FORM 7 MONTHLY PROGRESS REPORT

Name of Listed Issuer: **Royalties Inc.** (the "Issuer").

Trading Symbol: **RI.CN**

Number of Outstanding Listed Securities: **255,606,390**

Date: **August 10, 2026**

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

General Instructions

(a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.

(b) The term "Issuer" includes the Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

Report on Business

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

- In March, SLR Consulting (Canada) Ltd. ('SLR') provided an updated economic update of the 2014 PEA which showed that the Bilbao project is highly sensitive to silver prices and has a positive pre-tax NPV at 15% of US$107 million at US$75 per ounce silver, which increases roughly US$50 million for every $10 per ounce increase in the price of silver, so the pre-tax NPV at 15% is $298 million at US$120 per ounce silver.
- In 2014 Runge Pincock Minarco (Canada) Limited ('RPM') released a NI 43-101 preliminary economic assessment (PEA) on the Bilbao Project based on 3 year average prices generating pro-forma revenue of US$66 million which would be $113 million at current prices of Silver US$65, Zinc US$1.71 and Lead US$0.84 for revenue of about $157 per tonne.
- RI owns 5% of Music Royalties Inc valued at $2,525,000, generating $181,800 in dividends per year, which combined with other royalty income covers corporate overhead costs, before discretionary marketing and Bilbao exploration work. Revenue in Q2 was $49,735 up 107% over Q2 2025 revenue of $24,042. The consulting work on Bilbao increased the Q1 operating loss to $45,043 vs $31,739 in Q1 2025.

- RI's subsidiary, MPZ, was notified that on February 6, 2026, that the **Federal Prosecutor representative in Zacatecas filed** **formal opposition to Capstone Gold's constitutional challenge called an Amparo** against a Zacatecas appellate ruling that upheld MPZ's royalty rights over disputed mining royalty payments. The prosecutor finds no constitutional defects in both previous judgments from the State court's decision and urges its confirmation. This is the final procedural step before potential resolution of the Amparo trial or collection of royalties owed by Capstone. The Federal Court will likely take 4 months to process the above recommendation to uphold the lower court decisions. It overturns State decisions in only 3% of cases.
- On December 19, 2025 Capstone Gold S.A. de C.V., a subsidiary of Capstone Copper Corp. (TSX:CS) ('Capstone') through Jorge Alberto Espinoza Cortes, a lawyer based in Chihuahua **filed a direct Amparo with the Federal Collegiate Tribunal**. This granted a suspension of the sentence of the November 4, 2025 decision where the Appellate Court in the State of Zacatecas upheld and confirmed the court decision ruled on June 16, 2025, that **Capstone had improperly transferred royalties to themselves, without consent, authorization or payment**, attempting to sell royalties, belonging to Minera Portree, as per a January 11, 2002 NSR agreement. Capstone does not dispute these facts.
- On June 16, 2025, the Third Commercial Court of Zacatecas issued a landmark judgment in the Ordinary Commercial Lawsuit (File 411/2022), **ruling in favor of MPZ (Minera Portree)**. The court declared the non-existence of an August 9, 2019, contract that purported to assign the 2% NSR from MPZ to Capstone without Minera Portree's consent. The judgment reaffirmed MPZ's rightful ownership of the NSR, established in a 2002 Contract of Assignment of Mining Rights, and ordered Capstone to pay royalties for the exploitation of the Portree I concession from August 9, 2019, to the present, with amounts to be quantified during the execution phase. The value of the 2% royalty on the additional concessions (Parroquia Dos, Parroquia Tres, Anexo a la Parroquia, and Jimena) will also be assessed based on evidence of exploitation and an estimate of resources.
- On November 4, 2025 **MPZ won Capstone's appeal against the judgment**, challenging the court's findings based on: (1) the court's failure to quantify royalty payments in a liquid amount, violating due process and leaving defendants in uncertainty, (quantification is not possible without the defendant providing access to internal production records) and (2) the erroneous finding that the 2019 assignment contract was non-existent due to lack of consent (the defendant tried to use an old administrative POA as a proxy for consent to change ownership for no consideration).
- In 2025, Capstone paid US$4.9 million in royalties to Group Bacis and Gold Royalty Corp. Based on the estimated proportion of production from the Portree claims, **RI estimates that Capstone owes MPZ at least US$11 million in royalty payments since at least 2019 plus US$4 million in interest at 10%** on the eastern portion of the Portree 1 claim under the tailings pond which lies on the Mala Noche Footwall zone with a 2 km strike where the bulk of production at the Cozamin Mine has been generated since 2017. **The future annual royalty liability has more than doubled with the increase in copper and silver prices. Capstone paid out US$2.2 million in royalties in Q1 2026 and US$2.1 million in Q2 2026, for an estimated US$15 million for 2026-2030 based on current mine life. The value of the remaining area of the royalty is estimated at US$20 million based on past estimates of the Parroquia mine resource at current prices. All three components of the claim total an estimated US$50 million against the Cozamin mine.**
- Capstone's Mexican lawyer has made inconsistent and contradictory statements including falsely stating there has been no production on the Portree claims, which Capstone itself has admitted in its public disclosure. Capstone's unprincipled motivation is simply to delay the inevitable settlement as long as legally possible, despite the plans to sell the Cozamin mine and the filing of an Amparo with the Federal Court in Mexico City, is the **final legal step available to Capstone in Mexico**.
- See https://www.royaltiesinc.com/lawsuittimeline
- RI's goals: 1) the sale, spin-off or JV of the Bilbao property, 2) the proper payment or settlement of the 2% NSR royalty by Capstone Copper Corp. and 3) ongoing acquisition of music royalties.

2. Provide a general overview and discussion of the activities of management.

- Acquisition of new cash flowing royalties is on hold due to a lack of capital, but equity swaps with MRI shareholders have increased cash flow to $200,000 which covers corporate overhead, before discretionary marketing and consulting work on Bilbao, where a US$2 million drill program is planned.

- **Seeking interested parties for the Bilbao** silver-zinc-lead project in Mexico ideally by a spin-off, JV or selling to a nearby existing producer or a silver roll-up for cash and shares, to participate in the silver price up cycle. There will be 2 operating mines within 20km of Bilbao: 1) the existing 800tpd San Jose silver mine owned by Quintana Resources and 2) the San Nicolas mine operated jointly by Agnico Eagle and Teck Resources expected to be operational in 2028, with estimated production of 63,000 tonnes per year of copper and 147,000 tonnes per year of zinc. It is the largest undeveloped VMS deposit in Mexico, expected to be permitted in 2026.
- Despite the legal delay of Capstone filing an Amparo, MPZ has won both a judgment and the appeal against Capstone Gold in Zacatecas. Upon resolution the company **will actively pursue a financial settlement with Capstone** to pay the 2% NSR royalty amount owing on the production since 2019 and to start making proper ongoing future quarterly royalty payments as it does to Grupo Bacis (the former owner of the Cozamin Mine) and Gold Royalty Corp. (NYSE: GROY), which were paid a total of US$4.9 million in 2025 and US$4.3 million in the first half of 2026.
- MPZ's claim can be extrapolated as up to more than twice the US$1.35 million that Capstone's Cozamin mine paid in 2025 to Gold Royalty Corp. for half the percentage or 1% NSR on 2 claims just 300 meters east of the Portree 1 claim. GROY acquired the 1% NSR for US$7.5 million in August 2023 from Endeavour Silver Corp. when silver was US$24/oz.
- In 2021, based on Capstone's drill results on the portion of the Portree claims in production, a local expert geologist estimated the **2% NSR royalty's total value in excess of US$25 million**.
- Given the ongoing production as per the Cozamin 43-101 **mine life to 2030, the depth potential**, the 90% of the Portree claims where Capstone may now be drilling in the southwest and are yet to be exploited, combined with the fact both copper and silver prices have tripled since 2019, **likely increases the potential settlement value of the 2% NSR royalty to US$50 million**.

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

- N/a

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

- N/a

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

- N/a

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

- N/a

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

- *N/a*

8. Describe the acquisition of new royalties.

- *N/a*

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

- N/a

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

- N/a.

11. Report on any labour disputes and resolutions of those disputes if applicable.

- N/a

12. Describe and provide details of <u>legal proceedings</u> to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

- Minera Portree's 2021 lawsuit against Capstone Copper has been successful twice in invalidating the assignment or the transfer of the ownership of the 2% NSR on the Portree claims.
- On November 4, 2025 Minera Portree won Capstone's Appeal to the June 16, 2025 Judgement, however, Capstone filed an Amparo with the Federal Collegiate Tribunal in December, which delays the proceedings to settlement and collection.

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

- N/a

14. Provide details of any securities issued and options or warrants granted.

Security	Number Issued	Details of Issuance	Use of Proceeds
SO Exercise into Common Shares	200,000	$0.10	SLR Consulting/Drill Plan for Work on Bilbao

15. Provide details of any loans to or by Related Persons.

- *Music Royalties Inc. $40,000 non-interest bearing short term loan*

16. Provide details of any changes in directors, officers or committee members.

- *No changes – new Director approved at AGM*

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

<u>Royalty assets</u>:

- *Lower interest rates tend to increase investor interest in royalty assets as a lower discount rate increases the value of the NAV of the cash flow. Higher interest rates reduce investor appetite.*
- *Public precious metal royalty companies trade approximately at a 1% dividend yield which implies that a cash flowing royalty paying out $1 million in dividends has a value of up to $100 million in market cap. This reflects the rarity of a gold or silver cash flowing mining royalty, the 'optionality' or potential upside from the discovery of more metal and an increase in the price.*

<u>Silver Mining Assets</u>:

- *In the last year, the gold price has increased 63% from a low of US$3,314 to a high of US$5,414 per ounce, and the silver price has increased 3x from a low of US$37 to a high of US$121 per ounce, currently at $65. The current gold-silver ratio is 67:1. Precious metals prices are expected to continue to increase due to US de-dollarization, the size of the US debt and stagflation concerns leading to ongoing investor interest in the monetary metals.*

- *The silver price substantially exceeding the 2014 PEA assumption of US$30 per ounce has led to a significant improvement in the economics of the Bilbao asset. A 5 year silver supply deficit and the increase in fundamental demand for the use of silver in solar, EV batteries and in the military underpins a long-term positive outlook for silver which finally broke through the 2011 high of US$50 per ounce in November. Individual country stockpiling and Central bank buying of silver as a strategic asset are significant catalysts.*
- *Inflationary and recessionary pressure may increase silver prices.*
- *Higher interest rates, economic weakness and a higher US Dollar reduce silver prices.*

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 7 Monthly Progress Report is true.

Dated **August 10, 2026**

Tim Gallagher
Name of Director or Senior Officer

"Tim Gallagher"
Signature
Chairman & CEO
Official Capacity

Issuer Details Name of Issuer Royalties Inc.	For Month End **July**	Date of Report YY/MM/DD 2026/08/10
Issuer Address		
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