

# **ROYALTIES INC.**

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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

Dated August 27, 2025

(Expressed in Canadian Dollars, except per share amounts)

**ROYALTIES INC.**  
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**General**

This Management Discussion and Analysis (MD&A) reviews the activities of Royalties Inc. ("Royalties Inc." or the "Company") and compares the financial results for the three and six months ended June 30, 2025 and 2024.

For a more complete understanding of the Company's financial condition and results of operations, this MD&A should be read together with the unaudited condensed consolidated interim financial statements and the accompanying notes for the three and six months ended June 30, 2025 and 2024, a copy of which is filed under the Company's profile on the SEDAR+ website at [www.SEDARplus.ca](http://www.SEDARplus.ca) ("SEDAR+").

The functional currency of the Company is CAD, unless otherwise stated.

**Company Overview**

The Company has an approximate 2% 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 31 cash-flowing music royalties. The Company received dividends from the investment in MRI totaling \$18,000 and \$36,000 respectively during the three and six months ended June 30, 2025.

In 2023, Royalties Inc. made four music royalty acquisitions for \$453,943 which generated \$8,925 (USD\$6,273) in cash during the three and six months ended June 30, 2025 (June 30, 2024 - \$13,569 (USD\$10,099)).

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.

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 which are part of the Cozamin Mine operated by Capstone Copper Corp. ("Capstone").

Minera Portree filed lawsuits against Capstone Gold S.A. de C.V. ("Capstone Gold") 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 April 9, 2025, Minera Portree filed the final arguments with the court in Zacatecas, Mexico in the lawsuit against Raul Gonzalez Anaya and Capstone Gold to invalidate their contract assigning the 2% NSR on five concessions called the Portree claims, established in 2002, without the knowledge or consent of the rightful and longstanding owner, which is Minera Portree. On June 16, 2025, the court issued a final judgment, ruling in favour of Minera 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.

The Company has maintained the Bilbao mineral concessions and title to the property in good standing and with the improved outlook for silver prices, continues to solicit interest in the Bilbao project from operating silver producers with the objective of converting an asset, in which Royalties Inc. invested over \$32,000,000, into cash flowing royalties in order to maximize value for shareholders.

**Significant Current Events**

During the three and six months ended June 30, 2025, the Company earned dividend income totaling \$18,000 and \$36,000 respectively (June 30, 2024 - \$18,000 and \$36,000) and royalties income totaling \$6,042 and \$14,967 respectively or USD\$4,398 and USD\$10,671 (June 30, 2024 - \$7,956 and \$21,525 or USD\$5,732 and USD\$15,774). Royalties income was lower in fiscal 2025 due to the cancellation of the Carbonaro Effect's TV syndication.

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, which was a fee paid for DTC eligibility for trading shares in the US under the symbol "ROYIF".

On June 18, 2025, the Company issued 12,500,000 shares from treasury to a private investor at \$0.04 per share in exchange for 1,000,000 shares in MRI at \$0.50 per share for an equity swap valued at \$500,000.

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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 for \$500,000. 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).

**Mineral Royalty Interests**

On July 31, 2019, the Company acquired a 1.5% net smelter royalty and all legal interests of the vendors in the four mining concessions comprising the bulk of the Bilbao property, previously held by four individuals, for \$100,000, paid as to \$51,000 in cash and \$49,000 by the issue of 980,000 common shares of the Company.

On April 22, 2020, the Company entered into an agreement to acquire 88% of the shares of Minera Portree in consideration of the payment of \$56,000, and the issue to the vendor of 2,000,000 shares of the Company. Liabilities of \$18,131 (USD\$14,280) were also assumed and a non-controlling interest of \$26,396 (USD\$20,789) was recognized as a result of the purchase.

Minera Portree holds various legal or royalty interests in certain mineral properties in Mexico, including an asserted claim to a 2% net smelter royalty on six mining concessions which are part of the Cozamin Mine in Zacatecas operated by Capstone (TSX:CS), five of which were acquired by Capstone from a third party in 2017 and 2019. The transfers of three of these mining concessions to Capstone are pending registration with the Public Registry of Mining since August 2019. The third-party had acquired the six mining concessions from Minera Portree in 2002, subject to a 2% net smelter royalty retained by Minera Portree. The entitlement of Minera Portree to the royalty is contested by the third party and Capstone, which inappropriately relied on a 2010 POA created for administrative purposes to transfer 'ownership' without the knowledge or consent of Minera Portree, the rightful owner since 2002.

The Cozamin Mine is an operating polymetallic copper-silver underground mine, located 3.6 km north-northwest of Zacatecas City, currently operating at 3,780 tonnes per day milling capacity, which is expected to produce 51.2 million pounds of copper and 1.6 million ounces of silver per year over the 10 year period 2021-2030.

Based on public disclosure, Capstone reported that during the third quarter of 2019 Cozamin acquired the Portree claim block that laid within the Mala Noche Footwall Zone ("MNFZ"). The claim block was surrounded by high grade Inferred Mineral Resources.

During the fourth quarter of 2019, Cozamin started drilling into the Portree claim block. Prior to this, Portree was an untested inlier within Cozamin's land position covering the MNFZ area.

In the first quarter of 2020, Capstone reported that drilling of the MNFZ, associated with infilling or stepping out from regions of Inferred Mineral Resource category of the Mineral Resource estimate, was undertaken with five surface and one underground diamond drilling rigs.

On June 11, 2020, Capstone announced the results of an updated Mineral Resource estimate reporting that the Measured and Indicated Resource for Vein 20, the principal zone in the MNFZ, increased by 118% to 13.1 million tonnes at 2.35% Cu and 52 g/t Ag.

Capstone also stated that "this new Resource Estimate has exceeded our expectation to upgrade Vein 20, the principal zone in the Mala Noche Footwall Zone, to Indicated Class, previously estimated as Inferred in 2018. We also extended high grades into a previously undrilled area (the 'Portree claim' highlighted on the Capstone press releases and presentations), thus adding unexpected tonnage in a key part of our development plan. We believe there is additional exploration potential, and we are making plans to test new step-out targets in H2 2020".

Capstone reported that the Mineral Reserves at the MNFZ were primarily located in Vein 20, with some additional material within an adjacent structure called Vein 10, that are actively being mined. These two veins, of the eight MNFWZ veins modeled, were best suited to the current mining method and are the principal target of an upcoming mineral reserve estimate predicated on the large increase in Indicated Class Mineral Resources. The potential of the remaining six veins represent a future exploration opportunity.

Capstone reported that mining started within the Portree claim in the fourth quarter of 2019. In anticipation of the successful resolution of the dispute, the implication is that Capstone owes the Company a 2% NSR on the ore mined from the Portree portion, which is an estimated 20-30% of the Mala Noche Footwall Zone, which area represents almost all of the production at the Cozamin Mine. In 2024, Capstone paid US\$4.4 million in royalties on US\$234 million of net revenues for an average 1.9% NSR paid. Royalties of US\$3.2 million were likely incorrectly paid to Grupo Minera Bacis S.A. de C.V. ("Bacis") under the terms of a December 2003 agreement where a 3% NSR is paid on production from the property covered by the agreement, which is an estimate one third or 500 meters of the MNFZ. Royalties of US\$1.2 million were paid to Gold Royalty Corporation ("GROY") in respect of a 1% NSR on 2 claims only 300 meters and down strike from the Portree block. On a surface linear strike basis, the Portree portion of the MNFZ represents about 30% of the 1.5 km strike being mined, GROY represents a higher grade 37% of the strike and Bacis represents about 33% of the strike length. Accordingly, the Company estimates the 2% NSR on the Portree claim in dispute represents US\$1.5 million in potential cash flow per year plus the amount owed on production over the six year period since 2019.

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The Company believes the royalties owed by Capstone may have been incorrectly paid to Bacis. This excludes the long term potential resource on the bulk of the 5 Portree claims which include the historical high grade Parroquia copper mine in the southwest area of the Cozamin Mine land holdings with an historical resource of approximately 2 million tonnes. An accurate segmented production accounting of the amount owed and the value of the 2% NSR can only be made with the co-operation of Capstone, which has not been forthcoming.

**Bilbao Silver-Zinc-Lead Project**

Royalties Inc., through its Mexican subsidiaries, currently holds a 100% interest in the Bilbao zinc-silver-lead-copper project located approximately 500km northwest of Mexico City in the southeastern part of the State of Zacatecas. Bilbao is a polymetallic, replacement-style, silver-zinc-lead, skarn-type replacement sulphide deposit with a deeply weathered oxide cap.

In 2014 Runge Pincock Minarco (Canada) Limited (RPM) delivered an independent Technical Report in accordance with NI 43-101 containing an updated resource estimate and preliminary economic assessment (PEA) on the Bilbao Project based on three year trailing average prices of: Silver US\$30.24/ounce, Zinc US\$0.94/lb, and Lead US\$1.01/lb. This compares to current August 2025 spot prices of: Silver US\$38.50/ounce, Zinc US\$1.25/lb, and Lead US\$0.88/lb.

The mine plan incorporated in the PEA targeted the extraction of only the lower, unoxidized, sulphide zone based on a production rate of 2,000 tonnes per day, or 720,000 tonnes per year with an average grade of 2.1%, 1.4% and 63.96 g/t of zinc, lead and silver, respectively, over a mine life of approximately eight years.

The mineral processing plant described in the PEA proposes the treatment of the silver-zinc-lead sulphide ore at a design throughput rate of 2,000 tonnes per day, which would thereby project on average, 16,913 dry tonnes per year of silver-rich lead concentrate, and 26,966 dry tonnes per year of zinc concentrate, constituting an average combined total of approximately 20 million pounds of zinc, 17 million pounds of lead, and one million ounces of silver, per year.

In 2015, the Company conducted a desktop analysis of an alternative development scenario of extracting only the high grade portion of the Bilbao resources and milling of the ore mined from Bilbao at an existing mill within a reasonable trucking distance. By focusing only on the higher grade portion of the resource, this alternative development scenario would reduce the projected mining and processing rate, as well as subsequent metal concentrate production but maintain an eight year mine life. This scenario would also reduce the projected capital costs by reducing the amount of mine development required and eliminating the proposed mill at Bilbao.

In 2016, the Company focused its field exploration activities on the identification of additional resource potential at 10 favorable target sites on the wider Bilbao property. Activities carried out included ground magnetometer and associated topographic surveys aimed at further identification and location of potential drill targets outside the immediate limits of the existing Bilbao deposit. The results confirmed there is potential for additional vein and skarn-type potential mineralization on the property.

The Company maintains the Bilbao mineral concessions and title to the property in good standing while at the same time examining strategic alternatives for further exploring and/or development of the property. Exploration programs carried out in 2016 and 2017 confirmed the potential for the identification of additional resources at 10 favorable target sites on the wider Bilbao property. Examination of previous metallurgical studies and the evaluation of potential solutions to increase viable tonnage and improve metal recovery at the Bilbao deposit continued with limited financial resources.

A review of prior exploration reports and drill results from 2010-2013, identified eight targets for potential satellite mineralization around the main Bilbao deposit, two of which stand out with high grade silver potential and therefore merit drilling. Royalties Inc. invested over \$32,000,000 into Bilbao and would like to monetize this asset into a cash flowing royalty and enable the company to focus on royalty acquisitions in order to maximize value for shareholders.

On August 27, 2020, Royalties Inc. announced its intention to re-assess the Bilbao deposit based on the rise in silver prices which approached the level estimated in the PEA which combined with the 2010-2013 drill results which outlined the potential to expand tonnage and the unexplored high grade vein systems.

On September 24, 2020, Royalties Inc. announced a plan to drill the high grade silver potential at Bilbao in two areas. After receiving its drilling permit on the area located adjacent to and west of the main Bilbao Silver-Zinc-Lead deposit, called the Victor vein, the Company drilled five holes over the December to February period for a total of 1800 metres. This high grade silver zone runs north-south over a strike length of approximately 500 metres. The objective of drilling into this silver zone was to confirm the continuity of the high grade silver values to the northwest between historical drill holes X42 and X100 to the south which are separated by 500 metres.

Overall, the drill results on the five holes on the Victor vein demonstrated both consistency and continuity of the mineralization which should add to the economics of the Bilbao deposit. Furthermore, the results extend the thesis that the surrounding veins are a completely different mineralization than the skarn in the main deposit and therefore there is unexplored potential.

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The goal of exploring the silver potential in the area surrounding the main Bilbao deposit, was based on an internal review of the prior drilling of 113 holes which identified 74 holes with higher silver values suggesting a potential additional three to four million tonnes with a probable grade in the range of 200-240 g/t Ag, plus lead, zinc and copper by-product. The combination of the existing deposit, the high grade silver mineralization outside and just west of the deposit plus the zone, called El Cabezón which is a former silver mine operated by the Frisco Industrial Group, located 1.5 km south of Bilbao leads to the potential of a much larger silver resource and an area play. The potential quality and grade is conceptual in nature; there has been insufficient exploration to define a mineral resource and it is uncertain if future exploration will result in the target being delineated as a mineral resource.

The permit to drill the El Cabezón vein expired in 2023. The area to the south of Bilbao is exposed over 600 metres so the objective was to drill two holes in search of the continuity of the mineralization of the silver vein below the old mine where three levels were exploited. A third hole was planned to seek the continuity 400 metres to the northwest of the first drill hole and is located in the Bilbao 2 concession. As previously reported, this area has potential to offer additional tonnage based on similar results from trenching, sampling and soil geochemistry.

### **Results of Operations**

The Company recorded dividend income for the three and six months ended June 30, 2025, totaling \$18,000 and \$36,000 respectively (June 30, 2024 - \$18,000 and \$36,000) and royalties income totaling \$6,042 and \$14,967 respectively or USD\$4,398 and USD\$10,671 (June 30, 2024 - \$7,956 and \$21,525 or USD\$5,732 and USD\$15,774).

For the three and six months ended June 30, 2025, the Company recorded a loss from operations of \$44,583 and \$76,322 or \$0.000 and 0.000 per share respectively (June 30, 2024 - \$39,027 and \$61,527 or \$0.000 and \$0.000 respectively), which included Mexican exploration and evaluation expenses of \$9,567 and \$43,688 respectively (June 30, 2024 - \$11,347 and \$45,472 respectively). For the three and six months ended June 30, 2025, net income and comprehensive income totaled \$111,774 and \$78,176 or \$0.000 and \$0.000 per share respectively (June 30, 2024 - net loss and comprehensive loss of \$46,642 and \$87,308 or \$0.000 and \$0.000 per share respectively).

The Company has minimized its administrative and holding costs to maintain its properties, while examining strategic alternatives for realizing some value on its Bilbao and other Mexican projects and identifying and evaluating new potential royalty acquisitions.

### **Professional fees**

Professional fees include mainly audit, tax, accounting and corporate legal fees.

For the three and six months ended June 30, 2025, professional fees totaled \$34,289 and \$37,289 respectively (June 30, 2024 - \$32,569 and \$35,682 respectively).

### **Corporate Expenses**

Corporate expenses include mainly annual general meeting ("AGM") costs, legal fees, and CSE and TMX Trust fees.

For the three and six months ended June 30, 2025, corporate expenses totaled \$10,441 and \$17,678 respectively (June 30, 2024 - \$9,597 and \$13,911 respectively).

### **General and Administrative Expenses**

General and administrative expenses include mainly director and officer insurance, office expenses and bank service fees.

For the three and six months ended June 30, 2025, the Company recorded \$3,590 and \$7,158 respectively in general and administrative expenses (June 30, 2024 - \$3,599 and \$8,245 respectively).

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**Summary of Quarterly Results**

The Company's quarterly results are presented in thousands of dollars, except per share amounts, as follows:

(in '000s)	Fiscal 2025		Fiscal 2024				Fiscal 2023	
	Jun 30 \$	Mar 31 \$	Dec 31 \$	Sep 30 \$	Jun 30 \$	Mar 31 \$	Dec 31 \$	Sep 30 \$
Revenue	24	27	26	25	26	32	33	33
Net income (loss)	112	(34)	(266)	(84)	(39)	(23)	(167)	(87)
Net income (loss) per share	0.000	(0.002)	(0.002)	(0.000)	(0.000)	(0.000)	(0.002)	(0.000)
Working capital deficiency	(2,714)	(2,837)	(2,994)	(2,762)	(2,873)	(2,816)	(2,738)	(2,758)

- During the three months ended June 30, 2025
  - Revenue was received from dividend income (\$18,000) and royalty income (\$6,042)
- During the three months ended March 31, 2025:
  - Revenue was received from dividend income (\$18,000) and royalty income (\$8,925).
- During the three months ended December 31, 2024:
  - Revenue was received from dividend income (\$18,000) and royalty income (\$8,008).
- During the three months ended September 30, 2024:
  - Revenue was received from dividend income (\$18,000) and royalty income (\$7,769).
- During the three months ended June 30, 2024:
  - Revenue was received from dividend income (\$18,000) and royalty income (\$7,955).
- During the three and six months ended March 31, 2024:
  - Revenue was received from dividend income (\$18,000) and royalty income (\$13,569).
- During the three months ended December 31, 2023:
  - Revenue was received from dividend income (\$18,000), royalty income (\$15,276) and interest income (\$45).
- During the three months ended September 30, 2023:
  - Revenue was received from dividend income (\$18,000) and royalty income (\$14,905).
- Working capital deficiency includes the \$2,721,600 (USD\$2,000,000) contingent liability of a subsidiary.

**Liquidity and Capital Resources**

The book value of total assets as at June 30, 2025 was \$1,799,556 compared to \$1,252,384 as at December 31, 2024. The Company has invested in its Bilbao mineral project, which in accordance with the Company's accounting policies has been fully expensed.

As at June 30, 2025, the Company had cash of \$76,540 to settle current liabilities of \$98,812, excluding the \$2,721,600 (USD\$2,000,000) contingent liability of a subsidiary.

**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. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

	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.

See note 10 of the Consolidated Financial Statements.

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**Commitments and Contingencies**

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.

**Critical Accounting Estimates**

The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and require management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

**Risk and Uncertainties**

The risk factors and uncertainties associated with the Company's business are described in detail in the Company's Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2025 (under the headings "Nature of Operations", "Basis of Preparation and Going Concern" and "Summary of Significant Accounting Policies" and elsewhere within that document), all as filed under the Company's profile on SEDAR+. Such risks and uncertainties could have a material adverse effect on the Company's business, financial condition and/or results of operations, and on the trading price of the Company's shares.

In conducting its business, the Company faces a number of risks common to the mining and exploration industry. These are summarized below.

**Failure to Obtain Additional Financing – Going Concern**

The continuing operations of the Company in the short term are dependent upon continued support from its major shareholders and its ability to raise adequate working capital to continue as a going concern.

There is no assurance that the Company will be successful in obtaining the required financing. It cannot be guaranteed that such financing will be available on a timely basis or on acceptable terms. Failure to secure additional financing would result in delaying or indefinite postponement of development or production of the Company's properties. There can be no assurance that such additional financing will be available when needed or that, if available, the terms of such financing will be on terms favorable to the Company. As at June 30, 2025 and December 31, 2024, the Company was not subject to any capital requirements imposed by a lending institution or regulatory body.

**Exploration, Development and Operating Risk**

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors that are beyond the control of the Company and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection, the combination of which factors may result in the Company not receiving an adequate return of investment capital. Many of the mining claims in which the Company has an interest are in the exploration stage only and are without a known body of commercial ore. Development of the subject mineral properties would follow only if favourable exploration results are obtained and a positive study is completed. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration and development programs, which may be affected by a number of factors.

Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

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**No Assurance of Production**

Mineral exploration is highly speculative in nature, involves many risks, and frequently does not lead to the discovery of commercial reserves of minerals. While the rewards can be substantial if commercial reserves of minerals are found, there can be no assurance that the Company's past or future exploration efforts will be successful, that any production therefrom will be obtained or continued, or that any such production which is attempted will be profitable.

The Company has limited experience in placing resource properties into production, and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise when and if the Company places its resource properties into production and whether it will produce revenue, operate profitably or provide a return on investment in the future.

**Government Regulation and Permitting**

The current or future operations of the Company, including development activities and commencement of production on its properties, require permits from various federal, state and local governmental authorities in Mexico, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, water use, environmental protection, land claims of local people, mine safety and other matters.

Mexico is considered among the desirable regions of the world for exploration and mining, according to results of a survey conducted by The Fraser Institute, an independent Canadian research organization. The country's desirability for mining companies results from a combination of factors including a strong mining culture, excellent geology, relative political stability and favourable tax and permitting structures. Under the country's foreign ownership laws, non-Mexican companies can maintain 100% ownership of their properties and reap the benefits of successful exploration.

Such operations and exploration activities are also subject to substantial regulation under applicable laws by Mexican governmental agencies that will require the Company to obtain permits, licences and approvals from various governmental agencies. There can be no assurance, however, that all permits, licences and approvals that the Company may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which the Company might undertake.

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.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

**Management**

The success of the Company is currently largely dependent on the performance of its directors and officers. There is no assurance the Company can maintain the services of its directors and officers, or other qualified personnel required to operate its business. The loss of the services of these persons could have a material adverse effect on the Company and its prospects. Some of the directors and officers also serve as directors and/or officers of other companies which are engaged and will continue to be engaged in the search for additional business opportunities on behalf of other companies, and situations may arise where these directors and officers will be in direct competition with the Company. Conflicts, if any, will be dealt with in accordance with the relevant provisions of applicable corporate and securities laws.



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**Price Volatility of Publicly Traded Securities**

Securities of exploration companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the relative attractiveness of particular industries. The Company's share price is also likely to be significantly affected by short-term changes in metal prices or in the Company's financial condition or results of operations.

As a result of any of these factors, the market price of the Company shares at any given point in time may not accurately reflect the Company's long-term value.

**Fluctuating Metal Prices**

Metal prices are subject to significant fluctuations and are affected by several factors which are beyond the control of the Company. The principal factors include: diminished demand, which may arise if economic growth in China, North America, and/or Europe is not sustained; increases in supply resulting from the discovery and the development of new sources of metals; and supply interruptions, due to changes in government policies, war, or international trade disputes or embargos. The effect of these factors on the future price of metals and their effect on the Company's operations cannot be predicted.

**Foreign Currency Exchange**

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. The Company's financing activities have been denominated in Canadian Dollars, while the expenditures to be incurred by the Company on its mineral exploration projects in Mexico are denominated in Canadian dollars or Mexican Pesos. The Company also has certain liabilities denominated in US dollars. The appreciation of the US Dollar against the Canadian Dollar would result in increased costs of the Company's activities in Mexico in Canadian Dollar terms, and currency movements may have a significant impact on the Company's financial position and results of operations in the future. Fluctuations in the exchange rates between the Canadian Dollar and the Mexican Peso or US Dollar may have an adverse or positive effect on the Company.

**Off-Balance Sheet Arrangements**

There are no off-balance sheet arrangements.

**Financial Instruments**

All financial instruments included in current assets are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, and other liability of subsidiary are classified as other financial liabilities, which are measured at amortized cost. As at June 30, 2025, the carrying and fair value amounts of the Company's financial instruments are the same because of the limited term of the instruments.

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's operations are carried out in Canada and Mexico and cash is held in Canadian Dollars, US Dollars and Mexican Pesos, the Company is therefore subject to gains and losses due to fluctuations in these currencies.

**Fair value**

The carrying amounts for cash, amounts receivable and other, accounts payable and accrued liabilities, and other liability of the subsidiary on the consolidated statements of financial position approximate fair value because of the limited term of these instruments.

**Privately-held investments**

Shares in privately-held companies (other than options and warrants) are initially recorded at cost, being the fair value at the time of acquisition. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements. These are included in Level 3 in the fair value hierarchy.

**ROYALTIES INC.**  
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**For the three and six months ended June 30, 2025**  
(Expressed in Canadian dollars)

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**Outstanding Share Capital**

The Company has unlimited authorized share capital of a single class of common shares of which 237,523,057 shares were issued and outstanding as at June 30, 2025 (December 31, 2024 - 219,023,057).

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 net proceeds totaling \$158,400, and 720,000 shares at \$0.03 per share as debt settlement totaling \$21,600.

On June 18, 2025 the Company issued 12,500,000 shares from treasury at an issuance price of \$0.04 per share to a private investor in exchange for 1,000,000 shares in MRI at an issuance price of \$0.50 per share. The equity swap was valued at \$500,000.

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).

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.

**Additional Information**

Additional information about the Company is available under the Company's profile on SEDAR+ and on the Company's website.

**Forward-Looking Statements**

This management's discussion and analysis contains certain forward-looking statements relating to, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance.

Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, delays in the development of projects changes in exchange rates, fluctuations in commodity prices, inflation and other factors.

Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. Shareholders and prospective investors should be aware that these statements are subject to known and unknown risks uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.