



RE ROYALTIES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED
MARCH 31, 2021 AND 2020

(Expressed in Canadian Dollars)

(Unaudited)

RE Royalties Ltd.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Expressed in Canadian Dollars)

	Note	March 31, 2021	December 31, 2020
ASSETS			
Non-current assets			
Secured loans and royalty interests	4	\$ 8,214,123	\$ 8,302,723
Investment in an associate	5	1	1
		8,214,124	8,302,724
Current assets			
Secured loans and royalty interests	4	5,532,227	7,135,378
Amounts receivable and prepaid expenses	6	732,536	467,701
Cash and cash equivalents and restricted cash	3	12,940,550	11,704,731
		19,205,313	19,307,810
TOTAL ASSETS		\$ 27,419,437	\$ 27,610,534
EQUITY			
Share capital	10	\$ 23,159,638	\$ 23,159,638
Reserves	10	1,282,760	871,649
Accumulated deficit		(8,111,419)	(7,023,733)
		16,330,979	17,007,554
LIABILITIES			
Non-current liabilities			
Green Bonds	8	9,266,590	8,906,325
Convertible notes	9	1,657,461	1,608,122
		10,924,051	10,514,447
Current liabilities			
Trade payables and accrued liabilities	7	164,407	88,533
		164,407	88,533
Total liabilities		11,088,458	10,602,980
TOTAL EQUITY AND LIABILITIES		\$ 27,419,437	\$ 27,610,534

Events after the reporting period (note 14)

The accompanying notes are an integral part of these condensed consolidated interim financial statements

These condensed interim financial statements are approved for issuance by the Audit and Risk Committee of the Company's Board of Directors on May 31, 2021 and are signed on the Company's behalf by the following:

/s/ Bernard Tan

Bernard Tan
Director

/s/ Rene Carrier

Rene Carrier
Director

RE Royalties Ltd.

Condensed Consolidated Interim Statements of Comprehensive (Loss) Income

(Unaudited – Expressed in Canadian Dollars, except for weighted average number of common shares)

	Note	Three months ended March 31,	
		2021	2020
Revenue and income			
Royalty revenue		\$ 191,501	\$ 132,766
Finance income		247,142	310,720
		438,643	443,486
Amortization and depletion			
Amortization of transaction cost		-	7,521
Depletion of royalty interest		71,486	62,643
		(71,486)	(70,164)
Gross profit		367,157	373,322
(Loss)/gain on revaluation of financial asset at FVTPL		(36,025)	70,462
Gross profit and changes in fair value of financial assets		331,132	443,784
Expenses			
Rent and information technology		18,900	19,260
Legal		2,856	-
Regulatory and transfer agency		14,707	11,044
Administration		81,240	71,794
Donations		-	25,000
Marketing and stakeholder communication		87,056	51,265
Consulting – Financing		26,409	32,930
Consulting – Other		37,400	42,742
Wages and benefits		167,420	130,554
Equity-settled share-based payments	10	404,000	4,885
		(839,988)	(389,474)
Other items			
Finance expenses		242,691	38,694
Foreign exchange loss (gain)		3,240	(37,035)
		(245,931)	(1,659)
Net (loss) income		\$ (754,787)	\$ 52,651
Other comprehensive (loss) income			
Items that may be subsequently reclassified to net income			
Foreign exchange translation difference		-	47,000
Total other comprehensive (loss) income		-	47,000
Total comprehensive (loss) income		\$ (754,787)	\$ 99,651
Basic and diluted (loss) income per share	12	\$ (0.02)	\$ 0.00
Weighted average number of common shares outstanding	12	33,289,927	32,171,389

The accompanying notes are an integral part of these condensed consolidated interim financial statements

RE Royalties Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited – Expressed in Canadian Dollars, except for number of shares)

	Note	Share capital		Reserves				Accumulated deficit	Total equity
		Number of shares	Amount	Equity-settled share-based payments	Share purchase warrants	Convertible note – conversion option	Foreign currency translation reserve		
Balance at January 1, 2020		32,171,389	\$22,241,137	\$ 528,183	\$ 12,876	\$ 26,911	\$ 64,249	\$ (5,279,574)	\$ 17,593,782
Net income		-	-	-	-	-	-	52,651	52,651
Other comprehensive income		-	-	-	-	-	47,000	-	47,000
Total comprehensive income		-	-	-	-	-	47,000	52,651	99,651
Issuance of the 2020-Convertible Notes – equity component		-	-	-	-	87,000	-	-	87,000
Equity-settled share-based payments	10(b)	-	-	4,885	-	-	-	-	4,885
Distribution to shareholders	10(c)	-	-	-	-	-	-	(321,714)	(321,714)
Balance at March 31, 2020		32,171,389	\$22,241,137	\$ 533,068	\$ 12,876	\$ 113,911	\$ 111,249	\$ (5,548,637)	\$ 17,463,604
Balance at January 1, 2021		33,289,927	\$23,159,638	\$ 499,973	\$ 229,802	\$ 87,000	\$ 54,874	\$ (7,023,733)	\$ 17,007,554
Net loss		-	-	-	-	-	-	(754,787)	(754,787)
Other comprehensive loss		-	-	-	-	-	-	-	-
Total comprehensive loss		-	-	-	-	-	-	(754,787)	(754,787)
Equity-settled share-based payments	10(b)	-	-	404,000	-	-	-	-	404,000
Distribution to shareholders	10(c)	-	-	-	-	-	-	(332,899)	(332,899)
Fair value of warrants issued pursuant to the Green Bond offering	10(b)	-	-	-	7,111	-	-	-	7,111
Balance at March 31, 2021		33,289,927	\$23,159,638	\$ 903,973	\$ 236,913	\$ 87,000	\$ 54,874	\$ (8,111,419)	\$ 16,330,979

The accompanying notes are an integral part of these condensed consolidated interim financial statements

RE Royalties Ltd.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Expressed in Canadian Dollars)

	Note	Three months ended March 31,	
		2021	2020
Operating activities			
Net (loss) income		\$ (754,787)	\$ 52,651
Adjustments for:			
Amortization of transaction costs		–	7,521
Depletion of royalty interests		71,485	62,643
Interest received, net of accretion and accrued interest on secured loans		(165,363)	(296,435)
(Loss)/gain on revaluation of financial asset at FVTPL		36,025	(70,462)
Finance expenses		242,691	38,694
Equity-settled share-based payments		404,000	4,885
Unrealized exchange loss on cash held		4,200	(10,900)
Changes in working capital items:			
Amounts receivable and prepaid expenses		(264,835)	394,196
Trade payables and accrued liabilities		75,874	85,263
Cash (used in) provided by operating activities		(350,710)	268,056
Investing activities			
Acquisition of royalty interests and secured loan	4	–	(4,627,545)
Proceeds from repayment of secured loan	4	1,749,603	–
Cash provided by (used in) investing activities		1,749,603	(4,627,545)
Financing activities			
Proceeds from the Green Bonds offering, net of costs	8	320,853	–
Proceeds from issuance of convertible notes, net of costs	9	–	1,524,647
Cash distribution to shareholders	10(c)	(332,899)	(321,714)
Interest paid		(146,828)	(8,702)
Cash (used in) provided by financing activities		(158,874)	1,194,231
Increase (Decrease) in cash and cash equivalents		1,240,019	(3,165,258)
Effects of exchange rate fluctuations on cash held		(4,200)	10,900
Cash and cash equivalents, opening balance		11,704,731	4,048,057
Cash and cash equivalents, closing balance		\$ 12,940,550	\$ 893,699

Supplemental cash flow information (note 3)

The accompanying notes are an integral part of these condensed consolidated interim financial statements

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

1 . NATURE OF OPERATIONS

RE Royalties Ltd. (“RER” or the “Company”) is a public company whose common shares are listed on the TSX Venture Exchange (“TSXV”), under the trading symbol “RE”. The Company was incorporated on November 2, 2016 under the laws of the Province of British Columbia, Canada. The address of the Company’s corporate office is 14th Floor, 1040 West Georgia Street, Vancouver, BC, V6E 4H1.

The Company is primarily engaged in the acquisition of revenue-based royalties from renewable energy generation facilities and other clean energy technologies by providing a non-dilutive royalty financing solution to privately-held and publicly-traded renewable energy generation and development companies and clean energy technology companies.

These condensed consolidated interim financial statements (the “Financial Statements”) are comprised of RER and its wholly-owned subsidiary, RE Royalties (Canada) Ltd. (“RER Canada”) (together referred to as the “Company” or the “Group”) and are prepared for the three months ended March 31, 2021 and 2020. RE Royalties Ltd. is the ultimate legal parent entity in the Group.

2 . SIGNIFICANT ACCOUNTING POLICIES

(a) *Statement of compliance*

These Financial Statements have been prepared on a going concern basis in accordance with IAS 34, Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”). These Financial Statements do not include all of the information and footnotes required by International Financial Reporting Standards (“IFRS”) for complete financial statements for year-end reporting purposes.

These Financial Statements should be read in conjunction with the Company’s consolidated financial statements as at and for the year ended December 31, 2020, which were filed under the Company’s profile on SEDAR at www.sedar.com. Accounting policies applied herein are the same as those applied in the Company’s annual financial statements.

Results for the current reporting period are not necessarily indicative of future results. The Company earns royalty revenue from several renewable power generation sources, which exhibit seasonal behaviors individually but tend to counterbalance each other in a well-diversified portfolio. For instance, wind power generation is stronger in winter than in summer. The opposite is true for solar power generation.

(b) *Basis of presentation and consolidation*

These Financial Statements have been prepared on a historical cost basis except for the loan to Aeolis Wind Power Corporation (note 4(a)) which is recorded at fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

These Financial Statements include the financial statements of the Company and its wholly-owned subsidiary; namely: RE Royalties (Canada) Ltd.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns.

Intra-group balances and transactions, including any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the Financial Statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(c) Significant accounting estimates and judgements

In preparing these Financial Statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

There was no change in the use of estimates and judgments during the current period as compared to those described in Note 2 in the Company's consolidated financial statements for the year ended December 31, 2020.

(d) Operating segments

As the Company operates as a single segment, the Financial Statements should be read as a whole for the results of this single reporting segment.

The following is a breakdown of the Company's revenue and income by geographical areas:

	Royalty Revenue	Finance Income	Total
Three Months ended March 31, 2021			
Europe	\$ 30,000	\$ -	\$ 30,000
North America	161,501	247,142	408,643
Total	\$ 191,501	\$ 247,142	\$ 438,643
Three Months ended March 31, 2020			
Europe	\$ 30,000	\$ 77,037	\$ 107,037
North America	102,766	233,683	336,449
Total	\$ 132,766	\$ 310,720	\$ 443,486

At March 31, 2021 and 2020, except for the royalty interest in renewable assets in Romania (note 4(b)) all of the Company's non-current non-financial assets were held in Canada.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

3 . CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Note	March 31, 2021	December 31, 2020
Components of cash and cash equivalents and restricted cash:			
Cash held in business accounts			
Denominated in Canadian Dollars		\$ 12,636,704	\$ 11,318,189
Denominated in US Dollars		303,846	386,542
Total		\$ 12,940,550	\$ 11,704,731

Cash and cash equivalents and restricted cash subject to restrictions on use by the Company:

Net proceeds from the Green Bonds offering to be utilized to finance renewable energy projects and clean energy technology in accordance with the Company's Green Bond Framework.	8	\$ 9,402,912	\$ 9,082,059
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		Three months ended March 31,	
		2021	2020
Interest received			
Interest received on secured loans classified in operating activities		\$ 57,867	\$ -
Interest on cash and cash equivalents and restricted cash classified in operating activities		23,912	14,285
Total		\$ 81,779	\$ 14,285

		Three months ended March 31,	
	Note	2021	2020
Non-cash financing activities			
Agent and other warrants issued pursuant to the Green Bonds offering	8	\$ 7,111	\$ -

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

4 . SECURED LOANS AND ROYALTY INTERESTS

	Note	March 31, 2021	December 31, 2020
Secured Loans – Amortized Cost			
Jade Power Trust	4(b)	\$ –	\$ 1,749,603
OntarioCo	4(d)	5,428,962	5,283,659
Scotian Windfields	4(e)	3,176,383	3,156,323
		8,605,345	10,189,585
Secured Loans – FVTPL			
Aeolis Wind Power Corporation	4(a)	1,107,136	1,143,161
Royalty Interest			
Jade Power Trust	4(b)	621,416	631,949
Northland Power Inc.	4(c)	1,636,245	1,668,970
OntarioCo	4(d)	289,484	293,733
Scotian Windfields	4(e)	1,486,724	1,510,703
		4,033,869	4,105,355
Total		\$ 13,746,350	\$ 15,438,101
Non-current portion		\$ 8,214,123	\$ 8,302,723
Current portion		5,532,227	7,135,378
Total		\$ 13,746,350	\$ 15,438,101

The continuity schedules for secured loans at amortized cost are as follows:

Secured Loans	Jade Power Trust 4(b)	OntarioCo (2020-Loan) 4(d)	Scotian Windfields 4(e)	Total
For the three months ended March 31, 2021				
Loan				
Beginning balance	\$ 1,749,603	\$ 5,283,659	\$ 3,156,323	\$ 10,189,585
Accretion and accrued interest	–	145,303	77,927	223,230
Cash payments received	(1,749,603)	–	(57,867)	(1,807,470)
	\$ –	\$ 5,428,962	\$ 3,176,383	\$ 8,605,345

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

Secured Loans	Jade Power	OntarioCo	OntarioCo	Scotian	Total
For the year ended December 31, 2020	Trust	(2019-Loan)	(2020-Loan)	Windfields	
	4(b)	4(d)	4(d)	4(e)	
Loan					
Beginning balance	\$ 3,776,747	\$ 5,074,789	\$ –	\$ –	\$ 8,851,536
Fair value at initial recognition	–	–	4,910,714	3,028,918	7,939,632
Accretion and accrued interest	259,053	175,211	372,945	281,608	1,088,817
Capitalization of expenses/fees	346,758	–	–	–	346,758
Cash payments received	(2,632,955)	(250,000)	–	(154,203)	(3,037,158)
Loan refinanced	–	(5,000,000)	–	–	(5,000,000)
Carrying amount	\$ 1,749,603	\$ –	\$ 5,283,659	\$ 3,156,323	\$ 10,189,585

The continuity schedules for royalty interests are as follows:

	Cost			Depletion			Carrying Amount
	Beginning Balance	Additions/ (Disposal)	Ending Balance	Beginning Balance	Charge for the Period	Ending Balance	
For the three months ended March 31, 2021							
Jade Power	\$ 800,444	\$ –	\$ 800,444	\$ 168,495	\$ 10,533	\$ 179,028	\$ 621,416
Northland	1,871,864	–	1,871,864	202,894	32,725	235,619	1,636,245
OntarioCo	316,559	–	316,559	22,826	4,249	27,075	289,484
Scotian							
Windfields	1,598,626	–	1,598,626	87,923	23,979	111,902	1,486,724
Total	\$ 4,587,493	\$ –	\$ 4,587,493	\$ 482,138	\$ 71,486	\$ 553,624	\$ 4,033,869

	Cost			Depletion			Carrying Amount
	Beginning Balance	Additions/ (Disposal)	Ending Balance	Beginning Balance	Charge for the Year/ (Disposal)	Ending Balance	
For the year ended December 31, 2020							
Jade Power	\$ 826,944	\$ (26,500)	\$ 800,444	\$ 130,571	\$ 43,524 (5,600)	\$ 168,495	\$ 631,949
Northland	1,871,864	–	1,871,864	71,995	130,899	202,894	1,668,970
OntarioCo	227,272	89,287	316,559	7,626	15,200	22,826	293,733
Scotian							
Windfields	–	1,598,626	1,598,626	–	87,923	87,923	1,510,703
Belltown(i)	1	(1)	–	–	–	–	–
Total	\$ 2,926,081	\$ 1,661,412	\$ 4,587,493	\$ 210,192	\$ 271,946	\$ 482,138	\$ 4,105,355

(i) The Company retained a 1% gross revenue royalty interest in the Rippey Project that was carried at a nominal value in these Financial Statements before it was bought back in September 2020.

(a) *Aeolis Wind Power Corporation*

In March 2016, the Company entered into 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 Consumers Price Index. The term of the Aeolis Loan expires on July 31, 2035.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

Aeolis is the owner of a gross revenue royalty interest in the Bear Mountain Wind Limited Partnership (“BMWLP”). BMWLP is an indirect wholly owned subsidiary of AltaGas Ltd. and owns the 102 MW Bear Mountain Wind Park near Dawson Creek, British Columbia. The wind park is fully connected to the BC power grid and the power from the project is sold to BC Hydro under a 25-year contract. The payments to the Company under the Aeolis Loan are paid from Aeolis’ gross revenue royalty interest received from BMWLP. Aeolis has also assigned its full royalty interest to the Company as security for the Aeolis Loan and BMWLP has executed an irrevocable direction to pay the royalty into an escrow account that the Company will control in the event of default.

The Aeolis Loan is classified as a financial asset at FVTPL (note 2). Fair value was determined by discounting future cash flows using annual discount rates (in the range of 4.61% - 6.35%) applicable to the term of each cash flow and average annual inflation rate of 2%.

(b) *Jade Power Trust*

In January 2017, the Company provided Jade Power Trust (“Jade Power”) a three-year, non-revolving secured loan (the “Jade Power Loan”) and received a twenty-year gross revenue royalty (the “Jade Power Royalty”) on certain of Jade Power’s renewable energy generation assets. Jade Power 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 Power Loan and the Jade Power Royalty were modified (the “2020-Modification”) as further described herein.

The Jade Power 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 Power had an option to extend the Jade Power Loan for a fourth year with semi-annual interest payments at 7% per annum; this option was exercised by Jade Power effective January 2020. Pursuant to the 2020-Modification, certain legal expenses and fees in the amount of \$346,758 were capitalized as part of the Jade Power Loan and Jade Power made aggregate prepayments of \$2,500,000 against the principal sum prior to the maturity of the Jade Power Loan . The Jade Power Loan was fully repaid in January 2021.

The Jade Power Royalty was originally an annual royalty of 1.14% of the gross revenue (including power balancing adjustments) earned by Jade Power on its portfolio (the “Jade Power Royalty Portfolio”) of renewable energy projects. Pursuant to the 2020-Modification, the Jade Power Royalty rate was reduced from 1.14% to 1.05%, whereas the definition of gross revenue was revised to exclude any power balancing adjustments.

(c) *Northland Power Inc.*

In June 2019, the Company acquired a portfolio of gross revenue royalties on four separate operational solar parks (“Ontario Solar Projects”) in Ontario, Canada from Fresh Air Energy Inc. for \$1,871,864. 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.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

(d) OntarioCo

In May 2019, the Company entered into a secured loan ("2019-Loan") and royalty transaction with a private group of companies in Ontario ("OntarioCo") on 49 roof-top solar projects ("Roof-Top Solar Project Portfolio") with a combined generation capacity of 15.7 MW. All projects in the Roof-Top Solar Project Portfolio are qualified under the Ontario Feed-in-Tariff program. Pursuant to the transaction with OntarioCo, the Company provided a \$5,000,000 interest-bearing loan at 5% per annum to OntarioCo for one-year, in exchange for a 1.12% gross revenue royalty on the Roof-Top Solar Project Portfolio. The duration of the royalty ranges between 18 to 19 years, mirroring the remaining life of the portfolio under the Feed-in-Tariff program.

The Company refinanced the 2019-Loan and the new loan ("2020-Loan") is a \$5 million loan for a term of one year at an 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 its original portfolio of 49 projects has also been increase to 2%. The initial fair value of the 2020-Loan was determined using an annual discount rate of 12%.

(e) Scotian Windfields

On February 6, 2020, the Company acquired a portfolio of 12 gross revenue royalties on 12 operational wind energy generation projects in Nova Scotia, Canada ("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.

The Nova Scotia Wind Projects were developed from 2013 to 2017 and have been operating for between 3 and 6 years. The Nova Scotia Wind Projects have a generating capacity of 39.7 megawatts (MW), and have 20-year power purchase agreements with fixed electricity purchase prices from Nova Scotia Power Incorporated.

5 . INVESTMENT IN AN ASSOCIATE

During the three months ended March 31, 2021, there was no change in the Company's interest in its US affiliate, RER US 1 LLC ("RER US").

6 . AMOUNTS RECEIVABLE AND PREPAID EXPENSES

	Note	March 31, 2021	December 31, 2020
Accrued royalty revenue		\$ 193,074	\$ 202,097
Royalty receivable from RER US	5	-	-
Other receivable from RER US	5	82,617	82,617
Prepaid expenses		151,865	19,427
Other amounts receivable		304,980	163,560
Total		\$ 732,536	\$ 467,701

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

7 . TRADE PAYABLES AND ACCRUED LIABILITIES

	March 31, 2021	December 31, 2020
Accounts payable	\$ 148,892	\$ 80,533
Accrued liabilities	15,515	8,000
	<u>\$ 164,407</u>	<u>\$ 88,533</u>

8 . GREEN BONDS

	Three months ended March 31, 2021	Year ended December 31, 2020
Beginning balance	\$ 8,906,325	\$ -
Net proceeds from Green Bond		
Aggregate gross proceeds from issuance Green Bonds	364,000	9,802,000
Cash commission and fees	(14,560)	(389,480)
	<u>349,440</u>	<u>9,412,520</u>
Financing costs		
Legal and professional fees	(28,588)	(330,461)
Fair value of warrants issued (note 10(b))	(7,111)	(221,926)
	<u>(35,699)</u>	<u>(552,387)</u>
Amortization of financing costs	46,524	46,192
Ending balance	<u>\$ 9,266,590</u>	<u>\$ 8,906,325</u>

In August 2020, the Company announced the inaugural public offering of its 5-year green bonds, for gross proceeds of up to \$10,000,000 aggregate principal amount (the “Green Bonds”) under available exemptions from the prospectus requirement, including the offering memorandum exemption. The Green Bond offering was led by Integral Wealth Securities Limited (the “Lead Agent”). The Company granted the Lead Agent an over-allotment option of up to 100% of the offering size, for a total Green Bond offering of up to \$20,000,000.

Each Green Bond has a principal amount of \$1,000 and bears interest at a rate of 6%, per annum, payable quarterly, and are senior secured obligations of the Company that are secured against the Company’s portfolio of royalty and loan investments.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

9 . CONVERTIBLE NOTES

(a) 2020 Unsecured Convertible Notes

	Three months ended March 31, 2021	Year ended December 31, 2020
Beginning balance	\$ 1,608,122	\$ -
Net proceeds from Green Bond		
Aggregate gross proceeds from issuance	-	1,637,176
Finder's fee and other legal and regulatory costs	-	(110,829)
Net proceeds	-	1,526,347
Less: amount allocated to equity		(87,000)
		1,439,347
Accrued interest, accretion, and amortization	49,339	168,775
Ending balance	\$ 1,657,461	\$ 1,608,122

In February 2020, the Company issued a series of unsecured convertible notes ("2020-Convertible Notes") to certain arm's-length parties for aggregate gross proceeds of \$1.6 million. The 2020-Notes have a term of 36 months and accrue interest at 8% per annum, compounded annually but payable at maturity. The 2020-Convertible Notes shall be convertible, at the holders' sole discretion, into common shares of the Company at a conversion price of \$1.00 per share.

(b) 2018 Unsecured Convertible Note

In November 2018, the Company issued to an arm's-length party a \$500,000 unsecured convertible note (the "2018-Convertible Note") with a 24-month term and interest rate of 7% per annum. The 2018-Note was convertible, at the holder's sole discretion, into common shares of the Company at conversion price of \$1.00 per share.

In November 2020, the holder of the 2018-Note elected to convert the outstanding principal sum of \$500,000 and accrued interest of \$3,538 into common shares of the Company at \$1 per share. Accordingly, upon conversion of the 2018-Convertible Note, the Company issued 503,538 of its Common Shares.

The 2020-Notes and the 2018-Convertible Note are compound financial instruments. A compound instrument has both a liability and an equity component from the issuer's perspective and, upon initial recognition, its equity component is recorded at the residual amount after deducting the amount separately determined for the liability component from the fair value of the instrument as a whole. The Company has used a discount rate of 10% in applying a discounted cash flow method for valuation of the convertible notes.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

10 . SHARE CAPITAL

(a) Authorized share capital

The authorized share capital of the Company was comprised of an unlimited number of common shares without par value (the “Common Shares”). All issued shares are fully paid.

(b) Reserves

Equity-settled share-based payments reserve

Continuity of the Company’s common share purchase options:	Three months ended March 31, 2021		Three months ended March 31, 2020	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding Options – beginning balance	1,195,000	\$ 0.82	1,360,000	\$ 0.82
Granted(i)	1,450,000	\$ 1.32	–	\$ –
Outstanding Options – ending balance	2,645,000	\$ 1.10	1,360,000	\$ 0.82
Options Exercisable – ending balance	1,678,341	\$ 0.97	1,290,000	\$ 0.82

(i) Weighted average fair value of the options granted in the current period was determined to be \$0.62 per option, using the Black-Scholes pricing model and based on the following assumptions: risk-free interest rate of 0.51%; expected volatility of 72%; underlying market price of \$1.35 per share; time to expiry of 4.48 years; and dividend yield of 2.96%.

Remaining contractual life of the Company’s common share purchase options:	March 31, 2021		December 31, 2020	
	Number of Options	Weighted average remaining contractual life	Number of Options	Weighted average remaining contractual life
Exercise price				
\$ 0.80	1,060,000	1.57	1,060,000	1.82
\$ 1.00	135,000	2.70	135,000	2.95
\$1.32	1,450,000	4.37	–	–
	2,645,000	3.16	1,195,000	1.95

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Share purchase warrant reserve

The continuity of the Company's share purchase warrants for the three months ended March 31, 2021 is as follows:

Expiry date	Exercise price	January 1, 2021	Warrants issued	Warrants exercised	Warrants expired	March 31, 2021
October 2022	\$ 1.33	245,955	–	–	–	245,955
October 2022	\$ 1.44	86,083	–	–	–	86,083
December 2022	\$ 1.48	92,595	–	–	–	92,595
March 2023 (i)	\$ 1.25	–	17,472	–	–	17,472
		424,633	17,472	–	–	442,105

(i) Warrants issued pursuant to the Green Bonds offering (note 8). Fair value of these warrants were determined using the Black-Scholes Option Valuation model and the following weighted average assumptions:

a) risk-free interest rate of 0.25%; b) expected volatility of 54%; c) exercise price of \$1.25; d) underlying market price of \$1.30 per share; and e) time to expiry of 2 years.

The continuity of the Company's share purchase warrants for the year ended December 31, 2020 is as follows:

Expiry date	Exercise price	January 1, 2020	Warrants issued	Warrants exercised	Warrants expired	December 31, 2020
July 2020	\$ 0.50	500,000	–	(500,000)	–	–
February 2020	\$ 0.30	2,500	–	–	(2,500)	–
November 2020	\$ 1.00	18,109	–	–	(18,109)	–
October 2022 (i)	\$ 1.33	–	245,955	–	–	245,955
October 2022 (i)	\$ 1.44	–	86,083	–	–	86,083
December 2022 (i)	\$ 1.48	–	92,595	–	–	92,595
		520,609	424,633	(500,000)	(20,609)	424,633

(i) Warrants issued pursuant to the Green Bonds offering (note 8). Fair value of these warrants were determined using the Black-Scholes Option Valuation model and the following weighted average assumptions:

a) risk-free interest rate of 0.25%; b) expected volatility of 70%; c) exercise price of \$1.39; d) underlying market price of \$1.38 per share; and e) time to expiry of 2 years.

(c) *Distribution to shareholders*

During the three months ended March 31, 2021, the Company declared the following cash distributions to its shareholders:

Declaration date	Record date	Payment date	Amount	
			Per share	Total
January 6, 2021	January 27, 2021	February 17, 2021	\$ 0.01	\$ 332,899

See Note 14(a) for the cash distribution declared after the end of the current reporting period.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

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

Declaration date	Record date	Payment date	Amount	
			Per share	Total
January 8, 2020	January 29, 2020	February 19, 2020	\$ 0.01	\$ 321,714
April 8, 2020	April 29, 2020	May 20, 2020	0.01	321,714
July 10, 2020	July 29, 2020	August 19, 2020	0.01	326,714
October 8, 2020	October 28, 2020	November 18, 2020	0.01	327,364
		Total	\$ 0.04	\$ 1,297,506

11 . RELATED PARTY TRANSACTIONS

Transactions relating to the Company's interest in an associate, RER US, are disclosed in Note 5.

Key management personnel ("KMP") are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company.

Transactions with KMP were as follows:

Remuneration for services rendered	Three months ended March 31,	
	2021	2020
Short-term employment benefits	\$ 107,000	\$ 107,000
Share-based compensation	309,000	3,000
Total	\$ 416,000	\$ 110,000

12 . BASIC AND DILUTED (LOSS) INCOME PER SHARE

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares that were outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. For the purposes of the calculation of diluted loss per share for the three months ended March 31, 2021, the share purchase options and warrants as well as the convertible notes were excluded from the calculation of diluted loss per share as they were antidilutive.

13 . FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

(a) Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its secured loans (note 4) and other financial assets, including cash and cash equivalents and restricted cash and amounts receivable.

The Company limits the exposure to credit risk for cash and cash equivalents and restricted cash by only investing it with high-credit quality financial institutions in business and saving accounts, which are available on demand by the Company. The Company limits the exposure to credit risk with respect to secured loans through securing the Company's right therein against the underlying renewable energy assets or against the borrowers' ownership interest in the underlying renewable energy assets.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, it will have sufficient capital in order to meet short to medium term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company's cash is currently invested in business accounts.

The Company's financial liabilities are comprised of the following:

March 31, 2021	Carrying Amount	Contractual Cash Flows (i)			
		Total	Less than 12 months	Between 1 - 3 years	Between 4 - 5 years
Green Bonds (note 8)	\$ 9,266,590	\$ 12,959,583	\$ 609,960	\$ 1,219,920	\$ 11,129,703
Convertible notes (note 9)	1,657,461	2,062,370	-	2,062,370	-
Trade payables and accrued liabilities	164,407	164,407	164,407	-	-
	\$ 11,088,458	\$ 15,186,360	\$ 774,367	\$ 3,282,290	\$ 11,129,703

(i) The amounts are gross and undiscounted, and include contractual interest payments.

(c) Foreign exchange risk

Primarily, the Company is exposed to foreign currency risk in respect of its cash held in foreign currency (note 3).

Based on the Company's U.S. dollar denominated monetary assets at December 31, 2020, a 10% increase (decrease) of the value of the U.S. dollar relative to the Canadian dollar would decrease (increase) net loss by approximately \$37,000.

(d) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

RE Royalties Ltd.

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(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

The Company is subject to interest rate cash flow risk with respect to its investments in cash and cash equivalents and restricted cash. The Company's policy is to invest cash at fixed rates of interest and cash reserves are to be maintained in cash in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates and when cash and cash equivalents mature impact interest income earned.

The Company is subject to interest rate fair value risk with respect to the secured loan to Aeolis, which is carried at fair value. An increase of 25 basis points in discount rates will result in a decrease of approximately \$18,000 in the fair value of the secured loan to Aeolis (note 4).

All other investments in financial assets and borrowings through financial liabilities of the Company are subject to fixed interest rates and are carried at amortized cost in these Financial Statements, and are therefore not subject to interest rate risk.

(e) Fair Value

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell an asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means.
- Level 3 inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

At the end of the reporting period, the fair value measurement of the Aeolis Loan (note 4(a)) has been categorized within level 3 of the fair value hierarchy. The Company has assessed the fair value of the instrument based on a valuation technique using unobservable discounted future cash flows. Significant inputs (note 4(a)) used in the valuation of the Aeolis Loan that are not observable market data were the credit spread and other elements constituting the discount rates and inflation rates used; these inputs require judgement. An increase of 25 basis points in discount rates will result in a decrease of approximately \$18,000 in the fair value of the Aeolis Loan. An increase in average future annual inflation rate used in valuation of the Aeolis Loan from 2% to 2.1% would increase its fair value by approximately \$4,000.

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(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

There were no transfers between the levels of the fair value hierarchy during the reporting period.

(f) Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of the following: a) equity, comprising share capital, net of reserves and accumulated deficit; and b) non-current debts, 2020-Convertible Notes and Green Bonds. In the period prior year, the Company relied predominantly on shareholders' equity as a source of its capital.

At the end of the current reporting period, the Company was required to maintain a debt to equity ratio of 1:1 under certain covenants in the 2020-Convertible Notes agreement (note 9) and the Green Bonds indenture (note (8)), and was in compliance with these covenants.

14 . EVENTS AFTER END OF THE REPORTING PERIOD

(a) Declaration and Payment of Dividend

After the end of the reporting period and before these Financial Statements were authorized for issuance, the Board of Directors of the Company had declared the following quarterly cash distributions:

Declaration date	Record date	Payment date	Amount	
			Per share	Total
April 7, 2021	April 28, 2021	May 19, 2021	0.01	332,899

(b) Letter of Intent for \$10 Million Loan and Royalty on Battery Storage Project in Australia

On March 29, 2021, the Company announced that it had entered into a non-binding letter of intent (the "Letter Agreement") with Canigou Molonglo Bess Pty Ltd. ("Canigou"), to finance a 10MW battery storage project ("Canigou Project") located near Canberra, in the Australian Capital Territory ("ACT"), Australia.

Pursuant to the Letter Agreement, the Company will provide a \$10 million loan (the "Proposed Loan") to Canigou and acquire a gross margin royalty (the "Canigou Royalty") for the life of the project. The Proposed Loan will be a first-ranking senior secured amortizing loan with a four-year term. The Proposed Loan will bear interest at 10% per annum compounded monthly and will be repaid based on project revenues.

The Canigou Royalty will be a 20% royalty on gross margin (revenues less operating costs) from the Canigou Project while the Proposed Loan remains unpaid and will reduce to 15% of gross margin thereafter for the remainder of the project's life, which is currently determined to be approximately ten years.

As of the date of authorization of these Financial Statements, the proposed transaction with Canigou was still undergoing due diligence.