

ROYALTIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2025 and 2024

(Expressed in Canadian Dollars)

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| <i>INDEX</i> | <i>PAGE</i> |
|--|-------------|
| Independent Auditor's Report | 1 |
| Consolidated Statements of Financial Position | 5 |
| Consolidated Statements of Operations and Comprehensive Loss | 6 |
| Consolidated Statements of Changes in Shareholders' Deficiency | 7 |
| Consolidated Statements of Cash Flows | 8 |
| Notes to the Consolidated Financial Statements | 9 |

Independent Auditor's Report

To the Shareholders of Royalties Inc.

Opinion

We have audited the consolidated financial statements of Royalties Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2025 and, as of that date, the Company's current liabilities exceeded its current assets. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. These

matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|--|--|
| <p><i>Fair value measurement of private investments</i></p> <p>The Company has private investments with a value of \$2,525,000 as at December 31, 2025, which are recorded at fair value through profit or loss. This is presented in Note 4 of the consolidated financial statements. The fair value hierarchy is considered level 3 for which quoted prices or observable inputs were not available. For each investment, management uses valuation techniques that require significant non-observable inputs, requiring management's estimation and judgement.</p> <p>The fair value measurement of private investments was a key audit matter as the valuation required the application of significant judgment in assessing the non-observable inputs used.</p> | <p>In this regard, our audit procedure included:</p> <ul style="list-style-type: none"> - Evaluating the selection and application of the methodologies used by the Company. - Assessing the significant inputs used to estimate the fair value, which involved corroboration of certain inputs and assumptions as applied by management. - Evaluated management's disclosure in the notes to the consolidated financial statements of significant judgements in relation to this matter. |

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our

opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Nimesh Ratnarajah.

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
March 19, 2026

ROYALTIES INC.**Consolidated Statements of Financial Position**

(Expressed in Canadian Dollars)

For the years ended December 31,

| | Notes | 2025 \$ | 2024 \$ |
|--|-------|--------------|--------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | | 30,375 | 17,046 |
| Amounts receivable and other | | 6,770 | 3,722 |
| Prepaid expenses | | 6,581 | 16,864 |
| Total current assets | | 43,726 | 37,632 |
| Non-current assets | | | |
| Investment | 4 | 2,525,000 | 1,000,000 |
| Music royalty assets | 5 | 202,922 | 214,752 |
| Total non-current assets | | 2,727,922 | 1,214,752 |
| Total assets | | 2,771,648 | 1,252,384 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 9 | 142,768 | 151,216 |
| Other current liability of subsidiary | 12 | 2,741,200 | 2,880,200 |
| Total current liabilities | | 2,883,968 | 3,031,416 |
| SHAREHOLDERS' DEFICIENCY | | | |
| Share capital | 7 | 41,754,463 | 40,049,463 |
| Share-based payment reserve | 8 | - | 154,916 |
| Accumulated other comprehensive income | | 15,510 | 15,510 |
| Deficit | | (41,910,061) | (42,026,689) |
| Deficiency attributable to equity holders of the company | | (140,088) | (1,806,800) |
| Non-controlling interest | | 27,768 | 27,768 |
| Total shareholders' deficiency | | (112,320) | (1,779,032) |
| Total liabilities and shareholders' deficiency | | 2,771,648 | 1,252,384 |

GOING CONCERN (Note 2)

COMMITMENTS AND CONTINGENCIES (Note 12)

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 consolidated financial statements.

ROYALTIES INC.**Consolidated Statements of Operations and Comprehensive Loss**

(Expressed in Canadian Dollars)

For the years ended December 31,

| | Note | 2025 \$ | 2024 \$ |
|--|------|-------------|-------------|
| Income | | | |
| Dividend income | 4, 9 | 117,600 | 72,000 |
| Royalty income | | 26,278 | 37,301 |
| Interest income | | 3 | 8 |
| Total income | | 143,881 | 109,309 |
| Operating expenses | | | |
| Professional fees | 9 | 166,940 | 105,504 |
| Corporate expenses | | 49,655 | 25,943 |
| General and administrative | | 13,655 | 18,845 |
| Exploration and evaluation | 6 | 74,865 | 83,927 |
| Amortization of music royalties | 5 | 11,830 | 14,220 |
| Total expenses | | 316,945 | 248,439 |
| Operating loss before other expenses | | (173,064) | (139,130) |
| Other (income) expenses | | | |
| Impairment of music royalty assets | 5 | - | 41,800 |
| Foreign exchange (gain) loss | | (134,776) | 211,362 |
| Total other (income) expenses | | (134,776) | 253,162 |
| Net loss for the year | | (38,288) | (392,292) |
| Other comprehensive loss | | | |
| Foreign currency translation adjustments | | - | 19,606 |
| Net loss and comprehensive loss for the year | | (38,288) | (411,898) |
| Net loss per share | | | |
| basic and diluted | | (0.000) | (0.002) |
| Weighted average Common Shares outstanding | | | |
| basic and diluted | | 238,081,048 | 216,834,532 |

See accompanying notes to the consolidated financial statements.

ROYALTIES INC.**Consolidated Statements of Changes in Shareholders' Deficiency**

(Expressed in Canadian Dollars)

| | Shares outstanding # | Share Capital \$ | Share- based payment reserve \$ | Accumulated other comprehensive income \$ | Accumulated deficit \$ | Attributable to equity holders of the company \$ | Non- controlling interest \$ | Total \$ |
|--|----------------------------|------------------------|---|---|------------------------------|--|---------------------------------------|-------------|
| Balance as at December 31, 2023 | 216,023,057 | 39,944,463 | 154,916 | 35,116 | (41,634,397) | (1,499,902) | 27,768 | (1,472,134) |
| Shares issued for cash (Note 7) | 3,000,000 | 105,000 | - | - | - | 105,000 | - | 105,000 |
| Foreign currency translation adjustments | - | - | - | (19,606) | - | (19,606) | - | (19,606) |
| Net loss for the year | - | - | - | - | (392,292) | (392,292) | - | (392,292) |
| Balance as at December 31, 2024 | 219,023,057 | 40,049,463 | 154,916 | 15,510 | (42,026,689) | (1,806,800) | 27,768 | (1,779,032) |
| Shares issued for cash (Note 7) | 5,280,000 | 158,400 | - | - | - | 158,400 | - | 158,400 |
| Shares issued for debt settlement (Note 7) | 720,000 | 21,600 | - | - | - | 21,600 | - | 21,600 |
| Shares issued for purchase of investment (Note 7) | 29,583,333 | 1,525,000 | - | - | - | 1,525,000 | - | 1,525,000 |
| Options expired | - | - | (154,916) | - | 154,916 | - | - | - |
| Net loss for the year | - | - | - | - | (38,288) | (38,288) | - | (38,288) |
| Balance as at December 31, 2025 | 254,606,390 | 41,754,463 | - | 15,510 | (41,910,061) | (140,088) | 27,768 | (112,320) |

See accompanying notes to the consolidated financial statements.

ROYALTIES INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

| For the years ended December 31, | Note | 2025 \$ | 2024 \$ |
|---|------|-------------|------------|
| Cash flow from operating activities | | | |
| Net loss for the year | | (38,288) | (392,292) |
| Foreign exchange (gain) loss | | (139,000) | 211,829 |
| Amortization of music royalties | 5 | 11,830 | 14,220 |
| Impairment of music royalties | 5 | - | 41,800 |
| Changes in non-cash working capital | | | |
| Amounts receivable | | (3,048) | 8,736 |
| Prepaid expense | | 10,283 | (8,690) |
| Accounts payable and accrued liabilities | | 13,152 | (6,996) |
| Net cash used in operating activities | | (145,071) | (131,393) |
| Financing activities | | | |
| Proceeds from private placements | 7 | 158,400 | 105,000 |
| Total cash provided by financing activities | | 158,400 | 105,000 |
| Increase (decrease) in cash | | 13,329 | (26,393) |
| Cash, beginning of year | | 17,046 | 43,439 |
| Cash, end of year | | 30,375 | 17,046 |
| Supplementary cashflow information | | | |
| Purchase of investment | | \$1,525,000 | \$ - |
| Shares issued for debt settlement | | 21,600 | - |

See accompanying notes to the consolidated financial statements.

ROYALTIES INC.

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars) For the years ended December 31, 2025 and 2024

1. NATURE OF OPERATIONS

Royalties Inc. (the "Company" or "Royalties Inc.") operates as a diversified royalties company. The Company's head office is located at 7 Scholfield Avenue, Toronto Ontario Canada M4W 2Y2. 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 5% 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 a court confirmed claim to a 2% net smelter royalty established in 2002 on five mining concessions which are part of the Cozamin Mine operated by Capstone Copper Corp. ("Capstone"). This claim was supported by a court judgement issued in Zacatecas on June 16, 2025 and a subsequent appeal which the court upheld in the November 4, 2025 decision. On December 19, 2025, Capstone filed a direct Amparo with the Federal Collegiate Tribunal in Mexico. This suspends the sentence issued in the November 4, 2025 decision until the Amparo is completed. Filing the Amparo with the Federal Court in Mexico City is the final legal step available to 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 consolidated financial statements of the Company and its subsidiaries are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). The policies set out below were consistently applied to all the periods presented, unless otherwise noted.

These consolidated financial statements were authorized for issuance by the Board of Directors on March 19, 2026.

These consolidated 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 consolidated 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 Consolidated Financial Statements (Expressed in Canadian Dollars) For the years ended December 31, 2025 and 2024

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 December 31, 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. MATERIAL ACCOUNTING POLICIES

(a) Exploration and evaluation expenditures

Exploration and evaluation costs are expensed as incurred and included in the statement of operations until technical feasibility and commercial viability of extraction of reserves are demonstrable. Once a mine development decision has been made by the Company, subsequent expenditures incurred to develop the mine are capitalized to mineral properties. Exploration costs include acquisition costs of mineral exploration properties and an allocation of administration and salary costs (including share-based payments) as determined by management, where they relate to specific projects.

(b) Asset retirement obligations

The Company will record a liability for the estimated future costs associated with legal and constructive obligations relating to the reclamation and closure of its exploration and evaluation projects. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion expense on the discounted liability. An equivalent amount is recorded as an increase to mineral exploration properties and amortized over the useful life of these assets. Management is currently not aware of any existing significant asset retirement obligations and the Company does not currently have any legal or constructive obligations relating to the reclamation of its exploration and evaluation projects as at December 31, 2025 and 2024.

(c) Mineral royalty interests

Mineral royalty interests consist of acquired royalty interests. The mineral royalty interests held by the Company all relate to non-producing assets in the exploration stage. The value of the exploration stage royalties is accounted for in accordance with IFRS 6, Exploration and Evaluation of Mineral Resources and is expensed on initial recognition.

(d) Cash

Cash is comprised of cash on hand and deposits in banks.

ROYALTIES INC.

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

For the Years ended December 31, 2025 and 2024

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit and loss (“FVTPL”) or fair value through other comprehensive income (“FVOCI”), or “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVTPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVTPL or at amortized cost.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of operations. Cash and amounts receivable are measured at amortized cost.

Subsequent measurement – financial assets at FVTPL

Financial assets measured at FVTPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVTPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations. The Company measures its investments at FVTPL.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive loss in the consolidated statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statements of operations when the right to receive payments is established.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company’s only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. The Company’s financial liabilities include accounts payable and accrued liabilities, and other liability of subsidiary, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

ROYALTIES INC.

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

For the Years ended December 31, 2025 and 2024

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of operations.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of operations.

(f) Functional and presentation currency

The determination of functional currency of an entity is based on the primary economic environment (including monetary policy) in which an entity operates. The functional currency of an entity reflects the underlying transactions, events and conditions that are relevant to the entity. Factors that an entity considers when determining its functional currency include: (i) the currency that mainly influences sale price for goods and services; (ii) the currency of the country whose competitive forces and regulations mainly determine that sale price of its goods and services; (iii) the currency that mainly influences labour, material and other costs of providing goods and services; (iv) the currency in which funds from financing activities are generated; and (v) the currency in which receipts from operating activities are usually retained.

On September 30, 2024, the functional currency of the Company and its subsidiaries changed prospectively to the Canadian dollar from the U.S. dollar. The Company reconsiders the functional currency of its operations if there is a change in events and conditions which determine the primary economic environment or when a change occurs over time. There has been a gradual shift in the Company's operations that increasingly aligns with the Canadian dollar as the functional currency of the Company. In September 2024, the Company completed a Canadian dollar private placement and received \$105,000. Due to increasing Canadian dollar revenue and decreasing US dollar revenues, the Company's future revenues and costs will be largely denominated in the Canadian dollar. The change was applied to the consolidated financial statements prospectively. This is a significant judgment considering the significance of the revenues and costs to the Company's activities, and the primary economic environments in which the Company and its subsidiaries operate. The Company also changed its presentation currency to the Canadian dollar and this change has been applied retrospectively (Note 3). For the purpose of the consolidated financial statements, the results and financial position of each company are expressed in CAD Dollars (the Company's presentation currency). In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the Statement of Financial Position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was re-determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in operations for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in operations.

(g) Share-based payments

Where equity-settled share options are awarded to employees and consultants, the fair value of the options at the date of grant is charged to the statements of operations over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statements of loss over the remaining vesting period. When stock options are granted by the Company, the corresponding increase is recorded to contributed surplus.

ROYALTIES INC.

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

For the Years ended December 31, 2025 and 2024

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Where equity instruments are granted to employees, they are recorded at the fair value at the grant date. The grant date fair value is recognized in the statement of operations over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statements of income and comprehensive income. When the value of goods and services received in exchange for the share-based payment cannot be reliably estimated, the transaction is measured at the fair value of the equity instrument granted.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, the shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital for any consideration paid.

(h) Impairment of non-financial assets

At the end of each reporting period, non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Any impairment is recognized in the consolidated statement of operations.

(i) Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options, warrants and other convertible securities that would decrease loss per share, as a result, all outstanding convertible securities for the years ended December 31, 2025 and 2024 have been excluded from diluted loss per share.

(j) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to taxes payable with regards to previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource-related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Marketable securities and long-term investments

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.

With respect to valuation, the financial information of private companies in which the Company has investments may not always be available, or such information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these may not be realized or realizable. In addition to the events described below, which may affect a specific investment, the Company will take into account general market conditions when valuing the privately-held investments in its portfolio.

ROYALTIES INC.

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

For the Years ended December 31, 2025 and 2024

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

In the absence of occurrence of any of these events or any significant change in general market conditions indicates generally that the fair value of the investment has not materially changed.

An upward adjustment is considered appropriate and supported by pervasive and objective evidence such as a significant subsequent equity financing by an unrelated investor at a transaction price higher than the Company's carrying value; or if there has been a significant increase in the cash distributions received from the investment, or operating events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimate may not be realized or realizable.

Downward adjustments to carrying values are made when there is evidence of a decline in value as indicated by the assessment of the financial condition of the investment based on third party financing, operational results, forecasts, and other developments since acquisition, or if there have been significant corporate or operating events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and therefore its fair value. The amount of the change to the fair value of the investment is based on management's judgment and any value estimated may not be realized or realizable.

The resulting values may differ from values that would be realized had a ready market existed. The amounts at which the Company's privately-held investments could be disposed of may differ from the carrying value assigned. Such differences could be material.

(I) Music royalties

Catalogues of songs and other investments

Catalogues of songs and other investments include music catalogues, artist producer and manager's contracts, and music publishing rights and are recognised as intangible assets measured initially at the fair value of the consideration paid. Catalogues of songs and other investments are subsequently amortized over the estimated useful life of the asset. Catalogues of songs and other investments with an indefinite useful life are not amortized but are subject to an annual impairment test. Useful life is separately considered for each catalogue of songs and other investments are reviewed at the end of each reporting period.

All catalogues of songs are carried at cost less accumulated amortization and any applicable impairment provision.

The Company amortizes catalogues of songs with a limited useful life using the straight-line method based on the terms of the agreements. Terms negotiated are either life of artist ("LOA") plus 70 years, in which case a 20-year straight-line amortization method is used, or straight-line over a contract term of 10 years.

Contingent consideration

Under the terms of the acquisition agreements for Catalogues of songs, contingent consideration may be payable dependent on future independent valuations of the Catalogues or revenue received within a specific time frame of acquiring the Catalogues. Contingent consideration will be recognised when performance conditions are met or the amount is a deferred liability. In such cases, a liability will be recognised alongside an associated finance charge which will be accrued over the respective deferral period.

Asset impairment

Each time events or changes in the economic environment indicate a risk of impairment of intangible assets, the Company re-examines the value of these assets. This impairment test is performed to compare the recoverable amount to the carrying value of the asset. The recoverable amount is determined as the higher of the value in use; or the fair value (less costs to sell) as described hereafter, for each individual asset. The impairment losses recognised in respect of intangible assets may be reversed in a later period if the recoverable amount becomes greater than the carrying value, within the limit of impairment losses previously recognised.

Derecognition of assets

The Company derecognises an asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. On derecognition of an asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

ROYALTIES INC.

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

For the Years ended December 31, 2025 and 2024

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Royalty Revenue Recognition

The Company enters into licence arrangements in respect of Catalogues of songs with third party collection agents. The Company is generally entitled to receive royalty payments paid subsequent to the purchase of the Catalogue regardless of when the performance occurred that generated the royalty. Revenue arising from licences entered into with collection agents is recognised in the period when the royalty payments are received. The contractual basis of the licence arrangements is such that the agents are deemed as 'principals' for tax purposes, therefore the Company recognises its revenue net of administration fees.

(n) Material accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires the application of estimates and assumptions which may affect the results reported in the financial statements. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty are discussed below:

Mineral resource estimates

Mineral resources are estimated in accordance with Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Reserves, Definitions and Guidelines and disclosed in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects" issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation.

Share-based payments

Estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. The model used by the Company is the Black-Scholes valuation model.

Fair value of investment in securities not quoted in an active market or private company investments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values.

Impairment of catalogues of songs and other investments

Valuations of music publishing rights typically adopt the discounted cash flow ("DCF") valuation approach which measures the present value of anticipated future revenues from acquiring the assets, which are discounted at a 'market cost of capital'. This method takes into account income projections from various music industry sources across various revenue flows whilst also factoring in the associated cost of capital. Changes in these estimates can have a material impact on the estimated fair value of the catalogues.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period.

ROYALTIES INC.

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

For the Years ended December 31, 2025 and 2024

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Determination of functional currency

Functional currency is determined annually for each entity based on a set of primary and secondary factors that include: the currency that influences sales prices for goods and services; the currency of the country that determines the sales prices of goods and services; the currency that mainly influences the costs of providing goods and services; the currency in which funds from financing activities are generated; the currency in which receipts from operating activities are usually retained. When the factors do not provide clear indicators, management judgement must be applied in the determination of functional currency.

Contingencies

See Note 12.

Assessment of useful life of music royalties

In order to calculate the amortized cost of the music royalties it is necessary to assess the useful economic life of the copyright interests in songs. This requires forecasts of the expected future revenue from the copyright interests, which contains significant uncertainties as the ongoing popularity of a song can fluctuate unexpectedly.

The actual useful life of a catalogue depends on the Catalogue's genre and listener demographic. The Company will separately consider the useful life of each Catalogue of songs, which is expected to be 20 years.

(o) Changes in accounting policies

Standards and interpretations adopted

Effective January 1, 2025, the Company adopted the new and amended IFRS pronouncement listed below, in accordance with the transitional provisions outlined in the respective standard.

Lack of Exchangeability (Amendments to IAS 21)

In August 2023, the IASB amended IAS 21, The effects of changes in foreign exchange rates, to clarify when a currency is exchangeable into another currency; and how a company estimates a spot rate when a currency lacks exchangeability. Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on financial statements. The amendments apply for annual reporting periods beginning on or after January 1, 2025. The adoption did not have an impact on the Company's consolidated financial statements.

New standards and interpretations not yet adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2026. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently evaluating the impact of these pronouncements on its consolidated financial statements.

Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

In May 2024, the IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments – Disclosures*. The amendments clarify the derecognition of financial liabilities and introduces an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system. The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features and the treatment of non-recourse assets and contractually linked instruments (CLIs). Further, the amendments mandate additional disclosures in IFRS 7 for financial instruments with contingent features and equity instruments classified at FVOCI. The amendments are effective for annual periods starting on or after January 1, 2026. Retrospective application is required and early adoption is permitted.

Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* to improve reporting of financial performance. The new standards replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new categories and required subtotals in the statement of profit and loss and also requires disclosure of management-defined performance measures. It also includes new requirements for the location, aggregation and disaggregation of financial information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements. Retrospective application is required and early adoption is permitted.

ROYALTIES INC.

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

For the Years ended December 31, 2025 and 2024

4. INVESTMENT

During fiscal 2025, the Company entered into acquisition agreements for the purchase of additional common shares of Music Royalties Inc. ("MRI") from private investors in exchange for the issuance of shares in the Company as follows:

| Date | Investment in MRI shares # | MRI price per share \$ | Shares issued for purchase of MRI # | Royalties Inc. price per share \$ | Equity transfer valuation \$ |
|-----------------|----------------------------|------------------------|-------------------------------------|-----------------------------------|------------------------------|
| June 19, 2025 | 1,000,000 | 0.50 | 12,500,000 | 0.04 | 500,000 |
| July 30, 2025 | 1,000,000 | 0.50 | 8,333,333 | 0.06 | 500,000 |
| August 28, 2025 | 1,050,000 | 0.50 | 8,750,000 | 0.06 | 525,000 |
| Totals | 3,050,000 | | 29,583,333 | | 1,525,000 |

As at December 31, 2025, the Company's holdings in MRI of 5,050,000 shares were valued at \$2,525,000 (December 31, 2024 – 2,000,000 shares valued at \$1,000,000).

During the year ended December 31, 2025, the Company received dividend income from MRI totaling \$117,600 (December 31, 2024 - \$72,000).

Directors and officers of the Company are directors and officers of the investee corporation as at December 31, 2025 and 2024.

5. MUSIC ROYALTIES

| | Amount \$ |
|---|-----------|
| Balance - December 31, 2023 | 287,742 |
| Impairment of music royalties | (41,800) |
| Effect of currency adjustment | 5,448 |
| Balance – December 31, 2024 and December 31, 2025 | 251,390 |
| Accumulated Amortization | |
| Balance - December 31, 2023 | 22,229 |
| Amortization | 14,220 |
| Effect of currency adjustment | 189 |
| Balance, December 31, 2024 | 36,638 |
| Amortization | 11,830 |
| Balance, December 31, 2025 | 48,468 |
| Net book value - December 31, 2024 | 214,752 |
| Net book value – December 31, 2025 | 202,922 |

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. The recoverable amount of the catalogue was determined based on its fair value less cost of disposal ("FVLCD"). It was determined that the carrying amount of the CGU, amounting to \$166,010, exceeded its recoverable amount, resulting in an impairment. Key unobservable assumptions used in determining the future cashflows included a decay rate of 10% declining at 90% each year and a discount rate of 10.9%. The unobservable inputs are considered to be level 3 fair value hierarchy inputs.

During the year ended December 31, 2025, the Company received royalty income from music royalty assets totaling \$26,278 (December 31, 2024 – \$37,301).

ROYALTIES INC.

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

For the Years ended December 31, 2025 and 2024

6. EXPLORATION AND EVALUATION EXPENDITURES

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.

7. SHARE CAPITAL

Common Shares Authorized

Unlimited number of common shares

| | Shares # | Amount \$ |
|---|-------------|--------------|
| 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 | 29,583,333 | 1,525,000 |
| Balance as at December 31, 2025 | 254,606,390 | 41,754,463 |

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, 2025, the Company issued 12,500,000 shares 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 based on the estimated fair value of the MRI shares received in the transaction.
- On July 30, 2025, the Company issued 8,333,333 shares 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 based on the estimated fair value of the MRI shares received in the transaction.
- On August 28, 2025, the Company issued 8,750,000 shares to a private investor in exchange for 1,050,000 shares in MRI at \$0.50 per share. The equity swap was valued at \$525,000 based on the estimated fair value of the MRI shares received in the transaction.

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.

8. 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 five years. The options are non-assignable and may be granted for a term not exceeding five 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 share options outstanding as at December 31, 2025.

ROYALTIES INC.

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

For the Years ended December 31, 2025 and 2024

9. 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.

| | 2025 \$ | 2024 \$ |
|-------------------|------------|------------|
| Dividend income | 117,600 | 72,000 |
| Professional fees | 12,000 | 12,000 |

Also included in accounts payable and accrued liabilities as at December 31, 2025 is \$3,390 (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.

| 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 |

10. 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 years ended December 31, 2025 and 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.

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 December 31, 2025, the Company had cash of \$30,375 (December 31, 2024 - \$17,046) to settle current liabilities of \$142,768 (December 31, 2024 - \$151,216), excluding the contingent liability of a subsidiary totaling \$2,741,200 (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.

ROYALTIES INC.

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

For the Years ended December 31, 2025 and 2024

10. FINANCIAL INSTRUMENTS (CONTINUED)

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 December 31, 2025 and 2024, the Company held the following United States dollar ("USD") monetary assets and liabilities:

| | December 31, 2025 USD | December 31, 2024 USD |
|-------------------------------|--------------------------|--------------------------|
| Cash | 6,683 | 3,130 |
| Other liability of subsidiary | (2,000,000) | (2,000,000) |
| Total USD monetary assets | (1,993,317) | (1,996,870) |

As at December 31, 2025 and 2024, the Company held the following Mexican Peso ("MXN") monetary assets and liabilities:

| | December 31, 2025 MXN | December 31, 2024 MXN |
|--|--------------------------|--------------------------|
| Cash | 93,380 | 33,830 |
| Accounts payable and accrued liabilities | (358,797) | (358,797) |
| Total Mexican monetary assets | (265,417) | (324,967) |

A 10% increase (decrease) in the fair value of the USD monetary assets as at December 31, 2025 would result in an estimated increase (decrease) in net income (loss) of approximately \$273,000 (December 31, 2024 -\$284,000).

A 10% increase (decrease) in the fair value of the Mexican monetary assets and liabilities as at December 31, 2025 would result in an estimated increase (decrease) in net income (loss) of approximately \$2,000 (December 31, 2024 -\$1,900).

Fair value of financial instruments

Fair Value 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 December 31, 2025 and 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:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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
- 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 December 31, 2025.

| | Level 1 | Level 2 | Level 3 |
|--------------------|---------|---------|--------------|
| Private investment | - | - | \$ 2,525,000 |

ROYALTIES INC.

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

For the Years ended December 31, 2025 and 2024

10. FINANCIAL INSTRUMENTS (CONTINUED)

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 was a recent financing done by the investee.

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

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 as at December 31, 2025 and 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 operations.

| Investment, fair value | December 31, 2025 | December 31, 2024 |
|---------------------------|-------------------|-------------------|
| Beginning balance of year | \$ 1,000,000 | \$ 1,000,000 |
| Purchase – shares | 1,525,000 | - |
| Balance, end of year | \$ 2,525,000 | \$ 1,000,000 |

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 December 31, 2025. As at December 31, 2025, a +/- 10% change in the fair value of Music Royalties Inc. will result in a corresponding +/- \$253,000 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.

11. 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 years ended December 31, 2025 and 2024. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

ROYALTIES INC.

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

For the Years ended December 31, 2025 and 2024

12. 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.

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.

The balance of \$2,741,200 (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.

13. INCOME TAXES

Provision for Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory rate of 26.5% (2024 – 26.5%) to the effective tax rate is as follows:

| | 2025 \$ | 2024 \$ |
|--|------------|-------------|
| Loss before income taxes | (38,289) | (392,292) |
| Expected income tax recovery based on statutory rate | (10,000) | (104,000) |
| Adjustment to expected income tax recovery: | | |
| Expenses not deductible for tax purposes | (25,000) | 7,000 |
| Other | 51,000 | (103,000) |
| Change in foreign exchange rates | 278,000 | (1,000,000) |
| Change in unrecorded deferred tax asset | (294,000) | 1,200,000 |
| Deferred income tax provision (recovery) | - | - |

Deferred Income Tax

Deferred taxes are a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities.

| | 2025 \$ | 2024 \$ |
|--|------------|------------|
| Non-capital loss carry-forwards – Canada | 7,537,000 | 7,261,000 |
| Non-capital loss carry-forwards – Mexico | 8,423,000 | 9,822,000 |
| Other temporary differences | 251,000 | 239,000 |
| Total | 16,211,000 | 17,322,000 |

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

The tax losses expire from 2027 to 2045. The other temporary differences do not expire under current legislation.