Yahua, in addition to existing agreements to sell to that same customer 300,000 tonnes over four years.

Construction Stage Assets

Tres Quebradas (Operator: Zijin Mining)

Zijin Mining commenced construction of the Tres Quebradas project on February 1, 2022. In its annual results announcement of March 24, 2023, Zijin disclosed that it anticipates to complete construction of the project and commence production by end of 2023.

Grota do Cirilo (Operator: Sigma)

Construction has commenced on the Xuxa phase 1 portion of the project. Sigma reported on December 20, 2022 that commissioning commenced at Xuxa phase 1 on schedule and on budget and that Sigma expects the crushing circuit to be completed in February 2023, the dense media separation circuit to be completed in April 2023, commercial production to begin in April 2023 and free cash flow to start in the second quarter of 2023. Construction of Barreiro phase 2 is expected to begin once Xuxa phase 1 initiates commissioning.

Horse Creek Silica Mine (Operator: Sinova)

Pilot production at the quarry began in the third quarter of 2021, which generated a small royalty payment in the fourth quarter of 2021. The Horse Creek mine has not yet commenced full production and there have been no subsequent royalty payments since the fourth quarter of 2021. Commercial production is anticipated to commence in 2023. The Horse Creek quarry produces high-purity quartz that is used in the production of silicon metal. Silicon metal is increasingly being used as an anode battery material to increase energy density of EV batteries and, as a result, the range of EVs. Silicon metal is also used in the production of semiconductors and solar panels. Sinova is in the process of building a silicon metal manufacturing operation located in Tennessee to process quartz from the Horse Creek quarry. The Horse Creek quarry is permitted for 1,400,000 tonnes of quartz production per year.

Mariana (Operator: Ganfeng)

Construction of the Mariana project is underway and Ganfeng is in the process of putting the brine ponds into operation. On May 30, 2022, Ganfeng announced its commitment to spend $600 million to build a lithium chloride production facility with an annual output of 20,000 tonnes. In its annual results announcement of March 29, 2023, Ganfeng disclosed that the project is progressing smoothly at present and the first evaporation pond is in the stage of water injection.

Development or Exploration Stage Assets

We have royalty interests over a number of assets that are at varying stages of development and exploration, but that have not yet made a final investment decision to commence construction of a commercially viable lithium mining project. We consider properties to be in the development and exploration phase if they have not yet reached the production or construction phases of the mine life cycle and our classification of properties in the development and exploration phase includes projects that are in both the late stages of development and the early stages of exploration. We do not expect that any of the following projects will commence production or make royalty payments prior to December 31, 2024.

Underlying Asset	Location	Operator	Commodity	Status
Moblan	Québec, Canada	Sayona	Lithium Spodumene	Drilling for updated Mineral Resource
Tansim	Québec, Canada	Sayona	Lithium Spodumene	Exploration
Mallina	Western Australia, Australia	Morella	Lithium Spodumene	Assay results pending
Valjevo	Valjevo, Serbia	Euro Lithium	Lithium Carbonate and Boric Acid	PFS in progress
Cancet	Québec, Canada	Winsome	Lithium Spodumene	Drilling for Mineral Resource
Adina	Québec, Canada	Winsome	Lithium Spodumene	Drilling for Mineral Resource
Sirmac-Clapier	Québec, Canada	Winsome	Lithium Spodumene	Exploration

Donner Lake....................	Manitoba, Canada	Grid Metals	Lithium Spodumene	Drilling for Mineral Resource
Campus Creek.................	Ontario, Canada	Grid Metals	Lithium Spodumene	Exploration
Lithium Springs................	Northern Territory, Australia	Lithium Springs Limited	Lithium Spodumene	Exploration
Zeus	Nevada, United States	Noram	Lithium Carbonate	PFS in progress
Basin East & West / Wikieup	Arizona, United States	Bradda Head	Lithium Hydroxide	Drilling for updated Mineral Resource
Shatford Lake / Cat-Euclid	Manitoba, Canada	ACME Lithium	Lithium Spodumene	Exploration
Yinnetharra......................	Western Australia, Australia	Red Dirt	Lithium Spodumene	Drilling for Mineral Resource
Tabba Tabba	Western Australia, Australia	Sayona and Morella	Lithium Spodumene	Exploration
Mt Edon / Mt Edon West...	Western Australia, Australia	Sayona and Morella	Lithium Spodumene	Exploration
Seymour Lake	Ontario, Canada	Green Technology Metals	Lithium Spodumene	Drilling for updated Mineral Resource
Root Lake........................	Ontario, Canada	Green Technology Metals	Lithium Spodumene	Drilling for Mineral Resource
Wisa Lake	Ontario, Canada	Green Technology Metals	Lithium Spodumene	Exploration
Eyre.................................	Western Australia, Australia	Larvotto Resources	Lithium Spodumene	Exploration
Kaustinen / Ilmajoki..........	Finland	Arvo Lithium	Lithium Spodumene	Exploration
James Bay.......................	Québec, Canada	Allkem	Lithium Spodumene	Construction planning and design

Portfolio of Investments

While our assets have historically included a portfolio of shares, warrants and options of both publicly-traded and private companies and certain other non-royalty investments, substantially all of our holdings of non-royalty investments included as Investments on our consolidated financial statements were transferred to our pre-IPO shareholders prior to completion of our initial public offering.

	Fair value at December 31,	
Investment[1]	**2022**	**2021**
Sigma Lithium Corporation[2]..	-	10,278,293
Other investments	24,281,245	16,600,676
Total	24,281,245	26,878,969

Notes:

(1) As part of the pre-IPO reorganization, substantially all of Investments have been distributed to the Pre-IPO Shareholders.
(2) The investment in Sigma Lithium Corporation was entirely disposed of by the Company in the fourth quarter of 2022.

Fair value amounts presented above correspond to the amounts recorded in the financial statements of the Company, in accordance with the Company's accounting policies for the fair value measurement of financial assets.

Financial Condition Review

Summary Consolidated Statement of Financial Position

The following table presents summarized consolidated statements of financial position information as at December 31, 2022 and 2021:

As at December 31 ($)	**2022**	**2021**
Cash	$35,876,777	$15,021,619
Royalty and working interests[(1)]	$78,204,389	$58,120,909
Investments[(1)]	$24,281,245	$26,878,969
Prepaid non-current assets	$9,164,357	-
Total assets	$150,319,433	$101,180,602
Total liabilities	$9,771,932	$1,418,893
Total equity attributable to equity holders of the Company	$137,439,253	$97,754,384
Non-controlling interest	$3,108,248	$2,007,325
Total equity	$140,547,501	$99,761,709

Notes:

(1) As part of the pre-IPO reorganization, the working interests and substantially all of Investments have been distributed to the Pre-IPO Shareholders.

Total assets were $150,319,433 as at December 31, 2022, as compared to $101,180,602 as at December 31, 2021. Assets comprised cash, trade receivables, income taxes receivable and other assets. The Company's asset base primarily consists of non-current assets, such as royalty and working interests and investments, typically in lithium project operators with which the Company has a royalty interest. The increase in total assets from 2021 reflected additional cash raised from equity issuances and the disposition of its investments in Sigma and Sayona in 2022, offset by additional royalties acquired in 2022. The Company also recorded prepaid non-current assets of $9,164,357 in connection with its acquisition of the Mariana royalty, which was completed subsequent to year end on February 1, 2023. As at December 31, 2022, prepaid non-current assets comprised an escrow amount of $8,650,000, a non-refundable deposit of $350,000 and other capitalized transaction costs of $164,357.

Total liabilities as at December 31, 2022 were $9,771,930, as compared to $1,418,893 as at December 31, 2021. Liabilities comprised accounts payable and accrued liabilities, related party payables and deferred tax liabilities. The increase in total liabilities from 2021 was largely related to a payable in the amount of $4,108,273 arising from the acquisition of the Seymour Lake, Root Lake and Wisa Lake royalties in 2022, reflecting one half of the aggregate purchase price payable to the seller of those royalties that has been withheld by the Company in accordance with the Company's Canadian tax withholding obligation. Depending on the resolution of the seller's Canadian tax obligations, the amount will be paid either to the seller or the Canada Revenue Agency, or in part to both. The increase in total liabilities from 2021 also reflects accounts payable and accrued liabilities of $2,091,311, associated with the preparation for the initial public offering of the Company.

Total equity increased to $140,547,502 as at December 31, 2022 from $99,761,709 as at December 31, 2021, largely due to an additional $19,290,039 of equity funding contributed by the existing shareholders during 2022, net income of $13,968,425 and an increase in other comprehensive income of $6,194,480. The increase in other comprehensive income was largely driven by a gain in fair value of $7,061,314 from the investments designated as FVTOCI.

Outstanding Equity Instruments

Equity

<u>As at December 31, 2022</u>	**<u>Number of shares</u>**
Class A shares	43.594.68
Class B shares	24,494.03
Class C shares	35,466.04
Total	103,544.75
<u>As at December 31, 2021</u>	**<u>Number of shares</u>**
Class A shares	42,226.00
Class B shares	18,002.89
Class C shares	26,067.21
Total	86,296.10

Prior to the closing of the IPO on March 15, 2023, the following changes were implemented to the share capital of the Company:

- the issued Class A and Class B shares were converted into convertible common shares;
- the issued Class C shares were converted into common shares;
- the issued and outstanding common shares and convertible common shares were each split on a 448.6678:1 basis; and
- the Company approved a new equity incentive plan to cover future grants of options, RSUs and PSUs to key personnel and DSUs to the independent directors.

As of March 31, 2023, the following equity instruments are outstanding:

Equity

	<u>Number of shares</u>
Convertible Common Shares	30,549,214
Common Shares	24,736,472
Stock Options	-
Restricted Share Units	391,999
Deferred Share Units	16,180
Performance Share Units	-

Except for certain limited share provisions disclosed in the annual information form of the Company, the Common shares and Convertible Common Shares have the same rights, are equal in all respects and treated by the Company as if they were a single class of shares.

In connection with the initial public offering of the Company, the Company implemented a new omnibus equity incentive plan, which provides for long-term incentives for executive officers of the Company, including the issuance of stock options, RSUs and PSUs. The terms and conditions of grants of RSUs or PSUs, including the quantity, type of award, grant date, vesting conditions, vesting periods, settlement date and other terms and conditions with respect to the awards, will be set out in the participant’s grant agreement.

The Company also established a director deferred share unit plan to issue DSUs to directors of the Company. A DSU is a unit, equivalent in value to a Common Share, credited by means of a bookkeeping entry in the books of the Company, to an account in the name of the director. Following an eligible director ceasing to hold all positions with the Company and its related entities, the director will receive a payment in cash at the fair market value of the Common Shares represented by his or her DSUs on the director's elected redemption date.

Condensed Consolidated Statements of Income and Comprehensive Income (Loss)

Years Ended December 31, 2022 and 2021

The following table presents summarized consolidated statements of income and comprehensive income (loss) for the years ended December 31, 2022 and 2021:

($)	**2022**	**2021**
Royalty income	$1,683,801	$1,803,175
Depletion	961,322	(1,036,170)
Gross profit	722,479	767,005
Impairment recovery	1,894,737	4,520,391
Management services	(635,545)	(506,263)
General and administrative expenses	(2,434,899)	(512,459)
Exploration expenses	(879,629)	-
(Loss) gain from operations	(1,333,857)	4,268,674
Gain on investments at FVTPL	17,093,306	7,552,863
Income tax expense	(1,271,797)	(642,180)
Net income for the period	13,968,425	11,171,231
Other comprehensive income	6,194,480	242,227
Comprehensive income for the period	**$20,162,905**	**$11,413,458**
Non-controlling interest	188,075	449,993
Equity holders of the Company	19,974,830	10,963,465
	$20,162,905	**$11,413,458**
Weighted average shares outstanding	44,132,721	27,542,614
Basic earnings per share	$0.31	$0.39

Note:
(1) We have no dilutive instruments as at December 31, 2022 and 2021.

Royalty income in the year ended December 31, 2022 was $1,683,801, a decrease of $119,374 compared to $1,803,175 for the same period in 2021. Production at the Mt Cattlin mine was 1.1% higher in 2022 than 2021, in response to tighter market conditions and higher lithium prices. The continued easing of equipment and labour disruptions experienced in 2021 and 2020 related to the COVID-19 pandemic, together with increased lithium prices in 2022, allowed Allkem to mine lower grade ore at the Mt Cattlin mine, which resulted in a higher volume of ore to be processed which resulted in increased royalty payments to the Company. However, the higher production and royalty payments from Allkem were more than offset by an 8.0% depreciation in the Australian dollar relative to the U.S. dollar in 2022.

Depletion in the year ended December 31, 2022 was $961,322, a decrease of $74,848 compared to $1,036,170 for the same period in 2021. The decrease in depletion was due to the depreciation of the Australian dollar relative to the U.S. dollar, offset by increased production at the Mt Cattlin mine during the period. Depletion also decreased due to an extension of the Mt Cattlin mine life due to the operator proving out greater Mineral Reserves in early 2021.

Gross profit for the year ended December 31, 2022 was $722,479, a decrease of $44,526 compared to $767,005 for the same period in 2021. The variance was attributable to decreased royalty income partially offset by decreased depletion from the Mt Cattlin mine.

Impairment recovery for the year ended December 31, 2022 was $1,894,737, and is attributable to the recovery in the second quarter of 2022 of the remaining impairment on the Tres Quebradas royalty interest, due to increases in long-term lithium prices and continuing positive developments in the advancement of the project to the commencement of production. The impairment charge was originally taken in 2019 and partially reversed in the fourth quarter of 2021.

General and administrative expenses for year ended December 31, 2022 were $2,434,899, an increase of $1,922,440 compared to $512,459 for the same period in 2021. The increase in expenses is primarily attributable to the IPO-related engagement of third-party service providers. Other expenses include professional fees and travel expenses.

Exploration expenses for the year ended December 31, 2022 were $879,629, and relate primarily to both the Donner Lake and Campus Creek working interests held by the Company. These working interests were only acquired in January 2022, so there was no exploration expense prior to then.

Gain on investments at FVTPL for the year ended December 31, 2022 was $17,093,306, an increase of $9,540,443 compared to $7,552,863 for the same period in 2021. The gain in 2022 was higher than the gain in 2021 due to three factors. First, in 2022, the fair value of the equity investment in Sigma increased by $8,654,173 more than the increase in the fair value of the same investment in 2021. Second, in 2022, the fair value of the Moblan offtake increased by $692,776 more than the increase in the fair value of that offtake in 2021. Third, in 2022, the fair value of the warrants increased by$193,494 more than the increase in the fair value of the warrants in 2021

Income tax expense for the year ended December 31, 2022 was $1,271,797, an increase of $629,617 compared to $642,180 in 2021. The higher income tax expense is largely attributable to a higher gain on investments at FVTPL.

Condensed Statements of Cash Flows

Years Ended December 31, 2022 and 2021

The following table presents summarized consolidated statements of cash flow information for the years ended December 31, 2022 and 2021:

($)	**2022**	**2021**
Net income for the year	$13,968,425	$11,171,231
Depletion	961,322	1,036,170
Non-cash management services	105,000	354,411
Impairment recovery	(1,894,737)	(4,520,391)
Income tax expense	1,271,797	642,180
Gains on investments at FVTPL	(17,093,306)	(7,552,863)
Foreign exchange loss	716,631	8,126
Income taxes withheld at source	(505,140)	(530,662)
Changes in non-cash working capital	80,161	131,537
Income tax refunded	273,858	39,711
Net cash (used in) provided by operating activities	**$(2,115,989)**	**$779,450**
Acquisition of royalty and working interests	$(15,500,126)	$(28,527,338)
Acquisition of prepaid non-current assets	(9,164,357)	-
Acquisition of investments	(4,201,565)	(15,665,722)
Proceeds from sale of investments	32,032,439	-
Net cash provided by (used in) investing activities	**$3,166,390**	**$(44,193,060)**

($)	2022	2021
Proceeds from issuance of common shares	$19,290,039	$53,500,000
Proceeds from contribution to existing common shares	774,411	-
Proceeds from non-controlling interest	912,848	-
Repayment of related party loans	(56,203)	(87,447)
Net cash provided by financing activities	**$20,921,095**	**$53,412,553**
Effect of exchange rate changes on cash	(1,116,338)	(272,967)
Increase in cash	20,855,158	9,725,976
Cash at the beginning of the year	15,021,619	5,295,643
Cash at the end of the year	**$35,876,777**	**$15,021,619**

Net cash used by operating activities for 2022 was $2,115,989, a decrease of $2,895,439 compared to 2021 of $779,450. The 2022 net income of $13,968,425, after adjusting for non-cash items, resulted in a use of cash of $2,389,847 The net income of $11,171,231 in 2021, after adjusting for non-cash items, generated a cash source of $739,739, $3,129,586 higher than in 2022, resulting mainly from the cost incurred for the IPO-readiness in 2022. In addition, the Company funded $1,088,130 to Grid Metals in 2022, representing primarily the Company's share of exploration costs attributable to the Donner Lake and Campus Creek working interests, as compared to $nil in 2021. The lower cash flow in 2022 was partially offset by the increase in income tax refund of $234,147.

Net cash provided by investing activities for 2022 was $3,166,390, an increase of $47,359,450 compared to 2021. During 2022, the Company disposed of its investments in Sigma and Sayona for total proceeds of $32,032,439. In addition, cash used for acquisitions of royalty interests and investments decreased by $15,327,011 compared to 2021. Acquisitions of mineral interests in 2022 included the acquisition of two royalty interests from Grid Metal (covering each of the Donner Laker and Campus Creek projects), two royalty interests from ACME Lithium (covering Shatford Lake and Cat-Euclid Lake projects), two royalty interests from Arvo (covering Kaustinen and Ilmajoki projects), three royalty interests from Green Technology Metals (covering Seymour Lake, Root Lake and Wisa Lake projects), the Zeus Lithium project, the Malinda project, the Tabba Tabba project, the Mariana project and the Eyre project. Comparatively, acquisitions of mineral interests in 2021 included the acquisition of three royalty interests from Sayona (covering each of the Moblan, Tansim and Mallina projects), three royalty interests from Winsome (covering each of the Cancet, Adina and Sirmac-Clapier projects), the Horse Creek royalty interest, the Valjevo royalty interest and the Bradda Head royalty interests.

Net cash provided by financing activities for 2022 was $20,921,095, a decrease of $32,491,458 compared to 2021. The variance was mainly attributable to the decrease in proceeds from issuance of common shares of $34,209,961 as compared to 2021. In 2022, the Company issued additional shares to its existing shareholders totaling $19,290,039 as compared to the share issuance of $53,500,000 in 2021. In addition, Riverstone contributed $774,411 to its existing Class C shares in 2022.

Liquidity and Capital Resources

As of December 31, 2022, the Company's cash balances were $35,876,777, as compared to $15,021,619 at December 31, 2021. Significant variations in the liquidity and capital resources during the period are explained in the "Condensed Statements of Cash Flows" section of this MD&A. In addition to the Company's cash balances, we also have investments carrying an aggregate fair value of $24,281,245 as at December 31, 2022.. During the year ended December 31, 2022, the Company disposed of its investment in Sigma Lithium Corporation for proceeds of $26,862,386. As part of the pre-IPO reorganization in March 2023, substantially all of Investments have been distributed to the Pre-IPO Shareholders

The Company does not currently generate sufficient cash flow to fund its operations and meet its day-to-day working capital needs. Through to December 31, 2022, capital injections from the existing shareholders and dispositions of its investment interests have been the primary source of funding for acquisitions of royalty interests and related investments. As of July 15, 2022, all capital had been drawn pursuant to commitments made by the Pre-IPO Shareholders pursuant to the shareholders agreement which was terminated immediately prior to the IPO. However, the completion of the IPO by the Company in March 2023 significantly increased the Company's cash position, thereby meaningfully enhancing the Company's liquidity and capital resources. Management of the Company believes that as the underlying properties currently in production ramp up towards full commercial production and properties currently at the construction stage begin to commence production and also ramp up towards full commercial production, the operators of those projects will commence making royalty payments to the Company and the Company will shift towards generating sufficient cash flow to fund its operating and working capital requirements. Prior to such time the Company intends to fund its operations and day-to-day working capital through a combination of the proceeds, net of underwriting fees and related underwriting expenses, of $102.7 million from the IPO of securities of the Company in March 2023. The Company may also secure additional funding by incurring debt obligations. In October 2022, the operator of the Finniss project announced the commencement of commercial production for that project and the Company anticipates that royalty payments on the Finniss royalty will commence in the first half of 2023.

We intend to use the net proceeds from the IPO for the acquisition of royalties, to repay shareholder notes, to pay contingent royalty obligations as and when they are triggered and for other general corporate purposes. Following the closing of the offering, C$50 million of IPO proceeds were used to repay the shareholder notes that were issued in connection with the return of capital to the Pre-IPO Shareholders of the Company, as contemplated by the reorganization of the Company effected prior to the IPO. The remaining approximately C$100 million have been, and will be, used for the expenses of the IPO, the fees to underwriters in the IPO and the other purposes described above (except to repay shareholder notes). We expect that substantially all of the remaining proceeds will be used for the acquisition of royalty interests.

The contractual obligations of the Company for the acquisitions of royalties and other interests for which the Company has purchase price commitments are set out below under “Contractual Obligations and Commitments”.

Commitments and Contingencies

Litigation and Claims

From time to time, we may be involved in disputes with other parties arising in the ordinary course of business that may result in litigation. If we are unable to resolve these disputes favourably, it may have a material adverse impact on the financial condition, cash flow and results of operations of the Company.

Orion Resource Partners

In February 2021, the Company brought an application against Orion Resource Partners in connection with the sale by Orion Resource Partners of part of its interest in a royalty over the Thacker Pass lithium project. The Company has asserted that it reached a binding legal agreement with Orion Resource Partners for Orion Resource Partners to sell its interest in the Thacker Pass project royalty. Orion Resource Partners disputes this assertion and sold part of its interest in the Thacker Pass lithium project to Trident Royalties PLC in 2021. The Company’s claim against Trident Royalties PLC has been stayed by the Ontario Superior Court of Justice for lack of jurisdiction, but the claim against Orion Resource Partners remains before the Ontario Superior Court of Justice. The application was heard by the Ontario court on December 13 to 16, 2022 and the decision is currently under reserve. The Company does not currently recognize this litigation as an asset of the Company and neither Orion Resource Partners nor Trident Royalties PLC has asserted any claims against the Company.

Contractual Obligations and Commitments

In the normal course of business, we enter into contracts that give rise to commitments for future minimum payments.

Investments in Royalty Interests

As of December 31, 2022, the Company had contingent payment commitments related to the acquisition of royalties as detailed in the following table:

Company	Project (asset)	Payments	Triggering event
Core Lithium.........................	Finniss	A$1,250,000	Technical report released disclosing a Mineral Resource of at least 15 Mt and commissioning of the processing plant is completed
Bradda Head........................	Basin East & West / Wikieup	$2,500,000	Bradda Head discloses a Mineral Resource of at least 1.0 Mt contained LCE with a minimum grade of 800 ppm

		$3,000,000	Bradda Head discloses a Mineral Resource of at least 2.5 Mt contained LCE with a minimum grade of 800 ppm
Lithium Springs Limited........	Lithium Springs	A$900,000	The Company elects to exercise its royalty option on or before the earlier of (a) April 20, 2023, and (b) Lithium Springs Limited completing a listing on the ASX
		A$750,000	Commitment by the Company to act as a cornerstone investor in a public listing by Lithium Springs Limited
Noram	Zeus	$1,000,000	Noram releases a definitive feasibility study
Morella	Tabba Tabba	$350,000	Morella discloses a 5.0 Mt resource at the Tabba Tabba project at 1% Li_2O grade
	Mt Edon / Mt Edon West	$100,000	Morella discloses a 5.0 Mt resource at the Mt Edon project at 1% Li_2O grade

On November 7, 2022, Green Technology Metals announced that it had increased its interest in the Seymour Lake, Root Lake and Wisa Lake projects from 80% to 100%, triggering the Company's obligation to deliver additional consideration of A$1,500,000. The Company has satisfied its contingent payment obligation, subject to withholding one half of the aggregate purchase price payable to the seller in accordance with the Company's Canadian tax withholding obligations.

The Company had previously committed to pay Electrostate A$75,000 if Electrostate completed an initial public offering within 12 months of the date the Yinnetharra royalty interest was acquired. This commitment obligation has been waived as a result of the acquisition of Electrostate by Red Dirt on September 28, 2022.

Our commitments related to the acquisition of royalties as detailed in the above table will be funded from the net treasury proceeds of the initial public offering of the Company in March 2023 and expected cash flow from the Company's royalties.

At this time, the Company has no funded debt or lease obligations. The Company has contractual obligations pursuant to consulting arrangements with service providers to the Company. The Company will have contractual obligations under the management services agreement entered into with Waratah on March 8, 2023, which is further described in the annual information form of the Company dated March 31, 2023 under the heading "Material Contracts — Services Agreement".

Off-Balance Sheet Arrangements or Commitments

The Company has not entered into any off-balance sheet arrangements or commitments other than as set forth under "Contractual Obligations and Commitments".

IFRS Critical Accounting Policies and Accounting Estimates

Significant accounting policies

The Company's significant accounting policies, including the accounting policies discussed below, see Note 2 of our Annual Financial Statements, as supplemented by Note 2 of our Interim Financial Statements.

Royalty and working interests

Royalty and working interests are recorded at cost and capitalized as tangible non-current assets and are not depleted until such time as revenue-generating activities begin. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any. The cost of the royalty interest or working interest comprises the purchase price and any closing costs directly attributable to acquiring the interest. Project evaluation costs that are not related to a specific royalty or working interests are expensed in the period incurred. Variable payments, such as contingent payments that are dependent on future events, are excluded from the cost of acquiring a royalty interest on initial recognition. These contingent payments are capitalized as part of the cost of the royalty interest when the underlying obligating event has occurred.

The major categories of the Company's interests are (i) producing, (ii) development, and (iii) exploration and evaluation interests. Producing assets are royalty interests over mineral projects which have reached commercial production. Development assets are royalty interests on projects which are not yet producing, but where the technical feasibility and commercial viability of extracting a mineral resource are demonstratable. Exploration and evaluation assets represent royalty and working interests where the technical feasibility and commercial viability of extracting a mineral resource has not yet been demonstrated.

Royalty interests are recorded initially at cost and are depleted using the units of production basis (based on the extraction of mineral products at the project) over the available estimates of future production when revenue generating activities commence. Measurement of the royalty interests are based on the proven and probable reserves and future production plans associated with the projects underlying the royalty interests, as determined by the project operator. These estimates affect the depletion of the royalty interests and the assessment of the recoverability of the carrying value of the royalty interests.

The Company's working interests in the Donner Lake and Campus Creek projects each represent a direct ownership position in the property and related operating assets for which the Company does not share joint control. A working interest is a direct ownership position in the property and related operating assets, whereby (a) the Company is liable for its proportionate share of gross costs of capital and operations and (b) the Company participates in its proportionate share of revenues generated by each of the working interests. The acquisition cost of the working interest of Donner Lake and Campus Creek was recorded within Royalty and working interests. The Company's share of the assets, liabilities, and expenses of each joint operation are recognized in the statement of financial position and statement of income and comprehensive income (loss). The Company's portion of exploration costs related to each working interest is expensed and included in Exploration expenses in the statement of income and comprehensive income (loss).

Impairment or impairment reversal of royalty and working interests

The Company reviews the carrying values of royalty interests for impairment when events or changes in circumstances indicate that any of the carrying values may not be recoverable. Management considers each royalty interest in a project to be a separate cash generating unit, which is the lowest level within the Company for which cash inflows are largely independent of cash inflows from other royalty interests. Where the Company identifies impairment indicators, the Company recognizes an impairment loss for the amount by which the asset's carrying value exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less cost of disposal ("FVLCD") and value in use ("VIU"). When determining the recoverable amount, the Company focuses on the FVLCD, as this will generally be greater than or equal to the VIU. FVLCD is based on the best available information, to reflect the amount the Company could receive for the cash generating unit in an arm's length transaction and is often estimated using discounted cash flow techniques. Impairment charges are included in the "Impairment charges" line within the consolidated statements of income (loss) and comprehensive income (loss).

An impairment charge is reversed if there is an indication that an impairment charge recognized in prior periods may no longer exist or may have decreased in amount since the impairment charge was recognized. Impairment charges can only be reversed up to the carrying amount that would have been applicable had no impairment been recognized previously.

Revenue recognition

The Company recognizes revenue from a royalty arrangement when the Company has a contractual right to receive payments under its royalty agreements. Revenue from each royalty arrangement is measured at the transaction price agreed to in the royalty arrangement with the operator of the underlying project.

Critical accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience. However, actual outcomes may differ from the amounts included in the consolidated financial statements.

The Company’s critical accounting judgments, estimates and assumptions are disclosed in Note 3 of our Annual Financial Statements.

Related Party Transactions

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, including any director of the Company. All transactions with related parties are recorded at the exchange amount.

Management services have been provided to the Company during each of the years ending December 31, 2022 and 2021 by certain employees of Waratah, including by the Chief Executive Officer of Waratah (who also serves as the Executive Chair of the Company), for which the Company has not compensated Waratah, other than through management services expense for those periods. The prior management services agreement between the Company and Waratah was terminated on March 15, 2023 and replaced with a new management services agreement with Waratah dated March 8, 2023.

Management services in the statement of income represents services provided to the Company by Waratah and by parties related to Waratah and/or the Company, including consulting services provided by an officer of the Company. For the year ended December 31, 2022, management services expense was $636,545, of which $216,545 related to consulting and $420,000 related to management fees (December 31, 2021- $506,263, of which $151,852 related to consulting and $354,411 related to management fees). For the year ended December 31, 2022, $293,120 (December 31, 2021 - $359,140) of consulting fees paid to an officer of the company were capitalized as royalty interests.

As at December 31, 2022 other assets had $nil (December 31, 2021 – $354,411) owing by Riverstone, pursuant to obligations made by Riverstone to contribute capital to the Class C shares. The impact on equity from these obligations was recorded as contributed surplus in the same amount, until Riverstone discharges its obligations, when the amounts will be transferred to share capital. In 2022, $354,411 was received from Riverstone, as such this amount was reclassified from contributed surplus to share capital. In addition, $420,000 were received by Riverstone increasing the share capital in the same amount.

Related party payables are comprised of amounts owing both to Waratah and to officers of the Company. As at December 31, 2022, $201,591 (December 31, 2021 - $481,182) of the related party payables amount was owing to Waratah, for expenses that were paid by Waratah on behalf of LRC and, management services provided by Waratah and other amounts owing to Waratah . As at December 31, 2022, the Company owed the remaining balance of $21,912 (December 31, 2021 - $24,175) was owed by the Company to an officer for consulting fees. All amounts owing to related parties were unsecured, non-interest bearing and had no fixed terms of repayment.

Financial Risk Management

Credit risk

Credit risk is the risk that the counterparty to a financial instrument held by the Company will fail to discharge an obligation or commitment that it has entered into for the benefit of the Company. Credit risk exposure for the Company arises from cash balances and receivables held by the Company. In order to mitigate its exposure to credit risk, the Company closely monitors its financial assets and maintains its cash deposits with high-quality financial institutions.

Currency risk

The Company’s activities involve holding foreign currencies, incurring costs and earning revenue denominated in foreign currencies. These activities result in exposure to fluctuations in foreign currency exchange rates.

Other market price risk

The Company is exposed to changes in market prices of its equity investments in public issuers that are listed on trading exchanges. All of the Company's equity investments are in issuers listed on one of the Toronto Stock Exchange, Australian Stock Exchange or the London Stock Exchange.

Controls and Procedures

As a result of the completion of the Company's initial public offering on March 15, 2023, the Company is exempt from representations relating to the establishment and maintenance of disclosure controls and procedures and internal controls over financial reporting, as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109).

In particular, the certifying officers filing the certificates required under NI52-109 are not making any representation relating to the establishment and maintenance of:

- controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

In accordance with securities legislation, the Company will begin making the required representations for the three months ended June 30, 2023.

Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws. Forward-looking information may be identified by the use of forward-looking terminology such as "plans", "targets", "expects", "is expected", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "believes", or variations of such words and phrases or terminology which states that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". Our assessments of, and expectations for future periods described in this MD&A are considered forward-looking information. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding possible future events or circumstances. The forward-looking information included in this MD&A is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances.

The forward-looking statements contained in this MD&A are also based upon the ongoing operation of the properties in which we hold a royalty or other similar interest by the owners or operators of such properties in a manner consistent with past practice; the accuracy of public statements and disclosures made by the owners or operators of such underlying properties; and the accuracy of publicly disclosed expectations for the development of underlying properties that are not yet in production. These assumptions include, but are not limited to, the following: assumptions in respect of current and future market conditions and the execution of our business strategies, that operations, or ramp-up where applicable, at properties in which we hold a royalty or other interest, continue without further interruption through the period, and the absence of any other factors that could cause actions, events or results to differ from those anticipated, estimated, intended or implied. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Forward-looking information is also subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include, but are not limited to, those set forth under the caption "Risk Factors" in our annual information form filed from time to time and available on SEDAR. For clarity, Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability and inferred resources are considered too geologically speculative for the application of economic considerations.

Although we have attempted to identify important risk factors that could cause actual results or future events to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A and is subject to change after such date. We disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required by applicable securities laws. All of the forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.