

ROYALTIES INC.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2025 and 2024

(Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor. The accompanying unaudited condensed consolidated interim financial statements of Royalties Inc. (the “Company”) have been prepared by and are the responsibility of the Company’s management.

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

ROYALTIES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

For the three and six months ended June 30, 2025 and 2024

(Expressed in Canadian Dollars)

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**ROYALTIES INC.****Unaudited Condensed Consolidated Interim Statements of Financial Position**

(Expressed in Canadian Dollars)

	Notes	June 30, 2025 \$	December 31, 2024 \$
<b>ASSETS</b>			
Current assets			
Cash		76,540	17,046
Amounts receivable and other		7,579	3,722
Prepaid expenses		22,161	16,864
Total current assets		106,280	37,632
Non-current assets			
Investment	4, 10	1,500,000	1,000,000
Music royalty assets	5	193,276	214,752
Total non-current assets		1,693,276	1,214,752
Total assets		1,799,556	1,252,384
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	10	98,812	151,216
Other current liability of subsidiary	13	2,721,600	2,880,200
Total current liabilities		2,820,412	3,031,416
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	8, 14	40,729,463	40,049,463
Share-based payment reserve	9	154,916	154,916
Accumulated other comprehensive income		15,510	15,510
Deficit		(41,948,513)	(42,026,689)
Deficiency attributable to equity holders of the company		(1,048,624)	(1,806,800)
Non-controlling interest		27,768	27,768
Total shareholders' deficiency		(1,020,856)	(1,779,032)
Total liabilities and shareholders' deficiency		1,799,556	1,252,384

GOING CONCERN (Note 2)

COMMITMENTS AND CONTINGENCIES (Notes 7, 13)

SUBSEQUENT EVENTS (Note 14)

Signed on behalf of the board of directors by:

Signed - "Timothy Gallagher"

Timothy Gallagher, Director

Signed - "Andrew Robertson"

Andrew Robertson, Director

See accompanying notes to the unaudited condensed consolidated interim financial statements.

**ROYALTIES INC.****Unaudited Condensed Consolidated Interim Statements of Operations and Comprehensive Loss**

(Expressed in Canadian Dollars)

**For the**

	Notes	Three months ended June 30,		Six months ended June 30,	
		2025	2024	2025	2024
		\$	\$	\$	\$
					Restated – Note 3
Income					
Dividend income	4, 10	18,000	18,000	36,000	36,000
Royalty income		6,042	7,956	14,967	21,525
Total income		24,042	25,956	50,967	57,525
Operating expenses					
Professional fees	10	34,289	32,569	37,289	35,682
Corporate expenses		10,441	9,597	17,678	13,911
General and administrative		3,590	3,599	7,158	8,245
Exploration and evaluation	6	9,567	11,347	43,688	45,472
Amortization of music royalties	5	10,738	7,871	21,476	15,742
Total expenses		68,625	64,983	127,289	119,052
Operating loss before other expenses		(44,583)	(39,027)	(76,322)	(61,527)
Other (income) expenses					
Foreign exchange gain (loss)		156,357	(7,615)	154,498	(25,781)
Net income (loss) and comprehensive income					
(loss) for the period		111,774	(46,642)	78,176	(87,308)
Net income (loss) per share					
basic and diluted		0.000	(0.000)	0.000	(0.000)
Weighted average Common Shares outstanding					
basic and diluted		226,671,409	216,023,057	225,420,847	216,023,057

See accompanying notes to the unaudited condensed consolidated interim financial statements.

# ROYALTIES INC.

## Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars)

	Shares outstanding #	Share Capital \$	Share- based payment reserve \$	Accumulated other comprehensive income (loss) \$	Accumulated deficit \$	Attributable to equity holders of the company \$	Non- controlling interest \$	Total \$
		(Restated – Note 3)	(Restated – Note 3)	(Restated – Note 3)	(Restated – Note 3)	(Restated – Note 3)	(Restated – Note 3)	(Restated – Note 3)
Balance as at December 31, 2023 (restated)	216,023,057	39,944,463	154,916	35,116	(41,634,397)	(1,499,902)	27,768	(1,472,134)
Net loss for the period	-	-	-	-	(87,308)	(87,308)	-	(87,308)
Balance as at June 30, 2024	216,023,057	39,944,463	154,916	35,116	(41,721,705)	(1,587,210)	27,768	(1,559,442)
Balance as at December 31, 2024	219,023,057	40,043,463	154,916	15,510	(42,026,689)	(1,806,800)	27,768	(1,779,032)
Shares issued for cash	6,000,000	180,000	-	-	-	180,000	-	180,000
Shares issued for purchase of investment	12,500,000	500,000	-	-	-	500,000	-	500,000
Net income for the period	-	-	-	-	78,176	78,176	-	78,176
Balance as at June 30, 2025	237,523,057	40,729,463	154,916	15,510	(41,948,513)	(1,048,624)	27,768	(1,020,856)

See accompanying notes to the unaudited condensed consolidated interim financial statements.

**ROYALTIES INC.****Unaudited Condensed Consolidated Interim Statements of Cash Flows**

(Expressed in Canadian Dollars)

For the six months ended June 30,	Note	2025 \$	2024 \$
			(Restated - Note 3)
Cash flow from operating activities			
Net income (loss) for the period		78,176	(87,308)
Foreign exchange loss		-	33,253
Amortization of music royalties	5	21,476	15,742
Changes in non-cash working capital			
Amounts receivable		(3,857)	4,166
Prepaid expense		(5,297)	(6,627)
Accounts payable and accrued liabilities		(211,004)	7,001
Net cash used in operating activities		(120,506)	(33,773)
Financing activities			
Proceeds from private placements	8	180,000	-
Subscription receipts	8	-	33,283
Total cash provided by financing activities		180,000	33,283
Increase (decrease) in cash		59,494	(490)
Cash, beginning of period		17,046	43,439
Cash, end of period		76,540	42,949

See accompanying notes to the unaudited condensed consolidated interim financial statements.

## ROYALTIES INC.

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian Dollars)

For the Three and Six Months Ended June 30, 2025 and 2024

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#### 1. NATURE OF OPERATIONS

Royalties Inc. (the "Company" or "Royalties Inc.") operates as a diversified royalties company. The Company is focused on resource royalties and entertainment royalties (such as music, film and television), but may determine to expand the scope of the industries it will focus on in the future. The Company's common shares are listed on the Canadian Securities Exchange (the "CSE") under the trading symbol "CSE:RI" and on the OTC Markets in the United States under the trading symbol "ROYIF".

The Company currently has holdings in four entertainment royalty interests, and an approximate 3% stake in Music Royalties Inc. ("MRI"), a Canadian-based private company that acquires passive music royalties from rightsholders (including but not limited to artists, producers and songwriters). MRI currently holds a portfolio of approximately 31 cash-flowing music royalties.

The Company also has interests in exploration and evaluation properties located in Mexico, owning a 100% interest on the Bilbao silver-zinc-lead project located in the southeastern part of the State of Zacatecas and 88% of the outstanding shares of Minera Portree de Zacatecas, S.A. de C.V. ("Minera Portree"). Minera Portree holds an asserted claim to a 2% net smelter royalty on five mining concessions located adjacent to the Cozamin Mine operated by Capstone Copper Corp. ("Capstone"), which was supported by a court judgement in Zacatecas on June 16, 2025 but was appealed by Capstone.

There has been no determination whether the Company's interests in exploration and evaluation projects contain mineral deposits which are economically recoverable. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The value of the Company's mining interests is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable mineral deposits, the achievement of profitable operations, or the ability of the Company to raise additional financing, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. All of the Company's mineral exploration interests are located outside of Canada and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, and mineral royalty interests, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. The Company's properties may be subject to government licensing requirements, social licensing requirements, unregistered prior agreements, unregistered claims, local indigenous or aboriginal claims and regulatory and environmental requirements.

#### 2. BASIS OF PREPARATION AND GOING CONCERN

These unaudited condensed consolidated interim financial statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFIRC"). The policies set out below were consistently applied to all the periods presented, unless otherwise noted.

These unaudited condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on August 27, 2025.

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments classified as fair value through profit and loss which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information.

These unaudited condensed consolidated interim financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for the current fiscal year. Several conditions discussed below create a material uncertainty and significant doubt about the Company's ability to continue as a going concern.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

## **ROYALTIES INC.**

### **Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian Dollars)**

For the Three and Six Months Ended June 30, 2025 and 2024

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#### **2. BASIS OF PREPARATION AND GOING CONCERN (CONTINUED)**

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Company. All material intra-Company transactions, balances, income and expenses are eliminated on consolidation.

As at June 30, 2025, the Company had not achieved profitable operations, had a working capital deficiency, had an accumulated deficit since inception and expects to incur further losses in the development of its business. The Company will have to rely on equity financing to generate additional financial resources to fund its working capital requirements and will need to generate additional financial resources to fund its planned acquisitions. There is a risk that additional financing will not be available to the Company on a timely basis or on acceptable terms. There are no assurances that the Company will continue to obtain additional financial resources and/or achieve positive cash flows or profitability. Based on the assumptions that such finance will become available, the Directors believe that the going concern basis is appropriate for group financial statements.

The underlying value of the exploration and evaluation projects is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the exploration and evaluation projects, and the generation of future profitable production or proceeds from the disposition of the exploration and evaluation projects.

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These unaudited condensed consolidated interim financial statements of the Company and its subsidiaries are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below were consistently applied to all the periods presented, unless otherwise noted.

These unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2024, prepared in accordance with IFRS and available under the Company's profile on [www.SEDARplus.ca](http://www.SEDARplus.ca).

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit and loss which are stated at their fair value. In addition, these unaudited condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except cash flow information.

#### **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates. There have been no significant changes in the judgments, estimates or assumptions from those disclosed in the Company's audited annual consolidated financial statements for the years ended December 31, 2024 and 2023.

#### **Exploration and evaluation expenditures**

During the year ended December 31, 2024, the Company changed its accounting policy of capitalizing mineral exploration properties acquired. The Company believes that expensing such costs as incurred provides more reliable and relevant financial information. The cost of mineral exploration properties acquired are expensed until it has been established that a mineral property is commercially viable and technically feasible. Previously, the Company capitalized these amounts.

The consolidated financial statements for the year ended December 31, 2023 have been restated to reflect adjustments made as a result of these changes in accounting policy. The accumulated effect of the change of \$187,380 USD has been reflected in the ending deficit of the consolidated financial statements as at December 31, 2023.



**ROYALTIES INC.****Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian Dollars)**

For the Three and Six Months Ended June 30, 2025 and 2024

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Presentation currency**

Effective September 30, 2024, the presentation currency of the Company was changed from US dollars to Canadian dollars to align with the functional currency. The change in presentation currency represents a voluntary change in accounting policy, which has been applied retrospectively. Information for the quarter ended June 30, 2024 and the fiscal year ending December 31, 2023 were translated from US dollars to Canadian dollars using the procedures outlined below:

- Assets and liabilities were translated into Canadian dollars at each period-end closing rate of exchange;
- Income and expenses were translated into Canadian dollars at average rates of exchange for each period as the average rate was considered a reasonable proxy for the prevailing rates at the dates of the transactions;
- Differences resulting from the retranslation of opening net asset and the results for each period have been taken to accumulated other comprehensive income;
- Share capital and other reserves were translated at the closing rate of exchange prevailing at each period end closing rate; and
- Accumulated retained losses and non-controlling interest were translated at the average rates of exchange for each period.

**Consolidated statements of loss and comprehensive loss**

For the three months ended June 30, 2024	As previously reported \$	Adjustment \$	Restated \$
Income			
Dividend income	13,125	4,875	18,000
Royalty income	5,732	2,224	7,956
Total income	18,857	7,099	25,956
Operating expenses			
Corporate	7,014	2,583	9,597
Professional fees	23,190	9,379	32,569
General and administrative	3,312	287	3,599
Exploration and evaluation	8,294	3,053	11,347
Amortization of music royalties	5,852	2,019	7,871
Total expenses	47,662	17,321	64,983
Operating loss before other income	(28,805)	(10,222)	(39,927)
Other (income) expenses			
Foreign exchange loss	5,566	2,049	7,615
Total other loss	(5,566)	(2,049)	(7,615)
Net loss and comprehensive loss for the period	(34,371)	(12,271)	(46,642)
Net loss per share	(0.000)		(0.000)
Weighted average Common Shares outstanding			
Basic and diluted	216,023,057		216,023,057

**ROYALTIES INC.****Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian Dollars)**

For the Three and Six Months Ended June 30, 2025 and 2024

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Consolidated statements of loss and comprehensive loss (continued)**

For the six months ended June 30, 2024	As previously reported \$	Adjustment \$	Restated \$
Income			
Dividend income	26,483	9,517	36,000
Royalty income	15,774	5,751	21,525
Total income	42,257	15,268	57,525
Operating expenses			
Corporate	10,207	3,704	13,911
Professional fees	25,490	10,192	35,682
General and administrative	6,817	1,428	8,245
Exploration and evaluation	33,609	11,863	45,472
Amortization of music royalties	11,704	4,038	15,742
Total expenses	87,827	31,225	119,052
Operating loss before other income	(45,570)	(15,957)	(61,527)
Other (income) expenses			
Foreign exchange loss	19,043	6,738	25,781
Total other loss	(19,043)	(6,738)	(25,781)
Net loss and comprehensive loss for the period	(64,613)	(22,695)	(87,308)
Net loss per share	(0.000)		(0.000)
Weighted average Common Shares outstanding Basic and diluted	216,023,057		216,023,057

**Consolidated statement of cash flows**

For the six months ended June 30, 2024	As previously reported \$	Adjustment \$	Restated \$
Cash flow from operating activities			
Loss for the period	(64,613)	(22,695)	(87,308)
Unrealized foreign exchange gain on investment	23,300	8,056	31,356
Unrealized foreign exchange gain on cash	-	1,897	1,897
Amortization of music royalties	11,704	4,038	15,742
Changes in non-cash working capital			
Amounts receivable	3,047	1,119	4,166
Prepaid expense	(4,644)	(1,983)	(6,627)
Accounts payable and accrued liabilities	5,120	1,881	7,001
Net cash used in operating activities	(26,086)	(7,687)	(33,773)
Financing activities			
Subscription receipts	24,340	8,943	33,283
Total cash provided by financing activities	24,340	8,943	33,283
Total cash provided by investing activities	-	-	-
Decrease in cash	(1,746)	1,257	(490)
Cash, beginning of period	33,155	11,438	43,439
Cash, end of period	31,409	11,540	42,949

**4. INVESTMENT**

On September 30, 2022, the Company acquired 2,000,000 common shares in Music Royalties Inc. ("MRI"), a private company. On June 19, 2025, the Company entered into an acquisition agreement for the purchase of 1,000,000 additional common shares of MRI from a private investor at a price of \$0.50 per share in exchange for the issuance of 12,500,000 shares in the Company at a share price of \$0.04. As at June 30, 2025, the Company's 3,000,000 common shares in MRI were valued at \$1,500,000 (December 30, 2024 – 2,000,000 shares valued at \$1,000,000).

During the three and six months ended June 30, 2025, the Company received dividend income from MRI totaling \$18,000 and \$36,000 respectively (June 30, 2024 - \$18,000 and \$36,000).

**ROYALTIES INC.****Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian Dollars)**

For the Three and Six Months Ended June 30, 2025 and 2024

**5. MUSIC ROYALTIES**

	Amount \$
Cost	
Balance - January 1, 2023	-
Additions	453,943
Impairment of music royalties	(165,327)
Effect of currency adjustment	(874)
Balance - December 31, 2023	287,742
Impairment of music royalties	(41,800)
Effect of currency adjustment	5,448
Balance – December 31, 2024 and June 30, 2025	251,390
Accumulated Amortization	
Balance - January 1, 2023	-
Amortization	21,850
Effect of currency adjustment	379
Balance - December 31, 2023	22,229
Amortization	14,220
Effect of currency adjustment	189
Balance, December 31, 2024	36,638
Amortization	21,476
Balance, June 30, 2025	58,114
Net book value - December 31, 2024	214,752
Net book value – June 30, 2025	193,276

During the year ended December 31, 2024, given the decline in expected future royalty revenue of the Company's Apple ring tones catalogue, an impairment totaling \$41,800 was recorded on the asset. During the year ended December 31, 2023, an impairment totaling \$165,327 on Carbonaro Effect which was originally purchased on June 13, 2023 for a 10-year term was fully impaired due to the program's cancellation.

During the three and six months ended June 30, 2025, the Company received royalty income from music royalty assets totaling \$6,042 and \$14,967 respectively (USD\$4,398 and USD\$10,671) (June 30, 2024 – \$7,956 and \$21,525 respectively (USD\$5,732 and USD\$15,774)).

**6. EXPLORATION AND EVALUATION EXPENDITURES****Bilbao**

The Company, through wholly owned Mexican subsidiaries, holds a 100% interest in the Bilbao silver-zinc-lead project, including the necessary surface lands for surface installations and development of the Bilbao deposit.

**Laguna**

The Company held a 100% interest in the Laguna silver-gold-mercury tailings development project and was granted a twenty-year concession dated December 10, 2003 by the *Comision Nacional del Agua* ("Conagua") relating to the extraction rights to six million cubic metres of tailings material, subject to an amount payable to Conagua in the amount MXN\$11.00 (approximately \$1.00) per cubic metre of tailings. The permit expired in December, 2023 and was not renewed.

In order to maintain the Company's mineral concessions and titles in good standing, the Company is required to maintain a prescribed minimum of annual exploration expenditure and pay fees semi-annually to the Secretaria de Economia in Mexico. Minimum expenditure commitments and concession payments totaling approximately \$108,000 (MXN \$1,488,000) are required annually. Failure to make the annual concession payments or incur the minimum annual exploration expenditures, to the satisfaction of the Mexican authorities, or a determination that the expenditures incurred are not qualifying expenditures, may result in the cancellation or forfeiture of the mineral concessions.

## ROYALTIES INC.

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian Dollars)

For the Three and Six Months Ended June 30, 2025 and 2024

#### 7. MINERAL ROYALTY INTERESTS

The Company holds royalty interests in certain mineral properties in Mexico, and an asserted claim to a 2% net smelter royalty emanating from its former ownership of six mining concessions which are part of the Cozamin Mine in Zacatecas operated by Capstone Copper Corp. (TSX:CS) ("Capstone"). The entitlement of the royalty is contested by a third party and Capstone. The Company filed lawsuits against both parties to properly recognize the 2% NSR in 2021. In August 2022, the Zacatecas courts requested the Public Mines Registry in Mexico City register the Minera Portree royalty claims on title. The key witnesses were deposed in court in September and October 2023. A court ordered site inspection of the Portree claims was blocked by Capstone in November 2023.

On June 16, 2025, the court issued a final judgment, ruling in favour of Portree by declaring the non-existence of a 2019 rights assignment contract and upholding the Company's entitlement to royalty payments from mining concessions at the Cozamin Mine, operated by Capstone. As expected, Capstone has appealed this decision and the Company anticipates a resolution in the coming months.

#### 8. SHARE CAPITAL

##### Common Shares Authorized

Unlimited number of common shares

	Shares #	Amount \$
Balance as at January 1, 2023	201,293,057	39,130,223
Shares issued from the exercise of stock options	1,350,000	145,240
Shares issued pursuant to acquisition agreement	500,000	25,000
Shares issued for debt settlement	5,400,000	270,000
Shares issued for private placement	7,480,000	374,000
Balance as at December 31, 2023	216,023,057	39,944,463
Shares issued for private placement	3,000,000	105,000
Balance as at December 31, 2024	219,023,057	40,049,463
Shares issued for private placement	5,280,000	158,400
Shares issued for debt settlement	720,000	21,600
Shares issued in exchange for shares in MRI	12,500,000	500,000
Balance as at June 30, 2025	237,523,057	40,729,463

##### Fiscal 2025

- On January 13, 2025, the Company completed a non-brokered private placement with Directors and Officers for 5,280,000 shares at \$0.03 per share for proceeds totaling \$158,400. In addition, the Company issued 720,000 shares at \$0.03 per share as debt settlement totaling \$21,600.
- On June 19, the Company issued 12,500,000 shares from treasury at \$0.04 per share to a private investor in exchange for 1,000,000 shares in MRI at \$0.50 per share. The equity swap was valued at \$500,000.

##### Fiscal 2024

- On September 24, 2024, the Company closed a non-brokered private placement for gross proceeds of \$105,000 through the issuance of 3,000,000 shares at \$0.035 per share of which 2,000,000 shares were subscribed for by Officers and Directors of the Company for gross proceeds of \$70,000.

## ROYALTIES INC.

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian Dollars)

For the Three and Six Months Ended June 30, 2025 and 2024

#### 9. SHARE-BASED PAYMENT RESERVE

The board of directors has approved a Stock Option Plan for directors, officers, management, employees and other persons who perform ongoing services for the Company or any of its subsidiaries. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and to benefit from its growth.

The maximum number of common shares reserved for issuance upon the exercise of options is not to exceed 10% of the total number of common shares outstanding immediately prior to such an issuance. The options are exercisable over a period not exceeding ten years. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options is fixed by the board of directors at the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

As at December 31, 2024, there were 3,650,000 share options outstanding. There were no share option transactions during fiscal 2025 and on June 4, 2025, 3,650,000 options expired. There were no remaining options outstanding as at June 30, 2025.

#### 10. RELATED PARTY TRANSACTIONS

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors of the Company.

	Three months ended June 30,		Six months ended June 30,	
	2025 \$	2024 \$	2025 \$	2024 \$
Dividend income	18,000	18,000	36,000	36,000
Professional fees	3,000	3,000	6,000	6,000

Also included in accounts payable and accrued liabilities as at June 30, 2025 is \$6,780 (December 31, 2024- \$10,170) due to a company controlled by an officer of the Company for professional fees. These balances are due on demand, unsecured and non-interest bearing.

The subsidiaries of the Company as at June 30, 2025 and December 31, 2024 were as follows:

Name of Subsidiary	Country of Incorporation	Percentage owned	Principal activity
Orca Minerals Limited	Canada	100%	Holding company for Orca Gold International
Orca Gold International Ltd.	Bahamas	100%	Holding company for Mexican subsidiaries
Bilbao Resources SA de CV	Mexico	100%	Exploration
Bilbao Mining SA de CV	Mexico	100%	Exploration
Minera Orca SA de CV	Mexico	100%	Exploration
Orca Mining Exploration SA de CV	Mexico	100%	Exploration
Minera Portree de Zacatecas SA de CV	Mexico	88%	Holding company for mineral royalty interests

#### 11. FINANCIAL INSTRUMENTS

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that the risks are properly identified and managed and that the capital base is adequate in relation to those risks. There have been no significant changes in the risks or the Company's objectives, policies and procedures related to risk management during the periods ended June 30, 2025 and December 31, 2024.

The Company has designated its long-term investments as fair value through profit or loss, which are measured at fair value. Cash, amounts receivable, accounts payable and accrued liabilities, and other liability of subsidiary are measured at amortized cost.

##### Capital Risk:

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain its exploration and evaluation projects.

## ROYALTIES INC.

### Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian Dollars)

For the Three and Six Months Ended June 30, 2025 and 2024

#### 11. FINANCIAL INSTRUMENTS (CONTINUED)

##### Credit Risk:

Credit risk is the risk that a counterparty will be unable to pay amounts owing to the Company. Management's assessment of the Company's risk is low.

##### Liquidity Risk:

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

As at June 30, 2025, the Company had cash of \$76,540 (December 31, 2024 - \$17,046) to settle current liabilities of \$98,812 (December 31, 2024 - \$151,216), excluding the contingent liability of a subsidiary totaling \$2,721,600 (USD\$2,000,000) (December 31, 2024 - \$2,880,200 (USD\$2,000,000)). The Company's accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

##### Price Risk:

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not a producing entity.

##### Interest Rate Risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to interest rate risk due to the minimal cash levels, and debt has been repaid.

##### Foreign Currency Risk:

The Company is subject to foreign exchange risk as some of its operating, investing and financing activities are transacted in currencies other than the Canadian dollar. The Company is therefore subject to gains and losses due to fluctuations in these currencies relative to the CAD dollar.

As at June 30, 2025 and December 31, 2024, the Company held the following USD monetary assets and liabilities:

	June 30, 2025 USD	December 31, 2024 USD
Cash	11,654	3,130
Other liability of subsidiary	(2,000,000)	(2,000,000)
Total USD monetary assets	(1,988,346)	(1,996,870)

As at June 30, 2025 and December 31, 2024, the Company held the following Mexican monetary assets and liabilities:

	June 30, 2025 MXN	December 31, 2024 MXN
Cash	17,192	33,830
Accounts payable and accrued liabilities	(358,797)	(358,797)
Total Mexican monetary assets	(341,605)	(324,967)

A 10% increase (decrease) in the fair value of the USD monetary assets as at June 30, 2025 would result in an estimated increase (decrease) in net income (loss) of approximately \$275,000 (December 31, 2024 - \$284,000).

A 10% increase (decrease) in the fair value of the Mexican monetary assets and liabilities as at June 30, 2025 would result in an estimated increase (decrease) in net income (loss) of approximately \$2,500 (December 31, 2024 - \$1,900).

**ROYALTIES INC.****Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian Dollars)**

For the Three and Six Months Ended June 30, 2025 and 2024

**11. FINANCIAL INSTRUMENTS (CONTINUED)***Fair value of financial instruments*Level 3 Hierarchy

IFRS require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

As at June 30, 2025 and December 31, 2024, the carrying and fair value amounts of the Company's financial instruments, other than investments are approximately the same because of the short-term nature of these instruments.

The fair value hierarchy has the following levels:

- a. quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- b. 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 2); and
- c. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table illustrates the classification and hierarchy of the Company's financial instruments, measured at fair value in the statements of financial position as at June 30, 2025.

	Level 1	Level 2	Level 3
Private investment	-	-	\$ 1,500,000

The following table illustrates the classification and hierarchy of the Company's financial instruments, measured at fair value in the statements of financial position as at December 31, 2024.

	Level 1	Level 2	Level 3
Private investment	-	-	\$ 1,000,000

Within Level 3, the Company included private company investments that are not quoted on an exchange. The key assumptions used in the valuation of these instruments include (but are not limited to) the value at which a recent financing was done by the investee.

There were no transfers between levels during the periods ended June 30, 2025 and December 31, 2024.

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 as at June 30, 2025 and December 31, 2024. These financial instruments are measured at fair value utilizing non-observable market inputs. The net realized and unrealized gain are recognized in the statements of income (loss).

Investment, fair value	June 30, 2025	December 31, 2024
Beginning balance of year	\$ 1,000,000	\$ 1,000,000
Purchase – shares	500,000	-
Balance, end of period	\$ 1,500,000	\$ 1,000,000

## **ROYALTIES INC.**

### **Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian Dollars)**

For the Three and Six Months Ended June 30, 2025 and 2024

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#### **11. FINANCIAL INSTRUMENTS (CONTINUED)**

##### **Music Royalties Inc.**

The valuation was based on Music Royalties Inc.'s most recent financing. Management has determined that there are no reasonable alternative assumptions that would change the fair value significantly as at June 30, 2025. As at June 30, 2025, a +/- 10% change in the fair value of Music Royalties Inc. will result in a corresponding +/- \$150,000 change in net loss (December 31, 2024 - \$100,000).

The sensitivity analysis is intended to reflect the significant uncertainty inherent in the valuation of private investments under current market conditions, and the results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the estimated fair value of these investments. Furthermore, the analysis does not indicate a probability of changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

#### **12. CAPITAL MANAGEMENT**

The Company's capital structure consists of its capital stock and share-based payment reserve. The Company manages its capital structure, and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition of catalogues of songs, and the exploration and development of mineral properties. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company will continue to assess new music royalties and seek to acquire an interest in additional music royalties if it feels there is economic potential and if it has adequate financial resources to do so.

The properties in which the Company currently has an interest are in the exploration stage and historically the Company was dependent on external financing to fund its activities. In order to carry out the planned acquisition of cash flowing royalties, the Company will utilize its existing working capital and seek to raise additional amounts as needed through the issue of common shares or other securities.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have remained unchanged during the periods ended June 30, 2025 and December 31, 2024. The Company was not subject to any capital requirements imposed by a lending institution or regulatory body.

#### **13. COMMITMENTS AND CONTINGENCIES**

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

In order to maintain the Company's mineral concessions and titles in good standing, the Company is required to maintain a prescribed minimum of annual exploration expenditure and pay fees semi-annually to the Secretaria de Economia in Mexico. Minimum expenditure commitments and concession payments totaling approximately \$108,000 (MXN \$1,488,000) are required annually. Failure to make the annual concession payments or incur the minimum annual exploration expenditures, to the satisfaction of the Mexican authorities, or a determination that the expenditures incurred are not qualifying expenditures, may result in the cancellation or forfeiture of the mineral concessions. See Note 6.

Orca Gold International Ltd. ("Orca Gold") acquired shares of Shoshone Mexico S.A. de C.V. ("Shoshone Mexico") from Shoshone Silver Mining Company ("Shoshone Silver"). Shoshone Mexico is the registered owner of four mining concessions that make up the majority of the Bilbao property, subject to a 1.5% net smelter royalty, and the beneficial owner of a 25% interest in the Bilbao concessions. As part of the agreement, Shoshone Silver agreed to indemnify Orca Gold and Shoshone Mexico against any liabilities or obligations of Shoshone Mexico. In return, Orca Gold agreed to pay Shoshone Silver a total of USD \$4,900,000, with USD \$2,400,000 paid upon the transfer of shares in August 2008 and an additional USD \$500,000 paid one year later.



**ROYALTIES INC.****Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Expressed in Canadian Dollars)**For the Three and Six Months Ended June 30, 2025 and 2024

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**13. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The balance of \$2,721,600 (USD\$2,000,000) expressed to be payable by Orca Gold to Shoshone Silver pursuant to the Indemnity and Guarantee Agreement was to be payable in four consecutive equal annual payments of USD\$500,000 each, the first such USD\$500,000 annual payment to be made at the time of commencement of construction of any mine developed on the Bilbao concessions, but in any event not less than six years after the date of the first payment of USD\$2,400,000 in August 2008 and provided that the remaining balance of USD\$2,000,000 was to be paid in full no later than ten years after the date of the first payment of USD\$2,400,000. Construction of a mine on the Bilbao concessions has not commenced to date. The payment was secured by a charge granted by Shoshone Mexico in favor of Shoshone Silver and registered against the four Bilbao mining concessions.

**14. SUBSEQUENT EVENTS**

On July 30, 2025, the Company entered into an acquisition agreement for the purchase of 1,000,000 additional common shares of MRI from a private investor at a price of \$0.50 per share in exchange for the issuance of 8,333,333 common shares in the Company at an issuance price of \$0.06 per share. As at August 27, 2025, the Company's 4,000,000 common shares in MRI were valued at \$2,000,000 (December 30, 2024 – 2,000,000 shares valued at \$1,000,000).