



RE ROYALTIES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED
MARCH 31, 2020 AND 2019

(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, 2020	December 31, 2019
ASSETS			
Non-current assets			
Secured loans and royalty interest	4	\$ 8,442,674	\$ 7,492,267
Investment in an associate	5	610,770	563,770
		9,053,444	8,056,037
Current assets			
Secured loans and royalty interest	4	9,147,355	5,173,483
Amounts receivable and prepaid expenses	6	468,659	862,854
Cash and cash equivalents	3	893,699	4,048,057
		10,509,713	10,084,394
TOTAL ASSETS		\$ 19,563,157	\$ 18,140,431
EQUITY			
Share capital	9(b)	\$ 22,241,137	\$ 22,241,137
Reserves	9(c)	771,104	632,219
Accumulated deficit		(5,548,637)	(5,279,574)
		17,463,604	17,593,782
LIABILITIES			
Non-current liabilities			
Convertible notes	8(a)	1,464,210	-
		1,464,210	-
Current liabilities			
Convertible note	8(b)	491,343	487,914
Trade payables and accrued liabilities	7	144,000	58,735
		635,343	546,649
Total liabilities		2,099,553	546,649
TOTAL EQUITY AND LIABILITIES		\$ 19,563,157	\$ 18,140,431

Nature 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 28, 2020 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 Income (Loss)

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

	Note	Three months ended March 31,	
		2020	2019
Revenue and income			
Royalty revenue	4	\$ 132,766	\$ 26,106
Finance income	4	310,720	256,046
		443,486	282,152
Amortization and depletion			
Amortization of transaction cost	4	7,521	52,862
Depletion of royalty interest	4	62,643	10,881
		(70,164)	(63,743)
Gross profit		373,322	218,409
Gain on revaluation of financial asset at FVTPL	4(a)	70,462	39,555
Gross profit and changes in fair value of financial assets		443,784	257,964
Expenses/(recoveries)			
Rent and information technology		19,260	14,175
Regulatory		11,044	16,594
Administration		71,794	57,075
Donations		25,000	-
Marketing and stakeholder communication		51,265	40,703
Consulting		75,672	-
Wages and benefits		130,554	99,829
Equity-settled share-based payments	9(c)	4,885	54,146
Cost recoveries	5	-	(18,398)
		(389,474)	(264,124)
Other items			
Finance expenses		38,694	11,711
Share of loss of an associate	5	-	14,900
Foreign exchange (gain) loss		(37,035)	89,749
		(1,659)	(116,360)
Net income (loss)		\$ 52,651	\$ (122,520)
Other comprehensive income (loss)			
Items that may be subsequently reclassified to net income			
Foreign exchange translation difference	5	47,000	(20,500)
Total other comprehensive income (loss)		47,000	(20,500)
Total comprehensive income (loss)		\$ 99,651	\$ (143,020)
Basic and diluted income (loss) per share	11	\$ 0.00	\$ (0.00)
Weighted average number of common shares outstanding	11	32,171,389	32,115,856

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

RE Royalties Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

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

	Note	Share capital		Reserves				Accumulated deficit	Total equity
		Number of shares	Amount	Equity-settled share-based payments	Share purchase warrants	Convertible note – conversion option	Foreign currency translation reserve		
Balance at January 1, 2019		32,111,889	\$ 22,181,863	\$ 433,190	\$ 54,300	\$ 26,911	\$ 99,400	\$ (3,902,368)	\$ 18,893,296
Net loss		-	-	-	-	-	-	(122,520)	(122,520)
Other comprehensive loss		-	-	-	-	-	(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)
Balance at March 31, 2019		32,171,389	\$ 22,241,137	\$ 487,336	\$ 12,876	\$ 26,911	\$ 78,900	\$ (4,346,602)	\$ 18,500,558
Balance at January 1, 2020		32,171,389	\$ 22,241,137	\$ 528,183	\$ 12,876	\$ 26,911	\$ 64,249	\$ (5,279,574)	\$ 17,593,782
Net income		-	-	-	-	-	-	52,651	52,651
Other comprehensive income		-	-	-	-	-	47,000	-	47,000
Total comprehensive income		-	-	-	-	-	47,000	52,651	99,651
Convertible note – equity component	8(a)	-	-	-	-	87,000	-	-	87,000
Equity-settled share-based payments	9(c)	-	-	4,885	-	-	-	-	4,885
Distribution to shareholders	9(d)	-	-	-	-	-	-	(321,714)	(321,714)
Balance at March 31, 2020		32,171,389	\$ 22,241,137	\$ 533,068	\$ 12,876	\$ 113,911	\$ 111,249	\$ (5,548,637)	\$ 17,463,604

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,	
		2020	2019
Operating activities			
Net income (loss)		\$ 52,651	\$ (122,520)
Adjustments for:			
Amortization of transaction costs	4	7,521	52,862
Depletion of royalty interest	4	62,643	10,881
Accretion and accrued interest on secured loans	4	(296,435)	(112,702)
Gain on revaluation of financial asset at FVTPL	4(a)	(70,462)	(39,555)
Finance expenses		38,694	11,711
Equity-settled share-based payments	9(c)	4,885	54,146
Share of loss of an associate	5	–	(14,900)
Unrealized exchange loss on cash held	3	(10,900)	86,280
Changes in working capital items:			
Amounts receivable and prepaid expenses		394,196	(15,830)
Trade payables and accrued liabilities		85,263	(209,682)
Cash provided by (used in) operating activities		268,056	(299,309)
Investing activities			
Restricted cash	3	–	3,738,000
Acquisition of royalty interest and secured loan	4(e)	(4,627,545)	–
Proceed from repayment of secured loan	4(f)	–	57,410
Acquisition of interest in an associate	5	–	29,800
Deferred transaction costs		–	6,650
Cash (used in) provided by investing activities		(4,627,545)	3,831,860
Financing activities			
Proceeds from exercise of warrants	9(b)	–	17,850
Proceeds from issuance of convertible notes, net of costs	8(a)	1,524,647	–
Cash distribution to shareholders	9(d)	(321,714)	–
Interest paid		(8,702)	(13,904)
Cash provided by financing activities		1,194,231	3,946
(Decrease) increase in cash and cash equivalents		(3,165,258)	3,536,497
Effects of exchange rate fluctuations on cash held	3	10,900	(4,800)
Cash and cash equivalents, opening balance		4,048,057	8,859,907
Cash and cash equivalents, closing balance		\$ 893,699	\$ 12,391,604

Supplemental cash flow information (note 3)

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

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

(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 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.

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, 2020 and 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) *Statement of compliance*

These Financial Statements have been prepared on a going concern basis in accordance with IAS 34, Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”). These Financial Statements do not include all of the information and footnotes required by International Financial Reporting Standards (“IFRS”) for complete financial statements for year-end reporting purposes. These Financial Statements should be read in conjunction with the Company’s consolidated financial statements as at and for the year ended December 31, 2019, which were filed under the Company’s profile on SEDAR at www.sedar.com. Accounting policies applied herein are the same as those applied in the Company’s annual financial statements.

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

(b) *Basis of presentation and consolidation*

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

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

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

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, 2019.

(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, 2020 and December 31, 2019, 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.

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, 2020			
Europe	\$ 30,000	\$ 77,037	\$ 107,037
North America	102,766	233,683	336,449
Total	\$ 132,766	\$ 310,720	\$ 443,486

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

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

	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

3. CASH AND CASH EQUIVALENTS

	March 31, 2020	December 31, 2019
Components of cash and cash equivalents:		
Cash held in business accounts		
Denominated in Canadian Dollars	\$ 750,816	\$ 784,050
Denominated in US Dollars	142,883	3,264,007
Total	\$ 893,699	\$ 4,048,057

Supplemental cash flow information:	Three months ended March 31,	
	2020	2019
Interest received		
Interest received on secured loan classified in operating activities	\$ -	\$ 81,692
Interest on cash and cash equivalent classified in operating activities	14,285	82,049
Total	\$ 14,285	\$ 163,741

In December 2018, pursuant to a loan agreement with Belltown Power Texas, LLC (“Belltown”), the Company provided a stand-by letter of credit of US\$2.76 million on behalf of Belltown and in order for Belltown to post certain collateral for grid connection (note 4(f)).

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, 2020 and 2019

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

4. SECURED LOANS AND ROYALTY INTERESTS

	March 31, 2020	December 31, 2019
Secured Loans – Amortized Cost		
Jade Power (note 4(b))	\$ 3,853,781	\$ 3,784,268
OntarioCo (note 4(d))	5,193,780	5,074,789
Scotian Windfields (note 4(e))	3,129,329	-
	12,176,890	8,859,057
Secured Loans – FVTPL		
Aeolis (note 4(a))	1,161,267	1,090,805
Royalty Interest		
Jade Power (note 4(b))	685,492	696,373
Northland Power Inc. (note 4(c))	1,767,144	1,799,869
OntarioCo (note 4(d))	216,595	219,645
Scotian Windfields (note 4(e))	1,582,640	-
Belltown (note 4(f)) (carried at a nominal value)	1	1
	4,251,872	2,715,888
Total	\$ 17,590,029	\$ 12,665,750
Non-current portion	\$ 8,442,674	\$ 7,492,267
Current portion	9,147,355	5,173,483
Total	\$ 17,590,029	\$ 12,665,750

The continuity of secured loans for the three months ended March 31, 2020 is as follows:

	Jade Power (note 4(b))	OntarioCo (note 4(d))	Scotian Windfields (note 4(e))	Total
Loan				
Beginning balance	\$ 3,776,747	\$ 5,074,789	\$ -	\$ 8,851,536
Fair value at initial recognition	-	-	3,028,918	3,028,918
Accretion and accrued interest	77,034	118,991	100,411	296,436
	\$ 3,853,781	\$ 5,193,780	\$ 3,129,329	\$ 12,176,890
Transaction cost				
Beginning balance	\$ 7,521	\$ -	\$ -	\$ 7,521
Amortization	(7,521)	-	-	(7,521)
	\$ -	\$ -	\$ -	\$ -
Carrying amount	\$ 3,853,781	\$ 5,193,780	\$ 3,129,329	\$ 12,176,890

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

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

The continuity of secured loans for the three months ended March 31, 2019 is as follows:

	Jade Power (note 4(b))	Belltown (note 4(f))	Total
Loan			
Beginning balance	\$ 3,596,662	\$ 57,386	\$ 3,654,048
Accretion and accrued interest	112,702	61,295	173,997
Cash payments received	-	(118,681)	(118,681)
	\$ 3,709,364	\$ -	\$ 3,709,364
Transaction cost			
Beginning balance	\$ 154,164	\$ 24,947	\$ 179,111
Cost recovery	-	(6,674)	(6,674)
Amortization	(34,590)	(18,273)	(52,863)
	\$ 119,574	\$ -	\$ 119,574
Carrying amount	\$ 3,828,938	\$ -	\$ 3,828,938

The continuity of royalty interest for the three months ended on March 31, 2020 and 2019 is as follows:

	Cost			Depletion			Carrying Amount
	Beginning balance	Addition	Ending Balance	Beginning balance	Charge for the period	Ending Balance	
March 31, 2020							
Jade Power	\$ 826,944	\$ -	\$ 826,944	\$ 130,571	\$ 10,881	\$ 141,452	\$ 696,373
Northland	1,871,864	-	1,871,864	71,995	32,725	104,720	1,767,144
OntarioCo	227,272	-	227,272	7,626	3,051	10,677	216,595
Scotian Windfields	-	1,598,626	1,598,626	-	15,986	15,986	1,582,640
Belldown ⁽ⁱ⁾	1	-	1	-	-	-	1
Total	\$2,926,081	\$1,598,626	\$4,524,707	\$210,192	\$62,643	\$272,835	\$4,251,872
March 31, 2019							
Jade Power	\$ 826,944	\$ -	\$ 826,944	\$ 87,047	\$ 10,881	\$ 97,928	\$ 729,016
Belldown ⁽ⁱ⁾	-	1	1	-	-	-	1
	\$ 826,944	\$ 1	\$ 826,945	\$ 87,047	\$ 10,881	\$ 97,928	\$ 729,017

(i) Additionally, the Company retained a 1% gross revenue royalty interest in the Rippey Project (note 4(f)) that is carried at a nominal value in these Financial Statements.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

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

(a) *Aeolis Wind Power Corporation*

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

The Aeolis Loan is carried at its fair value in these Financial Statements.

(b) *Jade Power Trust*

In January 2017, the Company provided Jade Power Trust (“Jade Power”; formerly Blockchain Power Trust) a three-year, non-revolving secured loan (the “Jade Power Loan”) and received a twenty-year gross revenue royalty (the “Jade Power Royalty”) on certain of Jade Power’s renewable energy generation assets. The Jade Power Loan was extended, at Jade Power’s option, for a fourth year effective January 2020.

(c) *Northland Power Inc.*

In June 2019, the Company acquired a portfolio of gross revenue royalties on four separate operational solar parks (“Ontario Solar Projects”) in Ontario, Canada from Fresh Air Energy Inc. for \$1,871,864. The Ontario Solar Projects are owned and operated by Northland Power Inc. and have a generation capacity of 40 MW and have been in operation since 2013.

(d) *OntarioCo*

In May 2019, the Company entered into a secured loan and royalty transaction with a private group of companies in Ontario (“OntarioCo”) on 49 roof-top solar projects (“Roof-Top Solar Project Portfolio”).

(e) *Scotian Windfields*

On February 6, 2020, the Company acquired a portfolio of 12 gross revenue royalties on 12 operational wind energy generation projects in Nova Scotia, Canada (“Nova Scotia Wind Projects”) from Scotian Windfields Inc. (“Scotian Windfields”) for \$1.34 million. The Company also provided an interest-bearing senior secured loan to Scotian Windfields of \$3.3 million dollars with a term of 3 years.

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

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

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

(f) *Belltown*

The Company owns a 1% gross revenue royalty interest in the 78 MW Rippey solar project (“Rippey Project”) located in Texas. The royalty interest in the Rippey Project was received by the Company as a consideration for a loan of US\$2.8 million provided to Belltown Power Texas, LLC (“Belltown”) in December 2018; the loan was fully repaid in March 2019 whereas the Company retained the royalty interest, which is carried at a nominal value in these Financial Statements.

5. INTEREST IN AN ASSOCIATE

During the three months ended March 31, 2020, there was no change in the Company’s interest in its US affiliate, RER US 1 LLC (“RER US”).

6. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

	March 31, 2020	December 31, 2019
Accrued royalty revenue	\$ 96,139	\$ 160,410
Royalty receivable from RER US (note 5)	-	389,700
Other receivable from RER US (note 5)	73,310	67,707
Prepaid expenses	71,819	16,127
Other amounts receivable	227,391	228,910
	<u>\$ 468,659</u>	<u>\$ 862,854</u>

7. TRADE PAYABLES AND ACCRUED LIABILITIES

	March 31, 2020	December 31, 2019
Trade payables	\$ 142,300	\$ 58,735
Accrued liabilities	1,700	-
	<u>\$ 144,000</u>	<u>\$ 58,735</u>

8. CONVERTIBLE DEBTS

(a) *2020 Unsecured Convertible Notes*

In February 2020, the Company issued a series of unsecured convertible notes (“2020-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

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

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

annually but payable at maturity. The 2020-Notes shall be convertible, at the holders' sole discretion, into common shares of the Company at a conversion price of \$1.00 per share. Without the prior written consent of the lenders, the Company will not incur indebtedness that would result in its debt to equity ratio to exceed 1:1.

(b) 2018 Unsecured Convertible Note

In November 2018, the Company issued to an arm's-length party a \$500,000 unsecured convertible note (the "2018-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 2020-Notes and the 2018-Note are compound financial instruments. A compound instrument has both a liability and an equity component from the issuer's perspective, and, upon initial recognition, its equity component is recorded at the residual amount after deducting the amount separately determined for the liability component from the fair value of the instrument as a whole.

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.

(b) Issued share capital

During the three months ended March 31, 2020, there was no change in the Company's 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.

(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, 2020 and 2019:

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

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

Continuity of options	Three months ended March 31, 2020		Three months ended March 31, 2019	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding – beginning balance	1,360,000	\$ 0.82	1,330,000	\$ 0.82
Options granted	-	-	-	-
Outstanding – ending balance	1,360,000	\$ 0.82	1,330,000	\$ 0.82

The following table summarizes information on the options outstanding:

Options outstanding Exercise price	March 31, 2020		December 31, 2019	
	Number of options outstanding	Weighted average remaining contractual life (years)	Number of options outstanding	Weighted average remaining contractual life (years)
\$ 0.80	1,210,000	2.32	1,210,000	2.57
\$ 1.00	150,000	3.50	150,000	3.75
	1,360,000	2.45	1,360,000	2.70

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

Options exercisable Exercise price	March 31, 2020		December 31, 2019	
	Number of options exercisable	Weighted average remaining contractual life (years)	Number of options exercisable	Weighted average remaining contractual life (years)
\$ 0.80	1,190,000	2.33	1,190,000	2.58
\$ 1.00	100,000	3.50	100,000	3.75
	1,290,000	2.42	1,290,000	2.67

Share purchase warrant reserve

The continuity of the Company's share purchase warrants is as follows:

Expiry date	February 2020	July 2020	November 2020	Total
Exercise price	\$0.30	\$0.50	\$1.00	
Balance at January 1, 2019	62,000	500,000	18,109	580,109
Exercised	(59,500)	-	-	(59,500)
Balance at January 1, 2020	2,500	500,000	18,109	520,609
Expired	(2,500)	-	-	(2,500)
Balance at March 31, 2020	-	500,000	18,109	518,109

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2020 and 2019

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

(d) *Distribution to shareholders*

During the three months ended March 31, 2020, the Company declared the following cash distributions to its shareholders:

Declaration date	Record date	Payment date	Amount per share	Amount Total
January 8, 2020	January 29, 2020	February 19, 2020	\$ 0.01	\$ 321,714

During the three months ended March 31, 2019, the Company declared the following cash distributions to its shareholders:

Declaration date	Record date	Payment date	Amount per share	Amount Total
March 15, 2019	April 3, 2019	May 1, 2019	\$ 0.01	\$ 321,714

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:

Remuneration for services rendered	Three months ended March 31,	
	2020	2019
Short-term employment benefits	\$ 107,000	\$ 78,000
Share-based compensation	3,000	50,000
Total	\$ 110,000	\$ 128,000

11. INCOME (LOSS) PER SHARE

The Company presents basic and diluted income (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders by the weighted average number of common during the period.

Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. For the purposes of the calculation of diluted loss per share for the three months ended March 31, 2019, the share purchase options and warrants (note 9(c)), and the convertible notes (note 8) were excluded as they were antidilutive.

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

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 and amounts receivable.

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

(c) *Foreign exchange risk*

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

Based on the Company's U.S. dollar denominated monetary assets and monetary liabilities at March 31, 2020 a 10% increase (decrease) of the value of the U.S. dollar relative to the Canadian dollar would increase (decrease) net income by approximately \$14,000 and other comprehensive income by approximately \$61,000, 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.

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.

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The Company's secured loans to Aeolis (note 4(a)), Jade Power (note 4(b)), OntarioCo (note 4(d)), and Scotian Windfields (note 4(e)) earn interest at fixed rates, and are therefore not subject to interest rate cash flow risk. The 2020-Notes (note 8(a)) and the 2018-Note (note 8(b)) are 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, 2020, 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.

There were no transfers between the levels of the fair value hierarchy during the three months ended March 31, 2020.

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(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, convertible debts (note 8) and accumulated deficit. There were no changes in the Company's approach to capital management during the three months ended March 31, 2020. At March 31, 2020, except for the debt to equity ratio requirement under the terms of the 2020-Notes (note 8(a)), the Company was not subject to any externally imposed capital requirements.

13. EVENTS AFTER THE REPORTING PERIOD

(a) Declaration and Payment of Dividend

In April 2020, the Company announced that the Board of Directors of the Company had declared a cash distribution of \$0.01 per issued and outstanding common share for the quarter ending March 31, 2020. The distribution of an aggregate amount of \$321,714 was paid on May 20, 2020 to shareholders of record on April 29, 2020.

(b) Extension of the Secured Loan Receivable from OntarioCo

In May 2020, the secured loan agreement between the Company and OntarioCo (note 4(d)) was extended for one month to June 15, 2020 and the interest rate was increased from 5% per annum to 10% per annum for the extended one month term.