



RE ROYALTIES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED
MARCH 31, 2023 AND 2022

(Expressed in Canadian Dollars)

(Unaudited)

RE Royalties Ltd.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Expressed in Canadian Dollars)

	Note	March 31, 2023	December 31, 2022
ASSETS			
Non-current assets			
Secured loans and royalty interests	4	\$ 26,060,399	\$ 23,688,278
Deferred transaction costs		74,755	64,443
Deferred financing costs		–	125,296
Equity accounted investment		1	1
Right of use asset		60,027	64,897
		26,195,182	23,942,915
Current assets			
Secured loans and royalty interests	4	11,241,064	10,281,060
Amounts receivable and prepaid expenses	5	1,701,808	805,904
Cash and cash equivalents, including restricted cash	3	17,861,392	7,580,132
		30,804,264	18,667,096
TOTAL ASSETS		\$ 56,999,446	\$ 42,610,011
EQUITY			
Share capital	8	\$ 30,282,447	\$ 30,282,447
Reserves	8(b)	2,419,783	2,242,181
Accumulated deficit		(13,005,113)	(12,739,891)
Equity attributable to owners of the Company		19,697,117	19,784,737
Non-controlling interests		974,762	603,253
Total equity		20,671,879	20,387,990
LIABILITIES			
Non-current liabilities			
Green bonds	6	35,808,365	19,442,949
Deferred income tax liability		88,000	129,000
Lease liability		47,488	52,609
		35,943,853	19,624,558
Current liabilities			
Lease liability		19,784	19,098
Cash-settled share-based payment liability		15,289	49,010
Convertible notes	7	–	2,045,468
Income tax payable		82,172	82,000
Trade payables		266,469	401,887
		383,714	2,597,463
Total liabilities		36,327,567	22,222,021
TOTAL EQUITY AND LIABILITIES		\$ 56,999,446	\$ 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 May 26, 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 March 31,	
		2023	2022
Revenue and income			
Royalty revenue		\$ 141,786	\$ 170,134
Finance income		1,682,431	384,143
		1,824,217	554,277
Amortization and depletion			
Depletion of royalty interest	4	71,257	78,570
		(71,257)	(78,570)
Gross profit		1,752,960	475,707
Share of income of OCEP Invest LLC		-	101,280
Gain (loss) on revaluation of financial asset at FVTPL	4	36,641	(40,326)
Gross profit, changes in fair value of financial assets, and share of income of OCEP Invest LLC.		1,789,601	536,661
Expenses			
Wages and benefits		254,964	181,676
Administration		99,656	111,689
Marketing and stakeholder communication		86,014	83,934
Audit and audit related		5,172	44,940
Consulting – financing		16,990	29,882
Consulting – other		13,671	12,600
Regulatory and transfer agency		14,881	64,738
Office lease and information technology		16,157	15,329
Legal		10,708	2,791
Equity-settled share-based payment	8(b)	-	40,000
Cash-settled share-based payment	8(b)	(4,072)	29,235
Amortization of right-of-use asset		4,870	4,869
		(519,011)	(621,683)
Other items			
Finance expenses		684,277	454,336
Foreign exchange loss		778	10,370
		(685,055)	(464,706)
Net income (loss) before income tax		\$ 585,535	\$ (549,728)
Income tax expense			
Current income tax expense		68,584	-
Deferred income tax recovery		(41,000)	-
		(27,584)	-
Net income (loss) after income tax		\$ 557,951	\$ (549,728)
Other comprehensive loss			
Items that may be subsequently reclassified to net income			
Foreign exchange translation difference		(15,505)	(48,897)
Total other comprehensive loss		(15,505)	(48,897)
Total comprehensive income (loss)		\$ 542,446	\$ (598,625)
Net income (loss) after income tax attributable to:			
Owners of the Company		166,054	(549,728)
Non-controlling interests		391,897	-
		557,951	(549,728)
Total comprehensive income (loss) attributable to:			
Owners of the Company		154,656	(598,625)
Non-controlling interests		387,790	-
		542,446	(598,625)
Basic and diluted income (loss) per share attributable to shareholders of the Company	10	\$ 0.00	\$ (0.02)
Weighted average number of common shares outstanding	10	43,127,607	33,289,927

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		-	-	-	-	-	-	(549,728)	(549,728)	-	(549,728)
Other comprehensive loss		-	-	-	-	-	(48,897)	-	(48,897)	-	(48,897)
Total comprehensive loss		-	-	-	-	-	(48,897)	(549,728)	(598,625)	-	(598,625)
Equity-settled share-based payments	8(b)	-	-	40,000	-	-	-	-	40,000	-	40,000
Distribution to shareholders	8(c)	-	-	-	-	-	-	(332,899)	(332,899)	-	(332,899)
Balance at March 31, 2022		33,289,927	\$23,159,638	\$ 1,392,973	\$ 236,913	\$ 87,000	\$ 5,977	\$ (11,367,980)	\$ 13,514,521	\$ -	\$ 13,514,521
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)		-	-	-	-	-	-	166,054	166,054	391,897	557,951
Other comprehensive loss		-	-	-	-	-	(11,398)	-	(11,398)	(4,107)	(15,505)
Total comprehensive income		-	-	-	-	-	(11,398)	166,054	154,656	387,790	542,446
Distribution to shareholders	8(c)	-	-	-	-	-	-	(431,276)	(431,276)	-	(431,276)
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
Distribution to non-controlling interests - OCEP		-	-	-	-	-	-	-	-	(31,005)	(31,005)
Distribution to non-controlling interests - Delta		-	-	-	-	-	-	-	-	(1,382)	(1,382)
Contributions from non-controlling interest in FP Puerto Rico Invest, LLC		-	-	-	-	-	-	-	-	16,106	16,106
Balance at March 31, 2023		43,127,607	\$30,282,447	\$ 1,392,973	\$ 600,913	\$ 87,000	\$ 338,897	\$ (13,005,113)	\$ 19,697,117	\$ 974,762	\$ 20,671,879

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)

		Three months ended March 31,	
	Note	2023	2022
Operating activities			
Net income (loss)		\$ 557,951	\$ (549,728)
Adjustments for:			
Depletion of royalty interests		71,257	78,570
Finance income for the period, in excess of interest received		(1,252,409)	(341,242)
(Gain) loss on revaluation of financial asset at FVTPL		(36,641)	40,326
Depreciation of right-of-use asset		4,870	4,869
Finance expenses		684,277	454,336
Equity-settled share-based payments		-	40,000
Cash-settled share-based payment		(4,072)	29,235
Share of income of OCEP Invest LLC		-	(101,280)
Deferred income tax expense		(41,000)	-
Unrealized exchange loss		13,980	79,853
Changes in working capital items:			
Amounts receivable and prepaid expenses		(895,904)	(115,779)
Income tax payable		172	-
Trade payables and accrued liabilities		(220,645)	(52,757)
Cash used in operating activities		(1,118,164)	(433,597)
Investing activities			
Acquisition of royalty interests and secured loans	4	(2,057,302)	(1,535,975)
Investment in joint venture		-	(5,661,973)
Deferred transaction costs, net of recoveries		(10,312)	29,353
Cash used in investing activities		(2,067,614)	(7,168,595)
Financing activities			
Net proceeds from the Green Bonds offering	6	16,552,670	-
Repayment of convertible notes		(2,062,401)	-
Cash distribution to shareholders	8(c)	(431,276)	(332,899)
Distributions to non-controlling interests – OCEP		(31,005)	-
Distributions to non-controlling interests – Delta		(1,382)	-
Contributions from non-controlling interest in FP Puerto Rico Invest, LLC		16,106	-
Payments of interest on borrowings		(526,243)	(305,371)
Settlement of Restricted Share Units in cash		(29,649)	-
Payment of principal on lease		(4,405)	(4,132)
Payment of interest on lease		(1,397)	(1,669)
Other finance expenses		-	(6,360)
Cash provided by (used in) financing activities		13,481,018	(650,431)
Increase (Decrease) in cash and cash equivalents		10,295,240	(8,252,623)
Effects of exchange rate fluctuations on cash held		(13,980)	(131,670)
Cash and cash equivalents, opening balance		7,580,132	20,101,585
Cash and cash equivalents, closing balance		\$ 17,861,392	\$ 11,717,292

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, 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 months ended March 31, 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 months ended March 31, 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.

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 months ended March 31, 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:

	Three months ended March 31,	
	2023	2022
Europe		
Royalty revenue	\$ -	\$ 25,000
Finance income	-	-
	\$ -	\$ 25,000
North America		
Royalty revenue	\$ 141,786	\$ 145,134
Finance income	1,682,431	384,143
	\$ 1,824,217	\$ 529,277
Total	\$ 1,824,217	\$ 554,277

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

	March 31, 2023	December 31, 2022
Canada	\$ 3,252,761	\$ 3,322,314
United States	897,954	897,953
Mexico	139,742	88,450
Total	\$ 4,290,457	\$ 4,308,717

3 . CASH AND CASH EQUIVALENTS, INCLUDING RESTRICTED CASH

	Note	March 31, 2023	December 31, 2022
Components of cash and cash equivalents and restricted cash:			
Cash held in business accounts			
Denominated in Canadian Dollars		\$ 9,198,722	\$ 2,075,316
Denominated in US Dollars		8,662,670	5,504,816
Total		\$ 17,861,392	\$ 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		\$ 5,356,712	\$ 2,981,880
Net proceeds from the Green Bonds pending deployment (i)	6	12,504,680	-
Total		\$ 17,861,392	\$ 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 months ended March 31, 2023 and 2022

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

4 . SECURED LOANS AND ROYALTY INTERESTS

		March 31, 2023	December 31, 2022
Secured Loans – Amortized Cost			
Switch Power		\$ 8,249,844	\$ 8,046,786
Teichos Energy	4(a)	578,947	496,626
FuseForward Solutions		3,290,413	3,163,206
OCEP		6,886,130	6,716,750
NOMAD		6,867,162	6,619,391
ReVolve		1,603,486	1,594,787
Switch Solar		1,379,139	1,346,844
Revolve Cancun Projects		1,846,293	628,961
Delta		1,631,112	564,147
Teichos Energy 2	4(a)	158,716	–
		32,491,242	29,177,498
Allowance for lifetime expected losses due to significant increase in credit risk (stage 2 ECL)		(473,000)	(473,000)
		32,018,242	28,704,498
Secured Loans – FVTPL			
Aeolis Wind Power Corporation		992,764	956,123
Royalty Interest			
Northland Power Inc.		1,374,445	1,407,170
OntarioCo		255,492	259,741
Scotian Windfields		1,294,892	1,318,871
Switch Power		312,624	320,924
Teichos Energy	4(a)	1	1
NOMAD		897,952	897,952
ReVolve		69,142	70,846
Switch Solar		15,308	15,608
Revolve Cancun Projects		70,600	17,604
Teichos Energy 2	4(a)	1	–
		4,290,457	4,308,717
Total		\$ 37,301,463	\$ 33,969,338
Non-current portion		\$ 26,060,399	\$ 23,688,278
Current portion		11,241,064	10,281,060
Total		\$ 37,301,463	\$ 33,969,338

Stage 2 Lifetime ECL loss

During the three months ended March 31, 2023, there was no change in the ECL allowance.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

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

Loan Commitments

In May 2022, the Company entered into a purchase agreement for a royalty interest (the "AlbertaCo Royalty") on a wind power project located in Alberta for a consideration of approximately \$1.0 million, which agreement was closed after the end of the reporting period in May 2023.

At March 31, 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\$3.0 million (\$4.1 million).

At March 31, 2023, the aggregate amount of commitments, subject to certain conditions precedent, under the AlbertaCo Royalty purchase agreement and the Delta Loan agreement was \$5.1 million, which commitments can be funded from the Company's cash balance that is classified, as of the reporting date, as restricted cash (note 3) to be deployed as per the Green Bond Framework.

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

Secured Loans	Switch Power	Teichos Energy	FuseForward Solutions	OCEP	NOMAD	ReVolve	Switch Solar	ReVolve 2	Delta	Teichos Energy 2	Total
Note	4(a)										
For the three months ended March 31, 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	805,320	107,479	2,070,097
Transaction costs	-	-	-	-	-	-	-	23,544	-	-	23,544
Accretion and accrued interest	221,988	83,603	127,207	426,769	264,983	49,033	32,295	50,637	51,648	50,564	1,358,727
Additional finance income (ii)	-	-	-	-	-	-	-	-	220,671	-	220,671
Cash payments received	(18,930)	-	-	(238,733)	-	(40,334)	-	(14,147)	(11,716)	-	(323,860)
Foreign currency revaluation adjustment	-	(1,282)	-	(18,656)	(17,212)	-	-	-	1,042	673	(35,435)
Gross Carrying amount at March 31, 2023	8,249,844	578,947	3,290,413	6,886,130	6,867,162	1,603,486	1,379,139	1,846,293	1,631,112	158,716	32,491,242
Expected lifetime credit losses (i)	-	-	(473,000)	-	-	-	-	-	-	-	(473,000)
Net Carrying amount at March 31, 2023	\$ 8,249,844	\$ 578,947	\$ 2,817,413	\$ 6,886,130	\$ 6,867,162	\$ 1,603,486	\$ 1,379,139	\$ 1,846,293	\$ 1,631,112	\$ 158,716	\$ 32,018,242

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

(ii) Represents finance income recorded in respect of the Delta loan due to changes in estimated timing of future drawdowns against the loan facility.

	Switch Power	Teichos Energy	FuseForward Solutions	Total
Note	4(a)			
For the three months ended March 31, 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	-	-	1,459,295
Transaction costs	-	-	-	-
Accretion and accrued interest	173,067	67,542	121,205	361,814
Gain on derecognition of financial asset	-	-	-	-
Cash payments received	-	-	(20,572)	(20,572)
Foreign currency revaluation adjustment	-	(1,783)	-	(1,783)
Balance at March 31, 2022	\$ 7,457,134	\$ 237,023	\$ 3,123,510	\$ 10,817,667

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

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

The continuity schedules for royalty interests are as follows:

Royalty Interests	Cost			Depletion			Carrying Amount
	Beginning Balance	Additions	Ending Balance	Beginning Balance	Charge for the period	Ending Balance	
Three months ended March 31, 2023							
Northland Power Inc.	1,871,864	-	1,871,864	464,694	32,725	497,419	1,374,445
OntarioCo	316,559	-	316,559	56,818	4,249	61,067	255,492
Scotian Windfields	1,598,626	-	1,598,626	279,755	23,979	303,734	1,294,892
Switch Power	358,695	-	358,695	37,771	8,300	46,071	312,624
Teichos Energy (note 4(a))	1	-	1	-	-	-	1
NOMAD	932,665	-	932,665	34,713	-	34,713	897,952
ReVolve Power	73,155	-	73,155	2,309	1,704	4,013	69,142
Switch Solar	16,008	-	16,008	400	300	700	15,308
Revolve Cancun Projects	17,604	52,996	70,600	-	-	-	70,600
Teichos Energy 2 (note 4(a))	-	1	1	-	-	-	1
Total	\$5,185,177	\$ 52,997	\$5,238,174	\$876,460	\$ 71,257	\$ 947,717	\$4,290,457
Three months ended March 31, 2022							
Jade Power Trust	\$ 800,444	\$ -	\$ 800,444	\$210,625	\$ 10,534	221,159	\$ 579,285
Northland Power Inc.	1,871,864	-	1,871,864	333,794	32,725	366,519	1,505,345
OntarioCo	316,559	-	316,559	39,822	4,249	44,071	272,488
Scotian Windfields	1,598,626	-	1,598,626	183,839	23,979	207,818	1,390,808
Switch Power	282,015	76,680	358,695	5,789	7,083	12,872	345,823
Teichos Energy (note 4(a))	1	-	1	-	-	-	1
Total	\$4,869,509	\$ 76,680	\$4,946,189	\$773,869	\$ 78,570	\$ 852,439	\$4,093,750

(a) *Teichos Energy 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, LLC (“Teichos Energy”), a renewable energy development company with its headquarters in Seattle, Washington. Teichos Energy owns 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 receives 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 reaches 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 has an initial term of 6 months, with options to extend the loan by upto 12 months, which options, if exercised, will lead to an increase in the Jackson Center Royalty. The Teichos Loan bears 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.

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 months ended March 31, 2023 and 2022

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

5 . AMOUNTS RECEIVABLE AND PREPAID EXPENSES – CURRENT

	Note	March 31, 2023	December 31, 2022
Accrued royalty revenue		\$ 155,073	\$ 166,593
Prepaid expenses		123,107	55,707
Green Bonds interest reserve account		1,422,202	579,960
Other amounts receivable		1,426	3,644
Total		\$ 1,701,808	\$ 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.

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.

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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	Three months ended	Year ended
		March 31, 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		407,061	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	–
		(596,061)	(9,595)
Amortization of financing costs		139,734	384,860
Foreign exchange translation difference		(12,692)	365,200
Ending balance (i)		\$ 35,808,365	\$ 19,442,949

Carrying amount of the Green Bond liability by series:			
Series-1 6% Green Bonds		9,658,773	9,610,422
Series-2 6% Green Bonds		9,865,073	9,832,527
Series-3 9% Green Bonds		16,284,519	–
Ending balance (i)		\$ 35,808,365	\$ 19,442,949

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

At March 31, 2023, the Company was in compliance with all debt covenants (note 11(f)).

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

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

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

	Three months ended March 31,	
	2023	2022
Expense arising from equity-settled share-based payment transactions	\$ -	\$ 40,000
Expense arising from cash-settled share-based payment transactions	(4,072)	29,235
Total	\$ (4,072)	\$ 69,235

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.

Continuity of share purchase options:

	Three months ended March 31, 2023		Three months ended March 31, 2022	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding Options – beginning balance	1,585,000	\$ 1.29	2,645,000	\$ 0.82
Outstanding Options – ending balance	1,585,000	\$ 1.29	2,645,000	\$ 1.10
Options Exercisable – ending balance	1,585,000	\$ 1.29	2,161,675	\$ 1.05

RE Royalties Ltd.

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Remaining contractual life of the Company's common share purchase options:	March 31, 2023		December 31, 2022	
	Number of Options	Weighted average remaining contractual life (years)	Number of Options	Weighted average remaining contractual life (years)
Exercise price				
\$ 1.00	135,000	0.70	135,000	0.95
\$ 1.32	1,450,000	2.36	1,450,000	2.61
	1,585,000	2.22	1,585,000	2.47

Deferred share units and restricted share units

Continuity of DSUs and RSUs:	Three months ended March 31, 2023		Three months ended March 31, 2022	
	DSUs	RSUs	DSUs	RSUs
Outstanding at the beginning of the period	24,501	38,011	-	-
Granted during the period(i)	-	-	24,501	38,011
Repaid during the period	-	(38,011)	-	-
Outstanding at the end of the period	24,501	-	24,501	38,011
Units Exercisable – ending balance	24,501	-	24,501	-

(i) The grant date fair value for these DSUs and RSUs was \$1.00 per unit.

Share purchase warrant reserve

The continuity of the Company's share purchase warrants for the three months ended March 31, 2023 is as follows:

Expiry date	Exercise price	January 1, 2023	Warrants issued	Warrants exercised	Warrants expired	March 31, 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.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

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

The continuity of the Company's share purchase warrants for the three months ended March 31, 2022 is as follows:

Expiry date	Exercise price	January 1, 2022	Warrants issued	Warrants exercised	Warrants expired	March 31, 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
		442,105	-	-	-	442,105

(c) Distribution to shareholders

During the three months ended March 31, 2023 and 2022, the Company declared the following cash distributions to its shareholders:

Declaration date	Record date	Payment date	Amount	
			Per share	Total
Three months ended March 31, 2023				
January 11, 2023	February 1, 2023	February 22, 2023	\$ 0.01	\$ 431,276
				\$ 431,276
Three months ended March 31, 2022				
January 9, 2022	February 2, 2022	February 23, 2022	\$ 0.01	\$ 332,899
				\$ 332,899

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 March 31,	
	2023	2022
Short-term employment benefits (i)	\$ 118,906	\$ 105,000
Equity-settled share-based compensation	-	40,000
Cash-settled share-based compensation	(4,072)	29,235
Total	\$ 114,834	\$ 174,235

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

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

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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 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 months ended March 31, 2023 and 2022, the share purchase options, DSUs and warrants were excluded from the calculation of diluted income (loss) per share as they were antidilutive.

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.

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.

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For the three months ended March 31, 2023 and 2022

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

As of March 31, 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)	\$ 35,808,365	\$ 50,683,203	\$ 2,880,586	\$ 15,655,687	\$ 32,146,930
Lease liability	67,272	75,565	24,296	51,071	198
Income tax payable	82,172	82,172	82,172	-	-
Trade payables and accrued liabilities	266,469	266,469	266,469	-	-
	\$ 36,224,278	\$ 51,107,409	\$ 3,253,523	\$ 15,706,758	\$ 32,147,128

(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	March 31, 2023		December 31, 2022	
		US Dollars	Canadian Dollars	US Dollars	Canadian Dollars
Cash	3	6,407,774	\$ 8,662,670	4,061,396	\$ 5,504,816
Secured loans	4	10,718,955	14,490,955	10,621,893	14,396,914
		17,126,729	23,153,625	14,683,289	19,901,730
Green Bonds	6	(5,242,000)	(7,086,660)	(4,000,000)	(5,421,600)
Net exposure, including foreign operations		11,884,729	\$ 16,066,965	10,683,289	\$ 14,480,130
Less: Cash and Secured loans held in foreign operations		(6,506,861)	(8,796,626)	(5,490,911)	(7,423,162)
Net exposure, excluding foreign operations		\$ 5,377,868	\$ 7,270,339	\$ 5,192,378	\$ 7,056,968
Exchange rate as of the reporting date (Canadian Dollar per US Dollar)			\$ 1.3519		\$ 1.3554
Average exchange rate – year to date period (Canadian Dollar per US Dollar)			\$ 1.3518		\$ 1.2663

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	\$ 73,000	\$ 71,000
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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

\$ 88,000	\$ 74,000
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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.

RE Royalties Ltd.

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(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).

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).

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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 March 31, 2023, the fair value of the Aeolis Loan was determined by discounting future cash flows using annual discount rates in the range of 7.35% - 8.93% (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 March 31, 2023, the Company was in compliance with all debt covenants.

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
April 12, 2023	May 3, 2023	May 24, 2023	0.01	431,276

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(b) Royalty Agreements with Alberta Co.

In May 2022, the Company had entered into a purchase agreement for a royalty interest on a wind power project located in Alberta for an estimated consideration of approximately \$1.0 million. Subsequent to the quarter ended March 31, 2023, this agreement was closed and an amount of \$0.9 million was advanced in May 2023.

(c) Teichos repayment and royalty buyback

In May 2023, the Company received the repayment of the Teichos loan 1 and 2 from Teichos Energy, including the accrued interest over the entire term of the loans. 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).

(d) Grant of share-based awards

On May 2, 2023, the Company announced that it has granted an aggregate of 156,000 deferred share units, ("DSUs") to the directors of the Company and 144,000 restricted share units ("RSUs") to senior management of the Company. The RSUs have a three-year vesting period from the date of grant. In addition, the Company has granted 576,000 stock options to certain directors and officers of the Company. The stock options are exercisable at \$0.65 per common share and are for a term of three years. 264,000 of these stock options are awarded on the basis of meeting certain performance metrics and will vest upon achievement of those metrics. The aforementioned share-based awards were granted pursuant to the Company's stock option plan, DSU plan and RSU plan, respectively, as approved by shareholders.

Additionally, on May 2, 2023, the Company also granted the following share-based awards to its employees and consultants, pursuant to respective plans:

- 327,000 RSUs with a three-year vesting period from the date of grant;
- 120,000 stock options, exercisable at \$0.65 per common share for a term of three years, and with a one-year vesting period from date of grant;
- 264,000 stock options, exercisable at \$0.65 per common share for a term of three years, and with vesting conditions based on certain performance metrics.