



**RE ROYALTIES LTD.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE THREE MONTHS ENDED  
March 31, 2019 and 2018

*(Expressed in Canadian Dollars)*

*(Unaudited)*

### **NOTICE TO READER**

In accordance with National Instrument 51-102 subsection 4.3 (3), management of the Company advises that the Company's auditors have not performed a review of these interim financial statements.

## RE Royalties Ltd.

### Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Expressed in Canadian Dollars)

	Note	March 31, 2019	December 31, 2018
<b>ASSETS</b>			
Non-current assets			
Secured loans and royalty interest	4	\$ 5,619,774	\$ 5,512,652
Interest in an associate	5	910,019	945,419
		6,529,793	6,458,071
Current assets			
Secured loans and royalty interest	4	98,838	181,507
Amounts receivable and prepaid expenses	6	573,031	557,201
Restricted cash	3(b)	–	3,819,480
Cash and cash equivalents	3(a)	12,391,604	8,859,907
		13,063,473	13,418,095
<b>TOTAL ASSETS</b>		<b>\$ 19,593,266</b>	<b>\$ 19,876,166</b>
<b>EQUITY</b>			
Share capital	9(a)	\$ 22,241,137	\$ 22,181,863
Reserves	9(c)	606,023	613,801
Accumulated deficit		(4,346,602)	(3,902,368)
		18,500,558	18,893,296
<b>LIABILITIES</b>			
Non-current liabilities			
Convertible note	8	478,024	474,944
		478,024	474,944
Current liabilities			
Trade payables and accrued liabilities	7	292,970	507,926
Distribution payable	9(d)	321,714	–
		614,684	507,926
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>\$ 19,593,266</b>	<b>\$ 19,876,166</b>

Nature and continuance of operations (note 1)

Events after the reporting period (note 13)

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

These condensed interim financial statements are approved for issuance on May 29, 2019 and are signed on the Company's behalf by the following:

/s/ Bernard Tan

Bernard Tan  
Director

/s/ Rene Carrier

Rene Carrier  
Director

## RE Royalties Ltd.

### Condensed Consolidated Interim Statements of Comprehensive Loss

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

	Note	Three months ended March 31,	
		2019	2018
Revenue and income			
Revenue from royalty interest	4(b)	\$ 26,106	\$ 20,520
Finance income		256,046	109,223
		282,152	129,743
Amortization and depletion			
Amortization of transaction cost		52,862	29,334
Depletion of royalty interest	4(b)	10,881	10,881
		(63,743)	(40,215)
Gross profit		218,409	89,528
Gain on revaluation of financial asset at FVTPL	4(a)	39,555	15,886
Gross profit and changes in fair value of financial assets		257,964	105,414
Expenses/(recoveries)			
Marketing and stakeholder communication		40,703	6,366
Rent and information technology		14,175	9,450
Regulatory		16,594	-
Administration		57,075	28,905
Wages and benefits		99,829	69,456
Equity-settled share-based payments	9(c)	54,146	138,723
Cost recoveries		(18,398)	(65,596)
		(264,124)	(187,304)
Other expenses and (income)			
Finance expenses		11,711	48,219
Share of loss of an associate	5	14,900	-
Foreign exchange loss (gain)		89,749	(7,745)
		(116,360)	(40,474)
Net loss		\$ (122,520)	\$ (122,364)
Other comprehensive income			
Items that may be subsequently reclassified to net income			
Foreign exchange translation difference		(20,500)	25,100
Other comprehensive income		(20,500)	25,100
Total comprehensive loss		\$ (143,020)	\$ (97,264)
Basic and diluted loss per share	11	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding		32,115,856	14,799,755

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

## RE Royalties Ltd.

### Condensed Consolidated Interim Statements of Changes in Equity

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

	Note	Share capital		Reserves					Accumulated deficit	Total equity
		Number of shares	Amount	Convertible note	Equity-settled share-based payments	Share purchase warrants	Convertible note – conversion option	Foreign currency translation reserve		
Balance at January 1, 2018		11,966,422	\$ 3,937,635	\$ 1,300,500	\$ 95,565	\$ 20,000	\$ -	\$ -	\$ (680,242)	\$ 4,673,458
Impact of adoption IFRS 9		-	-	-	-	-	-	-	(23,137)	(23,137)
Restated balance at January 1, 2018		11,966,422	\$ 3,937,635	\$ 1,300,500	\$ 95,565	\$ 20,000	\$ -	\$ -	\$ (703,379)	\$ 4,650,321
Net loss for the period		-	-	-	-	-	-	-	(122,364)	(122,364)
Other comprehensive income for the period		-	-	-	-	-	-	25,100	-	25,100
Total comprehensive loss		-	-	-	-	-	-	25,100	(122,364)	(97,264)
Issuance of common shares as settlement of a loan	9(b)	1,875,000	1,405,500	-	-	-	-	-	-	1,405,500
Equity-settled share-based payments	9(c)	-	-	-	138,723	-	-	-	-	138,723
<b>Balance at March 31, 2018</b>		<b>13,841,422</b>	<b>\$ 5,343,135</b>	<b>\$ 1,300,500</b>	<b>\$ 234,288</b>	<b>\$ 20,000</b>	<b>\$ -</b>	<b>\$ 25,100</b>	<b>\$ (825,743)</b>	<b>\$ 6,097,280</b>
Balance at January 1, 2019		32,111,889	\$ 22,181,863	\$ -	\$ 433,190	\$ 54,300	\$ 26,911	\$ 99,400	\$ (3,902,368)	\$ 18,893,296
Net loss for the period		-	-	-	-	-	-	-	(122,520)	(122,520)
Other comprehensive income for the period		-	-	-	-	-	-	(20,500)	-	(20,500)
Total comprehensive loss		-	-	-	-	-	-	(20,500)	(122,520)	(143,020)
Issuance of common shares upon warrants exercised at \$0.30	9(b)	59,500	59,274	-	-	(41,424)	-	-	-	17,850
Equity-settled share-based payments	9(c)	-	-	-	54,146	-	-	-	-	54,146
Distribution to shareholders	9(d)	-	-	-	-	-	-	-	(321,714)	(321,714)
<b>Balance at March 31, 2019</b>		<b>32,171,389</b>	<b>\$ 22,241,137</b>	<b>\$ -</b>	<b>\$ 487,336</b>	<b>\$ 12,876</b>	<b>\$ 26,911</b>	<b>\$ 78,900</b>	<b>\$ (4,346,602)</b>	<b>\$ 18,500,558</b>

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

## RE Royalties Ltd.

### Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Expressed in Canadian Dollars)

	Note	Three months ended March 31,	
		2019	2018
<b>Operating activities</b>			
Net loss		\$ (122,520)	\$ (122,364)
Adjustments for:			
Amortization of transaction costs		52,862	29,533
Depletion of royalty interest	4(b)	10,881	10,881
Accretion and accrued interest on secured loans		(112,702)	(10,642)
Gain on revaluation of financial asset at FVTPL	4(a)	(39,555)	(15,885)
Finance expenses		11,711	48,219
Equity-settled share-based payments		54,146	138,723
Share of loss of an associate	5	(14,900)	-
Unrealized exchange loss (gain)		86,280	(115)
Changes in working capital items:			
Amounts receivable and prepaid expenses		(15,830)	114,231
Trade payables and accrued liabilities		(209,682)	46,822
<b>Cash (used in) provided by operating activities</b>		<b>(299,309)</b>	<b>239,403</b>
<b>Investing activities</b>			
Restricted cash	3(b)	3,738,000	-
Proceed from repayment of secured loan	4(c)	57,410	-
Acquisition of interest in an associate	5	29,800	(790,437)
Deferred transaction costs		6,650	60,000
<b>Cash provided by (used in) investing activities</b>		<b>3,831,860</b>	<b>(730,437)</b>
<b>Financing activities</b>			
Proceeds from exercise of warrants	9(b)	17,850	-
Fee relating to the conversion of loan into common shares	9(b)	-	(94,500)
Interest paid		(13,904)	(33,333)
<b>Cash provided by (used in) financing activities</b>		<b>3,946</b>	<b>(127,833)</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>3,536,497</b>	<b>(618,867)</b>
Effects of exchange rate fluctuations on cash held		(4,800)	115
Cash and cash equivalents, opening balance		8,859,907	909,402
<b>Cash and cash equivalents, closing balance</b>	3(a)	<b>\$ 12,391,604</b>	<b>\$ 290,650</b>

#### Supplemental cash flow information (note 3(a))

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, 2019 and 2018

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

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### 1. NATURE AND CONTINUANCE OF OPERATIONS

RE Royalties Ltd., formerly Baetis Ventures 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 15th 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 by providing a non-dilutive royalty financing solution to privately-held and publicly-traded renewable energy generation and development companies.

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

These condensed consolidated interim financial statements (the “Financial Statements”) are comprised of RER and its wholly-owned subsidiary, RE Royalties (Canada) Ltd. (“RER Canada”) (together referred to as the “Company” or the “Group”) and are prepared for the three months ended March 31, 2019 and 2018. RE Royalties Ltd. is the ultimate legal parent entity in the Group.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Financial Statements are described below. These policies have been consistently applied for all periods presented, unless otherwise stated.

#### (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, 2018, which were filed under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com). Results for the current reporting period are not necessarily indicative of future results. Accounting policies applied herein are the same as those applied in the Company’s annual financial statements.

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019 and 2018

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

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*(b) Basis of presentation and consolidation*

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

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

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

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

*(c) Significant accounting estimates and judgements*

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

There was no change in the use of estimates and judgments during the current period as compared to those described in Note 2 in the Company's consolidated financial statements for the year ended December 31, 2018.

*(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. At March 31, 2019 and December 31, 2018, except for the royalty interest in renewable assets in Romania (note 4(b)) all of the Company's non-current non-financial assets were held in Canada.



## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019 and 2018

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

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

	Royalty Revenue	Finance Income	Total
Three months ended March 31, 2019			
Europe	\$ 26,106	\$ 112,702	\$ 138,808
North America	–	143,344	143,344
Total	\$ 26,106	\$ 256,046	\$ 282,152
Three months ended March 31, 2018			
Europe	\$ 20,520	\$ 105,443	\$ 125,963
North America	–	3,780	3,780
Total	\$ 20,520	\$ 109,223	\$ 129,743

(e) *Changes in significant accounting policies*

#### IFRS 16, Leases

The IASB issued IFRS 16, Leases (“IFRS 16”) in January 2016, effective for annual periods commencing on or after January 1, 2019. IFRS 16 specifies how to recognize, measure, present and disclose leases. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the term of the lease is twelve months or less or the underlying asset has a low value. Lessor accounting however remains substantially unchanged from IAS 17 and the distinction between operating and finance leases is retained.

The adoption of IFRS 16 did not have an impact on these Financial statements.

#### IFRIC 23, Uncertainty over income tax treatments

In June 2017, the IFRS Interpretations Committee issued IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12, Income Taxes are applied where there is uncertainty over income tax treatments. IFRIC 23 becomes effective for annual periods beginning on or after January 1, 2019 and is to be applied retrospectively with early adoption permitted.

The adoption of IFRIC 23 did not have an impact on these Financial statements.

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019 and 2018

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

### 3. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

#### (a) Cash and cash equivalents

	March 31,	December 31,
	2019	2018
Components of cash and cash equivalents:		
Cash held in business accounts		
Denominated in Canadian Dollars	\$ 2,431,494	\$ 2,774,070
Denominated in US Dollars	3,960,110	85,837
	\$ 6,391,604	\$ 2,859,907
Cash equivalents held in Guaranteed Investment Certificates	6,000,000	6,000,000
Total	\$ 12,391,604	\$ 8,859,907
	Three months ended March 31,	2018
	2019	2018
Interest received		
Interest received on secured loan classified in operating activities	\$ -	\$ 95 000
Interest on cash and cash equivalent classified in operating activities	82,049	3,780
Total	\$ 82,049	\$ 98,780
	Three months ended March 31,	2018
	2019	2018
Non-cash financing activities		
Settlement of a loan through issuance of equity	\$ -	\$ 1,500,000

#### (b) Restricted cash

In December 2018, pursuant to a loan agreement with Belltown Power Texas, LLC (“Belltown”), the Company provided a stand-by letter of credit (the “SBLC”) of US\$2.76 million on behalf of Belltown and in order for Belltown to post certain collateral for grid connection (note 4(c)). The SBLC was issued by a commercial bank and, at December 31, 2018, \$3,819,480 (US\$2.8 million) of the Company’s cash was held as collateral against the SBLC; this amount has been classified as restricted cash in these Financial Statements.

In March 2019, the loan receivable from Belltown was repaid in full and the SBLC was cancelled releasing the restriction on the cash.

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019 and 2018

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

#### 4. SECURED LOANS AND ROYALTY INTERESTS

	March 31, 2019	December 31, 2018
<b>Secured Loans – Amortized Cost</b>		
Blockchain (note 4(b))	\$ 3,828,938	\$ 3,750,826
Other (note 4(c))	–	82,333
Total	3,828,938	3,833,159
<b>Secured Loans – FVTPL</b>		
Aeolis (note 4(a))	1,160,658	1,121,103
<b>Royalty Interest</b>		
Blockchain Power Trust (note 4(b))	729,016	739,897
Total	\$ 5,718,612	\$ 5,694,159
Non-current portion	\$ 5,619,774	\$ 5,512,652
Current portion	98,838	181,507
Total	\$ 5,718,612	\$ 5,694,159

(a) *Secured loan to Aeolis Wind Power Corporation*

In March 2016, the Company entered into a secured non-revolving term loan with Aeolis Wind Power Corporation (“Aeolis”), whereby the Company loaned Aeolis \$1,239,000 (the “Aeolis Loan”) subject to fixed payments of \$100,000 per annum, to be increased annually by an amount equal to 50% of the British Columbia Consumers Price Index (“Aeolis Royalty”). The term of the Aeolis Loan expires on July 31, 2035.

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

On the date of adoption of IFRS 9, the Aeolis Loan was reclassified as FVTPL (note 2)). Fair value was determined by discounting future cash flows at rates applicable to the term of each cash flow.

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019 and 2018

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

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*(b) Secured loan to and royalty interest in Blockchain Power Trust*

In January 2017, the Company provided Blockchain Power Trust (“Blockchain”; formerly Transeastern Power Trust) a three-year, non-revolving secured loan (the “Blockchain Loan”) and received a twenty-year gross revenue royalty (the “Blockchain Royalty”; and together with the Blockchain Loan, the “Blockchain Transaction”) on certain of Blockchain’s renewable energy generation assets. Blockchain is a Canadian publicly listed trust and an independent power producer that owns and operates facilities that produce electricity from renewable energy sources in eastern Europe.

The Blockchain Loan is a three year, \$3.8 million loan, with semi-annual interest payments at 5% per annum and a full principal repayment at maturity. The Blockchain Loan may be extended for a fourth year at Blockchain’s option, and in this event, the interest rate increases to 7% per annum for the fourth year.

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

The gross revenue for the purpose of the Blockchain Royalty is equal to the sum of all revenues in the fiscal year recognized by Blockchain with respect to the applicable projects, calculated in a consistent basis and in accordance with IFRS, in respect of:

- a) the sale of electricity energy;
- b) the sale of green certificates (or equivalent renewable incentive credits);
- c) any insurance proceeds received as a result of business interruption; and
- d) any liquidated damages.

Upon initial recognition, the Company recorded the Blockchain Loan at its fair value and the Blockchain Royalty interest at residual value derived by subtracting the fair value of the Blockchain Loan from the initial investment of \$3.8 million. The transaction cost has been allocated to the two components in the ratio of the values assigned upon initial recognition.

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019 and 2018

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

The continuity of the Blockchain Loan is as follows:

	Three months ended March 31,	
	2019	2018
<b>Blockchain Loan</b>		
Beginning balance	\$ 3,596,662	\$ 3,354,133
Accretion	112,702	105,642
Interest received	-	(95,000)
Ending balance	\$ 3,709,364	\$ 3,364,775
<b>Transaction costs</b>		
Beginning balance	\$ 154,164	\$ 278,642
Amortization	(34,590)	(29,533)
Ending balance	\$ 119,574	\$ 249,109
<b>Net carrying amount - ending balance</b>	\$ 3,828,938	\$ 3,613,884

The continuity of the Blockchain Royalty interest is as follows:

Royalty interest	Three months ended March 31,	
	2019	2019
<b>Cost</b>		
Beginning and ending balance	\$ 826,944	\$ 826,944
<b>Accumulated depletion</b>		
Beginning balance	\$ 87,047	\$ 43,523
Charge for the period	10,881	10,881
Ending balance	\$ 97,928	\$ 54,404
<b>Net carrying amount - ending balance</b>	\$ 729,016	\$ 772,540

(c) *Secured loan – Other*

In December 2018, the Company entered into a loan agreement for US\$2.8 million with a subsidiary of Belltown Power Texas, LLC (“Belltown”) whereby the Company provided \$57,386 (US\$42,050) in a cash advance to Belltown and a US\$2.76 million letter of credit for up to one year on behalf of Belltown, in order for Belltown to post certain collateral for grid connection for 78 MW Rippey solar project (“Rippey Project”) located in Texas. The Company recorded \$21,500 in transaction costs in relation to the Belltown Loan. As a consideration for the loan, the Company received a 1% gross revenue royalty interest in the Rippey Project.

In March 2019, the loan receivable from Belltown was fully repaid and the letter of credit was returned and cancelled. The Company retained the royalty interest in the Rippey Project.

# RE Royalties Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019 and 2018

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

### 5. INTEREST IN AN ASSOCIATE

In February 2018, the Company's US affiliate (RER US, note 2(b)), entered into an equity purchase transaction with Alpin Sun GmbH ("Alpin Sun"), whereby RER US acquired a 50% interest in a portfolio of four separate advanced stage development solar projects in Texas, totaling 332 MW (the "Projects"). The ultimate goal of both RER US and Alpin Sun is to develop the Projects to the point where they are ready to build, and then to sell the Projects to a third party to build and operate.

The total investment commitment for the 50% equity investment in the Projects is for US\$5 million (the "Texas Investment"). The Company contributed US\$1 million ("RER Investment") with the remaining US\$4 million to be contributed by a consortium of private investors. The Texas Investment is structured as a US limited liability company (the "Project Entities"), RER US, which holds the 50% interest in the Projects. The Company is the manager of RER US. In addition to owning a portion of RER US's 50% ownership in the Projects, the Company will also receive 50% of a 2% Gross Revenue Royalty payable to RER US for a period of twenty years.

In December 2018, RER US and an arm's-length party entered into two separate sale agreements (the "Sale Agreements") whereby RER US sold its equity interest in two of the four Project Entities for an aggregate price of US\$6 million, based on US\$30,000 per MW. Prior to the execution of the Sale Agreements, the Company's royalty interest in the underlying projects was bought-out for US\$300,000, which was due to the Company by RER US at March 31, 2019 (note 6).

The assets and liabilities of RER US are detailed below:

	March 31, 2019	December 31, 2018
Non-current assets	\$ 2,388,000	\$ 2,440,000
Current assets	1,870,000	2,132,000
Total	\$ 4,258,000	\$ 4,572,000
Net assets	\$ 3,438,000	\$ 3,561,000
Non-current liabilities	199,000	207,000
Current liabilities	621,000	804,000
Total	\$ 4,258,000	\$ 4,572,000

During the three months ended March 31, 2019, RER US recorded a net loss of \$60,000 (March 31, 2018 – \$nil), of which \$14,900 (March 31, 2018 – \$nil) was recorded in these Financial Statements as the Company's share of loss in RER US.

During the three months ended March 31, 2019, the Company recorded cost recoveries of \$18,398 relating to the Company's management of activities of RER US (March 31, 2018 – \$65,596).

At March 31, 2019, balance receivable from RER US by the Company was \$418,898 (December 31, 2018; \$409,230).

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019 and 2018

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

#### 6. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

	March 31, 2019	December 31, 2018
Accrued interest (note 4(c))	\$ -	\$ 46,521
Accrued Blockchain Royalty revenue (note 4(b))	99,855	73,748
Royalty receivable from RER US (note 5)	418,898	409,230
Prepaid expenses	5,998	16,032
Other amounts receivable	48,280	11,670
	<u>\$ 573,031</u>	<u>\$ 557,201</u>

#### 7. TRADE PAYABLES AND ACCRUED LIABILITIES

	March 31, 2019	December 31, 2018
Trade payables	\$ 36,741	\$ 106,913
Accrued liabilities	256,229	401,013
	<u>\$ 292,970</u>	<u>\$ 507,926</u>

#### 8. CONVERTIBLE NOTE

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

The 2018-Note is accounted for as a compound instrument and upon initial recognition its equity component was recorded at the residual amount after deducting the amount separately determined for the liability component from the fair value of the instrument as a whole.

#### 9. SHARE CAPITAL AND RESERVES

##### (a) Authorized share capital

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

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

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

*(b) Issued share capital*

During the three months ended March 31, 2019, pursuant to exercise of certain of the Company's share purchase warrants, the Company issued 59,500 Common Shares at \$0.30 per share and for total proceeds of \$17,850.

During the three months ended March 31, 2018, the Company issued 1,875,000 Common Shares at a deemed value of \$1,500,000 as repayment of a debt. The Company recorded \$94,500 in transaction cost relating to the issuance of these shares as share issuance cost.

*(c) Reserves*

Equity-settled share-based payments reserve

The following describes the continuity of the Company's common share purchase options for the three months ended March 31, 2019 and 2018:

<b>Continuity of options</b>	Three months ended March 31, 2019		Three months ended March 31, 2018	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding – beginning balance	1,330,000	\$ 0.82	1,180,000	\$ 0.80
Change during the period	-	-	-	-
Outstanding – ending balance	1,330,000	\$ 0.82	1,180,000	\$ 0.80

The following table summarizes information on the options outstanding:

<b>Options outstanding</b>	March 31, 2019		December 31, 2018	
	Number of options outstanding	Weighted average remaining contractual life (years)	Number of options outstanding	Weighted average remaining contractual life (years)
\$ 0.80	1,180,000	3.33	1,180,000	3.58
\$ 1.00	150,000	4.50	150,000	4.75
	1,330,000	3.46	1,330,000	3.71

The following table summarizes information on the options exercisable as at the following reporting dates:

<b>Options exercisable</b>	March 31, 2019		December 31, 2018	
	Number of options exercisable	Weighted average remaining contractual life (years)	Number of options exercisable	Weighted average remaining contractual life (years)
\$ 0.80	778,800	3.38	778,800	3.58



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#### Share purchase warrant reserve

The continuity of the Company's share purchase warrants for the three months ended March 31, 2019 is as follows:

Expiry date	Exercise price	Number of warrants			
		Opening balance	Issued	Exercised	Ending balance
July 2020	\$0.50	500,000	-	-	500,000
February 2020	\$0.30	62,001	-	(59,500)	2,501
November 2020	\$1.00	18,109	-	-	18,109
Total		580,110	-	(59,500)	580,110

#### (d) *Distribution to shareholders*

In March 2019, the Board of Directors of the Company declared a cash distribution of \$0.01 per common share for the quarter ended March 31, 2019 (March 31, 2018 – \$nil). After the end of the reporting period, on May 1, 2019, the cash distribution was paid to the shareholders of record on April 3, 2019. At March 31, 2019, the Company recorded a liability of \$321,714 in respect of the cash distribution.

## 10. RELATED PARTY TRANSACTIONS

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

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

Transactions with KMP were as follows:

<b>Remuneration for services rendered</b>	Three months ended March 31,	
	2019	2018
Short-term employment benefits	\$ 78,000	\$ 50,000
Share-based compensation	50,000	124,000
Total	\$ 128,000	\$ 174,000

## 11. LOSS PER SHARE

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares that were outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. The share purchase options and warrants (note 9(c)) and the 2018-Note (note 8) were excluded from the calculation of diluted loss per share as they were antidilutive.

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2019 and 2018

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

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#### 12. 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, restricted cash, and amounts receivable.

The Company limits the exposure to credit risk for cash and cash equivalent 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.

(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 are currently invested in business accounts.

The Company's financial liabilities are comprised of trade payables, accrued liabilities, and convertible note. Other than the convertible note with the face value of \$500,000, which is payable in 2020, the Company's liabilities are due for payment within 12 months from the reporting date. Except for the convertible note, the carrying amounts of the Company's financial liabilities represent the Company's contractual obligations. The contractual obligation relating to the convertible note equals its face value.

(c) *Foreign exchange risk*

Primarily, the Company is exposed to foreign currency risk in respect of its cash held in foreign currency (note 3(a)) and investment in RER US (note 5).

Based on the Company's U.S. dollar denominated monetary assets and monetary liabilities at March 31, 2019 a 10% increase (decrease) of the value of the U.S. dollar relative to the Canadian dollar would increase (decrease) net income by \$400,000 and other comprehensive income by \$90,000, respectively.

(d) *Interest rate risk*

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

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

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The Company is subject to interest rate cash flow risk with respect to its investments in cash and cash equivalents. 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's secured loans to Aeolis (note 4(a)) and Blockchain (note 4(b)) earn interest at fixed rates, and are therefore not subject to interest rate cash flow risk. The 2018-Note is also subject to fixed rate of interest.

The Company is subject to interest rate fair value risk with respect to the secured loan to Aeolis, which is carried at fair value. An increase of 25 basis points in discount rates will result in a decrease of approximately \$20,000 in the fair value of the secured loan to Aeolis.

#### (e) *Fair Value*

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

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

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

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

As at March 31, 2019, the fair value measurement of the Aeolis Loan (note 4(a)) has been categorized within level 3 of the fair value hierarchy. The Company has assessed the fair value of the instrument based on a valuation technique using unobservable discounted future cash flows. Significant inputs 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 used; these inputs require judgement.

## RE Royalties Ltd.

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There were no transfers between the levels of the fair value hierarchy during the three months ended March 31, 2019.

*(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 equity, comprising share capital, net of reserves and accumulated deficit. There were no changes in the Company's approach to capital management during the three months ended March 31, 2019. At March 31, 2019, the Company was not subject to any externally imposed capital requirements.

### 13. EVENTS AFTER THE REPORTING PERIOD

On May 15, 2019, the Company announced that it had entered into a loan and royalty transaction with a private group of companies in Ontario ("OntarioCo") on 49 roof-top solar projects ("Solar Project Portfolio"). Pursuant to the agreement with OntarioCo, the Company provided a \$5 million interest-bearing loan to OntarioCo with a one year term, in exchange for a gross revenue royalty on the Solar Project Portfolio. The Solar Project Portfolio has a combined generation capacity of 15.7 MW and has been in operation for between three to four years, and all are qualified under the Ontario Feed-in-Tariff program. OntarioCo will be utilizing the proceeds of the Loan to complete construction on a separate portfolio of solar projects in Canada.