



**(“Star Royalties” or “the Company”)**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED  
DECEMBER 31, 2020  
(Presented in United States (“US”) Dollars)**

## Introduction

This Management's Discussion and Analysis ("MD&A") of Star Royalties Ltd. is the responsibility of management and covers the year ended December 31, 2020 and 2019. The MD&A takes into account information available up to, and is dated April 19, 2021 and should be read together with the audited financial statements for the years ended December 31, 2020 and 2019.

Throughout this document the terms *we, us, our, the Company* and *Star Royalties* refer to Star Royalties Ltd. All financial information in this document is prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and is presented in United States Dollars unless otherwise indicated.

This document contains forward-looking statements. Please refer to "Note Regarding Forward-Looking Statements."

## Description of Business

Star Royalties is a precious metals focused royalty and streaming investment Company with a strategy to also invest in green opportunities. Star Royalties is one of the first pioneers of the forest carbon credit royalties and is pursuing a pipeline of additional green investments. The Company's objective is to provide wealth creation through accretive transaction structuring and asset life extension with superior alignment to both counterparties and shareholders.

Star Royalties specializes in bespoke and operator-friendly financing solutions, including the repurchase and restructuring of existing royalties and streams. The Company aims to structure mutually beneficial agreements that optimise the counterparties' capital structure, while generating a return above the Company's cost of capital for its shareholders. Star Royalties looks to become the trusted financing partner for mining companies throughout the various stages of mine development, and the commodity and capital markets cycles.

Star Royalties targets an 80% capital allocation to precious metals with up to 20% available for predominantly green investments, including carbon offset credits, copper, nickel and lithium.

Additionally, Star Royalties' longer-term portfolio allocation will target a 70% weighting in cash generating royalties and streams, 20% weighting towards near-term development opportunities (with development-to-cash-flow timeline horizons of less than two years), and 10% to geologically prospective, advanced exploration targets (non-cash generating). This targeted 70/20/10 approach is intended to improve cash flow visibility and restrict capital allocation towards higher-risk, long-term exploration-stage investments. The Company believes that abiding by these portfolio constructs will result in a robust, cash generating, precious metals-focused portfolio that will provide attractive risk-adjusted returns to its shareholders.

The Company's royalty and stream interests are in the USA, Australia, Canada and Mongolia. Please refer to the "Asset Portfolio" section below for project details.

## Corporate Developments

### *Asset acquisitions*

- In May 2020, the Company entered into a Gross Revenue ("GR") Royalty and Right of First Refusal Agreement with AurCrest Gold Inc. ("AurCrest"). The Company purchased a 16% Gross Revenue Royalty on AurCrest's forest carbon sequestration revenue share from the Lac Seul Forest Pilot Project (with a right of first refusal on any forest carbon sequestration within the overall Lac Seul Forest Management Unit). The purchase price was \$110,029 (CAD\$155,000). Acquisition costs of \$7,336 were incurred for a total acquisition cost of \$117,366 paid in cash.
- In October 2020, the Company completed the acquisition of an existing 2% Gross Revenue Royalty on the Keysbrook mineral sands mine ("Keysbrook") located in WA, Australia and owned and

operated by Keysbrook Leucoxene Pty Ltd ("Keysbrook Leucoxene"), from Resource Capital Fund VI L.P. ("RCF VI") for a total consideration of \$3,000,000 paid in cash. Acquisition costs of \$163,116 were incurred for a total acquisition cost of \$3,163,116.

- In November 2020, the Company and Arizona Gold Corp. ("Arizona Gold") (formerly Kerr Mines Inc.) entered into a definitive \$18,000,000 gold purchase and sale (the "Streaming Agreement") to finance the restart of underground operations and gold production at the Copperstone Gold Mine ("Copperstone") in Arizona, USA. The \$18,000,000 advance payment under the Streaming Agreement will be provided in three equal installments, with the first \$6,000,000 installment paid on closing, which occurred on November 23, 2020. The second tranche payment was made in February 2021 and the final tranche payment is anticipated to be paid upon Arizona Gold meeting certain milestone requirements. As at December 31, 2020, the Company recorded a \$6,000,000 asset addition and acquisition costs of \$537,566 in respects of this transaction. The remaining \$12,000,000 asset addition will be recorded subsequent to the year-ended December 31, 2020 upon payment of the remaining installments.

#### *Share consolidation*

- In November 2020, the Board of Directors authorized a five-for-one share consolidation, which was passed at the shareholders' meeting on November 30, 2020 and took effect on December 4, 2020. The number of issued and outstanding shares and broker warrants and per share amounts have been retrospectively restated for all periods presented unless otherwise stated.

#### *Equity transactions*

- In February 2020, 2,833,333 common shares of the Company were repurchased for \$292,383 (CAD\$387,553) and cancelled. The Company bought back 1,500,000 common shares relating to the Baavhai Uul royalty interest for \$141,201 (CAD\$187,509) and 1,333,333 common shares relating to the Bayan Undur royalty interest for \$151,182 (CAD\$200,045).
- In February 2020, 2,500,000 common shares of the Company were returned to treasury and subsequently cancelled.
- In February, March and April 2020, the Company closed private placements for gross proceeds of \$1,642,215 (CAD\$2,224,521) through the sale of 5,932,056 common shares at a price of CAD\$0.375 per common share, of which \$210,530 (CAD\$278,696) had been received as at December 31, 2019 and recorded as subscriptions received in advance at that date. Share issuance fees paid in cash totalled \$61,294 (CAD\$84,274).
- In August 2020, settled amounts due to related parties of \$183,735 (CAD\$240,000) by issuing 384,000 common shares.
- In September 2020, the Company closed private placements for gross proceeds of \$6,979,652 (CAD\$9,211,625) through the sale of 14,738,600 common shares at a price of CAD\$0.625 per common share. Fees and commissions consisted of 5% cash and 5% broker warrants issued to eligible finders exercisable for a common share of the Company at CAD\$0.625 for a period of 18 months from September 30, 2020. Share issuance fees in cash totalled \$299,866 (CAD\$396,156) and 669,300 broker warrants were issued. The fair value of the broker warrants was \$144,716 (CAD\$192,696). The fair value of the warrants was estimated using the Black-Scholes option pricing model assuming a life expectancy of 2 years, a risk-free rate of 0.23%, a forfeiture rate of 0%, dividend yield rate of 0% and volatility of 100%.
- In October 2020, the Company closed private placements for gross proceeds of \$4,475,699 (CAD\$5,914,675) through the sale of 9,463,480 common shares at a price of CAD\$0.625 per common share. Share issuance fees in cash totalled \$179,778 (CAD\$238,872).
- In February 2021, 3,735,000 stock options and 1,250,005 restricted share units ("RSUs") were granted to officers and directors of the Company. The stock options granted have a ten-year term and vest over three years with 25% being vested on the grant date and 25% on each anniversary of

the grant date. The RSUs granted are vested three years in equal portions on the anniversary of the grant date.

*Initial public offering and other financing*

- In February 2021, the Company completed its initial public offering of 34,286,000 units of the Company at a price of CAD\$0.70 per unit for gross proceeds of \$19,026,637 (CAD\$24,000,200). Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of CAD \$1.00 per common share until February 19, 2024.
- In March 2021, the syndicate of underwriters for the Company's initial public offering exercised a portion of the over-allotment option granted to them. As a result of the exercise, the Company issued an additional 3,769,500 common shares at a price of CAD\$0.611 per common share and 5,142,900 warrants at a price of CAD\$0.089 per warrant for combined gross proceeds of \$2,179,415 (CAD\$2,760,883).
- In April 2021, the Company filed a final base-shelf prospectus which will allow flexibility for the Company to raise capital for acquisition of larger-size royalty and stream interests when opportunities arise.

*Other corporate updates*

- In November 2020, the Company appointed the following officers and directors:

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**Directors**

Anthony Lesiak, Executive Chairman

Alexandre Pernin

Jinhee Magie

Jay Layman

Beatriz Orrantia

Kylie Dickson

Belinda Labatte

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**Officers and Position**

Alexandre Pernin, CEO

Kevin MacLean, CIO

Peter Bures, CBDO

- In January 2021, the Company appointed Kenneth Ngo, CPA, CA as Chief Financial Officer and Corporate Secretary, effective immediately.

## Significant Portfolio Updates

### *Copperstone Gold Mine*

On February 9, 2021, Arizona Gold reported drilling results and provided an exploration update. The reverse circulation drilling results confirmed continuity of gold mineralization in the Footwall and Copperstone zones and demonstrated that these zones remain open and indicate further expansion of gold mineralized zones along strike and dip with future drilling. On March 10, 2021, Arizona Gold reported additional drilling highlights, including 1.8 m at 43.97 g/t gold in hole AZG-21-13-07. On March 23, 2021, Arizona Gold provided a project update detailing progress toward commencing mine operations in late 2021

## Outlook

The Company is focused on underwriting bespoke royalties and streams with the intent of optimising its counterparties' risk-adjusted cost of capital while allowing Star Royalties to achieve above-threshold returns. Management, as capital allocators, constantly reviews new opportunities to sustainably and responsibly grow Star Royalties' portfolio with a strict emphasis on:

1. Value and quality over quantity
2. Risk management with focus on top-tier jurisdictions
3. After-tax internal rate of return metrics
4. Relative return on invested capital
5. Free cash flow per share accretion (Free cash flow is a non-IFRS measure and is defined as cash flow from operating activities less capital expenditures.)
6. Net asset value per share accretion

When acquiring royalties and streams, the Company considers technical and economic merit, jurisdiction risk, exploration and expansion upside, as well as operator quality. The Company endeavours to partner with capable producers and developers in top-tier jurisdictions in order to maximize its risk-adjusted returns, with a corporate strategy of pursuing value and quality over quantity.

Material increases or decreases in the Company's liquidity are substantially determined by the success or failure of the Company's royalty and stream programs. The overall market conditions for smaller resource companies is another significant risk factor. The Company is not aware of any seasonality encountered by precious metals-focused royalty and streaming companies that may have a material effect upon its financial condition.

Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions. Strong equity and commodity markets provide favourable conditions for completing financings, public mergers or acquisition transaction.

## Impact of the COVID-19 Pandemic

The Company faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect the Company's business, financial condition and results of operations. There can be no assurance that the Company's personnel will not be impacted by these pandemic diseases and ultimately see its workforce productivity reduced or incur increased medical costs / insurance premiums as a result of these health risks. There have been no material impacts announced to date on any of the properties underlying the Company's stream and royalty interests. However, as the COVID-19 pandemic continues to impact the jurisdictions in which the Company holds assets, the broader impact of the COVID-19 pandemic on investors, businesses, the global economy or financial and commodity markets may have a material adverse effect on the Company. As of March 23, 2020, pursuant to executive order 2020-12, in the State of Arizona, mining was determined to be an essential service. Accordingly, the Copperstone Project's development has not been impacted by COVID-19. Such future developments include the duration, severity and scope of the outbreak and the actions taken to contain or treat the outbreak. In particular, the continued spread of COVID-19 globally could materially and

adversely impact the Company's business including without limitation, employee health, workforce productivity in the mines where the Company has interests, increased insurance premiums, limitations on travel, supply chain interruption, the availability of industry experts and personnel and other factors that will depend on future developments beyond the Company's control. Efforts to slow the spread of COVID-19 could severely impact the Company's operations. To date, a number of governments have declared states of emergency and have implemented restrictive measures such as border restrictions, travel bans, quarantine and self-isolation. Should the Company's operations be disrupted or suspended as a result of these or other measures, it may have a material adverse impact on the Company's profitability, results of operations, financial condition and stock price. Further, COVID-19 risks may not be adequately responded to locally, nationally or internationally due to lack of preparedness to detect and respond to outbreaks or respond to significant pandemic threats. As such, there are potentially significant economic and social impacts of infectious disease risks, including the inability of the Company's operations to operate as intended due to a shortage of skilled employees, shortages or disruptions in supply chains, inability of employees to access sufficient healthcare, significant social upheavals and government or regulatory actions.

The actual and threatened spread of COVID-19 globally could adversely affect global economies and financial markets resulting in a prolonged economic downturn and a decline in the value of the Company's share price. The extent to which COVID-19 (or any other disease, epidemic or pandemic) impacts business activity or financial results, and the duration of any such negative impact, will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning COVID-19 and the actions required to contain or treat its impact, among others.

The Company completed a review of all operations on which the Company holds royalty, stream and other interests to identify the impacts of COVID-19. Based on the review COVID-19 was not considered to have a material impact on any of the Company's investments and as such at December 31, 2020, the Company has not recorded any adjustments directly attributable to the COVID-19 pandemic.

## Asset Portfolio

The Company currently holds the following five royalty and stream assets:

Asset	Key Terms	Commodity	Jurisdiction	Stage	Operator
Copperstone	Gold stream	Gold	Arizona, USA	Near-Production*	Arizona Gold
Keysbrook	2% GR Royalty	Mineral Sands (Titanium, Zircon)	Western Australia, Australia	Production	Keysbrook Leucoxene Pty Ltd
Bayan Undur	2% Net Smelter Return ("NSR") Royalty	Copper, Silver	Bayankhongor, Mongolia	Advanced Exploration	Aranjin Resources Ltd.
Baavhai Uul	1.5% GR Royalty	Lithium (brine)	Sukhbaatar, Mongolia	Early Exploration	Ion Energy Ltd.
Lac Seul First Nation Forest	16% GR Royalty	Federal Output-Based Performance Standards (OBPS) Carbon Offset Credit	Ontario, Canada	Development	Lac Seul First Nation, AurCrest Gold Inc., Bluesource Canada ULC

\* Copperstone's first gold production is expected to occur in late 2021 with commercial production expected to begin in the first quarter of 2022.

## Review of Financial Performance

### Three months ended December 31, 2020 and 2019

#### Revenue

Revenue of \$9,801 for the fourth quarter of 2020 relates to royalty income from Keysbrook. There was no revenue for the comparative period in 2019.

#### Depletion

Depletion expense of \$5,458 for the fourth quarter of 2020 relates to the Company's producing asset Keysbrook. There was no depletion expense for the comparative period in 2019.

#### Operating expenses

Operating expenses for the fourth quarter of 2020 totaled \$273,406 compared to \$60,655 for the comparative period in 2019. The following table provides a breakdown of total operating expenses incurred for the fourth quarter:

	Quarter Ended December 31, 2020	Quarter Ended December 31, 2019
Consulting fees	\$ 57,981	\$ 56,714
Office and miscellaneous	5,377	422
Professional fees	200,562	3,519
Shareholder communications	9,356	-
Transfer agent and filing fees	24	-
Rent	106	-
	<u>\$ 273,406</u>	<u>\$ 60,655</u>

Consulting fees were compensation for services provided by the Chief Executive Officer and the Chief Business Development Officer during the periods. Professional fees during the quarter ended December 31, 2020 included transaction costs of listing pre-IPO shares in the amount of \$98,295 that are being expensed as incurred under *IAS 32 Financial Instruments: Presentation*.

#### Other income/(loss)

Other income/(loss) for the fourth quarter of 2020 was comprised of \$3,499 interest income and \$274,487 foreign exchange loss from the Company's U.S dollar cash holding during the quarter. There was no other income/(loss) for the comparative period in 2019.

### Years ended December 31, 2020 and 2019

#### Revenue

Revenue totaled \$9,801 in 2020 compared to \$nil in 2019. Revenue for the year relates to royalty income from Keysbrook.

#### Depletion

Depletion expense totaled \$5,458 in 2020 compared to \$nil in 2019. Depletion for the year relates to the Company's producing asset Keysbrook.

*Operating expenses*

Operating expenses totaled \$533,248 in 2020 compared to \$106,150 in 2019. The following table provides a breakdown of total operating expenses incurred for the year:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Consulting fees	\$ 268,633	\$ 102,156
Office and miscellaneous	14,300	475
Professional fees	224,517	3,519
Shareholder communications	12,065	-
Transfer agent and filing fees	2,540	-
Rent	11,193	-
	<u>\$ 533,248</u>	<u>\$ 106,150</u>

Consulting fees were compensation for services provided by the Chief Executive Officer and the Chief Business Development Officer during the years. Professional fees during the year ended December 31, 2020 included transaction costs of listing pre-IPO shares in the amount of \$98,295 that are being expensed as incurred under *IAS 32 Financial Instruments: Presentation*.

*Other income/(loss)*

Other income/(loss) for 2020 consisted of \$3,499 interest income and \$274,487 foreign exchange loss from the Company's U.S dollar cash holding during the year. There was no other income/(loss) for the comparative period in 2019.

**Summarized Quarterly Financial Information**

	December 31, 2020	September 30, 2020
Revenue	\$ 9,801	\$ -
Net loss	(471,550)	(135,365)
Basic and diluted loss per share	(0.01)	(0.01)
Cash flow from operating activities	(373,193)	(95,504)
Cash flow from investing activities	(9,623,480)	(53,855)
Cash flow from financing activities	(277,577)	11,253,213
Total assets	12,722,912	12,883,421

Prior to becoming a reporting issuer, the Company did not prepare quarterly financial statements other than the Company's interim financial statement for the nine months ended September 30, 2020. As such, no quarterly financial information is available other than information disclosed in the above table.

## Selected Annual Financial Information

	December 31, 2020	December 31, 2019	December 31, 2018 <sup>1</sup>
Total assets	\$ 12,619,540	\$ 708,623	\$ 1
Working capital <sup>2</sup>	2,138,281	298,372	1
Shareholders' equity	12,484,705	596,082	1
Net loss	(799,893)	(106,150)	-
Basic and diluted loss per share	(0.05)	(0.01)	(0.00)

<sup>1</sup>From the period of incorporation, February 15, 2018 to December 31, 2018.

<sup>2</sup>Working capital is calculated as Current Assets minus Current Liabilities as disclosed on the Statements of Financial Position.

## Use of Proceeds from Financing

During the year ended December 31, 2020, the Company received total net proceeds of \$12,887,035 from private placements.

Subsequent to the year ended, the Company completed an initial public offering for gross proceeds of \$21,206,052 (CAD\$26,761,083), which included a partial exercise of the over-allotment option by the syndicate of underwriters.

As disclosed in the final long form prospectus dated February 12, 2021, the Company estimated the net proceeds to be received by the Company in respect of the Offering (without giving effect to any exercise of the Over-Allotment Option) to be \$17,145,032 (CAD\$21,750,188). The following table illustrates the intended use of the net proceeds of the initial public offering (with the net proceeds from the over-allotment exercised by the syndicate of underwriters allocated for working capital and general corporate purposes):

Use of proceeds	Approximate amounts (CAD)
Payment of tranche 2 and 3 in respect of the Copperstone transaction	\$15,223,200 (US \$12 million)
Working capital and general corporate purposes	\$9,116,568
<b>Total</b>	<b>\$24,333,768</b>

The Company has made the tranche 2 payment of \$6,000,000 to Arizona Gold in February 2021, pursuant to the Copperstone streaming agreement. The tranche 3 (final installment) payment of \$6,000,000 is anticipated to be paid upon Arizona Gold meeting certain milestone requirements.

## Balance Sheet Review

	December 31, 2020	December 31, 2019
Assets	\$ 12,619,540	\$ 708,623
Liabilities	134,835	112,541
Shareholders' equity	12,484,705	596,082

### Assets

Total assets were \$12,619,540 at December 31, 2020 compared to \$708,623 at December 31, 2019. The Company's asset base is comprised primarily of royalty and stream interests and cash and cash equivalents.

The increase in assets reflects primarily an increase in cash and cash equivalents and an increase in royalty and stream interests from acquisitions during the year.

### **Liabilities**

Total liabilities at December 31, 2020 comprise \$134,835 of accounts payable and accrued liabilities. The increase in liabilities reflects an increase in accounts payable and accrued liabilities due mainly to the growth of the Company, offsets by payment of \$108,505 due to related parties.

### **Shareholders' equity**

Shareholders' equity increased by \$11,888,623 at December 31, 2020 compared to December 31, 2019, reflecting primarily net proceeds of \$12,887,035 from private placements (see "Use of Proceeds from Financing" section), offsets by a net loss of \$799,893.

## **Liquidity and Capital Resources**

As at December 31, 2020, the Company had a working capital balance of \$2,138,281. This balance included a cash balance of \$1,988,993 (December 31, 2019 - \$396,916) to settle current liabilities of \$134,835 (December 31, 2019 - \$112,541). Subsequent to the year ended December 31, 2020, the Company completed its listing on the TSX Venture Exchange ("TSX-V") and raised additional financing for gross proceeds of \$21,206,052 (CAD\$26,761,083). The Company also made the second installment payment of \$6,000,000 in February 2021 to Arizona Gold pursuant to the Copperstone streaming agreement, and anticipates making the final installment payment of \$6,000,000 upon Arizona Gold meeting certain milestone requirements. Although the Company has not generated substantial income and has accumulated a deficit during the year, we believe that the cash balance and the proceeds from the initial public offering in February 2021 will be sufficient to fund operations and commitments as required.

To maintain liquidity in the future, the Company continues to investigate additional royalty and stream interests and financing opportunities and would consider raising capital via share issuances, debt facilities, joint venture arrangements, or a combination of these options. The Company has financed its operations to date primarily through the issuance of common shares and warrants. As noted previously in the MD&A, the Company has filed a final base-shelf prospectus on April 15, 2021 which will allow flexibility for the Company to raise capital for acquisition of larger-size royalty and stream interests when opportunities arise. While the Company has been successful in obtaining the necessary financing for its operations and its contractual commitments in the past, there is no assurance that such financing will be available in the future or be available on terms acceptable to the Company.

### **Operating Activities**

Net cash used for operating activities was \$578,540 in 2020 (2019 - \$9,077). The increase in net cash used for operating activities was due mainly to an increase in consulting fees and professional fees as management scaled up business operations during the year.

### **Investing Activities**

Net cash used in investing activities was \$9,818,047 in 2020 (2019 - \$Nil), primarily consisted of acquisition of a 2.0% Gross Revenue Royalty on the Keysbrook mineral sands mine for a gross purchase price of \$3,163,116, and the acquisition of the Copperstone Gold Mine streaming interest. As part of the acquisition of the Copperstone Gold Mine streaming interest, an installment payment of \$6,000,000 and acquisition costs of \$537,566 was incurred in 2020. The second installment payment of \$6,000,000 was made subsequent to the year ended December 31, 2020 and the final installment payment of \$6,000,000 is expected to be paid by mid-2021 upon Arizona Gold meeting certain milestone requirements.

### **Financing Activities**

Net cash received from financing activities was \$12,053,714 in 2020 (2019 - \$400,806) and included net proceeds from private placements of \$12,887,035, offset by repurchase of shares for \$292,383 and share issuance costs of \$540,938. Comparatively, financing activities in the prior year comprised of \$190,276 net

proceeds from private placements and \$210,530 proceeds from subscriptions received in advance. Refer to "Use of Proceeds from Financing" section for information relating to expected use of cash generated from financing activities.

### **Capital Resources**

The Company has no other commitments for capital expenditures as at the date of this MD&A other than the final installment payment of \$6,000,000 to Arizona Gold pursuant to the Copperstone Gold Mine stream agreement.

The Company will continue to seek capital. In the past, the Company has raised capital through the issuance of common shares pursuant to private placements. The Company manages its capital structure to maximize its financial flexibility, making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

### **Related Party Transactions**

There were no material related party transactions for the year ended December 31, 2020 and 2019 other than compensation of key management personnel which is presented in Note 9 of the audited financial statements for the years ended December 31, 2020 and 2019. Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Board of Directors and corporate officers, including the Company's Executive Chairman, Chief Executive Officer, Chief Investment Officer, Chief Business Development Officer and Chief Financial Officer.

### **Outstanding Share Data**

As of the date of this MD&A, there were 71,080,837 common shares of the Company issued and outstanding, 39,421,700 warrants outstanding with an average exercise price of CAD\$1.00, 669,300 broker warrants outstanding with an average exercise price of CAD\$0.625, 3,735,000 stock options outstanding with an average exercise price of CAD\$0.70, and 1,250,005 restricted share units outstanding.

### **Off-Balance Sheet Arrangements**

As at December 31, 2020, the Company had no off-balance sheet arrangements.

### **Additional Disclosure for Venture Issuers without Significant Revenue**

The required disclosure on general administrative expenses is presented in the "Review of Financial Performance" section.

### **Significant Accounting Judgements and Estimates**

The significant accounting judgements and estimates are disclosed in Note 2 of the audited financial statements for the year ended December 31, 2020.

### **Change in Accounting Policies**

There were no significant changes in accounting policies for the year ended December 31, 2020.

### **Financial Instruments**

The Company does not currently utilize complex financial instruments in hedging commodity price and foreign exchange exposures. Information relating to the Company's financial instruments is disclosed in Note 13 of the audited financial statements for the year ended December 31, 2020.

## Note Regarding Scientific and Technical Information

Except where otherwise stated, the disclosure in this MD&A relating to properties and operations on the properties in respect of which Star Royalties holds royalty or stream interests is based in respect of the Copperstone Project, on the technical report entitled "NI 43-101 Technical Report, Preliminary Feasibility Study for the Copperstone Project, La Paz County, Arizona, USA" with an effective date of April 1, 2018 and report date of May 18, 2018 (the "**Technical Report**"), which technical report was prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("**NI 43-101**") for Kerr Mines Inc. (which changed its name to Arizona Gold on December 17, 2020), and filed under Arizona Gold's SEDAR profile on May 22, 2018, and on additional publicly disclosed information relating to the Copperstone Project after the date of the Technical Report.

The technical and scientific information contained in this MD&A has been reviewed and approved in accordance with NI 43-101 by Timothy Strong, MIMMM, a "qualified person" as defined in NI 43-101 and independent of the Company.

## Note Regarding Forward-Looking Statements

This MD&A may contain forward-looking statements. These forward-looking statements may include statements regarding perceived merit of royalty and stream interests, statements relating to the economic viability of a royalty and stream interests, timelines, strategic plans, completion of transactions, market prices for metals or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements. 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. These assumptions include, but are not limited to, the following:

- Our estimates of near, medium and long-term commodity prices;
- For the properties in respect of which Star Royalties holds a royalty or streaming interest, the operation continues as a going concern;
- The accuracy of public statements and disclosures made by the owners or operators of such underlying properties, including with respect to Mineral Resources, Mineral Reserves, construction timelines, production estimates and other related matters, as applicable;
- That each counterparty will satisfy its obligations in accordance with the royalty or stream contract to which it is a party with Star Royalties, and that each such contract will be enforceable in accordance with its terms;
- No adverse development relating to any property in respect of which Star Royalties holds a royalty or stream;
- That projects not yet in production or in development included in Star Royalties' asset portfolio will be developed, transitioned into production or development and successfully achieve production and commercial ramp-up, in each case, in accordance with Star Royalties' expectations;
- That the completion of the Copperstone transaction will be completed in accordance with its terms;
- The impact of the coronavirus disease 2019 ("COVID-19") on the Company's business;
- The absence of an outbreak or escalation of infectious diseases or other similar health threats, including COVID-19, that could result in the suspension, shutdown or delay of the operations in the properties in which Star Royalties holds an interest;
- No material changes will occur with respect to Star Royalties' existing tax treatment; and

- The absence of any other factors that could cause actions, events or results to differ from those anticipated, estimated, intended or implied.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation:

- Limited operating history and uncertainty of future revenues;
- Changes in commodity prices will affect the revenues generated from our portfolio and the profitability of Star Royalties;
- Star Royalties has no or limited control over the operation of the properties in respect of which Star Royalties holds a royalty or a stream interest and the operators' failure to perform or decision to cease or suspend operations will affect the revenues of Star Royalties;
- Risks related to health epidemics and pandemics including COVID-19 and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect the Company's business, financial condition and results of operations;
- Increased competition for royalties, streams and other interests could adversely affect Star Royalties' ability to acquire additional royalties, streams and other interests in mineral properties;
- Some of the properties in respect of which Star Royalties holds an interest may never achieve commercial production, and Star Royalties may lose its entire investment;
- Sales of assets in respect of which Star Royalties holds an interest may result in a new operator and any failure of such operator to perform could affect the revenues of Star Royalties;
- Star Royalties may acquire royalties, streams or other interests in respect of properties that are speculative and there can be no guarantee that mineable deposits will be discovered, developed or mined;
- Star Royalties has limited access to data and disclosure regarding the operation of properties in respect of which it holds interests, which will affect its ability to assess and predict the performance of its royalties or streams;
- Star Royalties depends on its operators for the calculation of certain payments, and it may not be possible to detect errors in payment calculations;
- Star Royalties is dependent on the payment or delivery by the owners and operators of the properties in respect of which Star Royalties has a royalty or stream, and any delay in or failure of such payments will affect the revenues generated by the asset portfolio;
- Global financial conditions may destabilize;
- Royalties or streaming interests may not be honoured by operators of a project;
- Not all of Star Royalties' royalties or streams are secured, Star Royalties' security interests, if any, may be subordinated, and security interests may be difficult to enforce;
- Star Royalties' profitability, results of operations and financial condition are subject to variations in foreign exchange rates;
- Operators of mines may not be able to replace depleted Mineral Reserves and Mineral Resources, which would reduce Star Royalties' revenue from royalties or streams;
- Star Royalties can provide no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be on terms acceptable to the Company;
- Star Royalties may experience difficulty attracting and retaining qualified management and technical personnel to efficiently operate its business;
- Certain of Star Royalties' directors serve in similar positions with other public companies, which could put them in a conflict position from time to time;
- Changes in the interpretation of tax legislation or accounting rules could affect the profitability of Star Royalties;
- Star Royalties has a history of losses and it may be unable to achieve profitability;
- Star Royalties is indirectly exposed to many of the same risk factors as the owners and operators of properties in respect of which it holds a royalty or stream interest;
- Production at mines and projects in respect of which Star Royalties holds royalty or stream interests is dependent on operators' employees;
- Production forecasts may not prove to be accurate;

- The exploration and development of Mineral Resource properties is inherently dangerous and subject to risks beyond the control of Star Royalties;
- Defects in title to properties underlying Star Royalties' royalty or stream interests may result in a loss of entitlement by the operator and a loss of Star Royalties' interest;
- Future litigation affecting the properties in respect of which Star Royalties holds its royalty or stream interests could have an adverse effect on Star Royalties;
- The operations in respect of which Star Royalties holds a royalty or stream require various property rights, permits and licenses to be held by the operator in order to conduct current and future operations, and delays or a failure to obtain or maintain such property rights, permits and licenses, or a failure to comply with the terms of any of such property rights, permits and licenses could result in interruption or closure of operations or exploration on the properties;
- Star Royalties is exposed to risks related to the construction, development, expansion, and/or exploration in relation to the mines, projects and properties in respect of which it holds a royalty or stream interest;
- Additional costs may be incurred by mineral property operators as a result of international climate change initiatives and may affect the availability of resources and cause business disruptions, which could reduce Star Royalties' revenues;
- Certain operators are subject to risks relating to foreign jurisdictions which could negatively impact Star Royalties;
- Star Royalties is subject to risks related to certain operations in developing economies; and
- The forward-looking statements contained in this MD&A or incorporated by reference may prove to be incorrect.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors.

The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date of this MD&A, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

More information about the Company including its recent financial reports is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Risk Factors and Additional Information**

The risk factors for the year ended December 31, 2020 are substantially the same as those disclosed and discussed in the Company's Annual Information Form for the year ended December 31, 2020 available on SEDAR at [www.sedar.com](http://www.sedar.com).