

# **Electric Royalties Ltd.**

**(Formerly Rebel Capital Inc.)**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 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.

**Electric Royalties Ltd.**  
**(Formerly Rebel Capital Inc.)**  
**Condensed Consolidated Interim Statements of Financial Position**  
(Unaudited – Expressed in Canadian Dollars)

	Note	September 30, 2020	December 31, 2019
<b>ASSETS</b>			
Current Assets			
Cash	4	\$ 2,876,396	\$ 96,047
Account receivable and prepaid expenses	5	214,906	6,261
		3,091,302	102,308
Non-current Assets			
Mineral Royalty Interests	6	2,250,000	-
Deferred transaction costs	6	180,920	-
		2,430,920	-
<b>TOTAL ASSETS</b>		<b>\$ 5,522,222</b>	<b>\$ 102,308</b>
<b>EQUITY</b>			
Share capital	7	\$ 7,430,381	\$ 100,001
Reserve	8	265,000	-
Accumulated deficit		(2,332,605)	(50,874)
		5,362,776	49,127
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable		159,446	53,181
		159,446	53,181
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>\$ 5,522,222</b>	<b>\$ 102,308</b>

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

These financial statements are approved for issuance on November 25, 2020 and are signed on the Company's behalf by the following:

*/s/ Brendan Yurik*

Brendan Yurik  
Director

*/s/ Craig Lindsay*

Craig Lindsay  
Director

**Electric Royalties Ltd.****(Formerly Rebel Capital Inc.)****Condensed Consolidated Interim Statements of Comprehensive Loss**

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

		Three months ended September 30,		Nine months ended September 30,	
	Note	2020	2019	2020	2019
Expenses					
Marketing and shareholders communication		\$ 127,914	\$ –	\$ 169,546	\$ –
Salaries and benefits	9	77,319	–	156,518	–
Administration		89,299	–	174,198	–
Regulatory		28,844	–	28,844	–
Legal		115,359	–	163,315	–
Property investigations - Geology, Resource Modelling, Metallurgy & Engineering		34,212	–	181,542	–
		472,947	–	873,963	–
Equity-settled share-based payments	8	252,000	–	252,000	–
Interest income		(5,788)	–	(7,837)	–
Listing expenses	3	21,515	–	1,163,605	–
Net loss and comprehensive loss		\$ 740,674	\$ –	\$ 2,281,731	\$ –
Basic and diluted loss per share		\$ 0.02	\$ 0.00	\$ 0.08	\$ 0.00
Weighted average number of common shares outstanding		47,602,927	100	27,879,626	100

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

## Electric Royalties Ltd.

(Formerly Rebel Capital Inc.)

### Condensed Consolidated Interim Statements of Changes in Equity

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

	Note	Share capital (note 5)		Share-based payments reserve	Accumulated deficit	Total equity
		Number of shares	Amount			
Balance at January 1, 2019		100	\$ 1	\$ -	\$ -	\$ 1
Net loss and comprehensive loss		-	-	-	-	-
<b>Balance at September 30, 2019</b>		<b>100</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1</b>
Balance at January 1, 2020	7	10,000,100	\$ 100,001	\$ -	\$ (50,874)	\$ 49,127
Common shares issued for cash	7	10,000,000	500,000	-	-	500,000
Common shares issued pursuant to the Private Placement completed concurrently with the Qualifying Transaction	3 & 7	20,925,000	4,997,880	-	-	4,997,880
Deemed issuance of common shares pursuant to the Qualifying Transaction	3 & 7	2,330,001	582,500	-	-	582,500
Deemed issuance of share purchase options pursuant to the Qualifying Transaction	3 & 8	-	-	13,000	-	13,000
Common shares issued upon acquisition of the Bissett Creek Royalty	6(a)	2,000,000	500,000	-	-	500,000
Common shares issued upon acquisition of the Globex Portfolio	6(b)	3,000,000	750,000	-	-	750,000
Equity-settled share-based payments	8	-	-	252,000	-	252,000
Net loss and comprehensive loss		-	-	-	(2,281,731)	(2,281,731)
<b>Balance at September 30, 2020</b>		<b>48,255,101</b>	<b>\$ 7,430,381</b>	<b>\$ 265,000</b>	<b>\$ (2,332,605)</b>	<b>\$ 5,362,776</b>

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

**Electric Royalties Ltd.**  
**(Formerly Rebel Capital Inc.)**  
**Condensed Consolidated Interim Statements of Cash Flows**  
(Unaudited – Expressed in Canadian Dollars)

	Note	Nine months ended September 30,	
		2020	2019
<b>Operating activities</b>			
Net loss		\$ (2,281,731)	\$ -
Adjustments for:			
Deemed issuance of common shares pursuant to the Qualifying Transaction	3	582,500	-
Deemed issuance of share purchase options pursuant to the Qualifying Transaction	3	13,000	-
Cash acquired on completion of the RTO	3	(10,373)	-
Equity-settled share-based payments		252,000	-
Interest income	8	(7,837)	-
Changes in working capital items			
Account receivable and prepaid expenses		(208,645)	-
Accounts payable		106,265	-
<b>Cash (used in) provided by operating activities</b>		<b>(1,554,821)</b>	<b>-</b>
<b>Investing activities</b>			
Cash paid upon acquisition of mineral royalty interests	6	(1,000,000)	-
Deferred transaction costs	6	(180,920)	-
Interest received		7,837	-
<b>Cash (used in) provided by investing activities</b>		<b>(1,173,083)</b>	<b>-</b>
<b>Financing activities</b>			
Proceeds from issuance of common shares, net of costs	3 & 7	4,997,880	-
Proceeds from issuance of common shares	7	500,000	-
Cash acquired on completion of the RTO	3	10,373	-
<b>Cash provided by financing activities</b>		<b>5,508,253</b>	<b>-</b>
<b>Change in cash</b>		<b>2,780,349</b>	<b>-</b>
Cash, opening balance		96,047	1
<b>Cash, closing balance</b>		<b>\$ 2,876,396</b>	<b>\$ 1</b>

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

# Electric Royalties Ltd.

(Formerly Rebel Capital Inc.)

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2020 and 2019

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

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### 1. NATURE OF OPERATIONS

Electric Royalties Ltd., formerly Rebel Capital Inc., (“ERL” or the “Company”) is a public company whose common shares are listed on the TSX Venture Exchange (“TSXV”), under the trading symbol “ELEC”. The Company was incorporated on September 16, 2016 under the laws of the Province of British Columbia, Canada. The address of the Company’s corporate office is 15th Floor, 1040 West Georgia Street, Vancouver, BC, V6E 4H1.

On June 24, 2020, the Company completed its qualifying transaction (the “Qualifying Transaction”) (Note 3) under TSXV Policy 2.4 – Capital Pool Companies, and it concurrently changed its name from Rebel Capital Inc. to Electric Royalties Ltd. Prior to the Qualifying Transaction, the Company was a Capital Pool Company (CPC) as defined pursuant to Policy 2.4 of the TSXV that performed no significant business activities other than the identification and evaluation of assets or businesses with the view of completing a qualifying transaction. Additional details regarding the Qualifying Transaction are included in Note 3.

The Company is focused predominantly on acquiring royalty interests in advanced stage mineral projects as well as operating mines, located in jurisdictions with low geopolitical risk, to build a diversified portfolio of royalty interests in significant mineral deposits (resources and/or reserves) of a wide range of commodities (lithium, vanadium, manganese, tin, graphite, cobalt, nickel & copper) that will benefit from the drive to electrification (cars, rechargeable batteries, large scale energy storage, renewable energy generation and other applications).

After the end of the reporting period, the Company completed acquisitions of eight royalties and entered into a definitive agreement to acquire three additional royalties (note 6).

These condensed consolidated interim financial statements (the “Financial Statements”) are comprised of ERL and its wholly-owned subsidiary, Electric Royalties (Canada) Ltd. (together referred to as the “Company” or the “Group”) and are prepared for the three and six months ended September 30, 2020 and 2019. The Transaction has been accounted for as a reverse take-over (RTO) as further described herein (note 3). Electric Royalties Ltd. is the ultimate legal parent entity in the Group.

### 2. BASIS OF PRESENTATION AND SUMMARY OF 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 financial statements as at and for the year ended December 31, 2019. Results for the current reporting period are not necessarily indicative

# Electric Royalties Ltd.

(Formerly Rebel Capital Inc.)

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2020 and 2019

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

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of future results. Accounting policies applied herein are the same as those applied in the Company's annual financial statements.

*(b) 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 changes in the use of estimates and judgments during the current period as compared to those described in Note 2 in the Company's financial statements for the year ended December 31, 2019.

*(c) Royalty Interests*

Royalty interests consist of acquired royalty interests. These interests are recorded at cost and capitalized as tangible assets. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any. Project evaluation costs that are not related to a specific royalty asset are expensed in the period incurred.

Producing royalty are depleted using the units-of-production method over the life of the property to which the interest relates, which is estimated using available information of proven and probable reserves and the portion of resources expected to be classified as mineral reserves at the mine corresponding to the specific agreement.

On acquisition of a royalty interest, an allocation of its fair value may be attributed to the exploration potential of the interest and is accounted for in accordance with IFRS 6, Exploration and Evaluation of Mineral Resources ("IFRS 6"). Once the technical feasibility, commercial viability and a development decision have been established, the value of the asset is reclassified and accounted for in accordance with IAS 16, Property, Plant and Equipment ("IAS 16"). The exploration and evaluation asset is subject to an impairment test prior to reclassification in accordance with IFRS 6.

*(d) Impairment of Mineral, Royalty and Other Interests*

Evaluation of the carrying values of each mineral property is undertaken when events or changes in circumstances indicate that the carrying values may not be recoverable and at each reporting period. If any indication of impairment exists, the recoverable amount is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of the fair value less costs of disposal and value in use.

Fair value is the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date. Costs of disposal are incremental costs directly attributable to the disposal of an asset. Fair value less costs of disposal is usually estimated using a discounted cash flow approach. Estimated future cash flows are calculated using estimated production, sales prices, and a discount rate. Estimated production is determined using current reserves and the portion of resources expected to be classified as

# Electric Royalties Ltd.

(Formerly Rebel Capital Inc.)

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2020 and 2019

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mineral reserves as well as exploration potential expected to be converted into resources. Estimated sales prices are determined by reference to an average of long-term metal price forecasts by analysts and management's expectations. The discount rate is estimated using an average discount rate incorporating analyst views to value precious metal royalty companies. Value in use is determined as the future value of present cash flows expected to be derived from continuing use of an asset in its present form for those assets where value in use exceeds fair value less costs of disposal. If it is determined that the recoverable amount is less than the carrying value, then an impairment is recognized within net income (loss) immediately.

An assessment is made at each reporting period if there is any indication that a previous impairment loss may no longer exist or has decreased. If indications are present, the carrying amount of the mineral interest is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount net of depletion that would have been determined had no impairment loss been recognized for the mineral interest in previous periods.

(e) *Share-based payment transactions*

The Company operates an equity-settled share-based option plan for its directors, officers, employees and other service providers. The fair value of share purchase options granted is recognized as an expense with a corresponding increase in the equity-settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by a direct employee.

The fair value is measured at grant date for each tranche, which is expensed on a straight line basis over the vesting period, with a corresponding increase in equity. The fair value of share purchase options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted and forfeiture rates as appropriate. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

(f) *Operating Segments*

The Company operates as a single segment and these Financial Statements should be read as a whole for the results of this single reporting segment.

### 3. REVERSE TAKEOVER

The Qualifying Transaction (note 1) was completed pursuant to a business combination agreement dated January 28, 2020, as amended, between the Company, 1238383 B.C. Ltd. (the "Subco") and a private company then named as Electric Royalties Ltd. (the "Legal Acquiree"). Following the consolidation (the "Consolidation") of the Company's shares on a 2:1 basis, the Qualifying Transaction was effected by way of a "three-cornered"

# **Electric Royalties Ltd.**

**(Formerly Rebel Capital Inc.)**

## **Notes to the Condensed Consolidated Interim Financial Statements**

For the three and nine months ended September 30, 2020 and 2019

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

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amalgamation, in which: (a) the Subco was amalgamated with the Legal Acquiree to form an amalgamated company (“Amalco”); (b) all issued and outstanding shares of the Legal Acquiree were exchanged for post-Consolidation shares of the Company on a 1:1 basis; and (c) Amalco became a wholly-owned subsidiary of the Company and was renamed as Electric Royalties (Canada) Ltd.. The Qualifying Transaction was a reverse-takeover of the Company and upon completion thereof, the Company changed its name to “Electric Royalties Ltd.” and carried on the business previously carried on by the Legal Acquiree.

Concurrently with the Qualifying Transaction, the Company completed a private placement (the “Private Placement”) of 20,925,000 of its common shares at \$0.25 per share for aggregate gross proceeds of \$5,231,250 and net proceeds of \$4,997,880, after deducting \$233,370 in financing costs. The Private Placement was completed by way of subscription receipts, which were automatically converted, without payment of additional consideration or further action by the holder thereof, into one post-Consolidation common share of the Company immediately before the completion of the Qualifying Transaction.

For accounting purposes, the Qualifying Transaction is considered as a “reverse takeover”. A reverse takeover transaction involving a non-public operating entity and a non-operating public company is in substance a capital transaction, rather than a business combination.

These Financial Statements are presented as a continuation of the Legal Acquiree but are issued in the name of the Company as a legal parent. The Qualifying Transaction has been measured at the fair value of the shares and options that are deemed to have been issued to the Company’s historical shareholders. Accordingly, the Qualifying Transaction has been recorded in these Financial Statements using a basis of accounting as summarized below:

- a) The historical equity of the Company has been eliminated and the excess of the fair value of deemed issuance of the equity instruments over the fair value of the net assets acquired has been recorded as listing expense in net loss for the period;
- b) The accumulated deficit and other equity balances presented in these Financial Statements are those of the Legal Acquiree;
- c) The assets and liabilities of the Legal Acquiree are included in these Financial Statements on a pre-transaction basis of accounting;
- d) The net assets of the Company were measured at their estimated fair value on the date of the Qualifying Transaction; and
- e) Comparative information presented in these financial statements is that of the Legal Acquiree.

# Electric Royalties Ltd.

(Formerly Rebel Capital Inc.)

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2020 and 2019

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

The following summarizes the basis of accounting for the reverse takeover described above:

Fair value of equity instruments deemed to have been issued pursuant to the Qualifying Transaction	
Common shares <sup>(i)</sup> (note 7)	\$ 582,500
Share purchase options <sup>(ii)</sup> (note 8)	13,000
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Total amount recorded in equity in these Financial Statements	595,500
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Working capital of Rebel Capital Inc. immediately before the Qualifying Transaction	
Total liabilities	41,523
Cash	(10,373)
<hr/>	
	31,150
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Other fees and expenses, including legal and regulatory costs	536,955
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Total listing expense	\$ 1,163,605

(i) The fair value of the common shares deemed to have been issued was determined with reference to the price (\$0.25 per share) at which the Company's common shares commenced trading after the completion of the Qualifying Transaction.

(ii) The share purchase of options were valued using the Black-Scholes valuation model and the following weighted average input: i) share price of \$0.25 per share; ii) exercise price of \$0.20 per share; iii) risk free rate of 0.25% p.a.; iv) average annualized volatility of 90%; v) remaining average life of 0.7 year; and vi) dividend yield of nil%.

#### 4. CASH

At September 30, 2020 and December 31, 2019, the Company's cash was denominated in Canadian dollars and was held in business account with a high-quality Canadian financial institution.

#### 5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	September 30, 2020	December 31, 2019
Sales tax	\$ –	\$ 2,186
Prepaid expenses	214,906	4,075
<hr/>		
Total	\$ 214,906	\$ 6,261

# Electric Royalties Ltd.

(Formerly Rebel Capital Inc.)

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2020 and 2019

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

### 6. MINERAL ROYALTY INTERESTS AND DEFERRED TRANSACTION COSTS

During the quarter ended September 30, 2020, the Company completed acquisitions of eight royalties and entered into a definitive agreement to acquire three royalties.

Mineral Royalty Interests	Bissett Creek Royalty (note 6(a))	Globex Portfolio (note 6(b))	Total
Number of Common Shares issued	2,000,000	3,000,000	5,000,000
Value of Common Shares issued	\$ 500,000	\$ 750,000	\$ 1,250,000
Cash payments	500,000	500,000	1,000,000
Total purchase price	\$ 1,000,000	\$ 1,250,000	\$ 2,250,000

At September 30, 2020, the carrying amount of deferred transaction costs included legal and other costs relating to the royalty acquisition transactions described herein.

#### (a) Acquisition of Bissett Creek Graphite Royalty

On July 16, 2020, the Company announced the closing of the acquisition of a royalty over the Bissett Creek graphite project (“Bissett Creek Project”) from Northern Graphite Corporation (“Northern Graphite”) pursuant a binding letter agreement dated March 18, 2020, as amended, between the Company and Northern Graphite. The Bissett Creek Project is an advanced stage graphite deposit located within 15 km of the Trans-Canada Highway near Deep River, Ontario.

The Bissett Creek Royalty (“Bissett Creek Royalty”) is a 1% Gross Revenue Royalty (“GRR”) over all revenues received or receivable by Northern Graphite in connection with graphite flotation concentrate produced from the Bissett Creek graphite project. The royalty will be based on pricing for 94% Cg concentrates and will not apply to the premiums received for higher purities or value-added products. The Company acquired the Bissett Creek Royalty in exchange for 2,000,000 Common Shares and \$500,000 cash.

The Company has a call option, exercisable at any time for a period of two years from July 15, 2020, to acquire a further 0.5% GRR on the Bissett Creek Project by paying \$750,000 to Northern Graphite, of which up to 25% can be paid in shares, valued at the preceding 5-day volume weighted closing price of the Company’s shares on the TSXV. The additional 0.5% GRR will become part of the Bissett Creek Royalty.

Northern Graphite has the option, exercisable at any time after 12 months from July 15, 2020, to buy back a 0.5% GRR on the Bissett Creek Project by either paying (i) \$1,500,000 cash, or (ii) returning the original 2,000,000 shares. If the buy-back option is exercised, 0.5% shall be deducted from the Bissett Creek Royalty.

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(Formerly Rebel Capital Inc.)

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2020 and 2019

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

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### *(b) Acquisition of Portfolio of 7 Royalties*

On July 13, 2020, the Company announced the closing of the acquisition of a portfolio (the “Globex Portfolio”) of seven royalties from Globex Mining Enterprises Inc. (“Globex Mining”), pursuant to a binding letter agreement dated August 30, 2019, as amended, between the Company and Globex Mining.

The Globex Portfolio consists of the following Royalties:

- 0.5% Gross Metal Royalty (“GMR”) on part of the Authier lithium project (the “Authier Lithium Project”), located in the municipality of Preissac in the Province of Quebec.
- 0.5% GMR on one claim that forms part of the Authier Lithium Project.
- 1% GMR on the Vanadium production only on the Mont Sorcier project located in Roy Township, Province of Quebec and comprises 37 mining claims.
- 2% GMR on the Battery Hill project; an advanced stage exploration project located in Carleton County, Province of New Brunswick and comprises 32 mining claims.
- 2% GMR on greenfield exploration claims adjacent to the Authier Lithium Project.
- 2% GMR on the Chubb lithium project, a greenfield exploration project located in Lacorne Townships of Quebec
- 2% GMR on the Bouvier lithium project, a greenfield exploration located in Figuerly Townships of Quebec.

The Company acquired the Globex Portfolio in exchange for 3,000,000 Common Shares and \$500,000 cash. In the event the Authier Lithium Project enters commercial production within six years, the Company shall make a bonus payment of \$250,000 in cash to Globex, such payment to be due and payable on the date that the Authier Lithium Project achieves 12 months of continuous commercial production, as defined in the definitive feasibility study for the Authier Lithium Project. The contingent bonus will escalate annually with the Consumer Price Index (“CPI”).

### *(c) Definitive Acquisition Agreements to Acquire 3 Cobalt Royalties*

On July 23, 2020, the Company announced the execution of the definitive acquisition agreements to acquire a portfolio of three royalties (the “Global Energy Portfolio”) from Global Energy Metals Corp. (“Global Energy”) pursuant to a binding letter agreement dated February 27, 2020, as amended. The Company will acquire the royalties in exchange for 1,150,000 Common Shares and \$150,000 cash. Closing remains subject to obtaining governmental approvals in Australia.

The Global Energy Portfolio consists of the following Royalties:

- 0.5% Gross Metal Royalty (“GMR”) on the Millennium cobalt project, an advanced exploration stage cobalt-copper project located near Mount Isa, Queensland, Australia.

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## Notes to the Condensed Consolidated Interim Financial Statements

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

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- 0.5% GMR on the Mt. Dorothy cobalt project, an early stage exploration located near Mount Isa, Queensland, Australia.
- 0.5% GMR on the Cobalt Ridge cobalt project, an early stage exploration project located near Mount Isa, Queensland, Australia.

Electric Royalty has a call option (the “First Global Option”) exercisable at any time in the two years from the closing date of the acquisition (“Closing Date”) to acquire a 0.5% Royalty on the net smelter returns (“NSR”) from the Millennium Cobalt Project (the “Millennium NSR Royalty”) for \$500,000. Up to 25% of the payment is payable in shares, at the Company’s election. Upon exercise of the First Global Option, the Company will have a further call option, exercisable on the earlier of (i) the third anniversary of the Closing Date and (ii) six months from the date that a preliminary economic analysis or similar study on the Millennium Cobalt Project is provided by Global Metals to Electric Royalties, to increase the Millennium NSR Royalty to 1.5% for \$1,000,000.

Up to 25% of the payment is payable in shares, at Electric Royalties’ election.

## 7. SHARE CAPITAL

### (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

The continuity of the Company’s Common Shares is as follows:

Common Share issued and outstanding at January 1, 2020 and 2019	4,660,000
Consolidation of Common Shares pursuant to the Qualifying Transaction	(2,329,999)
Post-Consolidation Common Shares	2,330,001
Common Shares of the Company exchanged for the common shares of the Legal Acquiree	20,000,100
Common Share issued pursuant to the Private Placement (note 3)	20,925,000
Common shares issued upon acquisition of the Globex Portfolio	3,000,000
Common shares issued upon acquisition of the Bissett Creek Royalty	2,000,000
Common Share issued and outstanding at September 30, 2020	48,255,101

The common shares of the Legal Acquiree that were exchanged for the Company’s Common Shares upon completion of the Qualifying Transaction comprised of the following:

- 10,000,000 common shares of the Legal Acquiree were issued in February 2020 at a price of \$0.05 per share and aggregate gross proceeds of \$500,000.
- 10,000,000 common shares of the Legal Acquiree were issued at a price of \$0.01 per share and aggregate gross proceeds of \$100,000.

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- 100 common shares of the Legal Acquiree were issued upon its incorporation.

### 8. SHARE PURCHASE OPTIONS

At December 31, 2019 as well as immediately before completion of the Qualifying Transaction, the Company had 200,000 pre-Consolidation share purchase options outstanding with an exercise price of \$0.10 per share. Pursuant to the Qualifying Transaction, these options were consolidated on a 2:1 basis to 100,000 post-Consolidation options and the exercise price the options was increased to \$0.20 per share. At September 30, 2020, 100,000 post-Consolidation share purchase options of the Company were outstanding with exercise price of \$0.20 per share and weighted average remaining life of 0.7 years.

The following describes the continuity of the Company's common share purchase options for the nine months ended September 30, 2020 and 2019:

Continuity of options	Nine months ended September 30, 2020		Nine months ended September 30, 2019 <sup>(i)</sup>	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding – beginning balance	-	\$ -	-	\$ -
Deemed issuance of options (note 3)	100,000	0.20	-	-
Options granted	3,898,500	0.29	-	-
Options cancelled	(91,666)	(0.22)	-	-
Outstanding – ending balance	3,906,834	\$ 0.29	-	\$ -

The weighted average fair value of these options was determined to be \$0.11 per option, using the Black-Scholes pricing model and based on the following weighted average assumptions: risk-free interest rate of 0.33%; expected volatility of 50%; underlying market price of \$0.29 per share; time to expiry of 4.50 years; and dividend yield of nil%.

The following table summarizes information on the options outstanding:

Options outstanding Exercise price	September 30, 2020		December 31, 2019	
	Number of options outstanding	Weighted average remaining contractual life (years)	Number of options outstanding	Weighted average remaining contractual life (years)
\$ 0.29	3,906,834	\$ 0.29	-	\$ -
	3,906,834	\$ 0.29	-	\$ -

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

Options exercisable Exercise price	September 30, 2020		December 31, 2019	
	Number of options exercisable	Weighted average remaining contractual life (years)	Number of options exercisable	Weighted average remaining contractual life (years)
\$ 0.29	1,182,508	\$ 0.29	-	\$ -
	1,182,508	\$ 0.29	-	\$ -

### 9. RELATED PARTY TRANSACTIONS

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

Transactions with the Company's key management personnel were as follows:

Remuneration for services rendered	Three months ended September 30,		Six months ended September 30,	
	2020	2019	2020	2019
Short-term employment benefits	\$ 76,000	\$ -	\$ 154,000	\$ -
Share-based payments	143,000	-	143,000	-
	\$ 219,000	\$ -	\$ 297,000	\$ -