



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Presented in United States (“US”) Dollars)
(Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Star Royalties Ltd. have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim consolidated financial statements by an entity's auditor.

STAR ROYALTIES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Presented in US Dollars)

(Unaudited)

As At

	March 31, 2022	December 31, 2021
ASSETS		
Current		
Cash and cash equivalents	\$ 2,890,687	\$ 4,160,206
Receivables (Note 5)	425,508	283,472
Prepays and other	<u>90,038</u>	<u>61,366</u>
	3,406,233	4,505,044
Non-current		
Royalty and stream interests (Note 6)	<u>27,677,400</u>	<u>26,711,573</u>
	<u>\$ 31,083,633</u>	<u>\$ 31,216,617</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	<u>\$ 348,809</u>	<u>\$ 435,723</u>
	348,809	435,723
Shareholders' equity		
Share capital (Note 8)	28,330,033	28,008,825
Contributed surplus	5,793,059	5,888,237
Accumulated other comprehensive income	893,450	459,157
Deficit	<u>(4,281,718)</u>	<u>(3,575,325)</u>
	<u>30,734,824</u>	<u>30,780,894</u>
	<u>\$ 31,083,633</u>	<u>\$ 31,216,617</u>

Subsequent events (Note 12)

Approved on behalf of the Board of Directors

"Alexandre Pernin"
Alexandre Pernin

Director

"Kylie Dickson"
Kylie Dickson

Director

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

STAR ROYALTIES LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND OTHER COMPREHENSIVE LOSS**

(Presented in US Dollars)

(Unaudited)

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Revenue		
Royalty income	\$ 215,361	\$ 146,072
Costs of sales		
Depletion (Note 3c)	(172,234)	(152,258)
Gross profit/(loss)	43,127	(6,186)
Expenses		
Marketing and shareholder communications	52,878	40,926
Management compensation (Note 7)	304,604	221,291
Office and miscellaneous	74,354	57,698
Professional fees	90,530	285,160
Share-based compensation (Notes 7 and 8)	226,030	354,155
Total expenses	(748,396)	(959,230)
Other income/(loss)		
Interest income	771	3,985
Foreign exchange loss	(1,895)	(13,441)
Net loss	(706,393)	(974,872)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Currency translation adjustment	434,293	58,243
Total other comprehensive income	434,293	58,243
Total comprehensive loss	\$ (272,100)	\$ (916,629)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding – basic and diluted	72,911,437	49,346,366

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

STAR ROYALTIES LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Presented in US Dollars)

(Unaudited)

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021 (Note 3c)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (706,393)	\$ (974,872)
Items not affecting cash:		
Depletion (Note 3c)	172,234	152,258
Foreign exchange loss	1,895	13,441
Share-based compensation	226,030	354,155
Non-cash working capital items changes:		
Accounts payable and accrued liabilities	(93,389)	116,067
Prepaid and other	(27,661)	48,344
Receivables	<u>(137,341)</u>	<u>(210,151)</u>
Net cash used in operating activities	<u>(564,625)</u>	<u>(500,758)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of royalty and stream interests (Note 6)	<u>(722,078)</u>	<u>(6,008,911)</u>
Net cash used by investing activities	<u>(722,078)</u>	<u>(6,008,911)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	18,379,529
Proceeds from issuance of warrants	-	2,772,665
Issuance costs	-	(1,631,274)
Exercise of warrants	<u>-</u>	<u>5,799</u>
Net cash provided by financing activities	<u>-</u>	<u>19,526,719</u>
Change in cash and cash equivalents for the period	(1,286,703)	13,017,050
Effect of exchange rate changes on cash and cash equivalents	17,184	98,294
Cash and cash equivalents, beginning of period	<u>4,160,206</u>	<u>1,988,993</u>
Cash and cash equivalents, end of period	<u>\$ 2,890,687</u>	<u>\$ 15,104,337</u>

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

STAR ROYALTIES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Presented in US Dollars)

(Unaudited)

Share Capital							
	Number	Amount	Contributed surplus	Accumulated other comprehensive income	Deficit	Total	
Balance, December 31, 2020	33,018,137	\$ 12,786,743	\$ 144,716	\$ 459,289	\$ (906,043)	\$ 12,484,705	
Units issued on initial public offering and overallotment exercised	38,055,500	16,048,245	5,104,949	-	-	21,153,194	
Issuance costs	-	(1,534,786)	(223,557)	-	-	(1,758,343)	
Exercise of warrants	7,200	6,262	(463)	-	-	5,799	
Share-based compensation	-	-	354,532	-	-	354,532	
Loss and other comprehensive loss	-	-	-	58,243	(974,872)	(916,629)	
Balance, March 31, 2021	<u>71,080,837</u>	<u>\$ 27,306,464</u>	<u>\$ 5,380,177</u>	<u>\$ 517,532</u>	<u>\$ (1,880,915)</u>	<u>\$ 31,323,258</u>	
Balance, December 31, 2021	72,740,141	\$ 28,008,825	\$ 5,888,237	\$ 459,157	\$ (3,575,325)	\$ 30,780,894	
Shares issued on vesting of share units (Note 8)	416,665	176,492	(176,492)	-	-	-	
Expiry of broker warrants	-	144,716	(144,716)	-	-	-	
Share-based compensation (Note 7 and 8)	-	-	226,030	-	-	226,030	
Loss and other comprehensive loss	-	-	-	434,293	(706,393)	(272,100)	
Balance, March 31, 2022	<u>73,156,806</u>	<u>\$ 28,330,033</u>	<u>\$ 5,793,059</u>	<u>\$ 893,450</u>	<u>\$ (4,281,718)</u>	<u>\$ 30,734,824</u>	

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

STAR ROYALTIES LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Presented in US Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

1. NATURE AND CONTINUANCE OF OPERATIONS

Star Royalties Ltd. (the “Company”) was incorporated in Canada under the Canada Business Corporations Act on February 15, 2018. The Company is a precious metals and green royalty and streaming investment company. The head office, records office, and principal address of the Company is 902-18 King Street East, Toronto, Ontario, M5C 1C4. The Company listed its common shares and warrants on the TSX Venture Exchange in February 2021 under the symbols “STRR” and STRR.WT”, respectively. The Company’s common shares are also traded on the OTCQX under the symbol “STRFF”.

In February 2021, the Company completed its initial public offering (“IPO”) and commenced trading on the TSX Venture Exchange (“TSX-V”) under the symbol “STRR”. As a result of the proceeds generated from the IPO, the cash that was on hand as at March 31, 2022 and the expected proceeds from the private placement as announced in March 2022 (Note 12b), the Company believes that it is in a position to meet its obligations and other commitments in the normal course.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on May 30, 2022.

2. COVID-19 UNCERTAINTIES

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. The full extent and impact of the COVID-19 pandemic are unknown and to date has included volatility in financial markets, a slowdown in economic activity and volatility in commodity prices. The Company completed a review of all operations on which the Company holds royalty, stream and other interests to identify the impacts of COVID-19. Based on the review COVID-19 was not considered to have a material impact on any of the Company’s investments and as such at March 31, 2022, the Company has not recorded any adjustments directly attributable to the COVID-19 pandemic.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

This condensed interim consolidated 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 consolidated financial statements of the Company for the year ended December 31, 2021. The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2021.

STAR ROYALTIES LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

3. BASIS OF PREPARATION (CONTINUED)

(b) Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at their fair value as set out in the accounting policies in Note 5 of the audited consolidated financial statements for the year ended December 31, 2021.

(c) Recast for prior period

During the year ended December 31, 2021, the Company recorded additional depletion on the Keysbrook royalty asset. The additional depletion recorded included additional \$44,579 depletion expense relating to the three months ended March 31, 2021. As a result of this adjustment, the condensed interim consolidated statement of loss and comprehensive loss for the three months ended March 31, 2021 has been recast, with depletion increased to \$152,258. The net impact was an increase to net loss by \$44,579 for the three months ended March 31, 2021.

In addition, certain non-cash working capital changes for the three months ended March 31, 2021 has been reclassified from cash flow from operating activities to cash flow from financing activities in the condensed interim consolidated statements of cash flows.

4. USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Significant Accounting Judgments and Estimates

The preparation of these condensed interim consolidated 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.

In preparing these condensed interim consolidated financial statements, the Company applied the significant accounting judgements and estimates as disclosed in Note 4 of the audited financial statements for the year ended December 31, 2021.

5. RECEIVABLES

	March 31, 2022	December 31, 2021
Goods and service tax ("GST") receivable	\$ 207,383	\$ 173,181
Royalty receivable	<u>218,125</u>	<u>110,291</u>
Total	<u>\$ 425,508</u>	<u>\$ 283,472</u>

STAR ROYALTIES LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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6. ROYALTY AND STREAM INTERESTS

	Mining Royalties	Stream Interests	Carbon Credit & Other Royalties	Total
Cost, December 31, 2020	\$ 3,569,958	\$ 6,652,716	\$ 129,490	\$ 10,352,164
Additions during the year	10,702,142	6,008,948	242,502	16,953,592
Foreign currency translation	53,861	(15,277)	(1,822)	36,762
Cost, December 31, 2021	\$ 14,325,961	\$ 12,646,387	\$ 370,170	\$ 27,342,518
Additions during the period	-	-	722,078	722,078
Foreign currency translation	210,838	194,545	10,600	415,983
Cost, March 31, 2022	\$ 14,536,799	\$ 12,840,932	\$ 1,102,848	\$ 28,480,579
	Mining Royalties	Stream Interests	Carbon Credit & Other Royalties	Total
Accumulated depreciation, December 31, 2020	\$ 5,740	\$ -	\$ -	\$ 5,740
Depletion during the year	625,205	-	-	625,205
Accumulated depreciation, December 31, 2021	\$ 630,945	\$ -	\$ -	\$ 630,945
Depletion during the period	172,234	-	-	172,234
Accumulated depreciation, March 31, 2022	\$ 803,179	\$ -	\$ -	\$ 803,179
Net book value, December 31, 2021	\$ 13,695,016	\$ 12,646,387	\$ 370,170	\$ 26,711,573
Net book value, March 31, 2022	\$ 13,733,620	\$ 12,840,932	\$ 1,102,848	\$ 27,677,400

Of the total net book value as at March 31, 2022, \$2,520,989 (December 31, 2021 - \$2,835,314) is depletable and \$25,156,411 (December 31, 2021 - \$23,876,259) is non-depletable.

Carbon Credit & Other Royalties**EMS Forest, Alberta, Canada**

In January 2022, the Company, through its wholly-owned subsidiary Green Star Royalties Ltd. (“Green Star”), acquired an additional 27% gross revenue royalty on EMS’ revenue share from the creation and sale of carbon offset credits from forested lands located in Elizabeth Metis Settlement (the “EMS Forest Project”) in Alberta, Canada for total cash consideration of \$485,987 (CAD\$600,000). The gross revenue royalty covers the entire EMS Forest Project and has a term of the earlier of: 1) 10 years commencing on the date EMS receives any gross revenue from the monetization of carbon offset credits, or 2) the date hereof until the first 225,000 carbon offset credits are issued and sold in connection with the EMS Forest Project. In combination with the Company’s previously acquired 13.5% gross revenue royalty in July 2021, the Company now owns an effective 40.5% gross revenue royalty on the EMS Forest Project.

MOBISMART, Ontario, Canada

In January 2022, the Company through its wholly-owned subsidiary Green Star, acquired a 2.5% gross revenue royalty on all current and future gross revenues and any potential business divestment revenues from MOBISMART Mobile Off-Grid Power and Storage Inc. (“MOBISMART”) for total cash consideration of \$236,091 (CAD\$300,000). The royalty has a term of 15 years and the Company has granted MOBISMART an initial payment holiday on the royalty, where the first payment of the royalty, calculated from the closing date, will occur no later than January 2023. The Company also granted MOBISMART a royalty repurchase provision, whereby MOBISMART, at its sole election

STAR ROYALTIES LTD.

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6. ROYALTY AND STREAM INTERESTS (CONTINUED)

and in connection with a potential go-public event, will have the right to repurchase the royalty in its entirety for CAD\$10,000,000 in cash, or partially on a pro rata basis. MOBISMART, at its sole election and only after five years have elapsed since the completion of its potential go-public event, will have the additional right to repurchase any part of the royalty not already repurchased during its go-public event, on the same pro rata basis.

7. RELATED PARTY TRANSACTIONS

Related parties include key management personnel, and individuals or companies controlled by key management personnel. 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 consist of members of the Board of Directors and corporate officers, including the Company's Executive Chairman, Chief Executive Officer, Chief Investment Officer, Chief Business Development Officer, and Chief Financial Officer.

During the three months period ended March 31, 2022 and 2021, the Company entered into the following transactions with related parties:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Management cash compensation	\$ 304,604	\$ 221,291
Marketing and shareholder communications	9,201	9,607
Share-based compensation	226,030	354,155
	\$ 539,835	\$ 585,053

8. SHAREHOLDERS' EQUITY

(a) Authorized

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

(b) Issued share capital

During the three-month period ended March 31, 2022, the Company entered into the following transactions:

- a) In February 2022, the Company settled the commitment to issue shares in relation to vested restricted share units ("RSUs"). The Company issued 416,665 common shares valued at \$176,492 (CAD\$225,001).
- b) In March 2022, the Company reclassified \$144,716 (CAD\$192,696) relating to the expired broker warrants, from contributed surplus to share capital.

(c) Stock options

During the three-month period ended March 31, 2022, the Company entered into the following transactions:

On February 21, 2022, the Company issued 625,000 stock options to officers and directors of the Company with an exercise price of CAD\$0.60 per share. The stock options expire on February 21, 2032 and vest over three years in equal portions on the anniversary of the grant date. The fair value per stock option as determined on grant date was CAD\$0.40.

STAR ROYALTIES LTD.

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(Presented in US Dollars)

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FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

8. SHAREHOLDERS' EQUITY (CONTINUED)

During the three-month period ended March 31, 2022, the Company recorded share-based compensation expense of \$105,451 (Three months ended March 31, 2021 - \$317,131) in relation to vesting stock options in share-based compensation in the condensed interim consolidated statements of loss and other comprehensive loss.

(d) RSUs

During the three-month period ended March 31, 2022, the Company entered into the following transactions:

On February 21, 2022, the Company granted 1,215,000 RSUs to officers and directors of the Company. The RSUs granted are vested over three years in equal portions on the anniversary of the grant date. The fair value per unit on grant date was CAD\$0.60.

During the three-month period ended March 31, 2022, the Company recorded share-based compensation expense of \$120,579 (Three months ended March 31, 2021 - \$37,024) in relation to RSUs in share-based compensation in the condensed interim consolidated statements of loss and other comprehensive loss.

9. SEGMENT INFORMATION

For the three-month period ended March 31, 2022, the Company had revenue of \$215,361 (Three months ended March 31, 2021 - \$146,072) from one of its royalties located in Australia within the mining royalties segment.

The Company has non-current assets in the following geographic locations:

	March 31, 2022	December 31, 2021
United States	\$ 12,840,932	\$ 12,646,387
Canada	12,005,558	11,107,699
Australia	2,520,989	2,652,262
Mongolia	309,921	305,225
	<u>\$ 27,677,400</u>	<u>\$ 26,711,573</u>

As at March 31, 2022, the Company's subsidiary Green Star does not meet the quantitative thresholds under IFRS 8 "Operating segments" to be a reportable segment. Green Star holds the carbon credit and other royalties as disclosed in Note 6.

10. 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 and accounts payable and accrued liabilities, approximates fair value due to the short-term nature of the financial instruments.

STAR ROYALTIES LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Presented in US Dollars)

(Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

11. COMMITMENTS

As at March 31, 2022, the Company had the following contractual obligations:

	Less than 1 year	1 to 3 years	Over 3 years	Total
Accounts payable	\$ 161,234	\$ -	\$ -	\$ 161,234
Investment commitment	\$ 5,000,000	-	-	5,000,000
	\$ 5,161,234	\$ -	\$ -	\$ 5,161,234

In December 2021, the Company through its wholly-owned subsidiary Green Star, entered into an agreement with Blue Source, LLC (“Bluesource”) to create premium, verified carbon offset credit that will reward the adoption of regenerative agriculture practices by North American farmers. The Company expects this project to result in over 500,000 carbon offset credits per annum commencing in 2023, to be available for sale in the voluntary carbon marketplace. Green Star expects initial funding for this investment to commence in the second quarter of 2022 until the \$5,000,000 is spent.

12. SUBSEQUENT EVENTS

Subsequent to March 31, 2022, the Company entered into the following transactions:

- a) In April 2022, the Company, through its wholly-owned subsidiary, Green Star, entered into a fourfold expansion of its agreement with Bluesource for the Regen Ag project, originally entered into in December 2021, to create premium, verified carbon offset credits that will reward the adoption of regenerative agriculture practices by North American farmers. Under the amended agreement, Green Star will be financing a regenerative agriculture carbon program being developed and managed by Bluesource for total contribution of \$20,625,000 in cash. Cash will be available to growers in this program through Locus Agricultural Solutions’ (“Locus AG”) CarbonNOW program. Locus AG will be actively recruiting growers under this project until a total of 1,320,000 acres of farmland across the United States have been adopted into the program. Green Star expects initial funding of the investment to commence in the second quarter of 2022, with further quarterly tranches drawn by Bluesource, as required, until the entire \$20,625,000 is invested. Green Star currently expects the majority of the \$20,625,000 to be invested in 2023 and continuing into 2024, as required. The total investment of up to \$20,625,000 will be funded by the funds received from the private placement that was closed in May 2022 and future financing. This project investment has a term of 11.5 years and the future financial benefits derived from the monetization of the project’s carbon offset credits will be split between the growers, Bluesource, and Green Star.
- b) In May 2022, the Company completed the closing of the previously announced non-brokered private placement of 15,384,620 shares of its wholly-owned subsidiary Green Star, at a price of CAD\$1.00 per Green Star class A shares (each a “Green Star Share”) for total gross proceeds of CAD\$15,384,620. Following the closing of the private placement, Green Star is now owned 61.9% by the Company, 35% by Agnico Eagle Mines Limited and 3.1% by the Company’s management team and Board of Directors.