ELEMENTAL ROYALTIES CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022

Date of Report: August 15, 2022

This management's discussion and analysis ("MD&A") for Elemental Royalties Corp. (the "Company" or "Elemental") is intended to help the reader understand the significant factors that have affected Elemental and its subsidiaries' performance, as well as factors that may affect its future performance.

The information contained in this MD&A for the six months ended June 30, 2022 should be read in conjunction with the condensed interim consolidated financial statements of Elemental for the same period together with the audited consolidated financial statements for the year ended December 31, 2021 and the accompanying MD&A for that fiscal year. The information contained within this MD&A is as of August 15, 2022.

The referenced condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board ("IASB"), applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. All amounts are expressed in US dollars unless otherwise indicated, which is the Company's presentation and functional currency.

Additional information is available on the Company's SEDAR profile at www.sedar.com. Current financial disclosures and Real-Time Level 2 quotes for Elemental are available at: https://www.otcmarkets.com/stock/ELEMF/.

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1. DESCRIPTION OF THE BUSINESS

Elemental Royalties Corp. is a TSX Venture Exchange ("TSX-V") listed precious metals royalty company focused on acquiring royalties and streams over producing, or near producing, assets from established operators and counterparties.

The Company's gold-focused royalty portfolio is diversified by several top-tier operators and by jurisdiction, serving to reduce operating risk to the Company and to the individual investor. By relying on advanced assets, the Company is able to minimize funding and development risks that are outside Elemental's control. Elemental focuses on acquiring assets located in proven mining jurisdictions to seek to mitigate the risks of political instability and policy changes.

The Company's common shares are listed on the TSX-V under the symbol "ELE" and the OTCQX under the symbol "ELEMF".

On June 14, 2022, Elemental announced that it has reached agreement on the terms and conditions of a recommended share-for-share merger of equals of Elemental and Altus Strategies Plc ("Altus") with the entire issued and to be issued share capital of Altus being acquired by Elemental (the "Merger"). The boards of Elemental and Altus believe that the Merger has compelling strategic logic and represents an attractive opportunity for both companies to create a global gold royalty company.

Upon completion of the Merger, Elemental's name will be changed to Elemental Altus Royalties Corp. Current Elemental shareholders will own approximately 52.9% and Altus shareholders will own approximately 47.1% of the total issued share capital of the combined entity (based on the undiluted issued share capital of Elemental and Altus on the last practicable date, being the close of business on June 13, 2022).

Once the Merger closes it is anticipated that Elemental Altus Royalties Corp. will have significantly increased scale and diversity, with 11 producing royalties / streams in 7 jurisdictions; a transformed revenue profile, organic opportunities to increase revenue; strong shareholder support in La Mancha and other institutional investors; an enhanced capital markets portfolio providing improved scale, liquidity and analyst coverage, a stronger revenue profile and balance sheet and enhanced ability to refinance the credit facility on improved terms; as well as complimentary management skills from the collective teams' extensive experience with technical, financial and legal expertise.

In March 2022 Elemental provided guidance for 2022 of 5,700 to 6,700 attributable GEOs from its current portfolio, which remains unchanged as at the date of this report. Elemental will provide updated guidance on completion of the Merger.

The Company's royalties provide uncapped revenue and are not subject to any buybacks as at June 30, 2022 and at the date of this report, meaning that all future mineral resource to mineral reserve conversion over the royalty areas delivers both value and provides greater certainty on future production to Elemental at no additional cost.

In addition, the portfolio contains significant exploration upside; the Wahgnion gold mine in Burkina Faso sits within a license package of over 1,000km^2, and the Mercedes mine in Mexico sits within a nearly 700km^2 license. These district scale land packages provide Elemental with exposure to future exploration success without any further operational or financial contribution.

2. OVERALL PERFORMANCE

- Revenue of $2.1 million for the three months ended June 30, 2022 ($1.2 million for the three months ended June 30, 2021) and $4.3 million for the six months ended June 30, 2022 ($2.4 million for the six months ended June 30, 2021).
- Total attributable GEOs of 1,138 for the three months ended June 30, 2022 (683 for the three months ended June 30, 2021) and 2,285 for the six months ended June 30, 2022 (1,323 for the six months ended 2021).
- Subsequent to June 30, 2022, Elemental received approximately 408.4 gold ounces from the Ming Gold Stream from sales relating to Q3 2022, with gross value of approximately US$694 thousand using a US$1,700/oz gold price which will be reflected in subsequent accounts.
- Operating cash flow outflow of $0.05 million for the three months ended June 30, 2022 and inflow of $1.1 million for the six months ended June 30, 2022.
- Net loss of $2.4 million for the three months ended June 30, 2022 and net loss of $3.6 million for the six months ended June 30, 2022.
- Adjusted EBITDA of $1.17 million for the three months ended June 30, 2022 and $2.7 million for the six months ended June 30, 2022 (refer to the "Non-IFRS Measures" section of this MD&A).

Highlights and key developments from Elemental's royalty portfolio include:

- On January 19, 2022, Capricorn confirmed they remained on track to achieve FY22 guidance of 110,000 – 120,000 ounces, achieved by continued ramp-up of the processing plant with the introduction of oxide ore into the mill feed increasing throughput to annualized rate of 4.6mtpa.
- On April 4, 2022, the Company announced it had completed a gold purchase and sale agreement (the "Ming Gold Stream") with Rambler Metals and Mining Canada Limited, a wholly owned subsidiary of Rambler Metals and Mining PLC (AIM: RMM) ("Rambler"), the owner of the Ming Copper-Gold Mine (the "Ming Mine") in Newfoundland and Labrador in Canada. Under the terms of the Ming Gold Stream, in exchange for an advance payment of $11 million, the Company will receive 50% of payable gold production until Rambler has delivered 10,000 ounces of gold to the Company, after which the Company will receive 35% of payable gold production until Rambler has delivered a further 5,000 ounces to the Company. After Rambler has delivered a total of 15,000 ounces of gold, the Company will receive 25% of payable gold production for the life of the mine. The Company will make ongoing payments equal to 20% of the market price of gold with minimum gold recoveries set at 85%. Rambler will make minimum gold deliveries of 1,200 ounces to the Company in each of the first three years of the Ming Gold Stream.
- On March 31, 2022, the Company completed a private placement of 9,275,000 common shares at CAD$1.51 ($1.21) per common share for gross proceeds of CAD$14.0 million ($11.2 million). The net proceeds of the placement were used to fund the acquisition of the Ming Gold Stream, with the remainder for general working capital purposes.
- On June 14, 2022, the Company announced that it has reached agreement on the terms and conditions of a recommended share-for-share merger of equals of Elemental and Altus with the entire issued and to be issued share capital of Altus being acquired by Elemental (the "Merger"). Under the terms of the Merger, each Altus Shareholder will be entitled to receive: 0.5940 New Elemental Shares for each Altus Share. This exchange ratio (the "Exchange Ratio") has been agreed between the boards of Elemental and Altus taking into account the relative market capitalizations of both companies. Upon completion of the Merger, Elemental Shareholders will own approximately 52.9% and Altus Shareholders will own approximately 47.1% of the total issued share capital of the New Elemental Altus Group. The boards of Elemental and Altus believe that the Merger has compelling strategic logic and represents an attractive opportunity for both companies to create a global gold royalty company.
- The Merger will be implemented by way of a court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006 (although Elemental reserves the right to effect the Merger by way of an Offer, subject to the consent of the Panel and the terms of the Co-operation Agreement).

(Expressed in thousands of US Dollars, unless otherwise indicated)

- The Merger was conditional, amongst other things, on:
    - the Scheme becoming unconditional and Effective including, without limitation, its approval by a majority in number of Scheme Shareholders present and voting (in person or by proxy) representing 75 per cent. or more in value of the Scheme Shares held by those Scheme Shareholders; and
    - the requisite approval of the Elemental Shareholder Resolution by the Elemental Shareholders at the Elemental Special Meeting.
- The Elemental information circular, containing further information about the Merger and notice of the Elemental Special Meeting, was mailed to Elemental Shareholders on July 15, 2022 and the Elemental Special Meeting was held on August 8, 2022. The shareholders voted in favour of the Merger.
- The capitalized terms above have the same meaning as those with the Elemental Rule 2.7 announcement dated June 14, 2022, available on the Company's website.
- Closing of the transaction is anticipated to occur on August 16, 2022.

Key developments of the Gold Royalty Corp Hostile Bid include:

- On January 11, 2022, the Company confirmed that Gold Royalty had commenced a highly conditional and unsolicited all-share takeover bid to acquire all outstanding common shares of the Company (the "Hostile Bid").
- On January 26, 2022, the Company announced that the Board, following the unanimous recommendation of a special committee of independent directors, has unanimously determined that the all-share hostile takeover bid from Gold Royalty is not in the best interests of the Company or its shareholders and unanimously recommended that shareholders reject and not tender their shares.
- On May 12, 2022, Elemental confirmed the Hostile Bid by Gold Royalty had not been successful, and that based on information from available sources, the Company estimates that significantly less than 5% of its shares were tendered to the Hostile Bid. Having failed to meet the statutory minimum tender condition of more than 50% of the Elemental shares outstanding (excluding those shares beneficially owned, or over which control or direction is exercised by, Gold Royalty or by any persons acting jointly or in concert with Gold Royalty), Gold Royalty allowed the Hostile Bid to expire. The Hostile Bid created an unfortunate and unnecessary drain on Elemental management's time and resources and at the time of expiry represented a material discount to Elemental shareholders rather than the premium announced by Gold Royalty. The Company also confirmed that Elemental's Board continues to review alternative strategic options involving counterparties other than Gold Royalty.

The following table summarizes the Company's total revenue from royalty interests during the three and six months ended June 30, 2021 and 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	$	$	$	$
Kwale	93	156	206	309
Mount Pleasant	88	1	206	1
Amancaya	216	268	498	634
Wahgnion	469	815	1,006	1,444
Karlawinda	1,216	-	2,361	-
Total revenue from royalty interests	2,082	1,240	4,277	2,388

(Expressed in thousands of US Dollars, unless otherwise indicated)

The following table summarizes the Company's GEOs from royalty interests during the three and six months ended June 30, 2022 and 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	GEO	GEO	GEO	GEO
Kwale	50	86	110	171
Amancaya	116	148	265	352
Wahgnion	250	448	536	799
Mount Pleasant	49	1	111	1
Karlawinda	673	-	1,263	-
Total GEOs [1]	1,138	683	2,285	1,323

(1) Attributable GEOs are calculated by dividing royalty revenue by the average gold price.

Quarterly changes to royalty revenue received by Elemental are driven primarily by fluctuations in production at the underlying mines, the timing of sales, changes in the price of commodities, royalties being advanced to production and the acquisition of new royalties.

(Expressed in thousands of US Dollars, unless otherwise indicated)

3. ROYALTY AND STREAM PORTFOLIO

Elemental's focus is securing royalties and streams over high-quality precious metals assets with established operators. The following table lists the royalty interests that Elemental currently owns either directly, or indirectly through its subsidiaries as of the date of this report.

Project	Operator	Location	Commodity	Stage	Royalty Type
Amancaya	Austral Gold Ltd	Chile	Gold, silver	Production	2.25% NSR
Karlawinda[2]	Capricorn Metals Ltd	W. Australia	Gold	Production	2% NSR
Kwale	Base Resources Ltd	Kenya	Ilmenite, rutile, zircon	Production	0.25% GRR
Laverton[2]	Focus Minerals Ltd	W. Australia	Gold	Feasibility	2% GRR
Ming[4]	Rambler Metals and Mining PLC	Canada	Gold	Production	Stream
Mercedes[1,3]	Bear Creek Mining Corp.	Mexico	Gold, silver	Production	1% NSR
Mt. Pleasant	Zijin Mining Group	W. Australia	Gold	Production	5% NPI or AU$10/oz
Panton	Future Metals NL	W. Australia	PGM	Feasibility	0.5% NSR
Wahgnion	Endeavour Mining Corp.	Burkina Faso	Gold	Production	1% NSR
Western Queen[2]	Rumble Resources Ltd	W. Australia	Gold	Exploration	AU$6-20/oz royalty

(1) Royalty revenue is due to Elemental after the earlier of: (a) the date on which 450,000 ounces of gold equivalent have been produced after July 28, 2016 or b) the sixth anniversary of that date (July 28, 2022). Elemental expects the start of royalty payments is likely to be July 28, 2022, rather than the 450,000 ounce production hurdle. As of July 28, 2022, the Mercedes royalty became payable.
(2) Royalty assets acquired in the South32 Acquisition completed on February 8, 2021.
(3) On December 17, 2021 Equinox Gold Corp. entered into a definitive agreement to sell the Mercedes mine to Bear Creek Mining Corporation (TSXV: BCM) ("Bear Creek"). The transaction closed on April 21, 2022.
(4) The Ming Gold Stream acquisition was announced on March 17, 2022 and closed on April 4, 2022.

4. PRINCIPAL ROYALTIES AND STREAMS

Karlawinda:

Location: Western Australia
Commodity: Gold
Operator: Capricorn Metals Ltd. ("Capricorn")
Royalty: 2% NSR
Update:

- Q2 2022 gold production from Karlawinda was 32,018 ounces (Q1 2022: 31,769 ounces).
- Production for the year ended June 30, 2022, (including commissioning phase production) was 118,432 ounces, at the upper end of Capricorn's guidance of 110,000 – 120,000 ounces.
- Capricorn expects to continue its strong operational performance in FY2023 with gold production guidance of 115,000 – 125,000 ounces at costs above announced guidance.
- Capricorn completed a total of 18,308 metres (85 holes) of their previously announced 129 hole (29,500 metres) near mine RC program across the Southern Corridor and Tramore areas, with results to form part of Mineral Resource Estimate in September 2022 and an Ore Reserve update in October 2022.

(Expressed in thousands of US Dollars, unless otherwise indicated)

Wahgnion:

Location:	Burkina Faso
Commodity:	Gold
Operator:	Endeavour Mining Corp. ("Endeavour")
Royalty:	1% NSR

Update:

- Production decreased slightly from 29koz in Q1-2022 to 27koz in Q2-2022 primarily due to the lower average grade milled, which was partially offset by higher recovery rates and higher tonnes milled.
- Tonnes of ore mined decreased as a result of the higher average strip ratio at the Nogbele North pit. Ore was also sourced from the Fourkoura pit.
- Tonnes milled increased during the quarter due to higher mill availability and utilization.
- Average grade milled decreased due to the scheduled higher strip ratio in the Nogbele North, Nogbele South and Fourkoura pits, with mined ore being supplemented with lower grade stockpiles.
- Recovery rates increased slightly due to slightly lower volumes of fresh ore from the Fourkoura pit in the ore blend, which has lower associated recoveries.
- Wahgnion is expected to continue to trend below its FY 2022 production guidance of 140—150koz for the remainder of the year and is experiencing cost increases above announced guidance. Its performance is expected to significantly improve in late 2022 once the higher grade Samavogo pit is commissioned and sustaining capital expenditure is reduced.
- In H2 2022, ore is expected to be mainly sourced from the Nogbele North and Nogbele South pits with a decrease in contributions from the Fourkoura pits ahead of the Samavogo pit commissioning. Mill throughput is expected to decrease in Q3-2022 due to the rainy season and recovery rates are expected to increase later in the year due to higher oxide material from the Samavogo pit.

Amancaya:

Location:	Chile
Commodity:	Gold
Operator:	Austral Gold Corp. ("Austral")
Royalty:	2.25% Net Smelter Return ("NSR")

Update:

- On April 20, 2022, (with an effective date of December 31, 2021) Austral released an updated NI-43-101 technical report on the Guanaco/Amancaya mine complex showing an increase in the mine life until 2033, with production estimated at 30K-35K GEOs per year for four to five years and 10K GEO per year for the next eight years thereafter.
- Guanaco/Amancaya gold and silver production during the June 2022 quarter totaled 6,375 GEOs (or 6,165 gold ounces and 18,104 silver ounces), a 15% decrease from the March 2022 quarter and a 24% decrease from the June 2021 quarter. Total production for the first half of the year ended June 2022 was 13,868 GEOs, a 6% increase from the 6-month period ended June 2021.
- Quarterly production at Amancaya was lower than forecasted during the period mainly due to lower throughput, lower gold and silver grades, and lower plant inventory. The full impact of the Q1 2021 initiatives to increase production (hiring a new contractor as mining operator and another contractor to maintain the mining fleet and leasing additional mainly vertical drilling equipment) is expected to result in increased production during the second half of 2022 along with the Company's plan to mine higher grade ore. Production guidance for 2022 for the Guanaco/Amancaya mine was revised at the end of Q2 to 30,000-35,000 GEO's, from 35,000 – 40,000 GEO's, with the mine expecting production to increase during the second half of the year.

(Expressed in thousands of US Dollars, unless otherwise indicated)

Mercedes:

Location:	Mexico
Commodity:	Gold & silver
Operator:	Equinox Gold Corp. ("Equinox")
Royalty:	1% NSR

Update:

- On December 17, 2021 Equinox Gold Corp. entered into a definitive agreement to sell the Mercedes mine to Bear Creek Mining Corporation (TSXV: BCM) ("Bear Creek"). The transaction completed on April 21, 2022.
- Bear Creek's operating focus is to increase development work and establish the foundation for longer-term sustainable production increases. The mine now has 15 working faces available, more than doubling the historical average of work areas.
- Gold poured at Mercedes from April 21 to July 5, 2022 amounted to 9,757 ounces. The Company expects that gold production from Mercedes will increase from July onward.
- Royalty revenue is due to Elemental after the earlier of: (a) the date on which 450,000 ounces of gold equivalent have been produced after July 28, 2016 or (b) the sixth anniversary of that date (July 28, 2022). Subsequent to June 30, Elemental announced that the Mercedes royalty became payable on July 28, 2022.

Ming:

Location:	Canada
Commodity:	Gold
Operator:	Rambler Metals and Mining PLC ("Rambler")
Royalty:	Stream

Update:

- In exchange for consideration of $11 million, Elemental will receive 50% of payable gold production until Rambler has delivered 10,000 ounces of gold to Elemental, after which Elemental will receive 35% of payable gold production until Rambler has delivered a further 5,000 ounces to Elemental. After Rambler has delivered a total of 15,000 ounces of gold, Elemental will receive 25% of payable gold production for the life of mine. Elemental will make ongoing payments equal to 20% of the market price of gold with minimum gold recoveries set at 85%. Rambler will make minimum gold deliveries of 1,200 ounces to Elemental in each of the first three years of the Ming Gold Stream.
- The acquisition of the stream closed on April 4, 2022.
- Q2 2022 gold production from Ming was 645 ounces (Q1 2022: 424 ounces). Subsequent to June 30, Rambler delivered 408 ounces to Elemental attributable to gold sales in Q3.
- Mining progressed in all four of the main production areas, with emphasis for the final month of June on backfilling mined out stopes as part of the mine plan. In May, Rambler announced that the developed state of the underground mine has now been brought to a position to support full production through the mill.
- During the quarter, Rambler published an updates Mineral Resource Estimate which includes 23.755 million tonnes of Measured and Indicated Resources grading 1.80% copper and 0.35 grammes per tonne gold, containing 945 million pounds (428,000 tonnes) of copper and 271 thousand ounces of gold, at a 1% copper cut-off. The Inferred Mineral Resource estimate includes 6.430 million tonnes grading 1.86% copper and 0.38 grammes per tonne gold, containing 264 million pounds (120,000 tonnes) of copper and 78 thousand ounces of gold, at a 1% copper cut-off.

[1] Ounces produced are provided by Endeavour rounded to the nearest thousand ounces.

(Expressed in thousands of US Dollars, unless otherwise indicated)

5. DISCUSSION OF OPERATIONS

The discussion of operations relates to the Company's three and six months ended June 30, 2022 and 2021.

	Three months ended	June 30,	Six months ended	June 30,
	2022	2021	2022	2021
	$	$	$	$
Revenue from royalty interests	2,082	1,240	4,277	2,388
Depletion of royalty interests	(1,258)	(456)	(2,424)	(879)
General and administrative expenses	(584)	(676)	(1,173)	(1,020)
Project evaluation expenses	(148)	(53)	(191)	(233)
Share-based compensation expense	(56)	(242)	(113)	(484)
Interest income	4	3	6	10
Interest and financing expenses	(783)	(763)	(1,538)	(1,482)
Foreign exchange and other	(188)	55	(177)	11
Hostile Bid expenses	(412)	-	(926)	-
Merger expenses	(741)	-	(741)	-
Tax expense	(268)	(289)	(559)	(574)
Net loss for the period	(2,352)	(1,181)	(3,559)	(2,263)
Operating cash flows	(48)	283	1,107	(3)
Adjusted EBITDA(1)	1,162	566	2,736	1,146

(1) Refer to the "Non-IFRS Measures" section of this MD&A.

Six months ended June 30, 2022

The Company recorded a net loss of $3.6 million for the six months ended June 30, 2022, as compared to a net loss of $2.3 million for the six months ended June 30, 2021. The increase in net loss is due to a combination of factors including:

- Royalty revenue increased to $4.28 million for the six months ended June 30, 2022, compared to $2.39 million for the six months ended June 30, 2021, due to commissioning of the Karlawinda royalty in Q3 2021 and a higher overall gold price, offset partially by lower production at the Amancaya, Wahgnion and Kwale royalties. Depletion of royalty interests increased from $0.88 million for the six months ended June 30, 2021, to $2.42 million for the six months ended June 30, 2022 due primarily to the increased revenue and first depletion of the Karlawinda royalty during the six months ended June 30, 2022. Royalty depletion as a percentage of revenue during the six months ended June 30, 2022 was 56.7% compared to 36.8% during the six months ended June 30, 2021.
- General and administrative expenses increased from $1.0 million for the six months ended June 30, 2021, to $1.2 million for the six months ended June 30, 2022, due primarily to an increase in salary, fees and pension from $0.52 million to $0.82 million as a result of salary increases.
- Project evaluation expenses decreased from $0.23 million for the six months ended June 30, 2021, to $0.20 million for the six months ended June 30, 2022, primarily due to lower business development costs incurred during the six months ended June 30, 2022 for potential acquisitions. Project evaluation expenses are those activities required to acquire and then manage the Company's portfolio of royalty assets. Certain employment costs and professional and consulting fees are allocated to project evaluation expenses.

- Interest and finance expense increased from $1.48 million for the three months ended June 30, 2021, to $1.54 million for the three months ended June 30, 2022, due to the interest and fees associated with the Amended Sprott Credit Facility.
- Hostile Bid expenses increased from $nil for the six months ended June 30, 2021 to $0.93 million for the six months ended June 30, 2022, due to legal and professional fees associated with the Gold Royalty Hostile Bid.
- Merger expenses increased from $nil for the six months ended June 30, 2021, to $0.74 million for the six months ended June 30, 2022, due to the legal and professional fees associated with the Altus merger.
- Tax expense decreased from $0.57 million for the six months ended June 30, 2021 to $0.56 million for the six months ended June 30, 2022, due to the decrease in Kwale, Amancaya and Wahgnion revenues and a decrease in withholding taxes payable on intercompany interest. Although the Karlawinda revenues increased from $nil during the six months ended June 30, 2021 to $2.4 million during the six months ended June 30, 2022and the Mount Pleasant revenues increased from $1 during the six months ended June 30, 2021 to $0.2 million during the six months ended June 30, 2022, those revenues are not subject to withholding tax.

Three months ended June 30, 2022

The Company recorded a net loss of $2.4 million for the three months ended June 30, 2022, as compared to a net loss of $1.2 million for the three months ended June 30, 2021. The increase in net loss is due to a combination of factors including:

- Royalty revenue increased to $2.08 million for the three months ended June 30, 2022, compared to $1.24 million for the three months ended June 30, 2021, due to an increase in Karlawinda revenue following the announcement of commercial production in Q3 2021, and an increase in Mount Pleasant revenue, offset partially by a decrease in Kwale, Amancaya and Wahgnion revenues.
- Depletion of royalty interests increased from $0.46 million for the three months ended June 30, 2021, to $1.26 million for the three months ended June 30, 2022 due primarily to the increased Karlawinda revenue during the three months ended June 30, 2022. Royalty depletion as a percentage of revenue during the three months ended June 30, 2022 was 60.4% compared to 36.8% during the three months ended June 30, 2021.
- General and administrative expenses decreased from $0.68 million for the three months ended June 30, 2021, to $0.58 million for the three months ended June 30, 2022, due to a decrease in listing and filing fees from $0.06 million to $0.01 million and a decrease in corporate administration fees from $0.10 million to $0.07 million.
- Project evaluation expenses increased from $0.05 million for the three months ended June 30, 2021, to $0.15 million for the three months ended June 30, 2022, primarily due to higher business development costs incurred during the three months ended June 30, 2022 for potential acquisitions. Project evaluation expenses are those activities required to acquire and then manage the Company's portfolio of royalty assets. Certain employment costs and professional and consulting fees are allocated to project evaluation expenses.
- Share-based compensation expense decreased during the current period due to some PSUs and all of the stock options that were granted in July 2020 being fully vested during 2021.
- Interest and finance expense increased from $0.76 million for the three months ended June 30, 2021, to $0.78 million for the three months ended June 30, 2022, due to the interest and fees associated with the Amended Sprott Credit Facility.
- Hostile Bid expenses increased from $nil for the three months ended June 30, 2021 to $0.41 million for the three months ended June 30, 2022, due to legal and professional fees associated with the Gold Royalty Hostile Bid.

(Expressed in thousands of US Dollars, unless otherwise indicated)

- Merger expenses increased from $nil for the three months ended June 30, 2021, to $0.74 million for the three months ended June 30, 2022, due to the legal and professional fees associated with the Altus merger.
- Tax expense decreased from $0.29 million for the three months ended June 30, 2021 to $0.27 million for the three months ended June 30, 2022, due to the decrease in Kwale, Amancaya and Wahgnion revenues and a decrease in withholding taxes payable on intercompany interest. Although the Karlawinda revenues increased from $nil during the three months ended June 30, 2021 to $1.2 million during the three months ended June 30, 2022 and the Mount Pleasant revenues increased from $1 during the three months ended June 30, 2021 to $0.09 million during the three months ended June 30, 2022, those revenues are not subject to withholding tax.

6. SUMMARY OF QUARTERLY RESULTS

The following is selected financial data of the Company for the last eight quarters ending with the most recently completed quarter, being the three months ended June 30, 2022.

	THREE MONTHS ENDED			
	June 30, 2022 ($)	March 31, 2022 ($)	December 31, 2021 ($)	September 30, 2021 ($)
Total revenues	2,082	2,195	2,323	1,901
Net loss	(2,352)	(1,207)	(1,627)	(836)
Net loss per share – basic and diluted	(0.03)	(0.02)	(0.02)	(0.01)
Total assets	84,742	86,675	76,495	76,614

	THREE MONTHS ENDED			
	June 30, 2021 ($)	March 31, 2021 ($)	December 31, 2020 ($)	September 30, 2020 ($)
Total revenues	1,240	1,148	1,461	1,153
Net loss	(1,181)	(1,082)	(266)	(1,217)
Net loss per share – basic and diluted	(0.02)	(0.02)	(0.01)	(0.03)
Total assets	77,359	78,274	28,314	27,050

The increase in assets in Q1 2022 was due to the equity financing closed in Q1 which was used for the acquisition of the Ming gold stream for aggregate consideration of $11.4 million. The increase in assets in Q1 2021 was due to the acquisition of South32 royalty assets for aggregate consideration of $55 million.

The increase in loss during Q2 2022 and Q1 2022 was due to increased general and administrative expenditures as a result of the unsolicited and unsupported bid made by Gold Royalty Corp. as well as interest and finance expenses relating to the Sprott loan. The increase in loss during Q4 2021 was due to increased general and administrative expenses compared to Q3 2021. The increased loss during Q3 2020 was due to the listing expense on closing the reverse takeover transaction.

7. LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2022, the Company's cash balance was $5.7 million (December 31, 2021 - $6.1 million) with working capital deficiency of $18.8 million (December 31, 2021 – working capital of $6.9 million). The decrease in working capital was due to the re-classification of the borrowings from Sprott to current liabilities as they mature on January 31, 2023, interest paid of $1.3 million and purchase of the Ming Gold Stream of $11.4 million, partially offset by the net proceeds of $11.1 million received from equity financings and revenues received during the six months ended June 30, 2022.

The Company's operations provided $1.1 million during the six months ended June 30, 2022 (2021 – operations used $0.03 million) with $11.4 million (2021 - $40.1 million) used in investing activities. As at June 30, 2022, the Company had a working capital deficiency which includes the $25 million Amended Sprott Credit Facility which matures on January 31, 2023. The Company had no commitments to fund its royalties other than a contingent AU$0.4 million payment on the Mount Pleasant royalty. At June 30, 2022, there had been no decision made to mine Mount Pleasant and therefore the contingent payment is not due.

The Company's aggregate operating, investing and financing activities during the six months ended June 30, 2022, resulted in a decrease in its cash balance from $6.1 million at December 31, 2021 to $5.7 million at June 30, 2022.

Management regularly reviews cash flow forecasts to determine whether the Company has sufficient cash reserves to meet future working capital requirements and discretionary business development opportunities.

The Company is in the process of refinancing the Amended Sprott Credit Facility and has received proposals to refinance the loan, but as of this time, a loan refinancing has not occurred. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to refinance the loan or that such refinancing will be on terms advantageous to the Company. These conditions give rise to material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and settle its liabilities in the normal course of business.

8. BORROWINGS

Credit Facility

On December 19, 2019, the Company entered into a Credit Agreement with Sprott Private Resource Lending, an arm's length party, pursuant to which the Company would be provided with a $8.5 million senior secured credit facility (the "Sprott Credit Facility"). On January 23, 2020, the Company received $8.5 million from the Sprott Credit Facility. The Sprott Credit Facility bore interest at a rate of 11.50% per annum paid monthly, maturing on July 23, 2020 and was secured by all assets of the Company. During 2020, the Company repaid the principal balance, except for one dollar which was repaid during 2021.

On December 29, 2020, the Company entered into an Amended and Restated Credit Agreement with Sprott pursuant to which the Company would be provided with a $25 million senior secured credit facility (the "Amended Sprott Credit Facility"). On February 9, 2021, the Company received $25 million from the Amended Sprott Credit Facility.

The Amended Sprott Credit Facility bears interest at a rate of 9% per annum plus the greater of (i) LIBOR and (ii) 1%, paid monthly, matures on January 31, 2023 and is secured by all assets of the Company. The Amended Sprott Credit Facility requires the Company to maintain cash and working capital balances of greater than $1 million, which it has done.

(Expressed in thousands of US Dollars, unless otherwise indicated)

During the six months ended June 30, 2022, the Company recorded interest expense of US$1.3 million (2021 - $1.3 million) and amortization of transaction costs of $0.3 million (2021 - $0.2 million) on the Amended Sprott Credit Facility and the Sprott Credit Facility.

9. NON-IFRS MEASURES

The Company has included a performance measure which is non-IFRS and is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. This non-IFRS measure does not have any standard meaning under IFRS and other companies may calculate measures differently.

Adjusted EBITDA excludes the effects of certain other income/expenses and unusual non-recurring items. Adjusted EBITDA is comprised of earnings before interest, taxes, depletion and share-based compensation. The non-recurring expenses relating to the GROY Hostile Bid and the Altus Merger have also been removed from adjusted EBITDA. Management believes that this is a useful measure of the Company's performance because it adjusts for items which may not relate to underlying operating performance of the Company and/or are not necessarily indicative of future operating results.

The table below provides a reconciliation of adjusted EBITDA for the three and six months ended June 30, 2022 and 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	$	$	$	$
Net loss	(2,352)	(1,181)	(3,559)	(2,263)
Tax expense	268	289	559	574
Interest income	(4)	(3)	(6)	(10)
Interest and finance expenses	783	763	1,538	1,482
Depletion	1,258	456	2,424	879
Share-based compensation expense	56	242	113	484
Hostile Bid expenses	412	-	926	-
Merger expenses	741	-	741	-
Adjusted EBITDA	1,162	566	2,736	1,146

Total expenses relating to the hostile bid by Gold Royalty are approximately $0.93 million for the six months ended June 30, 2022 and expenses related to the Altus merger approximately of $0.74 million, with these expenses included in the Adjusted EBITDA figure.

The presentation of this non-IFRS measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate these non-IFRS measures differently.

10. FINANCING ACTIVITIES

During the six months ended June 30, 2022, the Company completed the following equity financing transactions:

1) On March 31, 2022, the Company completed a private placement of 9,275,000 common shares at CAD$1.51 ($1.21) per common share for gross proceeds of CAD$14.0 million ($11.2 million). In connection with the private placement, the Company incurred additional legal fees and other cash issuance costs of CAD$0.18 million ($0.15 million).

(Expressed in thousands of US Dollars, unless otherwise indicated)

During the six months ended June 30, 2021, the Company completed the following equity financing transactions:

2) On February 8, 2021, the Company completed a private placement of 10,748,132 common shares at CAD$1.50 ($1.18) per common share for gross proceeds of CAD$16.1 million ($12.7 million). In connection with the private placement, the Company paid CAD$0.74 million ($0.58 million) of cash finders' fees and incurred additional legal fees and other cash issuance costs of CAD$0.24 million ($0.21 million).
3) On February 8, 2021, the Company issued 13,065,100 common shares at CAD$1.50 ($1.18) per common share as part of the acquisition of the South32 royalty portfolio; and
4) On February 8, 2021, the Company issued 653,255 common shares as a finance cost pursuant to the Amended and Restated Credit Agreement with Sprott.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

ACCOUNTING STANDARDS RECENTLY ADOPTED

The Company's Credit Facility bears interest at a floating rate equal to a base rate of 9% plus the greater of i) the London interbank offered rates ("LIBOR") and ii) 1% paid monthly and has not yet transitioned to alternative benchmark rates at the end of the current reporting period. The Company is working with the lenders to assess the potential alternatives to the use of the LIBOR.

11. RELATED PARTY TRANSACTIONS

Key management includes the executive and non-executive directors and certain officers of the Company. Key management compensation during the three and six months ended June 30, 2022 and 2021 is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2022
	$	$	$	$
Salary, fees, pension and professional fees	387	232	625	416
Share-based compensation – PSUs and stock options	41	187	83	374
	428	419	708	790

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables and borrowings are all measured at amortized cost.

Discussions of risks associated with financial assets and liabilities are detailed below:

Market risk: Market risk is the risk that the Company's future earnings will be adversely impacted by changes in market prices. Market risk for the Company comprises two types of risk: price risk and foreign currency risk.

Price risk: The price risk is the risk that the Company's future earnings will be adversely impacted by changes in the market prices of commodities.

Foreign currency risk: The Company's transactions are carried out in a variety of currencies, including Sterling, Australian Dollar, Canadian Dollar and US Dollar. The Company has not hedged its exposure to currency fluctuations.

Interest rate risk: Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that the Company uses. Treasury activities take place under procedures and policies approved and monitored by the Board to minimize the financial risk faced by the Company. Interest-bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets and the borrowings from Sprott. The borrowing from Sprott bears interest at a rate of 9% per annum plus the greater of (i) LIBOR and (ii) 1%.

Liquidity risk: Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuing to monitor forecasted and actual cash flows. The Company has in place a planning and budgeting process to help determine the funds required to support its normal operating requirements on an ongoing basis and its development plans. The Company strives to maintain sufficient liquidity to meet its short-term business requirements, taking into account its anticipated cash flows from royalty interests, its holdings in cash and its committed liabilities.

The Company is in the process of refinancing the Amended Sprott Credit Facility which matures on January 31, 2023 and has received proposals to refinance the loan, but as of this time, a loan refinancing has not occurred.

Credit risk: Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's maximum exposure to credit risk is attributable to cash. The credit risk on cash is limited because the Company invests its cash in deposits with well capitalized financial institutions. The Company's accounts receivable is subject to the credit risk of the counterparties who own and operate the mines underlying the royalty portfolio. In order to mitigate its exposure to credit risk, the Company closely monitors its financial assets.

Fair values

It is the Board's opinion that the carrying values of the cash and cash equivalents, other receivables, all trade and other payables in the consolidated statement of financial position approximate their fair values due to their short-term nature. The estimated fair value of the Sprott credit facility at June 30, 2022 is $25.3 million based on Level 3 fair value hierarchy.

Capital risk management

The Company's objectives when managing capital are to provide shareholder returns through maximization of the profitable growth of the business and to maintain a degree of financial flexibility relevant to the underlying operating and metal price risks while safeguarding the Company's ability to continue as a going concern. The Company manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, acquire debt, or sell assets. Management regularly reviews cash flow forecasts to determine whether the Company has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.

13. OUTSTANDING SHARE DATA

Common shares:

As at the date of this MD&A, the Company had 78,266,221 common shares issued and outstanding.

Stock Options and Performance Share Units:

The following is a summary of Elemental's issued and outstanding stock options and PSUs at the date of this MD&A:

(Expressed in thousands of US Dollars, unless otherwise indicated)

Type	Expiry Date	Exercise Price	Trading Price Hurdle	Number Outstanding	Number Exercisable
Stock Options	July 28, 2025	CAD$1.50		900,000	900,000
Performance Share Units	July 28, 2025		CAD$1.70	160,000	-
Performance Share Units	July 28, 2025		CAD$2.20	340,000	-
Performance Share Units	June 14, 2023		US$0.62	463,498	463,498
Performance Share Units	June 14, 2023		US$0.78	579,483	579,483
Performance Share Units	June 14, 2023		US$0.94	579,483	579,483
Performance Share Units	June 14, 2023		US$1.25	772,645	772,645
TOTAL				3,795,109	3,295,109

14. RISKS & UNCERTAINTIES

The outbreak of the corona virus and the continuation of the worldwide COVID-19 pandemic could adversely affect the economies and financial markets of many countries, which could adversely impact the Company's business plans and activities in 2022 and the market price of the Company's common shares. The Company may face disruption to operations, supply chain delays, travel and trade restrictions, labour shortages and shutdowns and impacts on economic activity in affected countries or regions can be expected that are difficult to quantify. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the COVID-19 pandemic's impact on global industrial and financial markets which may reduce commodity prices, share prices and financial liquidity, thereby limiting access to additional capital. The Company is focused on the health and well-being of its workers and the communities in which we work and has implemented preventative measures accordingly. The Company will continue to monitor advice and regulations from the World Health Organization, governments and local communities, and adjust measures as appropriate.

The diversified royalty or stream interests (subject to closing the Ming Gold Stream acquisition) held by the Company across a number of different mine operators and geographical locations significantly mitigate this risk.

For detailed risks and uncertainties, refer to the MD&A for the year ended December 31, 2021, the Annual Information Form ("AIF") dated May 2, 2022 and the Altus Information Circular dated July 15, 2022, all of which are available on the Company's SEDAR profile at www.sedar.com.

15. FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements and forward-looking information (within the meaning of applicable Canadian securities laws) (collectively, "forward-looking statements"). All statements and information, other than statements and information of historical fact, constitute "forward-looking statements" and include any information that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future including the Company's strategy, plans or future financial or operating performance and other statements that express management's expectations or estimates of future performance.

Forward-looking statements are generally identifiable by the use of the words "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate" and similar expressions (including negative and grammatical variations) have been used to identify these forward-looking statements. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant risks, uncertainties and assumptions. Forward-looking statements involve significant risks, uncertainties and assumptions and in this MD&A include, but are not limited to: statements with respect to the Company's financial guidance, outlook, the completion of mine expansion under construction phases, and the results of exploration and timing thereof, at the mines or properties that the Company holds an interest in, future royalty payments relating to the Wahgnion mine, the Amancaya Project, and the Mercedes Project; the timing for Elemental to receive royalty payments relating to the Mercedes Project, and future royalty payments pursuant to the South32 Acquisition. Many factors could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the "Risk Factors" section of this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by the forward-looking statements contained in this MD&A. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management currently believes to be reasonable assumptions, the Company cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A have been based on expectations, factors and assumptions concerning future events which may prove to be inaccurate and are subject to numerous risks and uncertainties, certain of which are beyond the Company's control, including without limitation: the impact of general business and economic conditions; the absence of control over mining operations from which it will receive royalty payments and risks related to those mining operations, including risks related to international operations, government and environmental regulation, delays in mine construction and operations, actual results of mining and current exploration activities, conclusions of economic evaluations and changes in project parameters as plans are refined; problems related to the ability to market precious metals or other minerals; industry conditions, including commodity price fluctuations, interest and exchange rate fluctuations; regulatory, political or economic developments in any of the countries where properties underlying the royalty or stream interests are located or through which they are held; risks related to the operators of the properties underlying royalty or other interest, including changes in the ownership and control of such operators; risks related to global pandemics, including the COVID-19 global health pandemic, and the spread of other viruses or pathogens; influence of macroeconomic developments; business opportunities that become available, or are pursued; title, permit or license disputes related to interests on any of the properties in which a royalty or other interest is held; loss of key employees; regulatory restrictions; litigation; fluctuations in foreign exchange or interest rates; and other factors, many of which are beyond the control of ERC. The Company assumes no responsibility to update forward looking statements, other than as may be required by applicable securities laws. The factors identified above are not intended to represent a complete list of the factors that could affect the Company.

For cautionary statement on forward-looking information related to the Altus merger, refer to the Altus Information Circular dated July 15, 2022, which is available on the Company's SEDAR profile at www.sedar.com.

Qualified Person:

Richard Evans, FAusIMM, is Senior Vice President Technical for Elemental, and a qualified person under National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"), has reviewed and approved the scientific and technical disclosure contained in this document.