

Offering Memorandum



Date: August 10, 2020

Name: RE Royalties Ltd. (the “Issuer”, “RER” or the “Company”)

Head office: 1040 West Georgia Street, 15th Floor, Vancouver, British Columbia, V6E 4H1

Phone #: (778) 374-2000

E-mail address: info@reroyalties.com

Fax #: N/A

Currently listed or quoted: The common shares of the Company are listed on the TSX Venture Exchange under the symbol “RE”

Reporting issuer: Yes. British Columbia, Alberta

SEDAR filer: Yes

| The Offering | |
|-------------------------------------|--|
| Securities offered: | 5-Year 6.0% Secured Green Bonds (the “Bonds”). |
| Price per security: | \$1,000 per Bond |
| Minimum Offering: | \$2,000,000 (2,000 Bonds) <i>Funds available under the offering may not be sufficient to accomplish our proposed objectives.</i> |
| Maximum Offering: | \$20,000,000 (20,000 Bonds) |
| Minimum Subscription Amount: | \$5,000 (5 Bonds) The Company may decrease or increase the minimum subscription amount at its discretion. |
| Payment terms: | Payment in full by pre-authorized debit of the subscription price is to be made with the delivery of a duly executed and completed Subscription Agreement and Pre-Authorized Debit Agreement. Subject to certain restrictions, payment may also be made by wire transfer, certified cheque, electronic funds transfer or bank draft or as otherwise specified in the Subscription Agreement. See Item 5.2 - Subscription Procedure. |
| Proposed closing date(s) | The Bonds offered under this Offering may be closed in one or more closings, which may take place periodically at the Company’s discretion on one or more dates (each, a “Closing”). The Company reserves the right to close the Offering at any time as subscriptions are received. |
| Income tax consequences: | There are important tax consequences to these securities. See item 6. All investors will be responsible for the preparation and filing of their own tax returns in respect of this investment. |
| Selling agent: | The Company has retained Integral Wealth Securities Limited as the lead selling agent in respect of the distribution and sale of the Bonds. See item 7. |
| Resale restrictions | You will be restricted from selling your securities for four months and a day. See item 10. |
| Purchaser’s rights | You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See item 11. No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See item 8 – Risk Factors. |

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|--|--|
| <p>OM Marketing Materials and Documents Incorporated by Reference</p> | <p>Any documents of the type referred to in National Instrument 45-106 – <i>Prospectus Exemptions</i> (“NI 45-106”) to be incorporated by reference in an Offering Memorandum, including any OM Marketing Materials related to the Offering that are effective on or after the date of this Offering Memorandum and before the termination of the Offering, are deemed to be incorporated by reference in this Offering Memorandum. Key documents incorporated by reference include the Company’s:</p> <ul style="list-style-type: none"> • Audited financial statements for the year ended December 31, 2019, as filed on SEDAR on April 27, 2020. • Management’s discussion and analysis for the year ended December 31, 2019, as filed on SEDAR on April 27, 2020. • Management Information Circular for the Company’s annual general meeting of shareholders, as filed on SEDAR on May 1, 2020. • Annual Information Form for the year ended December 31, 2019, as filed on SEDAR on May 29, 2020. • Interim financial statements for the three months ended March 31, 2020, as filed on SEDAR on May 29, 2020, except for the “Notice to Reader” regarding no auditor review provided therein under subparagraph 4.3(3)(a) of National Instrument 51-102 - Continuous Disclosure Obligations. • Management’s discussion and analysis for the three months ended March 31, 2020, as filed on SEDAR on May 29, 2020. • News release dated June 18, 2020, announcing “RE Royalties Acquires Royalties on 11 Projects In Ontario and Appoints Investor Relations Firm”, as filed on SEDAR on June 18, 2020. • News release dated July 13, 2020, announcing “RE Royalties Declares Quarterly Dividend Payment to Shareholders”, as filed on SEDAR on July 14, 2020. |
| <p>This Offering Memorandum</p> | <p>Investors are advised to read this Offering Memorandum in detail and seek their own financial advice prior to purchasing any Bonds. This Offering Memorandum contains material information relating to the Company, the Bonds and this Offering. For example, it contains important information about:</p> <ul style="list-style-type: none"> • the Bond terms; • the Company’s business model; • the Portfolio; and • the risks of investing in the Bonds. |

About this Offering Memorandum

This Offering is being made pursuant to certain prospectus exemptions contained in NI 45-106. This Offering Memorandum constitutes an offering of securities only in such jurisdictions and only to those persons to whom they may be lawfully offered for sale. This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or advertisement or a public offering of these securities.

Prospective investors should rely only on the information contained in this Offering Memorandum and should not rely on some parts of this Offering Memorandum to the exclusion of others. No person has been authorized to give any information or to make any representation not contained in this Offering Memorandum. Any such information or representation which is given or received must not be relied upon.

No person is authorized to give any information or to make any representation not contained in this Offering Memorandum, and any information or representation other than those contained herein must not be relied upon. This Offering Memorandum is furnished solely by the Issuer for the use of purchasers who by their acceptance hereof agree that they will not transmit, reproduce or otherwise make available this document or any information contained in it except with the written consent of the Issuer.

All subscriptions received with respect to this Offering are subject to rejection or acceptance in full or in part by the Issuer. The Issuer is not obligated to accept any subscription. Subscriptions which are rejected will be returned without interest or deduction. Insiders of the Issuer and their associates may purchase securities under the Offering. This Offering Memorandum contains information as at August 10, 2020, unless otherwise specified.

This Offering Memorandum contains summaries of the proposed terms of this Offering and of certain documents related to this Offering. Reference should be made to the actual documents for complete information concerning the rights and obligations of the parties thereto, and all such summaries are qualified in their entirety accordingly. Copies of the documents referred to in this Offering Memorandum are available upon request made in writing to the Issuer.

Each purchaser must consult with their own advisors as to legal, tax, business, financial and related aspects of any purchase of the Bonds. A sale of the Bonds is subject to the provisions of the Subscription Agreement which accompanies this document.

Forward Looking Information

This Offering Memorandum includes forward-looking information and forward-looking statements (collectively, "forward-looking information") with respect to the Issuer. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases including, but not limited to, "expects", "does not expect", "is expected", "anticipates", "does not anticipate", "plans", "estimates", "believes", "does not believe" or "intends", or stating that certain actions, events or results may, could, would, might or will be taken, occur or be achieved) are not statements of historical fact and may be "forward-looking information". This information represents predictions and actual events or results may differ materially.

Forward-looking information may relate to the Issuer's future outlook and anticipated events or results and may include statements regarding the Issuer's financial results, future financial position, expected growth of cash flows, business strategy, budgets, projected costs, projected capital expenditures, taxes, plans, objectives, industry trends and growth opportunities. Forward-looking information contained in this Offering Memorandum is based on certain assumptions regarding expected growth, results of operations, performance, industry trends and growth opportunities.

While management considers these assumptions to be reasonable, based on information available, they may prove to be incorrect. Forward-looking statements involve known and unknown risks, uncertainties and other

factors which may cause the actual results, performance or achievements of the Issuer to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to risks associated with general economic conditions; adverse industry events; marketing costs; loss of markets; future legislative and regulatory developments involving the renewable energy industry; inability to access sufficient capital from internal and external sources, and/or inability to access sufficient capital on favourable terms; the renewable energy industry generally, income tax and regulatory matters; the ability of the Issuer to implement its business strategies including expansion plans; competition; currency and interest rate fluctuations, and the other risks discussed under the heading "Risk Factors" in this Offering Memorandum. The foregoing factors are not intended to be exhaustive.

Although the Issuer has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date hereof and the Issuer and its directors, officers and employees disclaim any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, you should not place undue reliance on forward-looking statements due to the inherent uncertainty therein. All forward-looking information is expressly qualified in its entirety by this cautionary statement. Forward-looking information and other information contained herein concerning management's general expectations concerning the renewable energy industry are based on estimates prepared by management using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which management believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While management is not aware of any misstatements regarding any industry data or comparables presented herein, industry data and comparables are subject to change based on various factors. The Issuer has not independently verified any of this data from independent third party sources.

Any forward-looking statements contained in this Offering Memorandum are made as of the date hereof and the Company does not undertake to update or revise them, except as may be required by applicable securities law.

Marketing Materials

Any "OM marketing materials" (as such term is defined in NI 45-106) related to each distribution under this Offering Memorandum and delivered or made reasonably available to a prospective purchaser before the termination of such distribution will be, and will be deemed to be, incorporated by reference into this Offering Memorandum, provided that any OM marketing materials to be incorporated by reference into this Offering Memorandum are not part of the Offering Memorandum to the extent that the contents of such OM marketing materials have been modified or superseded by a statement contained in an amended or amended and restated Offering Memorandum or OM marketing materials subsequently delivered or made reasonably available to a prospective purchaser prior to the execution of the subscription agreement by the purchaser.

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Glossary of Terms

The following is a glossary of certain terms used in this offering memorandum including the summary hereof. Terms and abbreviations used in the financial statements of the Company and in the appendices to this Offering Memorandum are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated.

Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

All dollar amounts herein are in Canadian dollars, unless otherwise stated.

“Accredited Investor” as defined in National Instrument 45-106 – *Prospectus Exemptions*;

“Adjusted EBITDA” means, for any period, determined on a consolidated basis, the Company’s Net Income for that period, increased (without duplication) by the sum of:

- (i) Total Interest Expense;
- (ii) the aggregate of all Taxes (as defined in the Indenture) on the income of the Company for that period, whether current or deferred, determined in accordance with GAAP;
- (iii) depreciation, amortization, depletion and other like reductions to income of the Company for that period not involving any outlay of cash, determined in accordance with GAAP;
- (iv) losses from extraordinary, unusual or non-recurring items;
- (v) net losses of affiliates and any other losses in respect of investments which are accounted for on an equity basis;
- (vi) amounts in respect of losses of non-controlling interests, if any;
- (vii) any other non-cash allowances, reserves or losses which were required to be accrued for a future period;
- (viii) Share-based compensation expense; and
- (ix) expenses related to issuing debt or equity capital,

in each case, to the extent that such amounts were included in the calculation of Net Income; and decreased (without duplication) by the sum of:

- (i) income tax credits or reductions in deferred taxes;
- (ii) gains from extraordinary, unusual or non-recurring items;
- (iii) net profits of affiliates and any other profits in respect of investments which are accounted for on an equity basis;
- (iv) amounts in respect of gains of non-controlling interests, if any; and
- (v) any other non-cash gains which have been added in determining Net Income,

in each case, to the extent that such amounts were included in the calculation of Net Income for such period;

“Agent” means Integral Wealth Securities Limited;

“Affiliate” means a company that is affiliated with another company as described below.

A company is an **“Affiliate”** of another company if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same Person.

A company is a “**subsidiary**” of another company if it is controlled by the other company.

A company is “**controlled**” by a Person if:

- (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.

A Person beneficially owns securities that are beneficially owned by:

- (a) a company controlled by that Person, or
- (b) an Affiliate of that Person or an Affiliate of any company controlled by that Person;

“**Associate**” when used to indicate a relationship with a Person, means:

- (a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling the Person to more than 10% of the voting rights attached to all outstanding voting securities of the issuer;
- (b) any partner of the Person;
- (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which the Person serves as trustee or in a similar capacity; and
- (d) in the case of a Person who is an individual
 - (i) that Person’s spouse or child, or
 - (ii) any relative of that Person or of his spouse who has the same residence as that Person; but
- (e) where the Exchange determines that two Persons shall, or shall not, be deemed to be Associates with respect to a Member (as defined by the policies of the Exchange) firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D of the Exchange with respect to that Member firm, Member corporation or holding company;

“**Available Funds**” means the funds that will be available to the Company as set out in Item 1: Use of Available Funds;

“**BCBCA**” means the Business Corporations Act (British Columbia), including the regulations promulgated thereunder, as amended;

“**Bonds**” or “**Green Bonds**” means collectively all the series of Debt Securities issued by the Company pursuant to this Offering Memorandum;

“**Bondholder**” means a holder of Bonds of the Company;

“**Business Day**” means any day other than a Saturday, Sunday or a day on which banking institutions in Vancouver, British Columbia are authorized or obligated by law to close;

“**Client**” means the owner, operator, or developer of a renewable energy electricity generation facility.

“**Collateral**” has the meaning attributed to it in Item 5.1 – Terms of Securities (g);

“**Common Shares**” means the common shares in the capital of the Company;

“**Company**” or “**RER**” or “**Issuer**” means RE Royalties Ltd., a publicly company whose Common Shares are

listed on the TSX Venture Exchange under the symbol “RE”, and was incorporated on November 2, 2016 under the laws of British Columbia;

“**Convertible Notes**” means the series of unsecured convertible notes issued by the Company in February 2020;

“**Closing Date**” or “**Closing**” means the closing date or dates of the Offering, which may take place periodically at the Company’s discretion on one or more dates;

“**Consolidated Group**” means the Company and all other subsidiaries of the Company, whether direct or indirect and whether now owned or hereafter acquired or incorporated;

“**Control Person**” means any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer;

“**Coupon Debt Securities**” means Debt Securities which are issued and certified under the Indenture with interest coupons attached;

“**Coupons**” means the interest coupons attached or appertaining to Coupon Debt Securities;

“**Covenants**” has the meaning attributed to it in Item 5.1 – Terms of Securities (i);

“**Debt**” means, with respect to the Company, at any time:

- (i) all items which would then be classified as liabilities on the Company’s consolidated balance sheet, or the notes thereto, including, without limitation, the Debt Securities; and
- (ii) without duplication, any item which is then to the Company:
 1. an obligation in respect of borrowed money, or for the deferred purchase price of services, or any obligation which is evidenced by a note, bond, debenture or any other similar instrument;
 2. a transfer with recourse or with an obligation to repurchase, to the extent of the Company’s liability;
 3. a net obligation arising in connection with an acceptance facility or letter of credit or letter of guarantee;
 4. an obligation relating to any lease which should be treated as a capital lease under GAAP;
 5. the aggregate amount at which any shares in the Company’s capital are redeemable or retractable at the option of the holder of such shares (except where the holder is the Company) may be redeemed or retracted; or
 6. any other obligation arising under arrangements or agreements that, in substance, which provides for financing,

provided, however, that there shall not be included for the purpose of this definition any

item which is on account of trade accounts payable and accrued liabilities (including deferred revenues and income taxes payable) incurred in the ordinary course of business;

“Debt Securities” means the secured debt securities of the Company issued and certified from time to time pursuant to this Indenture either in registered form, unregistered form or registered as to principal only and includes Coupon Debt Securities, Fully Registered Debt Securities, Global Debt Securities, Registered Debt Securities and Unregistered Debt Securities;

“Debt Coverage Ratio” means the ratio, expressed as percentage, on a consolidated basis of the Company, of: (A) Adjusted EBITDA over (B) the sum of the Total Interest Expense excluding any interest obligations relating to the Convertible Notes;

“Debt to Equity Ratio” means, in respect of the Consolidated Group, at any time, the amount determined in accordance with the formula EQ/D where:

- (i) “EQ” is Equity of the Consolidated Group, meaning at any time, the paid up capital of all of the outstanding shares of the Company; and
- (ii) “D” is the outstanding principal amount of all issued non-current interest-bearing liabilities plus current interest-bearing liabilities of the Consolidated Group;

“Deferred Plan” means a RRSP, RRIF, RESP, RDSP or a TFSA.

“Early Redemption” has the meaning attributed to it in Item 5.1 – Terms of Securities (h);

“Equity” means, in respect of the Company at any time, the paid up capital of all of the outstanding shares of the Company;

“Event of Default” has the meaning attributed to it in Item 5.1 – Terms of Securities (j);

“Exchange” or **“TSX-V”** means the TSX Venture Exchange Inc.;

“Extraordinary Resolution” has the meaning attributed to it in Item 5.1 – Terms of Securities (n);

“Fully Registered Debt Securities” means Debt Securities without Coupons which are registered as to principal and interest;

“GAAP” means generally accepted accounting principles in Canada, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board;

“Global Debt Securities” means Debt Securities represented in the form of fully registered global Debt Securities held by, or on behalf of, The Canadian Depository for Securities Limited (and its successors);

“Indenture” means Trust Indenture Agreement between the Company and Trustee dated August 10, 2020;

“Insider” as used in relation to an issuer, means

- a) a director or senior officer of the issuer;
- b) a director or senior officer of a company that is an Insider or subsidiary of the issuer;
- c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or
- d) the Issuer itself if it holds any of its own securities;

“Interest Payable” has the meaning attributed to it in Item 5.1 – Terms of Securities (a);

“Interest Rate” has the meaning attributed to it in Item 5.1 – Terms of Securities (a);

“Investor” or **“you”** means a person who subscribes for Bonds pursuant to this Offering;

“Maturity Date” has the meaning attributed to it in Item 5.1 – Terms of Securities (a);

“Maximum Offering” means 20,000 Bonds (\$20,000,000);

“Minimum Offering” means 2,000 Bonds (\$2,000,000);

“Minimum Subscription” means the minimum number of Bonds that may be purchased by an Investor, being five (5) Bonds for a minimum investment of \$5,000;

“MW” means megawatt, or 1,000 kW;

“MWh” means the amount of energy equivalent to one MW delivered continuously for one hour;

“Net Income” means, for any period, the net revenue of the Company, on a consolidated basis, for such period, less all expenses and other charges not otherwise deducted in computing such net revenue for such period, all as determined in accordance with GAAP;

“Non Arm’s Length Parties” means: (a) in relation to a company: a promoter, officer, director, other Insider or Control Person of that company (including an Issuer) and any Associates or Affiliates of any such persons; and (b) in relation to an individual, any Associate of the individual or any company of which the individual is a promoter, officer, director, Insider or Control Person;

“Offering” means the distribution of Bonds pursuant to this Offering Memorandum;

“Offering Memorandum” means this offering memorandum of the Company dated August 10, 2020, together with the appendices attached hereto and including the summary hereof;

“Offering Memorandum Exemption” has the meaning attributed to it in Item 5.2 – Subscription Procedure;

“OM Marketing Materials” means a written communication, other than an OM standard term sheet (as that term is defined in NI 45-106), intended for prospective Investors regarding the distribution of Bonds under this Offering Memorandum that contains material facts relating to the Company, the Bonds or this Offering.

“Permitted Liens” has the meaning attributed to it in Item 5.1 – Terms of Securities (g);

“Person” means any individual, firm, partnership, company, corporation or other body corporate, and the heirs, executors, administrators and other legal representatives of an individual;

“PPA” means a power or electricity purchase and sale agreement between an owner of a facility generating electricity and a third party acquirer of electricity;

“Principals” means:

- (a) a Person who acted as a promoter of the Issuer within two years before the Offering;
- (b) a director or senior officer of the Issuer or any of its material operating subsidiaries at the time of the IPO prospectus or the final Exchange bulletin;
- (c) a 20% holder – a Person who holds securities carrying more than 20% of the voting rights attached to the Issuer’s outstanding securities immediately before and immediately after the Issuer’s IPO or immediately after the final Exchange bulletin for non IPO transactions;
- (d) a 10% holder – a person that:
 - (i) holds securities carrying more than 10% of the voting rights attached to the Issuer’s outstanding securities immediately before and immediately after the Issuer’s IPO or immediately after the final Exchange bulletin for non IPO transactions; and
 - (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the Issuer or any of its material operating subsidiaries;

“Redemption Price” has the meaning attributed to it in Item 5.1 – Terms of Securities (h);

“Registered Debt Securities” means Fully Registered Debt Securities and Coupon Debt Securities registered as to principal only;

“RDSP” means Registered Disability Savings Plan as defined under the Tax Act;

“RESP” means Registered Education Savings Plan as defined under the Tax Act;

“RRIF” means Registered Retirement Income Fund as defined under the Tax Act;

“RRSP” means Registered Retirement Savings Plan as defined under the Tax Act;

“Registrar” means the registrar of companies as appointed under the BCBCA;

“Regulations” means the regulations under the Tax Act;

“Related Parties” or individually, a **“Related Party”** means promoters, officers, directors and other Insiders of a company, and Associates or Affiliates thereof;

“Royalty” or **“Royalties”** means an ongoing economic interest in the production or future production of electricity from a project. Royalties are often expressed as a percentage based on the gross revenue value of the production generated by the operator, as specified by a contractual agreement. The Company’s acquisition of royalties are calculated as a percentage of gross revenues generated by the project. In certain cases (e.g. for security registration purposes), the Company may structure a royalty transaction as a participating loan whereby the Company receives a percentage of revenues in addition to a fixed rate of interest and capital repayment;

“Royalty Based Loan” means a loan where the interest rate received consists of a fixed interest component and a revenue based royalty component. The revenue based royalty component represents

the royalty portion whereby the Company receives a percentage of renewable energy production revenues. The participating loan will reflect an estimated average interest rate over the life of the loan where the interest received will fluctuate based on the underlying power production;

“Security Agreement” means the Security Agreement between the Company and Trustee dated August 10, 2020.

“Security Documents” means the Security Agreement and all such other agreements, instruments and documents as the Trustee may reasonably require to ensure that the Trustee has a first ranking lien on the Collateral, subject to certain Permitted Liens;

“Share Purchase Options” means the stock options of the Company outstanding as of the date of this Offering Memorandum;

“Share Purchase Warrants” means the common share purchase warrants of the Company outstanding as of the date of this Offering Memorandum;

“Subscription Agreement” means the Subscription Agreement entered into between an Investor and the Company with respect to the purchase of Bonds by an Investor under this Offering;

“Tax Act” means the Income Tax Act (Canada);

“TFSA” means Tax-Free Savings Account as defined under the Tax Act;

“Total Interest Expense” of the Company means, for any period and on a consolidated basis, without duplication, the aggregate amount of interest and other financing charges expenses by the Company, on account of such period in respect of all Debt outstanding;

“Trustee” means Western Pacific Trust Company, an independent trust company; and

“Unregistered Debt Securities” means Coupon Debt Securities which are not Registered Debt Securities;

Item 1: Use of Available Funds

1.1 Available Funds

The following table discloses the available funds (the “Available Funds”) of this Offering:

| | | Assuming minimum offering | Assuming maximum offering |
|----|--|------------------------------|------------------------------|
| A | Amount to be raised by this offering | \$ 2,000,000 | \$ 20,000,000 |
| B | Selling commissions and fees | \$ 80,000 | \$ 800,000 |
| C | Estimated offering costs (e.g., legal, accounting, audit related, communications, marketing) | \$ 100,000 | \$150,000 |
| D | Available funds: D = A - (B+C) | \$ 1,820,000 | \$ 19,050,000 |
| E. | Additional sources of funding required | \$ Nil | \$ Nil |
| F. | Working capital deficiency | \$ Nil | \$ Nil |
| G. | Total: G = (D+E) – F | \$ 1,820,000 | \$ 19,050,000 |

1.2 Use of Available Funds

The following table provides the breakdown of how the Company will use the Available Funds of this Offering in the ensuing 12 months from the date of this Offering Memorandum:

| Description of intended use of available funds listed in order of priority | Assuming minimum offering | Assuming maximum offering |
|---|------------------------------|------------------------------|
| Advance Royalty Based Loans to and acquisition of Royalties from the Company’s Clients (as defined below) | \$ 1,820,000 | \$ 19,050,000 |
| Total: | \$ 1,820,000 | \$19,050,000 |

1.3 Reallocation

We intend to spend the Available Funds as stated. We will re-allocate funds only for sound business reasons.

The actual allocation of the net proceeds may vary depending on future developments of the Company and will be at the discretion of the Board and Management. Investors who are not prepared to afford the Company’s Management the discretion in the application of these funds should not be holders of the Company’s securities. Until the use of proceeds are deployed as outlined above, the Company intends to invest the net proceeds of the Offering in short-term, interest bearing deposits or similar money market instruments. The Management of the Company is responsible for executing the investment policies of the Company.

1.4 Insufficient Funds

As of August 10, 2020, the Company did not have a working capital deficiency.

Item 2: Business of the Company

2.1 Business Summary

RE Royalties Ltd. (the “**Company**”, “**RER**” or “**Issuer**”) is a public company with its Common Shares listed on the TSXV under the trading symbol “RE”. The Company was incorporated on November 2, 2016 under the laws of the Province of British Columbia, Canada.

Over the next 12 months, the Company intends to continue to carry on its business as currently conducted. Specifically, the Company acquires revenue-based royalties from renewable energy generation facilities by providing a non-dilutive royalty financing solution to privately held and publicly traded renewable energy generation and development companies. The Company’s business objectives are to acquire a portfolio of long-term, stable, and diversified royalty streams from renewable energy generation facilities and to provide shareholders with capital appreciation and a growing, sustainable, long-term cash distribution.

Management has identified an underserved segment in the renewable energy capital markets that lies between traditional debt and equity financing. For many small to medium-sized renewable energy companies (“**Clients**”), a revenue-based royalty financing has many advantages with respect to flexibility, cost, contractual terms and dilution of ownership.

Traditional royalty-based financing has been used extensively in the North American natural resource, consumer service, industrial manufacturing, health-care, music and food sectors. Management believes that there is significant demand among Clients for non-dilutive royalty based financing solutions due to a lack of innovation in and availability of the financing for renewable energy projects.

The Company’s long-term objectives will be achieved by:

- acquiring long-term renewable energy royalty streams backed by power purchase agreements or similar revenue programs from credit worthy utilities and/or facilities which operate in strong merchant markets with stable power pricing;
- reinvesting capital to acquire new royalties and to grow royalty income and interest;
- utilizing debt financing and/or co-investment structures to acquire additional royalties in order to enhance financial returns for shareholders; and
- maintaining a low operating cost structure.

The Company screens and acquires royalties based on three major principles:

- 1. Capital Protection:** The Company’s Clients must be able to provide sufficient collateral to guarantee and protect the Company’s royalty investments. Each transaction must be structured to maximize security and safeguard the investment. Projects must be able to clearly demonstrate long-term operational performance, profitability and liquidation value, in the event the Company has to step-in to either operate or sell the projects.
- 2. Immediacy of Cash Flows:** Projects must have a very clear path to cash-flows and generate sufficient margins to be able to service the long term royalty payments.
- 3. Risk-Adjusted Returns:** Each royalty transaction must be able to generate internal rates of returns above the Company’s long-term financial targets given the different types and varying levels of risk on each deal.

The Company’s royalty investments are typically protected using a combination of the following securitization strategies:

- **Senior-secured:** The Company will seek to ensure that its investments are ranked in priority to other debts. In the event of a default by a Client, this should ensure the Company maintains the ability to control the default process and also ensuring priority payment on any potential sale of

the assets.

- **Over-collateralization:** The Company will seek to collateralize its investment against a value that is greater than its investment. The Company conducts a valuation analysis of each Client’s assets through a discounted cash flow from its operational assets, comparable valuations, or cash flow multiples. This should ensure the Company will be able to recover its original investment and targeted returns in the event of a default by its Client.
- **Cross-collateralization:** The Company will seek to cross collateralize its investment against a portfolio of assets. This should provide additional protection in the event one asset triggers a potential default, as the Company should be able to monetize the Client’s other assets which were not subject to the default.
- **Asset level security:** The Company will seek to register security claims where available against the actual assets such as cash, receivables, deposits, land, contracts and equipment that the Client may own.
- **Guarantees, Cross-guarantees and Share Pledges:** The Company will seek to obtain guarantees from the Client’s parent company or affiliated companies for the Company’s royalty investments. The Company will also ensure the Client’s pledge the shares of their respective subsidiary companies as guarantees.
- **Step-in Rights:** The Company will seek to obtain step-in rights with the Client to operate the assets in the event of a default. This should ensure that the assets will continue to operate in an optimal manner and that the Company will be able to achieve a proper recoverable value on our investment.

The Company currently owns a portfolio of 86 royalties on solar, wind and hydro projects operating or in development in Canada, Europe and the United States. A summary of the Company’s portfolio is as follows:

| Client | Location | # of Royalties | Remaining Avg. Royalty Life (Years) | Royalty as % of Revenue | Energy Type | Status | Generating Capacity | Original Investment (\$ million) |
|--------------------|--------------------------|----------------|-------------------------------------|-------------------------|--------------------|--------------|---------------------|----------------------------------|
| Aeolis Wind | British Columbia, Canada | 1 | 17 | 1% | Wind | Operational | 102 MW | \$ 1.24 |
| OntarioCo | Ontario, Canada | 60 | 18 | 2% | Solar | Operational | 22 MW | \$ 5.00 |
| Fresh Air Energy | Ontario, Canada | 4 | 15 | 1% | Solar | Operational | 40 MW | \$ 1.87 |
| Scotian Windfields | Nova Scotia, Canada | 12 | 16 | 8% | Wind | Operational | 40 MW | \$ 4.64 |
| Alpin Sun | Texas, USA | 2 | 20 | 2% | Solar | Development | 152 MW | \$ 1.30 |
| Belltown Power | Texas, USA | 1 | 20 | 1% | Solar | Construction | 78 MW | \$ 3.64 |
| Jade Power | Romania | 6 | 17 | 1% | Solar, Wind, Hydro | Operational | 39 MW | \$ 3.80 |

2.2 Existing Documents Incorporated By Reference

Information has been incorporated by reference into this Offering Memorandum from documents listed in the table below, which have been filed with securities regulatory authorities or regulators in Canada.

| Description of Document | Date of Document |
|---|------------------|
| Audited financial statements for the year ended December 31, 2019 | April 27, 2020 |
| Management discussion and analysis for the year ended December 31, 2019 | April 27, 2020 |
| Management Information Circular for the Company's annual general shareholder meeting | May 1, 2020 |
| Annual Information Form for the year ended December 31, 2019 | May 29, 2020 |
| Interim financial statements for the three months ended March 31, 2020 | May 29, 2020 |
| Management's discussion and analysis for the three months ended March 31, 2020 | May 29, 2020 |
| News release dated June 18, 2020, announcing "RE Royalties Acquires Royalties on 11 Projects In Ontario and Appoints Investor Relations Firm" | June 18, 2020 |
| News release dated July 13, 2020, announcing "RE Royalties Declares Quarterly Dividend Payment to Shareholders" | July 14, 2020 |

The documents incorporated by reference are available for viewing on Company's profile on the SEDAR website at www.sedar.com. In addition, copies of the documents may be obtained on request without charge from:

Contact Name: Bernard Tan
Address: 1040 West Georgia Street, 15th Floor,
Vancouver, British Columbia, V6E 4H1
Phone Number: (778) 374-2000

Documents listed in the table and information provided in those documents are not incorporated by reference to the extent that their contents are modified or superseded by a statement in this Offering Memorandum or in any other subsequently filed document that is also incorporated by reference in this Offering Memorandum.

2.3 Existing Documents Not Incorporated by Reference

Other documents available on the Company's profile on the SEDAR website (for example, most press releases, take-over bid circulars, prospectuses and rights offering circulars) are not incorporated by reference into this Offering Memorandum unless they are specifically referenced in the table above. Your rights as described in item 11 of this Offering Memorandum apply only in respect of information contained in this Offering Memorandum and documents or information incorporated by reference.

2.4 Future Documents Not Incorporated by Reference

Documents filed after the date of this Offering Memorandum are not deemed to be incorporated into this Offering Memorandum. However, if you subscribe for securities and an event occurs, or there is a change in our business or affairs, that makes the certificate to this Offering Memorandum no longer true, we will provide you with an update of this Offering Memorandum, including a newly dated and signed certificate, and will not accept your subscription until you have re-signed the agreement to purchase the securities.

Item 3: Interests of Directors, Executive Officers, Promoters and Principal Holders

The following table provides information about each director, executive officer and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the issuer (a “principal holder”).

| Name and municipality of principal residence | Position(s) with the issuer |
|--|---|
| Bernard Tan Richmond, BC | Chief Executive Officer since November 2018 Director since February 2019 |
| Peter Leighton Vancouver, BC | Chief Operating Officer since November 2018 |
| Marchand Snyman West Vancouver, BC | Chairman and Director since November 2018 |
| Stephen Cheeseman North Vancouver, BC | Director since February 2019 |
| Rene Carrier West Vancouver, BC | Director since November 2018 |
| Gord Fretwell Vancouver, BC | Director since February 2019 |
| Jill Leversage Vancouver, BC | Director since November 2018 |
| Paul Larkin Vancouver, BC | Director since November 2018 |
| Luqman Khan North Vancouver, BC | Chief Financial Officer since November 2018 |
| C.T.R Holdings Ltd. ⁽¹⁾ West Vancouver, BC | Shareholder greater than 10% |

⁽¹⁾ C.T.R Holdings Ltd. is 100% owned by Mr. Tim Rodenbush and family trusts associated with Mr. Rodenbush.

You can obtain further information about directors and executive officers from:

- The Company’s Management Information Circular filed on SEDAR on May 1, 2020.
- The Company’s Annual Information Form filed on SEDAR on May 29, 2020.

Current information regarding the securities held by directors, executive officers and principal holders can be obtained from the SEDI website at www.sedi.ca. The Company cannot guarantee the accuracy of this information.

Loans

There are no loans or debentures to or from any directors, management or promoters.

Item 4: Capital Structure

| Description of security | Number authorized to be issued | Price per security | Number outstanding as at the date of this Offering Memorandum | Number outstanding after min. offering | Number outstanding after max. offering |
|---------------------------------|--------------------------------|--------------------|---|--|--|
| Common Shares | Unlimited | N/A | 32,671,389 | 32,671,389 | 32,671,389 |
| Preferred Shares | Unlimited | N/A | Nil | Nil | Nil |
| Share Purchase Options | N/A | \$0.80 | 1,210,000 | 1,210,000 | 1,210,000 |
| Share Purchase Options | N/A | \$1.00 | 150,000 | 150,000 | 150,000 |
| Share Purchase Warrants | N/A | \$0.80 | 18,109 | 18,109 | 18,109 |
| Convertible Note ⁽¹⁾ | N/A | \$1.00 | 500,000 | 500,000 | 500,000 |
| Convertible Note ⁽²⁾ | N/A | \$1.00 | 1,637,176 | 1,637,176 | 1,637,176 |

⁽¹⁾ In November 2018, the Company issued to an arm’s-length party a \$500,000 unsecured convertible note (the “**2018-Note**”) with a 24-month term and interest rate of 7% per annum. The 2018-Note shall be convertible, at the holder’s sole discretion, into Common Shares at conversion price of \$1.00 per Common Share.

⁽²⁾ In January 2020, the Company issued a series of unsecured, convertible notes (“**2020-Notes**”) totaling \$1,637,176 to certain arm’s length parties. The 2020-Notes are convertible into Common Shares at a conversion price of \$1.00 per Common Share, with a term of 36 months from the date of issue, and bear an annual interest rate of 8% per annum.

Item 5: Securities Offered

5.1 Terms of Securities

The Company will issue the Bonds under an indenture to be dated as of the date of initial issuance of the Bonds (the “**Indenture**”) between the Company and Western Pacific Trust Company, as trustee (the “**Trustee**”). The following is an overview of certain principal provisions of the Indenture. Pursuant to the Indenture, an unlimited amount of debt securities (the “**Debt Securities**”) may be authorized, issued and certified. The first series of Debt Securities to be certified and delivered pursuant to the Indenture shall consist of the Bonds, which may be issued in one or more closings. For full particulars of the Issuer’s obligations under the Indenture and the rights of the Bondholders under the Indenture, potential Bondholders should refer to the full copy of the Indenture, which is available under Company’s profile on SEDAR at www.sedar.com.

a) **Terms of Bonds:**

The securities being offered pursuant to this Offering are secured fixed rate Bonds. The price of each Bond is \$1,000. Subject to the Company’s right of early redemption as provided for below, the Bonds shall mature on the date specified in the table below (the “**Maturity Date**”) and pay interest at the rate and on the terms noted in the table below:

| Interest Rate | Interest Payable | Maturity Date |
|---------------|--|--|
| 6.0% | March 31, June 30, September 30 and December 31 of each year during the term of the Bond | Sixth anniversary date of the issuance of the Bond |

The Bonds will not be listed on any stock exchange.

b) **Minimum Subscription Amount Per Investor:**

The minimum number of Bonds that may be purchased by an Investor is five (5) Bonds for a minimum investment of \$5,000. Minimum investment amounts may be decreased or increased at the discretion of the Company.

c) **Date of Bonds:**

Bonds are issued on the first day of each month in accordance with the terms of this Offering Memorandum. A duly completed and executed Subscription Agreement together with a duly completed and executed Pre-Authorized Debit Agreement must be received by the Company by the 25th day of a given month in order for the Bonds that are issued pursuant to that Subscription Agreement to be issued on the first day of the following month. If a duly completed Subscription Agreement together with a duly completed and executed Pre-Authorized Debit Agreement is received between the 25th day of a given month and the last day of the month, the Bonds that are issued pursuant to that Subscription Agreement will be issued on the first day of the month that is the second month following the month in which the Subscription was received.

Payment may be made by wire transfer, bank draft, or certified cheque by Investors who are investing via an investment advisor or a Deferred Plan, or as otherwise specified in the Subscription Agreement. In such cases, if a duly completed and executed Subscription Agreement is received by the 25th day of a given month and payment is received within two business days of the 25th day of that month, the Bonds that are issued pursuant to such Subscription Agreement will be issued on the first day of the following month.

d) **Date of Payments of Interest and Principal:**

Payments of interest and principal in connection with the Bonds will be made by electronic funds transfer to the Bondholder in the designated account of the Bondholder contained in the records of the Company. If the date for payment of any amount of the principal or interest is not a Business Day, then payment will be made on the next Business Day and the Bondholder will not be entitled to any further interest or other

payment in respect of the delay.

e) No Voting Rights:

Bondholders will not have the right to vote on matters relating to the Company. *See Item 8 - Risk Factors.*

f) Funding of Repayments at Maturity:

Management of the Company shall have sole discretion on how the Company will fund or finance the repayment of principal and interest, if applicable, of the Bonds at maturity. Management may decide to use its existing cash on hand, if any, sell assets, or raise additional capital by issuing equity in the Company, or new debt, or use a combination of these methods to repay the principal and interest, if applicable, of the Bonds at maturity. There is no assurance that any of the above methods of funding the repayment of the Bonds at maturity will be successful or that enough funds will be raised to repay all of the Bonds at maturity. It is possible that the Company may not have the financial ability to repay all or any Bonds upon maturity.

g) Security:

The security for the Company's obligations to the Bondholders includes the security agreement to be entered into between the Company and the Trustee (the "**Security Agreement**"), and all such other agreements, instruments and documents as the Trustee may reasonably require (together with the Security Agreement, the "**Security Documents**") to ensure that the Trustee has a first ranking lien on the Collateral, (as such term is defined below), subject to certain permitted liens ("**Permitted Liens**"). Permitted Liens include (among other things) any lien given by the Company to a financial institution in connection with the establishment of a credit facility, it being understood that such lien may only rank in priority to the lien created or granted pursuant to the Security Documents, for a maximum amount equal to the greater of: (i) \$1,000,000; or (ii) 10% of the total principal amount of the Debt Securities outstanding, and any lien in excess of such amount will be subordinated to the lien created or granted pursuant to the Security Documents.

The "**Collateral**" shall include:

- (a) all those Accounts (as defined in the Security Agreement), cash, money market instruments, debts, dues, claims, choses in action and demands due, owing or accruing or growing due to or owned by, or which may hereafter become due, owing or accruing or growing due to or owned by the Company, arising from or in connection with the Company's provision of funding to and acquisition of royalty interests in renewable energy projects, interests in any other financing arrangements and other assets, which, in each case, are made with the proceeds of the Debt Securities issued pursuant to the Indenture from time to time and any existing royalty interests in renewable energy projects, interests in any other financing arrangements and other assets related thereto that have been acquired by the Company prior to the date of the Security Agreement (collectively, "**Debts**");
- (b) all present and after-acquired deeds, documents, writings, papers, books of account and other books relating to or being records of Debts, or by which such are or may hereafter be secured, evidenced, acknowledged or made payable;
- (c) all present and after-acquired interest, income and other earnings accrued in respect of the Debts from time to time;
- (d) all present and after-acquired Related Security (as defined in the Security Agreement) in respect of the Debts;
- (e) all substitutions and replacements of and increases, additions and, where applicable, accessions to the property described in above; and

- (f) all proceeds in any form derived directly or indirectly from any dealing with all or any part of the property described in above inclusive, including the proceeds of such proceeds.

The Trustee will hold the security for the equal and rateable benefit and security of all holders of Bonds and the Trustee with respect to the Company's obligations thereto.

h) Redemption:

The Bonds are redeemable before the Maturity Date, in whole at any time or in part from time to time, at the option of the Company and in accordance with and subject to the provisions set out in the Indenture. The "**Redemption Price**" for the Bonds shall be an amount equal to the principal amount outstanding on the Bonds and all remaining unpaid interest payable to but excluding the redemption date.

Notice of intention to redeem any Bonds will be given by the Company (directly or through the Trustee, as determined from time to time) to the Bondholders, not more than 60 days and not less than 30 days prior to the date fixed for redemption. The Company will deposit, in an applicable account with the Trustee, one business day before the redemption date fixed in the relevant notice of redemption, such sums as may be sufficient to pay the Redemption Price.

If a holder of a Bond called for redemption shall fail on or before the redemption date to surrender such holder's Bond, or shall not within such time accept payment of the redemption monies payable, or give receipt therefor, if any, as the Trustee may require, such redemption monies may be set aside in trust, and such setting aside shall for all purposes be deemed a payment and the Bondholder shall have no other right except to receive payment out of the monies so paid and deposited upon surrender and delivery up of such holder's Bond of the Redemption Price. If the deposited funds remain so deposited for a period of six years from the redemption date, then such monies together with an accumulated interest thereon shall be paid over or delivered to the Company, and the Bondholder shall have no rights in respect thereof except to obtain payment (subject to any limitation under applicable law) of the money due from the Company.

If less than all the Bonds are to be redeemed at one time, the Bonds to be redeemed will be selected by the Trustee on a pro rata basis, disregarding fractions, according to the principal amount of Bonds registered in the name of each Bondholder, or in such other manner (which may include random selection by computer) as the Trustee may consider equitable, provided that such selection will be proportionate (to the nearest \$1,000).

Additionally, provided no Event of Default (as defined in the Indenture) has occurred and is continuing, the Company may purchase at any time and from time to time, at any price, all or any of the Bonds in the market (which will include purchase from or through an investment dealer or a firm holding membership on a recognized stock exchange) or by invitation to tender or by private contract. The Company will deliver to the Trustee all Bonds purchased as aforesaid, when paid, as evidence of such payment. If, upon an invitation to tender, more Bonds are tendered in response to such invitation at the same lowest price than the Company is prepared to accept, Bonds to be purchased by the Company will be selected by the Trustee on a pro rata basis, disregarding fractions, according to the principal amount of Bonds registered in the name of each Bondholder, or in such other manner as the Trustee may consider equitable (which may include random selection by computer), from the Bonds tendered by each Bondholder which tendered at such lowest price.

i) Covenants:

The following is a summary of certain of the covenants of the Company under the Indenture. For a more detailed description of the covenants of the Company, please see the Indenture. From the date of the Indenture and so long as any obligations remain outstanding under the Bonds:

- (a) the Company shall duly and punctually pay all sums of money due and payable by it under the Bonds when due and payable;

- (b) the Company will furnish to the Trustee a copy of all financial statements, whether annual or interim, of the Company and the report (if any) of the Company's auditors thereon at the same time as they are required to be filed under the *Securities Act* (British Columbia), and such obligation shall continue in the event that the Company ceases to be a "reporting issuer";
- (c) the Company shall, on or before each date upon which the Company is required to furnish its annual financial statements, furnish to the Trustee a certificate stating that the Company has complied with all covenants, conditions and other requirements contained in the Indenture;
- (d) the Company shall maintain and cause its Subsidiaries to maintain property and liability insurance;
- (e) the Company shall (a) perform and observe its obligations under the Security Documents and (b) take any and all actions (including, without limitation, the covenants set forth in the Security Documents and in the Indenture) necessary or desirable to cause the Security Documents to create and maintain valid and enforceable, perfected, first-ranking security interests in and on all the Collateral, in favour of the Trustee, subject to no other liens (other than Permitted Liens);
- (f) the Debt to Equity Ratio of the Company (as determined in accordance with the Indenture) shall not be less than one (1) at any time while any Bonds are outstanding; and
- (g) the aggregate principal amount of all the Company's Indebtedness (as such term is defined in the Indenture) from time to time outstanding shall not cause the Debt Coverage Ratio to be less than one hundred and ten percent (110%).

j) Events of Default:

The occurrence of any one or more of the following events shall constitute an "Event of Default" under the Indenture:

- (a) default in payment of the principal or interest of any Bond of such series and such default continues for ten (10) Business Days;
- (b) the Company defaults in the performance of or is in breach of the Indenture, any Security Document or the Bonds, and such default continues for a period of thirty (30) days after the Trustee has given notice in writing to the Company specifying the nature of such default or breach and requiring that it be remedied;
- (c) the Security Documents cease to be in full force and effect;
- (d) acceleration of other Indebtedness, provided that the aggregate of all such Indebtedness which is accelerated exceeds 10% of the principal amount of Debt Securities outstanding; and
- (e) the Company admits its inability to pay its liabilities generally as they become due or makes a general assignment for the benefit of the creditors of the Company or otherwise acknowledges the insolvency of the Company or any proceeding is instituted by or against the Company seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding up, dissolution, reorganization, arrangement, adjustment, protection, relief or composition of its debts under any law relating to bankruptcy, insolvency, reorganization, moratorium or relief of debtors or seeking the entry of an order for relief by the appointment of a receiver, liquidator, Trustee or other similar official for the Company or for any substantial part of the property of the Company and, if such proceeding has been instituted against the Company without the consent

or concurrence of the Company, either such proceeding has not been stayed or dismissed within 45 days or any of the actions sought in such proceeding (including the entry of an order for relief or the appointment of a receiver) are granted in whole or in part, or if a receiver is privately appointed in respect of the Company or a substantial part of the property of the Company, and such appointment has not been stayed or dismissed within 45 days.

Subject to waiver in accordance with the Indenture, if any Event of Default (other than as otherwise specified in the Indenture) has occurred and is continuing in respect of the Bonds, the Trustee may, in its discretion, and will, upon receipt of a Bondholder's request by notice in writing to the Company, declare the principal of and the interest and additional amounts (if any) on the Bonds then outstanding and any other money payable under the Indenture or in respect of the Bonds to be due and payable.

The above provides a summary only of Events of Default under the Indenture. Please see the Indenture for a full description of what may constitute an Event of Default.

k) Enforcement:

Upon the occurrence of any event of default which is continuing, a Bondholder, through the Trustee and at the discretion of the Trustee, may enforce its rights by any action, suit, remedy or proceedings authorized or permitted by law or by equity, and may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have its claim lodged in any bankruptcy, winding-up or other judicial proceeding relative to the Company. Such rights of the Bondholder shall be in addition to any other rights, powers and remedies which otherwise may be available to it at law or in equity.

l) Powers Exercisable by Extraordinary Resolution:

At any meeting of the holders of a series of Bondholders, a quorum will consist of two or more Bondholders present in person or by proxy and representing at least 25%, or, if the meeting is called to pass an Extraordinary Resolution, 50%, of the aggregate principal amount of the Bonds then outstanding.

Bondholders may, by affirmative votes of the holders of not less than 66 2/3% of the aggregate principal amount of the Bonds then outstanding ("**Extraordinary Resolution**"), have the power in respect of the Bonds, subject to the provisions of the Indenture:

- (a) approve any change whatsoever in any of the provisions of the Bonds or of any Indenture and any modification, abrogation, alteration, compromise or arrangement of the rights of the Bondholders and/or the Trustee against the Company, notwithstanding that favourable votes of Bondholders of not less than 75% of the outstanding principal amount of Bonds will be required to approve a reduction in the principal amount of or interest on such Bonds, or to approve a change to the place of payment of principal or interest on, such Bonds, however any amendment to this Indenture or the terms of any Debt Securities will require a written agreement, whether in the form of a Supplemental Indenture or otherwise, executed by the Company;
- (b) approve any transaction whereby all or substantially all of the undertaking, property and assets of the Company would become the property of another person;
- (c) direct or authorize the Trustee (subject to indemnification and funding), to exercise or refrain exercising any power conferred upon it by the Indenture;
- (d) restrain any holder of a Bond from taking or instituting any suit, action or proceeding for recovery of amounts payable under Bond or under the Indenture;

- (e) appoint a committee with power and authority (subject to such limitations, if any, as may be prescribed in the Extraordinary Resolution) to exercise, and to direct the Trustee to exercise, on behalf of the Bondholders, such of the powers of the Bondholders as are exercisable by Extraordinary Resolution;
- (f) assent to any judgment, compromise or arrangement by the Company with any creditor or creditors or any class or classes of creditors or with the holders of any securities of the Company provided that no assent will be necessary in respect of a judgment for less than \$5,000,000;
- (g) provided the holders of every other series of Debt Securities passes an Extraordinary Resolution to that effect, remove the Trustee from office and appoint a new Trustee; and
- (h) amend, alter or repeal any Extraordinary Resolution previously passed.

The above is intended to provide a summary only. Please refer to the Indenture for a more detailed description of the matters that are subject to Extraordinary Resolution.

5.2 Subscription Procedure

British Columbia and Newfoundland and Labrador Subscribers:

Please complete and sign two copies of the **Form 45-106F4 – Risk Acknowledgement** attached to the Subscription Agreement.

Alberta, New Brunswick, Nova Scotia, Ontario and Saskatchewan Subscribers:

1. Please complete and sign the **Classification of Investors Under the Offering Memorandum Exemption** form attached to the Subscription Agreement, the **Investment Limits for Investors Under the Offering Memorandum Exemption** form attached to the Subscription Agreement, and complete and sign two copies of the **Form 45-106F4 – Risk Acknowledgement** attached to the Subscription Agreement.
2. If you are purchasing Bonds having an aggregate subscription price of greater than \$10,000 and less than \$30,000: you must be an “eligible investor” as defined below AND if you are an individual, the aggregate cost of all securities you have purchased under the “offering memorandum” exemption in the past 12 months must not exceed \$30,000.
3. If you are purchasing Bonds having an aggregate subscription price of greater than \$30,000 and less than \$100,000: you must be an “eligible investor” as defined below AND have received advice from a portfolio manager, investment dealer or exempt market dealer that the purchase of the Bonds is a suitable investment for you AND if you are an individual, the aggregate cost of all securities you have purchased under the “offering memorandum” exemption in the past 12 months must not exceed \$100,000.

Manitoba, Northwest Territories, Nunavut, Prince Edward Island and Yukon Subscribers:

1. Please complete and sign the **Classification of Investors Under the Offering Memorandum Exemption** form attached to the Subscription Agreement, the **Investment Limits for Investors Under the Offering Memorandum Exemption** form attached to the Subscription Agreement, and complete and sign two copies of the **Form 45-106F4 – Risk Acknowledgement** attached to the Subscription Agreement.
2. If you are purchasing Bonds having an aggregate subscription price of greater than \$10,000, you must be an “eligible investor” as defined below.

An “**eligible investor**” means

(a) a person whose

(i) net assets, alone or with a spouse, in the case of an individual, exceed \$400,000,

(ii) net income before taxes exceeded \$75,000 in each of the 2 most recent calendar years and who reasonably expects to exceed that income level in the current calendar year, or

(iii) net income before taxes, alone or with a spouse, in the case of an individual, exceeded \$125,000 in each of the 2 most recent calendar years and who reasonably expects to exceed that income level in the current calendar year,

(b) a corporate entity/partnership/trust of which a majority of the voting securities are beneficially owned by eligible investors or a majority of the directors are eligible investors,

(c) an Accredited Investor,

(d) a person who is a family member, friends and business associates, or

(e) in Manitoba, Northwest Territories, Nunavut, Prince Edward Island and Yukon, a person that has obtained advice regarding the suitability of the investment and, if the person is resident in a jurisdiction of Canada, that advice has been obtained from an eligibility adviser.

Please return the applicable completed forms, and such other documents as may be requested by the Issuer, together with a wire transfer, certified cheque or bank draft for the full subscription amount of the Bonds you wish to purchase as instructed in the appropriate subscription agreement. The Issuer reserves the right to reject or allot subscriptions, in whole or in part, and to close subscriptions at any time without notice.

The Issuer undertakes to hold all subscription funds in trust until the Closing and will return subscription funds to you without interest or deduction if: (a) you give notice to the Issuer of cancellation of your subscription no later than midnight on the second business day after you sign the Subscription Agreement; or (b) if the subscription is not accepted.

Provided that the Minimum Offering is subscribed for, at the Closing the Issuer will cause to be issued Bonds against receipt of the subscription proceeds from each purchaser. If the Minimum Offering is not subscribed for, the Issuer will refund to the Subscriber all funds provided by the Subscriber. The Bonds subscribed for will be paid for and duly issued in the name of or as directed by each purchaser. The certificates representing the Bonds will be legended to reflect the resale restrictions described herein.

Item 6: Income Tax Consequences and Deferred Plan Eligibility

6.1 Tax Advice

Prospective purchasers should consult their own tax and other professional advisors for advice with respect to the income tax consequences associated with their acquisition, holding, and disposition of securities under this Offering Memorandum and with respect to their particular circumstances. Neither the Company nor its counsel makes any representations with respect to the income tax consequences to any prospective purchasers.

6.2 Material Income Tax Consequences

There are no unique or material tax consequences that apply to the purchase of these Bonds.

6.3 Deferred Plan Eligibility

Not all securities are eligible for investment in a Deferred Plan. “**Deferred Plan**” means a RRSP, RRIF, RESP, RDSP or a TFSA. You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities.

The Tax Act and the Regulations thereunder provide generally that a bond or similar obligation of a Canadian corporation (as defined in the Tax Act) whose shares are listed on a designated stock exchange in Canada will constitute a “qualified investment” for a Deferred Plan.

The Company is a Canadian corporation. As a result, the Company is of the view that the Bonds will constitute a qualified investment for Deferred Plans given the Common Shares are listed on a stock exchange designated by the Minister of Finance.

Item 7: Compensation Paid to Sellers and Finders

The Company has entered into a letter of engagement dated as of May 7, 2020 with Integral Wealth Securities Limited (defined above as the “**Agent**”), pursuant to which the Company has engaged the Agent to act as our non-exclusive sales, marketing, and administrative agent in connection with the offering of the Bonds under this Offering Memorandum and to provide certain other related services to us. The Company intends to enter into a formal agency agreement with the Agent prior to Closing. On each Closing Date, the Agent is entitled to receive a commission equal to (i) 4% of the aggregate gross proceeds from the sale of the Bonds by the Agent in the Offering, payable by the Issuer to the Agent in the form of cash; and (ii) broker warrants (“**Broker Warrants**”) in a number equal to 6% of the aggregate gross proceeds from the sale of the Bonds by the Agent in the Offering divided by the Exercise Price (as defined below) of the Broker Warrant, with each Broker Warrant carrying the right to purchase one Common Share for a period a 24 months from the date of issuance at an exercise price equal to the five day volume weighted average trading price of the Common Shares ending the day prior to the applicable Closing Date (the “**Exercise Price**”).

Item 8: Risk Factors

The purchase of Bonds pursuant to this Offering should only be made after consulting with independent and qualified sources of investment and tax advice. An investment in the Bonds involves a substantial degree of risk and is highly speculative due to the nature of the Company's business. As a result, investors should consider investing in the Bonds only if they can afford to lose their entire investment. Investors should carefully consider the risks described below and the other information contained in this Offering Memorandum before making a decision to buy the Bonds. If any of the following risks or other risks not listed below occurs, the Company's business prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that case, investors could lose part or all of their investment.

8.1 Risks Relating to the Offering

Broad Discretion over the Use of Net Proceeds from the Offering

While the Company intends to allocate the net proceeds received from the Offering as described herein under the heading, "Use of Proceeds", there may be events including but not limited to the unsuccessful due diligence on a proposed royalty acquisition transaction, the inability to complete a transaction to the Company's satisfaction or lack of possible royalty transactions materializing, which could cause the Company to re-allocate the use of proceeds from the Offering. The Company has broad discretion on how the use of proceeds are allocated and you may not agree with how the Company allocates or spends those proceeds.

No Assurance of Payment of Principal or Interest

There can be no assurance that the Company will be in a position to meet its obligations in accordance with the terms of the Bonds, as its ability to pay interest and principal thereunder is wholly dependent on receiving payments of royalties, principal and interest from Borrowers pursuant to Loans advanced by the Company. Only potential investors who are experienced in high-risk investments and who can afford to lose their entire investment should consider purchasing Bonds of the Company.

No Market for Securities

An investment in the Bonds of the Company is an illiquid investment. There is currently no market through which the Bonds of the Company may be sold. Due to the characteristics of the Bonds and their restrictions on transfer, no such market is likely to develop. The price of the Bonds has been set by the Board of Directors of the Company. Investors will be unable to sell or transfer the Bonds, subject to certain prospectus exemptions under applicable securities laws.

No Voting Rights

Bondholders do not have a right to vote on matters relating to the Company. Exclusive authority and responsibility for managing the Company rests with management of the Company and those persons, consultants and advisors retained by management on behalf of the Company. Accordingly, Investors should appreciate that they will be relying on the good faith, experience, expertise and ability of the directors of the Company and other parties for the success of the business of the Company.

Interest Rate Risk

The interest rate return for the Bonds are fixed for the term of the Bonds and are not subject to change in the event of a general rise or fall in domestic interest rates for other investments.

8.2 Risks Relating to the Company's Business and Operating Environment

Please refer to the Company's Annual Information Form, as filed on SEDAR.

Item 9: Reporting Obligations

9.1 Nature and Frequency of Reporting

The Issuer must comply with the reporting and disclosure obligations under applicable securities laws and under the policies and rules of the TSX-V. The Issuer is required to make disclosure of its business and affairs to the public, including, without limitation, the prompt notification of material changes by way of press releases and quarterly unaudited financial statements and annual audited financial statements in accordance with generally accepted accounting principles. All public disclosure can be accessed under the Issuer's profile on SEDAR at www.sedar.com.

The Issuer will forward to those shareholders who request copies of same (a) annual audited financial statements of the Issuer, and (b) interim unaudited financial statements of the Issuer. The Issuer will also within the time periods prescribed, forward any other information or documents required to be provided under applicable securities or other legislation, including but not limited to, National Instrument 51-102 – *Continuous Disclosure Obligations*.

9.2 Sources of Information about the Company

Information about the Issuer is also available at the TSX-V's website at www.tmx.com. Corporate information about the Issuer is available at the Registrar of Companies of British Columbia, Victoria, British Columbia (www.fin.gov.bc.ca), and at the registered and records office of the Issuer situated at 15th Floor, 1040 West Georgia Street, Vancouver, British Columbia, V6E 4H1.

Item 10: Resale Restrictions

10.1 General Statement

The Bonds will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the Bonds unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

10.2 Restricted Period

Unless permitted under securities legislation, you cannot trade the securities before the date that is four months and a day after the distribution date.

Purchasers under this Offering should consult with their own professional advisers with respect to restrictions on the transferability of the securities offered hereunder.

Item 11: Purchasers' Rights

Securities legislation in certain provinces of Canada require purchasers to be provided with a remedy for rescission or damages, or both, in addition to any other right they may have at law, where an offering memorandum and/or any amendment to it contains a misrepresentation. These remedies must be exercised by the purchaser within the time limits prescribed by applicable securities legislation. Purchasers should refer to the applicable provisions of securities legislation for the complete text of these rights or consult with a legal adviser.

The rights of action hereby granted by the Issuers are in addition to and without derogation from any right or remedy available at law to the purchaser and are intended to correspond to the provisions of the relevant securities legislation and are subject to the defences contained therein.

If you purchase Bonds you will have certain rights, some of which are described below. These rights may not be available to you if you purchase the Bonds pursuant to a prospectus exemption other than the offering memorandum exemption in Section 2.9 of NI 45-106. For complete information about your rights, you should consult a lawyer.

Two Day Cancellation Right

You can cancel your agreement to purchase these Bonds. To do so, you must send a notice to us by midnight on the second (2nd) business day after you sign the agreement to buy the Bonds.

Purchasers' Rights of Action in the Event of a Misrepresentation

Securities legislation in certain of the provinces of Canada provides purchasers with a statutory right of action for damages or rescission in cases where an offering memorandum or any amendment thereto contains an untrue statement of a material fact or omits to state a material fact that is required to be stated or is necessary to make any statement contained therein not misleading in light of the circumstances in which it was made (a "**misrepresentation**"). These rights, or notice with respect thereto, must be exercised or delivered, as the case may be, by purchasers within the time limits prescribed and are subject to the defenses and limitations contained under the applicable securities legislation. Purchasers of Bonds resident in provinces of Canada that do not provide for such statutory rights will be granted a contractual right similar to the statutory right of action and rescission described below for purchasers resident in Ontario and such right will form part of the subscription agreement to be entered into between each such purchaser and the Issuer in connection with this Offering.

Cautionary Note

The following summaries are subject to the express provisions of the securities legislation applicable in each of the provinces and territories of Canada and the regulations, rules and policy statements thereunder. Purchasers should refer to the securities legislation applicable in their province or territory along with the regulations, rules and policy statements thereunder for the complete text of these provisions or should consult with their legal advisor. The contractual and statutory rights of action described in this Offering Memorandum are in addition to and without derogation from any other right or remedy that a purchaser may have at law.

Statutory Rights

British Columbia, Alberta, Manitoba, or Newfoundland and Labrador: If you are a resident of British Columbia, Alberta, Manitoba or Newfoundland and Labrador, and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy these Bonds, or
- (b) for damages against the Issuer, every person who was a director of the Issuer at the date of this Offering Memorandum and every other person who signed this Offering Memorandum.

Prince Edward Island, the Northwest Territories, New Brunswick, Nunavut and Yukon: If you are a resident of Prince Edward Island, the Northwest Territories, Nunavut or Yukon, and there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy these Bonds, or
- (b) for damages against the Issuer, the selling security holder on whose behalf the distribution is made, every person who was a director of the Issuer at the date of this Offering Memorandum and every other person who signed this Offering Memorandum.

Saskatchewan: If you are a resident of Saskatchewan and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the Issuer to cancel your agreement to buy these Bonds, or
- (b) for damages against the Issuer for damages against the Issuer, every promoter and director of the Issuer at the time the Offering Memorandum or any amendment thereto was sent or delivered, every person whose consent has been filed in respect of the Offering Memorandum, but only with respect to reports, opinions or statements made by them and every person or company that sells these Bonds on behalf of the Issuer and every other person who signed this Offering Memorandum or any amendment thereto.

Nova Scotia: If you are a resident of Nova Scotia and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

- (a) the seller to cancel your agreement to buy these Bonds, or
- (b) for damages against the Issuer, every person who was a director of the Issuer at the date of this Offering Memorandum and every other person who signed this Offering Memorandum.

Ontario: If you are a resident of Ontario and if there is a misrepresentation in this Offering Memorandum, you have a statutory right to:

- (a) sue the Issuer or the selling security holder on whose behalf the distribution is made to cancel your agreement to buy these Bonds; or
- (b) sue for damages against the Issuer and a selling security holder on whose behalf the distribution is made.

These statutory rights are available to you whether or not you relied on the misrepresentation. However, there are various defences available to the Issuer, persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the Bonds. In an action for damages, the amount recoverable shall not exceed the price at which the securities were offered and the defendant will not be liable for all or any portion of such damages that the defendant proves does not represent the depreciation in value of the securities as a result of the misrepresentation.

In Ontario, these rights are not available for a purchaser that is: (a) a Canadian financial institution, meaning either: (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, *caisse populaire*, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a province or territory of Canada to carry on business in Canada or a province or territory of Canada; (b) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada); (c) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or (d) a subsidiary of any person referred to in clauses (a), (b) or (c), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

If you intend to rely on the rights described above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date that you purchased the Bonds.

In British Columbia, Alberta, Prince Edward Island, Newfoundland and Labrador, Ontario, the Northwest Territories, Nunavut and Yukon, you must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three years after the date you purchased the Bonds.

In Saskatchewan and New Brunswick, you must commence your action for damages within the earlier of one year after you first had knowledge of the facts giving rise to the cause of action and six years after the date you purchased the Bonds.

In Manitoba, you must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and two years after the date you purchased the Bonds.

In Nova Scotia, you must commence your action for damages within the earlier of 180 days after you first had knowledge of the facts giving rise to the cause of action and three years after the date you purchased the securities. Furthermore, no action shall be commenced to enforce the right of action discussed above unless an action is commenced to enforce that right not later than 120 days after the date on which payment was made for the securities or after the date on which the initial payment for the securities was made where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment.

Item 12: Date and Certificate

CERTIFICATE

DATED: **August 10, 2020**

This Offering Memorandum does not contain a misrepresentation.

RE ROYALTIES LTD.

by its Chief Executive Officer and its Chief Operating Officer:

(signed) "Bernard Tan"

(signed) "Peter Leighton"

Bernard Tan,
Chief Executive Officer and Director

Peter Leighton,
Chief Operating Officer

On Behalf of the Board of Directors:

(signed) "Marchand Snyman"

(signed) "Rene Carrier"

Marchand Snyman,
Director

Rene Carrier
Director