STAR
ROYALTIES

CONSOLIDATED FINANCIAL STATEMENTS
(Presented in United States ("U.S.") Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Star Royalties Ltd.

Opinion

We have audited the consolidated financial statements of Star Royalties Ltd. (the Entity), which comprise:

- the consolidated statements of financial position as at end of December 31, 2022, and end of December 31, 2021
- the consolidated statements of income (loss) and other comprehensive income (loss) for the years then ended
- the consolidated statements of cash flows for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022, and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of the fair value of Green Star's Regen AG carbon credit contract

Description of the matter

We draw attention to Notes 3 and 6 to the financial statements. As a result of the closing of the private placement between the Entity and Agnico Eagle Mines Limited ("Agnico Eagle"), the Entity recorded a gain of $18,543,603 in the consolidated statement of income (loss) and comprehensive income (loss) representing a fair value gain on Green Star's Regen Ag carbon credit contract ("Regen Ag contract") with Anew Climate LLC. Upon the recognition of the gain on the Regen Ag contract, the Entity derecognized Green Star's net assets and recorded its investment in the Green Star joint venture. At the transaction date and December 31, 2022, the fair values of the Regen AG contract were estimated using a discounted cash flow model taking into consideration certain unobservable inputs. The Entity's significant inputs include the expected volumes of carbon credit units and timing of the delivery of such units over the life of the program, estimated carbon credit pricing, and risk adjusted discount rates ("assumptions").

Why the matter is a key audit matter

We identified the evaluation of the fair value of Green Star's Regen Ag carbon credit contract as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of the gain and the high degree of estimation uncertainty in determining the fair value. In addition, significant auditor judgment and specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the fair value to possible changes in assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the expected volumes of carbon credit units and timing of the delivery of such units by comparing inputs used to calculate carbon credit generation to contractual arrangements, studies, and inquiry with management and third parties.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating estimated carbon credit pricing by comparing to historical prices, third party information and forecasts
- Evaluating the risk adjusted discount rates assumption by comparing to an estimate that was independently developed using publicly available third-party sources and data for comparable entities and adjustments for project specific risks.

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Pieter Fourie.

Toronto, Canada

April 28, 2023

STAR ROYALTIES LTD.
Consolidated Statements of Financial Position
(Presented in U.S. Dollars)

	As at December 31, 2022	As at December 31, 2021
ASSETS		
Current		
Cash and cash equivalents	**$ 2,478,184**	$ 4,160,206
Receivables (Note 5)	**382,543**	283,472
Prepaids and other	**43,621**	61,366
	2,904,348	4,505,044
Non-current		
Investment in Green Star joint venture (Note 6)	**19,689,147**	-
Royalty and stream interests (Note 7)	**24,022,953**	26,711,573
	$ 46,616,448	$ 31,216,617
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**$ 714,955**	$ 435,723
	714,955	435,723
Shareholders' equity		
Share capital (Note 9)	**28,224,482**	28,008,825
Contributed surplus	**6,310,424**	5,888,237
Accumulated other comprehensive (loss) income	**(2,534,747)**	459,157
Retaining earnings (deficit)	**13,901,334**	(3,575,325)
	45,901,493	30,780,894
	$ 46,616,448	$ 31,216,617

Subsequent events (Note 13)

Approved on behalf of the Board of Directors

"Alexandre Pernin"	Director	*"Kylie Dickson"*	Director
Alexandre Pernin		Kylie Dickson	

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

STAR ROYALTIES LTD.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Presented in U.S. Dollars)

	Year Ended December 31, 2022	2021 (Adjusted – Note 2d)
Revenue		
Royalty income	**$ 1,415,498**	$ 988,030
Costs of sales		
Depletion	**(701,746)**	(625,205)
Gross profit	**713,752**	362,825
Expenses		
Marketing and shareholder communications	**245,846**	203,275
Management and board compensation (Note 8)	**1,543,823**	910,035
Share-based compensation (Note 9)	**782,560**	933,045
Office and miscellaneous	**248,425**	246,925
Professional fees	**267,287**	601,445
Total expenses	**(3,087,941)**	(2,894,725)
Other income (loss)		
Foreign exchange income	**171,575**	110,626
Interest income	**33,900**	48,401
Management fees from Green Star joint venture	**269,091**	-
Equity income from Green Star joint venture (Note 6)	**1,080,747**	-
Green Star transaction (Note 6)	**18,543,603**	-
Net income (loss) before income taxes	**17,724,727**	(2,372,873)
Income tax expense (Note 12)	**(392,784)**	(296,409)
Net income (loss)	**$ 17,331,943**	$ (2,669,282)
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss:		
Currency translation adjustment	**(2,993,904)**	(132)
Comprehensive income (loss)	**$ 14,338,039**	$ (2,669,414)
Basic and diluted income (loss) per common share	**$ 0.24**	$ (0.04)
Weighted average number of common shares outstanding – basic and diluted	**73,126,572**	66,144,434

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

STAR ROYALTIES LTD.
Consolidated Statements of Cash Flows
(Presented in U.S. Dollars)

	Year Ended December 31, 2022	2021
OPERATING ACTIVITIES		
Net income (loss)	**$ 17,331,943**	$ (2,669,282)
Items not affecting cash:		
Depletion	**701,746**	625,205
Equity income from Green Star joint venture	**(1,080,747)**	-
Foreign exchange income	**(171,575)**	(110,626)
Green Star transaction (Note 6)	**(18,543,603)**	-
Share-based compensation	**782,560**	933,045
Non-cash working capital items changes:		
Accounts payable and accrued liabilities	**319,130**	177,213
Prepaid and other	**14,483**	59,937
Receivables	**(121,616)**	(120,400)
Net cash used in operating activities	**(767,679)**	(1,104,908)
INVESTING ACTIVITIES		
Investment in Green Star joint venture	**(901,451)**	-
Purchase of royalty and stream interests	**-**	(16,321,691)
Net cash used by investing activities	**(901,451)**	(16,321,691)
FINANCING ACTIVITIES		
Proceeds from issuance of shares	**-**	18,379,529
Proceeds from issuance of warrants	**-**	2,773,665
Issuance costs	**-**	(1,631,274)
Exercise of warrants	**-**	5,799
Net cash provided by financing activities	**-**	19,527,719
Net change in cash and cash equivalents	**(1,669,130)**	2,101,120
Effect of exchange rate changes on cash and cash equivalents	**(12,892)**	70,093
Cash and cash equivalents, beginning of the year	**4,160,206**	1,988,993
Cash and cash equivalents, end of the year	**$ 2,478,184**	$ 4,160,206
Non-cash financing and investing activities		
Issuance of shares related to royalty interest	**-**	574,249
Issuance of warrants related to royalty and stream interest	**-**	57,659

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

STAR ROYALTIES LTD.
Consolidated Statements of Changes in Shareholders' Equity
(Presented in U.S. Dollars)

	Share Capital		Contributed	Accumulated other comprehensive	(Deficit) Retained	
	Number	Amount	surplus	income (loss)	earnings	Total
Balance, January 1, 2021	33,018,137	$ 12,786,743	$ 144,716	$ 459,289	$ (906,043)	$ 12,484,705
Units issued on initial public offering and overallotment exercised	38,055,500	16,048,245	5,104,949	-	-	21,153,194
Issuance costs	-	(1,406,674)	(351,669)	-	-	(1,758,343)
Shares issued for royalty	1,659,304	574,249	-	-	-	574,249
Warrants issued for royalty	-	-	57,659	-	-	57,659
Exercise of warrants	7,200	6,262	(463)	-	-	5,799
Share-based compensation	-	-	933,045	-	-	933,045
Loss and other comprehensive loss	-	-	-	(132)	(2,669,282)	(2,669,414)
Balance, December 31, 2021	72,740,141	$ 28,008,825	$ 5,888,237	$ 459,157	$ (3,575,325)	$ 30,780,894
Shares issued on vesting of restricted share units (Note 9)	511,904	$ 215,657	$ (215,657)	$ -	$ -	$ -
Expiry of broker warrants (Note 9)	-	-	(144,716)	-	144,716	-
Share-based compensation (Note 9)	-	-	782,560	-	-	782,560
Income and other comprehensive loss	-	-	-	(2,993,904)	17,331,943	14,338,039
Balance, December 31, 2022	73,252,045	$ 28,224,482	$ 6,310,424	$ (2,534,747)	$ 13,901,334	$ 45,901,493

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Star Royalties Ltd. (the "Company") was incorporated in Canada under the *Canada Business Corporations Act* on February 15, 2018. The Company is a precious metals royalty and streaming investment company. The Company conducts its green royalty investments through Green Star Royalties Ltd. ("Green Star"), a joint venture (Note 6). The head office, records office, and principal address of the Company is 902-18 King Street East, Toronto, Ontario, M5C 1C4. The Company listed its common shares and warrants on the TSX Venture Exchange ("TSX-V") in February 2021 under the symbols "STRR" and STRR.WT", respectively. The Company's common shares are also traded on the OTCQX under the symbol "STRFF".

In February 2021, the Company completed its initial public offering and commenced trading on the TSX-V under the symbol "STRR". Although the Company has not generated substantial income, the Company believes that with the cash balance at December 31, 2022, the anticipated royalty income from Keysbrook and Elk Gold, and management fees from Green Star, it has sufficient resources to fund operations and commitments for at least twelve months from the balance sheet date.

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on April 28, 2023.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on a historical cost basis.

(b) Basis of Measurement

These consolidated financial statements are presented in United States dollars. The Canadian dollar is the functional currency of the Company, its subsidiaries, and joint operations. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

(c) Translation of Transactions and Balances

These consolidated financial statements are presented in United States dollars. The Company's functional currency is Canadian dollar. Assets and liabilities are translated at the closing exchange rate at the date of the balance sheet. Income and expenses are translated at the average exchange rates during the period and all resulting exchange differences are charged to the currency translation adjustment in other comprehensive income.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Monetary assets and liabilities denominated in foreign currencies are re-measured at the rate of exchange at each financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

(Presented in U.S. Dollars)

2. BASIS OF PREPARATION (CONTINUED)

(d) Prior Period Adjustment

During the year ended December 31, 2021, the Company's royalty income from Keysbrook (as defined below) was recorded to revenue net of the Australian withholding taxes. Under IAS 12 *Income Taxes*, income taxes should also include foreign withholding taxes payable on distributions to the reporting entity. The Company made an adjustment to reclass Australian withholding taxes paid in the amount of $296,409 from revenue to income tax expenses accordingly. The adjustment, which is shown in the tables below, has no impact on the Company's consolidated statements of financial position, consolidated statements of cash flows, consolidated statements of changes in shareholders' equity and did not impact net income for the year ended December 31, 2021 in the statements of income (loss) and comprehensive income (loss).

	Year Ended Dec 31, 2021 (As previously reported)	Adjustment	Year Ended Dec 31, 2021 (Adjusted)
Revenue	$ 691,621	$ 296,409	$ 988,030
Net loss before income taxes	(2,669,282)	(296,409)	(2,372,873)
Income tax expense	-	(296,409)	(296,409)
Net loss	(2,669,282)	-	(2,669,282)
Basic and diluted loss per share	$ (0.04)	$ -	$ (0.04)

3. USE OF ESTIMATES, ASSUMPTION AND JUDGEMENT

Critical Accounting Judgments and Estimates

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

The most significant judgements relate to the following:

Accounting for Royalty and Stream Interests

The Company from time to time will acquire royalty and stream interests. Each royalty and stream interest agreement has its own unique terms and significant judgment is required to assess the appropriate accounting treatment.

Impairment of Royalty and Stream Interests

Assessment of impairment of royalty and stream interests at the end of each reporting period requires the use of judgments, assumptions and estimates when assessing whether there are any indicators that give rise to the requirement to conduct a formal impairment test on the Company's royalty and stream interests. Indicators which could trigger an impairment test include, but are not limited to, a significant change in operator reserve and resource estimates, industry, or economic trends, current or forecast commodity prices, and other relevant operator information. The assessment of fair values requires the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, reserve/resource conversion, foreign exchange rates, future capital expansion plans and the associated production implications.

3. USE OF ESTIMATES, ASSUMPTION AND JUDGEMENT (CONTINUED)

In addition, the Company may use other approaches in determining fair value which may include judgment and estimates related to (i) dollar value per ounce or pound of reserve/resource; (ii) cash-flow multiples; and (iii) market capitalization of comparable assets. Changes in any of the assumptions and estimates used in determining the fair value of the royalty and stream could impact the impairment analysis.

Impairment of Investments in Joint Venture

The Company follows the guidance of IAS 28 *Investments in Associates and Joint Ventures* to assess whether there is objective evidence that its net investment in joint venture is impaired, which may lead to the recognition of an impairment loss. This determination requires significant judgement in evaluating the objective evidence of impairment as a result of a loss event and whether a loss event has an impact on the estimated future cash flows from the net investment. If there is objective evidence that the carrying value of the joint venture is impaired, it is written down to its recoverable amount. In making this judgement, the Company's management evaluates, among other factors, the duration and extent to which the fair value an investment is less than is carrying amount, the volatility of the investment and the financial health and business outlook for the investee, including factors such as the current and expected status of the investee's carbon credit and cleantech projects and changes in financing cash flows.

Estimation of Depletion

The Company's royalty, stream, and other production-based interests that generate economic benefits are considered depletable and are depleted on a unit-of-production basis over the units of production that are expected to generate the cash flows that will be attributable to the Company. These calculations require the use of estimates and assumptions, including the estimated quantity of commodities to be received, the recovery rates, and payable rates. Changes to these assumptions may impact the depletion rates used. Changes to depletion rates due to new information are accounted for prospectively.

Investment in Joint Arrangement

Judgement is required to determine when the Company has joint control of a contractual arrangement, which requires a continuous assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. Judgement is also required to classify a joint arrangement as either a joint venture or a joint operation. Classifying the arrangement requires the Company to assess its rights and obligations arising from the arrangement. Specifically, the Company considers the legal form of the separate vehicle, the terms of the contractual arrangement and other relevant facts and circumstances. This assessment often requires critical judgement, and a different conclusion on joint control, or whether the arrangement is a joint venture or a joint operation, may have a material impact on the accounting treatment.

The Green Star joint venture accounts for its carbon credit streaming and royalty agreements as financial instruments at fair value through profit or loss. At each reporting date, the fair value of each active contract is determined using discounted cash flow models taking into consideration various observable and unobservable inputs as set out in Note 6. Fair value movements of carbon credit streaming and royalty contracts impacts the equity pickup from the Green Star joint venture when applying the equity method. Each carbon credit streaming or royalty agreement has its own unique terms and significant judgement is required to assess the appropriate accounting treatment. Significant estimates and assumptions in the fair value measurement of material carbon contracts in Green Star are included in Note 6.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The financial statements consist of the consolidation of the financial statements of the Company and its subsidiaries. All significant intercompany transactions, balances, revenues, and expenses have been eliminated upon consolidation. Subsidiaries are entities over which the Company has control, including the power to govern the financial and operating policies in order to obtain benefits from their activities.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between: (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets and liabilities of the subsidiary. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary.

Joint Arrangements

The Company has assessed the nature of its joint arrangement and determined it to be a joint venture. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Company accounts for its investment in the joint venture using the equity method in accordance with IAS 28 *Investment in Associates and Joint Ventures*. Under the equity method, the Company's initial investment is subsequently increased or decreased to recognize the Company's share of net income and losses of the joint venture, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the joint venture's reserves, and for impairment losses after the initial recognition date. The Company's share of income and losses of the joint venture is recognized in net income during the period. The accounting policies of the joint venture are consistent with the policies described herein.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, deposits held with banks and other short-term highly liquid investments. Cash and cash equivalents are recorded at amortized cost.

Financial Instruments

<u>Financial Assets</u>
The Company classified its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI"), or at amortized cost. The determination of the classification of financial assets is made at initial recognition.

The Company's accounting policy for each of the categories is as follows:

Financial Assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the consolidated statements of loss and comprehensive loss.

Financial Assets at Amortized Cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The following table shows the classification of the Company's financial assets:

Financial asset	Classification
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost

Financial Liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the consolidated statements of loss and comprehensive loss.

Other financial liabilities - This category includes accounts payable and accrued liabilities, which is recognized at amortized cost using the effective interest method.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized in the consolidated statements of loss and comprehensive loss immediately, while transaction costs associated with all other financial instruments are included in the initial measurement of the financial instrument.

Financial Instruments

The following table shows the classification of the Company's financial liabilities under:

Financial liability	Classification
Accounts payable and accrued liabilities	Amortized cost

Royalty and Stream Interests

Royalty and stream interests consist of acquired royalty and stream contracts and agreements. Royalty and stream interests acquired in an asset acquisition are recorded at cost and capitalized as either tangible or intangible assets with finite lives depending on the nature of the royalty or stream. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any. The cost of the royalty and stream interest is comprised of its purchase price and any costs directly attributable to acquiring the asset. Project evaluation costs that are not related to a specific agreement are expensed in the period incurred.

Producing royalty and stream interests are depleted using the units-of-production method over the life of the property to which the interests relate, which are estimated using available information of proven and probable reserves and may include a portion of resources expected to be converted into reserves. The Company relies on information available to it under contracts with operators and/or public disclosures for information on reserves and resources from the operators of the producing mineral interests.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Acquisition costs of exploration-stage royalty and stream interests are capitalized and are not depleted until such time as revenue-generating activities begin.

Impairment of Royalty and Stream Interests

Evaluation of the carrying values of each royalty and stream is undertaken when events or changes in circumstances indicate that the carrying values may not be recoverable. Impairment is assessed at the level of cash-generating units, which are identified as the smallest identifiable group of assets that generates cash inflows and largely independent of the cash inflows from other assets. This is usually at the individual royalty or other interest level for each property from which cash inflows are generated.

An assessment is made at each reporting period if there is any indication that a previous impairment loss may no longer exist or has decreased. If indications are present, the carrying value of the royalty or stream is increased to the

revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount net of depletion that would have been determined had no impairment loss been recognized for the royalty or stream in previous periods.

Royalty and stream interests classified as exploration and evaluation assets are assessed for impairment whenever indicators of impairment exist in accordance with IFRS 6. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount.

An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount, which is the higher of its fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). Estimated future cash flows are calculated using estimated production, sales prices and a discount rate. Estimated future production is determined using current reserves and the portion of resources expected to be classified as mineral reserves, as well as exploration potential expected to be converted into reserves. Estimated sales prices are determined by reference to an average of long-term metal price forecasts by research analysts and management's expectations. The discount rate is estimated using an average discount rate incorporating research analyst views used to value precious metal royalty and streaming companies.

Impairment of Investments in Joint Venture

The Company assesses whether there is any objective evidence that an investment in joint venture is impaired at the end of each reporting period. Objective evidence includes observable data indicating there is a measurable decrease in the estimated future cash flows of the investee's operations. When there is objective evidence that an investment is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its FVLCD and VIU. If the recoverable amount of an investment is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period in which the relevant circumstances are identified. When an impairment loss reverses in a subsequent period, the carrying amount of the investment is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in the consolidated statement of income (loss) and comprehensive income (loss) in the period in which the reversal occurs.

Revenue Recognition

The Company has determined that each unit of a commodity that is delivered to a customer under a royalty, or working interest arrangement is a performance obligation for the delivery of a good that is separate from each other unit of the commodity to be delivered under the same arrangement.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For royalty interests, revenue is recognized when control of the relevant commodity is transferred to the end customer by the operator of the royalty property. This transfer of control generally occurs when the operator of the mining property on which the royalty interest is held physically delivers the commodity to the customer. At this point in time, the risks and rewards of ownership have transferred to the customer and the Company has an unconditional right to payment. Revenue is measured at the fair value of the consideration received or receivable when management can reliably estimate the amount, pursuant to the terms of the royalty agreement with the operator of each mining property. In some instances, the Company will not have access to sufficient information to make a reasonable estimate of consideration to which it expects to be entitled and, accordingly, revenue recognition is deferred until management can make a reasonable estimate. Differences between estimates and actual amounts are adjusted and recorded in the period that the actual amounts are known.

Income (loss) per Share

The Company presents basic income (loss) per share for its common shares, calculated by dividing the net income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted income (loss) per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants, and similar instruments is computed using the treasury stock method. Diluted income (loss) per share does not adjust the net income (loss) attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Share-Based Payments

Share-based payments are arrangements in which the Company receives goods or services in consideration for its own equity instruments granted to non-employees. These are accounted for as equity settled share-based payment transactions and measured at the fair value of goods and services received. If the fair value of the goods or services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services.

Share-Based Compensation

The Company grants share-based awards in the form of stock options and restricted share units (“RSUs”). The stock options and RSUs are equity-settled awards. The Company determines the fair value of the awards on the date of grant. This fair value is expensed to the statement of loss and comprehensive loss using a graded vesting attribution method over the vesting period of the awards, with a corresponding credit to contributed surplus. When the share options or share units are exercised, the applicable amounts of contributed surplus are transferred to share capital.

Warrant Issued in Equity Financing Transactions

The Company may issue units which comprise of a certain number of common shares and a certain number of share purchase warrants in equity financing transactions. Depending on the terms and conditions of each financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price specified in the agreement. Warrants that are part of units are assigned value based on the residual value method and included in the share warrant reserve. When warrants are cancelled or are not exercised by the expiry date, the amount previously recognized is transferred from contributed surplus to share capital.

Income Taxes

Income tax expense comprises of current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to taxes payable with regards to previous years. It also includes Australian withholding taxes of 30% on the Company's royalty income from Keysbrook.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the consolidated statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the asset.

Income tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when they relate to income tax levied by the same tax authority and the Company intends to settle its tax assets and liabilities on a net basis.

Related Party Transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Such parties include key management personnel of the Company. Parties are also considered related if they are subject to common control or significant influence. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

New Accounting Standards Issued But Not Yet Effective

Certain new accounting standards have been published that are not mandatory for the current period and have not been early adopted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*

  This amendment requires companies to provide more specific disclosures about their accounting policies and the judgments made in applying these policies that have the most significant effect on the financial statements. The new definition of significant accounting policies, now material accounting policy information, is broader in scope, capturing accounting policy information that is important to understanding the judgments made in preparing the financial statements, and those policies that require the most significant judgments and estimates by the Company. This amendment is effective for annual reporting periods beginning on or after January 1, 2023. The Company does not expect the adoption of this amendment to have a material impact on its consolidated financial statements.

- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*

  This amendment clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period. This amendment is effective for annual reporting periods beginning on or after January 1, 2024. The Company does not expect the adoption of this amendment to have a material impact on its consolidated financial statements.

(Presented in U.S. Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Definition of Accounting Estimates (Amendments to IAS 8)*

  The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The Company will apply the amendments to changes in accounting estimates and errors, if any, as they arise in future periods. This amendment is effective for annual reporting periods beginning on or after January 1, 2023. The Company does not expect the adoption of this amendment to have a material impact on its consolidated financial statements.

- *Deferred Tax related to Assets and Liabilities arising from Single Transaction (Amendment to IAS 12)*

  This amendment clarifies the accounting for deferred tax arising from single transactions, such as business combinations and asset acquisitions, by requiring companies to recognize deferred tax for temporary differences that arise from the initial recognition of assets and liabilities in a single transaction. This amendment is effective for annual reporting periods beginning on or after January 1, 2023. The Company does not expect the adoption of this amendment to have a material impact on its consolidated financial statements.

5. RECEIVABLES

	December 31, 2022	December 31, 2021
Goods and service tax ("GST") receivable	**$ 77,046**	$ 173,181
Royalty receivables	**305,497**	110,291
Total	**$ 382,543**	$ 283,472

6. INVESTMENT IN GREEN STAR JOINT VENTURE

The Company conducts green royalty investments with its joint venture partner, Agnico Eagle Mines Limited ("Agnico Eagle"), via Green Star. Green Star was incorporated in Canada under the *Canada Business Corporations Act* on June 15, 2020 and domiciled in Canada.

On May 27, 2022, the Company's then subsidiary, Green Star, completed the closing of a non-brokered private placement of 15,384,620 shares at a price of CAD$1.00 per Green Star class A share (each a "Green Star Share") for total gross proceeds of CAD$15,384,620 (the "Private Placement") with Agnico Eagle and the Company's management and Board of Directors. Following the closing of the non-brokered private placement, Green Star is now owned 61.9% by the Company, 35% by Agnico Eagle, and 3.1% by the Company's management team and Board of Directors.

Prior to the closing of Private Placement, Green Star was a wholly-owned subsidiary of the Company. Contemporaneously with the closing of the Private Placement, the Company entered into a unanimous shareholders' agreement and a co-investment and environmental attribute purchase agreement with Agnico Eagle to establish joint control. These agreements provide certain rights to Agnico Eagle for its holding of the Green Star Shares, which includes board of directors and technical committee nomination, the right to co-invest in green opportunities, and rights to first offer to participate in future offerings, among other things.

(Presented in U.S. Dollars)

6. INVESTMENT IN GREEN STAR JOINT VENTURE (CONTINUED)

Due to the change in governance structure on Green Star resulted from the joint arrangement entered into with Agnico Eagle, the Company has derecognized related assets and liabilities of Green Star from its consolidated financial statements as of the closing date of the Private Placement and recorded an investment in joint venture in accordance with IFRS 11 *Joint arrangement* and IAS 28 *Investment in Associates and Joint Ventures*.

As a result of the closing of the private placement between the Company and Agnico Eagle, the Company recorded a gain of $18,543,603 in the consolidated statement of income (loss) and comprehensive income (loss) representing a fair value gain on Green Star's Regen Ag carbon credit contract (the "Regen Ag contract") with Anew Climate LLC ("Anew", formerly Blue Source, LLC). Upon the recognition of the gain on the Regen Ag contract, the Company derecognized Green Star's net assets of $19,626,315 (comprised of $18,543,603 Regen Ag contract and $1,082,712 in other royalty assets) and recorded its investment in the Green Star joint venture of $19,626,315 (CAD$25,000,000). The initial investment the Green Star joint venture was based on fair value of Green Star Shares at CAD$1.00 per share. Transaction costs of $186,492 were incurred and capitalized to Investment in joint venture.

The following table discloses the continuity of the Company's investment in Green Star joint venture as at December 31, 2022:

		Investment in Joint Venture
Balance as at December 31, 2021	$	-
Initial recognition		19,626,315
Transaction costs		186,492
Equity income for the year		1,080,747
Foreign currency translation		(1,204,407)
Balance as at December 31, 2022	$	19,689,147

Summarized financial information in respect of the Company's investment in Green Star joint venture as at and for the year ended December 31, 2022:

At December 31, 2022		Green Star
Assets		
Cash and cash equivalents	$	6,531,374
Other current asset		68,114
Non-current financial assets		24,944,415
Liabilities		
Current liabilities		21,168
Net assets (100%)		31,522,735
Star Royalties' 61.9% share of net assets	$	19,514,072

For the period from May 27, 2022, to December 31, 2022		Green Star
Operating expenses	$	(449,548)
Other income		1,454,781
Fair value gain on financial assets		740,591
Net income (100%)		1,745,824
Star Royalties' 61.9% share of net income	$	1,080,747

(Presented in U.S. Dollars)

6. INVESTMENT IN GREEN STAR JOINT VENTURE (CONTINUED)

Green Star Regen Ag Contract

In April 2022, Green Star entered into a fourfold expansion of its agreement with Anew for the Regen Ag project, originally entered into in December 2021, to create premium, verified carbon offset credits that will reward the adoption of regenerative agriculture practices by North American farmers. Under the amended agreement, Green Star will be financing a regenerative agriculture carbon program being developed and managed by Anew for total cash contribution of $20,625,000. Cash will be available to growers in this program through Locus Agricultural Solutions' ("Locus AG") CarbonNOW program. Locus AG will be actively recruiting growers under this project until a total of 1,320,000 acres of farmland across the United States have been adopted into the program. Green Star commenced initial funding of the investment in June 2022 and contributed a total of $4,641,940 to date. Further quarterly tranches will be drawn by Anew as required until the entire $20,625,000 is invested by 2024.

At May 27, 2022, and December 31, 2022, the fair values of the Regen Ag contract was estimated using a discounted cash flow model taking into consideration of the following unobservable inputs:

- Expected volumes of carbon credit units and timing of the delivery of such units over the life of the program;
- Carbon credit pricing assumptions, taking into consideration historical realized prices and overall market volatility of carbon credit pricing;
- Development costs assumptions associated with the program; and
- Risk adjusted discount rate

The following significant 3 unobservable inputs were used to measure the Regen Ag contract using a discounted cash flow model. Note that the table of assumptions and sensitivity analysis provided below are presented on a 100% basis.

	December 31, 2022
Expected volumes over life of program	27.6 million carbon credits over a 10 year program
Carbon credit pricing assumptions	$21 - $27
Discount rate	21%

For the year ended December 31, 2022, the impact of a reasonable 5% increase/decrease in the estimated carbon credit pricing assumption, with all other variables held constant, would result in an increase/decrease in the fair value of the Regen Ag contract of $2.5 million.

For the year ended December 31, 2022, the impact of a reasonable 1% increase/decrease in the estimated discount rate, with all other variables held constant, would result in an increase/decrease in the fair value of the Regen Ag contract of $1.8 million.

(Presented in U.S. Dollars)

7. ROYALTY AND STREAM INTERESTS

Cost	Mining Royalties	Stream Interests	Carbon Credit & Other Royalties	Total
Balance, January 1, 2021	$ 3,569,958	$ 6,652,716	$ 129,490	$ 10,352,164
Additions	10,702,142	6,008,948	242,502	16,953,592
Foreign currency translation	53,861	(15,277)	(1,822)	36,762
Balance, December 31, 2021	$ 14,325,961	$ 12,646,387	$ 370,170	$ 27,342,518
Additions	-	-	722,078	722,078
Deconsolidation (Note 6)	-	-	(1,082,712)	(1,082,712)
Foreign currency translation	(900,850)	(790,587)	(9,536)	(1,700,973)
Balance, December 31, 2022	$ 13,425,111	$ 11,855,800	$ -	$ 25,280,911

Accumulated depletion	Mining Royalties	Stream Interests	Carbon Credit & Other Royalties	Total
Balance, January 1, 2021	$ 5,740	$ -	$ -	$ 5,740
Depletion	625,205	-	-	625,205
Balance, December 31, 2021	$ 630,945	$ -	$ -	$ 630,945
Depletion	701,746	-	-	701,746
Foreign currency translation	(74,733)			(74,733)
Balance, December 31, 2022	$ 1,257,958	$ -	$ -	$ 1,257,958

Net book value				
As at December 31, 2021	$ 13,695,016	$ 12,646,387	$ 370,170	$ 26,711,573
As at, December 31, 2022	$ 12,167,153	$ 11,855,800	$ -	$ 24,022,953

Of the total net book value as at December 31, 2022, $11,881,009 (December 31, 2021 - $2,835,314) is depletable and $12,141,944 (December 31, 2021 - $23,876,259) is non-depletable.

The Company's royalty and stream interests consisted of the following:

Mining Royalties

Baavhai Uul, Mongolia

In July 2019, the Company purchased a 1.5% of Gross Revenue of any product extracted, produced, sold, and marketed from the Property located in Sukhbaatar Province in Mongolia from ION Energy LLC in exchange for the issuance of 1,500,000 common shares at a fair value of $141,306.

Bayan Undur, Mongolia

In October 2019, the Company purchased a 2% net smelter returns royalty on all products produced from the Bayan Undur Property and a right of first refusal on any potential future metals stream on the Bayan Undur Property located in Bayankhongor Aimag, Bayan Undur Soum, Mongolia from Bayan Undur Resource LLC in exchange for the issuance of 1,333,333 common shares at a fair value at $152,450.

(Presented in U.S. Dollars)

7. ROYALTY AND STREAM INTERESTS (CONTINUED)

Elk Gold, British Columbia, Canada

In September 2021, the Company acquired an existing 2% net smelter return royalty from Almadex Minerals Ltd. on the Elk Gold Mine ("Elk Gold") located in BC, Canada. Elk Gold is owned and operated by Gold Mountain Mining Corp.

Total acquisition cost of $10,702,142 included $10,000,000 in cash consideration, $70,234 in transaction costs, and the issuance of 1,659,304 common shares at a fair value of $574,249 and 829,652 common share purchase warrants at a fair value of $57,659 (Note 9e).

Keysbrook, Western Australia, Australia

In October 2020, the Company acquired an existing 2.0% minerals royalty from Resource Capital Fund VI L.P. on the Keysbrook mineral sands mine ("Keysbrook) located in Western Australia, Australia. It is owned and operated by Keysbrook Leucoxene Pty Ltd. Total acquisition cost of $3,163,116 included $3,000,000 in cash consideration, and $163,116 in transaction costs.

Stream Interests

Copperstone, Arizona, USA

In November 2020, the Company and Sabre Gold Mines Corp. ("Sabre Gold") (formerly Arizona Gold Corp.) 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 instalments, with the first $6,000,000 instalment paid on the initial closing and the second tranche paid in February 2021. On June 28, 2021, the Streaming Agreement was amended whereby the previously defined final tranche payment date was removed and was replaced by certain closing conditions having to be met by Sabre Gold. Total acquisition costs of $12,546,514 included $12,000,000 in cash consideration, and $546,514 in transaction costs.

8. RELATED PARTY TRANSACTIONS

Related parties include key management personnel, individuals or companies controlled by key management personnel, and Green Star. 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, and Chief Financial Officer.

During the year ended December 31, 2022, and 2021, key management compensation was as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Management and board compensation	**$ 1,163,318**	$ 910,035
Marketing and shareholder communications	**24,726**	79,888
Severance	**137,622**	-
Share-based compensation	**782,560**	933,045
	$ 2,108,226	$ 1,922,968

8. RELATED PARTY TRANSACTIONS (CONTINUED)

Pursuant to the management services agreement between the Company and Green Star dated May 27, 2022, the Company received management fees of $269,091 for the year ended December 31, 2022 (2021 - $Nil).

9. SHAREHOLDERS' EQUITY

(a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

(b) Issued Share Capital

During the year ended December 31, 2022, the Company entered into the following transactions:

i.) In February 2022, the Company issued 416,665 common shares valued at $176,492 (CAD$225,001) in relation to vested RSUs.

ii.) In March 2022, the Company reclassed $144,716 (CAD$192,696) relating to the expired broker warrants, from contributed surplus to retained earnings (deficit).

iii.) In September 2022, the Company issued 95,239 common shares valued at $39,165 (CAD$51,429) in relation to vested RSUs.

During the year ended December 31, 2021, the Company entered into the following transactions:

i.) 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 $18,974,650 (CAD$24,000,200). Each unit consists of one common share and one publicly traded warrant. Each publicly traded warrant entitles the holder to purchase one common share at an exercise price of CAD$1.00 per common share until February 19, 2024. The gross proceeds of $18,974,650 were allocated between common shares and publicly traded warrants and recorded as $14,382,791 to share capital and $4,591,859 to contributed surplus.

ii.) In March 2021, the syndicate of underwriters for the Company's IPO 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 publicly traded warrants at a price of CAD$0.089 per warrant for combined gross proceeds of $2,178,545 (CAD$2,760,883). The gross proceeds of $2,178,544 were allocated between common shares and publicly traded warrants and recorded as $1,665,454 to share capital and $513,090 to contributed surplus.

iii.) Share issuance fees paid in cash totalled $1,758,343 in relation to the Company's IPO and the exercise of the over-allotment option granted to the syndicate of underwriters. The share issuance costs of $1,758,343 were recorded against share capital in the amount of $1,406,674 and contributed surplus in the amount of $351,669.

iv.) In September 2021, the Company issued 1,659,304 common shares at a price of CAD$0.44 valued at $574,249 (CAD$730,094) and 829,652 warrants with a fair value of $57,659 (CAD$73,307) pursuant to the Elk Gold royalty acquisition (Note 7). Each warrant entitles the holder to purchase one common share at an exercise price of CAD$0.70 per common share until September 29, 2023. 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 0.53%, a forfeiture rate of 0%, and a share price volatility of 60%.

(Presented in U.S. Dollars)

9. SHAREHOLDERS' EQUITY (CONTINUED)

(c) Broker Warrants

As at December 31, 2021 there were 669,300 broker warrants with a weighted average exercise price of CAD$0.625. These broker warrants were subsequently expired between March 18, 2022 and March 30, 2022.

(d) Publicly Traded Warrants

As at December 31, 2022, the following publicly traded warrants were outstanding:

	Number of publicly traded warrant	Weighted average exercise price CAD
Balance, January 1, 2021	-	$ -
Granted	39,428,900	1.00
Exercised	(7,200)	1.00
Balance, December 31, 2021	39,421,700	$ 1.00
Granted	-	-
Exercised	-	-
Balance, December 31, 2022	39,421,700	$ 1.00

The publicly traded warrants expire on February 19, 2024.

(e) Share Purchase Warrants

As at December 31, 2022, the following share purchase warrants were outstanding:

	Number of share purchase warrant	Weighted average exercise price CAD
Balance, January 1, 2021	-	$ -
Granted	829,652	0.70
Balance, December 31, 2021	829,652	$ 0.70
Granted	-	-
Balance, December 31, 2022	829,652	$ 0.70

The share purchase warrants expire on September 29, 2023.

(f) Stock Options

The Company has an equity compensation plan, under which it is authorized to grant stock options, RSUs and performance share units, or some combination thereof up to 10% of its outstanding common shares. The equity compensation plan received shareholders' approval at the Annual General and Special Meeting held on June 23, 2021.

On February 21, 2022, the Company issued 625,000 stock options to officers and directors of the Company with an exercise price of CAD$0.60 per share. The stock options expire on February 21, 2032 and vest over three years in equal portions on the anniversary of the grant date. The fair value per stock option as determined on the grant date was CAD$0.40.

(Presented in U.S. Dollars)

9. SHAREHOLDERS' EQUITY (CONTINUED)

On February 19, 2021, the Company issued 3,735,000 stock options to officers and directors of the Company with an exercise price of CAD$0.70 per share. The stock options expire on February 19, 2031 and vest 25% on grant and 25% annually over three years.

Stock option transactions during the years ended December 31, 2022 and 2021 were as follows:

	Number of options	Weighted average exercise price CAD
Balance, January 1, 2021	**-**	$ -
Granted	3,735,000	0.70
Balance, December 31, 2021	3,735,000	$ 0.70
Granted	625,000	0.60
Forfeited	(335,000)	0.70
Balance outstanding, December 31, 2022	4,025,000	$ 0.68
Balance exercisable, December 31, 2022	1,867,500	$ 0.70

The following table summarizes information concerning outstanding and exercisable options at December 31, 2022:

Exercise prices CAD	Number of options outstanding	Number of options exercisable	Weighted average life (years)
0.70	3,400,000	1,867,500	7.39
0.60	625,000	-	9.15
	4,025,000	1,867,500	7.66

The fair value of the options was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2022	2021
Risk-free interest rate	**1.78%**	1.21%
Expected price volatility	**56.48%**	60.00%
Expected life	**10 years**	10 years
Expected dividend yield	**-**	-

During the year ended December 31, 2022, the Company recorded share-based compensation expenses of $283,947 (2021 - $649,673) in relation to vesting stock options in share-based compensation in the consolidated statements of income (loss) and other comprehensive income (loss).

(g) RSUs

Pursuant to the equity compensation plan, which was approved by shareholders at the Annual General and Special Meeting on June 23, 2021, the Company is authorized to issue RSUs to directors, officers, employees, or consultants. The RSUs entitle holders to common shares of the Company upon vesting, based on vesting terms determined by the Board of Directors at the time of grant.

On February 21, 2022, the Company granted 1,215,000 RSUs to officers and directors of the Company. The RSUs granted are vested over three years in equal portions on the anniversary of the grant date. The fair value per unit on the grant date was CAD$0.60, being the share price on the IFRS grant date.

(Presented in U.S. Dollars)

9. SHAREHOLDERS' EQUITY (CONTINUED)

On February 19, 2021, the Company granted 1,250,005 RSUs to officers and directors of the Company. The RSUs vest over three years. On June 23, 2021, upon receiving shareholders' approval on the equity compensation plan, the Company revised the earlier fair value estimate so that the amounts recognized for services received in respect of the grant are based on the grant date fair value. The weighted average fair value per unit as at June 23, 2021 was CAD$0.54, being the share price on the IFRS grant date.

During the year ended December 31, 2022, the Company recorded share-based compensation expenses of $498,613 (2021 - $283,372) in relation to RSUs in share-based compensation in the consolidated statements of income/(loss) and other comprehensive income (loss).

10. SEGMENT INFORMATION

The Company organizes and manages the business under (i) Star Royalties and (ii) Green Star joint venture. The operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer ("CEO") who fulfills the role of the chief operating decision-maker. The CEO is responsible for allocating resources and assessing the performance of the Company's operating segments.

The Company's reportable segments for purposes of assessing performance are presented as follows:

For the year ended December 31	**2022**		2021	
	Star Royalties	**Green Star**	Star Royalties	Green Star
Revenue				
Royalty income	**$ 1,415,498**	**$ -**	$ 988,030	$ -
Costs of sales				
Depletion	**$ (701,746)**	**$ -**	$ (625,205)	$ -
Segment gross profit	**$ 713,752**	**$ -**	$ 362,825	$ -

For the year ended December 31, 2022, the Company had mining royalty revenues from two of its royalties located in Australia and Canada of $1,309,523 and $105,975, respectively (2021 - $988,030 from one of its royalties in Australia). The Company also recognized equity income of $1,080,747 from Green Star joint venture (Note 6).

The Company has non-current assets in the following geographic locations:

	December 31, 2022	December 31, 2021
United States	**$ 11,855,800**	$ 12,646,387
Canada	**29,682,263**	11,107,699
Australia	**1,887,893**	2,652,262
Mongolia	**286,144**	305,225
	$ 43,712,100	$ 26,711,573

Investment in Green Star joint venture, included in non-current assets, of $19,689,147 (2021: Nil) is located in Canada.

11. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of cash and cash equivalents, receivables, and accounts payable and accrued liabilities, approximates fair value due to the short-term nature of the financial instruments.

Risk Management

The Company is exposed to varying degrees to a variety of financial instrument-related risks:

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents is held at a large Canadian financial institution in interest-bearing accounts. The Company has no investment in asset-backed commercial paper.

The Company's receivables consist of royalty receivable and goods and services tax receivable from the Government of Canada.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management. Accounts payable and accrued liabilities are due within one year.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest Rate Risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash and cash equivalents. The Company's practice has been to invest cash and cash equivalents at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash and cash equivalents as they are held with large financial institutions. As at December 31, 2022, the Company is not exposed to significant interest rate risk.

11. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar. The Company is exposed to fluctuations in foreign exchange rates as a portion of our expenses are incurred in Canadian dollars. A significant change in the foreign exchange rates between the US dollar relative to the Canadian dollar could have a material impact on the Company's profit or loss, financial position, or cash flows. Currently, the Company does not hedge against movement in foreign currency exchange rates.

c) Price Risk

The Company is exposed to price risk with respect to commodity prices on the royalty and stream agreements. Currently, the Company's revenue is not hedged to provide shareholders with full exposure to changes in the market prices of the commodities.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to pursue the acquisition of royalty and stream interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity.

The Company manages the capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

The Company currently is not subject to externally imposed capital requirements.

12. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes for the year ended December 31, 2022 and 2021 are as follows:

		2022		**2021**
Net income (loss) before income taxes	**$**	**17,724,727**	$	(2,372,873)
Expected income tax recovery at statutory tax rate of 26.5%	**$**	**4,697,000**	$	(641,000)
Permanent differences		**81,000**		428,000
Non-taxable gain on deconsolidation of subsidiary		**(4,914,000)**		-
Equity income from Green Star joint venture		**(286,000)**		
Withholding taxes		**392,784**		296,409
Share issue costs		**-**		(471,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		**-**		74,000
Change in unrecognized deferred tax asset		**422,000**		610,000
Income tax expense	**$**	**392,784**	$	296,409

(Presented in U.S. Dollars)

12. INCOME TAXES (CONTINUED)

The significant components of the Company's deferred tax assets and liabilities are as follows:

		2022		2021
Deferred tax assets (liabilities)				
Stream assets	**$**	**-**	$	(29,000)
Royalties		**-**		(186,000)
Non-capital losses		**-**		215,000
Net deferred tax assets	**$**	**-**	$	-

The Company has not recognized deferred tax assets in respect of the following deductible temporary differences:

		2022	Expiry Date Range
Deferred tax assets			
Royalty and stream interests	**$**	**1,253,000**	N/A
Share issuance costs		**1,157,000**	N/A
Non-capital losses available for future period		**2,649,000**	2039-2042

The Company has an $18.7 million taxable temporary difference associated with the investment in Green Star joint venture on which no deferred tax liability has been recognized.

13. SUBSEQUENT EVENTS

Subsequent to December 31, 2022, the Company entered into the following transactions:

a) In February 2023, 1,525,000 stock options and 611,925 RSUs were granted to management and directors of the Company. The stock options granted have a ten-year term, exercise price of CAD$0.50 per share, and vest over three years in equal portions on the anniversary of the grant date. The RSUs granted vest over three years in equal portions on the anniversary of the grant date.