# NOVA ROYALTY CORP.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR THE YEAR ENDED DECEMBER 31, 2020

## GENERAL

This management's discussion and analysis ("MD&A") for Nova Royalty Corp. (the "Company" or "Nova") is intended to help the reader understand the significant factors that have affected Nova's performance and such factors that may affect its future performance. This MD&A, which has been prepared as of April 28, 2021, should be read in conjunction with the Company's financial statements for the year ended December 31, 2020 and the related notes contained therewith. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts included in the following MD&A are in Canadian dollars ("CAD") except where otherwise noted.

Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com and on the Company's website at www.NovaRoyalty.com

## COMPANY OVERVIEW

Nova is a royalty and streaming company that is focused on acquiring copper and nickel metal purchase agreements, Net Smelter Return Royalties ("NSRs"), Gross Value Return Royalties ("GVRs"), Net Profit Interests ("NPIs"), Gross Proceeds Royalties ("GPRs"), Gross Overriding Return Royalties ("GORs"), and non-operating interests in mining projects that provide the right to the holder of a percentage of the gross revenue from metals produced from the project or a percentage of the gross revenue from metals produced from the project after deducting specified costs, if any, respectively. The Company's common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "NOVR" and the OTCQB under the symbol "NOVRF". The head office and principal address is 501 - 543 Granville Street, Vancouver, British Columbia, Canada. Nova's focus on nickel and copper provides exposure to the generational shift from fossil fuels to clean energy and the broader electrification thesis.

In December 2019, a novel strain of coronavirus ("COVID-19") surfaced. Since March 2020, several measures have been implemented in Canada, Argentina, United States, and Chile, jurisdictions where we hold royalties and streams, in response to the increased impact from COVID-19. These measures, which include the implementation of travel bans, self-imposed quarantine periods, social distancing, and in some cases mine closures or suspensions, have caused material disruption to business globally. Global financial markets have experienced significant volatility. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. There are significant uncertainties with respect to future developments and impact to the Company related to the COVID-19 pandemic, including the duration, severity and scope of the outbreak and the measures taken by governments and businesses to contain the pandemic. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impact of COVID-19 on our business operations cannot be reasonably estimated at this time, such as the duration and impact on future production for our partner operators at their respective mining operations.

## COMPANY HIGHLIGHTS

During the year ended December 31, 2020 and subsequently, the Company:

- filed and obtained a receipt for its final long form non-offering prospectus from the securities regulatory authorities in the Provinces of British Columbia and Alberta;

- listed the common shares of the Company on the TSX Venture Exchange. The common shares of the company began trading at the opening of the market on October 1, 2020, under the ticker symbol "NOVR";

- applied to list its common shares on the OTCQB Venture Market ("OTCQB") and began trading on under the symbol "NOVRF" on January 18, 2021;

- increased the number of royalties held by the Company to 18 through the following notable transactions:

    - acquired a portfolio of nine royalties from Transition Metals Corp. ("TMC"), including Rio Tinto Exploration Canada Inc.'s ("Rio Tinto") Janice Lake Project in Saskatchewan, for total consideration of $1,072,500 in cash and 525,000 common shares of the Company, as well as contingent payments of $1,000,000 in cash and $1,000,000 million in common shares upon the occurrence of certain milestones with respect to the Janice Lake Project;

    - 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). Up-front consideration consisted of US$1,800,000 in cash and 161,572 common shares of the Company, with additional conditional payments totaling up to an additional US$4,000,000 payable in cash and common shares upon the completion of certain milestones with respect to the TMM Project;

- acquired a 0.24% 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 approximately US$8,500,000 and 2,000,000 common shares of the Company, with additional payments of US$500,000 six months after closing, US$1,000,000 twelve months after closing, and US$500,000 twenty-four months after closing;

- acquired a further 0.18% NSR royalty on Taca Taca, bringing the aggregate Nova position to a 0.42% NSR;

- acquired a 0.98% NSR royalty on the Vizcachitas copper-molybdenum project in Chile;

- secured a convertible loan facility of up to $13,000,000 with Beedie Capital (“Beedie”) to fund acquisitions of new 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 subsequence advances in minimum tranches of $1,500,000 over the term of the loan. The initial advance is 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 Nova’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. Nova 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 public offering that closed in November 2020. In February 2021, under the terms of the facility, all outstanding balance related to the initial advance was converted into common shares and the Company drew down an additional $5,000,000 with a conversion of $5.67, based on a 20% premium above the 30-day VWAP of Nova’s common shares on the TSX-V. Concurrently, the Company entered into an amended and restated convertible loan agreement, which increased the original remaining facility of $4,500,000 by $15,500,0000 for total capital of $20,000,000 available to the Company;

- filed its final short form base shelf prospectus (the “Base Shelf Prospectus”) with the securities regulatory authorities in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Nova Scotia enabling the Company to make offerings up to $150,000,000 in common shares, warrants, subscription receipts, share purchase contracts, units and debt securities or a combination thereof of the Company from time to time;

- established an at-the-market (“ATM”) equity program to distribute up to $25,000,000 of common shares of the Company (the "Offered Shares") under the ATM equity program. The Offered Shares will be issued by the Company to the public from time to time, through the agents, at the Company's discretion. Since inception to the date of this MD&A, the Company has distributed 323,400 Offered Shares under the ATM Program at an average price of $4.11 per share for gross proceeds of $1,327,998, with aggregate commissions paid or payable to the agents of $33,200, resulting in aggregate net proceeds of $1,294,798;

- completed a best-efforts public offering by way of prospectus supplement to the Base Shelf Prospectus for a total of 9,947,500 common shares of the company at a price of $1.45 per share for aggregate gross proceeds of $14,423,875; and

- appointed Mr. Brett Heath, Mr. E.B. Tucker, and Mr. Andrew Greville to the Board of Directors as the Non-Executive Chairman and Non-Executive Directors, respectively, Mr. Bill Tsang as Chief Financial Officer, and Mr. Brian Ferrey as VP Corporate Development of the Company.

**SUMMARY OF ROYALTY INTERESTS**

Since incorporation in June 2018 to the date of this MD&A, the Company has acquired the following development-stage royalty assets:

| Property | Asset Owner(s) | Location | Metals | Terms[1] |
|---|---|---|---|---|
| Taca Taca | First Quantum (100%) | Argentina | Cu-Au-Mo | 0.42% |
| NuevaUnión | Newmont (50%)/Teck Resources (50%) | Chile | Cu-Au | 2.0% Cu |
| Dumont | Waterton Global Resources Investments (100%) | Canada | Ni-Co | 2.0% |
| Vizcachitas | Los Andes Copper (100%) | Chile | Cu-Mo | 0.98% |
| Twin Metals | Antofagasta plc (100%) | USA | Cu-Ni-PGM | 2.4% Cu-Ni |

(1) NSR applicable on all metals, unless otherwise stated

**Taca Taca Project**

Nova owns a 0.42% NSR on the Taca Taca copper-gold-molybenum project, owned by First Quantum Minerals Ltd. ("First Quantum"). This NSR is a part of a broader, existing 1.50% NSR on Taca Taca, where the remaining 1.08% is held by Franco-Nevada Corporation. Taca Taca is a porphyry copper-gold-molybdenum project located in northwestern Argentina in the Puna (Altiplano) region of Salta Province, approximately 55 kilometers east of the Chilean border and 90 kilometers east of Escondida, the world's largest copper mine. The project is located 10 kilometers from the railway line that connects Salta with Antofagasta with previous studies showing available local power and water sources for the operation of the project.

On November 30, 2020, First Quantum published a new NI 43-101 Technical Report on Taca Taca. The report documented an updated Mineral Resource model and a maiden Mineral Reserve estimate of 7.7 million tonnes of contained copper, derived from an open pit mine design and plan which contemplates processing throughput of up to 60 million tonnes per annum through a conventional flotation circuit with a mine life of approximately 32 years. The recovered copper reaches a peak of approximately 275,000 tonnes within the first ten years of operations. The primary Environmental and Social Impact Assessment for the project, which covers the principal proposed project sites, was submitted to the Secretariat of Mining of Salta Province in 2019.

As of December 31, 2020, First Quantum reported proven & probable mineral reserves at Taca Taca of 1,758.5 million tonnes at 0.44% Copper, 0.09 g/t gold, and 0.012% molybdenum[1].

**NuevaUnión Project**

Nova owns a 2.0% NSR on the NuevaUnión project in Chile, which is a 50-50 joint venture between Teck Resources Limited ("Teck") and Newmont Corporation. The NSR is on a portion of the project that relates to copper revenues from the Cantarito Claim within the La Fortuna deposit. Teck previously guided to a completion of a Feasibility Study in Q1 2020. The project team is currently engaged in review of study results and assessment of optimization opportunities, which is expected to continue in 2021. On February 20, 2020, it was reported in an evaluation request with the Chilean Environmental Evaluation Service ("SEA") that NuevaUnión had petitioned to conduct a drilling program, in two phases, totaling US$152 million and consisting of 176 drilling platforms.

As of December 31, 2020, Teck reported proven & probable reserves at the La Fortuna deposit of 682.2 million tonnes at 0.51% copper and 0.47 g/t gold.

**Dumont Project**

Nova owns a 2.0% NSR on the Dumont nickel-cobalt project located in Quebec. The NSR is on a portion of the deposit, representing approximately 21% of the measured & indicated resources as of July 11, 2019. Dumont is wholly owned by Waterton Global Resource Investments, which on July 28, 2020, completed the buyout of the 28% interest of Karora Resources Inc. ("Karora"), for total consideration of up to $48 million. In July 2019, Karora published proven and probable reserves of 1.028 billion tonnes grading 0.27% nickel and 107 ppm cobalt, measured resources of 372 million tonnes grading 0.28% nickel and 112 ppm cobalt and indicated resources of 1.293 billion tonnes grading 0.26% nickel[2] and 106 ppm cobalt.

**Vizcachitas Project**

Nova owns a 0.98% NSR on the San Jose 1/3000 claim which represents approximately 50% of the project within the Vizcachitas copper-molybdenum porphyry project in Central Chile. Vizcachitas is 100% owned by Los Andes Copper (TSX-V: LA). The project is located in an area with strong infrastructure and is within 100 kilometers of three major operating mines, Los Pelambres owned by Antofagasta (LON: ANTO), Andina, owned by Codelco and Los Bronces, owned by Anglo American (LON: AAL). In June 2019, Los Andes Copper completed a Preliminary Economic Assessment outlining a 45-year open-pit mine life at a throughput of 110,000 tonnes per day. The project is currently undergoing a permitting process for an expanded drilling program, the results of which will be used to complete a Pre-Feasibility Study, targeted by Los Andes for Q1 2022.

As of December 31, 2020, Los Andes reported measured & indicated mineral resources at Vizcachitas of 1,284 million tonnes at 0.40% Copper and 0.014% molybdenum.

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[1] *Source: First Quantum Amended and Restated Technical Report NI 43-101 dated March 30, 2021.*

[2] *Source: Dumont Feasibility Study Technical Report NI 43-101 dated July 11, 2019.*

**Twin Metals Project**

Nova owns a 2.4% NSR[3] on a portion of the Twin Metals copper-nickel-platinum group metals project, owned by Antofagasta through its subsidiary, Twin Metals Minnesota ("TMM").

On June 30, 2020, TMM announced that it has received the U.S. Bureau of Land Management ("US BLM") Notice of Intent to scope and prepare an Environmental Impact Statement ("EIS") for its proposed copper-nickel-cobalt-platinum group metals mine in northeast Minnesota.

The US BLM Notice of Intent formally initiates the scoping and environmental review process at the federal level under the National Environmental Policy Act, which will allow for a thorough analysis of the potential impacts and benefits of Twin Metals' proposed project. Multiple federal agencies and tribal governments will be engaged in the process, and the public will have several opportunities to participate through comment periods. A parallel environmental review process will be led by the Minnesota Department of Natural Resources.

In December 2019, TMM presented its Mine Plan of Operations ("MPO"), a prerequisite for permitting applications, to the US BLM and a Scoping Environmental Assessment Worksheet Data Submittal was also issued to the Minnesota Department of Natural Resources. The proposed underground mine plan set out a 25-year mine life with an approximate total tonnage of 180 million tonnes of mined and processed ore. These submissions start a multi-year scoping and environmental review process that will thoroughly evaluate the proposed project. The review process will include additional baseline data collection, impact analyses, and multiple opportunities for public input.

As of December 31, 2020, Antofagasta reported measured and indicated resources at the TMM Project of 1,293 million tonnes at 0.57% copper and 0.18% nickel.[4]

**Wollaston Copper Belt Exploration Royalties**

*Janice Lake Project*

Nova owns a 1.0% NSR on the Janice Lake copper-silver project in Saskatchewan, being advanced by Rio Tinto Exploration Canada Inc., who is currently in the process of earning up to 80% of the project by spending up to $30 million in a joint venture with Forum Energy Metals ("Forum Energy"). The NSR is subject to a buyback of 0.375% for C$750.000. The Janice Lake project is a 52-kilometer long district with multiple discovered zones of copper-silver mineralization. Copper-silver mineralization currently extends for approximately 8 kilometer in outcrop and in drill holes along strike of the Janice Lake basin.

Rio Tinto's 2019 drilling uncovered two main zones of mineralization:

- <u>Jansem target</u>
  - 52m interval grading 0.57% copper and 1.5 g/t silver (starting at 116 metres depth), including 5 metres at 1.32% copper and 3.42 g/t silver
  - Currently known zone of mineralization: 650m strike, 200 metres depth, thicknesses between 45 and 60 metres

- <u>Janice target</u>
  - 22m of 0.37% copper and 2.82 g/t silver starting at 185 metres
  - Currently known zone of mineralization: 1.2km strike, 400 metres depth, thicknesses up to 57 metres

On June 23, 2020, Rio Tinto began its 2020 season exploration at Janice Lake that included (a) construction of a 50-person camp on the property at Burbidge Lake and (b) systematic prospecting and mapping of the entire 52-kilometer extent of the property in 2-kilometer wide spacings.

On April 14, 2021, Forum Energy Metals announced that Rio Tinto had completed its winter drilling program. The first set of assay results are expected in May. Nine holes for a total of 2,330 metres were drilled on the Rafuse target, a 2.8-kilometer long priority target of surface copper mineralization that was developed during Rio Tinto's mapping, prospecting and geophysical program in Summer 2020.

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[3] *The total royalty payable is ½ of the U.S. Government royalty, which was most recently quoted at 4.8%. The U.S. government royalty is subject to change, which would change the royalty payable to Nova. The royalty currently payable to Nova is calculated in the following formula: 4.8% * ½ * 1/3 * ore mined * grade mined * applicable prices of copper and nickel. The royalty is calculated on the basis of contained metal in ore by multiplying ore mined by the grade of the material – and does not subtract the usual deductions due to recoveries, payabilities, TC/RCs, and other applicable operating costs. The 1/3 multiplier in the royalty calculation formula is the mechanism by which those usual costs are captured.*

[4] *Source: Antofagasta plc 2020 Annual Report.*

Due to winter in northern Saskatchewan having a late start and an early spring, the drill program was cut short. The two drills were left at the 80-person camp in preparation for a potential resumption of the drill program in June. The scope of the drill program and the planned geological, geophysical and geochemical surface exploration program will be finalized once assay results are received.

*Wollaston Copper Project*

Nova also owns a 1.0% royalty on the Wollaston Copper project, located approximately 40 kilometers away from Janice Lake. Wollaston is currently undergoing early pre-drilling work by its owner, Transition Metals Corp.

**Exploration-Stage Royalties**

Nova owns exploration-stage royalties in multiple mineral camps in Canada, principally in Ontario and British Columbia. The Company will disclose additional information pertaining to the royalties as they show an increase in materiality to the Company's total value. Their listing appears below.

| Property | Asset Owner(s) | Location | Metals(1) | NSR % |
|---|---|---|---|---|
| Janice Lake(2) | Rio Tinto/Forum Energy JV (100%) | Canada | Cu-Ag | 1.0% |
| Wollaston(2) | Transition Metals Corp. (100%) | Canada | Cu-Ag | 1.0% |
| Dundonald | Class 1 Nickel (100%) | Canada | Ni | 1.25% |
| Bancroft | Transition Metals Corp. (100%) | Canada | Ni-Cu-PGM | 1.0% |
| Maude Lake | Transition Metals Corp. (100%) | Canada | Ni-Cu-PGM | 1.0% |
| Saturday Night | Transition Metals Corp. (100%) | Canada | Ni-Cu-PGM | 1.0% |
| Copper King | Pacific Empire Minerals (100%) | Canada | Cu-Au | 1.0% |
| Nub East | Pacific Empire Minerals (100%) | Canada | Cu-Au | 1.0% |
| NWT | Pacific Empire Minerals (100%) | Canada | Cu-Au | 1.0% |
| Pinnacle | Pacific Empire Minerals (100%) | Canada | Cu-Au | 1.0% |
| Homathko | Transition Metals Corp. (100%) | Canada | Au | 1.0% |
| Elephant Head(3) | Canadian Gold Miner (100%) | Canada | Au | 1.0% |
| West Matachewan(3) | Laurion/Canadian Gold Miner (100%) | Canada | Au | 1.0% |

(1) NSR applicable on all metals, unless otherwise stated
(2) Part of the Wollaston Copper Belt Exploration Royalties
(3) NSR subject to a buyback of 0.5% for C$750,000

**CORPORATE UPDATES**

During the year ended December 31, 2020, the Company appointed Mr. Brett Heath (as Non-Executive Chairman), and Mr. E.B. Tucker (as Non-Executive Director) to the Board of Directors. In addition, the Company appointed Mr. Bill Tsang as Chief Financial Officer of the Company.

**FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES**

The Company considers items included in shareholders' equity as capital. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

As at December 31, 2020, the Company had a cash and working capital of $5,400,687 and $1,793,227 (2019 - $157,098 and deficit of $94,031), respectively. Cash increased due to cash provided by financing activities of $24,817,142, offset with cash used in operating and investing activities of $1,489,508 and $18,084,304, respectively. Cash provided by financing activities primarily related to the issuance of common shares and Special Warrants and convertible loan facility, while cash used in investing activities primarily related to the acquisitions of royalty interests.

In October 2020, the Company secured a convertible loan facility of up to $13,000,000 with Beedie to fund acquisitions of new 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 subsequence advances in minimum tranches of $1,500,000 over the term of the loan. The initial advance is 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 VWAP of Nova'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. Nova has an option under the loan to defer any interest payments during the first 24 months.

In February 2021, under the terms of the facility, all outstanding balance related to the initial advance was converted into common shares and the Company drew down an additional $5,000,000 with a conversion of $5.67, based on a 20% premium above the 30-day VWAP of Nova's common shares on the TSX-V. Concurrently, the Company entered into an amended and restated convertible loan agreement, which increased the original remaining facility of $4,500,000 by $15,500,0000 for total capital of $20,000,000 available to the Company.

See "Risks and Uncertainties" and "Forward looking statements" in this MD&A for risks related to the Company's expectations and ability to obtain sources of funding. There has been no change in approach to managing capital in the past twelve months and management believes it will have sufficient working capital to undertake its current business and the budgets associated with those plans for the next twelve months.

Management of cash balances is conducted in-house based on internal investment guidelines. Cash is deposited with major Canadian financial institutions. Cash required for immediate operations is held in a chequing account and excess funds may be invested in accordance with the Company's capital resource objectives.

**Operating activities**

Cash used in operating activities was $1,489,508 for the year ended December 31, 2020 and represents expenditures primarily on general and administrative expenses for the year.

**Investing activities**

Cash used in investing activities for the year ended December 31, 2020 was $18,084,304 compared to cash used in investing activities of $1,952,244 for the comparative period. Cash used in investing activities is highly dependent on the timing and acquisition of royalty interests.

**Financing activities**

Cash provided by financing activities for the year ended December 31, 2020 was $24,817,142 which consisted of $20,270,461 from issuance of common shares and Special Warrants, $3,500,000 from the initial advance under the Beedie convertible loan facility (net of financing costs of $364,931 paid), $2,725,171 from exercise of stock options and share purchase warrants, partially offset by $1,313,559 share issue costs paid.

## RESULTS OF OPERATIONS AND SELECTED FINANCIAL INFORMATION

**Summary of quarterly results**

The following table provides selected interim financial information for the applicable past quarters leading up to three months ended December 31, 2020. There is no requirement to present financial information for interim periods prior to the Company becoming a reporting issuer if the Company has not previously prepared financial statements for those periods.

| For the three months ended | December 31 2020 | September 30 2020 | June 30 2020 | March 31 2020 |
|---|---|---|---|---|
| General and administrative expenses[1] | $ 1,184,881 | $ 421,152 | $ 267,249 | $ 150,166 |
| Share-based payments | 101,835 | 588,595 | 153,594 | 517,325 |
| Net loss for the period | 1,371,875 | 1,036,271 | 472,590 | 540,253 |
| Loss per share - basic and diluted | 0.03 | 0.04 | 0.02 | 0.02 |

| For the three months ended | December 31 2019 | September 30 2019 | June 30 2019 | March 31 2019 |
|---|---|---|---|---|
| General and administrative expenses[1] | $ 243,353 | $ 136,329 | $ 83,694 | $ 28,878 |
| Share-based payments | 105,590 | 105,461 | 152,333 | 75,220 |
| Net loss for the period | 312,295 | 276,249 | 235,978 | 102,951 |
| Loss per share - basic and diluted | 0.01 | 0.01 | 0.01 | 0.01 |

[1] Excludes share-based payments

The Company's net loss varies mainly due to the level of operations activities and due diligence undertaken on new prospects, as well as the timing of share-based payments.

## FOURTH QUARTER FINANCIAL RESULTS

For three months ended December 31, 2020, the Company incurred a net loss of $1,371,875 (2019 - $312,295). The loss for the quarter was comprised of $1,286,716 (2019 - $384,943) of general and administration expenditures including share-based payments of $101,835 (2019 - $105,590), and interest expense on convertible debenture of $90,598 (2019 - $Nil), partially offset by deferred income tax recovery of $46,808 (2019 - $Nil). Some items to note include the following:

- The Company paid or accrued $883,354 (2019 - $126,295) in compensation to management and consultants. The increase over the comparative period was related to an increase in the Company's activities, such as ongoing review and management of royalty interests, and an executive bonus of $448,032 (2019 - $Nil) accrued for the Chief Executive Officer ("CEO") related to certain capital market and acquisition milestones.

- Professional fees of $203,197 (2019 - $100,327) were included in general and administrative costs. The increase is directly related to legal and auditor fees incurred as a result of the Company's listing applications on the OTCQB and establishment of the at-the-market equity program.

**SELECTED ANNUAL FINANCIAL RESULTS**

| | December 31 2020 | December 31 2019 | December 31 2018[2] |
|---|---|---|---|
| General and administrative expenses[1] | $ 2,023,448 | $ 492,254 | $ 79,834 |
| Share-based payments | 1,361,349 | 438,604 | Nil |
| Net loss for the period | 3,420,989 | 927,440 | 78,079 |
| Loss per share - basic and diluted | 0.11 | 0.04 | 0.01 |

[1] Excludes share-based payments
[2] Incorporated on July 20, 2018

During the year ended December 31, 2020, the Company incurred a net loss of $3,420,989 (2019 - $927,440). The loss for the year consisted $3,384,797 (2019 - $930,858) of general and administration expenses, including share-based payments of $1,361,349 (2019 - $438,604), and interest expense on convertible debenture of $90,598 (2019 - $Nil), partially offset by deferred income tax recovery of $46,808 (2019 - $Nil). Some items to note include the following:

- The Company paid or accrued $1,264,547 (2019 - $285,612) in compensation to management and consultants. The increase over the comparative year was related to an increase in the Company's activities, such as ongoing review and management of royalty interests and an executive bonus of $448,032 (2019 - $Nil) accrued for the CEO related to certain capital market and acquisition milestones. In addition, the start date of certain management compensation began in April 2019. As such, only seven months of compensation are included in the comparative year.

- Professional fees of $533,865 (2019 - $140,798) were included in general and administrative costs. The increase is directly related to legal and auditor fees incurred as a result of the Company's filing of its prospectus, listing applications on the TSX-V and OTCQB, establishment of the at-the-market equity program.

- Share-based payments was $1,361,349 (2019 - $438,604), of which $166,081 (2019 - $438,604) represents the fair value of options vested during the year with the offsetting amounts credited to reserves and $1,195,268 (2019- $Nil) represents the fair value of RSUs vesting during the year.

**TRANSACTIONS WITH RELATED PARTIES**

The Company entered into certain transactions with key management personnel, which the Company has defined as Officers and Directors of the Company. The aggregate value of these transactions and outstanding balances are as follows:

| For the year ended December 31, 2020 | Salary or fees | Share-based payments | Total |
|---|---|---|---|
| Management | $ 631,823 | $ 444,485 | $ 1,076,308 |
| Directors | - | 428,251 | 428,251 |
| | $ 631,823 | $ 872,736 | $ 1,504,559 |

| For the year ended December 31, 2019 | Salary or fees | Share-based payments | Total |
|---|---|---|---|
| Management | $ 133,562 | $ 75,651 | $ 209,213 |
| Directors | - | 52,520 | 52,520 |
| | $ 133,562 | $ 128,171 | $ 261,733 |

During the year ended December 31, 2020, the Company paid or accrued $676,885 (2019 - $185,892) to DLA Piper (Canada) LLP ("DLA Piper") and Gowling WLG (Canada) LLP ("Gowling"), law firms in which a director is a current and former partner respectively. The aggregate amount has been allocated as follows: $59,168 (2019 - $64,742) for legal expenses, $233,898 (2019 - $Nil) for listing on the TSX-V and OTCBQ, $201,021 (2019 - $32,407) for debt and equity financing costs (including the base shelf prospectus), and $182,797 (2019 - $88,743) for royalty interest acquisition costs.

During the year ended December 31, 2020, the Company paid or accrued $105,001 (2019 - $45,000) 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. During the year ended December 31, 2020, the Company issued 200,004 common shares to Seabord for $76,430 in services provided.

As at December 31, 2020, included in accounts payable and accrued liabilities is $382,227 (2019 - $1,847) to key management personnel for fees and reimbursable expenses, $45,000 (2019 - $45,000) to Seabord, and $53,000 to DLA Piper (2019 - $102,741 to Gowling). In addition, as at December 31, 2020, the Company has a commitment to issue 57,144 common shares, valued at $28,572, to Seabord for services rendered.

**COMMITMENTS**

As at December 31, 2020, the Company may be required to make payments related to its royalty interests, including milestone payments subject to certain achievements being met related to these royalty acquisitions:

- NuevaUnión: US$3,000,000 upon achievement of commercial production to be paid in cash and common shares of the Company;

- Twin Metals: US$4,000,000 payable in cash and common shares upon the completion of certain milestones with respect to the project; and

- Janice Lake: $1,000,000 in cash upon the completion of a bankable feasibility study or the commencement of commercial production on the property; and a further $1,000,000 in common shares of the Company if the projected annual production of the property is at least 30,000 tonnes of contained copper for a minimum of 10 years.

For further details, please refer to the Company's financial statements for the year ended December 31, 2020 on SEDAR at www.sedar.com.

**OFF BALANCE SHEET ARRANGEMENTS**

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

**EVENTS AFTER REPORTING DATE**

Subsequent to December 31, 2020, the Company:

- accelerated the expiry of 5,928,186 share purchase warrants exercisable at $0.40 and $1.00 per share and received gross proceeds of $5,587,686 from warrant holders on exercise of share purchase warrants;

- entered into an agreement to acquire the 0.98% NSR royalty on the Vizcachitas Project for US$6,500,000 in cash on the closing date and further US$9,500,000 payable in common shares of the Company upon the achievement of certain project milestones. As part of the acquisition, the Company paid a finder's fee through the issuance of 40,291 common shares;

- converted total Beedie balance outstanding of $3,650,260 into 3,535,691 common shares of the Company, entered into the Amended Loan Facility, and drew down an additional $5,000,000 with a conversion price of $5.67 per share. Following the conversion and the additional drawdown, the Company has a total of $5,000,000 outstanding and $20,000,000 available on standby under the Amended Loan Facility with Beedie;

- entered into an agreement to acquire an additional 0.18% NSR royalty on the Taca Taca Project (bringing an aggregate interest of 0.42%) for US$3,000,000 in cash and 4,545,454 common shares of the Company on the closing date and further US$4,000,000 payable in cash within 10 business days after the commencement of commercial production on the project. As part of the acquisition, the Company paid a finder's fee through the issuance of 103,359 common shares;

- issued 2,964,444 common shares for exercise of stock options and share purchase warrants, not subject to expiry acceleration, for gross proceeds of $707,170;

- granted 325,000 stock options exercisable at $4.75 per share for five years and 405,000 RSUs to directors, officers, employees, and consultants of the Company; and

- established an at-the-market equity program for up to $25,000,000 and since its inception to the date of this MD&A, the Company has distributed 323,400 Offered Shares under the ATM Program at an average price of $4.11 per share for gross proceeds of $1,327,998, with aggregate commissions paid or payable to the agents of $33,200, resulting in aggregate net proceeds of $1,294,798.

## OUTSTANDING SHARE DATA

The Company's authorized share capital consists of an unlimited number of common shares and preferred shares without par value. As at the date of this MD&A, the Company has 75,425,074 common shares issued and outstanding. There are also 2,612,500 stock options with an expiry dates ranging from March 1, 2024 to March 1, 2026, 56,865 warrants outstanding with expiry date of February 19, 2022, and 1,805,000 RSUs with vesting dates ranging to March 1, 2024.

## ACCOUNTING PRONOUNCEMENTS

### Accounting standards adopted during the period

Please refer to the Company's financial statements for the year ended December 31, 2020 on SEDAR at www.sedar.com.

### Accounting pronouncements not yet effective

Please refer to the Company's financial statements for the year ended December 31, 2020 on SEDAR at www.sedar.com.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The Company's significant accounting policies and estimates are disclosed in Note 2 of the financial statements for the year ended December 31, 2020.

## RISK AND CAPITAL MANAGEMENT: FINANCIAL INSTRUMENTS

Please refer to the Company's financial statements for the year ended December 31, 2020 on SEDAR at www.sedar.com.

## RISKS FACTORS

The Company's ability to generate revenues and profits from its natural resource properties is subject to a number of risks and uncertainties. The primary risk factors affecting the Company are set out below, for a full discussion on the risk factors affecting the Company, please refer to the Company's Long Form Non-Offering Prospectus dated August 14, 2020, which is available on SEDAR at www.sedar.com.

### Changes in commodity prices that underlie royalties

The price of Nova's common Shares may be significantly affected by declines in commodity prices. The revenue derived by Nova from its asset portfolio will be significantly affected by changes in the market price of commodities that underlie the royalties or other investments or interests of Nova. Nova's revenue is particularly sensitive to changes in the price of metals that are the subject of the royalties, including nickel, copper, cobalt, tin, lithium, graphite, lead and zinc (the "Royalty Commodities"). Any future cash flow derived from our royalties are 100% dependent on the future price of the Royalty Commodities. The price of Royalty Commodities fluctuate daily and are affected by factors beyond the control of Nova, including levels of supply and demand, industrial development, inflation and interest rates, the U.S. dollar's strength and geo-political events and global health pandemics. External economic factors that affect commodity prices can be influenced by changes in international investment patterns, monetary systems and political developments.

### COVID-19 pandemic

The impact of the current COVID-19 pandemic may significantly impact Nova. The current COVID-19 (coronavirus) global health pandemic is significantly impacting the global economy and commodity and financial markets. The full extent and impact of the COVID-19 pandemic is unknown and to date has included extreme volatility in financial markets, a slowdown in economic activity, extreme volatility in commodity prices (including the Royalty Commodities) and has raised the prospect of an extended global recession. As well, as efforts are undertaken to slow the spread of the COVID-19 pandemic, the operation and development of mining projects may be impacted. To date, a number of mining projects have been suspended as cases of COVID-19 have been confirmed, for precautionary purposes or as governments have declared a state of emergency or taken other actions. If the operation or development of one or more of the properties in which Nova holds a royalty, stream or other interest and from which it receives or expects to receive significant revenue is suspended, it may have a material adverse impact on Nova's profitability, results of operations, financial condition and the trading price of Nova's securities. The broader impact of the COVID-19 pandemic on investors, businesses, the global economy or financial and commodity markets may also have a material adverse impact on Nova's profitability, results of operations, financial conditions and the trading price of Nova's securities upon listing on the TSX-V. All commodities, by their nature, are subject to wide price fluctuations and future material price declines will result in a decrease in revenue and may cause a suspension or termination of production by relevant operators, which would result in a complete cessation of revenue from applicable royalties. Even if Nova worked to ensure a diversification of commodities that underlie its royalties, the commodity market trends are cyclical in nature and a general downturn in commodity prices could result in a significant decrease in overall revenue.

**Nova has no control over mining operations**

Nova is not directly involved in the operation of mines. The revenue Nova may derive from its portfolio of royalty assets is based entirely on production from third-party mine owners and operators. Nova is a party to copper and nickel royalty agreements produced by certain mines and operations and operations, however, Nova will not have a direct interest in the operation or ownership of those mines and projects. The owners and operators generally will have the power to determine the manner in which the properties are exploited, including decisions to expand, continue or reduce, suspend or discontinue production from a property, decisions about the marketing of products extracted from the property and decisions to advance exploration efforts and conduct development of non-producing properties. The interests of third-party owners and operators and those of Nova in respect of a relevant project or property may not always be aligned. The inability of Nova to control the operations for the properties in which it has a royalty or other interest may result in a material adverse effect on the profitability of Nova, the results of operations of Nova and its financial condition. Except in a limited set of circumstances as may be specified in a specific royalty, Nova will not receive compensation if a specific mine or operation fails to achieve or maintain production or if the specific mine or operation is closed or discontinued. In addition, a number of mining operations in respect of which Nova holds a royalty interest ("Mining Operations") are currently in exploration stage and may not commence commercial production and there can be no assurance that if such operations do commence production that they will achieve profitable and continued production levels. In addition, the owners or operators may take action contrary to policies or objectives of Nova; be unable or unwilling to fulfill their obligations under their agreements with Nova; have difficulty obtaining or be unable to obtain the financing necessary to move projects forward; or experience financial, operational or other difficulties, including insolvency, which could limit the owner or operator's ability to perform its obligations under arrangements with Nova. Nova is also subject to the risk that a specific mine or project may be put on care and maintenance or have its operations suspended, on both a temporary or permanent basis.

The owners or operators of the projects or properties in which Nova holds a royalty interest may from time to time announce transactions, including the sale or transfer of the projects or of the operator itself, over which Nova has little or no control. If such transactions are completed it may result in a new operator controlling the project, who may or may not operate the project in a similar manner to the current operator which may positively or negatively impact Nova. If any such transaction is announced, there is no certainty that any such transaction will be completed, or completed as announced, and any consequences of such non-completion on Nova may be difficult or impossible to predict.

Nova is subject to the risk that Mining Operations may shut down on a temporary or permanent basis due to issues including but not limited to economic conditions, lack of financial capital, flooding, fire, weather related events, mechanical malfunctions, community or social related issues, social unrest, the failure to receive permits or having existing permits revoked, collapse of mining infrastructure including tailings ponds, expropriation and other risks. These issues are common in the mining industry and can occur frequently. There is a risk that the carrying values of Nova's assets may not be recoverable if the mining companies operating the Mining Operations cannot raise additional finances to continue to develop those assets. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Mining Operations becoming uneconomic resulting in their shutdown and closure. Nova is not entitled to purchase gold, other commodities, receive royalties or other economic benefit from the Mining Operations if no gold or other commodities are produced from the Mining Operations.

**Limited access to data and disclosure**

As a royalty holder, the Company has limited access to data on the operations or to the actual properties themselves. This could affect its ability to assess the performance of the royalty or other interest. This could result in deviations in cash flow from that which is anticipated by the Company. In addition, some royalty, stream, or non-operating interests may be subject to confidentiality arrangements which govern the disclosure of information with regard to said royalty, stream, or other production-base interest and, as such, the Company may not be in a position to publicly disclose non-public information with respect to certain royalty, stream, or non-operating interests. The limited access to data and disclosure regarding the operations of the properties in which the Company has an interest, may restrict the Company's ability to enhance its performance which may result in a material and adverse effect on the Company's profitability, results of operations, cash flows, financial condition, and trading price of Nova securities. Although when creating new royalty or stream agreements, management attempts to obtain these rights, there is no assurance that such efforts will be successful.

**Variations in foreign exchange rates**

Foreign exchange rates have seen significant fluctuation in recent years. A depreciation in the value of the Canadian Dollar against one or more of the currencies in which Nova receives payments under the royalties could have a material adverse effect on the profitability of Nova, its results of operations and financial condition.

Nova's revenue, expenses and financial position may be impacted by fluctuations in foreign exchange rates as payments in foreign currencies are translated into Canadian Dollars. Nova has not hedged its exposure to currency fluctuations.

The operations of Nova are subject to foreign currency fluctuations and inflationary pressures, which may have a material adverse effect on the profitability of Nova, its result of operations and financial condition. There can be no assurance that the steps taken by management to address such fluctuations will eliminate the adverse effects and Nova may suffer losses due to adverse foreign currency fluctuations.

**Delay receiving or failure to receive payments**

Nova is dependent to a large extent upon the financial viability and operational effectiveness of owners and operators of the relevant mines and mineral properties underlying Nova's royalties. Payments from production generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues. Payments may be delayed by restrictions imposed by lenders, delays in the sale or delivery of products, the ability or willingness of smelters and refiners to process mine products, recovery by the operators of expenses incurred in the operation of the royalty properties, the establishment by the operators of reserves for such expenses or the insolvency of the operator. Nova's rights to payment under the royalties must, in most cases, be enforced by contract without the protection of the ability to liquidate a property. This inhibits Nova's ability to collect amounts owing under its royalties upon a default. Additionally, some agreements may provide limited recourse in particular circumstances which may further inhibit Nova's ability to recover or obtain equitable relief in the event of a default under such agreements. In the event of a bankruptcy of an operator or owner, it is possible that an operator may claim that Nova should be treated as an unsecured creditor and, therefore, have a limited prospect for full recovery of revenue and a possibility that a creditor or the operator may claim that the royalty agreement should be terminated in the insolvency proceeding. Failure to receive payments from the owners and operators of the relevant properties or termination of Nova's rights may result in a material and adverse effect on Nova's profitability, results of operations and financial condition.

**Errors in calculations of royalty/stream payments and retroactive adjustments**

The Company's royalty payments are calculated by the operators of the properties on which the Company has royalties based on the reported production. Each owner or operator's calculation of our royalty payments is subject to and dependent upon the adequacy and accuracy of its production and accounting functions, and errors may occur from time to time in the calculations made by an owner or operator. Certain royalty agreements require the operators to provide the Company with production and operating information that may, depending on the completeness and accuracy of such information, enable the Company to detect errors in the calculation of royalty payments that it receives. The Company does not, however, have the contractual right to receive production information for all of its royalty, stream, and similar production-based interests. As a result, the Company's ability to detect royalty payment errors through its royalty monitoring program and its associated internal controls and procedures is limited, and the possibility exists that the Company will need to make retroactive royalty revenue adjustments. Some of the Company's royalty contracts provide the right to audit the operational calculations and production data for the associated royalty payments; however, such audits may occur many months following the recognition of such royalty revenue and may require the Company to adjust its revenue in later periods.

**Strategy for acquisitions**

As Nova executes on its business plan it intends to seek to purchase additional royalties from third parties. Nova cannot offer any assurance that it can complete any acquisition or proposed business transactions on favourable terms or at all, or that any completed acquisitions or proposed transactions will benefit Nova.

At any given time, Nova may have various types of transactions and acquisition opportunities in various stages of review, including submission of indications of interest and participation in discussions or negotiations in respect of such transactions. This process also involves the engagement of consultants and advisors to assist in analyzing particular opportunities. Any such acquisition or transaction could be material to Nova and may involve the issuance of securities by Nova to fund any such acquisition. Any such issuance of securities may result in substantial dilution to existing shareholders and may result in the creation of new control positions. In addition, any such acquisition or other royalty transaction may have other transaction specific risks associated with it, including risks related to the completion of the transaction, the project operators or the jurisdictions in which assets may be acquired.

Additionally, Nova may consider opportunities to restructure its royalties where it believes such a restructuring may provide a long-term benefit to Nova, even if such restructuring may reduce near-term revenues or result in Nova incurring transaction related costs. Nova may enter into one or more acquisitions, restructurings or other royalty transactions at any time.

**Construction, development, and/or expansion on underlying properties**

Some projects or properties in which the Company holds a royalty, stream, or other production-base interest in are in the permitting, construction, development, and/or expansion stage and such projects are subject to numerous risks, including, but not limited to delays in obtaining equipment, materials and services essential to the construction and development of such projects in a timely manner, delays or
inability to obtain required permits, changes in environmental or other regulations, currency exchange rates, labour shortages, cost escalations and fluctuations in metal prices. There can be no assurance that the owners or operators of such projects will have the financial, technical and operational resources to complete permitting, construction, development, and/or expansion of such projects in accordance with current expectations or at all.

**Project operators may not respect contractual obligations**

Royalties and other interests in properties or projects are contractual in nature. Parties to contracts do not always honour contractual terms and contracts themselves may be subject to interpretation or technical defects. To the extent grantors of royalties and other interests do not abide by their contractual obligations, Nova may be forced to take legal action to enforce its contractual rights. Such litigation may be time consuming and costly and there is no guarantee of success. Further, any such litigation may also be required to be pursued in foreign jurisdictions. Any pending proceedings or actions or any decisions determined adversely to Nova, may have a material and adverse effect on Nova's profitability, results of operations, financial condition and the trading price of the common shares of Nova.

**Unknown defects**

A defect in a royalty or the underlying contract may arise to defeat or impair the claim of Nova to such royalty. Unknown defects in a royalty may result in a material and adverse effect on Nova's profitability, results of operations, financial condition and the trading price of Nova securities.

**Mineral resource and mineral reserve estimates**

Mineral reserve and or mineral resource estimates for a specific mine or project may not be correct. The figures for mineral resources and mineral reserves in this MD&A are estimates only and were obtained from public disclosure in respect of the properties. There can be no assurance that estimated mineral reserves and mineral resources will ever be recovered or recovered at the rates as estimated. Mineral reserve and mineral resource estimates are based on sampling and geological interpretation, and, are uncertain because samples used may not be representative. Mineral reserve and mineral resource estimates require revision (either to demonstrate an increase or decrease) based on production from the mine or project. The fluctuations of commodity prices and production costs, as well as changes in recovery rates, may render certain mineral reserves and mineral resources uneconomic and may result in a restatement of estimated reserves and/or mineral resources.

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty of inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to proven and probable mineral reserves as a result of continued exploration.

**Litigation affecting underlying properties**

Potential litigation may arise on a property on which Nova holds or has a royalty interest (for example, litigation between joint venture partners or between operators and original property owners or neighbouring property owners). As a royalty holder, Nova will not generally have any influence on the litigation and will not generally have access to data. Any such litigation that results in the cessation or reduction of production from a property (whether temporary or permanent) could have a material and adverse effect on Nova's profitability, results of operations, financial condition and the trading price of the common shares of Nova.

**Dependence on key personnel**

Nova is dependent on the services of a small number of key management personnel. The ability of Nova to manage its activities and its business will depend in large part on the efforts of these individuals. There can be no assurance that Nova will be successful in engaging or retaining key personnel. The loss of the services of a member of the management of Nova could have a material adverse effect on the Company. From time to time, Nova may also need to identify and retain additional skilled management and specialized technical personnel to efficiently operate its business. The number of persons skilled in the acquisition of royalties is limited and competition for such persons is intense. Recruiting and retaining qualified personnel is critical to the success of Nova and there can be no assurance that Nova will be successful in recruiting and retaining the personnel it needs to successfully operate its business. If Nova is not successful in attracting and retaining qualified personnel, the ability of Nova to execute on its business model and strategy could be affected, which could have a material and adverse impact on its profitability, results of operations and financial condition.

**Dependence on operators' employees**

Production from the properties in which Nova holds an interest depends on the efforts of operators' employees. There is competition for persons with mining expertise. The ability of the owners and operators of such properties to hire and retain geologists and persons with mining expertise is key to those operations. Further, relations with employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in the jurisdictions in which those operations are conducted. Changes in such legislation or otherwise in the relationships of the owners and operators of such properties with their employees may result in strikes, lockouts or other work stoppages, any of which could have a material adverse effect on such operations, results of operations and financial condition of Nova. If these factors cause the owners and operators of such properties to decide to cease production at one or more of the properties, such decision could have a material adverse effect on the business and financial condition of Nova.

**Conflicts of interest**

Certain of the directors and officers of the Company also serve as directors or officers of, or have significant shareholdings in, other companies involved in precious metals royalty and streaming business, to the extent that such other companies may engage in transactions or participate in the same ventures in which the Company participates, or in transactions or ventures in which the Company may seek to participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In all cases where directors and officers have an interest in other companies, such other companies may also compete with Nova for the acquisition of royalty, stream, or non-operating interests. Such conflicts of the directors and officers may result in a material and adverse effect on Nova's profitability, results of operations, cash flows, financial condition, and the trading price of Nova securities.

**Future financing; future securities issuances**

There can be no assurance that Nova will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could impede the funding obligations of Nova or result in delay or postponement of further business activities which may result in a material and adverse effect on Nova's profitability, results of operations and financial condition. Nova may require new capital to continue to grow its business and there are no assurances that capital will be available when needed, if at all. It is likely that, at least to some extent, such additional capital will be raised through the issuance of additional equity, which could result in dilution to shareholders.

**Changes in tax laws impacting Nova**

There can be no assurance that new tax laws, regulations, policies or interpretations will not be enacted or brought into being in the jurisdictions where Nova has interests that could have a material adverse effect on Nova. Any such change or implementation of new tax laws or regulations could adversely affect Nova's ability to conduct its business. No assurance can be given that new taxation rules or accounting policies will not be enacted or that existing rules will not be applied in a manner which could result in the profits of Nova being subject to additional taxation or which could otherwise have a material adverse effect on the profitability of Nova, Nova's results of operations, financial condition and the trading price of the common shares of Nova. In addition, the introduction of new tax rules or accounting policies, or changes to, or differing interpretations of, or application of, existing tax rules or accounting policies could make royalties or other investments by Nova less attractive to counterparties. Such changes could adversely affect the ability of Nova to acquire new assets or make future investments.

**Evolving corporate governance and public disclosure regulations**

Nova is subject to changing rules and regulations promulgated by a number of United States and Canadian governmental and self-regulated organizations, including the United States Securities and Exchange Commission, the Canadian Securities Administrators, the exchanges listing Nova's securities, and the Financial Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity making compliance more difficult and uncertain. Nova's efforts to comply with these and other new and existing rules and regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

**Foreign jurisdictions and political risks**

Several of the Company's royalty interests relate to properties outside of Canada, including in Latin America. In addition, future investments may expose the Company to new jurisdictions. The ownership, development, and operation of these properties and the mines and projects thereupon by their owners and operators are subject to the risks normally associated with conducting business in foreign countries. These risks include, depending on the country, nationalization and expropriation, social unrest and political instability, less developed legal and regulatory systems, uncertainties in perfecting mineral titles, trade barriers, exchange controls and material changes in taxation. These risks may, among other things, limit or disrupt the ownership, development or operation of properties, mines or projects in respect of which the Company holds royalty and similar production-based interests, restrict the movement of funds, or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation. The Company applies various methods, where practicable, to identify, assess and, where possible, mitigate these risks prior to entering into stream and royalty agreements. Such methods generally include: conducting due diligence on the political, social, legal and regulatory systems and on the ownership, title and regulatory compliance of the properties subject to the royalty or stream interest; engaging experienced local counsel and other advisors in the applicable jurisdiction; negotiating where possible so that the applicable royalty or stream agreement contains appropriate protections, representations, warranties and, in each case as the Company deems necessary or appropriate in the circumstances, all applied on a risk adjusted basis. There can be no assurance, however, that the Company will be able to identify or mitigate all risks relating to holding royalty and similar production-based interests in respect of properties, mines and projects located in foreign jurisdictions, and the occurrence of any of the factors and uncertainties described above could have a material adverse effect on Nova's profitability, results of operations, cash flows, financial condition, and trading price of Nova securities.

There is sovereign risk in investing in foreign countries, including the risk that the resource concessions may be susceptible to revision or cancellation by new laws, may not be renewed as anticipated or may otherwise be adversely impacted by changes in direction by the government in question. It is possible that changes in applicable laws, regulations, or in their enforcement or regulatory interpretation could result in adverse changes to mineral or oil & natural gas operations. These are matters over which Nova has no control. There is no assurance that future political and economic conditions in such countries will not result in the adoption of different policies or attitudes respecting the development and ownership of resources. Any such changes in policy or attitudes may result in changes in laws affecting ownership of assets, land tenure and resource concessions, licensing fees, taxation, royalties, price controls, exchange rates, export controls, environmental protection, labour relations, foreign investment, nationalization, expropriation, repatriation of income and return of capital, which may affect both the ability to undertake exploration and development on, or production from, the properties in which the Company holds a royalty or other production-base interest. In certain areas where Nova holds a royalty or other production-base interest, the regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. Any changes in governmental laws, regulations, economic conditions or shifts in political attitudes or stability are beyond the control of Nova and the owners and operators of the properties in which Nova has an interest and such changes may result in a material and adverse effect on Nova's profitability, results of operations, financial condition and the trading price of Nova securities. Additionally, Nova is indirectly exposed to the risks faced by the owners and operators of the properties in which Nova holds or will hold royalty, stream or similar production-based interests in foreign jurisdictions. These include risks related to political and economic instability, under-developed legal systems, inconsistencies in the application of local laws and other legal uncertainty, terrorism, military repression, political violence, crime, corruption, infectious diseases, unsophisticated infrastructure and inaccessibility.

**Global financial conditions**

Global financial conditions have been characterized by ongoing volatility. Global financial conditions could suddenly and rapidly destabilize in response to future events, as government authorities may have limited resources to respond to future crises. Global capital markets have continued to display increased volatility in response to global events. Future crises may be precipitated by any number of causes, including natural disasters, pandemics, geopolitical instability, changes to energy prices or sovereign defaults.

Market events and conditions, including the disruptions in the international credit markets and other financial systems, in China, Japan and Europe, along with political instability in the Middle East and Russia and falling currency prices expressed in United States dollars have resulted in commodity prices remaining volatile. These conditions have also caused a loss of confidence in global credit markets, excluding the United States, resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, tighter regulations, less liquidity, widening credit spreads, less price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks and investment banks, insurers and other financial institutions caused the broader credit markets to be volatile and interest rates to remain at historical lows. These events are illustrative of the effect that events beyond the Company's control may have on commodity prices, demand for metals, including gold, silver, copper, lead and zinc, availability of credit, investor confidence, and general financial market liquidity, all of which may adversely affect the Company's business. Global financial conditions have always been subject to volatility. Access to public financing has been negatively impacted by sovereign debt concerns in Europe and emerging markets, as well as concerns over global growth rates and conditions.

Any sudden or rapid destabilization of global economic conditions could negatively impact Nova's ability, or the ability of the operators of the properties in which Nova holds royalties or other interests, to obtain equity or debt financing or make other suitable arrangements to finance their projects.

These factors may impact the ability of Nova to obtain both debt and equity financing in the future and, if obtained, on terms favourable to Nova. Increased levels of volatility and market turmoil can adversely impact the operations of Nova and the value and the price of the common shares of the Company could be adversely affected.

**QUALIFIED PERSON**

Technical information contained in this MD&A has been reviewed and approved by Christian Rios, AIPG Certified Professional Geologist, Advisor to Nova and a Qualified Person as defined in National Instrument 43-101 Standards of Disclosure for Mineral Projects.

**CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS**

This MD&A contains "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities legislation. The forward-looking statements herein are made as of the date of this MD&A only and the Company does not assume any obligation to update or revise them to reflect new information, estimates or opinions, future events or results or otherwise, except as required by applicable law.

Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budgets", "scheduled", "estimates", "forecasts", "predicts", "projects", "intends", "targets", "aims", "anticipates" or "believes" or variations (including negative variations) of such words and phrases or may be identified by statements to the effect that certain actions "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Forward-looking information in this MD&A includes, but is not limited to, statements with respect to future events or future performance of Nova, disclosure regarding any payments to be paid to Nova by property owners or operators of mining projects pursuant to net smelter returns and other royalty agreements of Nova, management's expectations regarding Nova's growth, results of operations, estimated future revenues, carrying value of assets, future dividends, and requirements for additional capital, production estimates, production costs and revenue, future demand for and prices of commodities, expected mining sequences, business prospects and opportunities, other statements regarding the impact of the COVID-19 pandemic and measures taken to reduce the spread of COVID-19 on the Company's operations and overall business, statements regarding the temporary duration of the COVID-19 pandemic. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. A number of factors could cause actual events or results to differ materially from any forward-looking statements, including, without limitation: fluctuations in the prices of the primary commodities that drive royalty agreements; fluctuations in the value of the U.S. dollar and any other currency in which revenue may be generated, relative to the Canadian dollar; changes in national and local government legislation, including permitting and licensing regimes and taxation policies and the enforcement thereof; regulatory, political or economic developments in any of the countries where properties in which the Company holds a royalty interest are located or through which they are held, measures taken by the Company, governments or partner operators in response to the COVID-19 pandemic or otherwise that, individually or in the aggregate, materially affect the Company's ability to operate its business, risks related to the operators of the properties in which the Company holds a royalty interest, including changes in the ownership and control of such operators; influence of macroeconomic developments; business opportunities that become available to, or are pursued by the Company; reduced access to debt and equity capital; litigation; title, permit or license disputes related to interests on any of the properties in which the Company holds a royalty interest; whether or not the Company is determined to have "passive foreign investment company" ("PFIC") status as defined in Section 1297 of the United States Internal Revenue Code of 1986, as amended; the ability to maintain adequate controls as required by law; potential changes in Canadian tax treatment of offshore revenues (if any); excessive cost escalation as well as development, permitting, infrastructure, operating or technical difficulties on any of the properties in which the Company holds a royalty interest; the possibility that actual mineral content may differ from the reserves and resources contained in technical reports; rate and timing of production differences from resource estimates, other technical reports and mine plans; risks and hazards associated with the business of development and mining on any of the properties in which the Company holds a royalty interest, including, but not limited to unusual or unexpected

geological and metallurgical conditions, slope failures or cave-ins, flooding and other natural disasters, terrorism, civil unrest or an outbreak of contagious diseases including COVID-19; the integration of acquired assets; as well as other factors identified and as described in more detail under the heading "Risk Factors" in this MD&A.
The forward-looking statements contained in this MD&A are based on reasonable assumptions that have been made by management as at the date of such information and is subject to unknown risks, uncertainties and other factors that may cause the actual actions, events or results to be materially different from those expressed or implied by such forward-looking information, including, without limitation: the impact of general business and economic conditions; the ongoing operation of the properties in which the Company holds a royalty interest by the owners or operators of such properties in a manner consistent with past practice; the accuracy of public statements and disclosures made by the owners or operators of such underlying properties; no material adverse change in the market price of the commodities that underlie the asset portfolio; the Company's ongoing income and assets relating to determination of its PFIC status; no material changes to existing tax treatment; no adverse development in respect of any significant property in which the Company holds a royalty interest; the accuracy of publicly disclosed expectations for the development of underlying properties that are not yet in production; the world-wide economic and social impact of COVID-19 is managed and the duration and extent of the coronavirus pandemic is minimized or not long-term; disruptions related to the COVID-19 pandemic or other health and safety issues, or the responses of governments, communities, partner operators, the Company and others to such pandemic or other issues; integration of acquired assets; actual results of mining and current exploration activities; conclusions of economic evaluations and changes in project parameters as plans continue to be refined; problems inherent to the marketability of precious metals; stock market volatility; competition; and the absence of any other factors that could cause actions, events or results to differ from those anticipated, estimated or intended.

Although Nova has attempted to identify important factors that could cause actual actions, events or results to differ materially from those contained in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Investors are cautioned that forward-looking statements are not guarantees of future performance. The Company cannot assure investors that actual results will be consistent with these forward-looking statements. Accordingly, investors should not place undue reliance on forward-looking statements or information.

This MD&A contains future-orientated information and financial outlook information (collectively, "FOFI") about the Company's revenues from royalty interests, other projects which are subject to the same assumptions, risk factors, limitations and qualifications set forth in the above paragraphs. FOFI contained in this MD&A was made as of the date of this MD&A and was provided for the purpose of providing further information about the Company's anticipated business operations. Nova disclaims any intention or obligation to update or revise any FOFI contained in this MD&A, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. FOFI contained in this MD&A should not be used for the purposes other than for which it is disclosed herein.