



FINANCIAL STATEMENTS
(Expressed in United States (“US”) Dollars)

**FOR THE YEAR ENDED DECEMBER 31, 2019 AND FROM THE PERIOD OF
INCORPORATION FROM FEBRUARY 15, 2018 TO DECEMBER 31, 2018**



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INDEPENDENT AUDITORS' REPORT

To the Directors of Star Royalties Ltd.

Opinion

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

- the statements of financial position as at December 31, 2019 and December 31, 2018;
- the statements of loss and other comprehensive income for the year ended December 31, 2019 and from the period of incorporation, February 15, 2018 to December 31, 2018;
- the statements of changes in shareholders' equity for the year ended December 31, 2019 and from the period of incorporation, February 15, 2018 to December 31, 2018;
- the statements of cash flows for the year ended December 31, 2019 and from the period of incorporation, February 15, 2018 to December 31, 2018;
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019 and December 31, 2018, and its results of loss and comprehensive loss and its cash flows for the periods then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

The engagement partner on the audit resulting in this auditor's report is Pieter Fourie. Toronto,
Canada
October 21, 2020

STAR ROYALTIES LTD.
STATEMENTS OF FINANCIAL POSITION
 (Expressed in US Dollars)
 AS AT

	December 31, 2019	December 31, 2018
ASSETS		
Current		
Cash and cash equivalents (Note 4)	\$ 396,916	\$ 1
Receivables (Note 5)	<u>13,998</u>	<u>-</u>
	410,914	1
Royalty interests (Note 6)	<u>297,709</u>	<u>-</u>
	<u>\$ 708,623</u>	<u>\$ 1</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 4,036	\$ -
Due to related parties (Note 7)	<u>108,505</u>	<u>-</u>
	112,542	-
Shareholders' equity		
Share capital (Note 8)	484,033	1
Subscriptions received in advance (Note 8)	210,530	-
Accumulated other comprehensive loss	7,669	-
Deficit	<u>(106,150)</u>	<u>-</u>
	<u>596,082</u>	<u>1</u>
	<u>\$ 708,623</u>	<u>\$ 1</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 12)

Approved and authorized by the Board on October 21, 2020.

"Alexandre Pernin" Director
 Alexandre Pernin

"Aneel Waraich" Director
 Aneel Waraich

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

STAR ROYALTIES LTD.

STATEMENTS OF LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in US Dollars)

	Year Ended December 31, 2019	From the period of incorporation, February 15, 2018 to December 31, 2018
Expenses		
Consulting fees (Note 7)	\$ 102,156	\$ -
Other general and administrative expenses	475	-
Professional fees	<u>3,519</u>	<u>-</u>
Loss for the period	(106,150)	-
Other Comprehensive Income		
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences	<u>7,669</u>	<u>-</u>
Total Other Comprehensive Income	7,669	-
Total comprehensive loss for the period	<u>\$ (98,481)</u>	<u>\$ -</u>
Basic and diluted loss per common share	\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding – basic and diluted	15,070,776	1

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

STAR ROYALTIES LTD.
STATEMENTS OF CASH FLOWS
(Expressed in US Dollars)

	Year ended December 31, 2019	From the period of incorporation, February 15, 2018 to December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (106,150)	\$ -
Non-cash working capital items changes:		
Receivables	(13,789)	-
Accounts payable and accrued liabilities	3,977	-
Due to related parties	<u>106,885</u>	<u>-</u>
Net cash used in operating activities	<u>(9,077)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares (Note 8)	190,276	1
Proceeds from subscriptions received in advance (Note 8)	<u>210,530</u>	<u>-</u>
Net cash provided by financing activities	<u>400,806</u>	<u>1</u>
Change in cash and cash equivalents for the period	391,729	1
Effect of exchange rate changes on cash and cash equivalents	5,186	1
Cash and cash equivalents, beginning of period	<u>1</u>	<u>-</u>
Cash and cash equivalents, end of period	<u>\$ 396,916</u>	<u>\$ 1</u>
Non-cash financing and investing activities		
Issuance of shares related to acquisition of royalty interests (Note 6)	\$ 293,756	\$ -

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

STAR ROYALTIES LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in US Dollars)

	Share Capital							
	Number	Amount	Subscriptions received in advance	Accumulated other comprehensive income	Deficit	Total		
Balance, February 15, 2018	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Shares issued for cash	1	1	-	-	-	1		
Loss and comprehensive loss for the period	-	-	-	-	-	-		
Balance, December 31, 2018	1	1	-	-	-	1		
Shares issued for cash	25,000,000	190,276	-	-	-	190,276		
Shares issued related to acquisition of royalty interests (Note 6)	14,166,667	293,756	-	-	-	293,756		
Subscriptions received in advance	-	-	210,530	-	-	210,530		
Loss and comprehensive gain for the year	-	-	-	7,669	(106,150)	(98,481)		
Balance, December 31, 2019	39,166,668	\$ 484,033	\$ 210,530	\$ 7,669	\$ (106,150)	\$ 596,082		

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

STAR ROYALTIES LTD.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in US Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

1. NATURE AND CONTINUANCE OF OPERATIONS

Star Royalties Ltd. (formerly Oxford Royalties Ltd) (the “Company”) was incorporated in Canada under the Canada Business Corporations Act on February 15, 2018. The Company changed its name on January 24, 2020. The Company is a growth-oriented, precious metals-focused royalty and streaming company. The head office, records office, and principal address of the Company is 902-18 King Street East, Toronto, Ontario, M5C 1C4.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

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.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements, including comparatives have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their value.

The Company did not present financial statements for previous periods and these are the Company’s first financial statements prepared in accordance with IFRS, and as such are prepared in accordance with the provision of *IFRS 1 – First time Adoption of International Financial Reporting Standards*. As noted in Note 1 the Company did not have any transactions prior to February 2018, and as such have not included an opening balance sheet as of January 1, 2018.

Basis of Measurement

These financial statements are presented in United States dollars. The Canadian dollar is the functional currency of the Company. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. In addition, these financial statements have been prepared using the accrual basis of accounting.

STAR ROYALTIES LTD.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in US Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

2. BASIS OF PREPARATION (cont'd...)

Translation of transactions and balances (cont'd...)

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

On translation of the entities whose functional currency is other than the US dollar, expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Assets and liabilities are translated at the rate of exchange at the reporting date and equity is translated at historic rates. Exchange gains and losses, including results of re-translation, are recorded as foreign currency translation differences in other comprehensive income.

Significant Accounting Judgments and Estimates

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

The most significant judgments relate to the following:

Functional Currency

The functional currency for the Company is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Accounting for Royalty Interests

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

STAR ROYALTIES LTD.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in US Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Financial instruments

Financial assets

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

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

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

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date, and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

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

The following table shows the classification of the Company's financial assets under IFRS 9:

Financial asset	IFRS 9 Classification
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost

STAR ROYALTIES LTD.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in US Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Financial liabilities

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

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

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

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

The following table shows the classification of the Company's financial liabilities under IFRS 9:

Financial liability	IFRS 9 Classification
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost

Royalty Interests

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

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

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

STAR ROYALTIES LTD.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in US Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Impairment of Royalty Interests

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

An assessment is made at each reporting period if there is any indication that a previous impairment loss may no longer exist or has decreased. If indications are present, the carrying value of the royalty is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount net of depletion that would have been determined had no impairment loss been recognized for the royalty in previous periods.

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

An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount, which is the higher of its fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). Estimated future cash flows are calculated using estimated production, sales prices and a discount rate. Estimated future production is determined using current reserves and the portion of resources expected to be classified as mineral reserves, as well as exploration potential expected to be converted into resources or reserves. Estimated sales prices are determined by reference to an average of long-term metal price forecasts by research analysts and management's expectations. The discount rate is estimated using an average discount rate incorporating research analyst views used to value precious metal royalty and streaming companies. All inputs used are those that an independent market participant would consider appropriate. In addition, the Company may use other market approaches for determining the recoverable amount which may include an estimate of (i) dollar value per unit of mineral reserve/resource; (ii) cash-flow multiples; (iii) comparable transactions or (iv) market capitalization of comparable assets.

Loss per share

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

Share-based payments

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

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

STAR ROYALTIES LTD.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in US Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income taxes (cont'd...)

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

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

Accounting Standards - New Accounting Standard Adopted

IFRIC interpretation 23 Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC Interpretation 23, Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. At January 1, 2019, the Company adopted this standard and there was no material impact on the Company's financial statements.

IFRS 3, Business Combinations

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations (“IFRS 3”). The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments to IFRS 3 are effective for annual reporting periods beginning on or after January 1, 2020 and apply prospectively. Earlier application is permitted. The amendments to IFRS 3 were early adopted by the Company and did not have an impact on these financial statements.

STAR ROYALTIES LTD.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in US Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

4. CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash	\$ 51,237	\$ -
Guaranteed investment certificate	<u>345,679</u>	<u>-</u>
Total	<u>\$ 396,916</u>	<u>\$ -</u>

5. RECEIVABLES

	December 31, 2019	December 31, 2018
Goods and service tax ("GST") receivable	\$ 13,998	\$ -
Total	<u>\$ 13,998</u>	<u>\$ -</u>

6. ROYALTY INTERESTS

As at December 31, 2019, the Company's royalty interests consisted of the following:

Baavhai Uul

The Company entered into a Gross Royalty Sale and Purchase Agreement with ION Energy LLC ("ION") on July 24, 2019. The Company agreed to purchase, and ION agreed to sell a 1.5% of Gross Revenue of any product extracted, produced, sold and marketed from the Property located in Sukhbaatar Province in Mongolia. The purchase price was the issuance of 7,500,000 common shares of the Company. The transaction was valued at the fair value of the equity instruments granted of \$141,306 (CAD \$187,509).

Bayan Undur

The Company entered into a Net Smelter Return Royalty Sale and Purchase Agreement with Bayan Undur Resources LLC ("BUR") on October 30, 2019. The Company agreed to purchase, and BUR agreed to sell a 2% net smelter returns royalty on all products produced from the Bayan Undur Property and a right of first refusal on any potential future metals stream on the Bayan Undur Property located in Bayankhongor aimag, Bayan Undur soum, Mongolia. The purchase price was the issuance of 6,666,667 common shares of the Company. The transaction was valued at the fair value of the equity instruments granted of \$152,450 (CAD \$200,045).

	December 31, 2019	December 31, 2018
Opening	\$ -	\$ -
Additions during the year	293,756	-
Foreign currency translation	<u>3,953</u>	<u>-</u>
Closing	<u>\$ 297,709</u>	<u>\$ -</u>

STAR ROYALTIES LTD.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in US Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

7. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Board and corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer, Chief Investment Officer and Chief Business Development Officer.

During the year ended December 31, 2019 and from the period of incorporation on February 15, 2018 to December 31, 2018, the Company entered into the following transactions with related parties, not disclosed elsewhere in these financial statements:

	2019	2019	2018	2018
	USD	CAD	USD	CAD
Consulting fees	\$ 102,156	\$ 135,000	\$ -	\$ -
	\$ 102,156	\$ 135,000	\$ -	\$ -

As at December 31, 2019, \$108,505 (CAD\$135,000) (2018 - \$Nil) was included in accounts payable and accrued liabilities owing to officers and directors of the Company in relation to professional fees and reimbursement of expenses.

8. SHAREHOLDERS' EQUITY

Authorized

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

Issued share capital

During the year ended December 31, 2019, the Company:

- Completed a non-brokered private placement consisting of 25,000,000 common shares at a price of CAD \$0.01 per share for gross proceeds of \$190,276 (CAD \$250,000).
- Issued 14,166,667 common shares in relation to the acquisition of royalty interests (Note 6) valued at \$293,756 (CAD \$387,554).
- The Company received \$210,530 (CAD \$278,696) relating to the subscriptions received in advance to issue 3,715,945 common shares at a price of CAD \$0.075.

There were no stock option or warrant transactions for the years ended December 31, 2019 and from the period of incorporation from February 15, 2018 to December 31, 2018.

STAR ROYALTIES LTD.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in US Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

9. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes for the year ended December 31, 2019 are as follows:

	2019
Loss before income taxes	\$ (106,150)
Expected income tax (recovery)	\$ (29,000)
Change in unrecognized deductible temporary differences	<u>29,000</u>
Income tax expense	\$ -

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	2019	Expiry Date Range
Non-capital losses	<u>\$ 106,000</u>	2039
	<u>\$ 106,000</u>	

10. SEGMENT INFORMATION

The Company operates in one reportable operating segment, being the acquisition of royalty interests in multiple geographical locations, refer to Note 6.

11. FINANCIAL AND CAPITAL RISK MANAGEMENT

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

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

The carrying value of cash and cash equivalents, receivables, accounts payable and accrued liabilities, and amounts payable to related parties approximates fair value due to the short-term nature of the financial instruments. Cash and cash equivalents and receivables are classified at amortized cost. Accounts payable and accrued liabilities and amounts payable to related parties are classified as amortized cost.

STAR ROYALTIES LTD.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in US Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

11. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

Risk management

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

Credit risk

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

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

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

Liquidity risk

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

The Company manages liquidity risk through its capital management as outlined below and is dependent on future financings as outlined in Note 1. Accounts payable and accrued liabilities are due within one year.

Market risk

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

a) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash and cash equivalents. The Company's practice has been to invest cash and cash equivalents at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash and cash equivalents as they are held with large financial institutions. As at December 31, 2019, the Company is not exposed to significant interest rate risk.

b) Foreign currency risk

The Company's functional currency is the Canadian dollar. The majority of purchases are transacted in the Canadian dollar. The Company is not exposed to foreign currency risk.

c) Price risk

The Company is not exposed to price risk with respect to commodity prices as no revenue is being generated at this point in time. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

STAR ROYALTIES LTD.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in US Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018

11. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

Capital management

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

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

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

12. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the Company entered into the following transactions:

- a) In February 2020, 12,500,000 common shares of the Company were return to treasury and subsequently canceled relating to founders' shares.
- b) In February 2020, 14,166,667 common shares of the Company were bought back for \$292,383 (CAD \$387,553) and subsequently cancelled.
- c) In March 2020, closed a private placement for gross proceeds of \$1,667,852 (CAD \$2,224,521) through the sale of 29,660,281 common shares at a price of CAD \$0.075 per common share. Of which \$210,530 (CAD \$278,696) was received as at December 31, 2019 and recorded as subscriptions received in advance. Share issuance fees paid in cash totalled \$51,495 (CAD \$68,682).
- d) On May 15, 2020, entered into a Gross Revenue Royalty and Right of First Refusal Agreement with AurCrest Gold Inc. ("AurCrest"). The Company agreed to purchase, and AurCrest Gold Inc agreed to sell 16% Gross Revenue Royalty on AurCrest Gold's forest carbon sequestration revenue share from the Forest Pilot Project (with a Right of First Refusal on any forest carbon sequestration within the overall Lac Seul Forest Management Unit). The purchase price was \$110,029 (CAD \$155,000).
- e) In September 2020, closed a private placement for gross proceeds of \$11,450,019 (CAD \$15,126,300) through the sale of 121,010,400 common shares at a price of CAD \$0.125 per common share. Fees and commissions consisted of 5% cash and 5% compensation options issued to eligible finders exercisable for a common share of the Company at CAD \$0.125 for a period of 18 months from September 30, 2020. The cash fees totalled \$476,907 (CAD \$630,028) and 3,286,500 compensation options were issued.
- f) On August 31, 2020, settled amounts due to related parties of \$183,735 (CAD \$240,000) by issuing 1,920,000 common shares.