2023
ANNUAL REPORT

LITHIUM
ROYALTY CORP

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All dollar amounts in this annual report are expressed in United States dollars, except as otherwise indicated.

Introduction

We are a lithium-focused royalty company with a diversified portfolio of royalties on mineral properties around the world that supply and are expected to supply raw materials to support the electrification and decarbonization of the global economy. The primary driver of lithium demand growth is increased battery manufacturing associated with the global energy transition thematic and more specifically outsized multi-decade growth in the electric vehicle ("EV") industry and energy storage systems ("ESS") for renewable energy projects.

Our royalty portfolio is composed of 35 royalties on 33 properties, with three properties at the production stage, three properties at the development stage and 27 properties at the exploration and evaluation stage. Recognizing the importance of lithium for batteries and broader electrification initiatives, our royalty portfolio is underpinned by mineral properties that produce or are expected to produce lithium and other battery minerals.

Our overarching objective has been the development of a diverse portfolio of royalty interests within an electrification and decarbonization macroeconomic theme, with an emphasis on lithium. We intentionally targeted lithium over other battery metals given its robust projected growth profile largely driven by EV and ESS demand. We have also sought to diversify our portfolio geographically, while focusing on favourable jurisdictions.

In our view, lithium has the following advantages when compared to other battery materials:

- the low risk of obsolescence, as lithium is the lightest known metal, the least dense solid element and has a high electrochemical potential with the greatest energy-to-weight performance;
- the expected future growth of lithium content per battery with increasing pack size and electrode chemistries;
- the relative size of the economically available lithium supply compared to expected future demand; and
- lithium project development, similar to other extractive resources, is capital intensive and has long development lead times.

Coupled with our focus on lithium, we have intentionally and purposefully developed our portfolio to be economically and geographically diversified, such that it is not over-weighted to any particular royalty interest or mineral property. We have foregone or reduced the size of royalty interest investments where the overall portfolio would risk being materially over-weighted to such royalty interests.

Our industry involvement and network of relationships in the lithium industry run deep. Often, we get a "first look" at lithium projects globally as operators look to associate with us to establish credibility in the quickly emerging capital markets for battery materials, and to benefit from our network across the electric vehicle and battery materials ecosystem. This has been, and continues to be, a material benefit in creating value, and our internally-sourced deal flow has become a key competitive advantage. We leverage this involvement and network of relationships to initially source and make investments in royalty opportunities, and then to partner with the owners, developers and operators on whose properties we hold our royalties to assist with further financing and development. We do this because we understand that the success of our royalties is necessarily dependent on the success of the mining projects located on the properties covered by our royalties. We seek to remain aligned in interest with our partner owners, developers and operators.

Our team members have a diversity of expertise that is instrumental in constructing a diversified, high-quality royalty portfolio of lithium assets. Team members have expertise in geology, chemical engineering, finance and capital markets and are key participants in the global high energy density battery value chain. We believe that our intellectual property and team gives us a competitive advantage in the market due to its expertise in battery materials and extensive relationships with battery producers, cathode and anode suppliers, metal traders, original equipment manufacturers and metal extraction developers. We are regularly invited to participate in industry, sell side, and broader conferences as part of the EV and ESS thematics. Our team members have collectively visited many major lithium deposits and have a detailed proprietary assessment of many of them, and continue to search for new projects to add to our pipeline of investment opportunities. This expertise, combined with extensive relationships across the mining sector and the battery supply chain, has resulted in rapid growth of our portfolio and a high proportion of internally-sourced deal-making (relative to deals sourced through broad auctions) since our inception in 2018.

Letter from the Executive Chair of the Board of Directors

MASSIVE THEMATIC

Electrification and the upstream resources required to effect it remain a global high-growth, multi-decade thematic. It is estimated that the global energy transition to sustainable sources and electrification will require $2 trillion of annual economic activity. Electrifying passenger vehicles is the low-hanging fruit and lithium has been and will remain at the centre of that transformation.

RECORD YEAR FOR LITHIUM ROYALTY CORP.

2023 was a record year for Lithium Royalty Corp. We acquired eight new royalties, had four new globally significant resource announcements and exceeded our historical peaks for capital deployment, royalty acquisitions and pipeline development. Two of our world-class projects went into commercial production and started paying royalties and up to four more will follow in 2024. Using research analysts' estimates, the percentage of our net asset value ("NAV") based on producing and paying royalties will jump from 20% in 2023 to 50% in 2024. While 2023 was a record year for new royalty acquisitions, our acquisition pipeline remains full and valuations attractive, at or exceeding historical returns and of equal or greater quality and optionality.

PRICES DOWN, COSTS UP

As for the macro backdrop, lithium was down 83% in 2023 compared to down 73% in the prior down cycle (2018), while the five-year price trend is up 166% and prices have recovered by 10% in 2024 to mid March. Price volatility is an inherent attribute of a nascent and emerging industry, especially one with the expected outsized multi-decade growth of batteries and in turn lithium. As the base of lithium annual production increases, the annual changes in demand and supply will have a lower impact on the lithium price. In the interim period, the volatility persists and has been beneficial as we have built out our world-class portfolio of royalties.

EMBEDDED GROWTH

In a short period of time LRC has assembled a portfolio of royalties on high-grade and low operating cost projects in strong jurisdictions. We anticipate above-average compounded growth in revenue, EBITDA and cash flows over the forty-year duration of our projects. During this current period of lower commodity prices capital availability to advance projects has become more limited. That said, many of our project companies are well situated notwithstanding the broader environment. Winsome Resources reported $54 million of cash at the end of 2023 and is launching their largest drilling campaign to date in 2024. Delta Lithium recently financed and has over $120 million of cash on their balance sheet and strong sponsorship of key shareholders including Mineral Resources Ltd. and Gina Rinehart. Delta is fast-tracking development of their multiple lithium projects in Western Australia in 2024 with a 250,000-metre drill campaign. Lastly, Atlas Lithium recently announced several partnerships which resulted in the company being fully financed for phase one production with excess funds on the balance sheet for further resource expansion.

SECTOR-LEADING IP

Our management team, Board and Advisory Board comprise the top minds in the critical minerals sector and are called upon regularly by global corporations, auto manufacturers, battery makers, mineral traders and governments for our insights. We have looked at, invested in and brought online more critical mineral projects than any other group. In addition to being able to analyze and make quick decisions on projects, our dedicated involvement in the sector since 2017 has resulted in a vast network, which results in our seeing opportunities early and in advance of any competing sources of investment capital. As we embark on 2024 our pipeline remains full and highly prospective.

Blair Levinsky
Director and Executive Chair

Letter from the CEO

Dear Fellow Shareholders,

In 2023 Lithium Royalty Corp. ("LRC") accomplished several milestones in the midst of various cross-currents, all while setting up a strong public market foundation to deliver long-term shareholder value in the years to come.

GOING PUBLIC

Following five years as a private company, Lithium Royalty Corp. embarked on an Initial Public Offering ("IPO") and was the only company to go public in Canada in the year, raising C$150 million in March 2023. The public offering was successful due to a strong suite of stakeholders that believe in the value proposition of LRC. We want to express our sincere appreciation to our shareholders, our banking partners, our portfolio companies, and our employees who made so many contributions towards our successful IPO.

As outlined in our prospectus, we undertook the IPO to better pursue our robust growth strategy of securing best-in-class royalties on the highest quality lithium projects available. We are pleased to have delivered on this strategy again in 2023 as we completed eight transactions, with six of those following our IPO.

Importantly, half of our royalty acquisitions in 2023 were on assets that were in construction by year-end and over 87% of our invested dollars last year were on assets that were in construction at year-end. Therefore, despite the nascency of the sector and its rapid evolution, LRC continues to source and complete acquisitions with a bias towards high-grade, low-cost assets, with near-term proximity to cash flow. Underpinning LRC's strong suite of organic growth, three additional assets are expected to reach production status in 2024, as per our operators' public disclosures.

OPPORTUNITY IN VOLATILITY

LRC was able to close on those attractive acquisition opportunities given our world-leading intellectual property, industry connections, and robust royalty database, and capitalize on the challenging lithium pricing dynamics.

Commodities tied to the electric vehicle and energy storage system thematics were the worst performers in 2023, with lithium in particular witnessing pronounced weakness – lithium prices declined by more than 70% in 2023 following our IPO. This price weakness led to pressure on developmental projects and thus presented many acquisition opportunities for LRC. Commensurately, this also presented headwinds to our share price. Despite the LRC share price outperforming the commodity price changes and the share price performance of many leading lithium companies, we are laser-focused on improving LRC's share price by adding value through organic portfolio derisking and continued acquisitions.

We remain committed to enhancing shareholder value throughout all stages of the commodity cycle and are well aligned as significant shareholders. Our steadfast belief in our business is one of the reasons why insider buying at Lithium Royalty Corp. has continued both at and subsequent to our IPO. The team at LRC has witnessed steep draw-downs in the lithium sector before, only to emerge from downturns stronger and more diversified than before. Following the 2020 downturn, LRC completed 11 transactions the following year, highlighted by gaining access to the world-class Adina (Winsome Resources) and Moblan (Sayona Mining) deposits. In volatile times, we can spot and deliver on the opportunity.

LITHIUM SUPPLY AND DEMAND

Supply curtailments are expected in 2024 due to negative margins and project delays caused by low prices leading to restricted capital availability, which will likely result in lower supply in 2024/2025 than current estimates. 2023 was marked by oversupply as indicated by cathode (battery manufacturer) inventories at five months in 2023 compared with the historical average of three months. Elevated levels of inventory are expected to normalize to two months, below historical averages, by summer 2024 due to absorption and restocking. Lithium demand was up 28% in 2023 to 0.9 Mt of Lithium Carbonate Equivalent ("LCE"). Estimated demand is 1.2 Mt for 2024 and 1.4 Mt for 2025. The marginal cost of production increased to ~$20,000, compared to ~$10,000 when we started LRC only five years ago. General inflation and high-cost, low-grade Chinese lepidolite entering the supply chain are the primary causes for higher costs but even first quartile lithium projects are coming online with operating costs of 1.5 to 2.5 times higher than original Definitive Feasibility Study estimates.

NET ASSET VALUE

LRC's share price performed in line with the higher-quality larger lithium peer group and the royalty sector weakness. Research analysts estimated NAV at our March 2023 IPO was $784 million compared to their current estimate of $943 million. Our Price-to-NAV has gone from 0.9 times to 0.4 times excluding expansion upside, which we are already experiencing in our portfolio. Our estimated Internal Rate of Return ("IRR") on future after-tax cash flows implies a 23% to 29% IRR using our current enterprise value. Using only our four producing assets implies an 8% to 11% IRR, and 19% to 24% for our first twelve projects expected to go into commercial production.

ACQUISITIONS SINCE IPO

- LRC royalties grew from 29 at time of IPO to 34 at 2023 year-end, with eight new royalties in 2023.
- LRC acquired a 0.5% GOR on Zijin Mining's Tres Quebradas asset in construction for $27 million, taking LRC to 1.4% GOR.
- LRC acquired a 3.0% GOR on Atlas Lithium for $20 million.
- LRC acquired an existing 1.5% NSR on Allkem's James Bay project for $1.8 million.
- LRC acquired a 2.0% GOR on Power Metals' Case Lake project for $1.1 million.
- Pinnacle Minerals acquired the Adina East property in Québec, on which LRC holds a 2.0% GOR.
- LRC acquired an existing 1.0% NSR on Q2 Metals' Mia project for 76,000 shares of LRC.

ROYALTY PORTFOLIO DEVELOPMENTS

Notable milestones from the LRC portfolio in 2023:

- Sigma Lithium and Core Lithium commenced commercial production and royalty payments to LRC. Core has since temporarily idled production due to lower prices.
- Four new maiden mineral resource announcements were announced (Green Technology Metals, Grid Metals, Winsome Resources, and Delta Lithium).
- Mineral resource growth of 52% occurred on an LCE basis portfolio-wide since IPO.
- Thacker Pass litigation ruling in favour of LRC and injunction on Orion. Waiting on adjudication of damages and possible appeal by Orion.
- Arcadium (previously Allkem) received environmental approval to begin construction at James Bay lithium project.
- Atlas Lithium received pre-payment financing from Chengxin and Yahua to fully fund Phase 1 for production in 2024.

ESTABLISHING THE FOUNDATION

While we were deploying capital in 2023 and growing the royalty platform, we were also instituting and formulating a world-class team in Finance and Legal to support our future growth as a public company. A strong foundation is key for LRC as we now hold 35 royalties on 33 projects in seven countries and are pursuing additional accretive acquisitions.

Furthermore, we added depth to our Investor Relations and Corporate Development departments. In 2023, we visited with investors in Europe, North America, South America, and Australia and overall held over 185 meetings as we seek to be the *go-to royalty investment in the energy transition sector* on a global basis.

These worthwhile investments in the infrastructure of LRC will prove fruitful in the years to come especially as an improving lithium cycle demonstrates the operating leverage and scalability of our royalty business model.

CONVICTION

Our conviction in Lithium Royalty Corp., and by extension the broader electric vehicle and energy storage system thematics, is the strongest it has ever been. Electric vehicle sales grew by more than 31% in 2023 and are expected to grow by 20-25% in 2024. Lithium demand grew by more than 25% in 2023 and is forecast to continue to grow in excess of 20% in 2024. BloombergNEF expects electric model availability to rise to 631 in 2024 from 482 in 2023, a more than tenfold increase from 49 in 2014. Moreover, many of the leading battery companies in the world have released 2024 outlooks suggesting an acceleration of demand starting in the second half of the year, with LG Energy Solutions expecting EV growth to accelerate into the low 30% range in 2025 from mid-20% in 2024.

At any particular point in time, there will be volatility in the sector but over the long term, the trend is clear:

- Lithium growth is increasing at multiples of global GDP
- The world will need many times more lithium in 2030 than it produces today, and
- LRC is at the centre of financing this transition.

We are more convinced than ever that LRC is poised to deliver step changes in growth that will deliver major increases in cash flow and shareholder value over the long term.

Ernie Ortiz Ortega
Director, President & Chief Executive Officer

Lithium Market

The dominant growth driver for the lithium sector remains electric vehicle ("EV") sales, with approximately 62% of 2023 lithium demand emanating from the automotive sector according to Wood Mackenzie. While the growth rate in EV sales slowed in 2023, the growth rate was still robust, at approximately 31% year-over-year "(y/y") according to BloombergNEF.

The growth in EV sales was led by China and North America, with Chinese EV sales growing by approximately 37% and both November and December exhibiting sales of over 1 million units in each month. Chinese EV sales seasonality followed historical patterns, with 60% of sales occurring in 2H23. BYD, a Chinese EV OEM, sold over 3 million units and reported growth of 62% in 2023.

North America was the best performing region with U.S. EV sales growth of 58% in 2023. Approximately 80% of North American sales were battery electric vehicles ("BEV") and the remaining 20% were plug-in hybrid electric vehicles ("PHEV"). Tesla remains the industry leader with nearly half of the EV market share in North America.

European electric vehicle registrations grew by 16% y/y, although growth was negatively impacted by the PHEV market, which contracted by 2.4%. BEV registrations in Europe increased by approximately 28% in 2023. EV sales experienced double-digit growth rates in almost every major European country, including an 18% increase in Italy, 45% in Spain, 24% in the UK and 40% in France. However, Germany stood out as an exception, with a 16% decline due to the withdrawal of PHEV subsidies in late 2022.

LRC estimates that the global lithium market grew by approximately 28% in 2023, with the lithium market approaching almost 1Mt of lithium carbonate equivalent ("LCE"). Wood Mackenzie estimates the lithium market will reach 1.2Mt in 2024, while industry leader Albemarle projects the market to reach 1.3Mt, implying growth rates of approximately 20–30% in 2024. BloombergNEF expects EV model availability to rise by nearly 31% to 631 models in 2024, which is up significantly from the 49 models available a decade ago. EV sales forecasts vary, but the consensus generally indicates a growth rate of over 20% in 2024. LG Energy Solutions, one of the largest battery manufacturers globally, recently presented their 2024 market outlook in which they estimate the EV market to grow by mid-20% rates in 2024 and low 30% rates in 2025.

In addition to lithium demand from EVs, lithium has applications in batteries for energy storage system ("ESS") installations. ESS allows generated power to be stored and consumed at a later time, during periods of higher or peak energy demand. According to the Shanghai Metals Market, global production of LFP battery cells for ESS installations reached 190GWh in 2023, a year-over-year increase of 48% as compared to 2022. BloombergNEF estimates that the global average cost of operating a 4-hour duration ESS installation fell 24% in 2023 to $263/kwh, and expects costs to fall another $9/kwh (down 3.4%) in 2024. These ongoing cost reductions for ESS applications should continue to improve the economics of ESS installations and amplify lithium demand. While lithium alternatives such as sodium-ion batteries have been suggested for ESS installations, Rho Motion estimates that less than 0.1% of capacity coming online in 2024 will be from sodium-ion batteries.

Prices for lithium were volatile in 2023, with a significant decline throughout the year. The Shanghai Metals Market ("SMM") reports that spodumene concentrate prices in 2023 averaged $3,610/tonne CIF ("Cost, Insurance, and Freight") in China, with lithium carbonate prices during 2023 averaging approximately $36,000/tonne. This compares to an average of $4,380/tonne in 2022 for spodumene concentrate and $67,000/tonne for lithium carbonate. According to SMM, prices moved significantly lower throughout 2023, with spodumene prices falling from approximately $5,500/tonne in January 2023, to near $1,100/tonne in December 2023, an intra-year decline of 80%. Prices have recently stabilized given positive demand trends and curtailment of operations across the industry.

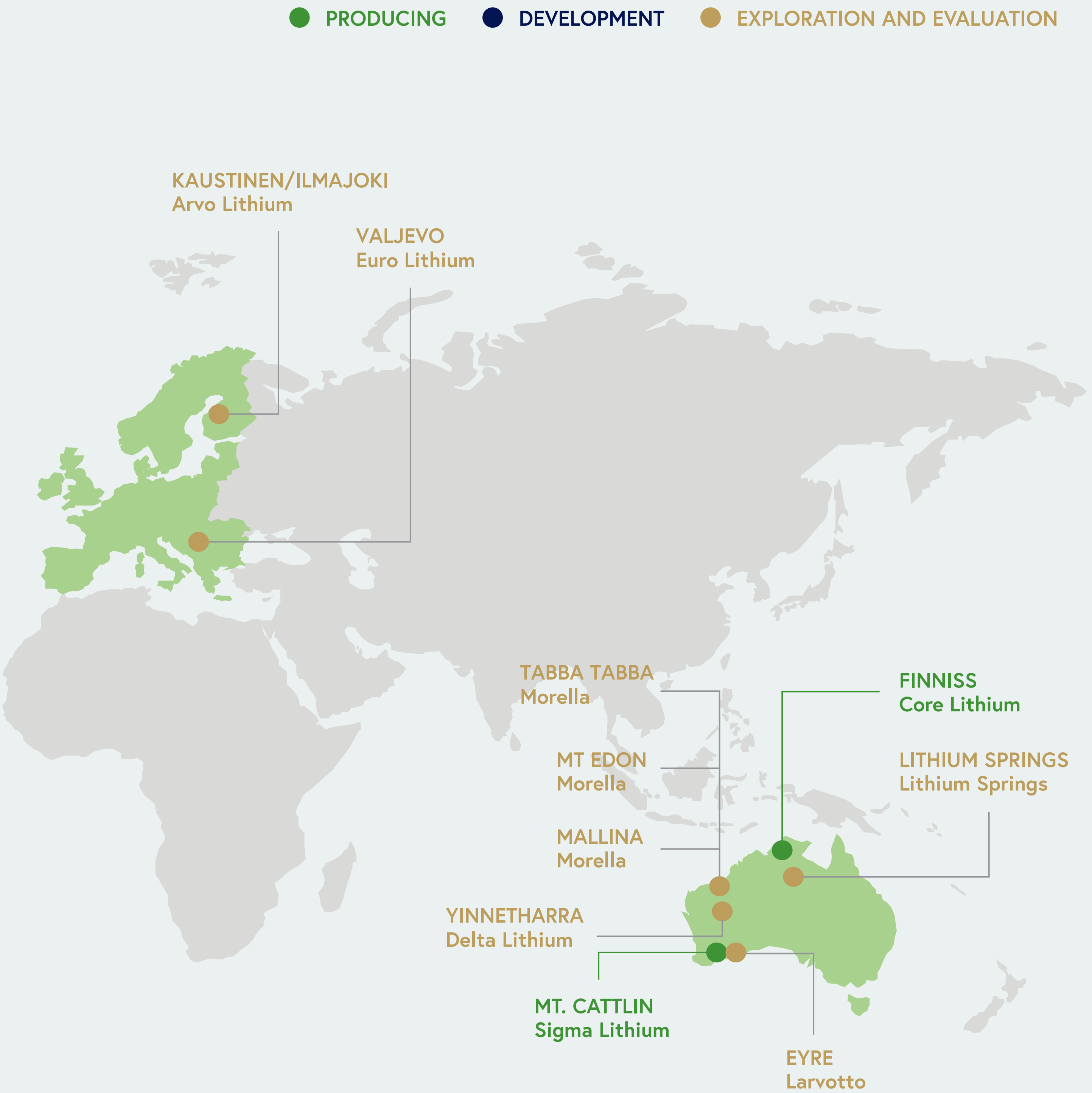
The dominant growth driver for the lithium sector remains electric vehicle ("EV") sales

Royalties

MINERAL PROPERTY[1]	LOCATION	OPERATOR	COMMODITY EXPOSURE	KEY TERMS
PRODUCING				
Mt. Cattlin	Western Australia, Australia	Arcadium	Lithium Spodumene	A$1.5 per tonne treated
Finniss	Northern Territory, Australia	Core Lithium Limited	Lithium Spodumene	2.5% GOR royalty
Grota do Cirilo	Minas Gerais, Brazil	Sigma Lithium Corporation	Lithium Spodumene	1.0% NSR royalty[3]
DEVELOPMENT				
Tres Quebradas (Brine)	Catamarca, Argentina	Zijin	Lithium Carbonate	0.9% GOR royalty[3]
Horse Creek[2]	British Columbia, Canada	Sinova	Silica Quartz	8.0% – 4.0% GOR royalty[2]
Mariana (Brine)	Salta, Argentina	Ganfeng	Lithium Chloride/Carbonate	0.5% NSR royalty[3]
EXPLORATION AND EVALUATION				
Das Neves	Minas Gerais, Brazil	Atlas Lithium	Lithium Spodumene	3.0% GOR royalty
Adina	Québec, Canada	Winsome	Lithium Spodumene	4.0% GOR royalty[5] 1.0% NSR royalty
Cancet	Québec, Canada	Winsome	Lithium Spodumene	4.0% GOR royalty[5] 1.0% NSR royalty
Sirmac-Clapier	Québec, Canada	Winsome	Carbonate/Boric Acid Lithium Spodumene	4.0% GOR royalty
Yinnetharra	Western Australia, Australia	Delta Lithium	Lithium Spodumene	1.0% GOR royalty
Seymour Lake	Ontario, Canada	Green Technology Metals	Lithium Spodumene	1.0% GOR royalty
Root Lake	Ontario, Canada	Green Technology Metals	Lithium Spodumene	1.0% GOR royalty
Wisa Lake	Ontario, Canada	Green Technology Metals	Lithium Spodumene	1.0% GOR royalty
James Bay	Québec, Canada	Arcadium	Lithium Spodumene	1.5% NSR royalty
Moblan	Québec, Canada	Sayona	Lithium Spodumene	2.5% – 1.5% GOR royalty[4,6]
Tansim	Québec, Canada	Sayona	Lithium Spodumene	2.0% NSR royalty
Mallina	Western Australia, Australia	Morella	Lithium Spodumene	1.5% GOR royalty
Donner Lake	Manitoba, Canada	Grid Metals Corp.	Lithium Spodumene	2.0% GOR royalty
Campus Creek	Ontario, Canada	Grid Metals Corp.	Lithium Spodumene	2.0% GOR royalty
Case Lake	Ontario, Canada	Power Metals Corp.	Lithium Spodumene	2.0% GOR royalty
Valjevo (Clay)	Valjevo, Serbia	Euro Lithium	Lithium Carbonate/Boric Acid	GOR royalty at various rates
Lithium Springs[7]	Northern Territory, Australia	Lithium Springs Limited	Lithium Spodumene	1.5% GOR royalty
Zeus (Clay)	Nevada, United States	Noram	Lithium Carbonate	1.0% GOR royalty
Basin East & West/ Wikieup (Clay)	Arizona, United States	Bradda Head	Lithium Hydroxide	2.0% GOR royalty
Shatford Lake/Cat-Euclid	Manitoba, Canada	ACME Lithium	Lithium Spodumene	2.0% GOR royalty
Tabba Tabba	Western Australia, Australia	Morella	Lithium Spodumene	1.25% GOR royalty
Mt Edon/Mt Edon West	Western Australia, Australia	Morella	Lithium Spodumene	1.25% GOR royalty[8]
Eyre	Western Australia, Australia	Larvotto	Lithium Spodumene	1.0% GOR royalty
Kaustinen/Ilmajoki	Central Ostrobothnia, Finland	Arvo	Lithium Spodumene	1.25% GOR royalty
Adina East	Québec, Canada	Pinnacle Minerals	Lithium Spodumene	2.0% GOR royalty
Mia	Québec, Canada	Q2 Metals Corp	Lithium Spodumene	1.0% NSR royalty
Whitebushes/Mt. Elephant	Brazil	M4E Lithium	Lithium Spodumene	1.5% GOR royalty

1 *Lithium deposits at each mineral property are hard rock deposits unless otherwise noted.*
2 *The Horse Creek Royalty is assessed at 8.0% of annual gross revenues up to $45.0 million and 4.0% on any portion of annual gross revenues in excess of $45.0 million. Pilot production at the Horse Creek quarry took place in the third quarter of 2021. Commercial production is anticipated to commence in 2025.*
3 *Altius has an indirect 10% interest in each of the royalty over the Grota do Cirilo project (the "Grota do Cirilo Royalty"), the royalties over the Tres Quebradas lithium brine project (the "Tres Quebradas Royalties") and the Mariana Royalty through its limited partnership interest in LRC LP I. The Company holds the other 90% limited partnership interest. The general partner of LRC LP I is a subsidiary of the Company. See "Material Contracts – LRC LP I Limited Partnership Agreement". Altius has no interest in the 0.5% GOR royalty interest on the Tres Quebradas project that we acquired in July 2023.*
4 *The Moblan Royalty is assessed at 2.5% of gross revenues for the first one million tonnes of ore produced per annum and 1.5% of gross revenue for any tonne of ore produced thereafter.*
5 *Certain tenements comprising the property are assessed at 3.0% of quarterly gross revenues.*
6 *Royalty is payable only on production attributable to the ownership interest of the royalty payor in the relevant property, which ownership interest is less than 100%.*
7 *Our interest on the Lithium Springs project is an option to acquire the Lithium Springs Royalty. The option is exercisable until the earlier of (i) April 20, 2024, and (ii) Lithium Springs Limited completing a listing of its shares on the ASX.*

LRC Royalty Map


PRODUCING
DEVELOPMENT
EXPLORATION AND EVALUATION
KAUSTINEN/ILMAJOKI
Arvo Lithium
VALJEVO
Euro Lithium
TABBA TABBA
Morella
MT EDON
Morella
MALLINA
Morella
YINNETHARRA
Delta Lithium
MT. CATTLIN
Sigma Lithium
EYRE
Larvotto
FINNISS
Core Lithium
LITHIUM SPRINGS
Lithium Springs

Our Team

ELIZABETH (LIZ) BREEN, 66

Lead Director (Independent)

Liz is a senior partner at Stikeman Elliott LLP, a Canadian business law firm. She has extensive experience in royalty transactions, mergers & acquisitions, finance and private equity transactions. She has represented Canadian clients in a wide range of industries, as well as a significant number of foreign investors in respect of their Canadian strategic objectives. She is a member of the audit committee at Stikeman Elliott LLP.

Liz holds a Bachelor of Commerce with distinction from the University of Alberta and a Bachelor of Laws from the University of Toronto.

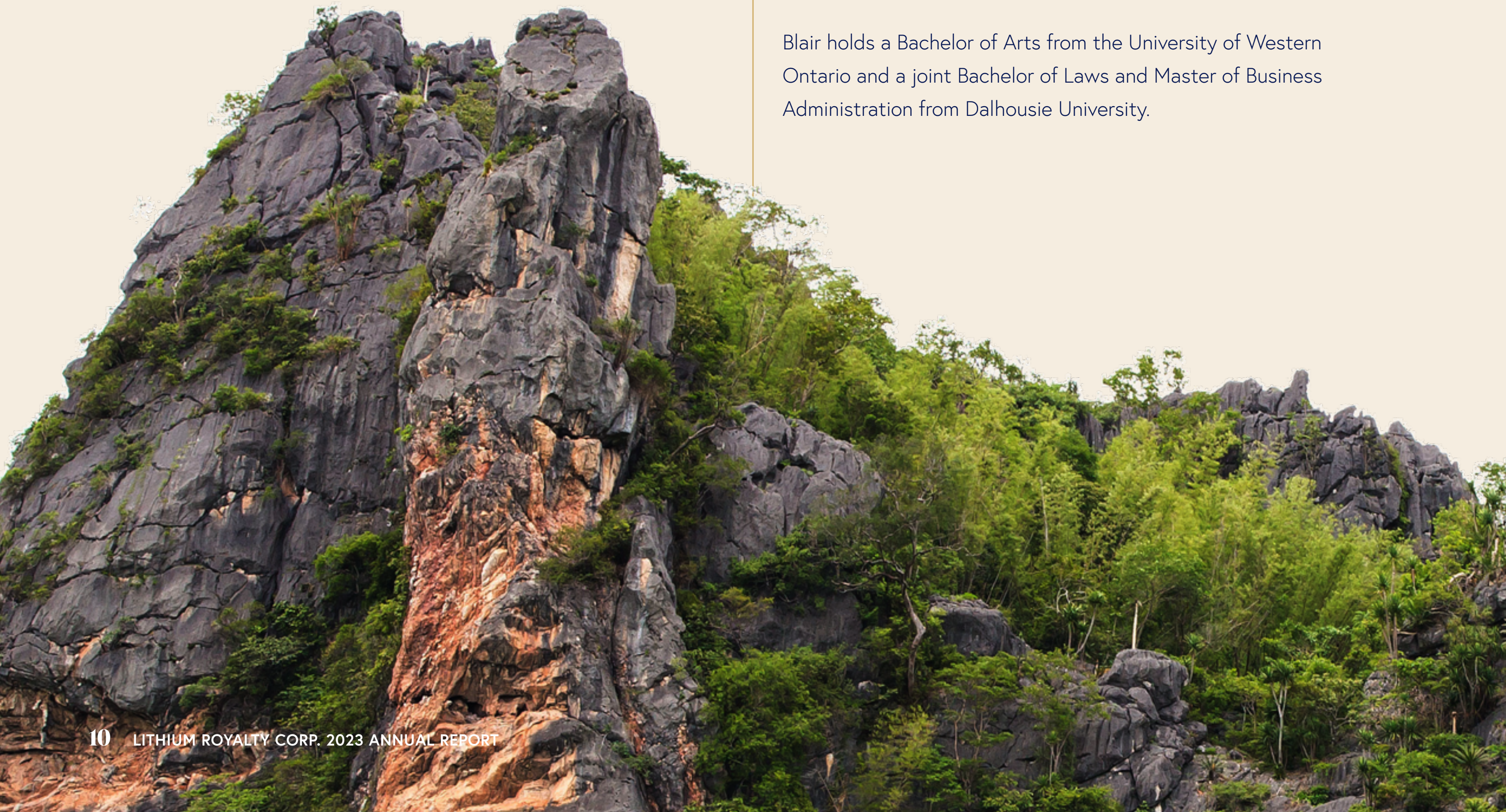
BLAIR LEVINSKY, 51

Director and Executive Chair

Blair is Co-Founder, President and Chief Executive Officer of Waratah Capital Advisors Ltd., an alternative investment management company based in Toronto, Canada with over C$4 billion in assets under management, including thematic and specialty private equity strategies. In addition to setting strategy for and managing Waratah's strategic growth, Blair is the lead portfolio manager for the Waratah Electrification and Decarbonization Fund and the Executive Chair of the Company.

From 1999 to 2010, Blair was a Managing Director at TD Securities, a division of TD Bank Financial Group. Blair was formerly a director at the Women's College Hospital Foundation and served on its Investment Committee for seven years, and is a former member of YPO.

Blair holds a Bachelor of Arts from the University of Western Ontario and a joint Bachelor of Laws and Master of Business Administration from Dalhousie University.



MARK WELLINGS, 60

Director, Vice Chair and Executive Vice President, Technical

Mark is the Vice Chair and the Executive Vice President, Technical of the Company. He is a finance professional with over 30 years of international experience in both the mining industry and mining finance sector. Mark initially worked in the mining industry both in Canada and Australia in exploration, development and production capacities. He then joined the investment dealer GMP Securities L.P. as a Managing Director of Investment Banking, where he co-founded the firm's corporate finance mining practice. During over 18 years at GMP Securities L.P., Mark was responsible for, and advised on, some of the Canadian mining industry's largest transactions, both in equity financing and mergers and acquisitions. Since then, he has been appointed to several public and private boards and is also the Chairman of Adventus Mining Corp., the Lead Director of Li-Cycle Holdings Corp. and the Chairman of Li-Metal Corp. Mark was also a Principal at Infor Financial Inc., an investment research and management company, from October 2016 to November 2020.

Mark is a Professional Engineer and holds a Bachelor of Applied Science in Geological Engineering from the University of Windsor and a Master of Business Administration from the University of Western Ontario.

ERNIE ORTIZ ORTEGA, 35

Director, President & Chief Executive Officer

Ernie is a Director, President and the Chief Executive Officer of the Company. He manages the origination, structuring, and execution of our royalties, which involves cross-border negotiations with parties in Argentina, Australia, Brazil, China, Serbia, Finland, the United Kingdom, Canada and the United States. Ernie has visited many of the world's lithium deposits, as well as several of the chemical and battery plants that service the EV industry. Ernie is a regular presenter at industry and investor conferences, including Fastmarkets and LME Week.

Prior to LRC, Ernie was an Analyst at Tide Point Capital Management, a hedge fund based in Greenwich, Connecticut that specializes in lithium, battery materials and specialty chemicals. At Tide Point Capital, Ernie led investments into lithium companies that included Sociedad Quimica y Minera de Chile, Albemarle Corporation and Galaxy Resources Limited and others.

Prior to Tide Point Capital, Ernie was a senior associate at Credit Suisse based in New York City, where he led research and diligence on lithium. In 2014, Ernie led the Credit Suisse team in publishing one of the seminal lithium primers that helped companies in the space raise capital based on its in-depth analysis of the industry.

Ernie sits on the London Metal Exchange Lithium Advisory Committee and serves as a Director on the board of Sinova Global Inc. Ernie is a CFA charter holder and holds a Bachelor of Arts in Economics from the University of Chicago.

Our Team

JOHN KANELLITSAS, 62

Director (Independent)

John is the Executive Chairman of Lithium Americas (Argentina) Corp., an operator of lithium projects in Argentina. John joined the company as a director in 2011 and served as a former Chief Executive Officer until the company's merger with Western Lithium USA Corp. in September 2015. He also served as the Interim Chief Executive Officer from October 2023 until March 2024. John also serves as a director of Largo Physical Vanadium Corp.

He has over 25 years of experience in the investment banking and asset management industries. John co-founded and was a partner of Geologic Resource Partners, LLP, where he served as its Chief Operating Officer from 2004 to 2014. Prior to Geologic, John was employed by Sun Valley Gold, LLC and Morgan Stanley & Co. in New York and San Francisco.

John has a Bachelor of Science in Mechanical Engineering from Michigan State University and a Master of Business Administration from the University of California in Los Angeles.

JESAL SHAH, 38

Director (Independent)

Jesal has served as a member of our Board of Directors since January 2024. Jesal is a Managing Director at Riverstone Holdings LLC ("Riverstone Holdings"), an asset management firm that invests in the private markets primarily within energy, power and infrastructure. Prior to joining Riverstone Holdings in 2010, Jesal was in the energy investment banking group of Credit Suisse, where he was involved with M&A and capital markets advisory for power, utilities, and renewables clients.

In addition to serving on the boards of a number of privately held Riverstone Holdings portfolio companies and their affiliates, Jesal has previously served on several public company boards, including Hammerhead Energy (formerly Hammerhead Resources) from 2018 to 2023, Pipestone Energy Corp from 2021 to 2023, and Liberty Oilfield Services from 2018 to 2020.

Jesal holds a Bachelor of Arts from Tufts University and a Master of Business Administration from Harvard Business School.

TAMARA BROWN, 51

Director (Independent)

Tamara is a mining industry professional with over 25 years of experience in the mining, capital markets and M&A sectors with 10 years of public and private board and committee experience. She is currently a partner of Oberon Capital Corp., an investment services provider, and was the Interim Chief Executive Officer of Superior Gold Inc., a gold producer, from 2020 to 2021. Tamara is currently an independent director of Orla Mining Ltd. (TSX) and 29Metals Ltd. (ASX).

Her previous executive roles include Vice President, Investor Relations and Corporate Development (Americas) for Newcrest Mining Ltd., a gold mining company, from 2018 to 2020; Vice President, Corporate Development and Investor Relations for Primero Mining Corp., a gold and silver producer, from 2010 to 2018; and Director of Investor Relations for IAMGOLD Corp. Tamara began her career as a professional engineer in the mining industry and was formerly a partner of a boutique investment banking firm.

Tamara holds a Bachelor of Engineering from Curtin University in Australia and has completed the Chartered Business Valuator Course at York University.

DOMINIQUE BARKER, 52

Chief Financial Officer and Head of Sustainability

Dominique is the Chief Financial Officer and Head of Sustainability at LRC. Dominique served as Head of Sustainability Advisory at CIBC Capital Markets. She joined the Capital Markets division after a ten-year tenure at CIBC Asset Management, where she was portfolio manager of several funds, including real estate and social responsible investing mandates. During that time, she also led CIBC Asset Management's efforts to incorporate environmental, social, and governance factors into all investment processes.

Dominique's prior experience includes investment banking, research, institutional equity sales, audit, and corporate advisory services at several well-known, international financial institutions and accounting firms.

Dominique has a Master of Business Administration in Accounting from the University of Toronto and a Bachelor of Science degree in Engineering from Queen's University. Dominique is also a CFA charter holder. Dominique is fluent in English and French.

Our Team

PHILIP DE L. PANET, 54

Chief Operating Officer and Vice President, Legal

Philip is the Vice President, Legal and Chief Operating Officer of the Company. He is also the Senior Vice President and General Counsel at Waratah.

Philip joined Waratah in May 2022.

Prior to joining Waratah, Philip worked as Chief Operating Officer, General Counsel and Secretary at West Face Capital Inc., a Toronto-based alternative investment fund manager. He also worked at UBS Securities Canada and other hedge fund advisers, and at Torys LLP.

Philip holds a Bachelor of Science in Economics from the University of Toronto, a Master of Arts in Economics from Harvard University and a Juris Doctor from the University of Toronto. He is also a CFA charter holder.

ROB WEIR, 52

Vice President, Corporate Development

Rob serves as the Vice President, Corporate Development of the Company. Rob was previously the Vice Chairman of Stifel Canada, where he spent 20 years, most recently as the Head of Sales and Trading. Prior to his current role, Rob worked at Waratah.

Rob holds a Bachelor of Arts in Economics from Queen's University. He is also a CFA charter holder.

Management's Discussion and Analysis

For the years ended December 31, 2023 and 2022

(Expressed in thousands of United States dollars, unless otherwise denoted)

Management's Discussion and Analysis

BASIS OF PRESENTATION

This Management's Discussion and Analysis ("MD&A") is intended to help the reader understand Lithium Royalty Corp. ("LRC" or the "Company"), its operations, financial performance and the present and anticipated future business environment. This MD&A, which has been prepared as of March 28, 2024, should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the years ended December 31, 2023 and 2022 (the "Annual Financial Statements"), which have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). Certain notes to the Annual Financial Statements are specifically referred to in this MD&A. Certain financial measures contained in this MD&A are non-IFRS measures and are discussed further in the *Non-IFRS Measures* section of this MD&A. All amounts in this MD&A are in thousands of U.S. dollars unless otherwise indicated. References to "US$", "$" or "dollars" are to United States dollars, references to "C$" are to Canadian dollars and references to "A$" are to Australian dollars. In this MD&A, all references to "LRC", the "Company", "we", "us" or "our" refer to Lithium Royalty Corp. together with its subsidiaries, on a consolidated basis.

This MD&A contains forward-looking information. Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that LRC considered appropriate and reasonable as of the date such statements are made, and are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the risk factors described in the "Risk Factors" section of the Company's Annual Information Form dated March 27, 2024, available on SEDAR+ at www.sedarplus.ca. There can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, users should not place undue reliance on forward-looking information, which speaks only as of the date made. See the *Forward-Looking Information* section at the end of this MD&A.

COMPANY OVERVIEW

LRC is a lithium-focused royalty company organized in Canada which has established a diversified portfolio of royalties on mineral properties around the world that supply or are expected to supply raw materials to support the electrification and decarbonization of the global economy. Our royalty portfolio has been focused to date on the battery supply chain for the transportation industry. Our focus on batteries has been amplified more recently by battery demand from energy storage system installations. Our royalty portfolio is underpinned by mineral properties that produce or are expected to produce lithium and other battery minerals.

Since commencing operations in 2018, our overarching objective has been to grow our portfolio and net asset value through ongoing investments in royalties within an electrification and decarbonization macroeconomic theme, with an emphasis on lithium. LRC owns a portfolio of 35 royalties on 33 properties and continues to seek opportunities to acquire additional royalty assets.

The major categories of the Company's interests are (i) producing, (ii) development, and (iii) exploration and evaluation interests. Producing assets are royalty interests over mineral projects which have reached commercial production. Development assets are royalty interests on projects which are not yet producing, but where the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets represent royalty interests where the technical feasibility and commercial viability of extracting a mineral resource have not yet been demonstrated.

Our royalty acquisition strategy targets high-grade and low-cost mineral projects that are primarily located in Australia, Canada, South America and the United States; however, LRC also targets high-quality assets in other jurisdictions when LRC deems risk-adjusted returns to be appropriate and LRC is satisfied with available protections. Our portfolio includes a number of projects in the earlier stages of the mine life cycle, representing a development and exploration and evaluation stage pipeline and the opportunity to increase EBITDA* per share over the long term after the underlying mines come into production in a favourable commodity price environment. Integration of ESG factors and sustainable mining are considerations in our investment and royalty acquisitions.

* Adjusted Net Loss, EBITDA, and Adjusted EBITDA are non-IFRS measures. For a reconciliation of these items to IFRS measures, see page 24 of this MD&A.

On March 15, 2023, the Company completed an Initial Public Offering ("IPO"), raising proceeds of $102.7 million (C$141.4 million), net of underwriting fees and related underwriting expenses of $6.3 million (C$8.6 million), through the issuance of 8,824,000 common shares from treasury at a price of $12.35 per share (C$17.00 per share). Refer to the *Initial Public Offering* section of this MD&A.

Selected Financial Highlights

	For the three months ended December 31,		For the years ended December 31,	
KEY INCOME STATEMENT ITEMS	**2023**	**2022**	**2023**	**2022**
Royalty revenue	$ 1,013	$ 337	$ 5,522	$ 1,684
Depletion	(279)	(192)	(935)	(961)
Gross profit	734	145	4,587	723
(Loss) income from operations	(1,577)	(677)	(4,533)	(1,334)
Gain (loss) on investments at fair value through profit and loss ("FVTPL")	–	4,117	(37)	17,093
Net (loss) income for the period	**$ (826)**	**$ 3,812**	**$ (4,967)**	**$ 13,967**
Net (loss) income attributable to non-controlling interest	11	–	72	188
Net (loss) income attributable to equity holders of Lithium Royalty Corp.	(837)	3,812	(5,039)	13,779
Adjusted Net (Loss)*	(202)	(344)	(2,721)	(2,671)
EBITDA*	(1,254)	3,903	(2,474)	16,004
Adjusted EBITDA*	**$ (695)**	**$ (390)**	**$ (306)**	**$ (100)**

* Adjusted Net Loss, EBITDA, and Adjusted EBITDA are non-IFRS measures. For a reconciliation of these items to IFRS measures, see page 24 of this MD&A.

	For the three months ended December 31,		For the years ended December 31,	
KEY CASH FLOW STATEMENT ITEMS	**2023**	**2022**	**2023**	**2022**
Net cash provided by / (used in) operating activities	$ 950	$ (469)	$ (7,535)	$ (2,116)
Net cash used in investing activities	(2,521)	(11,524)	(53,609)	(3,166)
Net cash (used in) / provided by financing activities	(301)	20,711	35,828	20,921

	As at December 31,	
KEY BALANCE SHEET ITEMS	**2023**	**2022**
Cash	$ 11,757	$ 35,877
Royalty and working interests	140,661	78,204
Total assets	154,847	150,319
Total non-current liabilities	3,098	2,772

OUR ASSETS

The Company is organized into a single operating segment. Operations consist of acquiring and managing the administration of our royalty interests, as part of a portfolio that provides exposure to lithium. The Company's chief operating decision maker, the Executive Chair, makes resource allocation decisions, reviews operating results and assesses performance.

Production Stage Assets

Mt Cattlin (Operator: Arcadium Lithium PLC ("Arcadium"))

LRC owns a A$1.50 per tonne of tantalum ore royalty on the Mt Cattlin mine, which is located near Ravensthorpe in the Great Southern region of Western Australia. On August 1, 2023, the operator announced an additional reserve update for Mt Cattlin, which provided an extension of four to five years of mine life using open pit methods. Arcadium expects to release an underground feasibility study in Q1 2024. On January 4, 2024, Arcadium announced the completion of the merger between Allkem and Livent. On February 22, 2024, Arcadium announced that it expected to produce 17kt LCE to their year ended December 31, 2024, which represents a reduction of 37% as compared to 2023.

Finniss (Operator: Core Lithium Ltd. ("Core Lithium"))

LRC owns a 2.5% gross overriding revenue ("GOR") royalty over the Finniss spodumene project in the Northern Territory, Australia, operated by Core Lithium. During the second quarter of 2023, Core Lithium continued the ramp up of the Finniss project, triggering an obligation on the Company to pay additional acquisition consideration of $844 (A$1,250) to Core Lithium, which was paid during the second quarter of 2023. In accordance with the terms of the royalty agreement, this payment triggered an increase in our royalty rate from 2.115% to 2.5%. On January 5, 2024, Core Lithium announced that it was temporarily suspending mining operations, while continuing to process stockpiled ore. Core Lithium will continue the mine study for the BP33 projects, with early works on pause until market conditions improve.

Grota do Cirilo (Operator: Sigma Lithium Corporation ("Sigma Lithium"))

LRC owns a net 0.9% NSR royalty over the Grota do Cirilo lithium project operated by Sigma Lithium in Brazil. Commercial production for the Xuxa Phase 1 of that project commenced in April 2023. In 2023, the Grota do Cirilo project generated $1.0 million of revenue for LRC. On January 31, 2024, Sigma Lithium announced an updated NI 43-101 mineral resource to 37 million tonnes of measured and 40 million tonnes of indicated mineral resource on the Grota do Cirilo project. On February 12, 2023, Sigma Lithium announced plans to advance Phase 2 of the project, which would increase annual production from 270,000 tonnes to approximately 510,000 tonnes on an annualized basis if completed.

Development Stage Assets

Tres Quebradas (Operator: Zijin Mining Group Ltd. ("Zijin Mining"))

LRC owns a net 1.4% GOR royalty on the Tres Quebradas lithium project operated by Zijin Mining in Argentina. Zijin Mining commenced construction of the Tres Quebradas project in February 2022. On July 24, 2023, LRC acquired an additional 0.5% GOR royalty interest in the project. Refer to the *Asset Acquisition Activity* section of this MD&A. In its annual results announcement of March 22, 2024, Zijin Mining disclosed that it anticipated completing construction of the project and commencing production in 2024.

Horse Creek Silica Mine (Operator: Sinova Quartz Inc. ("Sinova"))

LRC owns a GOR royalty on the Horse Creek silica mine operated by Sinova Quartz Inc. ("Sinova") in British Columbia, Canada. Pilot production at the Horse Creek quarry began in the third quarter of 2021. The Horse Creek mine has not yet commenced full production and there have been no subsequent royalty payments since the fourth quarter of 2021. Commercial production is anticipated to commence in 2025. The Horse Creek quarry produces high-purity quartz that is used in the production of silicon metal. Silicon metal is increasingly being used as an anode battery material to increase the energy density of EV batteries and, as a result, the range of EVs. Silicon metal is also used in the production of semiconductors and solar panels. Sinova is in the process of building a silicon metal manufacturing operation in Tennessee to process quartz from the Horse Creek quarry. The Horse Creek quarry is permitted for 1,400,000 tonnes of quartz production per year.

Mariana (Operator: Ganfeng Lithium Co. ("Ganfeng"))

LRC owns a net 0.45% NSR royalty on the Mariana Lithium project operated by Ganfeng in Salta, Argentina. Construction of the Mariana project is underway and Ganfeng projected in its 2022 Annual Report for production to commence in 2024. In May 2022, Ganfeng announced its commitment to spend $600 million to build a lithium chloride production facility in Salta with a targeted output of 20,000 tonnes. In its annual results announcement in March 2023, Ganfeng disclosed that the project is progressing smoothly and the first evaporation pond is in the stage of water injection.

Exploration and Evaluation Stage Assets

LRC has royalty interests over assets that are at varying stages of exploration and evaluation, which are listed in the table below. LRC considers properties to be in the exploration and evaluation stage if they have not yet shown the technical feasibility and commercial viability of a project. LRC does not expect that any of the following projects will graduate from this stage prior to December 31, 2024, other than the Das Neves project, which has nearly completed permitting.

UNDERLYING ASSET	LOCATION	OPERATOR	COMMODITY EXPOSURE	STATUS
Moblan	Québec, Canada	Sayona	Lithium Spodumene	DFS complete, regulatory approval in progress
Tansim	Québec, Canada	Sayona	Lithium Spodumene	Exploration
Mallina	Western Australia, Australia	Morella	Lithium Spodumene	Drilling for mineral resource
Valjevo	Valjevo, Serbia	Euro Lithium	Lithium Carbonate and Boric Acid	PEA in progress
Cancet	Québec, Canada	Winsome	Lithium Spodumene	Drilling for mineral resource
Adina	Québec, Canada	Winsome	Lithium Spodumene	Mineral resource, PEA in progress
Sirmac-Clapier	Québec, Canada	Winsome	Lithium Spodumene	Exploration
Donner Lake	Manitoba, Canada	Grid Metals	Lithium Spodumene	Scoping study
Campus Creek	Ontario, Canada	Grid Metals	Lithium Spodumene	Drilling for mineral resource
Lithium Springs	Northern Territory, Australia	Lithium Springs Limited	Lithium Spodumene	Exploration
Zeus	Nevada, United States	Noram	Lithium Carbonate	PFS in progress
Basin East & West/ Wikieup	Arizona, United States	Bradda Head	Lithium Hydroxide	Updated mineral resource estimate
Shatford Lake/ Cat-Euclid	Manitoba, Canada	ACME Lithium	Lithium Spodumene	Exploration
Yinnetharra	Western Australia, Australia	Red Dirt	Lithium Spodumene	Mineral resource, scoping study in progress
Tabba Tabba	Western Australia, Australia	Sayona and Morella	Lithium Spodumene	Exploration
Mt Edon/ Mt Edon West	Western Australia, Australia	Sayona and Morella	Lithium Spodumene	Exploration
Seymour Lake	Ontario, Canada	Green Technology Metals	Lithium Spodumene	PEA complete, DFS in progress
Root Lake	Ontario, Canada	Green Technology Metals	Lithium Spodumene	PEA complete, PFS in progress
Wisa Lake	Ontario, Canada	Green Technology Metals	Lithium Spodumene	Exploration
Eyre	Western Australia, Australia	Larvotto Resources	Lithium Spodumene	Exploration
Kaustinen/Ilmajoki	Finland	Arvo Lithium	Lithium Spodumene	Exploration
James Bay	Québec, Canada	Arcadium	Lithium Spodumene	Construction planning and design; awaiting permits
Das Neves	Minas Gerais, Brazil	Atlas Lithium Corporation	Lithium Spodumene	Drilling for mineral resource, resource expected Q1 2024
Case Lake	Ontario, Canada	Power Metals Corp	Lithium Spodumene	Drilling for mineral resource
Adina East	Québec, Canada	Winsome	Lithium Spodumene	Exploration
Mia Lithium	Québec, Canada	Q2 Metals Corp	Lithium Spodumene	Drilling for mineral resource
Whitebushes and Mt. Elephant	Brazil	M4E Lithium	Lithium Spodumene	Exploration

MARKET OVERVIEW

The royalties held by the Company are predominantly GOR royalties, but also include several net smelter return ("NSR") royalties and one tonnage-based royalty. For GOR and NSR royalties, royalty payments to the Company are heavily influenced by the realized revenues earned on the production of lithium precursor products (predominantly spodumene and to a lesser extent lithium carbonate and lithium hydroxide) by the parties bearing the royalty obligations. The royalty payments received by the Company have limited exposure to the operating costs of the payors.

In addition to directly affecting the revenues earned by royalty payors, the market price of lithium significantly affects the economic viability of, and ability to finance, the underlying projects. In addition to other factors, higher lithium prices increase the likelihood that any given lithium project will be developed and brought into production. On the contrary, lower lithium prices create more opportunities for the Company given the need for capital in the lithium sector. At this time, most of the royalties held by the Company are granted over development and exploration projects, and the likelihood of development of an underlying project has a significant impact on the expected value of a royalty on that lithium project. Higher lithium prices also influence the scope of development of a particular lithium project and accordingly the production volumes eventually realized for that project.

Accordingly, most royalty payments are predominantly determined by both the market price of lithium and the production volumes of the mineral projects covered by our royalties. Changes in foreign exchange rates also have an impact on our results. For LRC's one producing royalty which earns Australian dollars, LRC incurs foreign exchange gains or losses when revenues are converted to USD.

Lithium

The market price of lithium is a primary driver of the Company's profitability and ability to generate free cash flow for investors, particularly as the projects covered by its GOR and NSR royalties commence production. In addition to the direct increase in the value of royalty payments, an elevated market price of lithium is a significant contributor to the Company's royalty portfolio by stimulating exploration and development activity in the underlying lithium projects and improving the economics of development projects.

The market price of lithium is generally determined by the balance of demand and supply for lithium and the various precursor forms of extracted lithium. Currently, the lithium market is seeing demand growth that is significantly outpacing global GDP and passenger vehicle sales. Incremental supply has grown in 2023 with key marginal producers in China and Africa contributing, which in turn resulted in price volatility during 2023. Despite the volatility in the year, the average consensus price used for long-term forecasts by the analyst community has largely stayed unchanged or increased.

LRC believes inflation is generally positive for the Company, as the cost of developing and operating a mine rises with inflation, which has the effect of raising the marginal cost of lithium production and thereby increasing lithium commodity prices. As LRC's business model is dependent on the overall revenue potential of the mines under royalty agreements and LRC has targeted royalties on lower-cost projects, LRC benefits disproportionately from rising lithium commodity prices that may occur as a result of inflation as our costs are generally fixed, resulting in strong operating leverage at the Company.

The prices in this section are based on Bloomberg data for spot market prices for 6% lithium spodumene, delivered in China.

	Average price in the years ended December 31,	
BENCHMARK LITHIUM PRODUCT ($/tonne)	**2023**	**2022**
99.5% lithium carbonate[1]	$ 36,659	$ 71,715
56.5% lithium hydroxide[2]	$ 38,985	$ 69,011
6% lithium spodumene[3]	$ 3,728	$ 4,368

1 Based on Bloomberg data for spot market price for 99.5% lithium carbonate, delivered in China.
2 Based on Bloomberg data for spot market price for 56.5% lithium hydroxide, delivered in China.
3 Based on Bloomberg data for spot market price for 6% lithium spodumene, delivered in China.

Lithium demand is largely driven by electric vehicle sales and overall lithium-ion battery installations, which also include energy storage applications. Electric vehicle sales have continued to outpace overall passenger vehicle sales and continue to show positive year over year growth. In China, the world's largest EV market, sales have grown by approximately 36% in 2023. In the United States, EV sales grew by 49% in the year and in Europe, EV sales grew by 19%. There continues to be strategic investment into the industry to develop the lithium-ion battery supply chain.

Currency Exchange Rates

The Company is subject to currency fluctuations. For the year ended December 31, 2023 and 2022, the revenues earned by the Mt Cattlin royalty interests were denominated in Australian dollars and paid to the Company's subsidiary LRC I Corporation, which used Australian dollars as its functional currency for accounting purposes up to September 30, 2023. The Company is subject to currency fluctuations on receivables, payables and cash balances denominated in currencies other than the functional currency of the Company and its subsidiaries. The majority of corporate administrative costs are denominated in Canadian dollars. The Company does not have any hedging programs in place for its non-U.S. dollar operating expenses. The following table sets forth exchange rate information for the periods indicated.

AVERAGE EXCHANGE RATES[1]	Year Ended December 31,	
	2023	2022
C$/US$ exchange rate	1.3495	1.3019
A$/US$ exchange rate	1.5063	1.4394

PERIOD-END EXCHANGE RATES[1]	Year Ended December 31,	
	2023	2022
C$/US$ exchange rate	1.3230	1.3552
A$/US$ exchange rate	1.4649	1.4780

1 Based on Bloomberg data for daily exchange rates.

INITIAL PUBLIC OFFERING

On March 15, 2023, the Company completed an IPO, raising proceeds of $102.7 million (C$141.4 million), net of underwriting fees and related underwriting expense of $6.3 million (C$8.6 million), through the issuance of 8,824,000 common shares from treasury at a price of $12.35 per share (C$17.00 per share). Prior to the closing of the IPO, the following pre-closing reorganization and capital changes were implemented:

- The Company disposed of its working interests, substantially all of its investments and $28.3 million of cash by way of distributions to the shareholders before the IPO ("Pre-IPO Shareholders");
- The Company distributed non-interest-bearing shareholder notes of $36.3 million to the Pre-IPO Shareholders, which were repaid after the IPO;
- The issued Class A and Class B shares were converted into convertible common shares;
- The issued Class C shares were converted into common shares;
- The issued and outstanding common shares and convertible common shares were split on a 448.6678:1 basis;
- The Company approved a new equity incentive plan to cover future grants of options, restricted share units ("RSUs") and performance share units ("PSUs") to key personnel and deferred share units ("DSUs") to the independent directors.

	Carrying value on the date of distribution	
Cash	$	65,235
Working interests		1,516
Investments		29,928
Other assets		403
Total amount of distribution	**$**	**97,082**

ASSET ACQUISITION ACTIVITY

Year Ended December 31, 2023

On November 2, 2023, LRC announced that it acquired a pre-existing 1.0% NSR royalty on the Mia lithium property in Québec, Canada, operated by Q2 Metals Corp, in exchange for 76,000 common shares of the Company.

On July 24, 2023, the Company acquired a 0.5% GOR royalty on the Tres Quebradas lithium project to supplement the existing 1.0% GOR royalty covering the same project. The consideration delivered to the sellers was comprised of $25 million in cash and 207,844 common shares of the Company. After accounting for the 10% non-controlling interest in the original 1.0% GOR royalty held by Altius Minerals, LRC now holds a net 1.4% interest in the Tres Quebradas lithium project.

On May 4, 2023, LRC acquired a 2.0% GOR royalty on the Case Lake project in Ontario, Canada from Power Metals Corp. for an aggregate purchase price of $1.1 million (C$1.5 million).

On May 2, 2023, LRC acquired a 3.0% GOR royalty on the Das Neves lithium project in Brazil for consideration of $20.0 million from Atlas Lithium Corporation.

In March 2023, prior to the closing of the IPO, the Company disposed of its working interests, substantially all of its investments and $28.3 million of cash by way of distributions to the Pre-IPO Shareholders. Subsequent to the IPO, the Company distributed non-interest-bearing shareholder notes of $36.2 million to the Pre-IPO Shareholders, which were repaid in cash and treated as a cash distribution during the quarter, after the IPO.

On March 16, 2023, the Company completed the acquisition of an existing 1.5% NSR royalty on a portion of the James Bay lithium project in Québec, Canada, from a third-party seller, for an aggregate purchase price of $1.8 million (C$2.35 million). Arcadium, the operator of the project, has the right to repurchase one-third (0.5%) of the NSR royalty on the project for C$0.5 million.

On February 1, 2023, the Company elected to waive the sole remaining closing condition and complete the acquisition of the Mariana royalty, by releasing all remaining funds held in escrow to the seller.

On January 31, 2023, for an aggregate purchase price of $1.9 million (C$2.5 million), LRC acquired an existing 2.0% NSR royalty on the Adina project in Québec, Canada from two third-party sellers.

Subsequent to December 31, 2023

On March 8, 2024, for an aggregate purchase price of $1.5 million, plus an additional $2.0 million contingent milestone payment to be made upon M4E Lithium Ltd. ("M4E") achieving a 10 million tonne mineral resource prior to December 31, 2025, LRC acquired a 1.5% GOR royalty on the Whitebushes and Mt. Elephant projects in Brazil.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)

Years Ended December 31, 2023 and 2022

The following table presents summarized consolidated statements of income and comprehensive income (loss) for the three months and years ended December 31, 2023 and 2022:

	For the three months ended December 31,		For the years ended December 31,	
	2023	**2022**	**2023**	**2022**
Royalty revenue	$ 1,013	$ 337	$ 5,522	$ 1,684
Depletion	(279)	(192)	(935)	(961)
Gross profit	**$ 734**	**$ 145**	**$ 4,587**	**$ 723**
Impairment recovery	–	–	–	1,895
Management services	(110)	(170)	(810)	(637)
General and administrative expenses	(2,201)	(295)	(7,896)	(2,435)
Exploration expenses	–	(357)	(414)	(880)
Loss from operations	**$ (1,577)**	**$ (677)**	**$ (4,533)**	**$ (1,334)**
Other income (expense)				
Finance income	54	158	1,329	197
Gain (loss) on investments at fair value through profit and loss ("FVTPL")	–	4,117	(37)	17,093
Foreign exchange gain (loss)	44	271	1,161	(717)
(Loss) income before income taxes	**$ (1,479)**	**$ 3,869**	**$ (2,080)**	**$ 15,239**
Current income tax expense	(99)	(35)	(1,141)	(204)
Deferred income tax expense	752	(22)	(1,746)	(1,068)
Net (loss) income for the period	**$ (826)**	**$ 3,812**	**$ (4,967)**	**$ 13,967**
Net (loss) income attributable to:				
Non-controlling interest	11	–	72	188
Equity holders of Lithium Royalty Corp.	(837)	3,812	(5,039)	13,779
	$ (826)	**$ 3,812**	**$ (4,967)**	**$ 13,967**
(Loss) earnings per share attributable to shareholders of Lithium Royalty Corp.	**$ (0.02)**	**$ 0.08**	**$ (0.09)**	**$ 0.31**

Royalty revenue for the three months ended December 31, 2023 was $1,013, an increase of $676 as compared to $337 for the same period in 2022. The increase in revenue was mostly attributable to the Finniss and Grota do Cirilo projects coming online, which were not producing in 2022. During the year ended December 31, 2023, royalty revenue increased by $3,838 from $1,684 to $5,522 as compared to the same period in 2023.

The depletion expense for the three months ended December 31, 2023 was $279, an increase of $87 as compared to $192 for the same period in 2022. Similar to revenue, the increase was due to the addition of Finniss and Grota do Cirilo in 2023, which were not producing in 2022. The increase in depletion was partially offset by Mt Cattlin, which had a life of mine extension in 2023 which led to a reduction of depletion per tonne of ore mined as compared to 2022. The depletion expense for the year ended December 31, 2023 was $935, a decrease of $26 compared to the same period in 2022. The reduction of depletion expense is due to Mt Cattlin's mine extension, which was partially offset by the incremental depletion expense coming from the Finniss and Grota do Cirilo projects. The two new projects contributed a small portion to the total depletion, despite the substantial increase in revenue in 2023.

General and administrative expenses for the three months ended December 31, 2023 were $2,201, an increase of $1,906 compared to $295 for the same period in 2022. The Company incurred increased compensation and other expenses in 2023 as a result of becoming a public company. For the year ended December 31, 2023, general and administrative expenses increased by $5,461 from $2,435 to $7,896. In addition to the compensation incurred in 2023, the Company also engaged third-party service providers for its IPO, which was completed in March 2023, as well as for other engagements.

Exploration expenses for the year ended December 31, 2023 were $414, a decrease of $466 as compared to $880 for the same period in 2022. The exploration expenses relate to both the Donner Lake and Campus Creek working interests held by the Company in 2022. These working interests were extracted from the Company in March 2023 as part of the Pre-IPO reorganization and the Company no longer has any working interests.

Loss on investments at FVTPL for the year ended December 31, 2023 was $37, an unfavourable variance of $17,130 compared to a gain of $17,093 for the same period in 2022. The loss was incurred in connection with the distribution of substantially all of the investments held by the Company to the Pre-IPO Shareholders in March 2023.

Income tax expense for the year ended December 31, 2023 was $2,887, as compared to $1,272 for the same period in 2022. The increase is largely due to a higher deferred tax expense related to expenses which are not tax deductible such as share-based compensation.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table presents summarized condensed consolidated statements of financial position information as at December 31, 2023 and 2022:

	As at December 31,	
	2023	**2022**
Cash	$ 11,757	$ 35,877
Royalty and working interests[1]	140,661	78,204
Investments[1]	–	24,281
Prepaid non-current assets	–	9,164
Total assets	**$ 155,033**	**$ 150,319**
Total liabilities	5,011	9,771
Total equity attributable to equity holders of the Company	**$ 146,842**	**$ 137,440**
Non-controlling interest	3,180	3,108
Total equity	**$ 150,022**	**$ 140,548**

1 As part of the Pre-IPO reorganization in March 2023, working interests and substantially all investments were distributed to the Pre-IPO Shareholders. Refer to the *Initial Public Offering* section of this MD&A.

Total assets were $155,033 at December 31, 2023, as compared to $150,319 at December 31, 2022. The Company's asset base primarily consists of cash and royalty interests. The increase in total assets from 2022 reflects proceeds received from the IPO and additional royalties acquired in 2023. On February 1, 2023, the Company completed the acquisition of the Mariana royalty and accordingly reclassified the prepaid non-current assets to royalty interests.

Total liabilities at December 31, 2023 were $5,011, as compared to $9,771 at December 31, 2022. Liabilities comprised accounts payable and accrued liabilities, related party payables, financial liabilities and deferred tax liabilities. The $2,699 decrease in total liabilities primarily comprises (a) a payment of $4,108 related to the settlement of an outstanding obligation relating to the acquisition of the Seymour Lake, Root Lake and Wisa Lake royalties, (b) payments of $2,091 related to the Company's IPO readiness expenses, offset by (c) a $326 increase in deferred tax liabilities. The remaining difference is due to cyclical fluctuations in working capital.

Total equity increased to $150,022 as at December 31, 2023 from $140,548 as at December 31, 2022, due to the increase in share capital of $103,077 from the IPO share issuance, an increase in other comprehensive income of $4,072, an increase of $2,645 due to the share portion of consideration paid for the Tres Quebradas and Mia royalty, and an increase in contributed surplus of $2,939 from share-based compensation. The increase in other comprehensive income was largely driven by a gain in fair value of $5,003, net of income tax, from the investments designated as FVTOCI. The increase in equity was partially offset by a $97,082 dividend declared in connection with the Pre-IPO reorganization, a $1,296 share buyback of common shares pursuant to the Company's NCIB and a net loss of $4,967.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2023 and 2022

The following table presents the consolidated statements of cash flow information for the three months and years ended December 31, 2023 and 2022:

	For the three months ended December 31,		For the years ended December 31,	
	2023	2022	2023	2022
Net (loss) income for the period	$ (826)	$ 3,811	$ (4,967)	$ 13,967
Depletion	279	192	935	961
Impairment recovery	–	–	–	(1,895)
Non-cash management services	–	105	65	105
Share-based compensation expense	855	–	3,048	–
Current income tax expense	99	57	1,141	204
Deferred income tax (recovery) expense	(752)	–	1,746	1,068
(Gain) loss on investments at FVTPL	–	(4,117)	37	(17,093)
Foreign exchange (gain) loss	(44)	(270)	(1,161)	717
Income taxes withheld at source	(553)	(101)	(1,025)	(505)
Non-cash finance expense	31	–	15	–
Changes in non-cash working capital	1,861	(1,324)	(7,527)	81
Income tax refunded	–	–	158	274
Net cash provided by (used in) operating activities	**$ 950**	**$ (1,647)**	**$ (7,535)**	**$ (2,116)**
Acquisition of royalty and working interests	(2,630)	(1,650)	(53,689)	(15,500)
Acquisition of prepaid non-current assets	–	(43)	–	(9,164)
Acquisition of investments	–	(352)	(30)	(4,202)
Proceeds from sale of investments	109	16,735	110	32,032
Net cash (used in) provided by investing activities	**$ (2,521)**	**$ 14,690**	**$ (53,609)**	**$ 3,166**
Proceeds from issuance of common shares, net of issuance costs	–	–	102,359	19,290
Proceeds from contribution to existing common shares	–	210	86	774
Repurchase of common shares	(301)	–	(1,296)	–
Proceeds from non-controlling interest	–	–	–	913
Pre-IPO distribution to shareholders	–	–	(65,235)	–
Repayment of related party loan	–	–	(86)	(56)
Net cash (used in) provided by financing activities	**$ (301)**	**$ 210**	**$ 35,828**	**$ 20,921**
Effect of exchange rate changes on cash	153	886	1,196	(1,116)
(Decrease) Increase in cash	(1,719)	14,139	(24,120)	20,855
Cash at the beginning of the period	13,476	21,738	35,877	15,022
Cash at the end of the period	**$ 11,757**	**$ 35,877**	**$ 11,757**	**$ 35,877**

Operating Activities

Net cash used by operating activities for the year ended December 31, 2023 was $7,535 (2022; $2,116 outflow). The increase in cash used by operating activities as compared to the same period in the prior year is partly due to an increase in working capital attributable to the increase in the Company's account receivables as a result of the rapid increase in revenues in addition to the decrease in the Company's accounts payable during the year. Further, G&A expense attributable to the Company's IPO and the engagement of additional employees during the year further increased cash used by operating activities.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2023 was $53,609 (December 31, 2022; proceeds of $3,166). During 2023, the Company deployed $53,689 of capital to acquire royalty interests compared to the $24,664 spent in 2022. In addition, during 2022, the Company received net proceeds of $27,830 from the sale of its equity investments.

Financing Activities

Net cash provided by financing activities for the year ended December 31, 2023 was $35,828 (December 31, 2022 – $20,921 inflow). The variance was mainly attributable to the increase in proceeds from issuance of shares of $83,069 as compared to 2022. The increase was partially offset by the $65,235 dividend paid to Pre-IPO Shareholders for the first quarter of 2023. In addition, the Company also used $1,296 to repurchase the Company's common shares pursuant to the Company's normal course issuer bid.

QUARTERLY INFORMATION

The following table presents revenue, net (loss) income attributable to shareholders and basic EPS by quarter:

	2023				2022	
	Q4	Q3	Q2	Q1	Q4	Q3
Royalty revenue	$ 1,013	$ 2,963	$ 838	$ 708	$ 337	$ 448
Net income attributable to shareholders of Lithium Royalty Corp.	(837)	(1,578)	(893)	(1,738)	3,812	4,840
Basic (loss) earnings per share	$ (0.02)	$ (0.03)	$ (0.02)	$ (0.04)	$ 0.08	$ 0.11

OUTSTANDING EQUITY INSTRUMENTS

As at March 28, 2024	Number of shares
Convertible common shares	30,549,214
Common shares	24,865,816
Stock options	–
Restricted share units	391,999
Deferred share units	16,180
Performance share units	–
As at December 31, 2022	**Number of shares**
Class A shares	43,595
Class B shares	24,494
Class C shares	35,466
Total	103,555

Except for certain limited share provisions disclosed in the Annual Information Form of the Company dated March 27, 2024, the common shares and convertible common shares have the same rights, are equal in all respects and are treated by the Company as if they were a single class of shares. Refer to the *Initial Public Offering* section of this MD&A for additional details.

In connection with the Initial Public Offering of the Company, the Company implemented a new omnibus equity incentive plan, which provides for long-term incentives for executive officers of the Company, including the issuance of stock options, RSUs and PSUs. The terms and conditions of grants of RSUs or PSUs, including the quantity, type of award, grant date, vesting conditions, vesting periods, settlement date and other terms and conditions with respect to the awards, will be set out in the participant's grant agreement.

The Company also established a director deferred share unit plan to issue DSUs to directors of the Company. A DSU is a unit, equivalent in value to a common share, credited by means of a bookkeeping entry in the books of the Company, to an account in the name of the director. Following an eligible director ceasing to hold all positions with the Company and its related entities, the director will receive a payment in cash at the fair market value of the common shares represented by his or her DSUs on the director's elected redemption date.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2023, the Company's cash balances were $11,757, as compared to $35,877 at December 31, 2022. Significant variations in the liquidity and capital resources during the period are explained in the *Statements of Cash Flows* section of this MD&A.

Management of the Company believes that the combination of the Company's existing cash balances and the three currently producing properties, and additional royalties expected to commence production during 2024, will generate sufficient cash flow to support the Company's operations and working capital requirements during 2024. As additional royalties begin production, the cash generated will reduce the risk further by adding to the overall annual cash flow potential and also diversify the portfolio.

On July 6, 2023, the Company entered into a credit agreement with National Bank of Canada (the "Credit Facility"), permitting the Company to draw up to $25.0 million, either on a revolving or term basis (up to six months). The Credit Facility is to be used for general corporate purposes and to make investments in the mineral industry, including the acquisition of mineral royalty interests. The Credit Facility is secured by the Company's current and future assets. The Credit Facility is subject to certain financial covenants and includes a variable stand-by charge on any undrawn amounts, which depends on the Company's leverage. The Credit Facility expires July 6, 2026.

Advances under the Credit Facility can be drawn as follows:

- Base rate advances at the National Bank base rate, plus between 2.00% and 3.25% per annum depending upon the Company's leverage ratio; or
- Term loans for periods of one, three or six months with interest payable at the rate of term-based Secured Overnight Financing Rate ("SOFR"), plus between 3.1% and 4.5% per annum, depending on the Company's leverage.

Finance costs relating to the Credit Facility for the year ended December 31, 2023 were $176, including amortization of debt issuance costs and standby fees. The Credit Facility includes covenants that require the Company to maintain certain financial ratios, including leverage ratios, as well as certain non-financial requirements.

The contractual obligations of the Company for the acquisition of royalties and other interests for which the Company has purchase price commitments are set out under *Contractual Obligations and Commitments* in the Financial Statements.

COMMITMENTS AND CONTINGENCIES

Litigation and Claims

From time to time, LRC may be involved in disputes with other parties arising in the ordinary course of business that may result in litigation. If LRC is unable to resolve these disputes favourably, it may have a material adverse impact on the financial condition, cash flow and results of operations of the Company.

Thacker Pass Litigation with Orion Resource Partners

In February 2021, the Company brought an application against Orion Resource Partners in connection with the sale by Orion Resource Partners of part of its interest in a royalty over the Thacker Pass lithium project. The Company asserted that it had reached a binding legal agreement with Orion Resource Partners for Orion Resource Partners to sell an 85% interest in the Thacker Pass project royalty to the Company. Orion Resource Partners disputed this assertion and sold 60% of its interest in the Thacker Pass lithium project royalty to Trident Royalties PLC in 2021, retaining a 40% interest in that royalty and not completing any sale of the royalty to the Company. The Company's claim against Trident Royalties PLC has been stayed by the Ontario Superior Court of Justice for lack of jurisdiction, but the Company continued to advance its claim against Orion Resource Partners before the Ontario Superior Court of Justice.

On August 15, 2023, the Ontario court released its decision, confirming that the Ontario court had jurisdiction over Orion Resource Partners and related Orion entities and finding that a binding legal agreement had been reached. The Ontario court has not yet decided on the appropriate remedies for the breach by Orion Resource Partners, which will be addressed in a separate court hearing yet to be scheduled. On September 11, 2023, Orion Resource Partners commenced an appeal of the Ontario court's decision, including both the jurisdiction and the contract rulings. On October 20, 2023, the Ontario Court of Appeal dismissed a motion from Orion Resource Partners to stay the remedies phase of the litigation pending their appeal.

On January 3, 2024, the Ontario court granted an injunction restraining Orion, and any entity that employs that trade name in its business dealings, and its employees, agents, officers, directors and any other person acting on their behalf or in conjunction with any of them, from any conduct, or causing any conduct, that dissipates, transfers or encumbers that 40% interest in the Thacker Pass royalty that would hinder the delivery up for the Thacker Pass royalty as a remedy to LRC, pending the final disposition of the ongoing litigation between LRC and Orion.

The Company does not currently recognize this litigation as an asset of the Company and expects that resolution of this matter may be subject to further delays. Neither Orion Resource Partners nor Trident Royalties PLC has asserted any claims against the Company.

Contractual Obligations and Commitments

Investments in Royalty Interests

As of December 31, 2023, the Company had contingent payment commitments related to the acquisition of royalties as detailed in the following table:

COMPANY	PROJECT (ASSET)	PAYMENTS	TRIGGERING EVENT
Bradda Head[1]	Basin East & West/ Wikieup	$ 3,000	Bradda Head discloses a mineral resource of at least 2.5 Mt contained LCE with a minimum grade of 800 ppm
Lithium Springs[2]	Lithium Springs	$ 613 A$ (900)	The Company elects to exercise its royalty option on or before the earlier of (a) April 20, 2024, and (b) Lithium Springs completes a listing on the Australian Securities Exchange.
		$ 511 A$ (750)	Commitment by the Company to act as a cornerstone investor in a public listing by Lithium Springs
Noram	Zeus	$ 1,000	Noram releases a definitive feasibility study
Morella	Tabba Tabba	$ 350	Morella discloses a 5.0 Mt resource at the Tabba Tabba project at 1% Li_2O grade
Morella	Mt Edon/Mt Edon West	$ 100	Morella discloses a 5.0 Mt resource at the Mt Edon project at 1% Li_2O grade

1 During the year ended December 31, 2023, the Company made a payment to Bradda Head for $2,500 relating to a contingent payment arising from Bradda Head disclosing a mineral resource of 1.0 Mt contained LCE at the Basin Wikieup lithium project. The contingent payment was capitalized and is now classified within royalty interests. This payment is distinct from the additional contingent obligation to Bradda Head set out in the table above.

2 On April 13, 2023, Lithium Springs and the Company agreed to extend the Company's option to acquire a royalty covering the Lithium Springs project by an additional year, to April 30, 2024.

Our commitments related to the acquisition of royalties as detailed in the above table are expected to be funded from the Company's cash on hand and the expected cash flow from the Company's royalties and National Bank credit facility.

At year end, the Company had no funded debt, including no outstanding advances under the National Bank credit facility. The Company has contractual obligations under the management services agreement entered into with an owner of LRC, Waratah Capital Advisors Ltd. ("Waratah") on March 8, 2023, which is further described in the Annual Information Form of the Company dated March 27, 2023 under the heading "Material Contracts – Services Agreement".

Off-Balance Sheet Obligations and Commitments

The Company has not entered into any off-balance sheet arrangements or commitments other than as set forth under the *Contractual Obligations and Commitments* section of this MD&A.

MATERIAL ACCOUNTING POLICIES

The Company's material accounting policies, including the accounting policies discussed below, are set out in Note 2 of our Annual Financial Statements.

Royalty Interests

Royalty interests are recorded at cost and capitalized as tangible non-current assets and are not depleted until such time as revenue-generating activities begin. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any. The cost of a royalty interest comprises the purchase price and any closing costs directly attributable to acquiring the interest. Project evaluation costs that are not related to a specific royalty are expensed in the period incurred. Variable payments, such as contingent payments that are dependent on future events, are excluded from the cost of acquiring a royalty interest on initial recognition. These contingent payments are capitalized as part of the cost of the royalty interest when the underlying obligating event has occurred.

The major categories of the Company's interests are (i) producing, (ii) development, and (iii) exploration and evaluation interests. Producing assets are royalty interests over mineral projects which have reached commercial production. Development assets are royalty interests on projects which are not yet producing, but where the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets represent royalty interests where the technical feasibility and commercial viability of extracting a mineral resource have not yet been demonstrated.

Royalty interests are recorded initially at cost and are depleted using the units of production basis (based on the extraction of mineral products at the project) over the available estimates of future production when revenue generating activities commence. Measurement of the royalty interests is based on the proven and probable reserves and future production plans associated with the projects underlying the royalty interests, as determined by the project operator. These estimates affect the depletion of the royalty interests and the assessment of the recoverability of the carrying value of the royalty interests.

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Impairment of Royalty Interests

The Company reviews the carrying values of royalty interests for impairment when events or changes in circumstances indicate that any of the carrying values may not be recoverable. Management considers each royalty interest in a project to be a separate cash generating unit ("CGU"), which is the lowest level for which cash inflows are largely independent of cash inflows from other royalty interests. Where the Company identifies impairment indicators, the Company recognizes an impairment loss for the amount by which the asset's carrying value exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less cost of disposal ("FVLCD") and value in use ("VIU"). When determining the recoverable amount, the Company focuses on the FVLCD, as this will generally be greater than or equal to the VIU. FVLCD is based on the best available information, to reflect the amount the Company could receive for the CGU in an arm's length transaction, and is often estimated using discounted cash flow techniques. Impairment charges are included in the "Impairment (charges)/recovery" line within the consolidated statements of income (loss) and comprehensive income (loss).

An impairment charge is reversed if there is an indication that an impairment charge recognized in prior periods may no longer exist or may have decreased in amount since the impairment charge was recognized. Impairment charges can only be reversed up to the carrying amount that would have been applicable had no impairment been recognized previously.

Revenue Recognition

(i) Production-based royalty arrangements

Under production-based royalty arrangements, revenue is recognized when the underlying commodity is extracted from the mineral property, and it is probable that the economic benefits associated with a transaction will flow to the Company. Revenue is measured at the transaction price agreed to in the royalty agreement. In some instances, management makes an assumption of revenue, based on information received from an operator. In some instances, the Company will not have access to sufficient information to make a reasonable estimate of revenue and, accordingly, revenue recognition will be deferred until management can make a reasonable estimate. Differences between estimates and actual amounts are recorded in the period that the actual amounts are known.

(ii) Revenue-based royalty arrangements

Under revenue-based royalty arrangements, revenue is measured at an agreed-upon percentage of the gross proceeds, less contractually allowable costs, received by the operator of the mineral property. The Company recognizes revenue when the commodities produced at the mineral property covered under the royalty agreement are sold to the operator's customers and control over the commodities transfers from the operator to its customers. In some instances, the Company will not have access to sufficient information to make a reasonable estimate of revenue and, accordingly, revenue recognition will be deferred until management can make a reasonable estimate. Differences between estimates and actual amounts are recorded in the period that the actual amounts are known.

Share-based Compensation

(i) RSUs

The Company may grant RSUs to officers, employees, and certain other parties under the terms of its Omnibus Equity Incentive Plan (the "Omnibus Plan"). When each RSU vests, the Company plans to settle every RSU with one common share of the Company. The fair value of the RSUs is based on the stock price at the date of the grant. The Company expenses the fair value of the RSUs over the applicable service period, with a corresponding change in contributed surplus.

(ii) DSUs

The Company may grant DSUs to non-executive directors under its director deferred share unit plan (the "DSU Plan") as compensation. Non-executive directors may choose to convert their director's fees into DSUs. When dividends are declared by the Company, directors are also credited with dividend equivalents in the form of additional DSUs based on the number of vested DSUs each director holds on the record date for the payment of a dividend. DSUs vest immediately. The fair value of the DSUs, which are settled in cash, is recognized as a share-based compensation expense with a corresponding increase in financial liabilities. The fair value of the DSUs is marked to the quoted market price of the Company's common shares at each reporting date, with a corresponding change in the consolidated statement of income. Participants are restricted from redeeming their DSUs until retirement or termination of directorship.

Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the consolidated statements of income and comprehensive income.

Current tax expense is the expected amount to be paid based on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and losses carried forward. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recognized. Deferred tax assets and liabilities are offset against each other when (a) there is a legally enforceable right to offset current tax assets against current tax liabilities, and (b) when those tax assets and liabilities relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Critical Accounting Judgments, Estimates and Assumptions

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. However, actual outcomes may differ from the amounts included in the consolidated financial statements.

Judgments are made in the selection and assessment of the Company's accounting policies. Estimates are used mainly in determining the measurement of recognized transactions and balances. Estimates are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Judgments and estimates are often interrelated. The Company's judgments and estimates are continually re-evaluated to assess if they remain appropriate. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The Company's critical accounting judgments, estimates and assumptions are disclosed in Note 3 of our Annual Financial Statements.

Related-Party Transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including any director of the Company. All transactions with related parties are recorded at the exchange amount.

Management services have been provided to the Company during the years ended December 31, 2023 and December 31, 2022 by certain employees of Waratah, including the Chief Executive Officer of Waratah (who also serves as the Executive Chair of the Company), for which the Company has compensated Waratah only through management services expenses for those periods.

Management services in the statement of income represent services provided to the Company by Waratah under the management services agreement and by parties related to Waratah and/or the Company, including consulting services provided by an officer of the Company. For the year ended December 31, 2023, management services expense was $810, of which $371 related to consulting and $439 related to management fees under the Waratah management services agreement (December 31, 2022 – $637, of which $217 related to consulting and $420 related to management fees).

Related party payables are comprised of amounts owing both to Waratah and to officers of the Company. As at December 31, 2023, $236 (December 31, 2022 – $202) was owing to Waratah for management services provided by Waratah. In addition, $45 of the amount payable to Waratah is related to a payment received by the Company which was intended for eventual receipt by Waratah. All amounts owing to related parties at December 31, 2023 were unsecured, non-interest bearing and had no fixed terms of repayment.

The following table summarizes the compensation breakdown for key management personnel:

	For the years ended December 31,			
		2023		**2022**
Salaries and other benefits	$	1,435	$	–
Share-based compensation		2,792		–
Total	**$**	**4,227**	**$**	**–**

FINANCIAL RISK MANAGEMENT

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument held by the Company will fail to discharge an obligation or commitment that it has entered into for the benefit of the Company. Credit risk exposure for the Company arises from cash balances and receivables held by the Company, including receivables from our royalties' operators. In order to mitigate its exposure to credit risk, the Company closely monitors its financial assets and maintains its cash deposits with high-quality financial institutions.

Currency Risk

The Company's activities involve holding foreign currencies, incurring costs and earning revenue denominated in foreign currencies. These activities result in exposure to fluctuations in foreign currency exchange rates.

Liquidity Risk

In managing liquidity risk, the Company considers anticipated cash flows from operations, contingent payment obligations, holdings of cash and cash equivalents, and access to an undrawn $25 million credit facility with National Bank. As at December 31, 2023, the Company has a working capital balance of $12.3 million (December 31, 2022 – $31.7 million), including a cash balance of $11.7 million (December 31, 2022 – $35.9 million). The Company's maximum exposure related to its future contingent payment obligations as at December 31, 2023 is approximately $5.6 million (December 31, 2022 – $8.8 million).

CONTROLS AND PROCEDURES

Internal Controls over Financial Reporting ("ICFR")

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control framework was designed based on the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission 2013 Framework.

During the year ended December 31, 2023, management focused on the design and implementation of ICFR in a variety of areas, including information technology general controls, segregation of duties, and management review controls and implementing a new accounting system. The Company also engaged a financial control advisor to assist with the Company's ICFR program and compliance with National Instrument 52-109. The financial control advisor assessed the effectiveness of the Company's ICFR program as at December 31, 2023 and concluded that the program was effective.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any internal controls over financial reporting and disclosure controls and procedures, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

NON-IFRS MEASURES

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, the non-IFRS measures should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS.

Adjusted Net Income

Adjusted Net Income is a non-IFRS financial measure, which excludes the following from net earnings:

- impairment charges and reversals
- gain/loss on sale / disposition of assets/mineral interests
- foreign currency translation gains/losses
- increase/decrease in fair value of financial assets
- expense related to share-based compensation granted on IPO
- other non-recurring charges

Adjusted Net Income

Management believes that in addition to measures prepared in accordance with IFRS such as net income and EPS, our investors and analysts use Adjusted Net Income to evaluate the results of the underlying business of LRC. While the adjustments to net income and EPS in these measures include items that are both recurring and non-recurring, management believes that Adjusted Net Income is a useful measure of LRC's performance because it adjusts for items which may not relate to or have a disproportionate effect on the period in which it is recognized, impact the comparability of our core operating results from period to period, are not always reflective of the underlying operating performance of our business and/or are not necessarily indicative of future operating results. Adjusted Net Income is intended to provide additional information to investors and analysts and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

RECONCILIATION FROM NET (LOSS) INCOME TO ADJUSTED NET (LOSS) INCOME

The following table presents the reconciliation from net (loss) income to Adjusted Net Income for the three months and years ended December 31, 2023 and 2022.

Adjusted Net Income

	For the three months ended December 31,		For the years ended December 31,	
ADJUSTED NET INCOME	**2023**	**2022**	**2023**	**2022**
Net (loss) Income	$ (826)	$ 3,812	$ (4,967)	$ 13,968
Foreign exchange (gain) loss	(44)	(271)	(1,161)	717
One time share-based compensation	603	–	2,009	–
One-time IPO costs	–	(262)	869	1,287
Exploration costs	–	357	414	880
Impairment recovery	–	–	–	(1,895)
(Increase) decrease in fair value of financial assets	–	(4,117)	37	(17,093)
Income tax impact of adjustments	65	137	78	(535)
Adjusted Net (Loss) Income	**$ (202)**	**$ (344)**	**$ (2,721)**	**$ (2,671)**

EBITDA and Adjusted EBITDA

EBITDA is a non-IFRS financial measure, which excludes the following from net earnings:

- income tax expense
- finance costs, netted against finance income
- depletion and amortization

EBITDA is a common metric used by investors and investment platforms to assist in the valuation of the Company. In addition to EBITDA, we have determined that additional adjustments are necessary to arrive at an accurate indicator of the Company's ongoing operational performance. The adjustments below are applied to EBITDA to arrive at Adjusted EBITDA.

- impairment charges and reversals
- gain/loss on sale / disposition of assets/mineral interests
- foreign currency translation gains/losses
- increase/decrease in fair value of financial assets
- expense related to share-based compensation granted on IPO
- other non-recurring charges

EBITDA and Adjusted EBITDA

Management believes that EBITDA and Adjusted EBITDA are valuable indicators of our ability to generate liquidity by producing operating cash flow to fund working capital needs and fund acquisitions. These metrics are also frequently used by investors and analysts for valuation purposes whereby the metrics are multiplied by a factor or "multiple" that is based on an observed or inferred relationship between Adjusted EBITDA and market values to determine the approximate total enterprise value of a company. LRC believes it assists analysts, investors and our shareholders to better understand our ability to generate liquidity from operating cash flow, as LRC believes that the excluded amounts are not indicative of the performance of our core business and do not necessarily reflect the underlying operating results for the periods presented.

RECONCILIATION FROM NET (LOSS) INCOME TO ADJUSTED EBITDA

The following table presents the reconciliation from net (loss) income to Adjusted EBITDA for the three months and years ended December 31, 2023 and 2022.

	For the three months ended December 31,		For the years ended December 31,	
ADJUSTED EBITDA	**2023**	**2022**	**2023**	**2022**
Net (loss) income	$ (826)	$ 3,812	$ (4,967)	$ 13,968
Income taxes	(653)	57	2,887	1,272
Finance (income)	(54)	(158)	(1,329)	(197)
Depletion	279	192	935	961
EBITDA	**$ (1,254)**	**$ 3,903**	**$ (2,474)**	**$ 16,004**
Foreign exchange (gain) loss	(44)	(271)	(1,161)	717
One time share-based compensation	603	–	2,009	–
One-time IPO costs	–	(262)	869	1,287
Exploration costs	–	357	414	880
Impairment recovery	–	–	–	(1,895)
(Increase) decrease in fair value of financial assets	–	(4,117)	37	(17,093)
Adjusted EBITDA	**$ (695)**	**$ (390)**	**$ (306)**	**$ (100)**

FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws. Forward-looking information may be identified by the use of forward-looking terminology such as "plans", "targets", "expects", "is expected", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "believes", or variations of such words and phrases or terminology which state that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". Our assessments of, and expectations for, future periods, described in this MD&A are considered forward-looking information. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding possible future events or circumstances. The forward-looking information included in this MD&A is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that LRC currently believes are appropriate and reasonable in the circumstances.

The forward-looking statements contained in this MD&A are also based upon the ongoing operation of the properties in which LRC holds a royalty or other similar interest by the owners or operators of such properties in a manner consistent with past practice; the accuracy of public statements and disclosures made by the owners or operators of such underlying properties; and the accuracy of publicly disclosed expectations for the development of underlying properties that are not yet in production. These assumptions include, but are not limited to, the following: assumptions in respect of current and future market conditions and the execution of our business strategies; that operations, or ramp-up where applicable, at properties in which LRC holds a royalty or other interest continue without further interruption throughout the period; and the absence of any other factors that could cause actions, events or results to differ from those anticipated, estimated, intended or implied. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Forward-looking information is also subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include, but are not limited to, those set forth under the caption "Risk Factors" in our Annual Information Form filed from time to time and available on SEDAR+. For clarity, mineral resources that are not mineral reserves do not have demonstrated economic viability and inferred resources are considered too geologically speculative for the application of economic considerations.

Although LRC has attempted to identify important risk factors that could cause actual results or future events to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to LRC or that LRC presently believes are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A and is subject to change after such date. LRC disclaims any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required by applicable securities laws. All of the forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.

TECHNICAL AND THIRD-PARTY INFORMATION

LRC does not own, develop or mine the underlying properties on which it holds royalty interests. As a royalty holder, LRC has limited, if any, access to properties included in its asset portfolio. As a result, LRC is dependent on the owners or operators of the properties and their qualified persons to provide information to LRC or on publicly available information to prepare disclosure pertaining to properties and operations on the properties on which LRC holds royalty interests. LRC generally has limited or no ability to independently verify such information. Although LRC does not believe that such information is inaccurate or incomplete in any material respect, there can be no assurance that such third-party information is complete or accurate.

Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in thousands of U.S. dollars, unless otherwise noted)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Lithium Royalty Corp.

Opinion

We have audited the consolidated financial statements of Lithium Royalty Corp. (the Entity), which comprise:

- the consolidated statement of financial position as at of December 31, 2023, and December 31, 2022
- the consolidated statement of (loss) income and comprehensive (loss) income for the years then ended
- the consolidated statement of cash flows for the years then ended
- the consolidated statement of changes in equity for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information.

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023, and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards.

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of indicators of impairment for royalty interests

Description of the matter

We draw attention to Notes 2(e), 3(b) and 5 to the financial statements. The cost of the royalty interests comprises the purchase price and any closing costs directly attributable to acquiring the interest. The Entity has royalty interests of $140,661 thousand. The Entity reviews the carrying values of royalty interests for impairment when events or changes in circumstances indicate that any of the carrying values may not be recoverable. The assessment of impairment of royalty interests requires the use of judgments, assumptions and estimates when assessing whether there are any indicators that give rise to the requirement to conduct an impairment analysis on royalty interests. The assessment of fair values requires the use of estimates and assumptions for estimated future production, long-term lithium sales prices, and discount rates.

Why the matter is a key audit matter

We identified the evaluation of indicators of impairment for royalty interests as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of royalty interests. Significant auditor judgment was required to evaluate the results of our audit procedures and assess the Entity's determination of whether the judgments, individually and in the aggregate, result in indicators of impairment. The assumptions used to estimate the recoverable amounts of royalty interests where indicators have been identified are estimated future production, long-term lithium sales prices and the discount rates. Changes in these assumptions used in determining the fair value could impact the impairment analysis and conclusions.

How the matter was addressed in the audit

The following are the primary procedures we performed to address the key audit matter.

We read information included in the relevant technical reports and internal and external communications or reports for specific projects on which the Entity has royalty interests to assess if there were events or changes in circumstances that would indicate that the carrying value of royalty interests may not be recoverable.

Where relevant we evaluated the Entity's estimated future production of specific royalties by comparing it to the relevant technical reports. We also compared the Entity's estimated future production to historical production achieved in prior years. We assessed the competence, capabilities and objectivity of the qualified person who prepared the technical report including considering the industry and regulatory standards they applied.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating long-term lithium prices by comparing to publicly available third-party estimates
- Evaluating discount rates by comparing to a discount rate that was independently developed using publicly available third-party sources and data for comparable entities.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and auditor's report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the information, other than the financial statements and auditor's report thereon, included in a document likely to be entitled "Annual Report", as at the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the 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 risk 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

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

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

The engagement partner on the audit resulting in this auditor’s report is Pieter Fourie.

Toronto, Canada

March 28, 2024

Consolidated Statements of Financial Position

(Expressed in thousands of U.S. dollars)

As at December 31,	Note		2023		2022
ASSETS					
Current assets					
Cash		$	11,757	$	35,877
Trade receivables			1,250		458
Income taxes receivable	14		558		477
Other assets			807		1,858
Total current assets			14,372		38,670
Non-current assets					
Royalty and working interests	5		140,661		78,204
Investments	7		–		24,281
Prepaid non-current assets	4(b)		–		9,164
Total assets		**$**	**155,033**	**$**	**150,319**
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	17	$	1,473	$	6,775
Income taxes payable	14		51		–
Related party payables	13		281		224
Other liabilities	11		108		–
Total current liabilities			1,913		6,999
Non-current liabilities					
Deferred tax liabilities	14		3,098		2,772
Total liabilities			5,011		9,771
EQUITY					
Share capital	10	$	217,101	$	111,892
Contributed surplus	11		2,939		–
(Deficit) retained earnings			(71,295)		18,372
Accumulated other comprehensive (loss) income			(1,903)		7,176
Total equity attributable to equity holders of Lithium Royalty Corp.			146,842		137,440
Non-controlling interest			3,180		3,108
Total equity			150,022		140,548
Total liabilities and equity		**$**	**155,033**	**$**	**150,319**

Acquisitions and other developments (Note 4)
Related party disclosures (Note 13)
Subsequent events (Note 22)

The accompanying notes form an integral part of these consolidated financial statements.

Approved by the Board of Directors and authorized for issue on March 28, 2024.

/s/Blair Levinsky

Blair Levinsky
Director

/s/Tamara Brown

Tamara Brown
Director

Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income

(Expressed in thousands of U.S. dollars)

For the years ended December 31,	Note	2023	2022
Royalty revenue	16	$ 5,522	$ 1,684
Depletion	5	(935)	(961)
Gross profit		4,587	723
Impairment recovery		–	1,895
Management services	13	(810)	(637)
General and administrative expenses	18	(7,896)	(2,435)
Exploration expenses		(414)	(880)
Loss from operations		(4,533)	(1,334)
Other income (expense)			
Finance income	19	1,329	197
(Loss) gain on investments at fair value through profit and loss ("FVTPL")	7	(37)	17,093
Foreign exchange gain (loss)		1,161	(717)
(Loss) income before income taxes		(2,080)	15,239
Current income tax expense	14	(1,141)	(204)
Deferred income tax expense	14	(1,746)	(1,068)
Net (loss) income for the period		**$ (4,967)**	**$ 13,967**
Net (loss) income attributable to:			
Non-controlling interest		72	188
Equity holders of Lithium Royalty Corp.		(5,039)	13,779
		$ (4,967)	**$ 13,967**
Basic and diluted (loss) earnings per share attributable to shareholders of Lithium Royalty Corp.	15	$ (0.09)	$ 0.31
Other comprehensive income			
Net (loss) income for the period		**$ (4,967)**	**$ 13,967**
Foreign operations – foreign currency translation differences		(931)	(867)
Items that will not be reclassified to profit or loss			
Gain on investments at fair value through other comprehensive income ("FVTOCI"), net of income tax	7	5,003	7,061
Other comprehensive income		4,072	6,194
Comprehensive (loss) income for the period		**$ (895)**	**$ 20,161**
Comprehensive (loss) income attributable to:			
Non-controlling interest		72	188
Equityholders of Lithium Royalty Corp.		(967)	19,973
		$ (895)	**$ 20,161**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

(Expressed in thousands of U.S. dollars)

For the years ended December 31,	Note		2023		2022
Operating activities					
Net (loss) income for the period		$	(4,967)	$	13,967
Depletion	5		935		961
Impairment recovery			–		(1,895)
Non-cash management services			65		105
Share-based compensation expense	11		3,048		–
Current income tax expense	14		1,141		204
Deferred income tax expense	14		1,746		1,068
Loss (gain) on investments at FVTPL	7		37		(17,093)
Foreign exchange (gain) loss			(1,161)		717
Income taxes withheld at source			(1,025)		(505)
Non-cash finance expense			15		–
Changes in non-cash working capital	12		(7,527)		81
Income tax refunded			158		274
Net cash used by operating activities		**$**	**(7,535)**	**$**	**(2,116)**
Investing activities					
Acquisition of royalty and working interests	5	$	(53,689)	$	(15,500)
Acquisition of prepaid non-current assets			–		(9,164)
Acquisition of investments	7		(30)		(4,202)
Proceeds on sale of investments	7		110		32,032
Net cash (used in) provided by investing activities			**(53,609)**		**3,166**
Financing activities					
Proceeds from issuance of common shares, net of issuance costs	10	$	102,359	$	19,290
Proceeds from Riverstone capital contribution	10		86		774
Repurchase of common shares	10		(1,296)		–
Proceeds from non-controlling interest			–		913
Pre-IPO distribution to shareholders	6		(65,235)		–
Repayment of related party loan			(86)		(56)
Net cash provided by financing activities		**$**	**35,828**	**$**	**20,921**
Effect of exchange rate changes on cash			1,196		(1,116)
(Decrease) Increase in cash			(24,120)		20,855
Cash at the beginning of the period			35,877		15,022
Cash at the end of the period		**$**	**11,757**	**$**	**35,877**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

(Expressed in thousands of U.S. dollars)

	Issued shares (Note 10)	Share Capital net of deferred tax on issuance costs (Note 10)	Contributed Surplus (Note 10)	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total Equity Attributable to Equity Holder	Non-Controlling Interest	Total Equity
Balance, January 1, 2022	**86,296**	**$ 91,828**	**$ 354**	**$ 4,540**	**$ 1,034**	**$ 97,756**	**$ 2,007**	**$ 99,763**
Issuance of shares, net of transaction costs	17,259	19,290	–	–	–	19,290	–	19,290
Riverstone capital contribution (Note 10)	–	774	(354)	–	–	420	–	420
Net income for the period	–	–	–	13,780	–	13,780	188	13,968
Other comprehensive income	–	–	–	–	6,194	6,194	–	6,194
Altius partnership contribution	–	–	–	–	–	–	913	913
Transfer of realized gain on disposal of equity investments at FVTOCI	–	–	–	52	(52)	–	–	–
Balance, December 31, 2022	**103,555**	**$ 111,892**	**$ –**	**$ 18,372**	**$ 7,176**	**$ 137,440**	**$ 3,108**	**$ 140,548**
Effect of share split (Note 1 and 10)	46,358,131	–	–	–	–	–	–	–
Issuance of shares, net of transaction costs and tax impact (Note 10)	8,824,000	103,077	–	–	–	103,077	–	103,077
Riverstone capital contribution (Note 10)	–	86	–	–	–	86	–	86
Net loss for the period	–	–	–	(5,039)	–	(5,039)	72	(4,967)
Acquisition of royalties (Note 4g)	283,844	2,645	–	–	–	2,645	–	2,645
Repurchase and cancelled shares under Normal Course Issuer Bid (Note 10)	(154,500)	(599)	–	(697)	–	(1,296)	–	(1,296)
Other comprehensive income	–	–	–	–	4,072	4,072	–	4,072
Share-based compensation (Note 11)	–	–	2,939	–	–	2,939	–	2,939
Pre-IPO distribution (Note 6)	–	–	–	(97,082)	–	(97,082)	–	(97,082)
Transfer of realized gain on disposal of equity investments at FVTOCI	–	–	–	13,151	(13,151)	–	–	–
Balance, December 31, 2023	**55,415,030**	**$ 217,101**	**$ 2,939**	**$ (71,295)**	**$ (1,903)**	**$ 146,842**	**$ 3,180**	**$ 150,022**

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of U.S. dollars, except per share amounts)

1. NATURE OF OPERATIONS

Lithium Royalty Corp. ("LRC" or the "Company") was incorporated in Canada on November 23, 2017 and commenced operations on February 1, 2018. The registered office of the Company is 1133 Yonge Street, 5th Floor, Toronto, Ontario M4T 2Y7.

Lithium Royalty Corp. is a lithium-focused royalty company organized in Canada which, with affiliates or partners, has established a portfolio of royalties on mineral properties that are related to the electrification and decarbonization of the global economy. The Company's royalty portfolio has focused to date on the battery supply chain for the transportation industry and is underpinned by mineral properties that produce or are expected to produce lithium and other battery minerals. During the year ended December 31, 2023, the Company also had ancillary ownership interests, including offtakes, securities and working interests (sometimes referred to as direct project interests), which it distributed to the Company's Pre-IPO shareholders as part of the Pre-IPO reorganization (Notes 6 and 7).

Royalty Capital I Limited Partnership ("RC I LP"), Royalty Capital II Limited Partnership ("RC II LP"), Royalty Capital I-II Limited Partnership ("RC I-II LP") and Royalty Capital II-II Limited Partnership ("RC II-II LP", and together with RC I LP, RC II LP and RC I-II LP, the "RC Funds") are limited partnerships existing under the laws of the Province of Ontario. Waratah Capital Advisors Ltd. ("Waratah") is the investment manager for each of the RC Funds and has a management services agreement with the Company. Riverstone VI LRC B.V. is a private limited liability company existing under the laws of the Netherlands ("Riverstone"). The RC Funds and Riverstone collectively own a majority of the equity shares of the Company.

The consolidated financial statements of the Company for the years ended December 31, 2023 and 2022 include the financial performance and financial position of Lithium Royalty Corp. and its subsidiaries. The Company has a 100% interest in LRC I Corporation, LRC GP Inc. and LRC Services US LLC, and a 90% limited partnership interest in LRC LP I. The remaining 10% of LRC LP I is owned by Altius Royalty Corporation ("Altius"), a wholly-owned subsidiary of Altius Minerals Corporation.

On March 15, 2023, the Company completed an initial public offering ("IPO"), raising proceeds of $102.7 million (C$141.4 million), net of underwriting fees and related underwriting expenses of $6.3 million (C$8.6 million), through the issuance of 8,824,000 common shares from treasury at a price of $12.35 per share (C$17.00 per share) (Note 9). Prior to the closing of the IPO, the following reorganization and capital changes were implemented:

- The Company disposed of its working interests, substantially all of its investments and $28.3 million of cash by way of distributions to the shareholders before the IPO ("Pre-IPO Shareholders");
- The Company distributed non-interest-bearing shareholder notes of $36.3 million to the Pre-IPO Shareholders, which were repaid after the IPO;
- The issued Class A and Class B shares were converted into convertible common shares;
- The issued Class C shares were converted into common shares;
- The issued and outstanding common shares and convertible common shares were split on a 448.6678:1 basis; and
- The Company approved a new equity incentive plan to cover future grants of options, restricted stock units ("RSUs") and performance stock units ("PSUs") to key personnel and deferred stock units ("DSUs") to the independent directors (Note 11).

2. MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the condensed interim consolidated financial statements are set out below:

(a) Basis of presentation

The accompanying consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been prepared on a historical cost basis, except for other financial assets which are valued at fair value.

The consolidated financial statements were authorized for issue by the Board of Directors of the Company on March 28, 2024. Subsequent events have been evaluated through this date (Note 22).

(b) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries after eliminating intercompany balances and transactions.

(i) Subsidiaries

Subsidiaries are all entities over which the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date that control ceases.

(c) Functional and presentation currency and foreign currency translation

The consolidated financial statements are presented in U.S. dollars. Assets and liabilities of the Company and its subsidiaries that have a functional currency other than the U.S. dollar are translated to U.S. dollars at the exchange rate in effect on the consolidated balance sheet date. Revenues and expenses connected to those assets and liabilities are translated at the average exchange rate over the reporting period. Exchange differences are accumulated as a component of equity in other comprehensive income.

The functional currency of each of the Company and its subsidiaries is the principal currency of the economic environment in which they operate. During the third quarter of 2023, the functional currency of a subsidiary of the Company, LRC I Corporation, changed from Australian dollar to U.S. dollar due to the increase in U.S. dollar revenues earned by the subsidiary. As at December 31, 2023, for the Company and its subsidiaries LRC LP I, LRC I Corporation, LRC Services U.S. LLC, and LRC GP Inc., the functional currency is the U.S. dollar ("USD").

Investment transactions and income and expenses in foreign currencies have been translated to their functional currency at the rate of exchange prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into the functional currency using the rate of exchange prevailing at the statement of financial position dates.

(d) Royalty interests

Royalty interests are recorded at cost and capitalized as tangible non-current assets and are not depleted until such time as revenue-generating activities begin. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any. The cost of the royalty interest comprises the purchase price and any closing costs directly attributable to acquiring the interest. Project evaluation costs that are not related to a specific royalty are expensed in the period incurred. Variable payments, such as contingent payments that are dependent on future events, are excluded from the cost of acquiring a royalty interest on initial recognition. These contingent payments are capitalized as part of the cost of the royalty interest when the underlying obligating event has occurred.

The major categories of the Company's interests are (i) producing, (ii) development, and (iii) exploration and evaluation interests. Producing assets are royalty interests over mineral projects which have reached commercial production. Development assets are royalty interests on projects which are not yet producing, but where the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets represent royalty interests where the technical feasibility and commercial viability of extracting a mineral resource have not yet been demonstrated.

Royalty interests are recorded initially at cost and are depleted using the units of production basis (based on the extraction of mineral products at the project) over the available estimates of future production when revenue generating activities commence. Measurement of the royalty interests are based on the proven and probable reserves and future production plans associated with the projects underlying the royalty interests, as determined by the project operator. These estimates affect the depletion of the royalty interests and the assessment of the recoverability of the carrying value of the royalty interests.

(e) Impairment of royalty interests

The Company reviews the carrying values of royalty interests for impairment when events or changes in circumstances indicate that any of the carrying values may not be recoverable. Management considers each royalty interest in a project to be a separate cash generating unit ("CGU"), which is the lowest level for which cash inflows are largely independent of cash inflows from other royalty interests. Where the Company identifies impairment indicators, the Company recognizes an impairment loss for the amount by which the asset's carrying value exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less cost of disposal ("FVLCD") and value in use ("VIU"). When determining the recoverable amount, the Company focuses on the FVLCD, as this will generally be greater than or equal to the VIU. FVLCD is based on the best available information, to reflect the amount the Company could receive for the CGU in an arm's length transaction, and is often estimated using discounted cash flow techniques. Impairment charges are included in the "Impairment (charges)/recovery" line within the consolidated statements of income (loss) and comprehensive income (loss).

An impairment charge is reversed if there is an indication that an impairment charge recognized in prior periods may no longer exist or may have decreased in amount since the impairment charge was recognized. Impairment charges can only be reversed up to the carrying amount that would have been applicable had no impairment been recognized previously.

(f) Revenue recognition

(i) Production-based royalty arrangements

Under production-based royalty arrangements, revenue is recognized when the underlying commodity is extracted from the mineral property, and it is probable that the economic benefits associated with a transaction will flow to the Company. Revenue is measured at the transaction price agreed to in the royalty agreement. In some instances, management makes an assumption of revenue, based on information received from an operator. In some instances, the Company will not have access to sufficient information to make a reasonable estimate of revenue and, accordingly, revenue recognition will be deferred until management can make a reasonable estimate. Differences between estimates and actual amounts are recorded in the period that the actual amounts are known.

(ii) Revenue-based royalty arrangements

Under revenue-based royalty arrangements, revenue is measured at an agreed-upon percentage of the gross proceeds, less contractually allowable costs, received by the operator of the mineral property. The Company recognizes revenue when the commodities produced at the mineral property covered under the royalty agreement are sold to the operator's customers and control over the commodities transfers from the operator to its customers.
In some instances, the Company will not have access to sufficient information to make a reasonable estimate of revenue and, accordingly, revenue recognition will be deferred until management can make a reasonable estimate. Differences between estimates and actual amounts are recorded in the period that the actual amounts are known.

(g) Share-based compensation

(i) RSUs

The Company may grant RSUs to officers, employees, and certain other parties under the terms of its Omnibus Equity Incentive Plan (the "Omnibus Plan"). When each RSU vests, the Company plans to settle every RSU with one common share of the Company. The fair value of the RSUs is based on the stock price at the date of the grant. The Company expenses the fair value of the RSUs over the applicable service period, with a corresponding change in contributed surplus.

(ii) DSUs

The Company may grant DSUs to non-executive directors under its Director Deferred Share Unit Plan (the "DSU Plan") as compensation. Non-executive directors may choose to convert their director's fees into DSUs. When dividends are declared by the Company, directors are also credited with dividend equivalents in the form of additional DSUs based on the number of vested DSUs each director holds on the record date for the payment of a dividend. DSUs vest immediately. The fair value of the DSUs, which are settled in cash, is recognized as a share-based compensation expense with a corresponding increase in financial liabilities.
The fair value of the DSUs is marked to the quoted market price of the Company's common shares at each reporting date, with a corresponding change in the consolidated statement of income. Participants are restricted from redeeming their DSUs until retirement or termination of directorship.

(h) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the consolidated statements of income and comprehensive income.

Current tax expense is the expected amount to be paid based on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and losses carried forward.

Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recognized.

Deferred tax assets and liabilities are offset when (a) there is a legally enforceable right to offset current tax assets against current tax liabilities, and (b) when those tax assets and liabilities relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(i) New accounting standards issued and effective

The following new accounting pronouncements are effective for annual periods beginning on or after January 1, 2023 and have been incorporated into the consolidated financial statements:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)

Neither of these pronouncements are expected to have a material impact on the statements of the Company.

(j) New accounting standards issued but not yet effective

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods after December 31, 2023:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) effective for annual periods beginning on or after January 1, 2024

The pronouncement related to IAS 1 is not expected to have a significant impact on the Company's consolidated financial statements upon adoption.

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. However, actual outcomes may differ from the amounts included in the consolidated financial statements.

Judgments are made in the selection and assessment of the Company's accounting policies. Estimates are used mainly in determining the measurement of recognized transactions and balances. Estimates are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Judgments and estimates are often interrelated. The Company's judgments and estimates are continually re-evaluated to assess if they remain appropriate. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Information about significant areas of estimation, uncertainty and judgments made by management in preparing the consolidated financial statements are described below.

(a) Royalty interests

Management has applied significant judgment in determining the accounting for its royalty interests, which involves evaluating the terms and conditions of these arrangements, as well as various other factors, including at what point the Company has rights to receive cash under each royalty arrangement, the classification of royalty interests and whether the arrangement includes embedded derivatives or other features requiring further consideration.

(b) Impairment of royalty interests

The assessment of impairment of royalty interests requires the use of judgments, assumptions and estimates when assessing whether there are any indicators that give rise to the requirement to conduct an impairment analysis on royalty interests. The assessment of fair values requires the use of estimates and assumptions for estimated future production, long-term lithium sales prices, and discount rates. Estimated future production is determined using current mineral reserves. Estimated lithium sales prices are determined by reference to an average of long-term forecasts of the prices of lithium products, as compiled from research analysts and management's expectations. Discount factors are determined individually for each asset and reflect the risk profiles of the underlying interests to which each royalty attaches. Changes in any of the estimates used in determining the recoverable amount of royalty interests could impact the impairment analysis.

(c) Estimation of depletion

The Company's royalty and other production-based interests that generate economic benefits are considered depletable and those interests are depleted on a unit-of-production basis over the production metrics that are expected to generate the cash flows that will be attributable to the Company. These calculations require the use of estimates and assumptions, including the amount of contained mineral product, the recovery rates, and payable rates for the contained mineral products being treated through a post-extraction concentration process. Changes to these assumptions may impact the estimated recoverable reserves, resources or exploration potential, which could directly impact the depletion rates used. Changes to depletion rates are accounted for prospectively.

(d) Income taxes

The interpretation and application of existing tax laws, regulations and rules in Australia, Canada, and the United States, and in any of the other potential countries in which mineral interests are located or where commodities are sold, requires judgment. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is based on facts and circumstances of the relevant tax position, considering all available evidence. Differing interpretation of these laws, regulations and rules could result in an increase in the Company's taxes, governmental charges, duties or impositions. In assessing the probability of realizing deferred income tax assets, the Company makes estimates related to expectations of future taxable income and expected timing of reversals of existing temporary differences. Such estimates are based on forecasted cash flows from operations which require the use of estimates and assumptions, such as forecast commodity prices and future production. Therefore, the amount of deferred income tax assets recognized on the balance sheet could be reduced if the actual results differ significantly from forecast. The Company reassesses its deferred income tax assets at the end of each reporting period. Deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

4. ACQUISITIONS AND OTHER DEVELOPMENTS

(a) Mia Lithium NSR Royalty Transaction – Québec, Canada

On November 9, 2023, LRC acquired a pre-existing 1.0% net smelter revenue ("NSR") royalty on the Mia lithium property in Québec, Canada, operated by Q2 Metals Corp, in exchange for 76,000 common shares of the Company. The transaction has been accounted for as an acquisition of a royalty interest.

(b) Basin-Wikieup Contingent Payment – Arizona, United States

On September 28, 2023, Bradda Head Lithium Ltd ("Bradda Head") announced an updated mineral resource estimate of over 1 million tonnes lithium carbonate equivalent with a minimum lithium grade of 800 parts per million. As part of the royalty agreement, this update triggered a $2.5 million payment to Bradda Head by the Company, which was paid on October 10, 2023. The payment was capitalized as part of the cost of the royalty asset.

(c) Tres Quebradas GOR Royalty Transaction – Catamarca, Argentina

On July 24, 2023, the Company acquired an additional 0.5% gross overriding revenue ("GOR") royalty on the Tres Quebradas project in Catamarca, Argentina from two third-party sellers. The consideration comprised $25 million of cash and 207,844 of the Company's common shares, valued at approximately $2 million on the date of issuance. The transaction has been accounted for as an acquisition of a royalty interest.

(d) Finniss Contingent Payment – Northern Territory, Australia

On June 6, 2023, the Company paid Core Lithium Limited ("Core") $0.8 million (A$1.25 million) relating to a contingent payment agreed at the time of acquisition of the Finniss lithium project. Under the terms of the royalty, this payment increased the royalty rate from 2.115% to 2.5%. This payment was capitalized as part of the cost of the royalty asset.

(e) Case Lake GOR Royalty Transaction – Ontario, Canada

On May 4, 2023, for an aggregate purchase price of $1.1 million (C$1.5 million), the Company acquired a 2.0% GOR royalty on the Case Lake project in Ontario, Canada from Power Metals Corp. The transaction has been accounted for as an acquisition of a royalty interest.

(f) Das Neves GOR Royalty Transaction – Minas Gerais, Brazil

On May 2, 2023, the Company acquired a 3.0% GOR royalty on the Das Neves lithium project in Minas Gerais, Brazil from Atlas Lithium Corporation ("Atlas Lithium") for an aggregate purchase price of $20.0 million. Included in the contract is a $5.0 million option to purchase a royalty interest on related plots of land owned by Atlas Lithium in the region, which expires on May 2, 2024. The entire purchase price was allocated to the 3.0% royalty, with the option to purchase potential future royalties accounted for as a non-financial executory contract, which will be accounted for if such options are executed in future. At this time, management considers the option unlikely to be exercised.

(g) James Bay NSR Royalty Transaction – Québec, Canada

On March 16, 2023, for an aggregate purchase price of $1.8 million (C$2.35 million), the Company acquired an existing 1.5% NSR royalty on the James Bay lithium project in Québec, Canada, from a third-party seller. Allkem Limited, the operator of the project, has the right to repurchase one-third (0.5%) of the NSR royalty on the project for C$0.5 million. The transaction value of $1.8 million has been accounted for as an acquisition of a royalty interest.

(h) Mariana NSR Royalty Transaction – Salta, Argentina

On February 1, 2023, the Company elected to waive the sole remaining closing condition and complete the acquisition of the Mariana royalty, by releasing all remaining funds held in escrow to the seller. The Company has reclassified the associated prepaid non-current asset of $9,164 to royalty interests.

(i) Adina NSR Royalty Transaction – Québec, Canada

On January 31, 2023, for an aggregate purchase price of $1.9 million (C$2.5 million), the Company acquired a 2.0% NSR royalty on the Adina project in Québec, Canada, from two third-party sellers. The transaction has been accounted for as an acquisition of a royalty interest.

5. ROYALTY AND WORKING INTERESTS

	As at December 31, 2023	2022
Royalty interests[1]	$ 140,661	$ 76,688
Working interests[2]	–	1,516
Total	**$ 140,661**	**$ 78,204**

1 Royalty interests as at December 31, 2023 and December 31, 2022 consisted of the following:

As at December 31, 2023	**Cost**				**Accumulated Depletion/Impairment**				**Carrying Amount**
Royalty Interests	**Opening**	**Additions**	**Foreign Exchange Impact**	**Ending**	**Opening**	**Depletion**	**Foreign Exchange Impact**	**Ending**	
Producing royalties:									
Mt Cattlin	$ 7,747	$ –	$ (431)	$ 7,316	$ (4,774)	$ (621)	$ 283	$ (5,112)	$ 2,204
Finniss	4,828	844	(308)	5,364	–	(218)	–	(218)	5,146
Grota do Cirilo	7,809	–	–	7,809	–	(96)	–	(96)	7,713
Development royalties:									
Tres Quebradas	14,361	27,459	–	41,820	–	–	–	–	41,820
Horse Creek	10,400	–	–	10,400	–	–	–	–	10,400
Mariana	–	9,160	–	9,160	–	–	–	–	9,160
Exploration and evaluation royalties:									
Australian royalties	2,441	–	(136)	2,305	–	–	–	–	2,305
Canadian royalties	23,861	5,421	–	29,282	–	–	–	–	29,282
Adina East	10	–	–	10	–	–	–	–	10
U.S. royalties	6,463	2,525	–	8,988	–	–	–	–	8,988
European royalties	3,544	–	–	3,544	–	–	–	–	3,544
Brazilian royalties	–	20,089	–	20,089	–	–	–	–	20,089
Total Royalty Interests	**$ 81,464**	**$ 65,498**	**$ (875)**	**$ 146,087**	**$ (4,774)**	**$ (935)**	**$ 283**	**$ (5,426)**	**$ 140,661**

As at December 31, 2022	**Cost**				**Accumulated Depletion/Impairment**					**Carrying Amount**
Royalty Interests	**Opening**	**Additions**	**Foreign Exchange Impact**	**Ending**	**Opening**	**Depletion**	**Impairment Recovery**	**Foreign Exchange Impact**	**Ending**	
Producing royalties:										
Mt Cattlin	$ 8,256	$ –	$ (509)	$ 7,747	$ (4,083)	$ (961)	$ –	$ 270	$ (4,774)	$ 2,973
Development royalties:										
Tres Quebradas	14,361	–	–	14,361	(1,894)	–	1,894	–	–	14,361
Grota do Cirilo	7,809	–	–	7,809	–	–	–	–	–	7,809
Finniss	5,145	–	(317)	4,828	–	–	–	–	–	4,828
Horse Creek	10,400	–	–	10,400	–	–	–	–	–	10,400
Exploration and evaluation royalties:										
Australian royalties	447	2,021	(27)	2,441	–	–	–	–	–	2,441
Canadian royalties	12,386	11,475	–	23,861	–	–	–	–	–	23,861
Adina East	–	10	–	10	–	–	–	–	–	10
U.S. royalties	2,417	4,046	–	6,463	–	–	–	–	–	6,463
European royalties	2,878	666	–	3,544	–	–	–	–	–	3,544
Total Royalty Interests	**$ 64,099**	**$ 18,218**	**$ (853)**	**$ 81,464**	**$ (5,977)**	**$ (961)**	**$ 1,894**	**$ 270**	**$ (4,774)**	**$ 76,690**

2 Working interests

The working interests of $1,516 were fully distributed to the Pre-IPO Shareholders as part of the Pre-IPO reorganization in March 2023 (Note 6).

6. PRE-IPO REORGANIZATION

On March 12, 2023, as part of a reorganization of the Company prior to the IPO, the Company distributed its working interests, substantially all of its investments and $28.3 million of cash by way of distributions to the Pre-IPO Shareholders of the Company. Subsequently, on March 13, 2023, the Company distributed non-interest-bearing shareholder notes of $36.2 million to the Pre-IPO Shareholders, which were repaid in cash and treated as a cash distribution after the IPO.

The following table summarizes the carrying value of the assets which were distributed to the Pre-IPO Shareholders of the Company as part of the Pre-IPO reorganization.

		Carrying value on the date of distribution
Cash[1]	$	65,235
Working interests		1,516
Investments (Note 7)		29,928
Other assets		403
Total	**$**	**97,082**

1 Includes $28.3 million of cash and the repayment of the non-interest-bearing note of $36.2 million after the closing of the IPO.

7. INVESTMENTS

The movement in investments at FVTPL and investments at FVTOCI during the twelve-month period was as follows:

Investments at FVTPL (equity, options/warrants[a]), other investments)

	For the years ended December 31,			
		2023		2022
Opening – January 1	$	3,880	$	13,450
Additions		–		199
Fair value movement		(37)		17,093
Pre-IPO distribution (Note 6)		(3,843)		(26,862)
Closing	**$**	**–**	**$**	**3,880**

Investments at FVTOCI (equity)[b]

	For the years ended December 31,			
		2023		2022
Opening – January 1	$	20,401	$	13,429
Additions		30		4,156
Fair value movement		5,764		8,140
Pre-IPO distribution (Note 6)		(26,086)		(5,324)
Disposal		(109)		–
Closing	**$**	**–**	**$**	**20,401**
Total Investments	**$**	**–**	**$**	**24,281**

During the year ended December 31, 2023, all of the investments were distributed as part of the pre-closing reorganization (Note 6).

During the year ended December 31, 2023, the gains on investments at FVTPL were comprised of $86 relating to fair value gains on the Moblan offtake and $(123) relating to fair value losses on the Company's option/warrant positions. These assets were distributed to the Pre-IPO Shareholders (Note 6).

During the year ended December 31, 2023, the gains on investments at FVTOCI were comprised of $6,254 relating to fair value gains on the Winsome Resources Limited position, $235 relating to the fair value gains on the Euro Lithium position, $(652) relating to the fair value losses on the Bradda Head position and $(73) relating to the fair value losses (net) from the remaining equity investments at FVTOCI. At December 31, 2023, no equity investments were held by the Company.

(a) Options/warrants at FVTPL

	As at December 31,			
		2023		2022
Sinova Global Inc.	$	–	$	2,132
Other		–		14
Total	**$**	**–**	**$**	**2,280**

The option/warrant positions were fully distributed to the Pre-IPO Shareholders prior to the closing of the IPO in March 2023 (Note 6).

8. FAIR VALUE MEASUREMENT

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can observe at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Carrying values for financial instruments that are carried at amortized cost (including cash and cash equivalents, trade and other receivables, income taxes receivable, accounts payable and accrued liabilities and other liabilities) approximate fair values due to their short-term maturities.

The fair value of financial assets and liabilities traded in active markets (such as equity securities) are based on quoted market prices at the close of trading on the period end date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The determination of what constitutes "observable" requires significant judgment by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

If an asset or liability classified as Level 1 subsequently ceases to be actively traded, it is transferred into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is reclassified to Level 3. All transfers are recorded at fair value at the beginning of the period of the transfer.

The following tables analyze within the fair value hierarchy the Company's assets and liabilities measured at fair value as at December 31, 2023 and December 31, 2022. The majority of these assets were distributed to the Pre-IPO Shareholders (Notes 6 and 7).

December 31, 2023		**Level 1**		**Level 2**		**Level 3**		**Total**
Total Financial Liabilities	$	108	$	–	$	–	$	108

December 31, 2022		**Level 1**		**Level 2**		**Level 3**		**Total**
Investments at FVTOCI								
Equities	$	17,513	$	–	$	2,888	$	20,401
Investments at FVTPL								
Equities		–		–		–		–
Warrants		–		113		2,167		2,280
Other		–		–		1,600		1,600
Total Financial Assets	$	17,513	$	113	$	6,655	$	24,281

There were no transfers between any of Level 1, Level 2 and Level 3 during the period ended December 31, 2023.

The following table provides a summary of changes in the investments categorized as Level 3 during the year ended December 31, 2023:

		Level 3
Balance, beginning of year	$	6,655
Unrealized gains on investments		282
Pre-IPO distribution (Note 6)		(6,937)
Balance – December 31, 2023	**$**	**–**

9. RISK MANAGEMENT

(a) Capital risk management

The Company's primary objective when managing capital is to provide shareholder returns by maximizing the profitable growth potential of the business while preserving capital. The Company defines its capital as cash and investments which are controlled by the Company's management. At this time, the Company has not drawn on the credit facility. If the Company draws on its credit facility, certain financial covenants will apply (Note 21). As at December 31, 2023, the Company had cash of $11.8 million.

(b) Credit risk

Credit risk is the risk that the counterparty to a financial instrument held by the Company will fail to discharge an obligation or commitment that it has entered into for the benefit of the Company. Credit risk exposure for the Company arises from cash balances and accounts receivable held by the Company. In order to mitigate its exposure to credit risk, the Company closely monitors its financial assets and maintains its cash balances with high-quality financial institutions. The cash and cash equivalents are held with banks and financial institution counterparties which are rated A+ based on Standard and Poor's ratings.

As at December 31, 2023, the Company's maximum exposure to credit risk was the carrying value of cash balances and accounts receivable and the Company is unaware of any information which would cause it to believe that these financial assets are not fully recoverable.

(c) Currency risk

The Company is exposed to risks related to the fluctuation of foreign exchange rates. The table below summarizes the foreign currencies to which the Company had significant exposure, in U.S. dollar terms.

December 31, 2023		CAD		AUD
Cash and cash equivalents	$	1,064	$	–
Accounts receivable		154		245
Accounts payable and accrued liabilities		(981)		(2)
Related party payables		(281)		–
Other liabilities		(108)		–
Net exposure	**$**	**(152)**	**$**	**243**

December 31, 2022		CAD		AUD		GBP
Cash and cash equivalents	$	24,032	$	4,108	$	10
Investments		3,438		12,497		2,112
Accounts payable and accrued liabilities		(6,715)		(4)		(3)
Related party payables		(97)		–		–
Net exposure	**$**	**20,658**	**$**	**16,601**	**$**	**2,119**

The following significant exchange rates have been applied:

	Average rate		Year-end spot rate	
	2023	2022	2023	2022
CAD:USD	1.350	1.301	1.326	1.356
AUD:USD	1.506	1.442	1.438	1.470

Based on the net exposures set out above, as at December 31, 2023 and 2022, a 5% depreciation or appreciation of the U.S. dollar would result in an increase or decrease of approximately $1 (2022 – $1,974) in the Company's income (loss) before income taxes.

(d) Liquidity risk

In managing liquidity risk, the Company considers anticipated cash flows from operations, its contingent payment obligations and its holdings of cash and cash equivalents. As at December 31, 2023, the Company had working capital of $12,459 (2022 – $31,671), including a cash balance of $11,757 (2022 – $35,877). The Company's maximum exposure related to its future contingent payment obligations at December 31, 2023 was approximately $5,574 (2022 – $8,926).

	Contractual cash flows			
December 31, 2023	Carrying Amount	3 months or less	3 – 12 months	1 – 5 years
Accounts payable and accrued liabilities	$ 1,473	$ 1,473	$ –	$ –
Related party payables	281	281	–	–
Total	**$ 1,754**	**$ 1,754**	**$ –**	**$ –**

10. SHARE CAPITAL

	Authorized	December 31, 2023	December 31, 2022
Common shares	Unlimited	24,865,816	–
Convertible common shares	Unlimited	30,549,214	–
Class A shares	Unlimited	–	43,595
Class B shares	Unlimited	–	24,494
Class C shares	Unlimited	–	35,466
Total shares		**55,415,030**	**103,555**

During the year ended December 31, 2023, but prior to the March 2023 IPO, Riverstone VI LRC B.V. contributed $86 to the capital of its existing Class C shares (2022 – $564).

During the year ended December 31, 2023, the Company raised $103,077, net of share issuance costs of ($8,034) and a deferred tax impact of $2,157, as part of the Company's IPO.

On July 6, 2023, the Company's application was approved for a normal course issuer bid ("NCIB") to purchase through the facilities of the Toronto Stock Exchange and alternative Canadian trading platforms up to 1,236,823 common shares, representing 10% of the public float, over a 12-month period commencing July 7, 2023 and ending July 6, 2024. Daily purchases are limited to 16,985 common shares, except where purchases are made in accordance with the "block purchase exemption" of the TSX rules. All common shares that are repurchased by the Company under the NCIB are cancelled.

For the year ended December 31, 2023, the Company purchased 154,500 common shares at a weighted average price of US$8.34 per common share for a total cost of $1,296. Retained earnings were reduced by $690, representing an excess of the purchase price of common shares over their average carrying value.

On July 24, 2023, the Company issued 283,844 common shares as part of the overall consideration to the sellers of the 0.5% royalty covering the Tres Quebradas project (Note 4c). In addition, on November 9, 2023, the Company issued 76,000 common shares as part of the overall consideration to the sellers of the 1.0% royalty covering the Mia lithium project (Note 4a).

The impact of the transactions on the share capital described in Note 1 and above are summarized in the following table, which sets out the number of shares:

	Class A Shares	Class B Shares	Class C Shares	Common Shares	Convertible Common Shares	Total
December 31, 2022	43,595	24,494	35,466	–	–	103,555
Conversion of shares	(43,595)	(24,494)	(35,466)	35,466	68,089	–
Incremental shares from stock split	–	–	–	15,877,006	30,481,125	46,358,131
Issuance of shares from IPO	–	–	–	8,824,000	–	8,824,000
Issuance of shares from acquisitions (Note 4a and 4c)	–	–	–	283,844	–	283,844
Repurchase and cancellation of common shares under NCIB	–	–	–	(154,500)	–	(154,500)
December 31, 2023	**–**	**–**	**–**	**24,865,816**	**30,549,214**	**55,415,030**

Except for certain limited share provisions, the common shares and convertible common shares have the same rights, are equal in all respects and are treated by the Company as if they were a single class of equity shares.

11. SHARE-BASED PAYMENTS

On March 14, 2023, the Company approved the Omnibus Plan for the administration of grants of stock options, RSUs and PSUs to key personnel and a DSU Plan for non-executive directors.

RSU transactions during the year ended December 31, 2023 were as follows:

	Number of RSUs	Weighted average grant date fair value
Balance – December 31, 2022	–	$ –
Granted	391,999	12.29
Balance – December 31, 2023	**391,999**	**$ 12.29**

During the year ended December 31, 2023, 391,999 RSUs were granted under the Omnibus Plan. The RSUs granted will vest over three years from the grant date. No RSUs were forfeited or exercised during the year ended December 31, 2023.

DSU transactions during the year ended December 31, 2023 were as follows:

	Number of DSUs	Fair value
Balance – December 31, 2022	–	$ –
Granted	16,180	12.29
Balance – December 31, 2023	**16,180**	**$ 6.70**

During the year ended December 31, 2023, 16,180 DSUs were granted under the Omnibus Plan. The DSUs vest on the date of grant and expire in the year following the date at which the holder ceases to be a director of the Company. No DSUs were forfeited during the year ended December 31, 2023.

The following table summarizes the overall share-based compensation expense that was recognized in general and administrative expense:

	For the years ended December 31,	
	2023	2022
RSUs	$ 2,940	$ –
DSUs	108	–
Total share-based compensation expense	**$ 3,048**	**$ –**

As at December 31, 2023, the Company had not granted any PSUs or stock options.

12. SUPPLEMENTAL CASH FLOW INFORMATION

	For the years ended December 31,	
	2023	2022
Changes in non-cash working capital		
Trade receivables	$ (800)	$ (130)
Other assets	(790)	(1,858)
Accounts payable and accrued liabilities	(5,501)	2,400
Income taxes payable	(331)	–
Related party payables	(105)	(331)
Total change in non-cash working capital	**$ (7,527)**	**$ 81**

13. RELATED-PARTY DISCLOSURES

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including any director of the Company. All transactions with related parties are recorded at the exchange amount.

Management services have been provided to the Company during the years ended December 31, 2023 and December 31, 2022 by certain employees of Waratah, including the Chief Executive Officer of Waratah (who also serves as the Executive Chair of the Company), for which the Company has compensated Waratah only through management services expenses for those periods.

Management services in the statement of income represent services provided to the Company by Waratah under the management services agreement and by parties related to Waratah and/or the Company, including consulting services provided by an officer of the Company. For the year ended December 31, 2023, management services expense was $810, of which $371 related to consulting and $439 related to management fees under the Waratah management services agreement (December 31, 2022 – $637, of which $217 related to consulting and $420 related to management fees).

Related-party payables are comprised of amounts owing both to Waratah and to officers of the Company. As at December 31, 2023, $236 (December 31, 2022 – $202) was owing to Waratah for management services provided by Waratah. In addition, $45 of the amount payable to Waratah is related to a payment received by the Company which was intended for eventual receipt by Waratah. All amounts owing to related parties at December 31, 2023 were unsecured, non-interest bearing and had no fixed terms of repayment.

The following table summarizes the compensation breakdown for key management personnel:

	For the years ended December 31,	
	2023	2022
Salaries and other benefits	$ 1,435	$ –
Share-based compensation	2,792	–
Total	**$ 4,227**	**$ –**

14. INCOME TAXES

(a) Rate reconciliation

The income tax expense for the years ended December 31, 2023 and December 31, 2022 differs from the amount that would result from applying the federal and provincial income tax rates to income before income taxes, due to the following:

	For the years ended December 31,			
		2023		2022
Income before taxes from continuing operations	$	(2,080)	$	15,239
Statutory tax rate		26.5%		26.5%
Expected income tax expense	$	(551)	$	4,038
Increase (decrease) due to:				
Non-deductible expenses	$	1,177	$	(2,312)
Foreign tax rate differences		1,166		149
Revision in estimates		1,331		38
Reversal of impairment		–		(498)
Effect of foreign exchange on tax expense		(236)		(143)
Income tax expense	**$**	**2,887**	**$**	**1,272**

(b) Current and deferred income tax

Income tax recognized in net income is comprised of the following, for the years ended:

	For the years ended December 31,			
		2023		2022
Current income tax expense	$	1,141	$	204
Deferred income tax expense		1,746		1,068
Income tax expense	**$**	**2,887**	**$**	**1,272**

(c) Recognized deferred income tax assets and liabilities

The following are the temporary differences and unused tax losses for which deferred income tax assets and liabilities are recognized in the financial statements of the Company.

	As at December 31,			
		2023		2022
Royalty interests	$	(12,864)	$	(3,192)
Financial assets at fair value		–		(1,248)
Non-capital losses		7,841		1,449
Deferred financing costs		1,896		92
Other		29		127
Deferred income tax liabilities, net	**$**	**(3,098)**	**$**	**(2,772)**

(d) Changes in deferred income tax assets and liabilities

	For the years ended December 31,	
	2023	**2022**
Net deferred tax liability balance, beginning of the year	$ (2,772)	$ (643)
Deferred tax (expense) recovery	(1,746)	(1,068)
OCI & equity	1,395	(1,079)
Foreign currency translation on the deferred tax liability	25	18
Deferred income tax liabilities, net	**$ (3,098)**	**$ (2,772)**

(e) Unrecognized deferred income tax assets and liabilities

The aggregate amount of temporary differences for which deferred income tax assets and liabilities have not been recognized is as follows:

	As at December 31,	
	2023	**2022**
Royalty interests	$ –	$ –
Investments in subsidiaries	(334)	(83)
Unrecognized deferred income tax assets (liabilities), net	**$ (334)**	**$ (83)**

The aggregate amount of deductible temporary differences for which deferred income tax assets and liabilities have not been recognized is as follows:

	As at December 31,	
	2023	**2022**
Royalty interests	$ –	$ –
Investments in subsidiaries	(2,521)	(623)
Unrecognized deferred income tax assets (liabilities), net	**$ (2,521)**	**$ (623)**

(f) Non-capital losses

Non-capital losses are available to be carried forward for 20 years and applied against future taxable income. As at December 31, 2023, the Company has deductible non-capital tax losses of $29,589 (December 31, 2022 – $5,468), which expire in 2042.

(g) Income taxes receivable

As at December 31, 2023, the Company has a net income taxes receivable balance of $507 (December 31, 2022 – $477). The amount represents a receivable for a partial refund of the withholding taxes paid, based on the difference between taxes withheld and taxes assessed on taxable income from royalties.

15. EARNINGS PER SHARE

	For the years ended December 31,	
	2023	2022
Net (loss) income attributable to equity holders of Lithium Royalty Corp.	$ (5,039)	$ 13,779
Weighted average shares outstanding	53,597,035	44,132,721
(Loss) earnings per share – basic and diluted	**$ (0.09)**	**$ 0.31**

Earnings per share calculations for the year ended December 31, 2022 reflect the impact of the share split during the year ended December 31, 2023 (Note 10).

For the year ended December 31, 2023, as a result of the consolidated net losses recognized, diluted earnings per share is equal to basic earnings per share. As of December 31, 2023, the Company had anti-dilutive instruments of 391,999 RSUs. There were no dilutive instruments outstanding during the year ended December 31, 2022.

16. SEGMENTED DISCLOSURE

The Company's business is organized into a single operating segment, consisting of acquiring and managing royalty interests. The Company's chief operating decision maker, the Executive Chair, makes resource allocation decisions, reviews operating results and assesses performance.

Geographic revenue from royalty interests is determined by the location of the mining operations giving rise to the royalty interest. For the year ended December 31, 2023, the Company had three revenue-producing royalties, including the Mt Cattlin and Finniss projects in Australia, and the Grota do Cirilo project in Brazil. Each of these projects contributed over 10% of the Company's total revenue for the period. The revenues earned by the Company are summarized by geography below:

	For the years ended December 31,	
	2023	2022
Australia	$ 4,499	$ 1,684
South America	1,023	–
Total	**$ 5,522**	**$ 1,684**

As at December 31, 2023 and 2022, the Company has royalty interests across four continents. The book value of the Company's royalty interests by geography is summarized below:

	As at December 31,	
	2023	2022
North America	$ 48,680	$ 40,733
South America	78,781	22,169
Europe	3,544	3,544
Australia	9,656	10,242
Total	**$ 140,661**	**$ 76,688**

17. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at December 31,	
	2023	**2022**
Outstanding obligations relating to the acquisition of the royalties over Seymour Lake, Root Lake and Wisa Lake	$ –	$ 4,108
Accounts payable and accrued liabilities related to IPO readiness	–	2,091
Other	1,473	576
Accounts payable and accrued liabilities	**$ 1,473**	**$ 6,775**

18. GENERAL AND ADMINISTRATIVE EXPENSES

	For the years ended December 31,	
	2023	**2022**
Board of directors fees	$ 247	$ –
IPO readiness expenses	869	1,287
Professional fees	1,573	639
Salaries and employee benefits	1,414	–
Share-based compensation (Note 11)	3,048	–
Other	745	509
General and administrative expenses	**$ 7,896**	**$ 2,435**

19. FINANCE INCOME

	For the years ended December 31,	
	2023	**2022**
Interest income	$ 1,506	$ 197
Standby fee	(106)	–
Amortization of debt issuance cost	(70)	–
Finance income	**$ 1,329**	**$ 197**

20. COMMITMENTS AND CONTINGENCIES

When acquiring royalty interests, the Company will, from time to time, agree to make future payments that are contingent on the occurrence of specified future events. The Company regularly evaluates the likelihood that these future contingent payments will become payable.

Project operator	Project (asset)	Triggering event		Expected payment
Bradda Head	Basin East & West/ Wikieup	Bradda Head discloses a Mineral Resource of at least 2.5 million tonnes of LCE with a minimum grade of 800 ppm	$	3,000
Lithium Springs	Lithium Springs	The Company elects to exercise its royalty option on or before the earlier of (a) April 20, 2024, and (b) Lithium Springs completes a listing on the Australian Securities Exchange	$ A$	613 (900)
		Commitment by the Company to act as a cornerstone investor in a public listing by Lithium Springs	$ A$	511 (750)
Noram	Zeus Lithium	Noram releases a definitive feasibility study	$	1,000
Morella	Tabba Tabba	Morella discloses a 5.0 million tonnes resource at the Tabba Tabba project at 1% Li_2O grade	$	350
	Mt Edon/Mt Edon West	Morella discloses a 5.0 million tonnes resource at the Mt Edon project at 1% Li_2O grade	$	100

During the year ended December 31, 2023, two contingent payments were triggered to the Company:

(a) Finniss Lithium Project

On June 6, 2023, the Company paid $844 (A$1,250) to Core Lithium Limited relating to a contingent payment arising from the acquisition of the Finniss lithium project. As a result, the royalty rate increased from 2.115% to 2.5%. The settled contingent payment was capitalized and is now classified within royalty interests (Note 5).

(b) Basin-Wikieup contingent payment – Arizona, United States

On October 4, 2023, the Company paid $2,500 to Bradda Head relating to a contingent payment arising from the acquisition of the Basin-Wikieup lithium project. The settled contingent payment was capitalized and is now classified within royalty interests (Note 5). This payment is distinct from the additional contingent obligation to Bradda Head set out in the table above.

21. LONG-TERM DEBT

Revolving Credit Facility

On July 6, 2023, the Company entered into a credit agreement with National Bank of Canada, permitting the Company to draw up to $25.0 million (the "Credit Facility"). The Company intends to use the Credit Facility for general corporate purposes and to make investments in the mineral industry, including the acquisition of mineral royalty interests. The Credit Facility is secured by the Company's current and future assets.

Advances under the Credit Facility can be drawn as follows:

- Base rate advances at the National Bank base rate, plus between 2.00% and 3.25% per annum depending upon the Company's leverage ratio; or
- Term loans for periods of one, three or six months, with interest payable at the rate of term-based Secured Overnight Financing Rate ("SOFR"), plus between 3.1% and 4.5% per annum, depending on the Company's leverage.

Finance costs relating to the Credit Facility for the year ended December 31, 2023 were $176, including amortization of debt issuance costs and standby fees. Debt issuance costs of $368 have been capitalized as part of Other assets in the financial statements. The Credit Facility includes covenants that require the Company to maintain certain financial ratios, including leverage ratios, as well as certain non-financial requirements. As at December 31, 2023, the credit facility was undrawn.

22. SUBSEQUENT EVENTS

On March 8, 2024, the Company acquired a 1.5% GOR royalty on mineral claims held by M4E Lithium Ltda., in consideration for $1.5 million at closing and an additional $2 million upon achieving 10 million tonnes of measured and indicated resource on or before December 31, 2025.

Corporate Information

EXECUTIVE MANAGEMENT

Blair Levinsky
Executive Chair

Ernie Ortiz
President &
Chief Executive Officer

Dominique Barker
Chief Financial Officer &
Head of Sustainability

Mark Wellings
Vice Chair &
Executive Vice President,
Technical

Philip de L. Panet
Chief Operating Officer &
Vice President, Legal

Rob Weir
Vice President,
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DIRECTORS

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LISTING OF COMMON SHARES

Toronto Stock Exchange: LIRC

SHARE CAPITAL OUTSTANDING AS OF DECEMBER 31, 2023

Common Shares

- 24,865,816

Convertible Common Shares

- 30,549,214

INVESTOR INFORMATION

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