



RE ROYALTIES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2023 AND 2022

(Expressed in Canadian Dollars)

(Unaudited)

RE Royalties Ltd.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Expressed in Canadian Dollars)

	Note	June 30, 2023	December 31, 2022
ASSETS			
Non-current assets			
Secured loans and royalty interests	4	\$ 24,034,553	\$ 23,688,278
Deferred transaction costs		96,291	64,443
Deferred financing costs		–	125,296
Equity accounted investment		1	1
Right of use asset		55,158	64,897
		24,186,003	23,942,915
Current assets			
Secured loans and royalty interests	4	13,837,168	10,281,060
Amounts receivable and prepaid expenses	5	1,760,648	805,904
Cash and cash equivalents, including restricted cash	3	17,716,183	7,580,132
		33,313,999	18,667,096
TOTAL ASSETS		\$ 57,500,002	\$ 42,610,011
EQUITY			
Share capital	8	\$ 30,282,447	\$ 30,282,447
Reserves	8(b)	2,462,014	2,242,181
Accumulated deficit		(12,559,586)	(12,739,891)
Equity attributable to owners of the Company		20,184,875	19,784,737
Non-controlling interests		1,170,075	603,253
Total equity		21,354,950	20,387,990
LIABILITIES			
Non-current liabilities			
Green bonds	6	35,848,161	19,442,949
Deferred income tax liability		57,000	129,000
Lease liability		33,845	52,609
		35,939,006	19,624,558
Current liabilities			
Lease liability		28,703	19,098
Cash-settled share-based payment liability		17,886	49,010
Convertible notes	7	–	2,045,468
Income tax payable		–	82,000
Trade payables		159,457	401,887
		206,046	2,597,463
Total liabilities		36,145,052	22,222,021
TOTAL EQUITY AND LIABILITIES		\$ 57,500,002	\$ 42,610,011

Events after the reporting period (note 12)

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 August 24, 2023 and are signed on the Company's behalf by the following:

/s/ Bernard Tan

/s/ Rene Carrier

Bernard Tan
Director

Rene Carrier
Director

RE Royalties Ltd.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
Revenue and income					
Royalty revenue		\$ 222,683	\$ 214,573	\$ 364,469	\$ 384,707
Finance income		1,650,989	664,684	3,333,420	1,048,827
Gain on royalty buyout	4(a)	1,563,783	-	1,563,783	-
		3,437,455	879,257	5,261,672	1,433,534
Amortization and depletion					
Depletion of royalty interests	4	84,701	79,783	155,958	158,353
		(84,701)	(79,783)	(155,958)	(158,353)
Gross profit					
		3,352,754	799,474	5,105,714	1,275,181
Share of income of OCEP Invest LLC					
Gain (loss) on revaluation of financial asset at FVTPL	4	-	308,693	-	409,973
		(3,370)	28,140	33,271	(12,186)
Gross profit, changes in fair value of financial assets, and share of income of OCEP Invest LLC.					
		3,349,384	1,136,307	5,138,985	1,672,968
Expenses					
Wages and benefits		261,203	182,365	516,167	364,041
Administration		122,371	101,816	222,027	213,505
Marketing and stakeholder communication		119,272	69,258	205,286	153,192
Audit and audit related		190,329	141,561	195,501	186,501
Consulting – financing		16,990	15,993	33,980	45,875
Consulting – other		36,870	16,380	50,541	28,980
Regulatory and transfer agency		35,879	23,074	50,760	87,812
Office lease and information technology		15,464	15,026	31,621	30,355
Legal		13,834	15,718	24,542	18,509
Donation		35,000	25,000	35,000	25,000
Equity-settled share-based payment	8(b)	204,845	-	204,845	40,000
Cash-settled share-based payment	8(b)	2,597	4,446	(1,475)	33,681
Amortization of right-of-use asset		4,869	4,870	9,739	9,739
		(1,059,523)	(615,507)	(1,578,534)	(1,237,190)
Other items					
Finance expenses		906,783	462,235	1,591,060	916,571
Foreign exchange loss (gain)		223,374	(166,723)	224,152	(156,353)
		(1,130,157)	(295,512)	(1,815,212)	(760,218)
Net income (loss) before income tax					
		\$ 1,159,704	\$ 225,288	\$ 1,745,239	\$ (324,440)
Income tax expense					
Current income tax expense		68,075	-	136,659	-
Deferred income tax recovery		(31,000)	-	(72,000)	-
		(37,075)	-	(64,659)	-
Net income (loss) after income tax					
		\$ 1,122,629	\$ 225,288	\$ 1,680,580	\$ (324,440)
Other comprehensive (loss) income					
Items that may be subsequently reclassified to net income					
Foreign exchange translation difference		(184,616)	135,112	(200,121)	86,215
Total other comprehensive (loss) income		(184,616)	135,112	(200,121)	86,215
Total comprehensive income (loss)					
		\$ 938,013	\$ 360,400	\$ 1,480,459	\$ (238,225)
Net income (loss) after income tax attributable to:					
Owners of the Company		876,803	225,288	1,042,857	(324,440)
Non-controlling interests		245,826	-	637,723	-
		1,122,629	225,288	1,680,580	(324,440)
Total comprehensive income (loss) attributable to:					
Owners of the Company		714,189	360,400	868,845	(238,225)
Non-controlling interests		223,824	-	611,614	-
		938,013	360,400	1,480,459	(238,225)
Basic and diluted income (loss) per share attributable to shareholders of the Company					
	10	\$ 0.02	\$ 0.01	\$ 0.02	\$ (0.01)
Weighted average number of common shares outstanding					
	10	43,190,007	34,911,523	43,158,807	34,105,204

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 attributable to shareholders of the Company	Non-controlling interests	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, 2022		33,289,927	\$23,159,638	\$ 1,352,973	\$ 236,913	\$ 87,000	\$ 54,874	\$ (10,485,353)	\$ 14,406,045	\$ -	\$ 14,406,045
Net loss		-	-	-	-	-	-	(324,440)	(324,440)	-	(324,440)
Other comprehensive income		-	-	-	-	-	86,215	-	86,215	-	86,215
Total comprehensive loss		-	-	-	-	-	86,215	(324,440)	(238,225)	-	(238,225)
Equity-settled share-based payments	8(b)	-	-	40,000	-	-	-	-	40,000	-	40,000
Distribution to shareholders	8(c)	-	-	-	-	-	-	(665,798)	(665,798)	-	(665,798)
Common shares issued pursuant to the Public Offering	8(a)	9,837,680	7,122,809	-	-	-	-	-	7,122,809	-	7,122,809
Agent warrants issued pursuant to the Public Offering	8(b)	-	-	-	175,000	-	-	-	175,000	-	175,000
Balance at June 30, 2022		43,127,607	\$30,282,447	\$ 1,392,973	\$ 411,913	\$ 87,000	\$ 141,089	\$ (11,475,591)	\$ 20,839,831	\$ -	\$ 20,839,831
Balance at January 1, 2023		43,127,607	\$30,282,447	\$ 1,392,973	\$ 411,913	\$ 87,000	\$ 350,295	\$ (12,739,891)	\$ 19,784,737	\$ 603,253	\$ 20,387,990
Net income (loss)		-	-	-	-	-	-	1,042,857	1,042,857	637,723	1,680,580
Other comprehensive loss		-	-	-	-	-	(174,012)	-	(174,012)	(26,109)	(200,121)
Total comprehensive income		-	-	-	-	-	(174,012)	1,042,857	868,845	611,614	1,480,459
Distribution to shareholders	8(c)	-	-	-	-	-	-	(862,552)	(862,552)	-	(862,552)
Warrants issued pursuant to Series-3 Public Offering	6	-	-	-	75,000	-	-	-	75,000	-	75,000
Warrants issued pursuant to Series-3 Private Placement	6	-	-	-	114,000	-	-	-	114,000	-	114,000
Equity-settled share-based payments	8(b)	-	-	204,845	-	-	-	-	204,845	-	204,845
Distribution to non-controlling interests - OCEP		-	-	-	-	-	-	-	-	(61,477)	(61,477)
Distribution to non-controlling interests - Delta		-	-	-	-	-	-	-	-	(4,337)	(4,337)
Contributions from non-controlling interest in FP Puerto Rico Invest, LLC		-	-	-	-	-	-	-	-	21,022	21,022
Balance at June 30, 2023		43,127,607	\$30,282,447	\$ 1,597,818	\$ 600,913	\$ 87,000	\$ 176,283	\$ (12,559,586)	\$ 20,184,875	\$ 1,170,075	\$ 21,354,950

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	Six months ended June 30,	
		2023	2022
Operating activities			
Net income (loss)		\$ 1,680,580	\$ (324,440)
Adjustments for:			
Depletion of royalty interests		155,958	158,353
Finance income for the period, in excess of interest received		(1,870,107)	(666,383)
Gain on royalty buyout		(1,563,783)	-
(Gain) loss on revaluation of financial asset at FVTPL		(33,271)	12,186
Depreciation of right-of-use asset		9,739	9,739
Finance expenses		1,591,060	916,571
Equity-settled share-based payments		204,845	40,000
Cash-settled share-based payment		(1,475)	33,681
Share of income of OCEP Invest LLC		-	(409,973)
Deferred income tax expense		(72,000)	-
Unrealized exchange loss (gain)		239,473	(86,896)
Changes in working capital items:			
Amounts receivable and prepaid expenses		(966,585)	(226,599)
Income tax payable		(82,000)	-
Trade payables and accrued liabilities		(331,766)	(39,712)
Cash used in operating activities		(1,039,332)	(583,473)
Investing activities			
Acquisition of royalty interests and secured loans	4	(3,242,773)	(10,151,154)
Investment in joint venture		-	(5,709,569)
Proceeds from royalty buyout	4	1,563,783	-
Proceeds from repayment of secured loan		833,593	-
Cash distribution from joint venture		-	264,356
Deferred transaction costs, net of recoveries		(31,848)	24,066
Cash used in investing activities		(877,245)	(15,572,301)
Financing activities			
Net proceeds from the Green Bonds offering	6	16,546,094	-
Repayment of convertible notes		(2,062,401)	-
Net proceeds from Public offering		-	7,297,809
Cash distribution to shareholders	8(c)	(862,552)	(665,798)
Distributions to non-controlling interests – OCEP		(61,477)	-
Distributions to non-controlling interests – Delta		(4,337)	-
Contributions from non-controlling interest in FP Puerto Rico Invest, LLC		21,022	-
Payments of interest on borrowings		(1,242,797)	(611,645)
Settlement of Restricted Share Units in cash		(29,649)	-
Payment of principal on lease		(9,099)	(6,358)
Payment of interest on lease		(2,703)	(3,310)
Other finance expenses		-	(6,360)
Cash provided by financing activities		12,292,101	6,004,338
Increase (Decrease) in cash and cash equivalents		10,375,524	(10,151,436)
Effects of exchange rate fluctuations on cash held		(239,473)	70,777
Cash and cash equivalents, opening balance		7,580,132	20,101,585
Cash and cash equivalents, closing balance		\$ 17,716,183	\$ 10,020,926

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 and six months ended June 30, 2023 and 2022

(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 subsidiaries (note 2(b)) (together referred to as the “Company” or the “Group”) and are prepared for the three and six months ended June 30, 2023 and 2022. RE Royalties Ltd. is the ultimate legal parent entity in the Company.

2 . MATERIAL ACCOUNTING POLICY INFORMATION

(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, 2022. 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) 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.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

These Financial Statements include the financial statements of the Company and its following subsidiaries:

Entity	Place of business	Entity type	Economic interest
RE Royalties (Canada) Ltd.	British Columbia, Canada	Acquisition of royalties in renewable projects	100.00%
RE Royalties USA Inc.	Delaware, USA	Acquisition of royalties in renewable projects	100.00%
FP OCEP Invest LLC	Delaware, USA	Holds the OCEP Loan	96.68%
FP Puerto Rico Invest, LLC	Delaware, USA	Holds the Delta Loan	98.00%

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.

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

(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.

In May 2023, the Company granted certain share purchase options to its management personnel that were subject to certain performance-based vesting conditions. During the current period, the Company has used estimates to assess the time period over which the underlying performance vesting conditions relating to these share purchase options will be met, to amortize their grant date fair value. See Note 8(b).

Except for the foregoing, 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, 2022.

(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.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

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

	Six months ended June 30,	
	2023	2022
Europe		
Royalty revenue	\$ -	\$ 50,000
Finance income	-	-
	\$ -	\$ 50,000
North America		
Royalty revenue	\$ 364,469	\$ 334,707
Finance income	3,333,420	1,048,827
Gain on royalty buyout	1,563,783	-
	\$ 5,261,672	\$ 1,383,534
Total	\$ 5,261,672	\$ 1,433,534

The geographical break down of the Company's royalty interests is as follows:

	June 30, 2023	December 31, 2022
Canada	\$ 4,109,451	\$ 3,322,314
United States	897,952	897,953
Mexico	138,020	88,450
Total	\$ 5,145,423	\$ 4,308,717

3 . CASH AND CASH EQUIVALENTS, INCLUDING RESTRICTED CASH

	Note	June 30, 2023	December 31, 2022
Components of cash and cash equivalents and restricted cash:			
Cash held in business accounts			
Denominated in Canadian Dollars		\$ 6,724,985	\$ 2,075,316
Denominated in US Dollars		10,991,198	5,504,816
Total		\$ 17,716,183	\$ 7,580,132

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

Cash held as collateral against a letter of credit		\$ -	\$ 2,981,880
Net proceeds from the Green Bonds pending deployment (i)	6	16,340,694	-
Total		\$ 16,340,694	\$ 2,981,880

(i) 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.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

4 . SECURED LOANS AND ROYALTY INTERESTS

	June 30, 2023	December 31, 2022
Secured Loans – Amortized Cost		
Switch Power	\$ 8,478,353	\$ 8,046,786
Teichos Energy	–	496,626
FuseForward Solutions	3,424,257	3,163,206
OCEP	6,952,473	6,716,750
NOMAD	6,539,901	6,619,391
ReVolve	1,613,136	1,594,787
Switch Solar	1,412,712	1,346,844
ReVolve Cancun	1,870,482	628,961
Delta	1,918,588	564,147
	32,209,902	29,177,498
Allowance for lifetime expected losses due to significant increase in credit risk (stage 2 ECL)	(473,000)	(473,000)
	31,736,902	28,704,498
Secured Loans – FVTPL		
Aeolis Wind Power Corporation	989,396	956,123
Royalty Interest		
Northland Power Inc.	1,341,720	1,407,170
OntarioCo	251,243	259,741
Scotian Windfields	1,270,913	1,318,871
Switch Power	304,324	320,924
Teichos Energy	–	1
NOMAD	897,952	897,952
ReVolve	67,420	70,846
Switch Solar	15,008	15,608
ReVolve Cancun	70,600	17,604
AlbertaCo	4(a) 926,243	–
	5,145,423	4,308,717
Total	\$ 37,871,721	\$ 33,969,338
Non-current portion	\$ 24,034,553	\$ 23,688,278
Current portion	13,837,168	10,281,060
Total	\$ 37,871,721	\$ 33,969,338

Stage 2 Lifetime ECL loss

During the six months ended June 30, 2023, there was no change in the ECL allowance.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

Loan Commitments

At June 30, 2023, the Company had a loan commitment under the Delta Loan agreement to provide cash advances, subject to certain conditions precedent, for an aggregate amount of US\$2.8 million (\$3.71 million).

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

Secured Loans	Note	Switch	Teichos	FuseForward	OCEP	NOMAD	ReVolve	Switch	ReVolve	Delta	Teichos	Total
		Power	Energy	Solutions				Solar	Cancun		Energy 2	
For the six months ended June 30, 2023												
Balance at January 1, 2023		\$ 8,046,786	\$ 496,626	\$ 3,163,206	\$ 6,716,750	\$ 6,619,391	\$ 1,594,787	\$ 1,346,844	\$ 628,961	\$ 564,147	\$ -	\$ 29,177,498
Fair value at initial recognition		-	-	-	-	-	-	-	1,157,298	1,051,122	107,479	2,315,899
Transaction costs		-	-	-	-	-	-	-	23,544	-	-	23,544
Accretion and accrued interest		453,497	142,350	261,051	868,327	528,914	99,017	65,868	117,801	156,031	86,165	2,779,021
Additional finance income		-	-	-	-	-	-	-	-	220,671	-	220,671
Cash payments received		(21,930)	(638,936)	-	(472,276)	(457,728)	(80,668)	-	(57,122)	(36,732)	(194,657)	(1,960,049)
Foreign currency revaluation adjustment		-	(40)	-	(160,328)	(150,676)	-	-	-	(36,651)	1,013	(346,682)
Gross Carrying amount at June 30, 2023		8,478,353	-	3,424,257	6,952,473	6,539,901	1,613,136	1,412,712	1,870,482	1,918,588	-	32,209,902
Expected lifetime credit losses (i)		-	-	(473,000)	-	-	-	-	-	-	-	(473,000)
Net Carrying amount at June 30, 2023		\$ 8,478,353	\$ -	\$ 2,951,257	\$ 6,952,473	\$ 6,539,901	\$ 1,613,136	\$ 1,412,712	\$ 1,870,482	\$ 1,918,588	\$ -	\$ 31,736,902

(i) Represents stage 2 ECL allowance relating to the FuseForward loan receivable.

	Note	Switch	Teichos	FuseForward	NOMAD	ReVolve	Total
		Power	Energy	Solutions			
For the six months ended June 30, 2022							
Balance at January 1, 2022		\$ 5,824,772	\$ 171,264	\$ 3,022,877	\$ -	\$ -	\$ 9,018,913
Fair value at initial recognition		1,459,295	-	-	6,066,934	1,502,845	9,029,074
Transaction costs		-	-	-	-	39,580	39,580
Accretion and accrued interest		371,177	140,658	244,185	251,129	7,875	1,015,024
Gain on derecognition of financial asset		-	-	-	-	-	-
Cash payments received		-	-	(131,284)	(217,416)	-	(348,700)
Foreign currency revaluation adjustment		-	4,958	-	104,020	-	108,978
Balance at June 30, 2022		\$ 7,655,244	\$ 316,880	\$ 3,135,778	\$ 6,204,667	\$ 1,550,300	\$ 18,862,869

The continuity schedules for royalty interests are as follows:

Royalty Interests	Cost			Depletion			Carrying Amount
	Beginning Balance	Additions/ (disposal)	Ending Balance	Beginning Balance	Charge for the period	Ending Balance	
Six months ended June 30, 2023							
Northland Power Inc.	1,871,864	-	1,871,864	464,694	65,450	530,144	1,341,720
OntarioCo	316,559	-	316,559	56,818	8,498	65,316	251,243
Scotian Windfields	1,598,626	-	1,598,626	279,755	47,958	327,713	1,270,913
Switch Power	358,695	-	358,695	37,771	16,600	54,371	304,324
Teichos Energy (note 4(a))	1	(1)	-	-	-	-	-
NOMAD	932,665	-	932,665	34,713	-	34,713	897,952
ReVolve	73,155	-	73,155	2,309	3,426	5,735	67,420
Switch Solar	16,008	-	16,008	400	600	1,000	15,008
ReVolve Cancun	17,604	52,996	70,600	-	-	-	70,600
AlbertaCo	-	939,669	939,669	-	13,426	13,426	926,243
Total	\$5,185,177	\$ 992,664	\$6,177,841	\$876,460	\$ 155,958	\$ 1,032,418	\$5,145,423
Six months ended June 30, 2022							
Jade Power Trust	\$ 800,444	\$ -	\$ 800,444	\$210,625	\$ 21,065	231,690	\$ 568,754
Northland Power Inc.	1,871,864	-	1,871,864	333,794	65,450	399,244	1,472,620
OntarioCo	316,559	-	316,559	39,822	8,498	48,320	268,239
Scotian Windfields	1,598,626	-	1,598,626	183,839	47,958	231,797	1,366,829
Switch Power	282,015	76,680	358,695	5,789	15,382	21,171	337,524
NOMAD	-	932,665	932,665	-	-	-	932,665
ReVolve	-	73,155	73,155	-	-	-	73,155
Total	\$4,869,508	\$1,082,500	\$5,952,008	\$773,869	\$ 158,353	\$ 932,222	\$5,019,786

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

(a) *Teichos Energy*

Teichos Loan 1

In October 2021, the Company entered into a secured loan agreement (the “Teichos Loan”) for US\$2,280,000 with Teichos Energy, LLC (“Teichos Energy”), a renewable energy development company with its headquarters in Seattle, Washington. Teichos Energy owned the Jackson Center Solar Project Phase 1 (“Jackson Center Project”) located in Mercer County, Pennsylvania. Pursuant to the Teichos Loan, the Company also received a 1% gross revenue royalty (the “Jackson Center Royalty”) on the Jackson Center Project for a period of 15 years once the Jackson Center Project reached commercial operation.

Pursuant to the Teichos Loan, the Company provided a cash advance of US\$80,000 (\$100,033) and a US\$2,200,000 letter of credit on behalf of Teichos Energy in relation to certain collateral for the Jackson Center Project’s grid connection. The Teichos Loan had an initial term of 6 months with an interest rate of 10% per annum, compounded annually, and payable at the end of the term.

The Teichos Loan term was extended for two additional 6-month increments, as per the agreement, for a total extension of up to 12 months. Accordingly, the Jackson Center Royalty had increased from 1% to 1.5% of gross revenues with the first extension. Further, in October 2022, Teichos Energy extended the Loan term by an additional 6 months leading to an increase in the Jackson Centre Royalty rate from 1.5% to 2%. The final Maturity date of the Teichos loan was April 8, 2023. In April 2023, the Company entered into an Agreement to amend the original Loan and Security Agreement in respect of the Jackson Centre Project, dated October 8, 2021, to extend the Maturity date to May 8, 2023. This extension increased the interest rate from 10% per annum compounded annually to 15% per annum compounded annually.

Teichos Loan 2

In February 2023, the Company entered into another secured loan agreement (the “Teichos Loan 2”) for US\$1,842,358 with Teichos Energy. Teichos Energy owned the Jackson Center Solar Project Phase 2 (“Jackson Center 2 Project”) located in Mercer County, Pennsylvania. Pursuant to the Teichos Loan 2, the Company also received a 1% gross revenue royalty (the “Jackson Center 2 Royalty”) on the Jackson Center 2 Project for a period of 15 years once the Jackson Center Project reached commercial operation.

Pursuant to the Teichos Loan 2, the Company provided a cash advance of US\$80,000 (\$108,152) and a US\$1,762,358 letter of credit on behalf of Teichos Energy in relation to certain collateral for the Jackson Center 2 Project’s grid connection. The Teichos Loan 2 had an initial term of 6 months, with options to extend the loan by up to 12 months, which options, if exercised, would have led to an increase in the Jackson Center Royalty. The Teichos Loan 2 had an interest rate of 13% per annum, compounded annually, and payable upon maturity. The Jackson Center Royalty was recorded at a nominal value of \$1 in these Financial Statements.

Repayment by Teichos Energy

In May 2023, Teichos Energy repaid both, Teichos loan 1 and 2, including the accrued interest. Concurrently, the Company’s royalty interest in the Jackson Center Solar Projects were sold for an aggregate sale proceeds of US\$1.15 million (\$1.55 million).

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

(b) AlbertaCo

In May 2023, the Company acquired an existing gross revenue royalty interest on 100 MW of output from an operational wind energy project with a total capacity of 145MW (the "AlbertaCo") in Alberta for a total purchase price of \$0.94 million. The royalty will be calculated at a rate of \$0.40 per MWh of electricity generated. The AlbertaCo has a long term Power Purchase Agreement ("PPA"), expiring December 2034, with a large corporate offtaker.

5 . AMOUNTS RECEIVABLE AND PREPAID EXPENSES – CURRENT

	Note	June 30, 2023	December 31, 2022
Accrued royalty revenue		\$ 207,405	\$ 166,593
Prepaid expenses		92,604	55,707
Green Bonds interest reserve account		1,418,631	579,960
Other amounts receivable		42,008	3,644
Total		\$ 1,760,648	\$ 805,904

6 . GREEN BONDS

In August 2020, the Company announced the inaugural public offering (Green Bonds Public Offering) of its 5-year green bonds under available exemptions from the prospectus requirement, including the offering memorandum exemption. 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.

On December 30, 2021, the Company closed a brokered private placement of Series 2-Green Bonds, issuing 5,166 Green Bonds denominated in Canadian Dollars and 4,000 Green Bonds denominated in (US\$1,000) United States dollars.

During the first quarter of 2023, the Company closed its marketed public offering (the "Public Offering") of Series 3 senior secured green bonds of the Company (the "Series-3 Green Bonds"), as originally announced on December 9, 2022, in two separate closings. The Company also closed its non-brokered private placement offering (the "Series-3 Private Placement") of Green Bonds, as originally announced on January 27, 2023. The Series-3 Green Bonds will have a maturity date of January 30, 2028 and bear interest at a rate of 9% per annum, payable quarterly, and will be senior obligations of the Company secured against the Company's portfolio of royalty and loan investments.

When taken in total aggregate, including each closing of both the Public Offering and Series-3 Private Placement, the Company issued a total of 16,423 Canadian dollar denominated Green Bonds, with principal amount of \$1,000 each, for aggregate gross proceeds of \$16,423,000 and 1,242 United States dollar denominated Green Bonds, with principal amount of US\$1,000 each, for aggregate gross proceeds of US\$1,242,000.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

In connection with the Public Offering, the Company paid cash fees of \$495,180 and US\$1,190 and issued 330,913 warrants (the "Broker Warrants") to the agents. Each Broker Warrant will entitle the holder thereof to acquire one common share of the Company at an exercise price equal to \$0.75 for a period of 36 months from the date of issuance of the warrants.

In connection with the Series-3 Private Placement, the Company paid corporate advisory fees in cash to certain parties in the amounts of \$654,430 and US\$85,750, and also issued 493,453 warrants. Each warrant will entitle the holder thereof to acquire one common share of the Company at an exercise price equal to \$0.75 for a period of 36 months from the date of issuance of the warrants.

Series-3 Green Bond offering (number of bonds)	Total	Series-3 Public Offering	Series-3 Private Placement
		(Brokered)	(Non-brokered)
Denominated in Canadian dollars	16,423	7,074	9,349
Denominated in US dollars	1,242	17	1,225
Total	17,665	7,091	10,574
Number of warrants issued	824,366	330,913	493,453

Senior Secured Green Bonds	Note	Six months ended	Year ended
		June 30, 2023	December 31, 2022
Beginning balance		\$ 19,442,949	\$ 18,702,484
Net proceeds from Green Bond – Series-3 Public Offering (brokered)			
Aggregate gross proceeds from issuance of Green Bonds		7,097,042	-
Cash commission		(496,793)	-
		6,600,249	-
Net proceeds from Green Bond – Series-3 Private Placement (non-brokered)			
Aggregate gross proceeds from issuance of Green Bonds		11,003,710	-
Advisory fees		(769,524)	-
		10,234,186	-
Financing costs			
Legal and professional fees		413,635	9,595
Fair value of compensation warrants (note 8) issued pursuant to:			
Series-3 Public Offering	8(b)	75,000	-
Series-3 Private Placement	8(b)	114,000	-
		(602,635)	(9,595)
Amortization of financing costs		328,686	384,860
Foreign exchange translation difference		(155,274)	365,200
Ending balance (i)		\$ 35,848,161	\$ 19,442,949
Carrying amount of the Green Bond liability by series:			
Series-1 6% Green Bonds		9,707,661	9,610,422
Series-2 6% Green Bonds		9,803,336	9,832,527
Series-3 9% Green Bonds		16,337,164	-
Ending balance (i)		\$ 35,848,161	\$ 19,442,949

(i) Includes USD-denominated Green Bonds for an aggregate principal sum of US\$5,242,000 (note 11(c))

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

At June 30, 2023, the Company was in compliance with all debt covenants (note 11(f)).

7 . CONVERTIBLE NOTES

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.

In January 2023, the Company repaid the 2020-Convertible Notes, along with interest accrued thereon.

8 . SHARE CAPITAL AND RESERVES

(a) 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

Share-based payment expense

	Six months ended June 30,	
	2023	2022
Expense arising from equity-settled share-based payment transactions		
Share purchase options	\$ 56,934	\$ 40,000
Deferred Share Units (“DSUs”)	104,520	-
Restricted Share Units (“RSUs”)	43,391	-
	204,845	40,000
Expense arising from cash-settled share-based payment transactions	(1,475)	33,681
Total	\$ 203,370	\$ 73,681

The equity-settled share-based payment expenses represent amortization of the fair value of the Company’s share purchase options over the vesting term of the options.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

Continuity of share purchase options:	Six months ended		Six months ended	
	June 30, 2023		June 30, 2022	
	Number of	Weighted	Number of	Weighted
	Options	average	Options	average
		exercise price		exercise price
Outstanding Options – beginning balance	1,585,000	\$ 1.29	2,645,000	\$ 0.82
Granted during the period	960,000	\$ 0.65	–	\$ –
Expired	–	\$ –	(30,000)	\$ 0.80
Outstanding Options – ending balance	2,545,000	\$ 1.05	2,615,000	\$ 1.10
Options Exercisable – ending balance	1,729,000	\$ 1.24	2,615,000	\$ 1.10

The options granted during the year will vest in tranches over a 12-month period with a term of three years. 528,000 of these stock options are awarded on the basis of meeting certain performance metrics and will vest upon achievement of those metrics.

Remaining contractual life of the Company's common share purchase options:	June 30, 2023		December 31, 2022	
	Number of	Weighted	Number of	Weighted
	Options	average	Options	average
Exercise price		remaining		remaining
		contractual life		contractual life
		(years)		(years)
\$ 1.00	135,000	0.45	135,000	0.95
\$ 1.32	1,450,000	2.11	1,450,000	2.61
\$0.65	960,000	2.84	–	–
	2,545,000	2.30	1,585,000	2.47

Deferred share units and restricted share units

Continuity of DSUs and RSUs:	Six months ended		Six months ended	
	June 30, 2023		June 30, 2022	
	DSUs	RSUs	DSUs	RSUs
Outstanding at the beginning of the period	24,501	38,011	–	–
Granted during the period	156,000	471,000	24,501	38,011
Repaid during the period	–	(38,011)	–	–
Outstanding at the end of the period	180,501	471,000	24,501	38,011
Units vested – ending balance	180,501	–	24,501	–

(i) The grant date fair value for these DSUs and RSUs was \$0.67 per unit.

The Company has granted DSUs and RSUs to its directors, officers, employees and consultants during the current period. The DSUs were fully vested on the date of grant. The RSUs will vest in three equal tranches over a period of approximately three years from the grant date.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

Share purchase warrant reserve

The continuity of the Company's share purchase warrants for the six months ended June 30, 2023 is as follows:

Expiry date	Exercise price	January 1, 2023	Warrants issued	Warrants exercised	Warrants expired	June 30, 2023
March 1, 2023	\$ 1.25	17,472	-	-	(17,472)	-
June 15, 2024	\$ 1.10	9,837,680	-	-	-	9,837,680
June 15, 2024	\$ 0.82	776,250	-	-	-	776,250
January 30, 2026 (i)	\$ 0.75	-	239,493	-	-	239,493
February 3, 2026 (i)	\$ 0.75	-	319,853	-	-	319,853
February 28, 2026 (i)	\$ 0.75	-	91,420	-	-	91,420
March 1, 2026 (i)	\$ 0.75	-	159,740	-	-	159,740
March 31, 2026 (i)	\$ 0.75	-	13,860	-	-	13,860
		10,631,402	824,366	-	(17,472)	11,438,296

(i) These represent the warrants issued to the underwriters for the Series-3 Public offering and Series -3 Private placement of Series-3 Green Bonds (note 6), and their weighted average fair value as of the date of issuance was \$0.2296 per warrant, which fair value was determined using the Black-Scholes Option Valuation model and the following assumptions: weighted average risk-free interest rate of 3.45% ; expected volatility of 55%; exercise price of \$0.75; underlying weighted average market price of \$0.76 per share; and time to expiry of 3 years.

The continuity of the Company's share purchase warrants for the six months ended June 30, 2022 is as follows:

Expiry date	Exercise price	January 1, 2022	Warrants issued	Warrants exercised	Warrants expired	June 30, 2022
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	\$ 1.25	17,472	-	-	-	17,472
June 15, 2024	\$ 1.10	-	9,837,680	-	-	9,837,680
June 15, 2024	\$ 0.82	-	776,250	-	-	776,250
		442,105	10,613,930	-	-	11,056,035

(c) *Distribution to shareholders*

During the six months ended June 30, 2023 and 2022, the Company declared the following cash distributions to its shareholders:

Declaration date	Record date	Payment date	Amount	
			Per share	Total
Six months ended June 30, 2023				
January 11, 2023	February 1, 2023	February 22, 2023	\$ 0.01	\$ 431,276
April 12, 2023	May 3, 2023	May 24, 2023	\$ 0.01	\$ 431,276
				\$ 862,552
Six months ended June 30, 2022				
January 9, 2022	February 2, 2022	February 23, 2022	\$ 0.01	\$ 332,899
March 31, 2022	April 20, 2022	May 11, 2022	\$ 0.01	\$ 332,899
				\$ 665,798

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

See Note 12(a) for the cash distribution declared after the end of the current reporting period.

9 . RELATED PARTY TRANSACTIONS

Key management personnel (“KMP”) are those persons, including its directors and executive officers, 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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Short-term employment benefits (i)	\$ 119,480	\$ 100,000	\$ 238,386	\$ 205,000
Equity-settled share-based compensation	-	-	149,600	40,000
Cash-settled share-based compensation	2,597	4,446	(1,475)	33,681
Total	\$ 122,077	\$ 104,446	\$ 386,511	\$ 278,681

(i) Includes executive salaries and directors’ fees relating to the Company’s key management personnel.

10 . BASIC AND DILUTED INCOME (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The Company presents basic and diluted income (loss) per share data for its common shares, calculated by dividing the income (loss) attributable to common shareholders by the weighted average number of common shares and fully-vested equity-settled DSUs (requiring no additional consideration to be exercised) that were outstanding during the period. Diluted income (loss) per share does not adjust income (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 income (loss) per share for the three and six months ended June 30, 2023 and 2022, the share purchase options, RSUs, and warrants were excluded from the calculation of diluted income (loss) per share as they did not have a dilutive effect.

11 . 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:

(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.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

The gross carrying value of the financial asset best represents the maximum exposure to credit risk at the reporting date.

(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 and other liabilities are comprised of the following:

As of June 30, 2023

	Carrying Amount	Contractual Cash Flows (i)			
		Total	Less than 12 months	Between 1 - 3 years	Between 4 - 5 years
Green Bonds (note 6) (ii)	\$ 35,848,161	\$ 49,787,381	\$ 2,870,153	\$ 15,485,335	\$ 31,431,893
Lease liability	62,548	69,565	24,593	44,972	-
Trade payables and accrued liabilities	159,457	159,457	159,457	-	-
	\$ 36,070,166	\$ 50,016,403	\$ 3,054,203	\$ 15,530,307	\$ 31,431,893

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

(ii) Contractual cash flows relating to the US Dollar-denominated Green Bonds are converted into the reporting currency based on the exchange rate as of the reporting date.

(c) Foreign exchange risk

The Company is exposed to foreign currency risk in respect of its US Dollar-denominated monetary assets and liabilities as summarized below:

	Note	June 30, 2023		December 31, 2022	
		US Dollars	Canadian Dollars	US Dollars	Canadian Dollars
Cash	3	8,297,122	\$ 10,991,198	4,061,396	\$ 5,504,816
Secured loans	4	11,633,549	15,410,962	10,621,893	14,396,914
		19,930,671	26,402,160	14,683,289	19,901,730
Green Bonds	6	(5,242,000)	(6,944,077)	(4,000,000)	(5,421,600)
Net exposure, including foreign operations		14,688,671	\$ 19,458,083	10,683,289	\$ 14,480,130
Less: Cash and Secured loans held in foreign operations		(6,907,560)	(9,150,445)	(5,603,655)	(7,423,162)
Net exposure, excluding foreign operations		\$ 7,781,111	\$ 10,307,638	\$ 5,079,634	\$ 7,056,968

Exchange rate as of the reporting date (Canadian Dollar per US Dollar)	\$	1.3247	\$	1.3554
--	----	--------	----	--------

The average exchange rate for the three months ended June 30, 2023 is \$1.3431 (June 30, 2022 - \$1.2765) and the six months ended June 30, 2023 is \$1.3475 (June 30, 2022 - \$1.2714). The average exchange rate for the 12 months ended December 31, 2022 was \$1.3017.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

Sensitivity

Exchange loss that would have been recorded in net income/loss with a 1%

increase in the value of the U.S. dollar relative to the Canadian dollar	\$ 103,000	\$ 71,000
--	------------	-----------

Exchange loss that would have been recorded in other comprehensive income/loss with a 1% increase in the value of the U.S. dollar relative to the Canadian dollar

\$ 92,000	\$ 74,000
-----------	-----------

The Company does not have any hedging arrangement with respect to its net exposure to foreign currency risks.

The exchange differences arising on translation of foreign operations are recognised in other comprehensive difference.

(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.

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 (note 11(e)). An increase of 25 basis points in discount rates will result in a decrease of approximately \$12,000 in the fair value of the secured loan to Aeolis.

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).

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

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.

The Aeolis Loan is classified as a financial asset at fair value through profit and loss (note 4). At June 30, 2023, the fair value of the Aeolis Loan was determined by discounting future cash flows using annual discount rates in the range of 7.70% - 9.46% (December 31, 2022: 7.75% - 9.07%) applicable to the term of each cash flow and average annual inflation rate of 3.5% (December 31, 2022: 3.5%).

At the end of the reporting period, the fair value measurement of the Aeolis Loan (note 4) 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 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 in average future annual inflation rate used in valuation of the Aeolis Loan from 3.5% to 3.6% would increase its fair value by approximately \$4,000.

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) Green Bonds.

As per the Green Bond indenture (the "Indenture"), the Company is also required to maintain a minimum debt coverage ratio ("Debt Coverage Ratio") as determined by dividing its earnings, before certain items such as interest, taxes, depreciation, amortization, and extraordinary items, by total interest payments. As per the Indenture, various financial covenants, including Debt Coverage Ratio, are subject to a cure period ("Cure Period"), whereby an event of default will only occur if the Company fails to comply with such covenants by the end of the second fiscal quarter following the occurrence of non-compliance.

As of June 30, 2023, the Company was in compliance with all debt covenants.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

12 . 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
July 12, 2023	August 2, 2023	August 23, 2023	0.01	431,276

(b) Loan and Royalty Agreements with Cleanlight

In August 2023, the Company entered into a loan agreement (the “CleanLight Loan Agreement”) and a royalty agreement (the “CleanLight Royalty Agreement”) with Butler Corporation SpA (“CleanLight”), a Chilean technology company and manufacturer of mobile solar-battery systems including solar lighting towers and solar-hybrid battery generators.

Under the CleanLight Loan Agreement, the Company agreed to provide, in two equal tranches, a US\$ 3.0 million secured loan (the “CleanLight Loan”) to provide working capital and to finance CleanLight’s expansion into other countries in Latin America. The CleanLight Loan has a two-year term, and bears interest of 12% per annum. Pursuant to the CleanLight Loan Agreement, and concurrently with the execution thereof, the Company provided the first cash advance of US\$ 1.5 million (\$1.98 million). The remaining US\$ 1.5 million of the CleanLight Loan will be advanced, subject to certain project related milestones.

The Company also acquired, for a purchase price of US\$ 200,000 (\$ 264,000), a gross revenue royalty of 5% for a period of 10 years (the “CleanLight Royalty”) that commences on closing, and the royalty will reduce to 3% after certain revenue milestones are met.