



CONDENSED INTERIM FINANCIAL STATEMENTS
(Expressed in United States ("US") Dollars)

FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020 AND 2019

STAR ROYALTIES LTD.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(Expressed in US Dollars)

AS AT

	September 30, 2020	December 31, 2019
ASSETS		
Current		
Cash and cash equivalents (Note 4)	\$ 12,120,797	\$ 396,916
Receivables (Note 5)	78,690	13,998
Prepays	<u>3,671</u>	<u>-</u>
	12,203,158	410,914
Non-current		
Royalty interests (Note 6)	<u>680,263</u>	<u>297,709</u>
	<u>\$ 12,883,421</u>	<u>\$ 708,623</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 416,859	\$ 4,036
Due to related parties (Note 8)	<u>23,344</u>	<u>108,505</u>
	440,203	112,541
Shareholders' equity		
Share capital (Note 9)	8,491,375	484,033
Subscriptions received in advance (Note 9)	4,365,785	210,530
Contributed surplus	144,716	-
Accumulated other comprehensive loss (Note 9)	(124,165)	7,669
Deficit	<u>(434,493)</u>	<u>(106,150)</u>
	<u>12,443,218</u>	<u>596,082</u>
	<u>\$ 12,883,421</u>	<u>\$ 708,623</u>

Nature and continuance of operations (Note 1)**Subsequent events** (Note 12)

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

STAR ROYALTIES LTD.

CONDENSED INTERIM STATEMENTS OF LOSS AND OTHER COMPREHENSIVE LOSS

(Unaudited)

(Expressed in US Dollars)

	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
Expenses				
Consulting fees (Note 8)	\$ 45,027	\$ 45,442	\$ 210,652	\$ 45,442
Office and miscellaneous	3,296	53	8,923	53
Professional fees	9,896	-	23,955	-
Shareholder communications (Note 8)	1,351	-	2,709	-
Transfer agent and filing fees	2,117	-	2,516	-
Rent	2,251	-	11,087	-
Total operating expenses	<u>(63,938)</u>	<u>(45,495)</u>	<u>(259,842)</u>	<u>(45,495)</u>
Other income/(loss)				
Interest income	299	-	2,225	-
Foreign exchange loss	<u>(70,726)</u>	<u>-</u>	<u>(70,726)</u>	<u>-</u>
Loss for the period	<u>(135,365)</u>	<u>(45,495)</u>	<u>(328,343)</u>	<u>(45,495)</u>
Other Comprehensive Loss				
Items that are or may be reclassified subsequently to profit or loss				
Foreign currency translation differences	(111,363)	(1,052)	(131,834)	(1,052)
Total comprehensive loss for the period	<u>\$ (246,728)</u>	<u>\$ (46,547)</u>	<u>\$ (460,177)</u>	<u>\$ (46,547)</u>
Basic and diluted income (loss) per common share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding – basic and diluted (Note 9)	<u>9,890,850</u>	<u>4,559,783</u>	<u>8,493,275</u>	<u>1,542,279</u>

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

STAR ROYALTIES LTD.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited)

(Expressed in US Dollars)

	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (135,365)	\$ (45,495)	\$ (328,343)	\$ (45,495)
Items not affecting cash:				
Foreign exchange loss	70,726	-	70,726	-
Non-cash working capital items changes:				
Accounts payable and accrued liabilities	1,882	-	24,113	-
Due to related parties	-	51,349	96,050	51,349
Prepays	2,762	-	(3,627)	-
Receivables	<u>(35,509)</u>	<u>(5,907)</u>	<u>(64,266)</u>	<u>(5,907)</u>
Net cash used in operating activities	<u>(95,504)</u>	<u>(53)</u>	<u>(205,347)</u>	<u>(53)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of royalty interests	<u>(53,855)</u>	-	<u>(194,567)</u>	-
Net cash used by investing activities	<u>(53,855)</u>	-	<u>(194,567)</u>	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares (Note 9)	6,980,601	190,276	8,407,573	190,276
Repurchase of shares (Note 9)	-	-	(292,383)	-
Share issuance costs (Note 9)	(93,173)	-	(149,684)	-
Proceeds from subscriptions received in advance (Note 9)	<u>4,365,785</u>	-	<u>4,365,785</u>	-
Net cash provided by financing activities	<u>11,253,213</u>	<u>190,276</u>	<u>12,331,291</u>	<u>190,276</u>
Change in cash and cash equivalents for the period	11,103,854	190,223	11,931,377	190,223
Effect of exchange rate changes on cash and cash equivalents	(182,071)	(1,480)	(207,496)	(1,480)
Cash and cash equivalents, beginning of period	<u>1,199,014</u>	-	<u>396,916</u>	-
Cash and cash equivalents, end of period	<u>\$ 12,120,797</u>	<u>\$ 188,743</u>	<u>\$ 12,120,797</u>	<u>\$ 188,743</u>
Non-cash financing and investing activities				
Share issuance costs included in accounts payable and accrued liabilities	\$ 207,713	\$ -	\$ 207,713	\$ -
Acquisition costs in royalty interest included in accounts payable and accrued liabilities	\$ 186,592	\$ -	\$ 186,592	\$ -
Issuance of shares related to settlement of related party debt (Note 9)	\$ 183,735	\$ -	\$ 183,735	\$ -
Issuance of shares related to royalty interest (Note 9)	\$ -	\$ 141,306	\$ -	\$ 141,306
Fair value of broker warrants (Note 9)	\$ 144,716	\$ -	\$ 144,716	\$ -

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

STAR ROYALTIES LTD.

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(Expressed in US Dollars)

Share Capital									
	Number	Amount	Subscriptions received in advance	Contributed surplus	Accumulated other comprehensive income	Deficit	Total		
Balance, December 31, 2018	1	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1
Shares issued for cash	25,000,000	190,277	-	-	-	-	-	-	190,276
Shares issued related to acquisition of royalty interests (Note 6)	7,500,000	141,306	-	-	-	-	-	-	141,306
Loss and other comprehensive loss for the period	-	-	-	-	(1,052)	(45,495)	-	-	(46,547)
Balance, September 30, 2019	32,500,001	331,583	-	-	(1,052)	(45,495)	-	-	285,036
Shares issued related to acquisition of royalty interests (Note 6)	6,666,667	152,450	-	-	-	-	-	-	152,450
Subscriptions received in advance	-	-	210,530	-	-	-	-	-	210,530
Loss and other comprehensive gain for the period	-	-	-	-	8,721	(60,655)	-	-	(51,934)
Balance, December 31, 2019	39,166,668	\$ 484,033	\$ 210,530	\$ -	\$ 7,669	\$ (106,150)	\$ -	\$ -	\$ 596,082
Shares re-purchased related to acquisition of royalty interests (Note 9)	(14,166,667)	(292,383)	-	-	-	-	-	-	(292,383)
Share cancellation (Note 9)	(12,500,000)	-	-	-	-	-	-	-	-
Shares issued for cash	103,353,281	8,618,103	(210,530)	-	-	-	-	-	8,407,573
Shares issuance costs – cash	-	(357,397)	-	-	-	-	-	-	(357,397)
Shares issuance costs – broker warrants	-	(144,716)	-	144,716	-	-	-	-	-
Shares issued to settle amount due to related parties	1,920,000	183,735	-	-	-	-	-	-	183,735
Subscriptions received in advance	-	-	4,365,785	-	-	-	-	-	4,365,785
Loss and other comprehensive loss for the period	-	-	-	-	(131,834)	(328,343)	-	-	(460,177)
Balance, September 30, 2020	117,773,282	\$ 8,491,375	\$ 4,365,785	\$ 144,716	\$ (124,165)	\$ (434,493)	\$ -	\$ -	\$ 12,443,218

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

STAR ROYALTIES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in US Dollars – unaudited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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 condensed interim financial statements have been prepared on the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Subsequent to September 30, 2020 the Company entered into new contractual commitments as described in note 12. The Company has also continued to incur losses and is dependent on future financing in order to sustain and meet those contractual commitments. While the Company has been successful in obtaining the necessary financing for its operations and its contractual commitments in the past, there is no assurance that such financing will be available in the future or be available on terms acceptable to the Company. These conditions represent a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern.

The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

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 condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”).

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2019. The accounting policies applied in preparation of these 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.

The condensed interim 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 fair value.

Basis of Measurement

These condensed interim financial statements are presented in United States dollars. The Canadian dollar is the functional currency of the Company.

STAR ROYALTIES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in US Dollars – unaudited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

2. BASIS OF PREPARATION

Translation of transactions and balances

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 entity 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 condensed interim 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 condensed interim 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 determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. 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 CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in US Dollars – unaudited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

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(Expressed in US Dollars – unaudited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

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.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in US Dollars – unaudited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

3. SIGNIFICANT ACCOUNTING POLICIES

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 CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in US Dollars – unaudited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

3. SIGNIFICANT ACCOUNTING POLICIES

Income taxes

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.

STAR ROYALTIES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in US Dollars – unaudited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

4. CASH AND CASH EQUIVALENTS

	September 30, 2020	December 31, 2019
Cash	\$ 11,040,647	\$ 51,237
Guaranteed investment certificate	<u>1,080,150</u>	<u>345,679</u>
Total	<u>\$ 12,120,797</u>	<u>\$ 396,916</u>

5. RECEIVABLES

	September 30, 2020	December 31, 2019
Goods and service tax (“GST”) receivable	\$ <u>78,690</u>	\$ <u>13,998</u>
Total	<u>\$ 78,690</u>	<u>\$ 13,998</u>

6. ROYALTY INTERESTS

The Company’s royalty interests consisted of the following:

Baavhai Uul, Mongolia

The Company entered into a Gross Royalty Sale and Purchase Agreement with ION Energy LLC (“ION”) on July 24, 2019. The Company purchased a 1.5% of Gross Revenue of any product extracted, produced, sold and marketed from the Property located in Sukhbaatar Province in Mongolia. 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, Mongolia

The Company entered into a Net Smelter Return Royalty Sale and Purchase Agreement with Bayan Undur Resource LLC (“BUR”) on October 30, 2019. The Company purchased a 2% net smelter return 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).

LSFN Forest, Ontario, Canada

On May 15, 2020, the Company entered into a Gross Revenue Royalty and Right of First Refusal Agreement with AurCrest Gold Inc. (“AurCrest Gold”). The Company purchased a 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) located in Ontario, Canada. The purchase price was \$110,029 (CAD\$155,000), acquisition costs of \$7,336 were incurred for a total acquisition cost of \$117,366 paid in cash.

STAR ROYALTIES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in US Dollars – unaudited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

6. ROYALTY INTERESTS

	September 30, 2020	December 31, 2019
Opening	\$ 297,709	\$ -
Additions during the period	385,098	293,756
Foreign currency translation	(2,544)	3,953
Closing	\$ 680,263	\$ 297,709

	Baavhai Uul	Bayan Undur	LSFN Forest	Deferred Acquisition Costs *	Total
Acquisition Costs					
Opening, December 31, 2018	\$ -	\$ -	\$ -	\$ -	\$ -
Additions during the year	141,306	152,450	-	-	293,756
Foreign currency translation	2,734	1,219	-	-	3,953
Closing, December 31, 2019	144,040	153,669	-	-	297,709
Additions during the period	-	-	117,366	267,732	385,098
Foreign currency translation	(3,745)	(3,994)	6,094	(899)	(2,544)
Closing, September 30, 2020	\$ 140,295	\$ 149,675	\$ 123,460	\$ 266,833	\$ 680,263

* Deferred acquisition costs related to costs incurred for the acquisition of Keysbrook and Copperstone which was acquired after September 30, 2020 – refer to Note 12b Note 12c.).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of:

As at:	September 30, 2020	December 31, 2019
Accounts payable and accrued liabilities	\$ 595	\$ 4,036
Share issuance costs payable	199,771	-
Deferred acquisition costs payable	216,493	-
	\$ 416,859	\$ 4,036

8. 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, corporate officers, including the Company's Executive Chairman, Chief Executive Officer, Chief Investment Officer and Chief Business Development Officer.

STAR ROYALTIES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in US Dollars – unaudited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

8. RELATED PARTY TRANSACTIONS

During the nine-month periods ended September 30, 2020 and 2019, the Company entered into the following transactions with related parties, not disclosed elsewhere in these financial statements:

	For the nine months ended September 30, 2020	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019	For the nine months ended September 30, 2019
	USD	CAD	USD	CAD
Consulting fees (Companies controlled by directors)	\$ 210,652	\$ 285,000	\$ 45,442	\$ 60,000
Shareholder communication (Company controlled by director)	<u>2,709</u>	<u>3,664</u>	<u>-</u>	<u>-</u>
	<u>\$ 213,361</u>	<u>\$ 288,664</u>	<u>\$ 45,442</u>	<u>\$ 60,000</u>

As at September 30, 2020, \$23,344 (CAD\$31,200) (December 31, 2019 - \$108,505 (CAD\$135,000)) was recorded as due to related parties, which is owed to officers and directors of the Company in relation to professional fees and reimbursement of expenses.

9. SHAREHOLDERS' EQUITY

Authorized

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

Issued share capital

During the nine-month period ended September 30, 2020, the Company entered into the following transaction:

- In February 2020, 14,166,667 common shares of the Company were repurchased for \$292,383 (CAD\$387,553) and cancelled. The Company bought back 7,500,000 common shares relating to the Baavhai Uul royalty interest for \$141,201 (CAD\$187,509) and 6,666,667 common shares relating to the Bayan Undur royalty interest for \$151,182 (CAD\$200,045).
- In February 2020, 12,500,000 common shares of the Company were returned to treasury and subsequently canceled.
- In February, March and April 2020, the Company closed private placements for gross proceeds of \$1,642,215 (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) had been received as at December 31, 2019 and recorded as subscriptions received in advance at that date. Share issuance fees paid in cash totalled \$61,294 (CAD\$84,274).
- In August 2020, settled amounts due to related parties of \$183,735 (CAD\$240,000) by issuing 1,920,000 common shares.

STAR ROYALTIES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in US Dollars – unaudited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

9. SHAREHOLDERS' EQUITY

Issued share capital

- e) In September 2020, the Company closed private placements for gross proceeds of \$6,980,601 (CAD\$9,211,625) through the sale of 73,693,000 common shares at a price of CAD\$0.125 per common share. Fees and commissions consisted of 5% cash and 5% broker warrants 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. Share issuance fees in cash totalled \$300,886 (CAD\$391,156) and 3,346,500 broker warrants were issued. The fair value of the broker warrants is \$144,716 (CAD\$192,696). The fair value of the warrants was estimated using the Black-Scholes option pricing model assuming a life expectancy of 2 years, a risk-free rate of 0.23%, a forfeiture rate of 0%, dividend yield rate of 0% and volatility of 100%. Subsequent to the period ended September 30, 2020, the Company issued 800,000 common shares after receipt of gross proceeds of \$74,820 (CAD\$100,000).

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

- a) 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).
- b) Issued 14,166,667 common shares in relation to the acquisition of royalty interests (Note 6) valued at \$293,756 (CAD\$387,553).

There were no stock option transactions for the nine-month period ended September 30, 2020 and year ended December 31, 2019.

Share Purchase Warrants

As at September 30, 2020, the following stock warrants were outstanding:

	Number of Stock Warrants	Weighted Average Exercise Price CAD
Balance, December 31, 2019	-	-
Granted	3,346,500	0.125
Balance, September 30, 2020	3,346,500	\$ 0.125

As at September 30, 2020, the following share purchase warrants were outstanding:

Number of Warrants	Weighted Average Exercise Price CAD	Expiry Date
861,500	\$ 0.125	March 18, 2022
235,000	\$ 0.125	March 23, 2022
80,000	\$ 0.125	March 28, 2022
2,170,000	\$ 0.125	March 30, 2022
3,346,500		

STAR ROYALTIES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in US Dollars – unaudited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

9. SHAREHOLDERS' EQUITY

Earnings per share

Subsequent to the period end, on December 4, 2020, the outstanding common shares of the Company were consolidated on the basis of one post-consolidation common share for every five pre-consolidation common shares.

For purposes of computing earnings per share, the weighted average number of common shares issued and outstanding gives effect to the share consolidation described above as if it occurred before the start of the earliest period presented. Other share and warrant related information in these condensed interim financial statements were not updated to reflect the share consolidation due to it occurring after September 30, 2020 (refer to Note 12).

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.

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. Accounts payable and accrued liabilities are due within one year.

STAR ROYALTIES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in US Dollars – unaudited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

11. FINANCIAL AND CAPITAL RISK MANAGEMENT

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 September 30, 2020, 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.

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.

STAR ROYALTIES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in US Dollars – unaudited)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

12. SUBSEQUENT EVENTS

Subsequent to September 30, 2020, the Company entered into the following transactions:

- a) In October 2020, the Company closed a private placement for gross proceeds of \$4,440,605 (CAD \$5,914,675) through the sale of 47,317,400 common shares at a price of CAD \$0.125 per common share, of which \$4,365,785 (CAD\$ 5,769,550) was received as at September 30, 2020 and recorded as subscriptions received in advance. Fees consisted of 5% cash. Share issuance fees in cash totalled \$179,476 (CAD \$238,872).
- b) In October 2020, the Company completed the acquisition of an existing 2.0% minerals royalty on the mineral sands mine (“Keysbrook”) located in WA, Australia and owned and operated by Keysbrook Leucoxene Pty Ltd (“Keysbrook Leucoxene”), from Resource Capital Fund VI L.P. (“RCF VI”) for a total consideration of \$3,000,000 (paid) in cash. As at September 30, 2020, the Company had incurred acquisition costs of \$69,671 in respect to this transaction.
- c) In November 2020, the Company and Kerr Mines Inc. (now Arizona Gold Corp.) (“AGC”) entered into a definitive \$18,000,000 gold purchase and sale (the “Streaming Agreement”) to finance the restart of underground operations and gold production at the Copperstone Gold Mine (“Copperstone”) in Arizona, USA. The \$18,000,000 advance payment under the Streaming Agreement will be provided in three equal installments, with the first \$6,000,000 installment to be advanced on the initial closing (paid). The remaining two tranches will be advanced at the request of AGC as it incurs expenditures for the restart of Copperstone Gold Mine Project with \$6,000,000 on or before February 28, 2021 and a further \$6,000,000 on or before April 30, 2021. As at September 30, 2020, the Company incurred acquisition costs of \$198,061 in respects of this transaction.
- d) In December 2020, the Company executed a share consolidation of one post common share for every five pre-consolidation common shares of the Company.