

NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

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

	September 30, 2020	December 31, 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 2,381,968	\$ 157,098
Receivables (Note 3)	22,272	6,894
Prepaid expenditures	14,026	4,167
<b>Total current assets</b>	<b>2,418,266</b>	<b>168,159</b>
<b>Non-current assets</b>		
Deferred acquisition costs (Note 4)	271,415	46,154
Royalty interests (Note 5)	7,869,403	3,521,049
<b>Total non-current assets</b>	<b>8,140,818</b>	<b>3,567,203</b>
<b>TOTAL ASSETS</b>	<b>\$ 10,559,084</b>	<b>\$ 3,735,362</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 6 & 8)	\$ 1,347,238	\$ 262,190
<b>Total liabilities</b>	<b>1,347,238</b>	<b>262,190</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7)	10,505,043	3,703,537
Commitment to issue shares	637,000	-
Reserves	1,124,436	775,154
Deficit	(3,054,633)	(1,005,519)
<b>Total shareholders' equity</b>	<b>9,211,846</b>	<b>3,473,172</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 10,559,084</b>	<b>\$ 3,735,362</b>

Nature and continuance of operations (Note 1)

Commitments (Note 11)

Events after the reporting date (Note 12)

These condensed interim financial statements were authorized for issuance by the Board of Directors on November 25, 2020.

Approved by the Board of Directors

\_\_\_\_\_  
 "Alex Tsukernik" Director

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 "Brett Heath" Director

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

**NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)**  
**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Unaudited - Expressed in Canadian Dollars)

	Three months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
<b>General and administrative expenses</b>				
Consulting fees (Note 8)	\$ 164,599	\$ 101,742	\$ 353,879	\$ 159,317
Filing fees	42,125	-	53,447	-
Investor relations	25,074	-	27,314	-
Office and administrative expenses	37,838	8,015	65,814	10,822
Professional fees (Note 8)	151,461	10,833	330,668	40,471
Share-based payments (Note 7 and 8)	588,595	105,461	1,259,514	333,014
Travel and related expenses	55	15,739	7,445	38,291
<b>Loss from operations</b>	<b>(1,009,747)</b>	<b>(241,790)</b>	<b>(2,098,081)</b>	<b>(581,915)</b>
Foreign exchange gain (loss)	(26,524)	(34,459)	48,967	(33,266)
<b>Loss and comprehensive loss for the period</b>	<b>\$ (1,036,271)</b>	<b>\$ (276,249)</b>	<b>\$ (2,049,114)</b>	<b>\$ (615,181)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.04)</b>	<b>\$ (0.01)</b>	<b>\$ (0.08)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares outstanding</b>	<b>28,736,570</b>	<b>22,128,368</b>	<b>25,193,217</b>	<b>21,171,137</b>

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

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

	Nine Months Ended	
	September 30, 2020	September 30, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (2,049,114)	\$ (615,181)
Items not affecting operating activities:		
Unrealized foreign exchange effect on cash	29,380	-
Items not affecting cash:		
Share-based payments	1,259,514	333,014
Shares issued for services	23,000	-
Net change in non-cash working capital items		
Receivables	(15,378)	(6,650)
Accounts payable and accrued liabilities	21,281	(91,820)
Prepaid expenses	(9,859)	-
<b>Net cash used in operating activities</b>	<b>(741,176)</b>	<b>(380,637)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Deferred acquisition costs	(195,623)	-
Acquisitions of royalty interests	(3,025,155)	(1,880,001)
<b>Net cash used in investing activities</b>	<b>(3,220,778)</b>	<b>(1,880,001)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Shares issued	-	964,650
Special warrants issued for cash	5,846,586	-
Special warrant and share issue costs	(239,232)	(1,070)
Cash received for options exercised	131,250	-
Cash received for warrants exercised	477,600	-
<b>Net cash provided by financing activities</b>	<b>6,216,204</b>	<b>963,580</b>
Effect of exchange rate changes on cash	(29,380)	-
<b>Change in cash</b>	<b>2,224,870</b>	<b>(1,297,058)</b>
<b>Cash, beginning of period</b>	<b>157,098</b>	<b>1,570,009</b>
<b>Cash, end of period</b>	<b>\$ 2,381,968</b>	<b>\$ 272,951</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. (FORMERLY BATTERYONE ROYALTY CORP.)  
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
(Unaudited - Expressed in Canadian Dollars)

	Number of shares	Share capital	Subscriptions received in advance	Commitment to issue shares	Equity Reserves	Deficit	Total shareholders' equity
<b>Balance as at December 31, 2018</b>	13,582,000	\$ 1,591,287	\$ 125,000	\$ -	\$ 18,068	\$ (78,079)	\$ 1,656,276
Share issuances for cash	4,458,600	1,114,650	(150,000)	-	-	-	964,650
Units issued - royalty agreement	3,669,018	917,255	-	-	343,482	-	1,260,737
Shares issued - royalty agreement	460,000	115,000	-	-	-	-	115,000
Share issuance costs	-	(34,655)	-	-	-	-	(34,655)
Share-based payments	-	-	25,000	-	308,014	-	333,014
Loss for the period	-	-	-	-	-	(615,181)	(615,181)
<b>Balance as at September 30, 2019</b>	22,169,618	\$ 3,703,537	\$ -	\$ -	\$ 669,564	\$ (693,260)	\$ 3,679,841

	Number of shares	Share capital	Subscriptions received in advance	Commitment to issue shares	Equity Reserves	Deficit	Total shareholders' equity
<b>Balance as at December 31, 2019</b>	22,169,618	\$ 3,703,537	\$ -	\$ -	\$ 775,154	\$ (1,005,519)	\$ 3,473,172
Special warrants issued for cash (Note 7)	11,693,172	5,846,586	-	-	-	-	5,846,586
Shares issued - royalty agreement	425,280	212,640	-	-	-	-	212,640
Shares issued - options exercised	525,000	131,250	-	-	-	-	131,250
Shares issued - warrants exercised	2,539,000	265,600	-	212,000	-	-	477,600
Special warrant issue costs - cash	-	(239,232)	-	-	-	-	(239,232)
Special warrant issue costs - warrants	-	(63,066)	-	-	63,066	-	-
Share-based payments	900,000	450,000	-	425,000	384,514	-	1,259,514
Reversal of reserves on exercise of options	-	98,298	-	-	(98,298)	-	-
Shares issued for services	46,000	23,000	-	-	-	-	23,000
Shares issued for debt	200,004	76,430	-	-	-	-	76,430
Loss for the period	-	-	-	-	-	(2,049,114)	(2,049,114)
<b>Balance as at September 30, 2020</b>	38,498,074	\$ 10,505,043	\$ -	\$ 637,000	\$ 1,124,436	\$ (3,054,633)	\$ 9,211,846

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

## **NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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#### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Nova Royalty Corp. (formerly BatteryOne 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 filed a non-offering prospectus to apply for trading on the TSX Venture Exchange ("TSX-V") and October 1, 2020, the common shares of the Company commenced trading on the TSX-V at the opening of the market under the ticker symbol "NOVR".

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. Including funds available from a subsequently closed financing and a convertible loan facility (Note 12), management estimates it has sufficient cash 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, 2019.

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, 2019, except for those noted below. The Company's interim results are not necessarily indicative of its results for a full year.

**NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)**  
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
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 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**New accounting policy for interests in Joint Arrangements**

A joint arrangement can take the form of a joint venture or joint operation. All joint arrangements involve a contractual arrangement that establishes joint control, which exists only when decisions about the activities that significantly affect the returns of the investee require unanimous consent of the parties sharing control. A joint operation is a joint arrangement in which we have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement in which we have rights to only the net assets of the arrangement.

Joint operations are accounted for by recognizing the Company's share of the assets, liabilities, revenue, expenses and cash flows of the joint operation in the financial statements. The Company has no joint arrangements accounted for as a joint venture.

**3. RECEIVABLES**

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

	September 30 2020	December 31 2019
GST and HST recoverable	\$ 16,474	\$ 6,894
Due from joint operating partner	5,798	-
	\$ 22,272	\$ 6,894

**4. DEFERRED ACQUISITION COSTS**

Costs incurred 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.

During the nine months ended September 30, 2020, the changes in deferred acquisition costs are as follows:

Balance, December 31, 2019	\$	46,154
Re-allocated to royalty interests (Note 5)		(46,154)
Cash deposit for the Wollaston Copper Belt exploration royalties (Note 12)		135,000
Professional fees paid or accrued		136,415
Balance, September 30, 2020	\$	271,415

**NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

**5. ROYALTY INTERESTS**

	Dumont						Total royalty interests
	Nickel	Copper King	NUB East	NWT	Pinnacle Reef	Nueva Union	
Balance, December 31, 2019	\$ 3,357,582	\$ 41,781	\$ 41,781	\$ 41,781	\$ 38,124	\$ -	\$ 3,521,049
Cash consideration	-	-	-	-	-	2,992,638	2,992,638
Accrual for staged acquisition payments	-	-	-	-	-	1,062,724	1,062,724
Shares issued as finders fees	-	-	-	-	-	186,060	186,060
Professional fees and other expenses	-	-	-	-	-	60,778	60,778
Re-allocation from deferred acquisition costs	-	-	-	-	-	46,154	46,154
Balance, September 30, 2020	\$ 3,357,582	\$ 41,781	\$ 41,781	\$ 41,781	\$ 38,124	\$ 4,348,354	\$ 7,869,403

*NuevaUnión*

In February 2020, the Company acquired an existing 2.0% net smelter returns (“NSR”) royalty on future copper production on the Cantarito claim 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”) with the companies having formed a special purpose vehicle to hold the Cantarito royalty. The total acquisition value was US\$8,000,000, with US\$3,000,000 (\$3,996,030) cash paid on closing, US\$1,000,000 (\$1,332,000) to be paid twelve months after closing (accrued), and US\$4,000,000 upon achievement of commercial production, to be paid equally in cash and common shares of the purchasers. All acquisition payments will be split pro-rata with the Company paying 75% and Metalla 25%. As part of the acquisition the Company paid a 2% 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 on all metals and minerals produced from PEMC’s Copper King, NUB East and NWT projects. As part of the agreement, PEMC also agreed to grant to the Company a right to acquire a 1.0% NSR on all metals and minerals produced from PEMC’s Pinnacle Reef project in the event the existing option agreement on this property is terminated or expires. PEMC has also agreed to grant the Company a right of first refusal on any future royalty or streaming transactions on the projects. Pursuant to the agreement for the royalties, the Company paid \$10,000 in cash and issued 345,000 common shares valued at \$86,250. In August 2019 as a result of the termination of the existing option agreement on the Pinnacle Reef property, the Company exercised its right to acquire the 1% NSR on the Pinnacle Reef property. In exchange the Company issued to PEMC 115,000 common shares valued at \$28,750.

*Dumont Nickel - Cobalt Project*

In January 2019, the Company completed the acquisition of a 2.0% NSR on future production over metals from Karora Resources Inc.’s (“KRR”) Dumont Nickel-Cobalt (“Dumont”) project, in Quebec, Canada from two private royalty holders by way of exercise of an option to purchase agreement. The acquisition price paid was \$2,000,000 in cash and 3,669,018 units of the Company, with each unit consisting of one common share and one half of one common share purchase warrant. The compensatory warrants were valued at \$343,482 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.93%, dividend yield of 0%, volatility of 100% and an expected life of 5 years. KRR can buyback 1% of the NSR for \$1,000,000.



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**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	September 30 2020	December 31 2019
Accounts payable	\$ 200,620	\$ 106,061
Accrued liabilities	144,376	156,129
Payable on NuevaUnion royalty acquisition (Note 5)	1,002,242	-
	<b>\$ 1,347,238</b>	<b>\$ 262,190</b>

**7. SHARE CAPITAL**

As at September 30, 2020, the authorized share capital of the Company was an unlimited number of common and preferred shares without par value.

**Issued share capital**

During the nine months ended September 30, 2020, the Company:

- 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 of one common share purchase warrant. Each warrant shall entitle the holder thereof to purchase one common share at an exercise price of \$1.00 at any time up to 24 months following the closing subject to an acceleration clause. As part of the issuance of special warrants the Company incurred \$302,298 in share issue costs as follows: \$239,232 in cash and 239,000 broker warrants valued at \$63,066. Each broker's warrant being exercisable into one common share of the Company at an exercise price of \$0.50 and expiring 24 months from the date of issuance. The fair value of broker warrants 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. On September 1, 2020, the Company became a listed entity on the TSX-V and the special warrants were exercised into 11,693,172 units;
- Issued 425,280 common shares valued at \$212,640 or \$0.50 per share as finders' fees for the NuevaUnión royalty acquisition (Note 5);
- Issued 525,000 common shares for gross proceeds of \$131,250 pursuant to the exercise of stock options;
- Issued 2,539,000 common shares for gross proceeds of \$265,600 pursuant to the exercise of warrants;
- Issued 900,000 common shares valued at \$450,000 pursuant to the vesting of restricted share units ("RSUs");
- Issued 200,004 common shares to Seabord Services Corp. for settlement of debt in the amount of \$76,430 (Note 8);
- Issued 46,000 common shares to consultants of the Company in exchange for consulting and legal services rendered in the amount of \$23,000; and
- Received \$212,000 pursuant to the exercise of warrants which were recorded as a commitment to issue shares and issued subsequently (Note 12).

## NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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#### 7. SHARE CAPITAL (Continued)

During the nine months ended September 30, 2019, the Company:

- Issued 2,059,600 units of the Company at a price of \$0.25 per unit for gross proceeds of \$514,900 of which \$150,000 was received during the year ended December 31, 2018. Each unit was comprised of one common share and one-half common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.40 per share until January 10, 2021;  
Completed the purchase of the Dumont Royalty through the issuance of 3,669,018 units of the Company valued at \$917,255 or \$0.25 per share. Each unit was comprised of one common share and one-half of one common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.25 per share until January 16, 2024;
- Issued 2,399,000 units of the Company at a price of \$0.25 per unit for gross proceeds of \$599,750. Each unit comprised of one common share and one-half common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.40 per share until February 22, 2021; and
- Issued 345,000 common shares of the Company valued at \$86,250 or \$0.25 per share pursuant to PEMC pursuant to the Copper King, NUB East and NWT royalty interests.
- Paid or accrued \$33,592 in legal and regulatory costs related to the private placements and property purchases.

#### Share compensation plan

On January 3, 2020, the Company's Board of Directors adopted the amended and restated share compensation plan (the "Plan"). The Plan is a fixed plan pursuant to which the number of common shares which may be issued pursuant to restricted share units and stock options granted under the Plan is a maximum of 6,952,558 in aggregate or such additional amount as may be approved from time to time by the shareholders of the Company and the exchange on which the common shares trade.

#### Share-based payments

During the nine months ended September 30, 2020, the Company recorded share-based payments expense of \$1,259,514 (2019 - \$333,014), of which \$150,632 (2019 - \$308,014) represents the fair value of options vested during the period with the offsetting amounts credited to reserves, \$Nil (2019 - \$25,000) represents the value of 500,000 common shares subscribed to at \$0.05 which were converted to compensation, and \$1,108,882 (2019- \$Nil) which represents the fair value of RSU's vested during the period.

#### Stock options

The total maximum number of common shares that may be issued on exercise of options, together with any other share compensation arrangements of the Company, shall not exceed 3,476,279. The exercise price of each option is to be not less than the fair market value of the Company's stock as determined by the plan administrator. The vesting terms are determined at the time of the option grant.

On July 14, 2020, prior to the listing of the Company's common shares on the TSX-V, the Company lifted the vesting conditions for certain unexercised stock options that were granted on March 1, 2019.

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 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
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**7. SHARE CAPITAL (Continued)**

The continuity of stock options for the nine months ended September 30, 2020 is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2019	3,150,000	\$ 0.25
Exercised	(525,000)	0.25
Balance, September 30, 2020	2,625,000	\$ 0.25

The following table summarizes the stock options outstanding and exercisable at September 30, 2020:

Date Granted	Number of Options	Exercisable	Exercise Price	Expiry Date
March 1, 2019	2,625,000	1,968,750	\$ 0.25	March 1, 2024

As at September 30, 2020, all outstanding stock options vest 25% every six months starting September 1, 2019. The weighted average remaining useful life of stock options outstanding is 3.42 years (December 31, 2019 - 4.17 years).

**Restricted share units**

The RSUs entitle employees, directors, or officers to common shares of the Company upon vesting based on vesting terms determined by the Company's Board of Directors at the time of grant. A total of 3,476,279 RSUs are reserved for issuance under the Plan. The continuity of RSUs for the nine months ended September 30, 2020 is as follows:

Date Granted	December 31, 2019	Granted	Vested	Expired/Cancelled	September 30, 2020
January 3, 2020	-	900,000	(900,000)	-	-
April 28, 2020	-	1,800,000	(400,000)	-	1,400,000
September 30, 2020	-	450,000	(450,000)	-	-
	-	3,150,000	(1,750,000)	-	1,400,000

As at September 30, 2020, there were 850,000 RSUs vested and the common shares issued subsequently pursuant to the vesting of these RSUs have been recorded as a commitment to issue of \$425,000.

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**7. SHARE CAPITAL (Continued)**

**Warrants**

The continuity of warrants for the nine months ended September 30, 2020 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2019	10,854,810	\$ 0.26
Issued	6,085,586	1.00
Exercised	(2,539,000)	0.10
Balance, September 30, 2020	14,401,396	\$ 0.60

The following table summarizes the warrants outstanding as at September 30, 2020:

Date Issued	Number of Warrants	Exercise Price	Expiry Date
July 20, 2018	400,000	\$ 0.10	July 20, 2021
September 10, 2018	1,100,000	0.10	September 10, 2021
October 15, 2018	500,000	0.40	October 15, 2020
October 25, 2018	1,517,000	0.40	October 25, 2020
December 21, 2018	735,000	0.40	December 21, 2020
January 10, 2019	1,029,800	0.40	January 10, 2021
January 16, 2019	1,834,510	0.25	January 16, 2024
February 22, 2019	165,000	0.40	February 22, 2021
March 1, 2019	1,034,500	0.40	March 1, 2021
February 19, 2020 - Broker warrants	239,000	0.50	February 19, 2022
September 1, 2020	125,000	1.00	February 7, 2022
September 1, 2020	5,521,586	1.00	February 11, 2022
September 1, 2020	200,000	1.00	February 12, 2022
	14,401,396		

**8. RELATED PARTY TRANSACTIONS AND BALANCES**

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 nine months ended September 30, 2020	Cash	Share-based Payments	Total
Management	\$ 134,902	\$ 368,778	\$ 503,680
Directors	-	363,563	363,563
	\$ 134,902	\$ 732,341	\$ 867,243

**NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)**

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

**8. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

For the nine months ended September 30, 2019	Cash	Share-based Payments	Total
Management	\$ 93,686	\$ 48,891	\$ 142,577
Directors	-	39,112	39,112
	\$ 93,686	\$ 88,003	\$ 181,689

During the nine months ended September 30, 2020, the Company paid or accrued \$239,112 (2019 - \$36,287) for professional fees, \$46,312 (2019 - \$31,345) for share issue costs, and \$74,459 (2019 - \$13,357) for royalty interest acquisition costs collectively 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.

Also, during the nine months ended September 30, 2020, the Company paid or accrued \$60,001 (2019 - \$30,000) 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.

As at September 30, 2020, included in accounts payable and accrued liabilities is \$1,569 (December 31, 2019 - \$1,847) to key management personnel for fees and reimbursable expenses, \$28,572 (December 31, 2019 - \$45,000) to Seabord, and \$198,602 to DLA Piper (December 31, 2019 - \$102,741 to Gowling).

During the nine months ended September 30, 2020, the Company issued 200,004 common shares to Seabord for settlement of \$76,430 in debt related to services provided.

**9. FINANCIAL INSTRUMENTS**

The Company classifies its financial instruments as follows:

	September 30 2020	December 31 2019
<b>Financial assets</b>		
Fair value through profit or loss:		
Cash	\$ 2,381,968	\$ 157,098
<b>Financial liabilities</b>		
Amortized cost:		
Accounts payable and accrued liabilities	\$ 2,284,738	\$ 262,190

## **NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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## **9. FINANCIAL INSTRUMENTS (Continued)**

### **Fair value**

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:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- 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 receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments. Cash is measured at level 1 of the fair value hierarchy.

### **Capital risk management**

Capital is comprised of the Company's shareholders' equity. 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 not subject to externally imposed capital requirements.

### **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. Amounts due from joint operating partner are subject to normal credit terms. GST receivable is due from a government agency.

### **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 estimates that these sources are sufficient to cover operations for the next 12 months. All the Company's financial liabilities are expected to be settled within one year.

## NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

Significant non-cash investing and financing transactions during the nine months ended September 30, 2020 included:

- a) issuance of 425,280 common shares as finders fees pursuant to the NuevaUnión royalty acquisition (Note 5). The shares were valued at \$212,640 or \$0.50 per share with \$186,060 included in the royalty balance and \$26,580 received in cash from a joint operating partner;
- b) issuance of 239,000 brokers warrants valued at \$63,066 recorded to reserves;
- c) reversal of \$98,298 of reserves to share capital for options exercised;
- d) reallocation of \$46,154 from deferred acquisition costs to royalty interests on completion of the Nueva Union acquisition agreement;
- e) accrual of \$1,062,724 in accounts payable for staged royalty acquisition payments;
- f) accrual of \$75,793 in accounts payable for deferred acquisition costs; and
- g) issuance of 200,004 common shares for settlement of debt in the amount of \$76,430.

Significant non-cash investing and financing transactions during the nine months ended September 30, 2019 included:

- a) issuance of 4,129,018 of common shares valued at \$1,032,255 pursuant to royalty interest acquisition agreements;
- b) issuance of 1,834,510 warrants valued at \$343,482 pursuant to royalty interest acquisition agreements;
- c) reallocation of \$222,725 of deferred acquisition costs to royalty interests on execution of the related acquisition agreement; and
- d) reallocation of subscriptions received in advance of \$150,000 related to the issuance of 600,000 common shares at \$0.25 per share for which the proceeds were received in the prior year.
- e) share issue costs of \$32,522 and royalty interest costs of \$13,356 in accounts payable and accrued liabilities.

#### 11. COMMITMENTS

The Company may be required to make payments related to its royalty interests (Note 5), including milestone payments subject to certain achievements being met related to the Janice Lake and NuevaUnión royalty acquisitions.

#### 12. EVENTS AFTER THE REPORTING DATE

Subsequent to September 30, 2020, the Company:

- a) secured a convertible loan facility of up to \$13,000,000 with Beedie Capital ("Beedie") to fund acquisitions of new royalties and streaming interests. 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 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 the Company's common shares on the TSX-V. The loan carries an interest rate of 8.0% per annum 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 subscribed \$2,000,000 in the Company's public offering that closed in November 2020. The Company paid commitment fee of \$130,000 and complies with covenants;

## NOVA ROYALTY CORP. (FORMERLY BATTERYONE ROYALTY CORP.)

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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#### 12. EVENTS AFTER THE REPORTING DATE (Continued)

- b) entered into a royalty purchase agreement with Transition Metals Corp. ("TMC") pursuant to which the Company acquired a portfolio of royalties. The Wollaston Copper Belt exploration royalties include an existing 1.0% NSR royalty on the Janice Lake copper-silver project in Saskatchewan, a 1.0% NSR royalty on the Wollaston project, a 1.25% NSR royalty on the Dundonald nickel project, and other NSR royalties on exploration properties. The Company will retain a right of first refusal on the sale of any of TMC's retained NSR royalty interests on the Janice Lake, Dundonald, West Matachewan, and the Elephant Head projects. The Company's 1.0% Janice Lake NSR is subject to a right of the royalty payor to buy back 0.375% of the royalty for \$750,000 prior to commercial production. Total consideration for the acquisition includes deposit payment of \$135,000 (paid; Note 4), closing payment of \$937,500 (paid subsequently), and 525,000 common shares of the Company (issued subsequently). The Company has also agreed to make additional contingent payments to TMC upon achievement of the following milestones in respect of the Janice Lake project:
- \$1,000,000 in cash upon the completion of a bankable feasibility study or the commencement of commercial production on the Janice Lake property; and
  - \$1,000,000 in common shares if the projected annual production of the Janice Lake property is at least 30,000 tonnes of contained copper for a minimum of 10 years.
- c) acquired a 0.24% NSR royalty on the Taca Taca copper-gold-molybdenum project in Salta Province of Argentina ("Taca Taca") from 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. This royalty is subject to a buyback right based on the proven reserves at Taca Taca in a feasibility study. The Company agreed to a finder's fee totaling 2% of the transaction value;
- d) acquired a 2.4% NSR royalty on a portion of the TMM Project owned by Antofagasta PLC 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;
- e) completed a public offering of common shares of the Company issuing 9,947,500 common shares at a price of \$1.45 per common share for gross proceeds of \$14,423,875. Pursuant to the offering, the agents received a cash commission of \$790,432; and
- f) issued 4,414,013 common shares on the exercise of warrants for gross proceeds of \$1,661,877.