ROYALTIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

(Expressed in US Dollars)

ROYALTIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

(Expressed in US Dollars)

McGovern Hurley

Audit. Tax. Advisory.

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, 2023 and 2022, 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 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, 2023 and 2022, 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, 2023 and, as of that date, had a working capital deficiency. 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.

McGovern Hurley

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of the private investment	
The Company has an investment in private entities, that is measured at fair value through profit and loss under IFRS 9. This is presented in Note 3 of the consolidated financial statements. The fair value hierarchy is considered level 3 for which quoted prices or observable inputs were not available. Management uses valuation techniques that require significant non-observable inputs, requiring management's estimation and judgement. The fair value measurement of the private investment was a key audit matter as the valuation required the application of significant judgment in assessing the non-observable inputs used, including significant valuation adjustments.	In this regard, our audit procedures included: • Evaluating the methodologies and significant inputs used by the Company; • Performing a valuation approach to assess the modelling assumptions and significant inputs used to estimate the fair value, which involved corroboration of certain inputs and assumptions as applied by management; • Obtain purchase agreement for the existence of private investment; • Gaining an understanding of the investment that may have unique features to support the valuation approach.

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.

McGovern Hurley

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.

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.

McGovern Hurley

- 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.

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 Soheil Talebi.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 26, 2024

ROYALTIES INC.
Consolidated Statements of Financial Position
(Expressed in United States Dollars)

As at December 31,	Notes	2023 $	2022 $
ASSETS			
Current assets			
Cash		33,155	13,479
Amounts receivable and other	4	9,451	9,690
Prepaid expenses		6,180	220
Total current assets		48,786	23,389
Non-current assets			
Investment	5, 15	753,920	738,334
Music royalty assets	6	323,244	-
Exploration properties	7	1	1
Mineral royalty interests	8	187,379	187,379
Total non-current assets		1,264,544	925,714
Total assets		1,313,330	949,103
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9, 14	118,263	169,144
Current liabilities, before the undernoted		118,263	169,144
Other current liability of subsidiary	17	2,000,000	2,000,000
Total current liabilities		2,118,263	2,169,144
SHAREHOLDERS' DEFICIENCY			
Share capital	11	38,573,695	37,973,231
Warrants	12	-	219,637
Share-based payment reserve	13	124,267	195,960
Deficit		(39,523,684)	(39,629,658)
Deficiency attributable to equity holders of the company		(825,722)	(1,240,830)
Non-controlling interest	8	20,789	20,789
Total shareholders' deficiency		(804,933)	(1,220,041)
Total liabilities and shareholders' deficiency		1,313,330	949,103

GOING CONCERN (Note 2)
COMMITMENTS AND CONTINGENCIES (Notes 1, 7, 17)

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 United States Dollars)

For the years ended December 31,	Notes	2023 $	2022 $
Income			
Dividend income	5, 14	48,886	11,046
Royalty income		32,786	-
Interest income		82	-
Total income		81,754	11,046
Operating expenses			
Corporate expenses		41,774	33,732
Professional fees	14	66,585	22,529
General and administrative		8,989	14,061
Exploration and evaluation	7	101,053	51,104
Amortization of music royalties	6	16,189	-
Total expenses		234,590	121,426
Operating loss before other (income) expenses		(152,836)	(110,380)
Other (income) expenses			
Interest expense		-	7,434
Foreign exchange gain		(15,240)	(32,345)
Net loss and comprehensive loss for the year		(137,596)	(85,469)
Net loss per share basic and diluted		(0.001)	(0.000)
Weighted average Common Shares outstanding basic and diluted		209,393,497	180,927,030

See accompanying notes to the consolidated financial statements.

ROYALTIES INC.
Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in United States Dollars)

	Shares outstanding #	Share Capital $	Warrants $	Share-based payment reserve $	Deficit $	Attributable to equity holders of the company $	Non-controlling interest $	Total $
Balance, 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 (Note 11)	25,600,000	927,060	-	-	-	927,060	-	927,060
Stock options exercised (Note 11, 13)	-	-	-	(165,321)	165,321	-	-	-
Stock options expired (Note 13)	-	-	-	(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)**
Shares issued for cash (Note 11)	7,480,000	275,610	-	-	-	275,610	-	275,610
Shares issued for debt settlement (Note 11)	5,400,000	199,735	-	-	-	199,735	-	199,735
Stock options exercised (Note 11, 13)	1,350,000	106,586	-	(47,760)	-	58,826	-	58,826
Shares issued for music royalty asset (Note 6, 11)	500,000	18,533	-	-	-	18,533	-	18,533
Stock options expired (Note 13)	-	-	-	(23,933)	23,933	-	-	-
Warrants expired (Note 12)	-	-	(219,637)	-	219,637	-	-	-
Net loss for the year	-	-	-	-	(137,596)	(137,596)	-	(137,596)
Balance as at December 31, 2023	**216,023,057**	**38,573,695**	**-**	**124,267**	**(39,523,684)**	**(825,722)**	**20,789**	**(804,933)**

See accompanying notes to the consolidated financial statements.

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

For the years ended December 31,	Note	2023 $	2022 $
Cash flow from operating activities			
Net loss for the year		(137,596)	(85,469)
Unrealized foreign exchange gain on investment	5	(15,586)	(16,934)
Amortization of music royalties	6	16,189	-
Non-cash interest expense		-	7,434
Changes in non-cash working capital			
Amounts receivable		239	(9,117)
Prepaid expense		(5,960)	-
Accounts payable and accrued liabilities		207,921	35,345
Net cash used in operating activities		65,207	(68,741)
Financing activities			
Subscription receipts		-	43,279
Proceeds from private placements	12	216,543	-
Proceeds from exercise of stock options	12	58,826	205,660
Total cash provided by financing activities		275,369	248,939
Investing activities			
Purchase of music royalties	6	(320,900)	-
Payment of note payable		-	(205,673)
Total cash used in investing activities		(320,900)	(205,673)
Increase (decrease) in cash		19,676	(25,475)
Cash, beginning of year		13,479	38,954
Cash, end of year		33,155	13,479

Supplemental information

Share issuance for acquisition of investments	5,11	-	721,400
Share issuance for acquisition of music royalties	6	18,533	-
Shares issued for debt settlement	11	199,735	-

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

Royalties Inc. (the "Company" or "Royalties Inc.") operates as 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 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".

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 28 cash-flowing music royalties.

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 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"). Minera Portree holds an asserted claim to a 2% net smelter royalty on five mining concessions located adjacent to the Cozamin Mine operated by Capstone Copper Corp., 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 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 International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFIRC"). The policies set out below were consistently applied to all the periods presented, unless otherwise noted.

These consolidated financial statements were authorized for issuance by the Board of Directors on April 26, 2024.

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 financial statements are presented in United States dollars ("USD"), which is also the functional currency of the Company, unless otherwise stated. The determination of functional currency 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.

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.

2. BASIS OF PREPARATION AND GOING CONCERN (CONTINUED)

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 14).

As at December 31, 2023, 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) 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.

(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 at December 31, 2023 and 2022.

(c) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Mineral royalty interests (Continued)

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.

(d) 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.

(e) 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.

(f) 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. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

Financial assets (continued)

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, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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.

(h) 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 income (loss) 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 income (loss) over the remaining vesting period. When stock options are granted by the Company, the corresponding increase is recorded to contributed surplus.

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 income (loss) 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.

(i) 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.

(j) 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, 2023 and 2022 have been excluded from diluted loss per share.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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.

(l) 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.

(m) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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. No impairment provision was recognized as at December 31, 2023 and 2022.

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.

(o) 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.

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

In the process of applying the Company's accounting policies above, management has identified the judgmental 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 17.

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.

(Expressed in United States Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Changes in accounting policies

Effective January 1, 2023, the Company adopted the new and amended IFRS pronouncement listed below, in accordance with the transitional provisions outlined in the respective standard.

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. The adoption did not have a material impact on the Company's financial statements.

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. The adoption did not have a material impact on the Company's financial statements.

IAS 12 – In May 2021, the IASB issued 'Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction' that clarifies how entities account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for year ends beginning on or after January 1, 2023. The adoption did not have a material impact on the Company's financial statements.

(r) 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, 2024. 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 financial statements.

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, 2024.

4. AMOUNTS RECEIVABLE

	December 31, 2023 $	December 31, 2022 $
Receivable sales taxes – Canada	**8,100**	8,070
Receivable sales taxes – Mexico	**32**	1,620
Other receivable	**1,319**	-
	9,451	9,690

5. INVESTMENT

On September 30, 2022, the Company acquired 2,000,000 common shares in Music Royalties Inc. ("MRI"), a private company. The MRI shares had a value of CAD$0.50 per share amounting to $721,400 (CAD$1,000,000). As at December 31, 2023, the estimated fair market value of the royalty acquisition was $753,920 (December 31, 2022 - $738,334) (Note 15).

During the year ended December 31, 2023, the Company received dividend income totaling $48,886 (CAD$66,000) (December 31, 2022 - $11,046 or CAD$15,000).

(Expressed in United States Dollars)

6. MUSIC ROYALTIES

During 2023, the Company acquired $339,433 of royalty assets, of which $320,901 was paid in cash and $18,533 paid in shares (Note 11).

	$
Cost	
Balance - December 31, 2021 and 2022	-
Additions	339,433
Balance - December 31, 2023	339,433
Accumulated Amortization	
Balance - December 31, 2021 and 2022	-
Additions	16,189
Balance - December 31, 2023	16,189
Net book value - December 31, 2023	323,244

During the year ended December 31, 2023, the Company received royalty income from music royalty assets totaling $32,786 (December 31, 2022 - $Nil).

7. EXPLORATION AND EVALUATION EXPENDITURES

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

	December 31, 2023 $	Additions $	December 31, 2022 $	Additions $	December 31, 2021 $
Bilbao	23,393,257	101,053	23,292,204	51,104	23,241,100
Laguna	7,281,000	-	7,281,000	-	7,281,000
	30,674,257	101,053	30,573,204	51,104	30,522,100

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 8.

Laguna

The Company holds a 100% interest in the Laguna silver-gold-mercury tailings development project and was granted a twenty-year concession dated December 10, 2003 by the *Comision Nacional del Agua* ("Conagua") relating to the extraction rights to six million cubic metres of tailings material, subject to an amount payable to Conagua in the amount MXN$11.00 (approximately $1.00) per cubic metre of tailings. The permit 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 $87,000 (MXN $1,488,000) are required annually. Failure to make the annual concession payments or incur the minimum annual exploration expenditures, to the satisfaction of the Mexican authorities, or a determination that the expenditures incurred are not qualifying expenditures, may result in the cancellation or forfeiture of the mineral concessions.

(Expressed in United States Dollars)

8. MINERAL ROYALTY INTERESTS

On April 22, 2020, the Company entered into an agreement to acquire 88% of the shares of Minera Portree de Zacatecas S.A. de C.V. in consideration of the payment of CAD$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 CAD$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 Copper 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 register the Minera Portree royalty claims on title. The key witnesses were deposed in court in September and October 2023. A court ordered site inspection of the Portree claims was blocked by Capstone in November. The timing and outcome of the lawsuits are uncertain.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2023 $	December 31, 2022 $
Trade payable and accrued liabilities	**118,263**	110,077
Subscription receipts	**-**	59,067
	118,263	169,144

10. NOTES PAYABLE

On February 14, 2018, the Company entered into a two-year Support and Standstill Agreement ("Support Agreement") to defer repayment of principal and accrued interest on an outstanding note payable to Buchans Resources Limited ("Buchans"). The Support Agreement was amended on April 27, 2021 to provide that interest on the remaining balance of the note payable 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, 2023, interest expense in the amount of $nil (2022 - $7,434) was included in operations and on December 30, 2022 the balance owing of $205,673 was paid in full.

11. SHARE CAPITAL

Common Shares

Authorized

Unlimited number of common shares

	Shares #	Amount $
Balance as at December 31, 2021	**175,693,057**	**37,046,171**
Shares issued pursuant to acquisition agreement (Note 5)	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**
Shares issued from the exercise of stock options	1,350,000	106,586
Shares issued pursuant to acquisition agreement (Note 6)	500,000	18,533
Shares issued for debt settlement	5,400,000	199,735
Shares issued for private placement	7,480,000	275,610
Balance as at December 31, 2023	**216,023,057**	**38,573,695**

(Expressed in United States Dollars)

11. SHARE CAPITAL (CONTINUED)

Fiscal 2023

During fiscal 2023, a total of 14,730,000 shares were issued from treasury. Details are as follows:

- On June 20, 2023, 1,350,000 stock options were exercised for gross proceeds of $58,826 (CAD$81,000) and the fair value of these options totaling $47,760 was reallocated to share capital.
- On June 20, 2023, the Company closed a non-brokered private placement for gross proceeds of $68,477 (CAD$94,000) through the issuance of 1,880,000 shares at CAD$0.05 per share. An officer of the Company subscribed for a total of 150,000 shares for gross proceeds of approximately $6,635 (CAD$7,500).
- On May 11, 2023, the Company invested $18,533 (CAD$25,000) through the issuance of 500,000 shares at CAD$0.05 per share in order to participate in a royalty song catalogue.
- On April 19, 2023, 11,000,000 shares were issued at CAD$0.05 per share for a total of $406,868 (CAD$550,000) of which:
  - 5,400,000 shares were issued to MRI as settlement of debt owing by Royalties Inc. in the amount of $199,735 (CAD$270,000),
  - A director was issued 5,600,000 shares in the Company to settle share subscription proceeds received between December 2021 and April 2023 totaling $207,133 (CAD$280,000).

Fiscal 2022

- On December 23, 2022, 5,600,000 options were exercised for proceeds of $205,660 (CAD$280,000).
- 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 CAD$0.05 totaling $721,400 (CAD$1,000,000), the Company received 2,000,000 common shares in MRI held by the CEO. The MRI shares had a value of CAD$0.50 per share based on recent financings or $721,400 (CAD$1,000,000). Refer also to Notes 5 and 15.

12. WARRANTS

On April 27, 2021, the Company issued 5,000,000 share purchase warrants to Buchans, each warrant entitling Buchans to purchase one common share of Royalties Inc. at a price of CAD$0.10 per share for a term of two years. The value of the warrants received was estimated to be $219,637. On April 27, 2023, the 5,000,000 warrants issued to Buchans at CAD$0.10 expired and the fair value of these warrants totaling $219,637 was reallocated to retained earnings.

13. SHARE-BASED PAYMENT RESERVE

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

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

Stock options transactions during the years ended December 31, 2023 and 2022 were as follows:

	Options Granted and Exercisable #	Estimated Grant Date Fair Value $	Exercise Price $
Balance as at December 31, 2021	11,800,000	361,750	CAD$0.056
Stock options exercised	(5,600,000)	(165,321)	
Stock options expired	(400,000)	(469)	
Balance as at December 31, 2022	5,800,000	195,960	CAD$0.059
Stock options expired	(800,000)	(23,933)	
Stock options exercised	(1,350,000)	(47,760)	
Balance as at December 31, 2023	3,650,000	124,267	CAD$0.06

(Expressed in United States Dollars)

13. SHARE-BASED PAYMENT RESERVE (CONTINUED)

As at December 31, 2023, the following options were outstanding and exercisable:

Grant date	Expiry date	# of options O/S	# of options exercisable	Exercise Price	Weighted average remaining life
04-Jun-20	04-Jun-25	3,650,000	3,650,000	$ 0.06	1.43

During the year ended December 31, 2022, 5,600,000 options were exercised for gross proceeds of $205,660 (CAD$280,000) and 400,000 stock options were expired. The grant date fair value of these options totaling $165,790 was reallocated to retained earnings.

On January 30, 2023, 800,000 stock options expired and the grant date fair value of these options totaling $23,933 was reallocated to retained earnings.

On June 20, 2023, 1,350,000 options were exercised for gross proceeds of $58,826 (CAD$81,000) and the grant date fair value of these options totaling $47,760 was reallocated to retained earnings.

14. 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.

	2023	2022
Dividend income	$ 48,886	$ 11,046
Professional fees	9,005	8,291

On April 19, 2023, a director was issued 5,600,000 shares in the Company to settle share subscription proceeds received between December 2021 and April 2023 totaling $207,133 (CAD$280,000).

On April 19, 2023, 5,400,000 shares were issued to MRI as settlement of debt owing by Royalties Inc. in the amount of $199,735 (CAD$270,000). Certain directors and officers of the Company are also directors and officers of MRI.

On September 30, 2022, the CEO acquired 20,000,000 common shares of the Company pursuant to the royalty acquisition disclosed in Notes 5 and 12. On December 23, 2022, the CEO exercised 3,600,000 stock options for net proceeds of $132,210 (CAD$180,000).

During fiscal 2022, the Company settled various funding agreements with its major shareholder Buchans (Note 10). As at December 31, 2023, Buchans held 15.2% of the Company's outstanding shares.

Also included in accounts payable and accrued liabilities as at December 31, 2023, is $5,053 (CAD$6,780) (December 31, 2022 - $4,493 or CAD$6,080) due to a company controlled by an officer of the Company for professional fees. These balances are due on demand, unsecured and non-interest bearing.

The subsidiaries of the Company as at December 31, 2023 and 2022 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

(Expressed in United States Dollars)

15. 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, 2023 and 2022.

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, 2023, the Company had cash of $33,155 (2022 - $13,479) to settle current liabilities of $118,263 (2022 - $169,144), excluding the $2,000,000 contingent liability of a subsidiary. The Company's accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Price Risk:

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

Interest Rate Risk:

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

Foreign Currency Risk:

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

As at December 31, 2023 and 2022, the Company held the following Canadian monetary assets and liabilities:

	December 31, 2023 CAD$	December 31, 2022 CAD$
Cash	7,659	14,999
Marketable securities	1,000,000	1,000,000
Amounts receivable	10,884	10,598
Accounts payable and accrued liabilities	(118,480)	(85,022)
Total Canadian monetary assets	900,063	940,575

As at December 31, 2023 and 2022, the Company held the following Mexican monetary assets and liabilities:

	December 31, 2023 MXN	December 31, 2022 MXN
Cash	62,683	15,934
Amounts receivable	637	30,568
Accounts payable and accrued liabilities	(496,622)	(317,245)
Total Canadian monetary assets	(433,302)	(270,743)

(Expressed in United States Dollars)

15. FINANCIAL INSTRUMENTS (CONTINUED)

A 10% increase (decrease) in the fair value of the Canadian monetary assets as at December 31, 2023 totaling CAD $900,063 would result in an estimated increase (decrease) in net income (loss) of approximately CAD $90,000 (December 31, 2022 – CAD $94,000).

A 10% increase (decrease) in the fair value of the Mexican monetary assets and liabilities as at December 31, 2023 totaling MXN $(433,302) (December 31, 2022 – MXN $(270,743)) would result in an estimated increase (decrease) in net income (loss) of approximately MXN $43,000 (December 31, 2022 – MXN $27,000).

Fair value of financial instruments

Level 3 Hierarchy

The fair value hierarchy has the following levels:

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

The following table presents the changes in fair value measurements of financial instruments classified as Level 3 during the years ended December 31, 2023 and 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	**December 31, 2023**	**December 31, 2022**
Balance, beginning of year	$ 738,334	$ -
Purchase at cost – shares	-	721,400
Foreign exchange gain	15,586	16,934
Balance, end of year	$ 753,920	$ 738,334

There were no transfers between level 2 and 3 during the years ended December 31, 2023 and 2022. 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.

A 10% increase (decrease) in the fair value of the investment as at December 31, 2023 would result in an estimated increase (decrease) in net income (loss) of approximately $75,400 (December 31 2022 - $73,800) and a one cent change in the USD/CAD exchange rate will result in a corresponding change in the value of investments as at December 31, 2023 of approximately $7,539 (December 31, 2022 - $7,383).

16. 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, 2023 and 2022. The Company was not subject to any capital requirements imposed by a lending institution or regulatory body.

(Expressed in United States Dollars)

17. 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 $87,000 (MXN $1,488,000) are required annually. Failure to make the annual concession payments or incur the minimum annual exploration expenditures, to the satisfaction of the Mexican authorities, or a determination that the expenditures incurred are not qualifying expenditures, may result in the cancellation or forfeiture of the mineral concessions. See Note 7.

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.

18. INCOME TAXES

Provision for Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory rate of 26.5% (2022 – 26.5%) to the effective tax rate is as follows:

	2023 $	2022 $
(Loss) before income taxes	(137,596)	(85,469)
Expected income tax recovery based on statutory rate	(36,000)	(23,000)
Adjustment to expected income tax recovery:		
Expenses not deductible for tax purposes	69,000	(8,000)
Other	432,000	-
Change in foreign exchange rates	687,000	-
Change in benefit of taxes assets not recognized	(1,152,000)	31,000
Deferred income tax provision (recovery)	-	-

(Expressed in United States Dollars)

18. INCOME TAXES (CONTINUED)

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.

	2023 $	2022 $
Non-capital loss carry-forwards - Canada	5,419,000	5,250,000
Non-capital loss carry-forwards - Mexico	4,748,000	8,746,000
Other temporary differences	11,000	-
Total	10,178,000	13,996,000

The Company has approximately $5,419,000 (CAD$7,170,000) of non-capital losses in Canada and approximately $4,748,000 (MXN80,650,000) 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 from 2027 to 2043 and the Mexican losses expire from 2025 to 2030.