



**NOVA ROYALTY CORP.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**(Unaudited - Expressed in Canadian Dollars)**

**FOR THE THREE MONTHS ENDED MARCH 31, 2021**

**NOVA ROYALTY CORP.**  
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION  
(Unaudited - Expressed in Canadian Dollars)

	March 31 2021	December 31 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 2,638,872	\$ 5,400,687
Receivables (Note 3)	103,125	75,484
Prepaid expenses	209,027	86,626
<b>Total current assets</b>	<b>2,951,024</b>	<b>5,562,797</b>
<b>Non-current assets</b>		
Royalty interests (Note 4)	64,945,525	29,859,355
Deferred acquisition costs (Note 5)	-	75,658
<b>Total non-current assets</b>	<b>64,945,525</b>	<b>29,935,013</b>
<b>TOTAL ASSETS</b>	<b>\$67,896,549</b>	<b>\$35,497,810</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 2,468,196	\$ 3,769,570
<b>Total current liabilities</b>	<b>2,468,196</b>	<b>3,769,570</b>
<b>Non-current liabilities</b>		
Other payables (Note 6)	634,250	637,046
Convertible debenture (Note 7)	4,499,379	3,026,912
<b>Total non-current liabilities</b>	<b>5,133,629</b>	<b>3,663,958</b>
<b>Total liabilities</b>	<b>7,601,825</b>	<b>7,433,528</b>
<b>EQUITY</b>		
Share capital (Note 8)	64,438,911	31,134,746
Commitment to issue shares	191,751	28,572
Reserves	1,240,463	1,327,472
Deficit	(5,576,401)	(4,426,508)
<b>Total equity</b>	<b>60,294,724</b>	<b>28,064,282</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$67,896,549</b>	<b>\$35,497,810</b>

**Nature of operations and going concern** (Note 1)

**Commitments** (Note 12)

**Events after reporting date** (Note 13)

These condensed interim financial statements were authorized for issuance by the Board of Directors on May 26, 2021.

**Approved by the Board of Directors**

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*"Alex Tsukernik"* Director

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*"E.B. Tucker"* Director

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

**NOVA ROYALTY CORP.****CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited - Expressed in Canadian Dollars)

	Three months ended March 31 2021	Three months ended March 31 2020
<b>Revenue and other income</b>	\$ 2,073	\$ -
<b>General and administrative expenses</b>		
Consulting fees (Note 9)	370,123	77,157
Office and administrative expenses	75,176	9,326
Professional fees (Note 9)	124,437	53,793
Share-based payments (Note 8 and 9)	295,434	517,325
Transfer agent and filing fees	70,383	2,500
Travel and related expenses	564	7,390
	<u>936,117</u>	<u>667,491</u>
<b>Loss from operations</b>	(934,044)	(667,491)
Interest and accretion on convertible debenture (Note 7)	(159,535)	-
Other expenses	(66,538)	-
Foreign exchange gain (loss)	(9,147)	127,238
<b>Loss before income taxes</b>	(1,169,264)	(540,253)
Deferred income tax recovery	19,371	-
<b>Loss and comprehensive loss</b>	<u>\$ (1,149,893)</u>	<u>\$ (540,253)</u>
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding	68,211,037	23,231,557

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

**NOVA ROYALTY CORP.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited - Expressed in Canadian Dollars)

	Three months ended March 31 2021	Three months ended March 31 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (1,149,893)	\$ (540,253)
Items not affecting cash:		
Unrealized foreign exchange effect on cash	1,415	(142,536)
Share-based payments	295,434	517,325
Interest and accretion on convertible debenture	159,535	-
Deferred income tax recovery	(19,371)	-
Changes in non-cash operating working capital items		
Receivables	(27,641)	(53,279)
Prepaid expenses	(122,401)	(80)
Accounts payable and accrued liabilities	(350,948)	167,403
<b>Net cash used in operating activities</b>	<b>(1,213,870)</b>	<b>(51,420)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of royalty interests	(13,323,227)	(3,040,809)
<b>Net cash used in investing activities</b>	<b>(13,323,227)</b>	<b>(3,040,809)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Shares issued	824,897	-
Special warrants issued	-	5,846,586
Share issue costs	(41,018)	(239,232)
Convertible debenture	5,000,000	-
Financing costs for convertible debenture	(296,061)	-
Standby charges paid	(8,255)	-
Exercise of stock options and share purchase warrants	6,294,856	-
<b>Net cash provided by financing activities</b>	<b>11,774,419</b>	<b>5,607,354</b>
Effect of exchange rate changes on cash	863	142,536
<b>Change in cash</b>	<b>(2,761,815)</b>	<b>2,657,661</b>
<b>Cash, beginning of period</b>	<b>5,400,687</b>	<b>157,098</b>
<b>Cash, end of period</b>	<b>\$ 2,638,872</b>	<b>\$ 2,814,759</b>

**Supplemental disclosure with respect to cash flows** (Note 10)

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

**NOVA ROYALTY CORP.****CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(Unaudited - Expressed in Canadian Dollars)

	Number of shares	Share capital	Commitment to issue shares	Reserves	Deficit	Total equity
<b>Balance as at December 31, 2019</b>	22,169,618	\$ 3,703,537	\$ -	\$ 775,154	\$ (1,005,519)	\$ 3,473,172
Shares issued for cash	-	-	-	5,846,586	-	5,846,586
Units issued for royalty interests	425,280	212,640	-	-	-	212,640
Special warrant issues costs - cash	-	-	-	(239,232)	-	(239,232)
Share-based payments	900,000	450,000	-	67,325	-	517,325
Loss for the period	-	-	-	-	(540,253)	(540,253)
<b>Balance as at March 31, 2020</b>	23,494,898	\$ 4,366,177	\$ -	\$ 6,449,833	\$ (1,545,772)	\$ 9,270,238

	Number of shares	Share capital	Commitment to issue shares	Reserves	Deficit	Total equity
<b>Balance as at December 31, 2020</b>	57,984,249	\$31,134,746	\$ 28,572	\$ 1,327,472	\$ (4,426,508)	\$28,064,282
Shares issued for cash	198,000	824,897	-	-	-	824,897
Shares issued for royalty interests	4,648,813	22,479,607	163,179	-	-	22,642,785
Share issue costs	-	(41,018)	-	-	-	(41,018)
Stock options exercised	312,500	136,636	-	(58,511)	-	78,125
Share purchase warrants exercised	8,580,130	6,580,276	-	(363,545)	-	6,216,731
Convertible debenture converted	3,535,691	3,323,768	-	(151,947)	-	3,171,821
Convertible debenture - equity component	-	-	-	191,560	-	191,560
Share-based payments	-	-	-	295,434	-	295,434
Loss for the period	-	-	-	-	(1,149,893)	(1,149,893)
<b>Balance as at March 31, 2021</b>	75,259,383	\$64,438,911	\$ 191,751	\$ 1,240,463	\$ (5,576,401)	\$60,294,724

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

**NOVA ROYALTY CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Unaudited - Expressed in Canadian Dollars)  
**FOR THE THREE MONTHS ENDED MARCH 31, 2021**

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Nova Royalty Corp. (the "Company") is a royalty company focused on nickel and copper deposits. The Company was incorporated pursuant to the provisions of the British Columbia Business Corporations Act on July 20, 2018 and changed its name to Nova Royalty Corp. on June 9, 2020. The Company's head office, registered, and records office address is 501 - 543 Granville Street, Vancouver, British Columbia, Canada. The Company's common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "NOVR" and on the OTCQB Venture Market ("OTCQB") under the symbol "NOVRF".

These financial statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from the carrying values shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. The Company's continuing operations and the ability of the Company to meet commitments are dependent upon the ability of the Company to continue to raise additional equity or debt financing, or the realization of cash generating royalty interests. At the date of these financial statements, the Company has not realized cash generating operations on any of its planned royalty interests. The Company has not achieved profitable operations and has accumulated losses since inception. Management estimates it has sufficient cash and available credit to continue operations for the next 12 months.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation and measurement**

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with IFRS have been condensed or omitted. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2020.

The accounting policies applied in the preparation of these unaudited condensed interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2020, except for those noted below. The Company's interim results are not necessarily indicative of its results for a full year.

**3. RECEIVABLES**

	March 31 2021	December 31 2020
GST/VAT and other taxes recoverable	\$ 84,440	\$ 53,706
Other receivables	18,685	21,778
	<b>\$ 103,125</b>	<b>\$ 75,484</b>

The Company's receivables arise from goods and services tax receivable from government taxation authorities and amounts due from a joint operating partner.

**NOVA ROYALTY CORP.****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

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FOR THE THREE MONTHS ENDED MARCH 31, 2021

**4. ROYALTY INTERESTS**

	Taca Taca	Vizcachitas	NuevaUnión and other <sup>(1)</sup>	Total
As at December 31, 2020	\$ 17,516,996	\$ -	\$ 12,342,359	\$ 29,859,355
Taca Taca	26,466,716	-	-	26,466,716
Vizcachitas	-	8,619,454	-	8,619,454
As at March 31, 2021	\$ 43,983,712	\$ 8,619,454	\$ 12,342,359	\$ 64,945,525

<sup>(1)</sup> Other consists of the Pacific Empire, Wollaston Copper Belt, Dumont, and Twin Metals royalty interests.

**Taca Taca royalty**

In October 2020, the Company acquired a 0.24% Net Smelter Return ("NSR") royalty on the Taca Taca copper-gold-molybdenum project in Salta Province of Argentina ("Taca Taca") from certain private sellers for up-front consideration of US\$8,500,000 (\$11,070,230) and 2,000,000 common shares of the Company, valued at \$3,200,000, with additional payments of US\$500,000 six months after closing (\$608,045 paid subsequently), US\$1,000,000 twelve months after closing, and US\$500,000 twenty-four months after closing. As part of the acquisition, the Company paid a 2% finder's fee through the issuance of 212,702 common shares valued at \$340,323. The royalty is subject to a buyback right based on the proven reserves at Taca Taca in a feasibility study completed by a recognized, international consulting firm that is contracted by mutual consent of all parties, including royalty holders. The buyback amount will be equivalent to the amount of the proven reserves multiplied by the prevailing market prices of all applicable commodities within Taca Taca.

In February 2021, the Company acquired a further 0.18% NSR on the Taca Taca project, increasing the total NSR royalty to 0.42%. The acquisition price was US\$3,000,000 (\$3,809,400) in cash and 4,545,454 common shares of the Company, valued at \$21,954,543, both made on closing of the agreement. A further US\$4,000,000 is due within 10 days after the date of the commencement of commercial production on the Taca Taca project. As part of the acquisition, the Company paid a 2% finder's fee through the issuance of 103,359 common shares valued at \$525,064.

**Vizcachitas royalty**

In February 2021, the Company completed the acquisition of a 0.98% NSR royalty on open pit operations and 0.49% on underground operations on the San Jose exploitation concession forming part of the Vizcachitas Project in Chile, which is owned by Los Andes Copper Ltd. ("LAC"; TSXV:LA). The acquisition price was US\$6,500,000 (\$8,264,373) in cash paid on closing and a further US\$9,500,000 payable in common shares of the Company upon achievement of certain project milestones, which include:

- US\$1,750,000 upon issuance of a valid Resolución de Calificación Ambiental ("RCA"), an environmental permit that allows drilling activities regarding the Vizcachitas Project;
- US\$1,750,000 upon issuance of the other permits required by the RCA to commence the execution of drilling on the Vizcachitas Project;
- US\$1,500,000 upon the disclosure of a pre-feasibility study prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects with respect to the Vizcachitas Project and which includes the Concession; and
- US\$4,500,000 upon the first to occur of: (i) LAC or its successors or assigns makes a fully-financed construction decision on the Vizcachitas Project (or any part thereof that includes the concession); (ii) LAC or its successors or assigns enters into an earn-in transaction with respect to the Vizcachitas Project (or any part thereof that includes the concession) or for LAC itself, with a third party, for a minimum interest of 51%; or (iii) LAC or its successors or assigns sells the Vizcachitas Project (or any part thereof that includes the Concession) or LAC to an arms' length third party.

As part of the acquisition, the Company agreed to pay a 1% finder's fee through the issuance of 40,291 common shares, valued at \$163,179, recognized as a commitment to issue shares (issued subsequently, Note 13).

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**4. ROYALTY INTERESTS (cont'd...)**

**Twin Metals royalty**

In November 2020, the Company acquired a 2.4% NSR royalty on a portion of the Twin Metals Minnesota's copper-nickel-platinum group metals project (the "TMM Project") located in Minnesota owned by Antofagasta plc ("Antofagasta") from a subsidiary of Boart Longyear Ltd. (ASX:BLY). In addition to the up-front consideration paid on closing, the Company has agreed to make conditional payments totaling up to US\$4,000,000 payable in cash and common shares upon the completion of certain milestones with respect to the TMM Project.

**Wollaston Copper Belt exploration royalties**

In September 2020, the Company acquired a portfolio of royalties from Transition Metals Corp. ("TMC"), which includes:

- a) an existing 1.0% NSR royalty on the Janice Lake copper-silver project in Saskatchewan being advanced by Rio Tinto Exploration Canada Inc. (subject to a right of the royalty payor to buy back 0.375% of the royalty for \$750,000 prior to commercial production);
- b) a 1.0% NSR royalty on the Wollaston project;
- c) a 1.25% NSR royalty on the Dundonald nickel project, and
- d) six other royalties on exploration properties.

The Company will retain a right of first refusal ("ROFR") on the sale of any of TMC's retained NSR royalty interests on the Janice Lake, Dundonald, West Matachewan, and the Elephant Head projects.

In addition to the up-front consideration paid on closing, the Company has agreed to make contingent payments totaling up to \$2,000,000 payable in cash and common shares to TMC upon achievement of the following milestones in respect of the Janice Lake project.

**NuevaUnión royalty**

In February 2020, the Company acquired an existing 2.0% NSR royalty on future copper production on the Cantarito claim which makes up part of the La Fortuna deposit in the Huasco Province in the Atacama Region of Chile. The acquisition was completed as a joint venture with Metalla Royalty & Streaming Ltd. ("Metalla"; TSXV:MTA) with the companies having formed a special purpose vehicle to hold the Cantarito royalty. The aggregate consideration of US\$8,000,000 is split between the Company and Metalla, where the Company has agreed to pay 75% or US\$6,000,000. On closing, the Company paid US\$2,250,000 (\$2,992,635) in cash. In February 2021, the Company paid US\$750,000 (\$952,867) in cash. The Company has agreed to pay a further US\$1,500,000 in cash and US\$1,500,000 in common shares upon the achievement of commercial production at the La Fortuna deposit. As part of the acquisition, the Company paid a finder's fee through the issuance of 425,280 common shares valued at \$212,640.

**Pacific Empire royalty portfolio**

In March 2019, the Company acquired a portfolio of royalties from Pacific Empire Minerals Corp. ("PEMC"). The portfolio includes a 1.0% NSR royalty on all metals and minerals produced from PEMC's Copper King, NUB East, and NWT projects. In August 2019, the Company acquired a 1.0% NSR on all metals and minerals produced from PEMC's Pinnacle Reef project. PEMC has agreed to grant the Company a ROFR on any future royalty or streaming transactions on the projects.

**Dumont royalty**

In January 2019, the Company acquired a 2.0% NSR on a portion of the Dumont nickel-cobalt project located in Quebec, which was previously held by Karora Resources Inc. ("Karora"). In January 2021, Karora sold its interest to Waterton Global Resource Investments, who has the option to buy back 1% of the NSR royalty for \$1,000,000.



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**5. DEFERRED ACQUISITION COSTS**

	March 31 2021	December 31 2020
Opening balance	\$ 75,658	\$ 46,154
Additions	-	75,658
Reallocation for completed acquisitions	(75,658)	(46,154)
	\$ -	\$ 75,658

Costs incurred or accrued prior to the execution and closing of a royalty agreement are deferred. Deferred costs are re-allocated to royalty interests upon signing of a definitive agreement. If management determines not to proceed with a proposed acquisition, the deferred costs are expensed at that time.

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	March 31 2021	December 31 2020
Trade and other payables	\$ 220,463	\$ 325,336
Payables on Taca Taca acquisition (Note 4)	2,537,000	2,548,182
Payables on NuevaUnión acquisition (Note 4)	-	955,501
Accrued liabilities	344,983	577,597
	3,102,446	4,406,616
Less: current portion	2,468,196	3,769,570
Non-current portion	\$ 634,250	\$ 637,046

**7. CONVERTIBLE DEBENTURE**

	March 31 2021	December 31 2020
Opening balance	\$ 3,026,912	\$ -
Additions	5,000,000	3,500,000
Transaction costs	(279,839)	(364,931)
Allocation of conversion feature	(273,961)	(198,755)
Accretion	151,280	90,598
Conversion to common shares	(3,125,013)	-
	4,499,379	3,026,912
Less: current portion	-	-
Non-current portion	\$ 4,499,379	\$ 3,026,912

In October 2020, the Company obtained a convertible loan facility of up to \$13,000,000 with Beedie Capital ("Beedie") to fund acquisitions of royalties and streams. The loan was funded by way of an initial advance of \$3,500,000 at closing, and the remaining \$9,500,000 available for subsequent advances in minimum tranches of \$1,500,000 over the term of the loan. The initial advance was convertible into common shares of the Company at a conversion price of \$1.00 per share and with respect to any subsequent advance, at a conversion price equal to a 20% premium above the 30-day volume-weighted average price ("VWAP") of the Company's common shares on the TSX-V. The loan carries an interest rate of 8.0% on advanced funds and 1.5% on standby funds available, with the principal payment due 48 months after closing. The Company has an option under the loan to defer any interest payments during the first 24 months. Beedie also committed to a subscription of \$2,000,000 in the Company's first public offering that subsequently closed in November 2020. In October 2020, the Company drew down the initial advance of \$3,500,000, of which \$2,936,314 was allocated to the liability portion and the residual value of \$198,755 was allocated to the conversion feature as equity, net of transaction costs, and a deferred tax liability of \$46,808 related to the taxable temporary difference arising from the equity portion of the convertible loan was recognized in equity reserves. The effective interest rate on the liability was 13.2% per annum, with an expected life of 4.00 years. In February 2021, all outstanding principal and accrued interest related to the initial advance was converted into 3,535,691 common shares of the Company. The Company also recorded a deferred income tax expense of \$46,808 with an offset to equity reserves to unwind a portion of the deferred taxes that were recognized in October 2020 upon issuance of the initial advance.

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**7. CONVERTIBLE DEBENTURE (cont'd...)**

In February 2021, an advance of \$5,000,000 was drawn on the facility, with \$4,500,000 remaining available for subsequent advances over the term of the loan. This second advance is convertible into common shares of the Company at a conversion price of \$5.67 per common share, accrues interest at 8.00% per annum and matures on October 7, 2024. On initial recognition of the second advance \$4,726,039 was allocated to the liability portion of convertible debt, and the residual value of \$273,961 was allocated to the conversion feature as equity. A deferred tax liability of \$66,179 related to the taxable temporary difference arising from the equity portion of the convertible loan was recognized in equity reserves. Transaction costs of \$279,839 and \$16,222 were allocated to the liability and equity portions of convertible debt respectively, based on relative fair value at issuance. The effective interest rate on the liability was 11.8% per annum, with an expected life of 3.62 years.

In February 2021, the Company entered into an amended and restated convertible loan agreement with Beedie in which the total funds available under the facility increased from \$13,000,000 to \$25,000,000. As at March 31, 2021, undrawn funds available under the convertible loan facility were \$20,000,000 (December 31, 2020 - \$9,500,000). Under the amended and restated convertible loan agreement, the Company is required to maintain a cash balance of at least \$500,000 at all times. During the three months ended March 31, 2021 and as at March 31, 2021 the Company was in compliance with this financial covenant.

During the three months ended March 31, 2021, the Company paid or accrued standby charges of \$61,515 (2020 - \$Nil).

**8. SHARE CAPITAL**

As at March 31, 2021, the authorized share capital consists of an unlimited number of common shares without par value, of which 3,541,875 (December 31, 2020 - 4,674,000) common shares were held in escrow to be released over time to April 2022.

In February 2021, the Company established an at-the-market ("ATM") equity program to distribute up to \$25,000,000 of common shares of the Company under the ATM equity program. The common shares will be issued by the Company to the public from time to time, through the agents, at the Company's discretion.

**Issued share capital**

During the three months ended March 31, 2021, the Company:

- a) issued 198,000 common shares in the ATM equity program for gross proceeds of \$824,897, with aggregate share issue costs paid and/or accrued of \$41,018;
- b) issued 4,648,813 common shares, valued at \$22,479,607, pursuant to the acquisition of royalty interests and accrued associated non-cash finder's fees of \$163,179 as a commitment to issue shares;
- c) issued 3,535,691 common shares through the conversion of a convertible debenture;
- d) issued 312,500 common shares for proceeds of \$78,125 on the exercise of 312,500 stock options; and
- e) issued 8,580,130 common shares for proceeds of \$6,216,731 on the exercise of 8,580,130 share purchase warrants.

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**8. SHARE CAPITAL** (cont'd...)

**Issued share capital** (cont'd...)

During the three months ended March 31, 2020, the Company:

- a) issued 11,693,172 special warrants of the Company for gross proceeds of \$5,846,586. Each special warrant had a subscription price of \$0.50 and will be deemed exercised into one unit of the Company for no additional consideration, on the earlier of (i) becoming a reporting issuer and obtaining a listing of the common shares of the Company on a recognized stock exchange in Canada; (ii) a transaction that provides holders of the special warrants with comparable liquidity; or (iii) the date that is four months and one day following the closing. Each unit will consist of one common share and one-half share purchase warrant. Each full share purchase warrant is exercisable at \$1.00 per share for 24 months following the closing subject to an acceleration clause. The Company incurred \$302,298 in share issue costs as follows: (i) \$239,232 in cash; and (ii) 239,000 broker warrants exercisable at \$0.50 per share for 24 months following the date of issuance. These broker warrants were valued at \$63,066 and their fair value was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows: risk-free interest rate of 1.52%, dividend yield of 0%, volatility of 100%, forfeiture rate of 0%, and an expected life of 2 years;
- b) issued 425,280 common shares, valued at \$212,640, for finder's fees associated with a royalty interest acquisition; and
- c) issued 900,000 common shares, valued at \$450,000, for restricted share units ("RSUs") vested.

**Stock options**

The continuity of stock options for the three months ended March 31, 2021 is as follows:

	Outstanding	Weighted average exercise price
As at December 31, 2020	2,600,000	\$ 0.25
Granted	325,000	4.75
Exercised	(312,500)	0.25
As at March 31, 2021	2,612,500	\$ 0.81

The weighted average remaining useful life of stock options outstanding is 3.17 (December 31, 2020 - 3.17) years. The Company's outstanding and exercisable stock options as at March 31, 2021 are as follows:

Expiry date	Exercise price	Outstanding	Exercisable
March 1, 2024	\$ 0.25	2,287,500	2,287,500
March 1, 2026	\$ 4.75	325,000	-

**Restricted share units**

The continuity of RSUs for the three months ended March 31, 2021 is as follows:

	Outstanding
As at December 31, 2020	1,400,000
Granted	405,000
As at March 31, 2021	1,805,000

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**8. SHARE CAPITAL (cont'd...)**

**Restricted share units (cont'd...)**

As at March 31, 2021, the weighted average remaining life of the RSUs outstanding was 1.48 (December 31, 2020 - 0.71) years with vesting periods of up to 36 months. The Company's outstanding RSUs as at March 31, 2021 are as follows:

Expiry date	Outstanding
Apr 27, 2022	1,400,000
Feb 22, 2024	405,000

**Share purchase warrants**

The continuity of share purchase warrants for the three months ended March 31, 2021 are as follows:

	Outstanding	Weighted average exercise price
As at December 31, 2020	8,636,995	\$ 0.72
Exercised	(8,580,130)	0.72
As at March 31, 2021	56,865	\$ 0.50

In January 2021, the Company accelerated the expiry of certain outstanding share purchase warrants exercisable at prices of \$0.40 and \$1.00 per share. Pursuant to the terms of these share purchase warrants, the closing price of the Company's common shares was greater than \$1.00 or \$1.25 per share for twenty (20) consecutive trading days after the issue date, the Company accelerate the expiry date of these warrants such that the warrants would expire on the 30<sup>th</sup> day following the date of notice.

The following table summarizes the warrants outstanding as at March 31, 2021:

Expiry date	Exercise price	Outstanding
February 19, 2022	\$ 0.50	56,865

**Share-based payments and share-based payment reserve**

During the three months ended March 31, 2021, the Company granted 325,000 (2020 - Nil) stock options with a fair value of \$3.53 (2020 - \$Nil) per option. The fair value of the stock options granted was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows:

Weighted average:	March 31 2021	March 31 2020
Risk free interest rate	0.90%	n/a
Expected dividend yield	0%	n/a
Expected stock price volatility	100%	n/a
Expected life in years	5	n/a
Forfeiture rate	0%	n/a

During the three months ended March 31, 2021, the Company recorded share-based payment expense of \$295,434 (2020 - \$517,325), of which \$73,068 (2020 - \$67,325) represents the fair value of options vested during the period with the offsetting amounts credited to reserves, and \$222,366 (2020 - \$450,000) represents the fair value of RSUs vesting during the period.

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**9. RELATED PARTY BALANCES AND TRANSACTIONS**

The Company considers key management personnel to include its management, outside directors, and any entity controlled by them. The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

	Salary or fees	Share-based payments	Total
For the three months ended March 31, 2021			
Management	\$ 38,610	\$ 72,233	\$ 110,843
Directors	40,750	123,614	164,364
	\$ 79,360	\$ 195,847	\$ 275,207
For the three months ended March 31, 2020			
Management	\$ 39,515	\$ 238,893	\$ 278,408
Directors	-	35,343	35,343
	\$ 39,515	\$ 274,236	\$ 313,751

During the three months ended March 31, 2021, the Company paid or accrued \$345,127 (2020 - \$61,750) to DLA Piper (Canada) LLP ("DLA Piper"), a law firm in which a director is a partner of. The aggregate amount has been allocated as follows: \$63,512 (2020 - \$ 15,438) for professional fees, \$124,015 (2020 - \$46,312) for debt and equity financing costs, and \$157,600 (2020 - \$Nil) for royalty interest acquisition costs.

Also during the three months ended March 31, 2021, the Company paid or accrued \$45,000 (2020 - \$17,143) to Seabord Services Corp. ("Seabord"). Seabord provides the following services: A Chief Financial Officer ("CFO"), a Corporate Secretary, accounting and administration staff, and office space to the Company. The CFO and Corporate Secretary are employees of Seabord and are not paid directly by the Company.

As at March 31, 2021, included in accounts payable and accrued liabilities is \$3,750 (December 31, 2020 - \$382,227) to key management personnel for fees and reimbursable expenses, \$90,000 (December 31, 2020 - \$45,000) to Seabord, and \$5,470 to DLA Piper (December 31, 2020 - \$53,000). In addition, as at March 31, 2021, the Company has a commitment to issue 57,144 (December 31, 2020 - 57,144) common shares, valued at \$28,572 (December 31, 2020 - \$28,572), to Seabord for services rendered.

**10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

**Significant non-cash investing and financing activities**

During the three months ended March 31, 2021, the Company:

- issued 4,648,813 common shares, valued at \$22,479,607, pursuant to royalty interest acquisition agreement;
- recognized a commitment to issue 40,291 common shares, valued at \$163,179, pursuant to a finder's fee on royalty interest acquisition;
- reallocated \$75,658 of deferred acquisition costs to royalty interest on completion of the Vizcachitas and Taca Taca royalty interest acquisitions;
- reallocated \$191,560 to reserves for the conversion feature of the subsequent advance on the convertible debenture;
- issued 3,535,691 common shares, valued at \$3,323,768, pursuant to the conversion of convertible debenture;
- reallocated \$58,511 from reserves to share capital for 312,500 stock options exercised; and
- reallocated \$363,545 from reserves to share capital for 8,580,130 share purchase warrants exercised.

During the three months ended March 31, 2020, the Company:

- issued 425,280 common shares, valued at \$212,640, pursuant to royalty acquisition agreements;
- issued 239,000 brokers warrants, valued at \$63,066, as finder's fees;
- reallocated \$46,154 of deferred acquisition costs to royalty interests on completion of the NuevaUnion royalty interest acquisition agreement; and
- accrued \$1,062,724 in accounts payable for staged royalty interest acquisition payments.

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**11. FINANCIAL INSTRUMENTS**

The Company classified its financial instruments as follows:

	March 31 2021	December 31 2020
Financial assets - amortized cost:		
Cash	\$ 2,638,872	\$ 5,400,687
Receivables	18,685	21,778
Financial liabilities - amortized cost:		
Accounts payable and accrued liabilities	2,468,196	3,769,570
Other payables	634,250	637,046
Convertible debenture	\$ 4,499,379	\$ 3,026,912

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: (a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities; (b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and (c) Level 3 - Inputs for assets and liabilities that are not based on observable market data. The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The carrying value of cash, receivables, accounts payable and accrued liabilities, and other payables approximated their fair value because of the short-term nature of these instruments. The fair values of the Company's convertible debenture is approximated by their carrying values as its interest rates are comparable to current interest rates.

The Company's activities expose it to financial risks of varying degrees of significance, which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are metal price risk, credit risk, liquidity risk, currency risk, and interest rate risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

**Capital risk management**

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels. The Company is subject to externally imposed financial capital covenant as disclosed in Note 7.

**Credit risk**

Credit risk is the risk of loss arising from a customer or third party to a financial instrument failing to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and receivables. The Company limits exposure to credit risk by maintaining its cash with large financial institutions.

**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 attempts to ensure there is sufficient capital to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash as well as anticipated proceeds from future financings. The Company believes that these sources are sufficient to cover the likely short-term cash requirements, but that further funding will be required to meet long-term requirements. The maturities of the Company's non-current liabilities are disclosed in Notes 6 and 7. All current liabilities are settled within one year.

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**11. FINANCIAL INSTRUMENTS (cont'd...)****Currency risk**

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company primarily operates in Canada and the United States and incurs expenditures in currencies other than Canadian dollars. Thereby, the Company is exposed to foreign exchange risk arising from currency exposure. The Company has not hedged its exposure to currency fluctuations. Based on the above net exposure, as at March 31, 2021, and assuming that all other variables remain constant, a 1% depreciation or appreciation of the Canadian dollar against the United States dollar would result in an increase/decrease in the Company's pre-tax income or loss of approximately \$31,000.

**12. COMMITMENTS**

As at March 31, 2021, the Company had commitments payable as follows:

	Less than 1 year	1 to 4 years	Over 4 years	Total
Trade and other payables	\$ 565,446	-	-	\$ 565,446
Payments related to acquisitions	1,902,750	634,250	-	2,537,000
Convertible debenture	340,822	6,109,041	-	6,449,863
	<u>\$ 2,809,018</u>	<u>\$ 6,743,291</u>	<u>\$ -</u>	<u>\$ 9,552,309</u>

In addition to the commitments above, the Company could in the future have additional commitments payable in cash and/or common shares related to the acquisition of royalty interests as disclosed in Note 4. However, these payments are subject to certain triggers or milestone conditions that have not been met as at March 31, 2021.

**13. EVENTS AFTER REPORTING DATE**

Subsequent to March 31, 2021, the Company:

- issued 177,200 common shares in the ATM equity program for gross proceeds of \$690,798 and with aggregate share issuance costs paid and/or accrued of \$17,270;
- issued 40,291 common shares as finder's fees on the Vizcachitas acquisition (Note 4); and
- issued 300,000 common shares on the exercise of 300,000 stock options for gross proceeds of \$75,000.