RE ROYALTIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2019

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Cautionary Note to Investors Concerning Forward-looking Statements

This discussion includes certain statements that may be deemed “forward-looking information” or “forward-looking statements” within the meaning of Canadian and United States securities law. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions of future events or performance (often, but not always, using words or phrases including, but not limited to, “expects”, “does not expect”, “is expected”, “anticipates”, “does not anticipate”, “plans”, “estimates”, “believes”, “does not believe” or “intends”, or stating that certain actions, events or results may, could, would, might or will be taken, occur or be achieved) are not statements of historical fact and may be “forward-looking information”. This information represents predictions, and actual events or results may differ materially.

Forward-looking information may relate to the Company’s future outlook and anticipated events or results and may include statements regarding the Company’s financial results, future financial position, expected growth of cash flows, business strategy, budgets, projected costs, projected capital expenditures, taxes, plans, objectives, industry trends and growth opportunities. Forward-looking information contained in this discussion is based on certain assumptions regarding expected growth, results of operations, performance, industry trends and growth opportunities.

While management considers these assumptions to be reasonable, based on information available, they may prove to be incorrect. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to risks associated with general economic conditions; adverse industry events; marketing costs; loss of markets; future legislative and regulatory developments involving the renewable energy industry; inability to access sufficient capital from internal and external sources, and/or inability to access sufficient capital on favourable terms; the renewable energy industry generally; income tax and regulatory matters; the ability of the Company to implement its business strategies including expansion plans; competition; currency and interest rate fluctuations; and the other risks discussed under the heading “Risk Factors” in this MD&A. The foregoing factors are not intended to be exhaustive.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date hereof and the Company and its directors, officers and employees disclaim any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, you should not place undue reliance on forward-looking statements due to the inherent uncertainty therein. All forward-looking information is expressly qualified in its entirety by this cautionary statement. Forward-looking information and other information contained herein concerning management’s general expectations concerning the renewable energy industry are based on estimates prepared by management using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which management believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While management is not aware of any misstatements regarding any industry data or comparables presented herein, industry data and comparables are subject to change based on various factors. The Company has not independently verified any of this data from independent third party sources.

Any forward-looking statements contained in this discussion are made as of the date hereof and the Company does not undertake to update or revise them, except as may be required by applicable securities law.

1.1 DATE

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements of RE Royalties Ltd. ("RER" or the "Company") for the three months ended March 31, 2019 (the "Financial Statements") and the audited consolidated financial statements of the Company for the year ended December 31, 2018 and related MD&A as publically filed on SEDAR at www.sedar.com.

The Company reports in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The following disclosure and associated Financial Statements are presented in accordance with IFRS. All monetary amounts herein are expressed in Canadian Dollars ("CAD"), unless stated otherwise.

This MD&A is prepared as of May 29, 2019.

1.2 OVERVIEW

Description of Business

RE Royalties Ltd., formerly Baetis Ventures Ltd., 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.

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 business with the view of completing a qualifying transaction.

The Company acquires revenue-based royalties from renewable energy generation facilities by providing a non-dilutive royalty financing solution to privately held and publicly traded renewable energy generation and development companies. The Company's business objectives are to acquire a portfolio of long-term, stable, and diversified royalty streams from renewable energy generation facilities and to provide shareholders with capital appreciation and a growing, sustainable, long-term cash distribution.

Management has identified an underserviced segment in the renewable energy capital markets that lies between traditional debt and equity financing. For many small to medium-sized renewable energy companies ("SMREs"), a revenue-based royalty financing has many advantages with respect to flexibility, cost and contractual terms.

Traditional royalty-based financing has been used extensively in the North American natural resource, consumer service, industrial manufacturing, health-care, music and food sectors. Management believes that there is significant demand among SMREs for non-dilutive royalty based financing solutions due to a lack of innovation in the financing for renewable energy projects.

The Company's long-term objectives will be achieved by:

- Acquiring long-term renewable energy royalty streams backed by power purchase agreements or similar revenue programs from credit worthy utilities and/or facilities which operate in strong merchant markets with stable power pricing;
- Reinvesting capital to acquire new royalties and to grow royalty income and interest;

- Utilizing debt financing and/or co-investment structures to acquire additional royalties in order to enhance financial returns for shareholders; and
- Maintaining a low operating cost structure.

1.2.1 RENEWABLE ENERGY ROYALTY INVESTMENT UPDATE

New Royalty Investment Transactions completed after January 1, 2019

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.

The Solar Project Portfolio generates approximately 17.5 million kilowatt hours of clean energy per year; capable of removing 874 tonnes of carbon[1] from the electricity grid or providing clean electricity to 1,943 homes in Ontario annually[2].

Royalty Investment Transactions completed prior to January 1, 2019

A. Alpin Sun GmbH

In February 2018, RER US 1 LLC, an affiliate ("RER US") established by the Company, 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 352 MW (the "Projects"). The ultimate goal of both RER US and Alpin Sun is to develop the Texas Projects to the point where they are ready to build, and then to sell the Projects to a third party to build and operate.

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

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

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[1]) https://www.carbonzero.ca, Government of Canada 2017 National Inventory Report: Greenhouse Gas Sources and Sinks

[2] Ontario Energy Board, EB-2016-0153

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. In December 2018, pursuant to the Sale Agreements and upon execution thereof, RER US received US$1.4 million (the "Down Payment") in cash, representing 23.33% of the total sale proceed. The remainder of US$4.6 million (the "Contingent Payments") of the aggregate sale price is receivable in tranches subject to certain milestones leading up to the completion of the projects.

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

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 has been recognized in these Financial Statements as income from royalty buyout.

As of the date of this MD&A, RER US had not yet received the Contingent Payments.

B. Belltown Power Texas

In December 2018, the Company entered into a loan agreement for US$2.8 million ("Belltown Loan") with a subsidiary of Belltown Power Texas, LLC ("Belltown") whereby the Company provided US$42,050 in a cash advance to Belltown and a US$2.76 million letter of credit for up to one year on behalf of Belltown, in order for Belltown to post certain collateral for grid connection for the 78 MW Rippey solar project ("Rippey Project") located in Texas.

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

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

C. Aeolis Wind

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

D. Blockchain Power Trust (formerly Transeastern 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 (i) the sale of electricity energy, (ii) the sale of green certificates (or equivalent renewable incentive credits), (iii) any insurance proceeds received as a result of business interruption; and (iv) any liquidated damages.

1.2.2 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.

1.3 SELECTED ANNUAL INFORMATION

Not applicable.

1.4 SUMMARY OF QUARTERLY RESULTS

The following information is derived from the Company's accompanying Financial Statements which have been prepared in accordance with IFRS as issued by the IASB effective for the respective reporting years of the Company and are expressed in Canadian dollars, except for the weight average number of shares.

	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017
Revenue and income								
Royalty revenue	$ 26,000	$ 21,000	$ 22,000	$ 26,000	$ 21,000	$ 44,000	$ 38,000	$ 38,000
Royalty buyout	–	409,000	–	–	–	–	–	–
Finance income	256,000	192,000	111,000	109,000	108,000	123,000	119,000	117,000
Total	$ 282,000	$ 622,000	$ 133,000	$ 135,000	$ 129,000	$ 167,000	$ 157,000	$ 155,000
Net loss	$ 123,000	$ 2,370,000	$ 350,000	$ 357,000	$ 122,000	$ 102,000	$ 58,000	$ 35,000
Net loss per share	0.00	0.08	0.02	0.02	0.01	0.01	0.00	0.00

	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017
Weight average number of shares	32,115,856	28,916,815	15,810,931	15,716,422	14,799,755	11,966,422	11,932,794	11,910,172

For the other fiscal quarters presented above, the Company's revenue primarily comprised interest income on secured loans. The Company's revenue presented above also includes royalty income from several renewable power generation sources, which exhibit seasonal behaviors individually but counterbalance each other. For instance, wind power generation is stronger in winter than in summer. The opposite is true for solar power generation.

Net loss for the Company's fiscal quarter ended March 31, 2019 was primarily attributable to exchange difference ($90,000) arising from translation of the Company's US Dollar-denominated cash balance at the end of the quarter.

The increase in the Company's net loss in the three quarters to December 31, 2018 was attributable to the Company's activities pertaining to the Transaction, with the listing expenses of $1,660,881 recorded in the fourth quarter ended at December 31, 2018.

The Company's revenue and income during the quarter ended December 31, 2018 was higher due to royalty income recognized from the Alpin Sun royalty investment transaction.

1.5 RESULTS OF OPERATIONS

Revenue and income	For the three months ended			
	2019	2018	Change ($)	Change (%)
Revenue from royalty interests	$ 26,106	$ 20,520	$ 5,586	27%
Finance income	256,046	109,223	146,823	134%
Total	$ 282,152	$ 129,743	$ 152,409	117%
Gain on revaluation of Aeolis Loan	$ 39,555	$ 15,886	$ 23,669	149%

During the three months ended March 31, 2019, revenue and income increased by $152,409 (or 117%) from the prior period due mainly to finance income earned on the Belltown Loan and cash and cash equivalents.

Operating Expenses	For the three months ended			
	2019	2018	Change ($)	Change (%)
Marketing and stakeholder communication	$ 40,703	$ 6,366	$ 34,337	539%
Rent and information technology	14,175	9,450	4,725	50%
Regulatory	16,594	–	16,594	N/A
Administration	57,075	28,905	28,170	97%
Wages and benefits	99,829	69,456	30,373	44%
Finance expenses	11,711	48,219	(36,508)	(76%)
Cost recoveries	(18,398)	(65,596)	47,198	(72%)
Total	$ 221,689	$ 96,800	$ 124,889	129%

Operating expenses increased in the current period vs. the prior period due to the following reasons:

- Marketing expenses increased due to the Company engaging a communications firm and consultants to assist with the Company's shareholder and client outreach programs.
- Regulatory costs incurred relate to the Company's listing on the TSX Venture exchange.
- Wages and benefits increased due to increase in employee wages.
- Administration costs increased due to additional support and paralegal services incurred due to increase in regulatory compliance requirements as a result of the Company's listing on the TSX Venture exchange.

The increase in operating expenses in the current period was offset by reduction in interest expenses due to certain of the Company's debt being repaid or converted to equity in 2018.

Cost recoveries recorded during the three months ended March 31, 2019 and 2018 related to the Company's management of the activities of an affiliate, RER US 1 LLC.

Non-cash expenses	For the three months ended			
	2019	2018	Change ($)	Change (%)
Amortization and depletion	$ 63,743	$ 40,215	$ 23,528	59%
Foreign exchange loss (gain)	89,749	(7,745)	97,494	(1,259%)
Equity-settled share-based payments	54,146	138,723	(84,577)	(61%)
Total	$ 207,638	$ 171,193	$ 36,445	21%

Changes in the Company's non-cash expense for the current period compare to the prior period relate to the following:

- The increase in amortization mainly relates to transaction costs expensed upon repayment of the Belltown Loan.
- Foreign exchange loss (gain) relates mainly to USD-denominated cash balance held by the Company.
- Compared to the prior period, equity settled share payments decreased as fewer number of unvested share purchase options were outstanding during the current period.

1.6 LIQUIDITY

At March 31, 2019, the Company had cash and cash equivalents of $12,391,604 (December 31, 2018 – $8,859,907) and working capital of $12,450,000 (December 31, 2018 – $12,910,000).

At December 31, 2018, the Company had restricted cash of $3,819,480 which was held as a collateral against the letter of credit issued pursuant to the Belltown Loan. In March 2019, the loan receivable from Belltown was repaid in full and the letter of credit was cancelled releasing the restriction on the cash.

During the three months ended March 31, 2019, cash used in the Company's operating activities was mainly related to settlement of liabilities outstanding at the beginning of the period and cash provided by the Company's investing activities pertained to repayment the loan receivable from Belltown.

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.

The Company does not have any material capital lease obligations, purchase obligations, or any other long-term obligations.

1.7 CAPITAL RESOURCES

The Company has no lines of credit or other sources of financing which have been arranged but not yet utilized.

Further advancement of the Company's business strategies and operations will require additional funding. The Company intends to pursue additional funding either through one or a combination of the following:

- Issuance of additional equity from treasury;
- Issuance of debt such as green bonds or convertible notes; and/or
- Establishment of co-investment structures or funds, whereby the Company receives a portion of the royalties generated from the co-investment structures or funds.

Although management has a reasonable expectation that it can continue to raise funds, there can be no assurance to that effect.

The Company has no "Purchase Obligations" defined as any agreements to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and, the approximate timing of the transaction.

1.8 OFF-BALANCE SHEET ARRANGEMENTS

None.

1.9 TRANSACTIONS WITH RELATED PARTIES

This disclosure can be found in the accompanying Financial Statements of the Company.

1.10 FOURTH QUARTER

Not applicable.

1.11 PROPOSED TRANSACTIONS

Except as discussed in this MD&A, there are no proposed transactions requiring disclosure under this section.

1.12 CRITICAL ACCOUNTING ESTIMATES

This disclosure can be found in the accompanying Financial Statements of the Company.

1.13 CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

This disclosure can be found in the accompanying Financial Statements of the Company.

1.14 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

This disclosure can be found in the accompanying Financial Statements of the Company.

1.15 ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Not applicable.

1.16 DISCLOSURE OF OUTSTANDING SHARE DATA

The following table details the share capital structure as of the date of this MD&A:

	Number
Common shares	32,171,389
Share-purchase options	1,330,000
Share-purchase warrants	20,609
Shares to be issued upon conversion of the Convertible Note	500,000

1.17 INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

Internal Controls over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Disclosure Controls and Procedures

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the appropriate time periods and that required information is accumulated and communicated to the Company's management so that decisions can be made about the timely disclosure of that information.

1.18 RISK FACTORS

The required disclosure is provided in the "Risk Factors" section of the Company's audited financial statements for the year ended December 31, 2018.