



**RE ROYALTIES LTD.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE THREE AND SIX MONTHS ENDED  
JUNE 30, 2022 AND 2021

*(Expressed in Canadian Dollars)*

*(Unaudited)*

**RE Royalties Ltd.****Condensed Consolidated Interim Statements of Financial Position**

(Unaudited – Expressed in Canadian Dollars)

	Note	June 30, 2022	December 31, 2021
<b>ASSETS</b>			
Non-current assets			
Secured loans and royalty interests	4	\$ 24,497,297	\$ 13,889,390
Deferred transaction costs	5	68,613	92,679
Investment in an associate and a joint venture	6	5,941,402	1
Right of use asset	8	74,636	84,375
		30,581,948	14,066,445
Current assets			
Secured loans and royalty interests	4	422,213	274,204
Amounts receivable and prepaid expenses	7	979,317	752,717
Cash and cash equivalents, including restricted cash	3	10,020,926	20,101,585
		11,422,456	21,128,506
<b>TOTAL ASSETS</b>		<b>\$ 42,004,404</b>	<b>\$ 35,194,951</b>
<b>EQUITY</b>			
Share capital	12	\$ 30,282,447	\$ 23,159,638
Reserves	12(b)	2,032,975	1,731,760
Accumulated deficit		(11,475,591)	(10,485,353)
		20,839,831	14,406,045
<b>LIABILITIES</b>			
Non-current liabilities			
Green bonds	10	18,976,537	18,702,484
Convertible notes	11	-	1,813,642
Lease liability	8	62,548	71,744
		19,039,085	20,587,870
Current liabilities			
Lease liability	8	17,767	14,972
Cash-settled share-based payment liability	13	33,681	-
Convertible notes	11	1,927,688	-
Trade payables and accrued liabilities	9	146,352	186,064
		2,125,488	201,036
<b>Total liabilities</b>		<b>21,164,573</b>	<b>20,788,906</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>\$ 42,004,404</b>	<b>\$ 35,194,951</b>

Events after the reporting period (note 17)

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

These condensed interim financial statements are approved for issuance by the Audit and Risk Committee of the Company's Board of Directors on August 26, 2022 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 June 30,		Six months ended June 30,	
		2022	2021	2022	2021
Revenue and income					
Royalty revenue		\$ 214,573	\$ 221,707	\$ 384,707	\$ 413,208
Finance income		664,684	195,690	1,048,827	442,832
		879,257	417,397	1,433,534	856,040
Amortization and depletion					
Depletion of royalty interest	4	79,783	71,485	158,353	142,971
		(79,783)	(71,485)	(158,353)	(142,971)
Gross profit					
		799,474	345,912	1,275,181	713,069
Share of income of OCEP Invest LLC	6	308,693	-	409,973	-
Gain (loss) on revaluation of financial asset at FVTPL	4	28,140	22,229	(12,186)	(13,796)
Gross profit, changes in fair value of financial assets, and share of income of OCEP Invest LLC.		1,136,307	368,141	1,672,968	699,273
Expenses					
Wages and benefits		182,365	164,872	364,041	332,292
Administration		101,816	105,939	213,505	187,179
Marketing and stakeholder communication		69,258	73,481	153,192	160,537
Audit and audit related		141,561	123,512	186,501	123,512
Consulting – financing		15,993	40,117	45,875	66,526
Consulting – other		16,380	38,899	28,980	76,299
Regulatory and transfer agency		23,074	38,000	87,812	52,707
Donations		25,000	26,000	25,000	26,000
Office lease and information technology		15,026	19,490	30,355	38,390
Legal		15,718	17,812	18,509	20,668
Equity-settled share-based payment	12(b)	-	227,000	40,000	631,000
Cash-settled share-based payment	13	4,446	-	33,681	-
Amortization of right-of-use asset	8	4,870	-	9,739	-
		(615,507)	(875,122)	(1,237,190)	(1,715,110)
Other items					
Finance expenses		462,235	253,972	916,571	496,663
Foreign exchange (gain) loss		(166,723)	6,121	(156,353)	9,361
		(295,512)	(260,093)	(760,218)	(506,024)
<b>Net income (loss)</b>					
		\$ 225,288	\$ (767,074)	\$ (324,440)	\$ (1,521,861)
Other comprehensive income					
Items that may be subsequently reclassified to net income					
Foreign exchange translation difference	6	135,112	-	86,215	-
Total other comprehensive income		135,112	-	86,215	-
<b>Total comprehensive income (loss)</b>					
		\$ 360,400	\$ (767,074)	\$ (238,225)	\$ (1,521,861)
Basic and diluted income (loss) per share					
	15	\$ 0.01	\$ (0.02)	\$ (0.01)	\$ (0.05)
Weighted average number of common shares outstanding					
	15	34,911,523	33,289,927	34,105,204	33,289,927

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

## RE Royalties Ltd.

### Condensed Consolidated Interim Statements of Changes in Equity

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

	Note	Share capital		Reserves			Accumulated deficit	Total equity	
		Number of shares	Amount	Equity-settled share-based payments	Share purchase warrants	Convertible note – conversion option			Foreign currency translation reserve
Balance at January 1, 2021		33,289,927	\$23,159,638	\$ 499,973	\$ 229,802	\$ 87,000	\$ 54,874	\$ (7,023,733)	\$ 17,007,554
Net loss		-	-	-	-	-	-	(1,521,861)	(1,521,861)
Other comprehensive loss		-	-	-	-	-	-	-	-
Total comprehensive loss		-	-	-	-	-	-	(1,521,861)	(1,521,861)
Equity-settled share-based payments	12(b)	-	-	631,000	-	-	-	-	631,000
Distribution to shareholders	12(c)	-	-	-	-	-	-	(665,798)	(665,798)
Agent warrants issued pursuant to the Green Bond offering		-	-	-	7,111	-	-	-	7,111
<b>Balance at June 30, 2021</b>		<b>33,289,927</b>	<b>\$23,159,638</b>	<b>\$ 1,130,973</b>	<b>\$ 236,913</b>	<b>\$ 87,000</b>	<b>\$ 54,874</b>	<b>\$ (9,211,392)</b>	<b>\$ 15,458,006</b>
Balance at January 1, 2022		33,289,927	\$23,159,638	\$ 1,352,973	\$ 236,913	\$ 87,000	\$ 54,874	\$ (10,485,353)	\$ 14,406,045
Net loss		-	-	-	-	-	-	(324,440)	(324,440)
Other comprehensive income		-	-	-	-	-	86,215	-	86,215
Total comprehensive loss		-	-	-	-	-	86,215	(324,440)	(238,225)
Equity-settled share-based payments	12(b)	-	-	40,000	-	-	-	-	40,000
Distribution to shareholders	12(c)	-	-	-	-	-	-	(665,798)	(665,798)
Common shares issued pursuant to the Public Offering	12(a)	9,837,680	7,122,809	-	-	-	-	-	7,122,809
Agent warrants issued pursuant to the Public Offering	12(b)	-	-	-	175,000	-	-	-	175,000
<b>Balance at June 30, 2022</b>		<b>43,127,607</b>	<b>\$30,282,447</b>	<b>\$ 1,392,973</b>	<b>\$ 411,913</b>	<b>\$ 87,000</b>	<b>\$ 141,089</b>	<b>\$ (11,475,591)</b>	<b>\$ 20,839,831</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	Six months ended June 30,	
		2022	2021
<b>Operating activities</b>			
Net loss		\$ (324,440)	\$ (1,521,861)
Adjustments for:			
Depletion of royalty interests		158,353	142,971
Finance income for the period, in excess of interest received		(666,383)	-
Interest received in excess of finance income for the period		-	312,539
Loss on revaluation of financial asset at FVTPL		12,186	13,796
Depreciation of right-of-use asset		9,739	3,245
Finance expenses		916,571	496,663
Equity-settled share-based payments		40,000	631,000
Cash-settled share-based payment		33,681	-
Share of income of OCEP Invest LLC		(409,973)	-
Unrealized exchange (gain) loss		(86,896)	7,900
Changes in working capital items:			
Amounts receivable and prepaid expenses		(226,599)	(289,935)
Trade payables and accrued liabilities		(39,712)	44,501
<b>Cash used in operating activities</b>		<b>(583,473)</b>	<b>(159,181)</b>
<b>Investing activities</b>			
Secured loan (advance) repayment	4	(10,151,154)	3,660,317
Investment in joint venture	6	(5,709,569)	-
Cash distribution from joint venture	6	264,356	-
Deferred transaction costs	5	24,066	(32,417)
<b>Cash (used in) provided by investing activities</b>		<b>(15,572,301)</b>	<b>3,627,900</b>
<b>Financing activities</b>			
Net proceeds from the Public Offering	12(a)	7,297,809	-
Net proceeds from the Green Bonds offering	10	-	320,853
Cash distribution to shareholders	12(c)	(665,798)	(665,798)
Payments of interest on borrowings		(611,645)	(298,911)
Payment of principal on lease	8	(6,358)	(3,868)
Payment of interest on lease	8	(3,310)	-
Other finance expenses		(6,360)	-
<b>Cash provided by (used in) financing activities</b>		<b>6,004,338</b>	<b>(647,724)</b>
<b>(Decrease) increase in cash and cash equivalents</b>		<b>(10,151,436)</b>	<b>2,820,995</b>
Effects of exchange rate fluctuations on cash held		70,777	(7,900)
Cash and cash equivalents, opening balance		20,101,585	11,704,731
<b>Cash and cash equivalents, closing balance</b>		<b>\$ 10,020,926</b>	<b>\$ 14,517,826</b>

### Supplemental cash flow information (note 3)

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

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

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#### 1 . NATURE OF OPERATIONS

RE Royalties Ltd. (“RER” or the “Company”) is a public company whose common shares are listed on the TSX Venture Exchange (“TSXV”), under the trading symbol “RE”. The Company was incorporated on November 2, 2016 under the laws of the Province of British Columbia, Canada. The address of the Company’s corporate office is 14th Floor, 1040 West Georgia Street, Vancouver, BC, V6E 4H1.

The Company is primarily engaged in the acquisition of revenue-based royalties from renewable energy generation facilities and other clean energy technologies by providing a non-dilutive royalty financing solution to privately-held and publicly-traded renewable energy generation and development companies and clean energy technology companies.

These condensed consolidated interim financial statements (the “Financial Statements”) are comprised of RER and its wholly-owned subsidiaries, namely: RE Royalties (Canada) Ltd. (“RER Canada”); and RE Royalties (USA) Inc. (together referred to as the “Company” or the “Group”) and are prepared for the three and six months ended June 30, 2022 and 2021. RE Royalties Ltd. is the ultimate legal parent entity in the Company.

#### 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, 2021. Accounting policies applied herein are the same as those applied in the Company’s annual financial statements, except as described below.

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

##### *(b) Basis of presentation and consolidation*

These Financial Statements have been prepared on a historical cost basis except for the loan to Aeolis Wind Power Corporation (note 4(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 subsidiaries; namely: RE Royalties (Canada) Ltd; and RE Royalties (USA) Inc.

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

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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.

The Company has assessed that its interest in OCEP Invest LLC is an interest in a joint venture (note 6(b)).

Except for the foregoing, there was no change in the use of estimates and judgments during the current period as compared to those described in Note 2 in the Company's consolidated financial statements for the year ended December 31, 2021.

#### *(d) Cash-settled Share-based payment*

The Company has classified the issuance of deferred share units and restricted shares units (note 13) as cash-settled share-based payment.

A liability is recognised for the fair value of cash-settled share-based payment. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in cash-settled share-based payment expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

#### *(e) Investment in Joint Ventures*

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Company's investment in OCEP Invest LLC (note 6(b)) is a joint venture and is accounted for using the equity method.

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

#### (f) 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.

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Europe				
Royalty revenue	\$ 25,000	\$ 12,657	\$ 50,000	\$ 42,657
Finance income	-	-	-	-
	\$ 25,000	\$ 12,657	\$ 50,000	\$ 42,657
North America				
Royalty revenue	\$ 189,573	\$ 209,050	\$ 334,707	\$ 370,551
Finance income	664,684	195,690	1,048,827	442,832
	\$ 854,257	\$ 404,740	\$ 1,383,534	\$ 813,383
<b>Total</b>	<b>\$ 879,257</b>	<b>\$ 417,397</b>	<b>\$ 1,433,534</b>	<b>\$ 856,040</b>

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

	June 30, 2022	December 31, 2021
Canada	\$ 3,518,367	\$ 3,505,820
United States	932,666	1
Romania	568,754	589,819
<b>Total</b>	<b>\$ 5,019,787</b>	<b>\$ 4,095,640</b>

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

	Note	June 30, 2022	December 31, 2021
Components of cash and cash equivalents and restricted cash:			
Cash held in business accounts			
Denominated in Canadian Dollars		\$ 6,686,900	\$ 12,428,398
Denominated in US Dollars		3,334,026	7,673,187
<b>Total</b>		<b>\$ 10,020,926</b>	<b>\$ 20,101,585</b>
Cash and cash equivalents and restricted cash subject to restrictions on use by the Company:			
Cash held as collateral against a letter of credit	4(g)	\$ 2,832,060	\$ 2,781,020
Net proceeds from the Green Bonds pending deployment (i)	10	-	6,848,626
<b>Total</b>		<b>\$ 2,832,060</b>	<b>\$ 9,629,646</b>

(i) Net proceeds from the Green Bonds offering to be utilized to finance renewable energy projects and clean energy technology in accordance with the Company's Green Bond Framework.



## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

	Six months ended June 30,	
	2022	2021
Interest received		
Interest received on secured loans classified in operating activities	\$ 348,700	\$ 705,020
Interest on cash and cash equivalents and restricted cash classified in operating activities	33,803	50,350
<b>Total</b>	<b>\$ 382,503</b>	<b>\$ 755,370</b>

	Note	Six months ended June 30,	
		2022	2021
Non-cash financing activities			
Agent and other warrants issued pursuant to the Green Bonds offering	10	\$ 175,000	\$ 7,111

#### 4 . SECURED LOANS AND ROYALTY INTERESTS

	Note	June 30, 2022	December 31, 2021
<b>Secured Loans – Amortized Cost</b>			
Switch Power	4(f)	7,655,244	5,824,772
Teichos Energy	4(g)	316,880	171,264
FuseForward Solutions	4(h)	3,135,778	3,022,877
NOMAD	4(i)	6,204,667	–
ReVolve	4(j)	1,550,300	–
		18,862,869	9,018,913
<b>Secured Loans – FVTPL</b>			
Aeolis Wind Power Corporation	4(a)	1,036,854	1,049,041
<b>Royalty Interest</b>			
Jade Power Trust	4(b)	568,754	589,819
Northland Power Inc.	4(c)	1,472,620	1,538,070
OntarioCo	4(d)	268,239	276,737
Scotian Windfields	4(e)	1,366,829	1,414,787
Switch Power	4(f)	337,524	276,226
Teichos Energy	4(g)	1	1
NOMAD	4(i)	932,665	–
ReVolve	4(j)	73,155	–
		5,019,787	4,095,640
<b>Total</b>		<b>\$ 24,919,510</b>	<b>\$ 14,163,594</b>
Non-current portion		\$ 24,497,297	\$ 13,889,390
Current portion		422,213	274,204
<b>Total</b>		<b>\$ 24,919,510</b>	<b>\$ 14,163,594</b>

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

In May 2022, the Company entered into a purchase agreement for a royalty interest on a construction stage wind power project located in Alberta for an estimated consideration of approximately \$1.0 million, payable on the later of January 2, 2023 or the date the project is commissioned to operate on a commercial basis. If the project has not reached commercial operations by June 1, 2023, the Company will no longer be obligated to make a payment for the purchase consideration.

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

Secured Loans	Note	Switch	Teichos	FuseForward	NOMAD	ReVolve	Total
		Power	Energy	Solutions			
		4(f)	4(g)	4(h)	4(i)	4(j)	
<b>For the six months ended June 30, 2022</b>							
Balance at January 1, 2022		\$ 5,824,772	\$ 171,264	\$ 3,022,877	\$ -	\$ -	\$ 9,018,913
Fair value at initial recognition		1,459,295	-	-	6,066,934	1,502,845	9,029,074
Transaction costs		-	-	-	-	39,580	39,580
Accretion and accrued interest		371,177	140,717	244,185	251,129	7,875	1,015,083
Cash payments received		-	-	(131,284)	(217,416)	-	(348,700)
Foreign currency revaluation adjustment		-	4,899	-	104,020	-	108,919
<b>Balance at June 30, 2022</b>		<b>\$ 7,655,244</b>	<b>\$ 316,880</b>	<b>\$ 3,135,778</b>	<b>\$ 6,204,667</b>	<b>\$ 1,550,300</b>	<b>\$ 18,862,869</b>

	Note	Jade Power	OntarioCo	Scotian	
		Trust		Windfields	
		4(b)	4(d)	4(e)	
<b>For the six months ended June 30, 2021</b>					
Balance at January 1, 2021		\$ 1,749,603	\$ 5,283,659	\$ 3,156,323	\$ 10,189,585
Accretion and accrued interest		-	234,979	157,504	392,483
Cash payments received		(1,749,603)	(2,500,000)	(115,736)	(4,365,339)
<b>Balance at June 30, 2021</b>		<b>\$ -</b>	<b>\$ 3,018,638</b>	<b>\$ 3,198,091</b>	<b>\$ 6,216,729</b>

The continuity schedules for royalty interests are as follows:

	Cost			Depletion			Carrying Amount
	Beginning Balance	Additions/ (Disposal)	Ending Balance	Beginning Balance	Charge for the Period	Ending Balance	
<b>For the six months ended June 30, 2022</b>							
Jade Power	\$ 800,444	\$ -	\$ 800,444	\$ 210,625	\$ 21,065	\$ 231,690	\$ 568,754
Northland	1,871,864	-	1,871,864	333,794	65,450	399,244	1,472,620
OntarioCo	316,559	-	316,559	39,822	8,498	48,320	268,239
Scotian							
Windfields	1,598,626	-	1,598,626	183,839	47,958	231,797	1,366,829
Switch Power	282,015	76,680	358,695	5,789	15,382	21,171	337,524
NOMAD	-	932,665	932,665	-	-	-	932,665
ReVolve	-	73,155	73,155	-	-	-	73,155
Teichos	1	-	1	-	-	-	1
<b>Total</b>	<b>\$ 4,869,509</b>	<b>\$ 1,082,500</b>	<b>\$ 5,952,009</b>	<b>\$ 773,869</b>	<b>\$ 158,353</b>	<b>\$ 932,222</b>	<b>\$ 5,019,787</b>

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

	Cost			Depletion			Carrying Amount
	Beginning Balance	Additions/ (Disposal)	Ending Balance	Beginning Balance	Charge for the Year/ (Disposal)	Ending Balance	
<b>For the six months ended June 30, 2021</b>							
Jade Power	\$ 800,444	\$ -	\$ 800,444	\$ 168,495	\$ 21,065	\$ 189,560	\$ 610,884
Northland	1,871,864	-	1,871,864	202,894	65,450	268,344	1,603,520
OntarioCo	316,559	-	316,559	22,826	8,497	31,323	285,236
Scotian							
Windfields	1,598,626	-	1,598,626	87,923	47,959	135,882	1,462,744
<b>Total</b>	<b>\$ 4,587,493</b>	<b>\$ -</b>	<b>\$ 4,587,493</b>	<b>\$ 482,138</b>	<b>\$ 142,971</b>	<b>\$ 625,109</b>	<b>\$ 3,962,384</b>

#### (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 royalty payments of \$100,000 per annum, 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.

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 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.

The Aeolis Loan is classified as a financial asset at FVTPL (note 2). At June 30, 2022, the fair value of the Aeolis Loan was determined by discounting future cash flows using annual discount rates in the range of 6.62% - 7.77% (December 31, 2021: 4.98% - 6.17%) applicable to the term of each cash flow and average annual inflation rate of 3.5% (December 31, 2021: 2%).

#### (b) *Jade Power Trust*

The Jade Power royalty (the “Jade Power Royalty”) is an annual royalty of 1.05% of the gross revenue earned by Jade Power Trust (“Jade Power”) on its portfolio of renewable energy projects. Jade Power 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.

In January 2021, the Company received the final repayment of the Jade Power loan.

#### (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.

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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#### (d) OntarioCo

In May 2019, the Company entered into a secured loan ("2019-Loan") and royalty transaction with a private group of companies in Ontario ("OntarioCo") on 49 roof-top solar projects ("Roof-Top Solar Project Portfolio") with a combined generation capacity of 15.7 MW. All projects in the Roof-Top Solar Project Portfolio are qualified under the Ontario Feed-in-Tariff program. Pursuant to the transaction with OntarioCo, the Company provided a \$5,000,000 interest-bearing loan at 5% per annum to OntarioCo for one-year, in exchange for a 1.12% gross revenue royalty on the Roof-Top Solar Project Portfolio. The duration of the royalty ranges between 18 to 19 years, mirroring the remaining life of the portfolio under the Feed-in-Tariff program.

In May 2020, the Company refinanced the 2019-Loan and the new loan ("2020-Loan") is a \$5 million loan for a term of one year at an interest rate of 10 percent. As part of the transaction, the Company acquired gross revenue royalties (2%) on the Second Portfolio for approximately 20 years. In addition, the royalty rate on its original portfolio of 49 projects has also been increase to 2%. The initial fair value of the 2020-Loan was determined using an annual discount rate of 12%.

In May 2021, the Company received from OntarioCo \$2,000,000 against principal sum on the 2020-Loan and \$500,000 in interest accrued thereon. The remaining principal sum of \$3,000,000 owing to the Company was refinanced with interest rate and other terms of the loan remained unchanged and was repaid in two installments of \$1,000,000 and \$2,000,000 along with accrued interest, on August 15, 2021 and November 15, 2021 respectively.

#### (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.

In September 2021, the Company received an early and full repayment of its secured loan to Scotian Windfields and recognized a gain representing the difference between the proceeds from repayment of the secured loan and its carrying amount upon derecognition of the financial asset. The Company continues to maintain its gross revenue royalties on Scotian Windfields' 12 operational wind projects.

#### (f) Switch Power

Over a three month period to November 2021, the Company entered into three loan agreements ("Switch Loan Agreements") and a royalty agreement ("Switch Royalty Agreement") with Switch Power Ontario Battery Operations Corp. ("Switch OpCo"), a wholly owned subsidiary of Switch Power Corporation ("Switch Power"), with the objective of providing funding to Switch OpCo for the acquisition of a portfolio (the "Switch Portfolio") of four operational and ten development stage "behind the meter" battery energy storage systems ("BESS") located in Ontario with a total capacity of 20.8 MW / 44.3 MWh.

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

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The energy storage projects acquired by Switch OpCo are located adjacent to certain existing buildings owned by large industrial sites, financial institutions, large property managers or REITs (collectively referred to as the “Hosts”) to supply power to the Hosts during periods of peak demand, thereby reducing their overall electricity costs (“Cost Savings”), particularly on account of Global Adjustment Charge, a premium applicable at peak times to large power consumers under the Independent Electricity System Operator’s Global Adjustment program.

The Switch Loans are summarized as follows:

1) On September 8, 2021, the Company announced that it entered into the first loan agreement with Switch OpCo for a \$2.3 million loan (the “First Acquisition Loan”) to finance the acquisition by Switch OpCo of a portfolio of four operational BESS projects (the “Operating Projects”) that have an aggregate capacity of 2 MW / 4.4 MWh and utilize battery technologies from Tesla and Sungrow. The First Acquisition Loan has a term of 24 months and will bear interest at a rate of 10% per annum.

2) On October 5, 2021, the Company announced that it entered into a second loan agreement with Switch OpCo for \$786,750 (the “Second Acquisition Loan”) to finance the purchase of a portfolio of ten BESS development projects (the “Development Projects”) which have a planned aggregate capacity of 18.9 MW / 39.8 MWh. At the time of acquisition by Switch OpCo, nine of the ten Development Projects had received executed ESAs with Hosts and had substantially completed permits and interconnection agreements. The Development Projects are expected to be operational between the summer of 2022 and the summer of 2023. The Second Acquisition Loan has a term of 23 months and will bear interest at a rate of 10% per annum.

3) On November 8, 2021, the Company announced that it entered into an equipment procurement loan agreement with Switch OpCo for \$4.3 Million (the “EP Loan”), of which amount, \$2.8 million was provided upon closing, and the remaining \$1.5 million was provided after the end of the reporting period in March 2022. The EP Loan will be used by Switch OpCo to procure BESS, with an aggregate capacity of 3.5 MW / 8.5 MWh, for the first five (of the ten) Development Projects that are expected to be operational in the summer of 2022. The EP Loan has a term of 24 months and will bear interest on drawn funds at a rate of 8.6% per annum.

Pursuant to the Switch Royalty Agreement, the Company will receive royalty payments at a sliding scale of 3% to 5%, depending on aggregate operating capacity, on all gross revenues received by all 14 projects comprising the Switch Portfolio, for the life of respective ESAs, which typically have initial terms of 10–12-years with options to extend. Under the sliding scale royalty, the Operating Projects are subject to a 5% royalty until Development Projects reach commercial operation. As additional projects reach commercial operation, the royalty will decrease.

The Company recorded the Switch Loans at their fair value, plus transaction costs, and any residual value derived by subtracting the fair value of the Switch Loans from the aggregate amount of cash advances under the Switch Loans was allocated to the Switch Power royalty interest.

*(g) Teichos Energy*

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

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

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

The Teichos Loan term can be extended for two additional 6-month increments, for a total extension of up to 12 months. If the Teichos Loan term is extended, the Jackson Center Royalty will increase accordingly. In April 2022, Teichos Energy provided a notice to the Company that it will extend the Teichos Loan by an additional 6 months. Accordingly, the Jackson Center Royalty has increased from 1% to 1.5% of gross revenues.

The Jackson Center Royalty was recorded at a nominal value of \$1 in these Financial Statements.

#### (h) *FuseForward Solutions*

In December 2021, the Company entered into an agreement to provide financing to FuseForward Solutions Group Ltd. ("FuseForward"), a Vancouver based technology company that provides smart infrastructure and digital transformation solutions to utilities, real estate, health care and government industries. FuseForward's smart infrastructure solutions allow their clients to improve operational efficiencies and reduce energy consumption, waste, and water use.

The Company provided a \$2 million secured loan with a three-year term and an 8% interest rate and concurrently acquired a royalty for \$1 million from FuseForward with a fixed annual royalty payment of \$284,000 for 10 years (collectively, the "FuseForward Financing Facility").

Upon initial recognition, the FuseForward Financing Facility was accounted for as a single debt instrument and was recorded at amortized cost.

#### (i) *NOMAD*

In April 2022, the Company entered into an agreement (the "NOMAD Agreement") with Nomad Transportable Power Systems Inc. ("NOMAD"), a company co-founded by KORE Power Inc., a US-based battery manufacturer, and Northern Reliability Inc., an experienced energy systems integrator. Pursuant to the NOMAD Agreement, the Company provided a five-year USD \$5.6 million (\$7.1 million) senior secured working capital loan (the "NOMAD Loan") to enable NOMAD to manufacture Units. The NOMAD Loan has an interest rate of 12% per annum, interest-only for the term, with a bullet repayment after 5 years. The Company also received a gross revenue royalty of 3.5% on the sale of NOMAD's Units manufactured using the NOMAD Loan proceeds.

The Company recorded the NOMAD Loan at its fair value, with the residual value recorded as royalty interest.

#### (j) *ReVolve Renewable Power*

On June 15, 2022, the Company closed an agreement with ReVolve Renewable Power Corp. (TSXV: REVV) ("ReVolve"), a North American renewable energy developer with 3.3 GW of wind, solar, and battery projects under development in the USA and Mexico, to provide a \$1.6 million secured loan (the "ReVolve Loan") to support ReVolve's acquisition of a portfolio of six operational roof top solar generation projects in Mexico (the "ReVolve Projects") with a combined generating capacity of 2.4 MW.

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

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The ReVolve Loan has a term of 24 months and bear interest at the rate of 10% per annum, compounded monthly, and payable quarterly. The Company received a structuring fee of 1.5% on the ReVolve Loan value at closing, and an additional fee of 1.5% on the ReVolve Loan value at the end of term. The Company will also receive a gross revenue royalty of 5% on four of the ReVolve Projects and 1% on two of the ReVolve Projects for the remaining life of the PPAs.

The Company recorded the ReVolve Loan at its fair value, with the residual value recorded as royalty interest.

#### 5 . DEFERRED TRANSACTION COSTS

The Company incurs legal and due diligence costs relating to potential royalty financing opportunities and records such costs as deferred transaction costs, to be transferred to royalty interests and secured loans, as applicable, upon completion of each transaction.

#### 6 . INVESTMENT IN AN ASSOCIATE AND A JOINT VENTURE

Six Months ended June 30, 2022	Note	RER	OCEP	Total
		US 1 LLC	Invest LLC	
		6(a)	6(b)	
Beginning balance		\$ 1	\$ -	\$ 1
Investment during the period		-	5,709,569	5,709,569
Share of income for the period		-	409,973	409,973
Cash distributions received		-	(264,356)	(264,356)
Foreign exchange translation difference		-	86,215	86,215
Ending balance		\$ 1	\$ 5,941,401	\$ 5,941,402

##### (a) RER US 1 LLC ("RER US")

During the six months months ended June 30, 2022, there was no change in the Company's interest in RER US.

##### (b) OCEP Invest LLC

In March 2022, a newly formed co-investment vehicle ("OCEP Invest LLC") entered into a mezzanine financing agreement (the "OCEP Loan Agreement") with Outagamie Clean Energy Partners, a Renewable Natural Gas ("RNG") developer to finance the construction of a biogas to RNG upgrading project located in Wisconsin, United States. Pursuant to the OCEP Loan Agreement, OCEP Invest LLC provided a US\$4.6 million (\$5.8 million) secured loan (the "OCEP Loan") for three years. The OCEP Loan will be interest only for the first 2 years and will amortize over the final year. Thereafter, a fixed annual royalty payment (the "Fixed Royalty") will be payable for 10 years.

To provide funds for the OCEP Loan, the Company contributed approximately US\$4.5 million (\$5.7 million) ("RER's Contribution") to OCEP Invest LLC for approximately 97% equity/ownership interest in the entity; the remaining equity contribution was provided by certain private parties.



## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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Other than the OCEP Loan, OCEP Invest LLC does not have any significant assets or liabilities. OCEP Invest LLC is governed by a shareholders' agreement (the "Shareholders' Agreement"), which sets out, among other things, the Company's economic interest as summarized below:

Term of the OCEP Loan	The Company's share of cash flows from the OCEP Loan
First two years of the OCEP Loan term	During the first two years of the term, while the OCEP Loan is interest only, the Company will receive quarterly distributions equivalent to 13.5% per annum on RER's Contribution.
Third year of the OCEP Loan term	During the third year of the term, while the OCEP Loan amortizes, the Company will receive quarterly distributions for an aggregate amount equivalent to RER's Contribution, plus 13.5% per annum on outstanding balance thereof.
Thereafter for 10 years	After the OCEP Loan is fully repaid in the third year of its term, the Company will receive its share of the Fixed Royalty payments of approximately US\$180,000 (\$225,000) annually at the rate of 4% per annum on RER's Contribution as originally provided.

Under the Shareholders' Agreement, decisions about the relevant activities of OCEP Invest LLC require the unanimous consent of all members. For the purposes of these Financial Statements, OCEP Invest LLC is classified as a joint venture, which is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Company's investment in its associate and joint venture are accounted for using the equity method.

At June 30, 2022, OCEP Invest LLC had total assets of approximately \$6.1 (December 31, 2021: \$nil), comprising of the OCEP Loan classified as non-current asset, and had no liabilities.

For the three and six months ended June 30, 2022, OCEP Invest LLC recorded net income and total comprehensive income of \$400,000 and \$500,000, respectively, which amounts represent interest income earned on the OCEP Loan.

#### 7 . AMOUNTS RECEIVABLE AND PREPAID EXPENSES – CURRENT

	Note	June 30, 2022	December 31, 2021
Accrued royalty revenue		\$ 335,705	\$ 367,643
Prepaid expenses		54,939	41,626
Green Bonds interest reserve account		579,960	304,980
Other amounts receivable		8,713	38,468
Total		\$ 979,317	\$ 752,717

#### 8 . RIGHT-OF-USE ASSET AND LEASE LIABILITY

Effective May 1, 2021, the Company recognized a right-of use asset and a corresponding lease liability with respect to a lease ("Office Lease") for an office space with a 5 year term. The incremental borrowing rate applied to measure lease liabilities was 8% per annum.



## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

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Right-of-use asset	Six months ended June 30,	
	2022	2021
Beginning balance	\$ 84,375	\$ -
Addition during the period	-	97,355
Depreciation expense during the period (included in office lease expenses)	(9,739)	(3,245)
Ending balance	\$ 74,636	\$ 94,110

  

Lease liability	Six months ended June 30,	
	2022	2021
Beginning balance	\$ 86,716	\$ -
Addition during the period	-	97,356
Interest expense (included in finance expenses)	1,669	1,251
Lease payments during the period	(8,070)	(3,868)
Ending balance	\$ 80,315	\$ 94,739

  

Long-term portion	\$ 62,548	\$ 80,353
Short-term portion	17,767	14,386
Ending balance	\$ 80,315	\$ 94,739

## 9 . TRADE PAYABLES AND ACCRUED LIABILITIES

	June 30,	December 31,
	2022	2021
Accounts payable	\$ 95,673	\$ 161,846
Accrued liabilities	50,679	24,218
	\$ 146,352	\$ 186,064

## 10 . GREEN BONDS

5-Year – 6% – Senior Secured Green Bonds	Six months ended	Year ended
	June 30,	December 31,
	2022	2021
Beginning balance	\$ 18,702,484	\$ 8,906,325
Net proceeds from Green Bond		
Aggregate gross proceeds from issuance of Green Bonds	-	10,586,400
Cash commission and fees	-	(627,904)
		9,958,496
Financing costs		
Legal and professional fees	9,595	350,514
Fair value of warrants issued (note 12(b))	-	7,111
	(9,595)	(357,625)
Amortization of financing costs	190,848	195,288
Foreign exchange translation difference	92,800	-
Ending balance	\$ 18,976,537	\$ 18,702,484

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

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In August 2020, the Company announced the inaugural public offering of its 5-year green bonds under available exemptions from the prospectus requirement, including the offering memorandum exemption. Each Green Bond has a principal amount of \$1,000 and bears interest at a rate of 6%, per annum, payable quarterly, and are senior secured obligations of the Company that are secured against the Company's portfolio of royalty and loan investments.

At June 30, 2022, the Company was in compliance with all debt covenants (note 16(f)).

#### 11 . CONVERTIBLE NOTES

In February 2020, the Company issued a series of unsecured convertible notes ("2020-Convertible Notes") to certain arm's-length parties for aggregate gross proceeds of \$1.6 million. The 2020-Notes have a term of 36 months and accrue interest at 8% per annum, compounded annually but payable at maturity. The 2020-Convertible Notes shall be convertible, at the holders' sole discretion, into common shares of the Company at a conversion price of \$1.00 per share.

#### 12 . SHARE CAPITAL AND RESERVES

##### (a) Share capital

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

Pursuant to the marketed public offering (the "Public Offering") of its units ("Units") closed on June 15, 2022, the Company issued 9,837,680 Units for an aggregate gross proceeds of \$8,066,898. Each Unit was priced at \$0.82 and consists of one common share in the capital of the Company, and one common share purchase warrant exercisable into one common share in the capital of the Company at an exercise price of \$1.10 per warrant for a period of 24 months following the closing of the Public Offering.

In connection with the Public Offering, the Company paid a cash commission equal to \$556,957 and also issued compensation warrants to the underwriters entitling them to purchase an aggregate of 776,250 common shares of the Company at a price of \$0.82 per share for a period of two years following closing.

The gross proceeds from the Public Offering was allocated to shares and warrants using the residual value method, whereby the aggregate gross proceeds is first allocated to share capital to the extent of the fair value of the common shares issued, which fair value is determined with reference to their market value. Any excess of the gross proceeds over the fair value of the common shares is allocated to the warrants and is recorded as share warrants reserve. There was no residual value assigned to the warrants because the fair value of the common shares at the timing of the closing was greater than the offering price of the Units.

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

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#### (b) Reserves

##### Share-based payments reserve

	Note	Six months ended June 30,	
		2022	2021
Expense arising from equity-settled share-based payment transactions	(details below)	\$ 40,000	\$ 631,000
Expense arising from cash-settled share-based payment transactions	13	33,681	-
<b>Total</b>		<b>\$ 73,681</b>	<b>\$ 631,000</b>

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

##### **Continuity of share purchase options:**

	Six months ended June 30, 2022		Six months ended June 30, 2021	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding Options – beginning balance	2,645,000	\$ 0.82	1,195,000	\$ 0.82
Granted during the period (i)	-	\$ -	1,450,000	\$ 1.32
Expired	(30,000)	\$ 0.80	-	\$ -
<b>Outstanding Options – ending balance</b>	<b>2,615,000</b>	<b>\$ 1.10</b>	<b>2,645,000</b>	<b>\$ 1.10</b>
<b>Options Exercisable – ending balance</b>	<b>2,615,000</b>	<b>\$ 1.10</b>	<b>1,678,341</b>	<b>\$ 0.97</b>

(i) Weighted average fair value of the options granted in the prior period was determined to be \$0.62 per option, using the Black-Scholes pricing model and based on the following assumptions: risk-free interest rate of 0.51%; expected volatility of 72%; underlying market price of \$1.35 per share; time to expiry of 4.48 years; and dividend yield of 2.96%.

##### **Remaining contractual life of the Company's common share purchase options:**

Exercise price	June 30, 2022		December 31, 2021	
	Number of Options	Weighted average remaining contractual life (years)	Number of Options	Weighted average remaining contractual life (years)
\$ 0.80	1,030,000	0.33	1,060,000	0.82
\$ 1.00	135,000	1.45	135,000	1.95
\$ 1.32	1,450,000	3.12	1,450,000	3.61
	<b>2,615,000</b>	<b>1.93</b>	<b>2,645,000</b>	<b>2.41</b>

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

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#### *Share purchase warrant reserve*

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

Expiry date	Exercise price	January 1, 2022	Warrants issued	Warrants exercised	Warrants expired	June 30, 2022
October 2, 2022	\$ 1.33	245,955	-	-	-	245,955
October 29, 2022	\$ 1.44	86,083	-	-	-	86,083
December 15, 2022	\$ 1.48	92,595	-	-	-	92,595
March 1, 2023	\$ 1.25	17,472	-	-	-	17,472
June 15, 2024 (i)	\$ 1.10	-	9,837,680	-	-	9,837,680
June 15, 2024 (ii)	\$ 0.82	-	776,250	-	-	776,250
		442,105	10,613,930	-	-	11,056,035

(i) These warrants were issued pursuant to the Public Offering and were accounted for using the residual value method (note 12(a)).

(ii) These represent the warrants issued to the underwriters for the Public offering (note 12(a)), and their fair value as of the date of issuance was \$0.225 per warrant, which fair value was determined using the Black-Scholes Option Valuation model and the following assumptions: risk-free interest rate of 3.25%; expected volatility of 53%; exercise price of \$0.82; underlying market price of \$0.85 per share; and time to expiry of 2 years.

The continuity of the Company's share purchase warrants for the six months ended June 30, 2021 is as follows:

Expiry date	Exercise price	January 1, 2021	Warrants issued	Warrants exercised	Warrants expired	June 30, 2021
October 2022	\$ 1.33	245,955	-	-	-	245,955
October 2022	\$ 1.44	86,083	-	-	-	86,083
December 2022	\$ 1.48	92,595	-	-	-	92,595
March 2023 (i)	\$ 1.25	-	17,472	-	-	17,472
		424,633	17,472	-	-	442,105

(i) The warrants issued pursuant to the Green Bonds offering (note 10). Fair value of these warrants were determined using the Black-Scholes Option Valuation model and the following assumptions: risk-free interest rate of 0.25%; expected volatility of 54%; exercise price of \$1.25; underlying market price of \$1.30 per share; and time to expiry of 2 years.

#### (c) *Distribution to shareholders*

During the six months ended June 30, 2022 and 2021, the Company declared the following cash distributions to its shareholders:

Declaration date	Record date	Payment date	Amount	
			Per share	Total
Six months ended June 30, 2022				
January 9, 2022	February 2, 2022	February 23, 2022	\$ 0.01	\$ 332,899
March 31, 2022	April 20, 2022	May 11, 2022	\$ 0.01	\$ 332,899
				\$ 665,798
Six months ended June 30, 2021				
January 6, 2021	January 27, 2021	February 17, 2021	\$ 0.01	\$ 332,899
April 7, 2021	April 28, 2021	May 19, 2021	\$ 0.01	\$ 332,899
				\$ 665,798

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

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See Note 17(a) for the cash distribution declared after the end of the current reporting period.

#### 13 . CASH-SETTLED SHARE-BASED PAYMENT

The Company has a Deferred Share Units ("DSU") plan approved by its shareholders that allows the Board, at its discretion, to award DSUs to non-executive directors for services rendered to the Company. DSUs are payable when the non-executive director ceases to be a director.

The Company's Restricted Share Units ("RSU") plan, as approved by its shareholders, allows the Board to grant employees, executive directors and consultants RSUs from time to time. The RSUs are granted conditionally and entitle the recipient to receive one common share (or the cash equivalent) upon attainment of a time-based vesting period, which period is typically one year from the date of grant.

DSUs and RSUs may be settled in Common Shares issued from treasury, in Common Shares purchased by the Company in the open market, in cash, or any combination thereof, at the discretion of the Company. The Company has classified the DSUs and the RSUs issued during the current period as cash-settled share-based payment as it intends to settle these instruments in cash.

The fair value of DSUs and RSUs is determined with reference to market price of the Company's common shares.

##### Continuity of DSUs and RSUs:

	Six months ended		Six months ended	
	June 30, 2022		June 30, 2021	
	DSUs	RSUs	DSUs	RSUs
Outstanding at the beginning of the period	-	-	-	-
Granted during the period(i)	24,501	38,011	-	-
Outstanding at the end of the period	24,501	38,011	-	-
Options Exercisable – ending balance	24,501	-	-	-

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

#### 14 . RELATED PARTY TRANSACTIONS

Transactions relating to the Company's interest in an associate and a joint venture are disclosed in Note 6.

Key management personnel ("KMP") are those persons, including its directors and executive officers, that have the authority and responsibility for planning, directing and controlling the activities of the Company. Transactions with KMP were as follows:

Remuneration for services rendered	Note	Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
Short-term employment benefits (i)		\$ 100,000	\$ 104,000	\$ 205,000	\$ 208,000
Equity-settled share-based compensation		-	174,000	40,000	483,000
Cash-settled share-based compensation	13	4,446	-	33,681	-
Total		\$ 104,446	\$ 278,000	\$ 278,681	\$ 691,000

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

## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

#### 15 . BASIC AND DILUTED INCOME (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. For the purposes of the calculation of diluted loss per share for the three and six months ended June 30, 2022, the share purchase options, DSUs, RSUs, and warrants as well as the convertible notes were excluded from the calculation of diluted loss per share as they were antidilutive.

#### 16 . FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

##### (a) Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its secured loans (note 4) and other financial assets, including cash and cash equivalents and restricted cash and amounts receivable.

The Company limits the exposure to credit risk for cash and cash equivalents and restricted cash by only investing it with high-credit quality financial institutions in business and saving accounts, which are available on demand by the Company. The Company limits the exposure to credit risk with respect to secured loans through securing the Company's right therein against the underlying renewable energy assets or against the borrowers' ownership interest in the underlying renewable energy assets.

##### (b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, it will have sufficient capital in order to meet short to medium term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company's cash is currently invested in business accounts.

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

##### As of June 30, 2022

	Carrying Amount	Total	Contractual Cash Flows (i)		
			Less than 12 months	Between 1 - 3 years	Between 4 - 5 years
Green Bonds (note 10)	\$ 18,976,537	\$ 25,300,046	\$ 1,228,872	\$ 2,457,744	\$ 21,613,430
Convertible notes (note 11)	1,927,688	2,062,370	2,062,370	-	-
Lease liability (note 8)	80,315	92,968	23,403	50,178	19,387
Trade payables and accrued liabilities	146,352	146,352	146,352	-	-
	\$ 21,130,892	\$ 27,601,736	\$ 3,460,997	\$ 2,507,922	\$ 21,632,817

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



## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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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.

At the end of the reporting period, 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 (note 4(a)) used in the valuation of the Aeolis Loan that are not observable market data were the credit spread and other elements constituting the discount rates and inflation rates used; these inputs require judgement. An increase of 25 basis points in discount rates will result in a decrease of approximately \$13,000 in the fair value of the Aeolis Loan. An increase in average future annual inflation rate used in valuation of the Aeolis Loan from 3.5% to 3.6% would increase its fair value by approximately \$4,000.

There were no transfers between the levels of the fair value hierarchy during the reporting period.

#### *(f) Capital Management*

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of the following: a) equity, comprising share capital, net of reserves and accumulated deficit; and b) 2020-Convertible Notes and Green Bonds.

At the end of the current reporting period, the Company was required to maintain a debt to equity ratio of 1:1 under certain covenants in the 2020-Convertible Notes agreement (note 11) and the Green Bonds indenture (note (10)).

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



## RE Royalties Ltd.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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

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For the quarter ended March 31, 2022, while the Company was in the process of closing several royalty based investment transactions to deploy its cash resources, the minimum Debt Coverage Ratio was not achieved. However, pursuant to the Cure Period, no event of default was deemed to have been occurred at March 31, 2022. At March 31, 2022, the carrying amount of the Green Bond liability was classified as a current liability because the Cure Period for the breach of covenant as of the reporting date was less than 12 months.

As of June 30, 2022, the Company was in compliance with all debt covenants and the carrying amount of the Green Bond liability was classified as a non-current liability.

#### 17 . EVENTS AFTER END OF THE REPORTING PERIOD

##### (a) Declaration and Payment of Dividend

After the end of the reporting period and before these Financial Statements were authorized for issuance, the Board of Directors of the Company had declared the following quarterly cash distributions:

Declaration date	Record date	Payment date	Amount	
			Per share	Total
July 13, 2022	August 3, 2022	August 24, 2022	0.01	431,276

##### (b) Modification of the Shareholders' Agreement (note (6(b)))

In August 2022, the Shareholders' Agreement was modified with mutual consent of all members of OCEP Invest LLC. As a result of the modification, the Company received certain rights that gave it the current ability to direct the relevant activities of OCEP Invest LLC, and thereby resulting in the Company gaining control over the latter.