ROYALTIES INC.
(Formerly Xtierra Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

(Expressed in US Dollars)

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McGovern Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Royalties Inc. (formerly Xtierra Inc.)

Opinion

We have audited the consolidated financial statements of Royalties Inc. (formerly Xtierra Inc.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity (deficiency) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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, 2022. 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.

McGovern Hurley

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. 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.

Except for the matter described in the Material uncertainty related to going concern section, we have determined that there were no additional key audit matters to communicate in our report.

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, 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.

McGovern Hurley

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.

McGovern Hurley

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 Glen McFarland.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
May 1, 2023

ROYALTIES INC.
Consolidated statements of financial position

As at December 31,

(Expressed in US Dollars)	Notes	2022 $	2021 $
ASSETS			
Current assets			
Cash		13,479	38,954
Amounts receivable and other	4	9,690	573
Prepaid expenses	4	220	220
Total current assets		23,389	39,747
Non-current assets			
Investments	9,13	738,334	-
Exploration properties	5	1	1
Mineral royalty interests	6	187,379	187,379
Total non-current assets		925,714	187,380
Total assets		949,103	227,127
LIABILITIES			
Current liabilities			
Accounts payable and accruals	7, 13	169,144	90,520
Notes payable	8	-	198,239
Current liabilities, before the undernoted		169,144	288,759
Other liability of subsidiary	16	2,000,000	2,000,000
Total current liabilities		2,169,144	2,288,759
SHAREHOLDERS' DEFICIENCY			
Capital stock	9	37,973,231	37,046,171
Warrants	8,9,10	219,637	219,637
Share-based payment reserve	11, 12	195,960	361,750
Deficit		(39,629,658)	(39,709,979)
Deficiency attributable to equity holders of the company		(1,240,830)	(2,082,421)
Non-controlling interest	6	20,789	20,789
Total shareholders' deficiency		(1,220,041)	(2,061,632)
Total liabilities and shareholders' deficiency		949,103	227,127

GOING CONCERN (Note 2)
COMMITMENTS AND CONTINGENCIES (Notes 1, 5, 16)
SUBSEQUENT EVENTS (Note 18)

These financial statements were approved by the Board of Directors on May 1, 2023 and signed on its behalf by:

Signed - "Timothy Gallagher"
Timothy Gallagher, Director

Signed - "Andrew Robertson"
Andrew Robertson, Director

ROYALTIES INC.
Consolidated statements of operations and comprehensive loss

For the years ended December 31,

Expressed in US Dollars)	Notes	2022 $	2021 $
Income			
Dividend income		11,046	-
Expenses			
General and administrative		14,061	50,587
Corporate expenses		33,732	55,849
Professional fees		22,529	37,414
Exploration and evaluation		51,104	254,381
Total expenses		121,426	398,231
Operating loss		110,380	398,231
Other items			
Interest expense		7,434	6,441
Share-based compensation	11	-	29,834
Warrants issued	10	-	219,637
Foreign exchange (gain) loss		(32,345)	6,647
Net loss and comprehensive loss for the period		85,469	660,790
Net loss per share – basic and diluted		0.000	0.004
Weighted average Common Shares outstanding			
basic and diluted		180,927,030	171,525,934

See accompanying notes to the consolidated financial statements.

ROYALTIES INC.
Consolidated statements of changes in equity (deficiency)

	Shares outstanding	Share Capital	Warrants	Share-based payment reserve	Deficit	Attributable to equity holders of the company	Non-controlling interest	Total
	#	$	$	$	$	$	$	$
Balance,	**162,693,057**	**36,522,116**	**186,492**	**401,964**	**(39,305,729)**	**(2,195,157)**	**20,789**	**(2,174,368)**
Share based payment	-	-	-	29,834	-	29,834	-	29,834
Warrants exercised	-	-	(186,492)	-	186,492	-	-	-
Warrants issued	-	-	219,637	-	-	219,637	-	219,637
Shares issued	13,000,000	524,055	-	-	-	524,055	-	524,055
Stock options terminated	-	-	-	(70,048)	70,048	-	-	-
Net loss for the year	-	-	-	-	(660,790)	(660,790)	-	(660,790)
Balance as at December 31, 2021	**175,693,057**	**37,046,171**	**219,637**	**361,750**	**(39,709,979)**	**(2,082,421)**	**20,789**	**(2,061,632)**
Shares issued	25,600,000	927,060	-	-	-	927,060	-	927,060
Stock options exercised	-	-	-	(165,321)	165,321	-	-	-
Stock options terminated	-	-	-	(469)	469	-	-	-
Net loss for the year	-	-	-	-	(85,469)	(85,469)	-	(85,469)
Balance as at December 31, 2022	**201,293,057**	**37,973,231**	**219,637**	**195,960**	**(39,629,658)**	**(1,240,830)**	**20,789**	**(1,220,041)**

See accompanying notes to the consolidated financial statements.

ROYALTIES INC.
Consolidated statements of cash flows

For the years ended December 31,

(Expressed in US Dollars)	Note	2022 $	2021 $
Cash flow from operating activities			
Net loss for the year		(85,469)	(660,790)
Share-based compensation		-	29,834
Warrants issued		-	219,637
Foreign exchange adjustment of investments		(16,934)	-
Non-cash interest expense		7,434	6,441
Operating cash flow before movements in working capital		(94,969)	(404,878)
Movements in working capital			
Amounts receivable		(9,117)	14,203
Prepaid expense		-	39,250
Accounts payable and accrued liabilities		35,345	(52,648)
Net cash used in operating activities		(68,741)	(404,073)
Financing activities			
Subscription receipts payable	7	43,279	-
Proceeds from exercise of stock options		205,660	-
Total cash provided by financing activities		248,939	-
Investing activities			
Payment of note payable	8	(205,673)	(80,624)
Total cash used in investing activities		(205,673)	(80,624)
Decrease in cash		(25,475)	(484,697)
Cash, beginning of year		38,954	523,651
Cash, end of year		13,479	38,954

Supplemental information

Share issuance for acquisition of investments	9,13	721,400	-
Proceeds on exercise of warrants applied against note payable		-	529,055
Stock options terminated		-	70,048

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

Royalties Inc. (the "Company" or "Royalties Inc."), formerly Xtierra Inc., completed a change of business and name change on April 12, 2023. For complete details, please refer to note 18.

The Company has a 2.2% 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) and currently holds a portfolio of approximately 25 cash-flowing music royalties. MRI is currently paying a monthly dividend generating a 6% annual yield.

The Company also has interests in exploration and evaluation properties located in Mexico, owning a 100% interest (subject to a 1.5% net smelter royalty repurchased in July 2019) on the Bilbao project, a silver-lead-zinc-copper 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") which holds an asserted claim to a 2% net smelter royalty on six mining concessions located adjacent to the Cozamin Mine operated by Capstone Mining Corp., which claim is challenged by Capstone.

There has been no determination whether the Company's interests in exploration and evaluation projects contain mineral deposits which are economically recoverable. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence 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 MEASUREMENT AND GOING CONCERN

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

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit and loss which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information, and are expressed in United States Dollars ("US$").

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.

At December 31, 2022, 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 and the recoverability of the exploration and evaluation projects is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the exploration and evaluation projects, and the generation of future profitable production or proceeds from the disposition of the exploration and evaluation projects.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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.

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 (See note 13).

(b) Exploration and evaluation expenditures

Mineral exploration properties include acquired mineral use rights for mineral properties held by the Company. The amount of consideration paid (in cash or share value) for mineral use rights is capitalized. Exploration expenditure relates to the initial search for precious and base metals. Evaluation expenditure arises from a detailed assessment of deposits that have been identified as having economic potential.

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 an allocation of administration and salary costs (including share-based payments) as determined by management, where they relate to specific projects.

(c) 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 at December 31, 2022 and 2021.

(d) Mineral royalty interests

Mineral royalty interests consist of acquired royalty interests. These interests are recorded at cost and capitalized as tangible assets with finite lives. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses. 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 not depleted until such time as the technical feasibility and commercial viability have been established at which point the value of the asset is accounted for in accordance with IAS 16, Property, Plant and Equipment.

Producing mineral royalty and stream interests are depleted using the units-of-production method over the life of the property to which the interest relates. The life of the property is estimated using life of mine models specifically associated with the mineral royalty or stream properties which include proven and probable reserves and may include a portion of resources expected to be converted into reserves. Where life of mine models are not available, the Company uses publicly available statements of reserves and resources for the mineral royalty or stream properties to estimate the life of the property and portion of resources that the Company expects to be converted into reserves. Where life of mine models and publicly available reserve and resource statements are not available, depletion is based on the Company's best estimate of the ounces to be produced and delivered under the contract. The Company relies on information available to it under contracts with operators and/or public disclosures for information on reserves and resources from the operators of the producing mineral and stream interests.

If the consideration of a royalty interest includes variable consideration, the variable consideration is not recorded on initial recognition of the asset but is either capitalized when incurred if it meets the definition of an asset or is expensed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of mineral royalty interests

Mineral royalty interests are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Impairment is assessed at the level of cash-generating units (“CGUs”) which are identified as the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from other assets. This is usually at the individual royalty of stream level for each property from which cash inflows are generated.

Royalty interests classified as exploration and evaluation assets are assessed for impairment whenever indicators of impairment exist in accordance with IFRS 6. An impairment loss is recognized for the amount by which the asset’s carrying value exceeds its recoverable amount.

(f) Cash

Cash is comprised of cash on hand, deposits in banks and highly liquid investments having original terms to maturity of 90 days or less when acquired. Term deposits can be redeemed at any time without interest or penalty.

(g) 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 (“FVPL”) 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 FVPL, 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 FVPL or at amortized cost. Accounts receivable held for collection of contractual cash flows are measured 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 FVPL
Financial assets measured at FVPL 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 FVPL 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 FVPL.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

Financial assets (continued)
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 FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accruals, notes payable 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.

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.

(h) Functional and presentation currency

The functional currency of the Company and its subsidiaries is the US Dollar. For the purpose of the consolidated financial statements, the results and financial position of each company are expressed in US 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 period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in operations.

(i) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The Company records compensation cost using the fair value method of accounting for share-based payments. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as share-based payments expense and share-based payment reserve. When options are exercised, the proceeds received, together with any related amount in share-based payment reserve, will be credited to capital stock.

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. On expiry, any related amount in share-based payment reserve will be credited to deficit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Operating loss

Operating loss comprises of general administrative costs incurred by the Company, exploration expenditures and all impairment charges relating to intangible assets and financial assets during the period. Operating loss is stated before interest expense, share-based compensation, foreign exchange (gain) loss and other gains and losses.

(k) Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies above, management has identified the judgemental areas that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations), which are dealt with below.

Impairment of Royalty, Stream and Other Interests
Assessment of impairment of royalty interests requires the use of judgments, assumptions and estimates when assessing whether there are any indicators that could give rise to the requirement to conduct a formal impairment test as well as in the assessment of fair values. The assessment of the fair values of royalty interests requires the use of estimates and assumptions for recoverable production, commodity prices, discount rates, mineral reserve/resource conversion, foreign exchange rates, taxes, future capital expansion plans and the associated production implications. Changes in any of the estimates used in determining the fair value of the royalty interests could impact the impairment analysis.

Key sources of estimation uncertainty
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.

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. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Critical accounting judgements and key sources of estimation uncertainty (continued)

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 16.

(l) 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.

(m) 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, 2022 and 2021 have been excluded from diluted loss per share.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

(o) Income taxes

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.

(p) Changes in accounting policies

During the year ended December 31, 2022, the Company adopted a number of amendments and improvements of existing standards. These included IAS 16, IAS 37, and IFRS 3. These new standards and changes did not have any material impact on the Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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, 2023. 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 new standards on its financial statements.

IAS 1 – In February 2021, the IASB issued 'Disclosure of Accounting Policies' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 8 – In February 2021, the IASB issued 'Definition of Accounting Estimates' to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

(r) 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. 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.

(Expressed in US Dollars)

4. AMOUNTS RECEIVABLE AND OTHER AND PREPAID EXPENSES

	December 31, 2022 $	December 31, 2021 $
Receivable sales taxes – Canada	**8,070**	573
Receivable sales taxes – Mexico	**1,620**	-
Prepaid expenses	**220**	220
	9,910	793

5. EXPLORATION AND EVALUATION EXPENDITURES

The following table shows the Company's cumulative exploration and evaluation expenditures:

	December 31, 2022 $	Additions $	December 31, 2021 $	Additions $	December 31, 2020 $
Bilbao	**23,292,204**	51,104	23,241,100	254,381	22,986,719
Laguna	**7,281,000**	-	7,281,000	-	7,281,000
	30,573,204	51,104	30,522,100	254,381	30,267,719

The Company has previously impaired the carrying values of its exploration properties.

Bilbao

The Company, through its indirectly wholly owned Mexican subsidiaries, holds a 100% interest in the Bilbao zinc-silver-lead-copper project, including the necessary surface lands for surface installations and development of the Bilbao deposit. See Note 6.

Laguna

The Company holds a 100% interest in the Laguna silver-gold-mercury tailings development project and has been granted a twenty-year concession dated December 10, 2003 by the *Comision Nacional del Agua* ("Conagua") relating to the extraction rights to six million cubic metres of tailings material, subject to an amount payable to Conagua in the amount MX$11.00 (approximately US$1.00) per cubic metre of tailings. The permit is unlikely to be renewed.

In order to maintain the Company's mineral concessions and titles in good standing, the Company is required to maintain a prescribed minimum of annual exploration expenditure and pay fees semi-annually to the Secretaria de Economia in Mexico. Minimum expenditure commitments and concession payments totaling approximately $68,000 (MXN $1,374,000) 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.

6. MINERAL ROYALTY INTERESTS

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 Cdn$56,000, and the issue to the vendors of 2,000,000 shares of the Company. The fair value of the common shares issued of Cdn$99,330, was estimated based on the market price of the shares on the date of issuance. Liabilities of $14,280 were assumed and a non-controlling interest of $20,789 was recognized as a result of the purchase. Minera Portree holds various legal or royalty interests in certain mineral properties in Mexico, and an asserted claim to a 2% net smelter royalty emanating from its former ownership of six mining concessions located adjacent to the Cozamin Mine in Zacatecas operated by Capstone Mining Corp. (TSX:CS) ("Capstone"). The entitlement of Minera Portree to the 2002 royalty is contested by a third party and Capstone. Minera Portree filed lawsuits against both parties to properly recognize the 2% NSR. In August 2022, the Zacatecas courts requested the Public Mines Registry in Mexico City to register the Minera Portree royalty claims on title. The timing and outcome of the lawsuits are uncertain.

(Expressed in US Dollars)

7. ACCOUNTS PAYABLE AND ACCRUALS

	December 31, 2022 $	December 31, 2021 $
Trade creditors	20,933	20,104
Payable to related parties (Note 13)	47,550	41,303
Subscription receipts	59,067	15,788
Accrued liabilities	41,594	13,325
	169,144	90,520

8. NOTES PAYABLE

	December 31, 2022 $	December 31, 2021 $
Opening balance	198,239	796,477
Reduction through issue of shares on exercise of warrants	-	(524,055)
Payment	(205,673)	(80,624)
Interest expense	7,434	6,441
Ending balance	-	198,239

On February 14, 2018, Buchans Resources Limited (“Buchans”) had entered into a two-year Support and Standstill Agreement (“Support Agreement”) to defer repayment of principal and accrued interest of its Notes receivable in consideration of the issue to Buchans of 13,000,000, non-transferable warrants, each warrant entitling Buchans to purchase one common share of Royalties Inc. for Cdn$0.05 per share for a term of two years expiring February 14, 2020.

By an Extension Agreement dated as of February 7, 2020, as amended by an Amending Agreement dated April 30, 2020, the term of the Support Agreement was extended for an additional period to April 30, 2021, in consideration of the issue to Buchans of 13,000,000, non-transferable warrants, each warrant entitling Buchans to purchase one common share of Royalties Inc. for Cdn$0.05 per share for a term to April 30, 2021.

On April 27, 2021, Buchans exercised its Royalties Inc. warrants and acquired 13,000,000 shares of Royalties Inc. for a consideration of $524,055 (Cdn$650,000), in addition, the Company paid $80,624 (Cdn$100,000) as part payment of the Notes payable to Buchans.

By a Second Extension Amendment Agreement dated April 27, 2021, the Support Agreement between Buchans and Royalties Inc. dated January 17, 2018, was further amended to provide that interest on the remaining balance of the notes payable to Buchans in the amount of $191,798 resume to accrue interest at the rate of 5% per annum effective May 1, 2021, until paid, and the term of the Support Agreement was extended for a further period to April 30, 2023. For the year ended December 31, 2022, interest expense in the amount of $7,434 was included in operations and on December 30, 2022 the balance owing of $205,673 was paid in full.

In connection with the Second Extension Amendment Agreement, Royalties Inc. agreed to issue to Buchans 5,000,000 share purchase warrants, each warrant entitling Buchans to purchase one common share of Royalties Inc. at a price of Cdn$0.10 per share for a term of two years which expired on April 27, 2023 (Note 10).

(Expressed in US Dollars)

9. CAPITAL STOCK

Common Shares

Authorized
Unlimited number of common shares

	Shares #	Amount $
Balance, December 31, 2020	162,693,057	36,522,116
Shares issued from the exercise of warrants	13,000,000	524,055
Balance as at December 31, 2021	**175,693,057**	**37,046,171**
Shares issued pursuant to acquisition agreement	20,000,000	721,400
Shares issued from the exercise of stock options	5,600,000	205,660
Balance as at December 31, 2022	**201,293,057**	**37,973,231**

On April 27, 2021, Buchans exercised its Royalties Inc. warrants and acquired 13,000,000 shares of Royalties Inc. for a consideration of $524,055 (Cdn-$650,000). Share subscription proceeds totaling Cdn$50,000 (US$39,471) were received in the quarter ended March 31, 2022 (balance as at December 31, 2021 Cdn$20,000 (US$15,788).

On September 30, 2022, the Company entered into an acquisition agreement (“Royalty Acquisition”) with Tim Gallagher, Director and Chief Executive Officer of the Company (the “CEO”) whereby, in exchange for 20,000,000 shares in Royalties Inc. at an acquisition price of Cdn$0.05 totaling Cdn$1,000,000 (US$721,400), the Company received 2,000,000 common shares in Music Royalties Inc. (“MRI”) held by the CEO. The MRI shares had a value of Cdn$0.50 per share based on recent financings or Cdn$1,000,000 (US$721,400). Refer also to note 13.

On December 23, 2022, 5,600,000 options were exercised for proceeds of Cdn$280,000 ($205,660). Refer also to note 11.

10. WARRANTS

	Warrants #	Amount $
Balance, December 31, 2020	13,000,000	186,492
Warrants exercised	(13,000,000)	(186,492)
Warrants issued	5,000,000	219,637
Balance as at December 31, 2021 and 2022	5,000,000	219,637

On April 30, 2020, and in consideration for the extension for the Support and Standstill Agreement, the Company issued 13 million, non-transferable warrants to Buchans, each warrant entitling Buchans to purchase one common share of Royalties Inc. for Cdn$0.05 per share for a period of one year expiring April 30, 2021. See Note 8.

On April 27, 2021, Buchans exercised the warrants and acquired 13,000,000 shares of Royalties Inc. for a consideration of Cdn$650,000 and Royalties Inc. agreed to issue to Buchans 5,000,000 new share purchase warrants, each warrant entitling Buchans to purchase one common share of Royalties Inc. at a price of Cdn$0.10 per share for a term of two years. The value of the new warrants received was estimated to be $219,637 and was included in operations during the period ended December 31, 2021. See Note 18.

11. STOCK OPTIONS

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

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

(Expressed in US Dollars)

11. STOCK OPTIONS (CONTINUED)

Stock options transactions during the periods ended December 31, 2022 and December 31, 2021 were as follows:

	Options Granted December 31, 2022 #	Options Exercisable December 31, 2022 #	Estimated Grant Date Fair Value $	Exercise Price $
Balance as at December 31, 2020	13,600,000	12,350,000	401,964	Cdn$0.054
Share-based payment	-	1,250,000	29,834	Cdn$006
Stock options terminated	(1,800,000)	(1,800,000)	(70,048)	
Balance as at December 31, 2021	11,800,000	11,800,000	361,750	Cdn$0.056
Stock options exercised	(5,600,000)	(5,600,000)	(165,321)	
Stock options terminated	(400,000)	(400,000)	(469)	
Balance as at December 31, 2022	5,800,000	5,800,000	195,960	Cdn$0.059

The weighted-average remaining contractual life of the options as of December 31, 2022 is 2.10 years (December 31, 2021 – 2.08 years).

In June 2020, the Company granted a total of 5,000,000 incentive stock options to consultants and service providers pursuant to the Company's Stock Option Plan. All these stock options are exercisable at a price of Cdn$0.06 per share for a period of five years from June 4, 2020, all vesting quarterly over a period of one year. The grant date fair value of these options was calculated at $151,919.

During the year ended December 31, 2021, the Company recorded $29,834 to share-based compensation and share-based payment reserve.

During the year ended December 31, 2022, 400,000 stock options were terminated (December 31, 2021 - 1,800,000).

During the year ended December 31, 2022, 5,600,000 options were exercised for gross proceeds of Cdn$280,000 ($205,660). Refer to Notes 8 and 12.

12. SHARE-BASED PAYMENT RESERVE

Share-based payment reserve transactions for the periods ended December 31, 2022 and 2021 were as follows:

	$
Balance, December 31, 2020	401,964
Stock options granted	29,834
Stock options terminated	(70,048)
Balance, December 31, 2021	361,750
Stock options exercised	(165,321)
Stock options terminated	(469)
Balance, December 31, 2022	195,960

13. RELATED PARTY TRANSACTIONS

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

On September 30, 2022, the CEO acquired 20 million common shares of the Company pursuant to the Royalty Acquisition disclosed in Note 9. On December 23, 2022, the CEO exercised 3,600,000 stock options for net proceeds of Cdn$180,000 ($132,210). As a result of the Royalty Acquisition and exercise of stock options, the CEO beneficially owns and controls 34,375,000 common shares of the Company and no stock options representing approximately 17.1% of the issued and outstanding common shares of the Company on a non-diluted basis and approximately 16.2% on a partially diluted basis as at December 31, 2022.

The CEO is also Chairman and CEO of Music Royalties Inc. A Director of the Company is also a Director of Music Royalties Inc. No fees were paid by the Company to directors or the CEO for their services during the periods ended December 31, 2022 and 2021. See note 17.

(Expressed in US Dollars)

13. RELATED PARTY TRANSACTIONS (CONTINUED)

During 2022 and 2021, the Company entered into various funding agreements with its major shareholder Buchans Resources Limited (Notes 8 and 9). As at December 31, 2022, Buchans held 21.4% of the Company's outstanding shares.

Included in accounts payable and accruals at December 31, 2022 is $41,303 (December 31, 2021 - $41,303) due to Steenberg Law Professional Corporation, a company controlled by Neil J.F. Steenberg, Secretary, for legal fees. These balances are due on demand, unsecured and non-interest bearing.

Also included in accounts payable and accruals at December 31, 2022 is $4,493 (December 31, 2021 - $Nil) due to Jaqi Logan Financial Services Inc., a company controlled by Jacqueline Logan, Chief Financial Officer of the Company ("CFO"), for professional fees. These balances are due on demand, unsecured and non-interest bearing. The CFO is also CFO of Music Royalties Inc.

The subsidiaries of the Company at December 31, 2022 and December 31, 2021 were as follows:

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

See also Note 18.

14. 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, 2022 and 2021.

The principal risks to which the Company is exposed to are described below:

Fair value:

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

Level 3 Hierarchy

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 during the year ended December 31, 2022. 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 loss.

Investments, fair value	2022	2021
Balance, beginning of year	$ -	$ -
Purchase at cost – shares	721,400	-
Fair value adjustment of shares at December 31, 2022	16,934	-
Balance, end of year	$ 738,334	$ -

The investment is comprised of an equity interest in Music Royalties Inc. measured at fair value based on the most recent financing price. The valuation of the private investments in inherently subjective.

14. FINANCIAL INSTRUMENTS (CONTINUED)

Sensitivity Analysis of Investment:

A 10% increase (decrease) in the fair value of the investment as at December 31, 2022 would result in an estimated increase (decrease) in net income (loss) of approximately $73,800.

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 as it is primarily attributable to funds held in Canadian banks.

Liquidity Risk:

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2022, the Company had cash of $13,479 to settle current liabilities of $169,144, excluding the $2,000,000 contingent liability of a subsidiary. The Company's accounts payable and accruals generally have contractual maturities of less than 30 days and are subject to normal trade terms.

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 reflected in quarterly earnings reports.

Price Risk:

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

Interest Rate Risk:

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 Mexico and the change in the value of the Canadian dollar regarding the investment in Music Royalties Inc. The Company is therefore subject to gains and losses due to fluctuations in these currencies relative to the United States dollar.

Sensitivity Analysis:

Financial instruments included in cash and amounts receivable are measured at amortized cost. Accounts payable and accruals, notes payable and other liability of subsidiary are classified as financial liabilities, measured at amortized cost.

A one cent change in the USD/CAD exchange rate will result in a corresponding change in the value of investments of approximately $7,383 based on investments of $738,334 as at December 31, 2022.

Fair Value Hierarchy and Liquidity Risk Disclosure:

The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

During the year ended December 31, 2022, the Company acquired 2,000,000 common shares in Music Royalties Inc. ("MRI"). The MRI shares had a value of Cdn$0.50 per share based on recent financings or Cdn$1,000,000 (US$738,334).

15. CAPITAL MANAGEMENT

The Company's capital structure consists of its capital stock, warrants 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, 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 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, 2022 and 2021. The Company was not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX Venture Exchange ("TSXV") which required adequate working capital or financial resources of the greater of (i) Cdn$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of six months (note 18).

16. COMMITMENTS AND CONTINGENCIES

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

In order to maintain the Company's mineral concessions and titles in good standing, the Company is required to maintain a prescribed minimum of annual exploration expenditure and pay fees semi-annually to the Secretaria de Economia in Mexico. Minimum expenditure commitments and concession payments totaling approximately $68,000 (MXN $1,374,000) are required annually. Failure to make the annual concession payments or incur the minimum annual exploration expenditures, to the satisfaction of the Mexican authorities, or a determination that the expenditures incurred are not qualifying expenditures, may result in the cancellation or forfeiture of the mineral concessions. See Note 5.

Under an Indemnity and Guarantee Agreement dated August 11, 2008, entered into in connection with the acquisition by Orca Gold International Ltd. ("Orca Gold"), from Shoshone Silver Mining Company ("Shoshone Silver"), of the shares of Shoshone Mexico S.A. de C.V., ("Shoshone Mexico"), the registered owner of four mining concessions comprising the bulk of the Bilbao property, subject to a 1.5% net smelter royalty, and the beneficial owner of a 25% interest in the Bilbao concessions, Shoshone Silver agreed to indemnify Orca Gold and Shoshone Mexico against any damages or losses suffered from all liabilities and obligations of Shoshone Mexico, in consideration of the agreement by Orca Gold to pay to Shoshone Silver the total sum of $4,900,000. Of this total amount, $2,400,000 was paid on the date of transfer of the shares of Shoshone Mexico to Orca Gold in August 2008 and a further $500,000 was paid one year after the date of the first payment.

The balance of $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 $500,000 each, the first such $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 $2,400,000 in August 2008 and provided that the remaining balance of $2,000,000 was to be paid in full no later than ten years after the date of the first payment of $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.

(Expressed in US Dollars)

16. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Orca Minerals Limited, the parent company of Orca Gold, guaranteed the payments and obligations of Orca Gold to Shoshone Silver. Orca Gold is treating any potential claim that may become due to Shoshone Silver under the Indemnity and Guarantee Agreement as a contingent liability as the likelihood of this occurring cannot be predicted at this time. Royalties Inc. acquired Orca Minerals Limited on August 29, 2008, but did not assume or guarantee, on a corporate non-consolidated basis, the payments or obligations of Orca Gold. Royalties Inc. has no direct liability for any payments that may become due to Shoshone Silver, however under IFRS 9 *Financial Instruments*, upon consolidation, the Company is required to recognise this potential payment as a financial liability.

17. INCOME TAXES

Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2021 – 26.5%) were as follows:

	2022 $	2021 $
(Loss) before income taxes	(85,469)	(660,790)
Expected income tax recovery based on statutory rate	(23,000)	(174,000)
Adjustment to expected income tax recovery:		
Expenses not deductible for tax purposes	(8,000)	326,000
Change in foreign exchange rates	-	77,000
Change in benefit of tax assets not recognized	31,000	(229,000)
Deferred income tax provision (recovery)	-	-

Deferred Income Tax

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2022 $	2021 $
Non-capital loss carry-forwards - Canada	5,250,000	3,130,000
Non-capital loss carry-forwards - Mexico	8,746,000	8,701,000
Total	13,996,000	11,831,000

The Company has approximately Cdn$7,113,000 ($5,250,000) of non-capital losses in Canada and approximately MXN170,599,000 Mexican Pesos ($8,746,000), of non-capital losses in Mexico which under certain circumstances can be used to reduce the taxable income of future years. The Canadian losses expire at various dates through 2042 and the Mexican losses expire at various dates through 2032.

18. SUBSEQUENT EVENTS

On January 30, 2023, 800,000 stock options expired. As a result, 5,000,000 stock options remain outstanding with an expiry date of June 4, 2025.

On April 12, 2023, the Company completed a change of business to refocus its operations from a mineral resource exploration company to a company focused on seeking cash flow generating royalty opportunities in various industries – a diversified royalties company. The Company believes that the experience of its management and board members will enable it to identify and capitalize upon royalty opportunities. In particular, the Company expects to focus initially on resource royalties, media entertainment royalties (such as music, film and television) and green royalty industries, but may determine to expand the scope of the industries it will focus on in the future.

In connection with the Change of Business, the Company changed its name to "Royalties Inc.", has listed its common shares on the Canadian Securities Exchange (the "CSE") and completed a concurrent delisting of the common shares from the TSX Venture Exchange (the "TSXV"). The directors and officers remained unchanged following the change of business. Shares commenced trading on the CSE on April 12, 2023 under the symbol "CSE:RI".

On January 9, 2023, MRI advanced the Company cash to purchase $137,900 of royalty assets which generated US$21,323 in the prior year, paid monthly. The acquisition is for 415 tracks, for a term of "Author Life of Rights (70+ years)". "New Message" Alert Tone royalties are generated from the purchase by consumers of downloads on the Apple iTunes ringtone store on iPhones. Alert Tones are short message-based ringtones.

On April 19, 2023, 11,000,000 shares were issued at Cdn$0.05 per share for a total of Cdn$550,000 of which 5,400,000 shares were issued to MRI as settlement of debt owing by Royalties Inc. in the amount of $199,888 (Cdn$270,000), which included the royalty asset purchase of $137,900, of professional fees and other expenses ($61,988). Also, on April 19, 2023, a director purchased 5,600,000 shares in the Company for cash proceeds totaling Cdn$280,000 ($207,291).

On April 27, 2023, 5,000,000 warrants issued to Buchans at Cdn$0.10 expired.