



("Star Royalties" or "the Company")

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2020 AND 2019  
(Expressed in United States ("US") Dollars)**

**Introduction**

This Management's Discussion and Analysis ("MD&A") of Star Royalties Ltd. is the responsibility of management and covers the three and nine-month periods ended September 30, 2020 and 2019. The MD&A takes into account information available up to and including January 11, 2021 and should be read together with the condensed interim financial statements for the three and nine-month periods ended September 30, 2020 and 2019 and with the audited financial statements for the year ended December 31, 2019 and the period from the date of incorporation on February 15, 2018 to December 31, 2018.

Throughout this document the terms *we*, *us*, *our*, *the Company* and *Star Royalties* refer to Star Royalties Ltd. All financial information in this document is prepared in accordance with International Financial Reporting Standards ("IFRS") and is presented in United States Dollars unless otherwise indicated.

This document contains forward-looking statements. Please refer to "Note Regarding Forward-Looking Statements."

## Description of Business

Star Royalties is a precious metals-focused royalty and streaming company. We pursue shareholder wealth creation through the origination and acquisition of royalties and streams. We are risk averse and prioritize high-quality cash flow generation to support a meaningful cash dividend policy which targets a payout ratio of 25% of free cash flow. Additionally, our corporate culture and values revolve around superior shareholder and ESG alignment.

Our objective is to be uniquely aligned with our royalty and streaming counterparties and to provide our investors with superior, risk-adjusted net asset value accretion and leverage to rising precious metal prices. We specialize in bespoke and operator-friendly financing solutions, including the repurchase and restructuring of existing royalties and streams. Our aim is to structure mutually beneficial agreements that optimize our counterparties' capital structure, as we look to become the trusted financing partner for mining companies throughout the various stages of the mine development, commodity and capital markets cycles, while generating a return well above our cost of capital for our shareholders.

The Company's royalty and stream interests are in USA, Australia, Canada and Mongolia. Please refer to the "Royalty Interests" section below for the acquisition and project details.

As at September 30, 2020, the Company had working capital of \$11,762,955, had not yet achieved profitable operations and has an accumulated deficit of \$434,493 since its inception.

The condensed interim financial statements for the nine months ended September 30, 2020 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 the condensed interim financial statements. 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.

## Performance Summary and Subsequent Events

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

### *Asset Acquisitions*

- In May 2020, the Company entered into a Gross Revenue Royalty and Right of First Refusal Agreement with AurCrest Gold Inc. ("AurCrest"). 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). 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.

### *Equity Transactions*

- In February 2020, 12,500,000 common shares of the Company were returned to treasury and subsequently cancelled relating to founders' shares.
- 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, 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 totaled \$61,294 (CAD\$84,274).
- In August 2020, the Company settled amounts due to related parties of \$183,735 (CAD\$240,000) by issuing 1,920,000 common shares.
- 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 totaled \$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).

Subsequent to the nine-month period ended September 30, 2020:

#### *Asset Acquisitions*

- In October 2020, the Company completed the acquisition of an existing 2% 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.
- 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.

#### *Equity Transactions*

- 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 totaled \$179,476 (CAD \$238,872).
- In December 2020, the Company executed a share consolidation of one post common share for every five pre-consolidation common shares of the Company.

*Corporate Update*

- In November 2020, the Company appointed the following officers and directors:

<b>Directors</b>	<b>Officers and Position</b>
Anthony Lesiak, Executive Chairman	Alexandre Pernin, CEO
Alexandre Pernin	Kevin MacLean, CIO
Jinhee Magie	Peter Bures, CBDO
Jay Layman	
Beatriz Orrantia	
Kylie Dickson	
Belinda Labatte	

- In January 2021, the Company appointed Kenneth Ngo, CPA, CA as Chief Financial Officer and Corporate Secretary, effective immediately.

*Equity Transactions*

- In October 2020, the Company closed a private placement for gross proceeds of \$4,440,605 (CAD \$5,914,675) through the sale of 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 paid in cash fees totaled \$179,476 (CAD \$238,872).
- In December 2020, the Company approved a share consolidation of one post consolidation common share for every five pre-consolidation common shares of the Company.

Unless described elsewhere in this MD&A, there were no other significant events or transactions during or subsequent to the period to the date of this MD&A.

**Outlook**

The Company continues to review and diligence new opportunities to grow our portfolio in a sustainable manner with strict emphasis on i) risk management; ii) after-tax internal rate of return; iii) return on invested capital; iv) free cash flow per share (Free cash flow is a non-IFRS measure and is defined as cash flow from operating activities less capital expenditures.); v) net asset value per share; and vi) gold equivalent mineral reserves and mineral resources per share. When acquiring royalties and streams, the Company considers technical and economic merit, jurisdiction risk, exploration and expansion upside, as well as operator quality. The Company partners with capable producers and developers in top-tier jurisdictions in order to maximize its risk-adjusted returns, with a corporate strategy of pursuing value and quality over quantity.

Material increases or decreases in the Company's liquidity are substantially determined by the success or failure of the Company's royalty and stream programs. The overall market conditions for smaller resource companies is another significant risk factor. The Company is not aware of any seasonality in the business that may have a material effect upon its financial condition, other than those normally encountered by precious metals-focused royalty and streaming companies.

Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions. Strong equity markets are favourable conditions for completing financings, public mergers or acquisition transaction.

The Company faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect the Company's business, financial condition and results of operations. There can be no assurance that the Company's personnel will not be impacted by these pandemic diseases and ultimately see its workforce productivity reduced or incur increased medical costs / insurance premiums as a result of these health risks. The coronavirus disease 2019 ("COVID-19") has disrupted economic activities and the extent to which COVID-19 impacts the Company's business, including its operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time. Such future developments include the duration, severity and scope of the outbreak and the actions taken to contain or treat the outbreak. In particular, the continued spread of COVID-19 globally could materially and adversely impact the Company's business including without limitation, employee health, workforce productivity in the mines where the Company has interests, increased insurance premiums, limitations on travel, supply chain interruption, the availability of industry experts and personnel and other factors that will depend on future developments beyond the Company's control. Efforts to slow the spread of COVID-19 could severely impact the Company's operations. To date, a number of governments have declared states of emergency and have implemented restrictive measures such as border restrictions, travel bans, quarantine and self-isolation. If the Company's operations continue to be disrupted or suspended as a result of these or other measures, it may have a material adverse impact on the Company's profitability, results of operations, financial condition and stock price. Further, COVID-19 risks may not be adequately responded to locally, nationally or internationally due to lack of preparedness to detect and respond to outbreaks or respond to significant pandemic threats. As such, there are potentially significant economic and social impacts of infectious disease risks, including the inability of the Company's operations to operate as intended due to a shortage of skilled employees, shortages or disruptions in supply chains, inability of employees to access sufficient healthcare, significant social upheavals and government or regulatory actions.

The actual and threatened spread of COVID-19 globally could adversely affect global economies and financial markets resulting in a prolonged economic downturn and a decline in the value of the Company's stock price. The extent to which COVID-19 (or any other disease, epidemic or pandemic) impacts business activity or financial results, and the duration of any such negative impact, will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning COVID-19 and the actions required to contain or treat its impact, among others.

During the period ended September 30, 2020 and subsequent to period end the Company has entered into two royalty agreements, one gold purchase and sale agreement, has secured financing to fund certain acquisitions and is in the process of listing on the TSX-Venture exchange (the "TSX-V").

As the Company has no source of revenue at this time, it will continue to require additional capital to fund future office and administrative expenditures and to advance the Company's royalty and stream interests and complete project investigation activities.

## **Royalty Interests**

As at September 30, 2020 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 agreed to purchase, and ION agreed to sell a 1.5% of Gross Revenue of any product extracted, produced, sold and marketed from the Baavhai Uul 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 agreed to purchase, and BUR agreed to sell 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 agreed to purchase, and AurCrest Gold agreed to sell, 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.

Below is a summary of our cumulative acquisition costs incurred as at September 30, 2020:

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

	Baavhai Uul	Bayan Undur	LSFN Forest	Deferred Acquisition Costs	Total
<b>Acquisition Costs</b>					
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	<u>(3,745)</u>	<u>(3,994)</u>	6,094	<u>(899)</u>	<u>(2,544)</u>
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 “Performance Summary and Subsequent Events”.

## Results of Operations

The condensed interim financial statements reflect the financial condition of the Company’s business for the three and nine-month period ended September 30, 2020. The significant events during the period which impact the financial results of the Company, some of which are discussed above in “Performance Summary and Subsequent Events”, are:

### Nine months ended September 30, 2020 and 2019

During the nine-month period ended September 30, 2020, the Company incurred a net loss of \$328,343 as compared to a net loss of \$45,495 for the nine-month period ended September 30, 2019.

Significant expenditures / movements included:

- Consulting fees of \$210,652 (2019 - \$45,442) with the increase related to the Company starting operations in July 2019. Consulting fees related to management's fees.
- Professional fees of \$23,955 (2019 - \$Nil) with the increase related to increased activity, including general administrative, financing and entering into the royalty interest agreements.
- Office and miscellaneous of \$8,923 (2019 - \$53) with the increase related to the increased activity, including general administrative, financing and entering into the royalty interest agreements.
- Shareholder communications of \$2,709 (2019 - \$Nil) with the increase related to incurring costs associated with working to become listed on the TSX-V.
- Transfer agent and filing fees of \$2,516 (2019 - \$Nil) with the increase related to incurring costs associated with working to become listed on the TSX-V.
- Rent of \$11,087 (2019 - \$Nil) with the increase related to the Company using office space from April 2020 up until September 2020.
- Foreign exchange expense of \$70,726 (2019 - \$Nil) with the increase related to the Company holding USD cash of \$8,999,992 as at September 30, 2020 compared to December 31, 2019 of \$Nil.

### Three months ended September 30, 2020 and 2019

During the three-month period ended September 30, 2020, the Company incurred a net loss of \$135,365 as compared to a net loss of \$45,495 for the three-month period ended September 30, 2019.

Significant expenditures / movements included:

- Consulting fees of \$45,027 (2019 - \$45,442) with the decrease related to the translation from Canadian to US Dollars of management fees.
- Professional fees of \$9,896 (2019 - \$Nil) with the increase was due to the increased activity, including general administrative, financing and entering into the royalty interest agreements.
- Office and miscellaneous of \$3,296 (2019 - \$53) with the increase related to the increased activity, including general administrative, financing and entering into the royalty interest agreements.
- Shareholder communications of \$1,351 (2019 - \$Nil) with the increase related to incurring costs associated with working to become listed on the TSX-V.
- Transfer agent and filing fees of \$2,117 (2019 - \$Nil) with the increase related to incurring costs associated with working to become listed on the TSX-V.
- Rent of \$2,251 (2019 - \$Nil) with the increase related to the Company using office space from April 2020 up until September 2020.
- Foreign exchange expense of \$70,726 (2019 - \$Nil) with the increase related to the Company holding USD cash of \$8,999,992 as at September 30, 2020 compared to December 31, 2019 of \$Nil.

## Summary of Quarterly Results

### For the Quarters Ended

	September 30, 2020
Total assets	\$ 12,883,421
Working capital (deficiency)	11,762,955
Shareholders' equity (deficiency)	12,443,218
Income (loss) for the period	(135,365)
Basic and diluted income (loss) per share	\$ (0.01)

Prior to becoming a reporting issuer, the Company did not prepare quarterly financial statements, other than the Company's interim financial statement for the nine months ended September 30, 2020 no quarterly financial information is available.

### **Discussion of Quarterly Results**

The significant items impacting Star Royalties net loss are primarily from the changing levels of financing available, consulting fees being charged and office and administrative expenses. Consulting fees, professional fees and general and administrative costs fluctuated as the Company began operations late in the year ended December 31, 2019 and started the process of becoming listed on the TSX-V.

### **Liquidity**

Star Royalties royalty interest activities do not provide a source of income and we therefore generated losses and an accumulated deficit during the year. However, given the nature of our business, the results of operations as reflected in the net losses and losses per share do not provide a complete interpretation of our valuation. As the Company has no substantial income, its ability to fund operations is dependent upon its ability to secure financing through the sale of equity or assets. The value of any mineral property is dependent upon the existence of economically recoverable mineral reserves, or the possibility of discovering such reserves, or proceeds from the disposition of such properties. The Company manages the capital structure and makes adjustments in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may issue new shares through public and/or private placements, sell assets, or return capital to shareholders.

As at September 30, 2020, the Company had a working capital balance of \$11,762,955. This balance included a cash balance of \$12,120,797 (December 31, 2019 - \$396,916) to settle current liabilities of \$440,203 (December 31, 2019 - \$112,542). Subsequent to the nine-month period ended September 30, 2020, the Company completed an additional financing for gross proceeds of \$4,440,605 (CAD\$5,914,675) (as described in "Performance Summary and Subsequent Events – Equity Transactions").

To maintain liquidity in the future, the Company continues to investigate additional royalty and stream interests and financing opportunities and would consider raising capital via share issuances, debt facilities, joint venture arrangements, or a combination of these options. The Company has financed its operations to date primarily through the issuance of common shares.

Subsequent to September 30, 2020 the Company entered into new contractual commitments as described in the condensed interim financial statements. 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.

### **Operating Activities**

The Company does not generate cash from operating activities. Net cash used in the Company for operating activities, for the nine months ended September 30, 2020 was \$205,347 compared to \$53 used for the nine-month period ended September 30, 2019.

### **Investing Activities**

Net cash used in the Company for investing activities, for the nine months ended September 30, 2020 was \$194,567 relating to the purchase of royalty interests. The Company did not use any cash in investing activities during the nine-month period ended September 30, 2019.

## Financing Activities

Net cash received in the Company for financing activities, for the nine months ended September 30, 2020 was \$12,331,291 (2019 - \$190,276). During the nine-month period September 30, 2020, the Company issued shares for net proceeds of \$8,407,573 (2019 - \$190,276), the Company incurred share issuance costs of \$149,684 (2019 - \$Nil), the Company repurchased shares relating to royalty interest for \$292,383 (2019 - \$Nil) and received subscriptions in advance of \$4,365,785 (2019 - \$Nil).

The condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company's continuing operations rely on the ability of the Company to continue to raise capital.

## 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 Executive Chairman, Chief Executive Officer, Chief Investment Officer and Chief Business Development Officer.

During the nine-month periods ended September 30, 2020 and 2019, the Company entered into the following transactions with the Chief Executive Officer ("CEO") and Chief Business Development Officer ("CBDO"):

	<b>For the nine months ended September 30, 2020</b>	<b>For the nine months ended September 30, 2020</b>	For the nine months ended September 30, 2019	For the nine months ended September 30, 2019
	USD	CAD	USD	CAD
Consulting fees (Pernin Inc. controlled by Alex Pernin, CEO and director of the Company)	\$ 103,478	\$ 140,000	\$ 22,721	\$ 30,000
Consulting fees (Investor Stratum Resources Inc. controlled by Peter Bures, CBDO of the Company)	107,174	145,000	\$ 22,721	\$ 30,000
Shareholder communication (Investor Stratum Resources Inc. controlled by Peter Bures, CBDO of the Company)	<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, \$11,672 (CAD\$15,600) (December 31, 2019 - \$52,082 (CAD\$60,000)) was recorded as due to related parties, which is owed to Pernin Inc. controlled by Alex Pernin, a director of the Company in relation to professional fees and reimbursement of expenses.

As at September 30, 2020, \$11,672 (CAD\$15,600) (December 31, 2019 - \$56,423 (CAD\$75,000)) was recorded as due to related parties, which is owed to Investor Stratum Resources Inc. controlled by Peter Bures, CBDO of the Company in relation to professional fees and reimbursement of expenses.

## Outstanding Share Data

In November 2020, the Company approved a share consolidation of one post common share for every five pre-consolidation common shares of the Company. As at the date of this MD&A the Company had 33,018,136 (165,090,682 – pre-consolidation) common shares issued and outstanding.

As at the date of this MD&A the Company had 669,300 (3,346,500- pre-consolidation) warrants issued and outstanding.

Number of Warrants	Weighted Average Exercise Price CAD	Expiry Date
172,300	\$ 0.625	March 18, 2022
47,000	\$ 0.625	March 23, 2022
16,000	\$ 0.625	March 28, 2022
434,000	\$ 0.625	March 30, 2022
669,300		

As at the date of this MD&A the Company had Nil stock options outstanding.

### Contractual Obligations

Except as described in “Performance Summary and Subsequent Events” relating to the acquisitions of Keysbrook and Copperstone or in the Company’s condensed interim financial statements at September 30, 2020, the Company had no other material contractual obligations.

### Off-Balance Sheet Arrangements

At September 30, 2020, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

### Proposed Transactions

Except as elsewhere disclosed in this document, there are no other proposed transactions under consideration.

### Capital Resources

Except as described in “Performance Summary and Subsequent Events” relating to the acquisitions of Keysbrook and Copperstone or in the Company’s financial statements as at September 30, 2020, the Company has no other commitments for capital expenditures at the date of this MD&A.

The Company will continue to seek capital. In the past the Company has raised capital through the issuance of common shares pursuant to private placement. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

### Risk Factors

The Company is subject to a number of risks and uncertainties, each of which could have an adverse effect on its results, business prospects or financial position.

The Company’s securities should be considered a highly speculative investment and investors should carefully consider all of the information disclosed in the Company’s regulatory filings prior to making an investment in the Company. For a comprehensive list of the risks and uncertainties applicable to the Company, please refer to the Company’s Annual MD&A for the year ended December 31, 2019. A few of the primary risk factors affecting the Company are set forth below.

The viability and potential success of Star Royalties lies in its ability to seek out and acquire interests in mineral deposits owned and operated by unrelated third parties. Star Royalties’ revenues are dependent on

the operators' success. Further, revenues, profitability, and cash flow from any future operation involving Star Royalties will be influenced by commodity prices, which are beyond the Company's control.

Geopolitical, health and safety, and other social factors may have a negative impact on production from operations and negatively impact future Company cash flows.

Star Royalties relies on public information and reporting from third parties. The accuracy of the reporting can have an adverse effect on the Company's interpretation of future opportunities.

The Company faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect the Company's business, financial condition and results of operations. There can be no assurance that the Company's personnel will not be impacted by these pandemic diseases and ultimately see its workforce productivity reduced or incur increased medical costs / insurance premiums as a result of these health risks. COVID-19 has disrupted economic activities and the extent to which COVID-19 impacts the Company's business, including its operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time. Such future developments include the duration, severity and scope of the outbreak and the actions taken to contain or treat the outbreak. In particular, the continued spread of COVID-19 globally could materially and adversely impact the Company's business including without limitation, employee health, workforce productivity in the mines where the Company has interests, increased insurance premiums, limitations on travel, supply chain interruption, the availability of industry experts and personnel and other factors that will depend on future developments beyond the Company's control. Efforts to slow the spread of COVID-19 could severely impact the Company's operations. To date, a number of governments have declared states of emergency and have implemented restrictive measures such as border restrictions, travel bans, quarantine and self-isolation. If the Company's operations continue to be disrupted or suspended as a result of these or other measures, it may have a material adverse impact on the Company's profitability, results of operations, financial condition and stock price. Further, COVID-19 risks may not be adequately responded to locally, nationally or internationally due to lack of preparedness to detect and respond to outbreaks or respond to significant pandemic threats. As such, there are potentially significant economic and social impacts of infectious disease risks, including the inability of the Company's operations to operate as intended due to a shortage of skilled employees, shortages or disruptions in supply chains, inability of employees to access sufficient healthcare, significant social upheavals and government or regulatory actions.

The actual and threatened spread of COVID-19 globally could adversely affect global economies and financial markets resulting in a prolonged economic downturn and a decline in the value of the Company's stock price. The extent to which COVID-19 (or any other disease, epidemic or pandemic) impacts business activity or financial results, and the duration of any such negative impact, will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning COVID-19 and the actions required to contain or treat its impact, among others.

## **Critical Accounting Policies and Estimates**

The preparation of the 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 for the September 30, 2020 condensed interim financial statements 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.

### **Disclosure of Internal Controls**

Management has established processes to provide sufficient knowledge to support representations that it has exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements, and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

### **Note Regarding Forward-Looking Statements**

This MD&A may contain forward-looking statements. These forward-looking statements may include statements regarding perceived merit of royalty interests, statements relating to the economic viability of a royalty interests, timelines, strategic plans, completion of transactions, market prices for metals or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation:

- the Company's ability to identify and acquire cash flow generating royalty and/or streaming interests,
- assumptions that all necessary permits and governmental approvals will be obtained by the third party,
- assumptions that the third party will be able to develop and mine and continue to mine the asset without interruption,
- the Company's ability to identify and acquire cash flow generating royalty and/or streaming interests,
- assumptions made in the interpretation of third-party information and reporting, which may prove inaccurate,
- risks related to the third parties on which the Company depends for its exploration and development activities,
- credit, liquidity, interest rate and currency risks,
- risks related to market events and general economic conditions,
- commodity price fluctuations,
- increased competition in the royalty/streaming segment of the mining/finance industry,
- the Company's need to attract and retain qualified management and technical personnel,
- the risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect the Company's business, financial condition and results of operations
- uncertainty as to the Company's ability to maintain the adequacy of internal control over financial reporting; and
- other matters that may occur in the future

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors.

The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date of this MD&A, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

More information about the Company including its recent financial reports is available on SEDAR at [www.sedar.com](http://www.sedar.com).