



ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2020
May 25, 2021

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1. Introductory Notes

1.1. Forward Looking Statements

This discussion includes certain statements that may be deemed “forward-looking information” or “forward-looking statements” within the meaning of Canadian and United States securities law. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions of 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 Company’s future outlook and anticipated events or results and may include statements regarding the Company’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 discussion 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 Company 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 Company 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 Annual Information Form. The foregoing factors are not intended to be exhaustive.

Although the Company 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 Company 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 Company has not independently verified any of this data from independent third-party sources.

Any forward-looking statements contained in this discussion 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.

1.2. Currency

The Company's accounts are maintained in Canadian dollars and all dollar amounts herein are expressed in Canadian dollars unless otherwise indicated.

All financial information in this Annual Information Form ("AIF") is prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

1.3. Effective Date of Information

Unless otherwise stated herein, the information in this AIF is for the fiscal year ended December 31, 2020 but is current as of May 25, 2021 unless otherwise clear from the context.

2. Corporate Structure

2.1 Name, Address and Incorporation

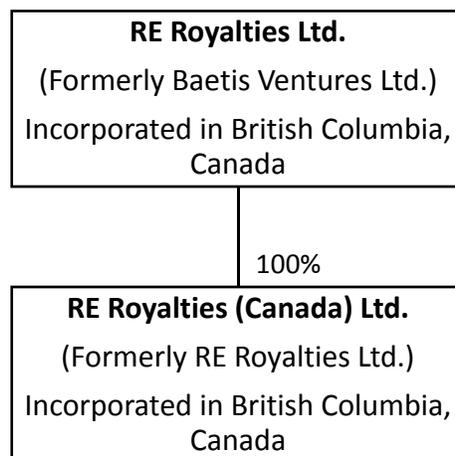
The Company was incorporated pursuant to the provisions of the *Business Corporations Act* (British Columbia) on November 2, 2016, under the name Baetis Ventures Ltd. (“Baetis”). Baetis completed its initial public offering on February 7, 2018 and was listed on the TSX Venture Exchange (“TSXV”) as a capital pool company (a “CPC”) until it completed its qualifying transaction on November 6, 2018 (the “Qualifying Transaction”). The Qualifying Transaction proceeded by way of a three-cornered amalgamation (the “Amalgamation”) among Baetis, 1165177 BC Ltd., and RE Royalties Ltd., then a private British Columbia corporation (“RER Private Co.”), which resulted in a reverse takeover of Baetis by the Company. The reverse takeover completed the Baetis’ Qualifying Transaction in accordance with the rules and policies of the TSXV.

As a result of the Qualifying Transaction, Baetis was renamed RE Royalties Ltd. (herein after “RER”, the “Issuer” or the “Company”), and the existing RER Private Co. became a wholly-owned subsidiary of the Company and was renamed RE Royalties (Canada) Ltd.

The head office and registered office of the Company is located at 14th Floor, 1040 West Georgia Street, Vancouver, British Columbia V6E 4H1.

2.2 Intercorporate Relationships

The chart below shows the current organizational structure of the Company:



The Company also holds a 23.3% investment interest in an associated company, RER US 1 LLC (“RER US”), which holds an equity interest in certain projects in the United States as further described in Section 4.1.4. The total investment cost of RER into RER US was US\$1 million.

3. General Development of the Business

3.1. Summary of Business Activities

The Company currently owns a portfolio of 83 royalties on operating solar, wind and hydroelectrical (“hydro”) projects in Canada, Europe and the United States. A summary of the Company’s portfolio as of the date of this AIF is as follows:

Client	Location	# of Royalties	Expiration (Average)	Royalty as % of Revenue	Energy Type	Status	Generating Capacity	Original Investment (C\$ million)
Aeolis Wind	British Columbia, Canada	1	2035	1%	Wind	Operational	102 MW	\$ 1.24
OntarioCo	Ontario, Canada	59	2040	2%	Solar	Operational	22 MW	\$ 5.0
Fresh Air Energy	Ontario, Canada	4	2033	1%	Solar	Operational	40 MW	\$ 1.87
Scotian Windfields	Nova Scotia, Canada	12	2036	8% ⁽¹⁾	Wind	Operational	40 MW	\$ 4.64
Alpin Sun	Texas, USA	2	20 Years	2%	Solar	Development	152 MW	\$ 1.3
Jade Power	Romania	5	2035	1%	Solar, Wind, Hydro	Operational	37 MW	\$ 3.8
Total / Average		83					393 MW	\$17.85

⁽¹⁾ the 8% royalty rate is applied to the gross revenue attributable to Scotian Windfields, based on their 20% working interest in the projects

During the fiscal year ended December 31, 2020, the following royalties were bought back by the grantors of the royalties:

Buyout Date	Grantor	Location	# of Royalties	Royalty as % of Revenue	Energy Type	Status	Generating Capacity	Buyout Proceeds (C\$)
October 2020	OntarioCo	Ontario, Canada	1	2%	Solar	Operational	60 kW	\$ 3,500
September 2020	Rippee Project, Belltown Power	Texas, USA	1	1%	Solar	Construction	78 MW	405,000
June 2020	Suha Project, Jade Power	Romania	1	1%	Hydro	Operational	2 MW	47,000

- In May 2019, the Company entered into a loan and royalty transaction with a private group of companies in Ontario (“OntarioCo”) on 49 roof-top solar projects (the “Solar Project Portfolio”). Pursuant to the agreement with OntarioCo, the Company provided a \$5 million interest-bearing loan to OntarioCo with a one-year term, in exchange for a gross revenue royalty on the Solar Project Portfolio. In June 2020, the Company acquired royalties on 11 additional projects (the “Second Portfolio”) from OntarioCo. The Company refinanced the existing OntarioCo loan and the new loan is a \$5 Million loan for a term of one year at an annual interest rate of 10 percent. As part of the transaction, the Company acquired gross revenue royalties (2%) on the Second Portfolio for approximately 20 years. In addition, the royalty rate on the Solar Project Portfolio was increased to 2%.

- In February 2020, the Company acquired a portfolio of 12 gross revenue royalties on 12 operational wind energy generation projects in Nova Scotia, Canada (the “Nova Scotia Wind Projects”) from Scotian Windfields Inc. (“Scotian Windfields”) for \$1.34 million. The Company also provided an interest-bearing senior secured loan to Scotian Windfields of \$3.3 million dollars with a term of 3 years.
- In June 2019, the Company acquired a portfolio of gross revenue royalties on four separate operational solar parks in Ontario, Canada (the “Ontario Solar Projects”) from Fresh Air Energy Inc. for \$1.87 million.
- In December 2018, the Company entered into a loan agreement for US\$2.8 million (the “Belltown Loan”) with a subsidiary of Belltown Power Texas, LLC (“Belltown”) that bore interest at 10% per annum for the first six months, and 15% per annum for the remaining term of the loan. The Company also received a 1% gross revenue royalty interest in the Rippey Project as defined in Section 4.1.4 (the “Rippey Royalty”), for a period of twenty years from the start of commercial operations. In March 2019, Belltown repaid the Belltown Loan. In September 2020, the grantor of the Rippey Royalty exercised its option to buy back the royalty as per the terms of the original royalty agreement for \$405,000 (US\$310,500).
- In February 2018, RER US entered into an equity purchase transaction with Alpin Sun GmbH (“Alpin Sun”), whereby RER US acquired a 50% interest in a portfolio of four separate advanced stage development solar photovoltaic (“Solar PV”) projects in Texas, totalling 332 MW (the “Texas Projects”). In addition to the interest in RER US, RER will also receive 50% of a 2% Gross Revenue Royalty payable to RER US for a period of twenty years (from the start of commercial production), on all revenues generated by the Texas Projects. In December 2018, RER US sold two of the Texas Projects.
- In January 2017, RER Private Co. completed a transaction with Jade Power Trust (“Jade”) for a \$3.8 million, three-year, non-revolving secured loan (the “Jade Loan”) and six separate twenty-year gross revenue royalties over 38.7 MW of wind, solar and hydro projects (collectively, the “Jade Royalties”). The Jade Loan has semi-annual interest payments at 7% per annum and a full principal repayment at maturity. The Jade Royalties are annual royalties of 1.14% for a period of 20 years.

3.2. Summary of Corporate Activities

On November 6, 2018, the Company completed its Qualifying Transaction under TSXV Policy 2.4 – Capital Pool Companies, and it concurrently changed its name from Baetis Ventures Ltd. to RE Royalties Ltd. Prior to the Qualifying Transaction, the Company was a “Capital Pool Company” as defined pursuant to TSXV Policy 2.4 that performed no significant business activities other than the identification and evaluation of assets or business with the view of completing a qualifying transaction.

The Qualifying Transaction was completed pursuant to an amalgamation agreement (the “Amalgamation Agreement”) dated May 31, 2018 between Baetis and the Company (the “Legal Acquiree”) whereby Baetis issued 30,466,889 of its common shares for 100% of the issued and outstanding common shares of the Legal Acquiree on a one-for-one basis. The Qualifying Transaction resulted in a reverse takeover of Baetis

by the Legal Acquiree as, immediately after the completion of the Qualifying Transaction; the shareholders of the Legal Acquiree owned 96% of the combined company.

Pursuant to the term of the Amalgamation Agreement, and concurrently with the Qualifying Transaction, Baetis completed a consolidation of its common shares at a ratio of three (3) existing common shares for one (1) post-consolidation common share (the "Consolidation"). After the Consolidation, Baetis had 1,333,334 common shares and 66,667 share purchase warrants issued and outstanding.

In October 2018, prior to the completion of the Qualifying Transaction, Baetis also completed a private placement of 307,000 of its common shares at \$1.00 per share. Similarly, the Legal Acquiree completed a private placement of 12,916,700 of its common shares at \$1.00 per share. Immediately prior to the completion of the Qualifying Transaction, the capital structure comprised the following: (i) 30,466,889 issued and outstanding common shares; (ii) warrants exercisable for 500,000 common shares at \$0.50 per share; and (iii) stock options exercisable for 1,180,000 common shares at \$0.80 per share.

For accounting purposes the Qualifying Transaction is considered as a "reverse takeover". A reverse takeover transaction involving a non-public operating entity and non-operating public company is in substance a capital transaction, rather than a business combination.

4. Description of the Business

4.1. General

4.1.1. Summary

RER 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. RER’s business objective is 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 over time.

RER 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 private and publicly-traded renewable energy companies, a revenue-based royalty financing has many advantages with respect to cost, contractual terms and ownership dilution.

Traditional royalty-based financing has been used extensively in the North American natural resource, consumer products, industrial manufacturing, industrial services, healthcare, and food sectors.

4.1.2. Principal Products

RER will transact a royalty acquisition using one or a combination of the following deal structures:

STRUCTURE	ATTRIBUTES
Monetize Pre-Existing Royalty or Establish a New Royalty	<ul style="list-style-type: none"> • RER provides funding to a client either (i) in exchange for the right to a pre-existing royalty on an operational project or (ii) in exchange for a new royalty on an operational or construction ready project. • The project is typically a long-life asset with a long-term power purchase agreement or one that operates in a strong merchant market with stable power prices. • The royalty is paid to RER based on the gross revenue of the project and extends for the life of the royalty agreement.
Royalty Based Loan	<ul style="list-style-type: none"> • RER provides a short-term interest-bearing loan (6 months to 3 years) to a client to fund part of the client’s project construction, acquisition, or reduction of debt. • The loan will generally be a senior secured or secured but sub-ordinated to non-recourse project debt. The loan and interest are repaid from the project’s cash flows or a refinancing event by the client. • A long-term royalty is established on the new and/or existing projects of the client. • The royalty is paid to RER from the gross revenue of the project and extends for the life of the royalty agreement.

RER may structure some or all of its royalties as long-term participating loans in order to maximize RER’s security interests in a client’s projects and/or to utilize incentive programs that may be available to RER.

4.1.3. Industry Overview

Renewable energy generation is the production of electricity from renewable sources of energy such as wind, water, solar, geothermal sources (heat or steam), or certain waste products, such as biomass (e.g. waste wood from forest product operations) and landfill gas.

According to the International Renewable Energy Agency (“IRENA”), the global renewable energy market added over 260 GW of capacity in 2020, almost 50% more than in 2019. Over 80% of new electricity capacity added in 2020 was renewable, with wind and solar accounting for over 90% of this new renewable capacity¹. The International Energy Agency (“IEA”) also estimates that total renewable energy generation capacity will surpass natural gas generation in 2023 and coal in 2024, with renewables accounting for 99% of global electricity demand increase between 2020-2025².

With the completion of the December 2015 UN Climate Change Conference (COP21) in Paris, many countries have agreed to adopt and/or enhance policies to curb greenhouse gas emissions in order to limit the effects of climate change. This global agreement provides the ingredients for long term growth in the renewable energy sector. Other related and significant macroeconomic growth drivers for global renewable energy demand include:

- a) energy security;
- b) pollution impact on human health;
- c) volatility in fossil fuel pricing;
- d) advancements in clean technology driving renewable energy efficiency and reduction in cost; and
- e) government incentive and support programs for renewable energy and technologies.

Investment Growth in the Renewable Energy Sector

According to the Bloomberg New Energy Finance (“BNEF”), over US\$300 billion was invested globally in 2020 in renewable energy generation capacity which pushed the cumulative investment since 2010 to nearly US\$3 trillion. Solar was the largest source of growth in 2020, with over US\$148 billion invested³.

The unsubsidized levelized cost of electricity for utility-scale solar has dropped by 90% since 2009, due to a fall in capital costs and improvements in efficiency. This drastic price reduction has made solar the cheapest option for electricity generation in many jurisdictions, winning out over conventional fossil fuels (even natural gas) on an unsubsidized basis, according to Lazard⁴.

¹ *Renewable Capacity Statistics 2021*, IRENA (<https://www.irena.org/publications/2021/March/Renewable-Capacity-Statistics-2021>)

² *Renewables 2020: Analysis and forecast to 2025*, IEA (<https://www.iea.org/reports/renewables-2020>)

³ *Energy Transition Investment Trends 2021*, BNEF (<https://about.bnef.com/energy-transition-investment/#toc-download>)

⁴ *Levelized Cost of Energy and Levelized Cost of Storage – 2020*, Lazard (<https://www.lazard.com/perspective/levelized-cost-of-energy-and-levelized-cost-of-storage-2020/>)

Forms of Renewable Energy

There are a number of forms of renewable energy and storage. The energy generation or storage sources which RER will initially focus on investing in are briefly described below:

- **Hydroelectric:** Hydroelectric power is generated by harnessing the force created as water falls. The kinetic energy in the moving water is ultimately converted into electric energy. Conventional hydroelectric generation facilities rely on the potential energy of dammed water to drive a water turbine and generator. Run-of-river hydroelectric generation facilities on the other hand do not require the flooding of large areas of land. The water flows through an intake pipe or tunnel (known as the penstock) to a turbine and spins the turbine. The hydraulic energy is then converted into mechanical energy which is then converted into electricity by a generator. The electricity is then sent through a transformer where its characteristics are adjusted so that it can be sent along the transmission system. The water, after going through the turbine, exits the powerhouse through the draft tube and the tailrace where it rejoins the main stream of the river. Hydroelectric power is currently the largest source of renewable power resource globally. In 2020, according to IRENA, electricity generated by hydroelectric power accounts for almost 48% of global renewable electricity generation or approximately 1,332 GW of capacity¹.
- **Wind:** Energy is produced from the wind power exerted on the blades of a wind turbine which are attached to a central shaft to rotate a generator. Wind turbines are equipped with a control system which optimizes electrical production and adjusts to varying wind speed and direction. Electricity generated by wind power is the second largest source of renewable electricity generation, currently contributing 26% of global electricity generation or 733 GW of capacity¹. Electricity generated from wind is becoming an increasingly important source of power, especially in North America.
- **Solar PV:** Solar PV power generating facilities consist of an array of solar panels. These solar panels are made up of smaller solar cells, which convert electromagnetic radiation from the sun into electricity by means of semiconductors. The semiconductors use photons of light to knock electrons into a higher state of energy to create electricity. Electricity produced by Solar PV power generation contributed 25% of global renewable electricity generation in 2020, or 714 GW of capacity¹.
- **Biomass:** Biomass power is carbon neutral electricity generated from renewable organic waste that would otherwise be dumped in landfills, openly burned, or left as fodder for forest fires. In biomass power plants, wood waste or other waste are burned to produce steam that runs a turbine to make electricity, or that provides heat to industries and homes. New technologies, including pollution controls and combustion engineering, have advanced to the point that emissions from burning biomass in industrial facilities are generally less than emissions produced when using fossil fuels (coal, natural gas, oil). Electricity produced from biomass power accounted for almost 4% of global electricity generation in 2020, or 103 GW of capacity¹.
- **Geothermal:** Geothermal energy is derived from the heat stored in the earth, mainly from energy left over from the original accretion of the planet and augmented by heat from radioactive decay in its core that seeps out on a regular basis. This heat is used to produce steam that runs a turbine

to make electricity. Electricity produced by geothermal power generation contributed less than 1% of global renewable electricity generation in 2020, or 14 GW of capacity¹.

- **Battery Storage:** Battery storage systems store energy generated for usage at a later time. This technology works well with renewables as it can reduce the variability in their production, such as with solar systems. Battery storage enables the storage of excess electricity produced and can provide clean energy to the grid during and outside generation hours to reduce demand on conventional sources of electricity. Battery systems are expected to grow rapidly over the coming years, with capacity in the US alone set to grow from 1.5 GW in 2020 to over 7.8 GW in 2025, according to Wood Mackenzie⁵.

4.1.4. Current Royalty Portfolio

Royalties Acquired in Fiscal Year 2020

A. Royalties on 11 Roof Top Solar Projects in Ontario

In June 2020, the Company acquired royalties on 11 additional projects in the Second Portfolio from OntarioCo.

The Company refinanced the existing OntarioCo loan and the new loan is a \$5 Million loan for a term of one year at an annual interest rate of 10 percent. As part of the transaction the Company acquired gross revenue royalties (2%) on the Second Portfolio for approximately 20 years. In addition, the royalty rate on the Solar Project Portfolio was increased to 2%.

As of the date of acquisition of the Second Portfolio, OntarioCo owned and operated 57 roof-top and ground-mount solar projects (with an additional 3 projects in construction) in Ontario with a generation capacity of 22 MW. All the projects are contracted under 20-year Feed-In Tariff (“FIT”) contracts with the Independent Electricity System Operator (“IESO”), a crown corporation owned by the government of Ontario. All operational projects with existing FIT contracts and all projects that have reached notice to proceed as defined by the Ontario government will continue to operate under the terms of their applicable FIT contracts until the end of those FIT contract lives.

B. Scotian Windfields – Royalties on 40 MW of Operational Wind Projects in Nova Scotia

On February 6, 2020, the Company announced that it had acquired a portfolio of 12 gross revenue royalties (8%) on the Nova Scotia Wind Projects from Scotian Windfields for \$1.34 million. The Company also provided an interest-bearing senior secured loan to Scotian Windfields of \$3.3 million dollars with a term of 3 years.

The Nova Scotia Wind Projects were developed from 2013 to 2017 and have been operating for between 3 and 6 years. Scotian Windfields has a 20% working interest in Nova Scotia Wind Projects that have a generating capacity of 39.7 megawatts (MW) and are contracted under 20-year power purchase agreements with fixed electricity purchase prices from Nova Scotia Power Incorporated (“NSPI”). The

⁵ *US Energy Storage Monitor Q1 2021*, Wood Mackenzie (<https://www.woodmac.com/research/products/power-and-renewables/us-energy-storage-monitor/>)

Nova Scotia Wind Projects generate approximately 132,000 megawatt hours (MWh) of clean energy per year.

Royalties Acquired in Fiscal Year 2019

C. Northland Power – Royalties on 40 MW of Operational Solar Parks in Southern Ontario

On June 19, 2019, the Company acquired a portfolio of gross revenue royalties (1%) on the Ontario Solar Projects from Fresh Air Energy Inc. for \$1.87 million. The average term of the royalties are 16 years.

The Ontario Solar Projects are owned and operated by Northland Power Inc. and have a generation capacity of 40 MW and have been in operation since 2013. The Ontario Solar Projects generate approximately 60,000 MWh of clean energy per year.

D. Solar Flowthrough – Royalties on 49 Roof Top Solar Projects in Ontario

On May 15, 2019, the Company entered into a loan and royalty transaction with OntarioCo on the Solar Project Portfolio.

Pursuant to the agreement with OntarioCo, the Company provided a \$5 million, 5% per annum interest-bearing loan to OntarioCo with a one-year term, in exchange for a 1.12% gross revenue royalty on the Solar Project Portfolio. The Solar Project Portfolio has a combined generation capacity of 15.7 MW and has been in operation for between three to four years, and all were qualified under the Ontario Feed-in-Tariff program. Solar Flowthrough utilised the proceeds of the Loan to complete construction on a separate portfolio of solar projects in Canada. The average term of the royalties are 19 years.

The Solar Project Portfolio generate approximately 18,000 MWh of clean energy per year.

Royalties Acquired in Fiscal Year 2018

E. Belltown Power Texas

In December 2018, the Company entered into a loan agreement for US\$2.8 million Belltown Loan with Belltown whereby the Company provided US\$42,050 in a cash advance to Belltown and a US\$2.76 million letter of credit for up to one year on behalf of Belltown, in order for Belltown to post certain collateral for grid connection for the 78 MW Rippey solar project (“Rippey Project”) located in Texas. The Rippey Project is expected to generate approximately 145,000 MWh of clean energy per year.

The Belltown Loan bore interest at 10% per annum for the first six months, and 15% per annum from the seventh month to the end of the term of the loan. In addition, the Company received a 20 year 1% gross revenue royalty interest in the Rippey Project.

In March 2019, Belltown repaid the Belltown Loan and the letter of credit was returned and cancelled, while the Company retained the royalty interest in the Rippey Project.

In September 2020, the grantor of the Rippey Royalty exercised its option to buy back the royalty as per the terms of the original royalty agreement for \$405,000 (US\$310,500).

F. Alpin Sun GmbH

In February 2018, RER US entered into an equity purchase transaction with Alpin Sun, whereby RER US acquired a 50% interest in a portfolio of four separate advanced stage development Texas Projects totaling 352 MW. The ultimate goal of both RER US and Alpin Sun is to develop the Texas Projects to the point where they are ready to build, and then to sell the Projects to a third party to build and operate.

The total investment commitment for the 50% equity investment in the Projects is for US\$5 million (the "Texas Investment"). The Company contributed US\$1 million ("RER Investment") with the remaining US\$4 million contributed by a consortium of private investors. The Texas Investment is structured as a US limited liability company (the "Project Entities"), whereby RER US holds the 50% interest in the Texas Projects. The Company is the manager of RER US pursuant to a management services agreement dated December 13, 2017, whereby the Company provides technical, financial, administrative, and management services to RER US. The Company also incurs third-party costs on behalf of RER US. Such third-party costs include, for example, travel, communication services, and information technology services. Third-party costs are billed at cost without markup.

In addition to owning a portion of RER US's 50% ownership in the Texas Projects, the Company will also receive 50% of a 2% Gross Revenue Royalty payable to RER US for a period of twenty years from the start of commercial operation, on any revenue generated by any of the Texas Projects. Revenue is defined to include electricity sales, renewable credits, insurance proceeds and liquated damages/warranty claims, if any.

In December 2018, RER US and an arm's-length party entered into two separate sale agreements (the "Sale Agreements") whereby RER US sold its equity interest in two of the four Project Entities for an aggregate price of US\$6 million, based on US\$30,000 per MW (200MW total). In December 2018, pursuant to the Sale Agreements and upon execution thereof, RER US received US\$1.4 million (the "Down Payment") in cash, representing 23.33% of the total sale proceed. The remainder of US\$4.6 million (the "Contingent Payments") of the aggregate sale price is receivable in tranches subject to certain milestones leading up to the completion of the Texas Projects.

Upon execution of the Sale Agreements, RER US derecognized its investment in the underlying two Project Entities. However, as of December 31, 2018, RER US had recognized only the Down Payment and had deferred the recognition of the Contingent Payments to be recognized upon completion of the related milestones, which milestones have been delayed.

Prior to the execution of the Sale Agreements, the Company's royalty interest in the underlying Texas Projects was bought-out for US\$300,000, which has been recognized as income from royalty buyout in the financial statements for the year ended December 31, 2018.

As of the date of this AIF, RER US had not yet received the Contingent Payments.

RER US currently retains 50% ownership interest in two (the "Existing Texas Projects") of the Texas Projects. The Existing Texas Projects are within the boundaries of an electricity grid which is connected to the broader national grid that connects the remainder of the continental United States and is managed by the Southwest Power Pool ("SPP").

The SPP utilizes a cluster approach to studying the interconnection applications for individual projects, and the resultant system impact studies, facility studies, and interconnection service agreements are all

handled using this cluster approach. The Existing Texas Projects were part of a cluster that applied for interconnection in 2017 along with 96 other projects with aggregate capacity of 14,000 MW.

The cluster analysis was completed in October 2020 and the proposed interconnection cost estimates, including the estimates for cost of system upgrades, for the Existing Texas Projects as determined by the cluster study were significantly higher than expected due to the cluster process which assumes, even though it is highly unlikely, that all projects in the cluster will connect to the SPP electricity grid and accordingly calculates the required upgrades and consequential interconnection costs due from the projects and then applies this cost to each project in the cluster on a pro-rata basis.

The Company and Alpin Sun have decided to not to proceed with securing interconnection to the SPP electricity grid for the Existing Texas Projects at this point in time. The land lease options for the projects expire in the second quarter of 2021 and the Company and Alpin Sun will decide on extension of these options at that time. Further to the foregoing, in December 2020, RER US wrote down the carrying amount of its ownership interests in respective project entities that own the Existing Texas Projects.

Royalties Acquired in Fiscal Year 2017

G. Jade Power Trust (formerly Blockchain Power Trust)

In January 2017, the Company provided Jade a three-year, non-revolving Jade Loan and received the Jade Royalties on certain of Jade's renewable energy generation assets. Jade is a Canadian publicly listed trust and an independent power producer that owns and operates facilities that produce electricity from renewable energy sources in Eastern Europe.

In June 2020, the Jade Loan and the Jade Royalties were modified (the "2020-Modification") as further described below.

Jade Power Loan

The Jade Loan was a three-year, \$3.8 million loan, with semi-annual interest payments at 5% per annum and a full principal repayment at maturity. Jade had an option to extend the Jade Loan for a fourth year with semi-annual interest payments at 7% per annum; this option was exercised by Jade effective January 2020.

Pursuant to the 2020-Modification, certain legal expenses and fees in the amount of \$346,758 (the "Capitalized Expenses and Fees") were capitalized as part of the Jade Loan and Jade made a cash payment of \$750,000 in June 2020. Additionally, during the fourth quarter of 2020, Jade made cash payments totaling \$1,750,000 to the Company against the principal sum of the Jade Loan. The Jade Loan was fully repaid on January 4, 2021.

Jade Power Royalty

The Jade Royalty was originally an annual royalty of 1.14% of the gross revenue (including power balancing adjustments) earned by Jade on its the Jade Royalties Portfolio of renewable energy projects. The Jade Royalty is payable to the Company for twenty years, including the period that the Jade Loan was outstanding. The Jade Royalty will be paid in Canadian dollars at the prevailing Euro exchange rate at the time payment is due. The Jade Royalty is calculated based on gross revenues earned on three operational hydro projects (5.1MW), two operational solar projects (16.6MW) and one operational wind project (17MW).

Pursuant to the 2020-Modification, the Jade Royalty rate was reduced from 1.14% to 1.05%, and the definition of gross revenue was revised to exclude any power balancing adjustments.

The gross revenue for the purpose of the Jade Royalty is equal to the sum of all revenues in the fiscal year recognized by Jade with respect to the applicable projects, calculated in a consistent basis and in accordance with IFRS, in respect of (i) the sale of electricity energy, (ii) the sale of green certificates (or equivalent renewable incentive credits), (iii) any insurance proceeds received as a result of business interruption; and (iv) any liquidated damages.

Moreover, the Company released its royalty interest in one hydro project (no longer operational) in the Jade Royalties Portfolio for a consideration of \$46,758, which is included in the Capitalized Expenses and Fees.

Royalties Acquired in Fiscal Year 2016

H. Aeolis Wind

The Company has a secured non-revolving term loan with Aeolis Wind Power Corporation (“Aeolis”), whereby the Company loaned Aeolis \$1,239,000 (the “Aeolis Loan”) subject to fixed payments of \$100,000 per annum, to be increased annually by an amount equal to 50% of the British Columbia Consumer Price Index (“Aeolis Royalty”). The term of the Aeolis Loan expires on July 31, 2035. The Aeolis Loan is secured against a gross revenue royalty interest owned by Aeolis on the 102 MW Bear Mountain Wind Park near Dawson Creek, British Columbia, Canada. The project generates approximately 193,000 MWh of clean energy per year. The Aeolis Royalty payments to RER under the Aeolis Loan are paid from Aeolis’ gross revenue royalty interest.

Impact of COVID-19 on Royalty Portfolio

In the first quarter of 2020, a public health emergency was declared globally as a result of a new strain of coronavirus called COVID-19 (“COVID-19”). COVID-19 has resulted in many countries and governments issuing “stay at home” orders which has restricted public gatherings, limited the ability of its residents to travel locally, regionally and internationally, and also the closure of various businesses.

To date, COVID-19 has not materially impacted the Company’s current portfolio of royalties. The renewable energy generation facilities that are operated by our clients, which underpin the royalty

revenues received by the Company, continue to perform as expected, with minimal disruptions. Also see *Section 4 – Risk Related to Covid-19*.

4.1.5. Competitive Conditions

The Company is aware of only one other competitor currently providing royalty-based financing to the small to medium size renewable energy project owner and developer market (“SMRE”) market, and a potential new competitor fund that is currently fundraising.

The Company’s alternative source of competition is mezzanine debt, which are generally more costly, more restrictive and less flexible to SMREs than the Company’s royalty-based financing solutions. The Company believes that its products provide a high value, non-dilutive financing solution to SMREs and are competitive with other sources of funding.

4.1.6. Energy Generation Cycles

The projects in which the Company receives royalties operate on year-round basis. Additionally, the majority of these projects generate revenue under long-term fixed-price offtake agreements. This means there are no changes in the amount paid per unit of electricity, except for those contracts that may gradually increase prices over time based on inflation. However, renewable energy generation itself can be quite seasonal based on location and weather conditions, which could result in seasonal variation to the Company’s quarterly royalty revenues. For example:

- Solar energy generation in the Northern Hemisphere will typically hit its maximum in the summer months, when days are longer and there is more sunshine, and will be at a minimum in the winter when days are shorter and there is more cloudy weather;
- Wind energy generation in the Northern Hemisphere will typically hit its maximum in the winter months, when there is more wind and stormy weather, and will be at a minimum in the summer when there is less wind and calmer weather; and
- Run of River hydro generation will vary throughout the year with strong production during stormy, wet, weather or during snow melt, and lower production in the Northern Hemisphere during dry summer months and extremely cold winter months.

In some cases, different types of generation may offset each other and help to reduce the seasonal variation in revenues.

4.1.7. Economic Dependence

The majority of the projects the Company receives royalties from generate revenue from long-term power purchase agreements (“PPAs”). The counterparty to these PPAs are typically government or quasi-government entities who agree to purchase electricity from the project at a fixed price (sometimes scaled with inflation) for a set period of time (typically 20 years or more).

The Company's royalties are directly tied to, among other things, the revenue generated from these PPAs. Consequently, any changes to the pricing or other parameters of these PPAs could have an adverse effect on the Company's revenues.

4.1.8. Changes to Contracts

The Company currently does not anticipate any changes to its business as a result of material changes by renegotiation or termination of contracts or sub-contracts.

4.1.9. Employees

The Company has 4 full-time employees and 2 part-time employees.

4.1.10. Investment Policy

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 over time. The Company's Investment Policy is to achieve the following long-term objectives:

- Acquire long-term renewable energy royalty streams backed by power purchase agreements from credit worthy utilities or facilities that operate in strong merchant markets with stable power pricing;
- Acquiring renewable energy royalties in low carbon growth areas including clean transportation, energy storage and energy efficiency that are backed by offtake arrangements or customer sales and/or lease contracts from credit worthy counterparties;
- Reinvest royalty income, interest and capital repayment cash flows to acquire new royalties on an on-going basis to drive growth;
- Maintain a low operating cost structure (relative to other renewable energy companies); and
- Use debt financing to acquire additional royalties in order to enhance financial returns for shareholders.

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

1. **Capital Protection:** Client 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 Flow:** 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 Return:** 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 level of risk on each deal.

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

- a) **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 that the Company maintains the ability to control the default process and also ensuring priority payment on any potential sale of the assets.
- b) **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 combination of discounted cash flow analysis 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.
- c) **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.
- d) **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.
- e) **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 that the Client's pledge the shares of their respective subsidiary companies as guarantees.
- f) **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.

4.1.11. Reorganizations

Please refer to "Corporate Structure – Name, Address and Incorporation" and "General Development of the Business – Corporate Activities" for more information on the Qualifying Transaction and the corresponding reorganization.

4.1.12. Environmental and Social Data

A. *Environmental Impact Summary*

The following table summarizes the positive environmental impact generated by the projects in the Company's royalty portfolio, including clean energy capacity, average annual generation, and average annual carbon emissions reduction for the associated projects.

Client	Location	Projects	Energy Type	Clean Generating Capacity (MW)	Annual Clean Generation (MWh)	Annual GHG Offset (tCO ₂ e) ^{6,7,8}	Annual Homes Powered ^{9,10,11,12,13}
Operational							
Aeolis Wind	British Columbia, Canada	1	Wind	102	193,000	2,490	17,870
OntarioCo	Ontario, Canada	59	Solar	22	25,566	1,023	2,841
Fresh Air Energy	Ontario, Canada	4	Solar	40	59,413	2,377	6,601
Scotian Windfields	Nova Scotia, Canada	12	Wind	40	131,700	79,020	12,064
Jade Power	Romania	5	Solar, Wind, Hydro	37	70,377	28,221	42,939
Operational Subtotal		81		240	480,056	113,130	82,315
Development Stage							
Alpin Sun	Texas, USA	2	Solar	152	320,000	233,906 ¹⁴	22,831
Development Subtotal		2		152	320,000	233,906	22,831
PORTFOLIO TOTAL		83		392	800,056	347,036	105,146

Equivalents:

105,146	74,975	107,084	5,738,321
homes powered with clean energy	passenger vehicles ¹⁵	tonnes of waste recycled instead of landfilled ¹⁵	trees planted ¹⁵

Environmental Risks

Specific environmental factor risks are discussed in Section 4 - Risk Factors, within the following categories:

- General Risks Involved in the Operations of a Power Generation Facility
- Natural Disasters and Other Catastrophic Events
- Environmental Laws and Regulations
- Changes in Supply of Water, Levels of Winds, Irradiation and Other Natural Variables
- Health, Safety and Environmental Risks

In summary, renewable energy generation is dependent on weather and climate patterns, which are being altered as a result of climate change. Changes in temperature, wind, precipitation, timing and rate of melting, run-off, and changes in solar irradiation patterns could adversely affect the amount of electricity

⁶ Canada: National Energy Board 2017

⁷ Romania: Carbon Footprint Electricity GHG Emission Factors, Association Issuing Bodies

⁸ USA: EPA eGRID Emissions & Generation Resource Information Database

⁹ British Columbia: BC Hydro

¹⁰ Ontario: Ontario Energy Board EB-2016-0153

¹¹ Nova Scotia: Statistics Canada, 2015

¹² Romania: Odysee-Muree Project, EU.

¹³ Texas: Electricity Local. (<https://www.electricitylocal.com/states/texas/#ref>)

¹⁴ Updated per EPA guidelines (using subregion non-baseload carbon intensity)

¹⁵ US EPA GHG Equivalents <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>.

produced. Facilities could be exposed to extreme weather-related events (floods, high winds, fires) that could result in disruption to generation or damage to equipment. These factors could impact the revenues and cash flows of the Company. Failure to comply with applicable environmental laws and regulations could result in sanctions against the facility owner and operator and may disrupt revenue of the Company for an extended period that, in turn, may have a material adverse effect on the Company's profitability, results of operation and financial condition. Moreover, the use and licensing of water rights in many jurisdictions are subject to increasing level of regulations that may impact the supply of water to a specific power generation facility. Extreme weather events such as drought could further impact these regulations.

B. Social Summary

Giving back, in the form of volunteering, donating to charitable causes, or attending community-led charitable events, is an integral part of the culture at RE Royalties. All permanent staff, including senior management, were hired from the local region and local universities.

Gender Diversity

Board of Directors: The Company has one (1) female board member of 7 (14%)

Team: The Company has six (6) team members, of which one (1) is female (17%)

Charitable Activity

We believe in supporting organizations with causes that resonate with our values.

In 2021, as of the date hereof, the Company donated \$25,000 to Blind Beginnings, whose mission is to inspire children and youth who are blind or partially sighted through diverse programs, experiences, counseling and peer support, and opportunities to create fulfilling lives. The Company's donation will be used for the "Creating Confidence" and "Youth Leadership & Pre-Employment" programs to empower youth to develop to their full potential.

In the first quarter of 2020, the Company donated \$25,000 to Vancouver General Hospital. The funds were utilized to advance the delivery of health services for the hospital.

In June 2020, the Company donated \$25,000 to Glasswaters Africa to support the Selemela Learning Network ("Selemela"). The learning network is a collaboration between Glasswaters Africa & Selemela, a Lesotho-based social enterprise that delivers custom-built educational solutions to Lesotho's education sector. Specifically, Selemela is working to build community-based learning networks to promote the efficient flow of information and resources within the education sector and provide opportunities for meaningful participation by the wider community. The Selemela team has directly experienced the shortcomings of mainstream education in Lesotho. They are working to facilitate local research and education to provide meaningful change to children between 5 - 17 years old by listening to what the people in the community really need, and then putting an education plan in place to help create systematic change.

In December 2020, the Company donated \$25,000 to Atira Women's Resource Society, a not-for-profit organization committed to the work of ending violence against women. The donation will be used to support the Legal Advocacy Program, which helps low-income women in Vancouver's Downtown Eastside obtain free legal advocacy in a safe and confidential, women's only space.

Social Risks

Specific social factor risks are discussed in Section 4 - Risk Factors, within the following categories:

- Local Public Opposition
- Negative Public or Community Response
- Health, Safety and Environmental Risks

The development and operation of renewable assets (wind in particular) may at times be subject to public opposition, centered around noise, visual impact, and impact to wildlife. Concerns tend to be greatest during the development stage but could persist for operating projects. Ongoing negative public or community response to projects or the renewable energy sector in general could adversely affect the Company's profitability, results of operation and financial condition.

The ownership, construction and operation of power generation facilities carries an inherent risk of liability related to worker health and safety, including the risk of government imposed orders to remedy unsafe conditions, potential penalties for contravention of health, safety and environmental laws, licenses, permits and other approvals, and potential civil liability. The contravention of the foregoing or changes thereto could have a significant impact on operations and/or result in additional material expenditures and ultimately affect the ability of Facility Owners to pay the Company royalties.

5. Risk Factors

Dependency on Renewable Energy Generation Facility Owners

The operations of the power generation facilities in which the Company holds royalty interests will be dependent upon the facility owner, operator, or developer of the renewable energy generation facility (collective the “Facility Owner”), and the Company has no input as to how these facilities are operated. As a result of the Company’s operating model, the cash flow of the Company is dependent upon the activities of the Facility Owner. This creates the risk that at any time those Facility Owners: (a) may have business interests or targets that are inconsistent with those of the Company; (b) may take action contrary to the Company’s policies or objectives; (c) may be unable or unwilling to fulfill their obligations under their agreements with the Company; (d) may be unable or unwilling to comply with the underlying power or electricity purchase or sale agreement between the owner of a facility generating electricity and a third party acquirer of electricity (“PPA”); or, (e) may experience financial, operational or other difficulties, including insolvency, which could limit the Facility Owner’s ability to perform its obligations under the royalty arrangements.

Dependency on Renewable Energy Generation Facility Developers

The development of the power generation facilities that are not yet operational and in which the Company holds royalty interests will be dependent upon the Facility Owner’s ability to complete the development and place the facility into operation at the name plate capacity, and the Company will have no input as to how these facilities will be developed. The failed development or delayed development, could have a material adverse effect on the Company’s profitability, results of operation and financial condition.

The Company Will Have Limited Access to Data and Disclosure Regarding the Operation of Power Generation Facilities, Which Will Affect its Ability to Access the Performance of the Operators

As a royalty holder, the Company will have limited access to data on the underlying operations or to the underlying facilities themselves. This could affect its ability to assess the performance of the royalty agreements with the Facility Owners. This could result in deviations in cash flow from that which is anticipated from the power generation facilities. The limited access to data and disclosure regarding the operations of the facilities to which the royalty agreements relate may restrict the ability of the Company to enhance the performance of the power generation facilities, which may result in a material and adverse effect on the profitability, results of operations and financial condition of the Company.

Early Termination of Royalty Agreements

While the Company seeks to ensure that all its royalty interests will be secured and legally binding with the Facility Owners, there exists the possibility that other third parties such as governments or senior lenders to the facility owners may seek to terminate the royalty arrangements without compensation to the Company. The early termination of one or more of the Company’s royalty agreements, without compensation to the Company, could have a material adverse effect on the Company’s profitability, results of operation and financial condition.

The Company Will Depend on Facility Owners for the Calculation of Royalty Amounts

The amounts deliverable under the royalty agreements are calculated by the Facility Owners of the power generation facilities based on electricity produced and sold at the revenue meter and on the sale of renewable energy credits sold. Each Facility Owner’s calculation of royalty amounts is subject to and dependent upon the adequacy and accuracy of its production and accounting functions, and errors may occur from time to time in the calculations made by a Facility Owner. As a result, the Company’s ability to detect errors in royalty amounts may be limited. Some of the royalty agreements provide the right to

audit the operational calculations and production data for the associated royalty amounts; however, such audits may not occur until many months following recognition of the royalty revenue, and may require the Company to adjust revenue in later periods.

Delay or Failure of Royalty Payments

Although the Company generally seeks to invest in royalties generated from revenues from facilities that are fully contracted under long-term PPAs with investment grade counterparties (“Off-taker”), the Company will not be a party to the PPA and as such, revenues (and the corresponding royalties) generated will generally flow first from the Off-taker to the Facility Owner. In the event there are any delays or failure to pay by the Off-taker to the Facility Owner, or the Facility Owner to the Company, the Company may face delay or possibly failure in receiving its royalty payments, contrary to its contractual arrangements. The Company’s rights to payment under the royalties must, in most cases, be enforced by contract, with or without the protection of a security interest over property that the Company could readily liquidate. This affects the Company’s ability to collect outstanding royalties upon a default. In the event of a bankruptcy of a Facility Owner, the Company may be treated like any other unsecured creditor, and therefore have a limited prospect for full recovery of royalty revenue. The Company may not have any recourse against the Off-taker in a PPA. Failure to receive any royalty payments from the owners and operators may result in a material adverse effect on the Company’s profitability, results of operation and financial condition.

Reliance on Facility Owner Reporting

The Company relies on public disclosure and other information regarding the power generation facilities it receives from the Facility Owners. The Company must rely on the accuracy and timeliness of the public disclosure and other information it receives from the Facility Owners of the power generation facilities, and uses such information in its analyses, forecasts and assessments relating to its own business and to prepare its disclosure with respect to the royalties. If the information provided by the Facility Owners to the Company contains material inaccuracies or omissions, the Company’s disclosure may be inaccurate and its ability to accurately forecast or achieve its stated objectives may be materially impaired, which may have a material adverse effect on the Company.

Acquisition Strategy

As part of the Company’s business strategy, it has sought and will continue to seek to purchase royalties from renewable power generation facility owners, operators and developers. In pursuit of such opportunities, the Company may fail to select appropriate acquisition targets or negotiate acceptable arrangements, including arrangements to finance the acquisitions. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit the Company.

Royalty and Other Interests May Not Be Honored by Facility Owners

Royalty and other interests in renewable energy projects are largely contractually based. Parties to contracts do not always honor contractual terms and contracts themselves may be subject to interpretation or technical defects. To the extent grantors of royalty and other interests do not abide by their contractual obligations, the Company would be forced to take legal action to enforce its contractual rights, including any security interests. Such litigation may be time consuming and costly, and as with all litigation, no guarantee of success can be made. Should any such decision be determined adversely to

the Company, it may have a material adverse effect on the Company's profitability, results of operations and financial condition.

Rights in Favour of Third Parties

The Company may acquire royalties that are subject to: (i) buy-down right provisions pursuant to which a Facility Owner may buy-back all or a portion of the royalty; (ii) pre-emptive rights pursuant to which parties to various operating and royalty agreements may have the right of first refusal or first offer with respect to a proposed sale or assignment of a royalty to the Company; or (iii) claw back rights pursuant to which the seller of a royalty to the Company has the right to re-acquire the royalty. Holders of these rights may exercise them such that certain royalty interests would not be available to the Company. Any such exercise may result in the elimination of a royalty interest for compensation to the Company and it may have a material adverse effect on the Company's profitability, results of operations and financial condition.

Increased Competition for Royalty Interests

Although the Company believes that, as a pioneer in providing royalty financing in the renewable energy sector, it faces minimal competition in the acquisition of royalties in the renewable energy sector, the success of the Company's business model may lead other companies to engage in the search for and the acquisition of royalties in the renewable energy sector. If the Company has to compete with larger companies with substantial financial resources, the Company may be at a competitive disadvantage in acquiring royalty interests in these renewable energy projects. Accordingly, there can be no assurance that the Company will be able to compete successfully against other larger companies in acquiring new royalty interests or ability to acquire royalties at a viable cost. The Company's inability to acquire additional royalties may result in a material adverse effect on the Company's profitability, results of operation and financial condition.

Concentration Risk

The business of the Company is to invest in royalty interests in the renewable energy generation sector only. Given the concentration of the Company's exposure to the renewable power generation sector, the Company's investment portfolio will be more susceptible to adverse economic or regulatory occurrences affecting the renewable power generation sector than an investment fund that holds a diversified portfolio of securities. Moreover, while the Company's intention is to purchase a large number of royalties from different companies in different renewable energy generation segments, it will take time to attain such diversification. Until diversification is achieved, the Company may have a significant portion of its assets dedicated to a small number of renewable energy generation facilities or a single segment of the renewable energy generation sector. In the event that any such business or renewable energy generation segment is unsuccessful or experiences a downturn, a material adverse effect on the Company's profitability, results of operation and financial condition may result.

The Company Has a Limited History of Operations and There Can Be No Assurance of Success or Profits

The Company's business has only been in operations for a few years. While many members of management have expertise and comparable operating experience, the Company itself has a limited history of operations and there can be no assurance that the Company's business will be successful or profitable or that the Company will be able to successfully execute its business model and growth strategy. If the Company cannot execute its business model and growth strategy, it may result in a material adverse effect on the Company's profitability, results of operation and financial condition. Since the Company is

an early stage company, there will be limited financial, operational and other information available to evaluate the Company's prospects.

Availability and Terms of Additional Financing and Dilution to Shareholders' Interest

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further business activities, which may result in a material adverse effect on the Company's profitability, results of operation and financial condition. The Company will require new capital to grow its business and there are no assurances that capital will be available when needed, if at all. If such additional capital is raised through the issuance of additional equity, it will result in dilution to shareholders.

Foreign Exchange Risk

The Company's royalty interests will be subject to foreign currency fluctuations and inflationary pressures, which may have a material adverse effect on the Company's profitability, results of operation and financial condition. There can be no assurance that the steps taken by management to address variations in foreign exchange rates will eliminate all adverse effects and, accordingly, the Company may suffer losses due to adverse foreign currency rate fluctuations and it may result in a material adverse effect on the Company's profitability, results of operations and financial condition.

Interest Rate Risk

The Company intends on obtaining financing in the future by accessing the debt markets. Amounts payable in respect of interest and principal on debt to be incurred by the Company will affect its net cash flow and profitability. Any increase in such payments will result in a corresponding increase in the cash out flow of the Company that must be applied to debt service. In the event of such an increase, there can be no assurance that net cash flow derived from the Company's operations will be sufficient to cover its future financial obligations or that additional funds will otherwise be able to be obtained. If the Company becomes unable to pay its debt service charges or otherwise commits an event of default such as bankruptcy, the lender may foreclose on or sell all or some of the Company's assets, which may have a material adverse effect on the Company's profitability, results of operation and financial condition.

Payments of Dividends

Payment of dividends on the Common Shares will be within the discretion of the Board and will depend upon the Company's future earnings, its cash flows, its acquisition capital requirements and financial condition, and other relevant factors discussed herein. There can be no assurance that the Company will pay dividends or will be in a position to issue dividends due to the occurrence of one or more of the risks described herein.

Attracting and Retaining Qualified Management and Personnel

The Company is dependent upon the continued availability and commitment of its key management, whose contributions to immediate and future operations of the Company are of significant importance. The loss of any such members could negatively affect business operations. From time to time, the Company may need to identify and retain additional skilled management and personnel to efficiently operate its business. The number of persons skilled in the acquisition of royalties in the renewable energy sector is limited and as new companies enter this business, competition for such persons may intensify. Recruiting and retaining qualified personnel is critical to the Company's success and there can be no assurance of such recruitment and retention. If the Company is not successful in attracting and training qualified personnel, the Company's ability to execute its business model and growth strategy could be

affected, which could have a material adverse impact on its profitability, results of operations and financial condition.

Income Taxes

The Company's activities will generally be taxable in the jurisdictions in which it operates. Changes to taxation laws in Canada, the United States or any of the countries in which the Company acquires royalty agreements could materially affect the Company's royalty interests. No assurance can be given that new taxation rules will not be enacted or that existing rules will not be applied in a manner that could materially affect in the Company's profits and it may result in a material adverse effect on the Company's profitability, results of operations and financial condition.

Legal Proceedings

In the normal course of business, the Company may become party to legal action. There can be no assurance that the Company will be successful in defending these claims and legal actions or that any claim or legal action that is decided adverse to the Company will not materially and adversely affect the Company's profitability, results of operations and financial condition.

Limitation of Insurance

The Company maintains insurance policies, covering usual and customary risks associated with its business, with credit-worthy insurance carriers. A royalty interest in a renewable power generation facility is generally exposed to the risks inherent in the construction and operation of electricity generation facilities, such as breakdowns, manufacturing defects, natural disasters, theft, terrorist attacks and sabotage. The Company relies on the Facility Owner's insurance policies to cover losses as a result of force majeure, natural disasters, terrorist attacks or sabotage, among other things. While the Company performs a review of the Facility Owner's insurance policies, a significant uninsured loss or a loss that significantly exceeds the limits of the Facility Owner's insurance policies or the failure to renew such insurance policies on similar or favourable terms could have a material adverse effect on the Company's royalty interests.

General Risks Involved in the Operations of a Power Generation Facility

The revenue generated by the Company from a royalty interest is dependent on the amount of electricity generated by underlying power generation facilities. The ability of the power generation facilities to generate the amount of electricity expected is a primary determinant in the amount of revenues that will be received by the Company. A number of different factors, including: equipment failure due to wear and tear, latent defect, design error, operator error, slow response to outages due to underperforming monitoring systems, changes in wind or water flows, changes in solar irradiation patterns, and vandalism or theft could adversely affect the amount of electricity produced, and thus the revenues and cash flows of the Company. Unplanned outages or prolonged downtime for maintenance and repair may increase operating and maintenance expenses and reduce revenues as a result of selling less electricity. To the extent that a facility's equipment requires longer than forecasted down times for maintenance and repair, or suffers disruptions of power generation for other reasons, the profitability, results of operation and financial condition of the Company could be adversely affected.

Natural Disasters and Other Catastrophic Events

The power generation facilities and operations could be exposed to potential interruption and damage (partial or full loss) resulting from events such as environmental disasters (e.g. floods, high winds, fires, and earthquakes), severe weather conditions and equipment failures. There can be no assurance that in the event of an earthquake, hurricane, tornado, tsunami, typhoon, terrorist attack, act of war or other

natural, manmade or technical catastrophe, all or some parts of the generation facilities and infrastructure systems of the power generation facilities which the Company holds a royalty interest in, will not be disrupted. The occurrence of a significant event which disrupts the ability of the renewable power generation assets of the Royalty Sellers to produce or sell electricity for an extended period that could have a material adverse effect on the Company's profitability, results of operation and financial condition.

Permitting Risk

Although the Company generally seeks to acquire royalty interests in the power generating facilities that have commenced commercial operations or will commence commercial operations in near term, the Company may acquire royalty interests in power generation facilities that will require additional permits before commercial operations can be commenced. These facilities will require various property rights, permits and licenses in order to conduct current and future operations, and delays or a failure to obtain such property rights, permits and licenses, or a failure to comply with the terms if any of such property rights, permits and licenses could result in interruption or closure of operations on the facility. Such interruptions or closures could have a material adverse effect on the Company's profitability, results of operation and financial condition.

Environmental Laws and Regulations

The activities of a renewable power generation facility are subject to stringent environmental laws and regulations promulgated and administered by federal, provincial and municipal governments where the facility operates. These laws and regulations generally concern water use, wildlife, wetlands preservation, endangered species preservation and noise limitations, among others. The Company does not have any control over compliance of such laws and regulations with respect to the underlying renewable projects in which the Company holds royalty interests. Failure to comply with applicable environmental laws and regulations or failure to obtain or comply with any necessary environmental permits pursuant to such laws and regulations could result in sanctions against the facility owner and operator and may disrupt revenue of the Company for an extended period that, in turn, may have a material adverse effect on the Company's profitability, results of operation and financial condition.

Local Public Opposition

The development and operation of renewable assets may at times be subject to public opposition. In particular, with respect to the development and operation of wind projects, public concerns and objections often center around the noise generated by wind turbines and the impact such turbines have on wildlife, including birds and bats. While public opposition may be of greatest concern during the development stage of renewable assets, when the public has the ability to provide comments and appeal regulatory permits, continued opposition could have an impact on ongoing operations. Legal requirements, changes in scientific knowledge and public complaints regarding issues such as noise generated by wind turbines could impact the operation of certain of the projects in which the Company may hold a royalty interest in the future and it may result in a material adverse effect on the Company's profitability, results of operation and financial condition.

Negative Public or Community Response

Negative public or community response to wind, hydroelectric, and other power generation facilities could adversely affect the ability of the owners and operators to construct or operate the power generation facilities in which the Company may acquire royalty interests. This type of negative response could lead to legal, public relations and other challenges that impede the ability of the power generation facilities to achieve commercial operations and generate revenues at the anticipated levels. An increase in opposition to the facilities or segment of the renewable energy sector in which the Company may hold

royalty interests could have a material adverse effect on the Company's profitability, results of operation and financial condition.

Changes in Supply of Water, Levels of Winds, Irradiation and Other Natural Variables

The operation of renewable assets is inherently exposed to relevant natural variables, such as levels of wind, precipitation, the timing and rate of melting, run off, temperatures, hours of irradiation and other factors beyond the control of the Company. A shift in these weather or climate patterns may reduce the water flow to, or consistency of the wind resource at, the facilities in which the Company may hold royalty interests. Moreover, the use, treatment and discharge of water, and the licensing of water rights in many jurisdictions are subject to increasing level of regulations that may impact the supply of water to a specific power generation facility. These changes in natural variables and regulations could have a material adverse effect on the Company's profitability, results of operation and financial condition.

Reliance on Natural and Regional Transmission Systems

Renewable power generation facilities generally depend on electric transmission systems and related facilities (the "Grid") owned and operated by third parties to deliver the electricity a facility generates to delivery points where ownership changes as per the terms of underlying PPA. These Grids operate with both regulatory and physical constraints which in certain circumstances may impede access to electricity markets. There may be instances in system emergencies in which the power generation facilities are physically disconnected from the power grid, or their production curtailed, for short periods of time. Most PPAs do not provide for payments to the relevant facilities if electricity is not delivered. Renewable power generation facilities may also be subject to changes in regulations governing the use of the local transmission and distribution systems. The Company's profitability, results of operation and financial condition could be adversely affected as a result of any impediment to a facility's access to electricity markets due to regulatory and/or interconnection or physical constraints relating to electricity transmission systems.

Effect of General Economic and Political Conditions

The Company's business is subject to the impact of changes in global economic conditions including, but not limited to, recessionary or inflationary trends, market conditions, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence. These economic conditions may be further affected by political events throughout the world that cause disruptions in the financial markets, either directly or indirectly. Adverse economic and political developments could have a material adverse effect on the Company's profitability, results of operation and financial condition.

Delays and Cost Overruns in the Design and Construction of Projects

Delays and cost over-runs may occur in completing the construction of power generation facilities that the Facility Owners will undertake. A number of factors which could cause such delays or cost over-runs include, without limitation, permitting delays, construction pricing escalation, changing engineering and design requirements, the performance of contractors, labour disruptions, adverse weather conditions and the availability of financing. Even when complete, a power generation facility may not operate as planned due to design or manufacturing flaws, which may not all be covered by warranty. Mechanical breakdown

that is not covered by business interruption insurance could occur in equipment after the period of warranty has expired, resulting in loss of production.

Health, Safety and Environmental Risks

The ownership, construction and operation of power generation facilities carries an inherent risk of liability related to worker health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and/or to remediate or otherwise address environmental contamination, potential penalties for contravention of health, safety and environmental laws, licenses, permits and other approvals, and potential civil liability. Compliance with health, safety and environmental laws (and any future changes) and the requirements of licenses, permits and other approvals remain material to the Facility Owners' businesses. The Facility Owners' power generation facilities may become subject to government orders, investigations, inquiries or other proceedings (including civil claims) relating to health, safety and environmental matters. The occurrence of any of these events or any changes, additions to or more rigorous enforcement of, health, safety and environmental laws, licenses, permits or other approvals could have a significant impact on operations and/or result in additional material expenditures and ultimately affect the ability of Facility Owners to pay the Company royalties. As a consequence, no assurances can be given that additional environmental and workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to the business and operations of the power generation facilities.

Risk Related to COVID-19

The current outbreak of the novel coronavirus (COVID-19), and any future emergence and spread of similar pathogens, could have a material adverse effect on global and local economic and business conditions. The extent to which the coronavirus impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of the coronavirus and the actions taken to contain the coronavirus or treat its impact, among others. Moreover, the spread of the coronavirus globally is expected to have a material adverse effect on global and regional economies and to continue to negatively impact stock markets, including the trading price of our shares. These adverse effects on the economy, the stock market and our share price could adversely impact our ability to raise capital. Any of these developments, and others, could have a material adverse effect on our business and results of operations and could delay our business development plans.

6. Dividends and Distributions

Between January 1, 2021 and the date of this AIF, the Company had declared the following cash distributions to its shareholders:

For the quarter ended	Declaration date	Record date	Payment date	Amount per share	Amount Total
December 31, 2020	January 6, 2021	January 27, 2021	February 17, 2021	\$ 0.01	\$ 332,899
March 31, 2021	April 7, 2021	April 28, 2021	May 19, 2021	0.01	332,899
Total				\$ 0.02	\$ 665,798

During the Company's fiscal year ended December 31, 2020, the Company declared the following cash distributions to its shareholders:

For the quarter ended	Declaration date	Record date	Payment date	Amount per share	Amount Total
December 31, 2019	January 8, 2020	January 29, 2020	February 19, 2020	\$ 0.01	\$ 321,714
March 31, 2020	April 8, 2020	April 29, 2020	May 20, 2020	0.01	321,714
June 30, 2020	July 10, 2020	July 29, 2020	August 19, 2020	0.01	326,714
September 30, 2020	October 7, 2020	October 28, 2020	November 18, 2020	0.01	327,363
Total				\$ 0.04	\$ 1,297,505

During the year ended December 31, 2019, the Company declared the following cash distributions to its shareholders:

For the quarter ended	Declaration date	Record date	Payment date	Amount per share	Amount Total
March 31, 2019⁽ⁱ⁾	March 15, 2019	April 3, 2019	May 1, 2019	\$ 0.01	\$ 321,714
June 30, 2019	June 25, 2019	July 17, 2019	August 7, 2019	0.01	321,714
September 30, 2019	September 27, 2019	October 16, 2019	November 6, 2019	0.01	321,714
Total				\$ 0.03	\$ 965,142

- (i) The distribution for the quarter ended March 31, 2019 was designated by the Company to be a return of capital for the purpose of the Income Tax Act (Canada) and any similar provincial or territorial legislation.

The Company's decision to pay distributions will be reviewed from time to time by the Board in the context of the Company's earnings, financial condition and other relevant factors. There are no restrictions that could prevent the Company from paying dividends or distributions.

7. Description of Capital Structure

7.1. General

7.1.1. Common Shares

Description of security	Number authorized to be issued	As at the date of this AIF
Common Shares	Unlimited	33,289,927

The holders of the common shares (“Common Shares”) are entitled to receive notice of and to attend all meetings of the shareholders of the Company and shall have one vote for each Common Share held at all meetings of the shareholders of the Company. The holders of Common Shares are entitled to (a) receive any dividends as and when declared by the board of directors out of the assets of the Company properly applicable to the payment of dividends, in such amount and in such form as the board of directors may from time to time determine, and (b) receive the remaining property of the Company (after payment of all outstanding debts) in the event of any liquidation, dissolution or winding-up of the Company. There are no special rights or restrictions attached to the Common Shares. The holders of the Common Shares have no pre-emptive, subscription, redemption or conversion rights. Other than as provided for in this AIF, there are no provisions restricting the issuance of Common Shares or any other material restrictions.

7.1.2. Convertible Note

Description of security	Number authorized to be issued	Price per security	As at the date of this AIF
Convertible Note – Feb 2020	N/A	\$1.00	1,637,176

In February 2020, the Company issued a series of unsecured, convertible notes (“2020-Convertible Note”) totaling \$1.6 million to certain arm’s-length parties. The 2020-Convertible Note shall be convertible into common shares of the Company at a conversion price of \$1.00 per share, with a term of 36 months from the date of issue and bear an annual interest rate of 8% per annum. Without the prior written consent of the lenders, the Company will not incur indebtedness that would result in its debt to equity ratio to exceed 1:1.

7.1.3. Share Purchase Options

Description of security	Price per security	As at the date of this AIF
Share Purchase Options	\$0.80	1,060,000
Share Purchase Options	\$1.00	135,000
Share Purchase Options	\$1.32	1,450,000

The Company has adopted an incentive stock option plan (the “Option Plan”), which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSXV

requirements, grant to directors, officers and technical consultants to the Company, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the Common Shares issued and outstanding from time to time. The exercise price of each option may be set equal to or greater than the closing market price of the Common Shares of the Company on the day prior to the date of the grant of the option, less any allowable discounts. Awards typically vest in several tranches ranging from 6 months to 18 months. Options can have a maximum term of ten years and terminate 60 days following the termination of the optionee’s employment, or 180 days following the optionee’s death or disability. Such options will be exercisable for a period of up to ten years from the date of grant.

The number of Common Shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding Common Shares, and the number of Common Shares reserved for issuance to all consultants will not exceed 2% of the issued and outstanding Common Shares.

Currently, there were 33,289,927 Common Shares issued and outstanding. Accordingly, under the Option Plan the Company has the authority to grant options to purchase up to a total of 3,328,992 Common Shares. At the date of this AIF, 2,645,000 options to purchase Common Shares are granted and outstanding under the Plan. Therefore, a further 683,992 Common Shares, representing 2% of the outstanding Common Shares, remain available for reserve for exercise of options to be granted under the Plan, at the Board's discretion, to eligible optionees.

7.1.4. Share Purchase Warrants

Description of security	Price per security	Expiry	As at the date of this AIF
Share Purchase Warrants	\$1.33	October 2022	245,955
Share Purchase Warrants	\$1.44	October 2022	86,083
Share Purchase Warrants	\$1.48	December 2022	92,595
Share Purchase Warrants	1.25	February 2023	17,472

The Company has granted a number of share purchase warrants (“Warrants”) to certain agents and finders, in relation to prior completed financings. Each warrant allows the warrant holder to purchase one Common Share until the expiry date at the prescribed price per Common Share.

7.1.5. Green Bonds

An aggregated amount of gross proceeds of \$10.2 million were raised in four tranches in the Company’s inaugural Green Bond offering during 2020 and 2021. The Green Bonds are senior secured obligations of the Company that are secured against the Company’s portfolio of royalty and loan investments and each Green Bond has a principal amount of \$1,000 and bears interest at a rate of 6% per annum, payable quarterly. Net proceeds from the Green Bonds will be utilized to finance or re-finance renewable energy projects and/or technologies that can assist in mitigating the impact of climate change.

On March 1, 2021, the Company announced the closing of the fourth and the final tranche of its public offering of Series 1-2020 First Ranking Senior Secured 5-year green bonds.

The table below summarizes all Green Bond issuances.

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Total
<u>Tranche closing and maturity date</u>					
Tranche closing date	02-Oct-20	29-Oct-20	15-Dec-20	01-Mar-21	
Maturity date	02-Oct-25	29-Oct-25	15-Dec-25	01-Mar-26	
<u>Number of Green Bonds issued at \$1,000 each</u>					
Brokered	4,947	1,661	2,044	201	8,853
Non-Brokered	505	405	240	163	1,313
Total	5,452	2,066	2,284	364	10,166
<u>Aggregate proceeds from the Green Bonds issued</u>					
Brokered	\$ 4,947,000	\$ 1,661,000	\$ 2,044,000	\$ 201,000	\$ 8,853,000
Non-Brokered	505,000	405,000	240,000	163,000	1,313,000
Total	\$ 5,452,000	\$ 2,066,000	\$ 2,284,000	\$ 364,000	\$10,166,000
<u>Cash commission and fees</u>					
Agent's fee	\$ 197,880	\$ 66,440	\$ 81,760	\$ 8,040	\$ 354,120
Corporate finance fee	10,200	16,200	7,000	6,520	39,920
Finder's fee – non-brokered	10,000	–	–	–	10,000
Total fees	\$ 218,080	\$ 82,640	\$ 88,760	\$ 14,560	\$ 404,040
<u>Warrants</u>					
Agent's warrants	223,173	69,208	82,865	9,648	384,894
Corporate finance warrants	22,782	16,875	9,730	7,824	57,211
Total number of warrants issued	245,955	86,083	92,595	17,472	442,105
Exercise price, based on 5-day volume adjusted weighted average share price (VWAP)					
	\$1.33	\$1.44	\$1.48	\$1.25	
Expiration (24-month term)					
	02-Oct-22	29-Oct-22	15-Dec-22	01-Mar-23	

The Green Bonds were issued under an indenture dated August 10, 2020 (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 consisted of the Green Bonds, which were 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, 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 price of each secured fixed rate Green Bond is \$1,000. Subject to the Company’s right of early redemption as provided for below, the Green 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	Fifth anniversary date of the issuance of the Green Bond

The Bonds will not be listed on any stock exchange.

b) No Voting Rights:

Bondholders will not have the right to vote on matters relating to the Company.

c) Security:

The security for the Company's obligations to the Bondholders includes the security agreement 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.

d) Redemption:

The Green 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 Green Bonds shall be an amount equal to the principal amount outstanding on the Green Bonds and all remaining unpaid interest payable to but excluding the redemption date.

Notice of intention to redeem any Green 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 Green Bond called for redemption shall fail on or before the redemption date to surrender such holder's Green 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 Green 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 Green Bonds are to be redeemed at one time, the Green Bonds to be redeemed will be selected by the Trustee on a pro rata basis, disregarding fractions, according to the principal amount of Green 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 Green 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 Green Bonds purchased as aforesaid, when paid, as evidence of such payment. If, upon an invitation to tender, more Green Bonds are tendered in response to such invitation at the same lowest price than the Company is prepared to accept, Green 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 Green 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 Green Bonds tendered by each Bondholder which tendered at such lowest price.

e) 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 Green Bonds:

- (a) the Company shall duly and punctually pay all sums of money due and payable by it under the Green 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 Green 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%).

f) 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 Green 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 Green 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 Green 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 Green Bonds then outstanding and any other money payable under the Indenture or in respect of the Green 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.

8. Market for Securities

8.1. Trading Price and Volume

The Common Shares are currently listed on the TSXV under the trading symbol “RE”. The following table sets forth the reported intraday high and low prices and the trading volume for the Shares on the TSXV for the 12-month period prior to December 31, 2020.

Month	High (\$)	Low (\$)	Volume
January 2020	1.23	0.94	155,124
February 2020	1.45	0.95	140,899
March 2020	1.25	0.85	104,178
April 2020	1.14	0.85	63,380
May 2020	1.19	1.00	58,830
June 2020	1.17	0.95	101,805
July 2020	1.07	0.88	42,907
August 2020	1.17	0.94	107,272
September 2020	1.60	1.11	147,627
October 2020	1.55	1.30	83,685
November 2020	1.55	1.39	83,206
December 2020	1.80	1.40	25,712

8.2. Prior Sales

RER has completed the following placements of Common Shares during the 12-month period prior to December 31, 2020:

Date of Offering	Number of shares Issued	Price per share	Gross Proceeds
July 2020 ⁽¹⁾	500,000	\$0.50	\$250,000
September 2020 ⁽²⁾	7,700	\$1.00	\$7,700
October 2020 ⁽²⁾	100,000	\$0.80	\$80,000
October 2020 ⁽²⁾	7,300	\$1.00	\$7,300
November 2020 ⁽³⁾	503,538	\$1.00	\$503,538

⁽¹⁾ Issued on exercise of share purchase warrants.

⁽²⁾ Issued on exercise of share purchase options.

⁽³⁾ Issued on conversion of a convertible note.

9. Escrowed Securities and Securities Subject to Contractual Restriction on Transfer

9.1. Escrow of Qualifying Transaction Shares

As of the date hereof, none of the Common Shares are held in escrow or that were subject to a contractual restriction on transfer.

10. Directors and Officers

10.1. Name, Occupation and Security Holding

The following table presents the members of the Board of Directors and executive officers, their principal occupations during the five preceding years and the year they first became Directors (if applicable). Each Director is appointed to serve until the next annual meeting of Shareholders or until his or her successor is elected or appointed.

Name and Residence	Position(s) Held at RER	Director Since	Principal Occupation(s) During the Past 5 Years
Rene Carrier British Columbia, Canada	Director ⁽¹⁾⁽²⁾	November 2018	President of Euro-American Capital Corporation
Stephen Cheeseman British Columbia, Canada	Director ⁽²⁾⁽³⁾	February 2019	President of Chinook Power Corp.
Gord Fretwell British Columbia, Canada	Director ⁽³⁾	February 2019	Partner at Gordon J. Fretwell Law Corporation
Paul Larkin British Columbia, Canada	Director ⁽¹⁾⁽³⁾	November 2018	President of New Dawn Group
Jill Leversage British Columbia, Canada	Director ⁽¹⁾⁽²⁾	November 2018	Corporate Director of MAG Silver Corp, Aurinia Pharmaceuticals Inc., Capital Markets Authority Implementation Authority, ICBC and Vancouver Airport Authority.
Marchand Snyman British Columbia, Canada	Director Chairman	November 2018	Chairman of Electric Royalties Ltd., Northcliff Resources Ltd. and Chief Operating Officer of Hunter Dickinson Inc.
Bernard Tan British Columbia, Canada	Director, Chief Executive Officer	February 2019	Chief Executive Officer of the Company
Peter Leighton British Columbia, Canada	Chief Operating Officer	N/A	Chief Operating Officer of the Company
Luqman Khan British Columbia, Canada	Chief Financial Officer	N/A	Controller of Hunter Dickinson Inc.

Notes:

- (1) Member of the Audit and Risk Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Nominating and Governance Committee.

As of December 31, 2020, 5,230,002 Common Shares, representing approximately 15.7% of the total outstanding Common Shares, were beneficially owned, directly or indirectly, or controlled by the Directors and executive officers of the Company.

10.2. Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as disclosed below, within the last 10 years before the date of this AIF, no proposed nominee for election as a director of the Company was a director or executive officer of any company (including the Company in respect of which this Information Circular is prepared) or acted in that capacity for a company that was:

- a) subject to a cease trade or similar order or an order denying the relevant company access to any exemptions under securities legislation, for more than 30 consecutive days;
- b) subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under the securities legislation, for a period of more than 30 consecutive days;
- c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director;
- d) subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- e) subject to any other penalties or sanctions imposed by a court or a regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Gordon Fretwell was a director of TSXV listed Lignol Energy Corporation (“Lignol”) from January 2007 to May 2015. Lignol went into receivership on August 22, 2014.

Paul Larkin was a director of Esrey Resources Ltd. (“Esrey”), a TSXV listed company, which was cease-traded on April 3, 2019 for failure to file its 2018 audited financial statements and management discussion and analysis in a timely manner. The Cease Trade Orders were lifted as of June 11, 2019, the annual filings having been attended to on June 3, 2019. A subsequent cease trade order was issued on February 4, 2020 for failure to file its 2019 audited financial statements and management discussion and analysis in a timely manner. Mr. Larkin resigned from the Board of Esrey on February 27, 2020.

10.3. Conflicts of Interest

Several directors of the Company also serve as directors of one or more renewable energy companies. It may occur from time to time that, because of his or her activity in the renewable energy industry and serving on such other boards, a director may become aware of potential opportunities that are of interest to more than one of the companies on whose boards that person serves. Accordingly, situations may arise in the ordinary course that will involve a director in an actual or potential conflict of interest, as well as issues in connection with the general obligation of a director to make corporate opportunities available

to the company on whose board the director serves. In all such events, any director is required to disclose a financial interest in a contract or transaction by virtue of office, employment or security holdings or other such interest in another company or in a property interest under consideration by the Board, and is obliged to abstain from voting as a director of the Company in respect of any transaction involving that other company or in respect of any property in which an interest is held by him or her. The directors will use their best business judgment to avoid situations where conflicts or corporate opportunity issues might arise, and they must at all times fulfill their duties to act honestly and in the best interests of the Company as required by law.

Except as disclosed in this Annual Information Form, none of the Directors or executive officers of RER, or any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of RER's outstanding voting securities, or any associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect RER.

11. Promoters

There are no promoters for the Company.

12. Legal Proceedings and Regulatory Actions

To the knowledge of RER, there is no currently outstanding litigation, claim or regulatory proceeding involving RER that is expected to be material to RER.

13. Interest of Management and Others in Material Transactions

None.

14. Transfer Agents and Registrars

The transfer agent and registrar for the Common Shares of the Company is Computershare, 100 University Avenue, Toronto, Ontario.

The transfer agent and registrar for the Green Bonds of the Company is Capital Transfer Agency, 390 Bay Street Suite 920, Toronto, Ontario.

15. Material Contracts

The Company have not entered into any material contracts that are outside of the Company's ordinary course of business.

16. Interests of Experts

The following is a list of the persons or companies named as having prepared or certified a statement, report or valuation, in this AIF either directly or in a document incorporated by reference and whose profession or business gives authority to the statement, report or valuation made by the person or company:

The Company's independent auditors are Deloitte LLP, Chartered Professional Accountants. Deloitte LLP is independent of the Company within the meaning of the rules of professional conduct of the Chartered Professional Accountants of British Columbia.

Based on information provided by the relevant persons, and except as otherwise disclosed in this AIF, none of the persons or companies referred to above has received or will receive any direct or indirect interests in our property or the property of an associated party or an affiliate of ours.

17. Additional Information

Additional information relating to the Company can be found on SEDAR (www.sedar.com).

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the most recent management information circular of the Company filed on SEDAR.

Additional financial information is provided in the Company's most recent audited consolidated financial statements and management's discussion and analysis available on SEDAR.

18. Audit and Risk Committee

The Audit and Risk Committee has adopted a charter that sets out its mandate and responsibilities, and is attached to this AIF as Appendix A, or available for viewing under the Company's Corporate Governance Policies and Procedures Manual at Appendix 6, on the Company's website (www.reroyalties.com).

Composition of Audit and Risk Committee

The Audit and Risk Committee, consisting of Rene Carrier (Chair), Paul Larkin and Jill Leversage reviews all financial statements of the Company prior to their publication, meets with the auditors as part of their review of audit findings, considers the adequacy of audit procedures, recommends the appointment of independent auditors, reviews and approves the professional services to be rendered by them and reviews fees for audit services. The charter has set criteria for membership which all members of the Audit and Risk Committee are required to meet consistent with National Instrument 52-110 Audit Committees and other applicable regulatory requirements. The Audit and Risk Committee, as needed, meets separately (without management present) with the Company's auditors to discuss the various aspects of the Company's financial statements and the independent audit.

Each Audit and Risk Committee member is an independent director and is financially literate. Rene Carrier is the Audit and Risk Committee's Chairman. Jill Leversage and Paul Larkin are financial experts.

Relevant Education and Experience

Each Audit and Risk Committee member biographical information and experience can be found in the Company's Management Information Circular.

As a result of their education and experience, each member of the Audit and Risk Committee has familiarity with, an understanding of, or experience in:

- the accounting principles used by the Company to prepare its financial statements, and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;
- reviewing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, and
- an understanding of internal controls and procedures for financial reporting.

Audit Committee Oversight

The Audit and Risk Committee has not made any recommendations to the Board to nominate or compensate any external auditor that was not adopted by the Board.

Reliance on Certain Exemptions

The Company's external auditor, Deloitte LLP, has not provided any material non-audit services.

Pre-approval of Policies and Procedures

Section 1(a)(iv) of the Audit Committee Charter states that the Audit and Risk Committee must review and approve in advance all permitted non-audit services with Company's auditors and the Audit and Risk Committee may delegate the ability to pre-approve such services to a subcommittee, provides such subcommittee shall present its decision to the full Audit and Risk Committee at the following Audit and

Risk Committee meeting. Other than the foregoing, the Audit and Risk Committee has not adopted specific policies and procedures for the engagement of non-audit services.

External Auditor Service Fees

Prior to the completion of the Company's reverse takeover (the "Qualifying Transaction") on November 6, 2018, Crowe MacKay LLP was the external auditor and was paid audit fees of \$7,000 for the fiscal year ended March 31, 2018 (Fiscal year ended March 31, 2017: \$6,500) while the Company was listed as a Capital Pool Company ("CPC") on the TSX Venture Exchange.

After the completion of the Qualifying Transaction, the fiscal year of the resulting issuer was changed to December 31st to align with the fiscal year of the legal acquiree (the "Operating Entity") in the reverse takeover and Deloitte LLP (the auditors of the Operating Entity) were appointed as the auditors of the Company. The disclosures the follow herein relate to the Operating Entity.

The audit committee has reviewed the nature and amount of the non-audit services provided by Deloitte LLP to the Company to ensure auditor independence. Fees incurred with Deloitte LLP for professional services in the last two fiscal years are outlined in the following table:

Nature of Services		Year Ended Dec 31, 2020	Year Ended Dec 31, 2019
Audit Fees	includes fees necessary to perform the annual audit and quarterly reviews of the Company's financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.	\$ 131,000	\$ 81,150
Audit-Related Fees	includes services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.	Nil	Nil
Tax Fees	includes fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.	Nil	Nil
All Other Fees	includes all other non-audit services.	Nil	Nil
Total		\$ 131,000	\$ 81,150

Code of Ethics

The Company has adopted a code of ethics that applies to all directors, officers and employees of the Company, including the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and other senior staff. A copy of the Code of Ethics, which is included as a part of the Company's Governance Policies and Procedures Manual, is available on the Company's website at www.reroyalties.com.

APPENDIX A

AUDIT AND RISK COMMITTEE CHARTER

1. Purpose: Responsibilities and Authority

The Audit and Risk Committee (the “Audit Committee” or “Committee”) shall carry out its responsibilities under applicable laws, regulations and stock exchange requirements with respect to the employment, compensation and oversight of the Company’s independent auditor, and other matters under the authority of the Committee. The Committee also shall assist the Board of Directors in carrying out its oversight responsibilities relating to the Company’s financial, accounting and reporting processes, the Company’s system of internal accounting and financial controls, the Company’s compliance with related legal and regulatory requirements, and the fairness of transactions between the Company and related parties. In furtherance of this purpose, the Committee shall have the following responsibilities and authority:

(a) *Relationship with Independent Auditor.*

- (i) Subject to the law of British Columbia as to the role of the Shareholders in the appointment of independent auditors, the Committee shall have the sole authority to appoint or replace the independent auditor.
- (ii) The Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
- (iii) The independent auditor shall report directly to the Committee.
- (iv) The Committee shall approve in advance all audit and permitted non-audit services with the independent auditor, including the terms of the engagements and the fees payable.
- (v) At least annually, the Committee shall review and evaluate the experience and qualifications of the lead partner and senior members of the independent auditor team.
- (vi) At least annually, the Committee shall obtain and review a report from the independent auditor regarding:
 - (1) any material issues raised by the most recent internal quality-control review, or peer review, of the auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm;
 - (2) any steps taken to deal with any such issues; and

(3) all relationships between the independent auditor and the Company.

(vii) At least annually, the Committee shall evaluate the qualifications, performance and independence of the independent auditor, including considering whether the provision of permitted non-audit services is compatible with maintaining the auditor's independence.

(viii) The Committee shall ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit, the concurring partner responsible for reviewing the audit, and other audit partners as required by law.

(ix) The Committee shall consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm on a regular basis.

(x) The Committee shall recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditor who were engaged on the Company's account or participated in any capacity in the audit of the Company.

(b) *Financial Statement and Disclosure Review.*

(i) The Committee shall review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be filed with applicable securities regulatory authorities and included in the Company's annual reports.

(ii) The Committee shall review and discuss with management (and, to the extent the Committee deems it necessary or appropriate, the independent auditor) the Company's quarterly financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether such financial statements should be filed with applicable securities regulatory authorities.

(iii) The Committee shall review and discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including the independent auditor's assessment of the quality of the Company's accounting principles, any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls over financial reporting, and any special steps adopted in light of material control deficiencies.

(iv) At least annually and prior to the publication of annual audited financial statements, the Committee shall review and discuss with management and the independent auditor a report from the independent auditor on:

- (1) all critical accounting policies and practices used by the Company;
 - (2) all alternative accounting treatments of financial information that have been discussed with management since the prior report, ramifications of the use of such alternative disclosures and treatments, the treatment preferred by the independent auditor, and an explanation of why the independent auditor's preferred method was not adopted; and.
 - (3) other material written communications between the independent auditor and management since the prior report, such as any management letter or schedule of unadjusted differences, the development, selection and disclosure of critical accounting estimates, and analyses of the effect of alternative assumptions, estimates or GAAP methods on the Company's financial statements.
- (v) Prior to their filing or issuance, the Committee shall review the Company's Annual Information Form, quarterly and annual earnings press releases, and other financial press releases, including the use of "pro forma" or "adjusted" non-GAAP information.
- (vi) The Committee shall review and discuss with management the financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be specific or it may be in general regarding the types of information to be disclosed and the types of presentations to be made.
- (c) ***Conduct of the Annual Audit.*** The Committee shall oversee the annual audit, and in the course of such oversight the Committee shall have the following responsibilities and authority:
- (i) The Committee shall meet with the independent auditor prior to the audit to discuss the planning and conduct of the annual audit, and shall meet with the independent auditor as may be necessary or appropriate in connection with the audit.
 - (ii) The Committee shall ascertain that the independent auditor is registered and in good standing with the Canadian Public Accounting Board and that the independent auditor satisfies all applicable Canadian independence standards. The Committee shall obtain from the auditor a written statement delineating all relationships between the auditor and the Company as per applicable independence standards, and review relationships that may impact the objectivity and independence of the auditor.
 - (iii) The Committee shall discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including

- (1) the adoption of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the independent auditor, internal auditors or management;
 - (2) the management letter provided by the independent auditor and the Company's response to that letter; and
 - (3) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
- (iv) The Committee shall make such inquiries to the management and the independent auditor as the Committee members deem necessary or appropriate to satisfy themselves regarding the efficacy of the Company's financial and internal controls and procedures and the auditing process.

(d) Compliance and Oversight.

- (i) The Committee shall meet periodically with management and the independent auditor in separate executive sessions. The Committee may also, to the extent it deems necessary or appropriate, meet with the Company's investment bankers and financial analysts who follow the Company.
- (ii) The Committee shall discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
- (iii) The Committee shall discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies, and regularly review the top risks identified by management and the policies and practices adopted by the Company to manage those risks.
- (iv) At least annually and prior to the filing of the AIF, if required, the Committee shall review with management and the independent auditor the disclosure controls and procedures and confirm that the Company (with CEO and CFO participation) has evaluated the effectiveness of the design and operation of the controls within 90 days prior to the date of filing of the AIF. The Committee also shall review with management and the independent auditor any deficiencies in the design and operation of internal controls and significant deficiencies or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls. As a part of that review, the Committee shall review the process followed in preparing and verifying the accuracy of the CEO and CFO annual certifications required to be included in the AIF.

(v) At least annually and prior to the filing of the AIF, the Committee shall review with management and the independent auditor management's internal control report and assessment of the internal controls and procedures, and the independent auditor's report on and assessment of the internal controls and procedures. In connection with its review of interim and annual financial statements and related management's discussion and analysis, the Committee shall confirm with management that the Company (with CEO and CFO participation) has taken all actions required in connection with the certifications required by National Instrument NI 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*.

(vi) The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

(vii) The Committee shall discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or reports which raise material issues regarding the Company's financial statements or accounting policies.

(viii) At least annually, the Committee shall meet with the Company's legal counsel and discuss any legal matters that may have a material impact on the financial statements or the Company's compliance policies.

(ix) The Committee shall oversee the preparation of all reports relating to the Committee required under applicable laws, regulations and stock exchange requirements.

(x) The Committee shall exercise oversight with respect to anti-fraud programs and controls.

(e) *Related Party Transactions.*

(i) The Committee shall review for fairness to the Company proposed transactions, contracts and other arrangements between the Company and its subsidiaries and any related party or affiliate, and make recommendations to the Board whether any such transactions, contracts and other arrangements should be approved or continued. The foregoing shall not include any compensation payable pursuant to any plan, program, contract or arrangement subject to the authority of the Company's Compensation Committee.

(ii) As used herein the term "related party" means any officer or director of the Company or any subsidiary, or any shareholder holding a greater than 10% direct or indirect financial or voting interest in the Company, and the term "affiliate" means any person, whether acting alone or in concert with others, that controls, is controlled by or is under common control with another person.

2. Structure and Membership

- (a) **Number and qualification.** The Committee shall consist of three persons unless the Board should from time to time otherwise determine. All members of the Committee shall meet the experience and financial literacy requirements of National Instrument NI 52-110 and the rules of the Toronto Stock Exchange
- (b) **Selection and Removal.** Members of the Committee shall be appointed by the Board, upon the recommendation of the Nominating and Governance Committee. The Board may remove members of the Committee at any time with or without cause.
- (c) **Independence.** The Committee shall be in compliance with the appropriate securities or exchange independence requirements, except in the instance of director transition or resignation where the Committee and/or the board will seek to meet independence requirements at the earliest opportunity. At a minimum, a majority of the members of the Committee shall be “independent” as determined under the Company’s Corporate Governance Overview and Guidelines.
- (d) **Chairperson.** Unless the Board elects a chairperson of the Committee, the Committee shall elect a chairperson by majority vote.
- (e) **Compensation.** The compensation of the Committee shall be as determined by the Board.
- (f) **Term.** Members of the Committee shall be appointed for one-year terms. Each member shall serve until his or her replacement is appointed, or until he or she resigns or is removed from the Board or the Committee.

3. Procedures and Administration

- (a) **Meetings.** The Committee shall meet as often as it deems necessary in order to perform its responsibilities, but not less than quarterly. The Committee shall keep minutes of its meetings and any other records as it deems appropriate.
- (b) **Subcommittees.** The Committee may form and delegate authority to one or more subcommittees, consisting of at least one member, as it deems appropriate from time to time under the circumstances.
- (c) **Reports to the Board.** The Committee shall regularly report to the Board with respect to such matters as are relevant to the Committee’s discharge of its responsibilities, and shall report in writing on request of the chairperson of the Board.
- (d) **Charter.** The Committee shall, at least annually, review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

- (e) **Independent Advisors.** The Committee shall have the authority to engage such independent legal and other advisors as it deems necessary or appropriate to carry out its responsibilities. Such independent advisors may be regular advisors to the Company. The Committee is empowered, without further action by the Board, to cause the Company to pay appropriate compensation to advisors engaged by the Committee.
- (f) **Investigations.** The Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it deems appropriate, including the authority to request any Officer or other person to meet with the Committee and to access all Company records.
- (g) **Annual Self-Evaluation.** The Committee shall evaluate its own performance at least annually.

4. Additional Powers

The Committee shall have such other duties as may be delegated from time to time by the Board of Directors.

5. Limitation of Committee's Role

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

6. Committee Member Independence, Financial Literacy Requirements

A. Independence

- (a) See Appendix 2 of the Company's Corporate Governance Overview and Guidelines.

B. Financial Literacy

NI 52-110

Section 3.1(4) states that each audit committee member must be financially literate.

Section 1.6 defines the meaning of financial literacy as follows:

“For the purposes of this Instrument, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.”