

# **ELECTRIC ROYALTIES LTD.**

**(Formerly Rebel Capital Inc.)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

**ELECTRIC ROYALTIES LTD.**  
**(Formerly Rebel Capital Inc.)**  
**Management's Discussion And Analysis**  
Three and nine months ended September 30, 2020

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**Cautionary Note to Investors Concerning Forward-looking Statements**

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

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

While management considers these assumptions to be reasonable, based on information available, they may prove to be incorrect. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to risks associated with general economic conditions; the uncertainties with respect to the effects of COVID-19, adverse industry events; marketing costs; loss of markets; future legislative and regulatory developments involving the mining industry and the electric vehicles industry; inability to access sufficient capital from internal and external sources, and/or inability to access sufficient capital on favourable terms; the mining industry and the electric vehicles industry generally; income tax and regulatory matters; the ability of the Company to implement its business strategies including expansion plans; competition; currency and interest rate fluctuations; and the other risks discussed under the heading “Risk Factors” in this MD&A. The foregoing factors are not intended to be exhaustive.

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

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not aware of any misstatements regarding any industry data or comparables presented herein, industry data and comparables are subject to change based on various factors. The Company has not independently verified any of this data from independent third party sources.

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

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## **1.1 Date**

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim financial statements of Electric Royalties Ltd., formerly Rebel Capital Inc. ("ERL" or the "Company") for the three and nine months ended September 30, 2020 (the "Financial Statements") as well as with the audited financial statements of the Company for the year ended December 31, 2019 and the related MD&As.

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

This MD&A is prepared as of November 25, 2020.

## **1.2 Overview**

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.

The Qualifying Transaction 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" or the "Operating Entity"). 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" 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

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one post-Consolidation common share of the Company immediately before the completion of the Qualifying Transaction.

ERL acquires revenue-based and net smelter return royalties on operating mines, mines under construction, development stage mining projects and exploration stage resource projects (collectively hereinafter "Projects") from operators of Projects looking to raise capital to develop or explore Projects or to recapitalise their balance sheets as well as existing royalties held by third parties (collectively hereinafter the "Royalty Sellers"). Net smelter returns are broadly defined as the net revenue (after smelting and refining costs) that the owner of a Project receives from the smelter or refinery for the mine's metal or mineral products less specified transportation and insurance costs and net smelter return royalties that are a set percentage of the net smelter return ("NSR"). Gross revenue royalties entitle the royalty owner to a percentage of the gross revenue from the metals or minerals produced by a Project and sold ("GRR" or "GMR").

ERL's business objectives are to acquire a portfolio of long-term, stable, and diversified royalty streams from Royalty Sellers and to provide shareholders with capital appreciation and a growing, sustainable, long-term cash distribution over time.

ERL management has identified over 500 potential royalty acquisition opportunities, over operating, construction, development or exploration stage Projects, through provision of development capital or acquisition of pre-existing royalties within ERL's focus commodities of nickel, copper, graphite, cobalt, tin, lithium, manganese and vanadium ("Commodities").

Traditional royalty-based financing has been used extensively in the North American natural resource, consumer products, industrial manufacturing, industrial services, healthcare and food sectors.

ERL's long-term objectives will be achieved by:

- Acquiring long-term GRR, GMR, and NSR royalties on Projects from Royalty Sellers;
- Reinvesting royalty income to acquire new royalties on an ongoing basis to drive growth in ERL's assets and returns;
- Using debt financing to acquire additional royalties in order to enhance financial returns for shareholders; and
- Maintaining a low operating cost structure when compared to mining companies.

### 1.2.1 Royalty Acquisition Agreements Completed

A summary chart of information relating to royalty acquisitions completed and secured as of the date of this MD&A is as follows:

Royalty	Project	Type and Amount of Royalty	Property Owner	Location	Main Commodity
<b>Bissett Creek Graphite Royalty:</b>					
Bissett Creek Royalty	Bissett Creek Project	1% GRR	Northern Graphite Corporation	Ontario, Canada	Graphite

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Royalty	Project	Type and Amount of Royalty	Property Owner	Location	Main Commodity
<b>Globex Portfolio:</b>					
Authier Royalty	Authier Lithium Project	0.5% GMR	Sayona Quebec Inc.	Quebec, Canada	Lithium
LaMotte Royalty	Authier Lithium Project	0.5% GMR	9087-1400 Quebec Inc.	Quebec, Canada	Lithium
Authier Lithium Exploration Royalty	Authier Lithium Exploration Project	2% GMR	Glen Eagle Resources Inc.	Quebec, Canada	Lithium
Mont Sorcier Royalty	Mont Sorcier Project	1% GMR	Chibougamau Independent Mines Inc.	Quebec, Canada	Vanadium only
Battery Hill Royalty	Battery Hill Project	2% GMR	Sunset Cove Mining	New Brunswick, Canada	Manganese
Chubb Royalty	Chubb Lithium Project	2% GMR	Great Thunder Gold Corp.	Quebec, Canada	Lithium
Bouvier Royalty	Bouvier Lithium Project	2% GMR	Great Thunder Gold Corp.	Quebec, Canada	Lithium
<b>Global Energy Portfolio:</b>					
Millennium GMR Royalty	Millennium Cobalt Project	0.5% GMR	Global Energy Metals Corp.	Queensland, Australia	Cobalt
Mt. Dorothy Royalty	Mt. Dorothy Cobalt Project	0.5% GMR	Global Energy Metals Corp.	Queensland, Australia	Cobalt
Cobalt Ridge Royalty	Cobalt Ridge Cobalt Project	0.5% GMR	Global Energy Metals Corp.	Queensland, Australia	Cobalt

### 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.

#### Bissett Creek Royalty ("Bissett Creek Royalty")

The Bissett Creek Royalty is a 1% 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 (total carbon in graphite form) 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 shares and \$500,000 cash.

#### Bissett Creek Royalty Option

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,

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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 Buy Back Option

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.

#### The Bissett Creek Project

The Bissett Creek Project is an advanced stage graphite deposit with excellent logistics located within 15 km of the Trans-Canada Highway near Deep River, Ontario. A sizeable portion of the graphite from the deposit occurs in larger flake sizes which command a price premium in the market. Bissett Creek is a near surface deposit, which will be mined by open pit methods at a low strip ratio. The current life of the mine is 21 years with an average annual production rate of 33,200 tonnes of graphite concentrate<sup>1</sup>. The deposit also contains significant measured and indicated resources which are not included in the mine plan presently, inferred resources which could potentially be upgraded, and the deposit has not yet been closed off by drilling - all of which create the potential to expand production or extend the mine life. Processing of mill feed coming from the pit is expected to be straightforward with no technological issues. In-pit material will be drilled, blasted and trucked to the mill, where it will go through a conventional crushing, grinding and flotation process. The objective is not only to produce a high-grade graphite concentrate, but also to preserve the large size of the graphite flakes to maximize the value of the concentrate. This information is based on technical work programs reported in a PEA study that is preliminary in nature and, as such, there is no certainty that the projections will be realized.

The Ontario Ministry of Energy, Northern Development and Mines has approved Northern Graphite's Mine Closure Plan ("MCP") which authorizes Northern Graphite to build and operate the mine. Due to a number of design and operational improvements made to enhance project economics and to the passage of time, Northern Graphite is now required to file an amendment to the MCP. Northern Graphite is also in the very advanced stages of finalizing a number of other authorizations and permits including the Ministry of Natural Resources and Forestry's provincial Class Environmental Assessment which relates to the construction and upgrade of crown roads and water crossings and harvesting of crown timber, a Permit to Take Water under the Ontario Water Resources Act and authorizations under the Lakes and Rivers Improvement Act and the Endangered Species Act.

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<sup>1</sup> Based on a 2013 Preliminary Economic Assessment ("PEA") using a weighted average concentrate price of US\$1,800/t and a CDN/US dollar exchange rate of 1.05. More information is available in the PEA technical report dated December 2013 filed on the Northern Graphite profile at [www.sedar.com](http://www.sedar.com).

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### **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”), pursuant to a binding letter agreement dated August 30, 2019, as amended, between the Company and Globex.

The Globex Portfolio consists of the following Royalties:

#### Authier Lithium Royalty (the “Authier Royalty”)

The Authier Royalty is a 0.5% GMR on part of the Authier lithium project (the “Authier Lithium Project”). The Authier Lithium Project is located in the municipality of Preissac in the Province of Quebec and comprises 19 mineral claims. Sayona Mining Limited completed a revised definitive feasibility study on the Authier Lithium Project in November 2019 under JORC. The Authier Lithium Project is located in close proximity to established infrastructure, including rail and road, and has access to a skilled local workforce and as a result, there is no requirement for on-site infrastructure such as accommodation camps and power plants. The Project also benefits from access to cheap, environmentally friendly hydroelectric power, simple deposit geology as well as understood mining and production processes.

#### LaMotte Authier Lithium Royalty (the “LaMotte Royalty”)

The LaMotte Royalty is a 0.5% GMR on the Authier Lithium Project. The LaMotte Royalty relates to mining claim number CDC 2194819 (the “LaMotte Claim”) located in LaMotte Township, Range 6, Lot 7, in the Province of Quebec. The LaMotte Royalty covers one claim that forms part of the Authier Lithium Project.

#### Mont Sorcier Vanadium Royalty (the “Mont Sorcier Royalty”)

The Mont Sorcier Royalty is a 1% GMR on the Vanadium production only on the Mont Sorcier project (the “Mont Sorcier Project”). The Mont Sorcier Project is located in Roy Township, Province of Quebec and comprises 37 mining claims. TSXV-listed Vanadium One Iron Corp. completed a PEA for an open pit mine at the Mont Sorcier Project (see Vanadium One news release dated February 27, 2020), estimating annual production of approximately 5.0 million tonnes of high grade, low impurity, iron concentrate grading ~ 65% iron with 0.6% V<sub>2</sub>O<sub>5</sub> per tonne of concentrate and a potential mine life of 37 years<sup>2</sup>. The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have economic considerations applied that would enable them to be categorized as mineral reserves. There is no certainty that the operation described in the preliminary economic assessment will be realized.

The Mont Sorcier Project is located in a region with a long history of mining and robust infrastructure in place to support future mineral development as there is access to all season roads, low cost hydro

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<sup>2</sup> Based on analysts consensus 65% Fe benchmark price US\$92/dmu with US\$15/dmu titanium credit, establishing a selling price of US\$107/dmu cost and freight to port in China. Exchange rate is US\$: 1:1.32. Further information can be found in the PEA technical report, effective date 2020 filed on the Vanadium One profile at [www.sedar.com](http://www.sedar.com).

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power from the provincial grid and the project is located within 20 km of the rail head connected to two all season, ocean going ports.

Battery Hill Manganese Royalty (the "Battery Hill Royalty")

The Battery Hill Royalty is a 2% GMR on the Battery Hill project (the "Battery Hill Project"). The Battery Hill Project is located in Carleton County, Province of New Brunswick and comprises 32 mining claims. The Battery Hill Project is an advanced stage exploration project.

Authier Lithium Exploration Royalty ("Authier Lithium Exploration Royalty")

The Authier Lithium Exploration Royalty is a 2% GMR on claims adjacent to the Authier Lithium Project (the "Authier Lithium Exploration Project"). The Authier Lithium Exploration Project is a greenfield exploration project.

Chubb Lithium Royalty (the "Chubb Royalty") and Bouvier Lithium Royalty (the "Bouvier Royalty")

The Chubb Royalty is a 2% GMR on the Chubb lithium project (the "Chubb Lithium Project") and the Bouvier Royalty is a 2% GMR on the Bouvier lithium project (the "Bouvier Lithium Project"). The Chubb Lithium Project and Bouvier Lithium Project are located in Lacorne and Figuery Townships of Quebec, respectively, and collectively comprise 22 mineral claims. The Chubb Lithium Project and the Bouvier Lithium Project are greenfield exploration projects.

The Company acquired the Globex Portfolio in exchange for 3,000,000 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").

**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 3 royalties ("Global Energy Portfolio") from Global Energy Metals Corp. ("Global Energy"), which transactions are subject to Australian regulatory approval.

Millennium Cobalt Royalty (the "Millennium Royalty")

The Millennium Royalty is a 0.5% GMR on the Millennium cobalt project (the "Millennium Cobalt Project"). The Millennium Cobalt Project is located near Mount Isa, Queensland, Australia.

The Millennium Project is an advanced exploration stage cobalt-copper project located in the Mount Isa mining district in the northern part of the jurisdictionally safe state of Queensland, Australia. The deposit is well located close to the regional centres of Mount Isa and Cloncurry with their well-established mining, transport and processing infrastructure and skilled workforce. There is potential

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to expand the known resource at the project, and preliminary metallurgical studies have demonstrated the potential to recover in excess of 91% of the cobalt and copper<sup>3</sup>.

Mt. Dorothy Cobalt Royalty (“Mt. Dorothy Royalty”)

The Mt. Dorothy Royalty is a 0.5% GMR on the Mt. Dorothy cobalt project (the “Mt. Dorothy Cobalt Project”). The Mt. Dorothy Cobalt Project is an early stage exploration project located near Mount Isa, Queensland, Australia.

Cobalt Ridge Royalty (“Cobalt Ridge Royalty”)

The Cobalt Ridge Royalty is a 0.5% GMR on the Cobalt Ridge cobalt project (the “Cobalt Ridge Cobalt Project”). The Cobalt Ridge Cobalt Project is an early stage exploration project located near Mount Isa, Queensland, Australia.

The Company will acquire the royalties in exchange for 1,150,000 shares and \$150,000 cash.

Closing remains subject to obtaining governmental approvals in 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 Electric Royalties’ 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.

### **1.2.2 Market Trends**

In 2020, metal prices are being impacted significantly on the backdrop of concerns surrounding the COVID-19 pandemic.

The metal prices provided herein are only indicative and are intended to present overall trends, as opposed to actual prices, which vary materially based on several factors, such as, metal grade, place of delivery, etc.

The Company is currently focused on the following target commodities:

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<sup>3</sup> Further information is available in a technical report on the Global Energy Metals Corp profile at [www.sedar.com](http://www.sedar.com).

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<b>Lithium</b>	Lithium prices significantly corrected downwards in 2019, as the market tipped into oversupply and EV growth slowed. In November 2020, Fastmarkets assessed the lithium hydroxide monohydrate (minimum 56.5% LiOH <sub>2</sub> O, battery grade) spot price at US\$9.00/kg, both on a CIF China, Japan and Korea basis.
<b>Graphite</b>	Graphite prices are determined based on direct negotiations between buyers and sellers and, as there is no spot or futures market for graphite, prices are provided by companies such as Benchmark Mineral Intelligence and Fastmarkets based on periodic surveys of buyers and sellers. Graphite prices are categorized by flake size and purity, i.e. large flake (+80 mesh) and particularly XL flake (+50 mesh) and 94% plus carbon varieties command premium pricing. Currently, approximate price of large flake (+80 mesh, 94-97%C) is US\$830/tonne.
<b>Cobalt</b>	The average reference price for standard grade cobalt in 2019 was US\$ 16.57/lb, down 56% from US\$ 37.35 /lb in 2018 according to Fastmarkets MB. The average price for cobalt was US\$ 16.77/lb in the first quarter of 2020, US\$ 15.19/lb in the second quarter of 2020, and US\$ 14.87/lb in the third quarter of 2020.
<b>Manganese</b>	The average manganese prices (CIF China 44%) in 2019 was significantly (21%) down at US\$ 5.63/dmtu from an average of US\$ 7.16/dmtu in 2018. To date in 2020, manganese prices have been variable; a recent closing price was approximately US\$ 3.00/dmtu.
<b>Vanadium</b>	Vanadium prices followed an overall downward trend in 2019 and decreased to an average of approximately US\$5.40/lb for V <sub>2</sub> O <sub>5</sub> in the fourth quarter of 2019. At December 31, 2019, the price per lb of V <sub>2</sub> O <sub>5</sub> was between US\$4.80/lb and US\$5.85/lb; this narrowed to a range of between \$5.10/lb and \$5.50/lb at June 30, 2020, with an average of approximately US\$6.14 for Q2 2020, compared with approximately US\$8.59/lb for Q2 2019 and \$6.07 for Q1 2020. During Q3 2020, the average price per lb of V <sub>2</sub> O <sub>5</sub> in Europe increased by 1%, ending the period with an average price of approximately US\$5.35/lb, compared with approximately US\$5.30/lb at June 30, 2020. The average price per lb of V <sub>2</sub> O <sub>5</sub> for Q3 2020 was approximately US\$5.33/lb, compared with approximately US\$7.16/lb for Q3 2019.. A recent market price of V <sub>2</sub> O <sub>5</sub> in Europe was US\$5.10/lb.
<b>Copper</b>	The average price for copper in 2019 was US\$ 2.72/lb (2018: US\$ 2.96/lb; 2017; US\$ 3.22/lb). In March 2020, copper prices dropped sharply in response to changing economic conditions related to COVID-19 but have rebounded somewhat since that time. The average price for copper for the third quarter of 2020 was \$2.96/lb. A recent closing price of copper was approximately US\$ 3.37/lb.

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**Nickel** The average price for nickel was higher in 2019 compared to the average price for 2018. Average LME price of nickel in 2019 was US\$ 6.32/lb (2018: US\$ 5.95/lb; 2017; US\$ 4.72/lb). The average price for nickel for the third quarter of 2020 was US\$ 6.45/lb. Closing LME cash price of nickel as of the date hereof was approximately US\$ 7.30/lb.

**Tin** During 2019, average tin price was US\$ 18,607/tonne, down 8% from 2018's average. Average tin price during the second quarter of 2020 was US\$ 15,760/tonne, a decrease of 20% compared to the same period of the previous year. However, tin prices recovered significantly in July 2020 when the average price was US\$ 17,452/tonne. As of the date hereof, LME reported a cash price for tin as US\$ 18,825 /tonne.

### 1.3 Selected Annual Information

Not required.

### 1.4 Summary and Discussion of Quarterly Results

The following information is derived from the Company's accompanying Financial Statements which have been presented as a continuation of the Operating Entity and prepared in accordance with IFRS as issued by the IASB effective for the respective reporting years of the Company and are expressed in Canadian dollars.

	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018
Net Loss	\$741,000	\$1,255,000	\$ 286,000	\$ 51,000	\$ -	\$ -	\$ -	\$ -
Basic and diluted loss per share	\$0.02	\$0.06	\$0.02	\$0.02	\$0.00	\$0.00	\$0.00	\$0.00
Weighted average number of common shares outstanding	47,602,927	21,533,396	14,285,814	3,043,478	-	-	-	-

Prior to the fourth quarter of 2019, the Operating Entity was inactive. See the following section for an analysis of the amounts presented in the table above.

### 1.5 Results of Operations

During the three months ended September 30, 2020, the Company recorded a net loss of \$741,000. During the nine months ended September 30, 2020, the Company recorded a net loss of \$2,282,000, mainly due to the listing expenses of \$1,164,000, which amount includes \$595,000 representing the fair value of the common shares deemed to have been issued pursuant to the reverse takeover.

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Other business expenses recorded in the third quarter of 2020 totaled \$472,000 (year to date September 30, 2020 - \$874,000), which mainly related to: a) marketing and shareholders communication; and b) the legal and technical due diligence activities with respect to the acquisitions of royalty interests completed by the Company.

Share-based payment expenses for the three and nine months ended September 30, 2020 relate to 3,898,500 share purchase options granted by the Company to its directors, officers, employees and consultants in the third quarter of 2020.

During the three and nine months ended September 30, 2019, the Company was inactive.

### **1.6 Liquidity**

At September 30, 2020, the Company had a cash balance of \$2,876,000 (December 31, 2019 - \$96,000) and working capital of \$2,916,000 (December 31, 2019 - \$49,000).

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

### **1.7 Capital Resources**

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

Further advancement of the Company's business strategies and operations will require additional funding. The Company intends to pursue additional funding through equity and debt financing.

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

### **1.8 Off-Balance Sheet Arrangements**

None

### **1.9 Transactions with Related Parties**

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

### **1.10 Fourth Quarter**

Not required.

### **1.11 Proposed Transactions**

There are no proposed transactions requiring disclosure under this section.

### **1.12 Critical Accounting Estimates**

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

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**1.13 Changes in Accounting Policies including Initial Adoption**

None.

**1.14 Financial Instruments and Other Instruments**

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

**1.15 Other MD&A Requirements**

**1.15.1 Additional disclosure for venture issuers without significant revenue**

See section 1.5 "Results of Operations".

**1.15.2 Disclosure of Outstanding Share Data**

The capital structure of the Company as of as of the date of this MD&A, is as follows:

	Number
Common shares issued and outstanding	48,255,101
Share to be issued under binding letters of intent	1,150,000
Share purchase options	3,906,834

**1.15.3 Internal controls over financial reporting and disclosure controls**

**Internal Controls over Financial Reporting**

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

**Disclosure Controls and Procedures**

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

**1.15.4 Risk Factors**

**General Risk Factors**

Liquidity Concerns and Future Financing Requirements

ERL has no source of operating revenue. It may require additional financing in order to fund its business plan. ERL's ability to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as its business success. There can be no assurance that ERL will be

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successful in its efforts to arrange additional financing on terms satisfactory to it, or at all. If additional financing is raised by the issuance of the Company's shares from treasury, control of ERL may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, ERL may not be able to operate its business at its maximum potential, to expand, to take advantage of other opportunities, or otherwise remain in business.

Volatility of Share Price

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of ERL include global macroeconomic developments, and market perceptions of the attractiveness of particular industries. There can be no assurance that continued fluctuations in the price of commodities will not occur. As a result of any of these factors, the market price of the Company's shares at any given point in time may not accurately reflect the long-term value of ERL. In the past, following periods of volatility in the market price of a company's securities, shareholders have instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial cost and diversion of management attention and resources, which could significantly harm profitability and the reputation of ERL.

Portfolio Exposure

There is no assurance that the investment objectives of ERL will actually be achieved. The value of the Company's shares will increase or decrease with the value of its investment portfolio and general economic conditions beyond the control of ERL's management, including the level of interest rates, corporate earnings, economic activity, the value of the Canadian dollar and other factors. There can be no assurance that the shareholders of ERL will realize any gains from their investment in ERL and may lose their entire investment.

Investments Made by ERL May Lack Liquidity

Due to market conditions beyond its control, including investor demand, resale restrictions, general market trends and regulatory restrictions, ERL may not be able to liquidate its royalty investments or other interests when it would otherwise desire to do so in order to operate in accordance with its Investment Policy and investment strategy. Such lack of liquidity could have a material adverse effect on the value of ERL's investments and, consequently, the value of the Company's shares. There is no guarantee that ERL will be able to reduce its investment risk by diversifying its investment portfolio. Expenses incurred by ERL may exceed any gains realized by ERL on its royalty investments. ERL may invest in a limited number of royalties and, as a consequence, the aggregate returns realized by ERL may be substantially and adversely affected by the unfavourable performance of even a single royalty. Accordingly, there can be no assurance that ERL will be able to reduce its investment risk by diversifying its portfolio. The resulting lack of diversification may adversely impact the ability of ERL to achieve its desired investment returns.

Prospect of Dividends

ERL currently intends to use its future earnings, if any, and other cash resources for the operation and development of its business and does not currently anticipate paying any dividends on the Company's shares. Any future determinations to pay dividends on the Company's shares will be at the sole discretion of the Board after considering a variety of factors and conditions existing from time to time, including current and future commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, and foreign exchange

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rates. As a result, a holder of Company's shares may not receive any return on an investment in Company's shares.

Market for the Shares

There can be no assurance that an active market for the Company's shares will develop or be sustained. If an active public market for the Company's shares does not develop, the liquidity of a purchaser's investment may be limited and the share price may decline.

The Forward Looking Statements May Prove to be Inaccurate

This document contains forward-looking statements, including, without limitation, the forward-looking statements listed in "Forward Looking Statements". By their nature, forward-looking statements involve numerous assumptions, known and unknown risk and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. The factors discussed in this section and the section entitled "Forward Looking Statements" should therefore be weighed carefully and prospective investors should not place undue reliance on the forward-looking statements provided in this document.

Fluctuating Price of Commodities

Given the nature of ERL's proposed investment activities, materially adverse fluctuations in the price of commodities may adversely affect the investments that will comprise ERL's portfolio which may consequently adversely affect ERL's profitability, financial performance and results of operations. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the control of ERL, including levels of supply and demand, industrial development levels, inflation and the level of interest rates, the strength of the U.S. dollar and geopolitical events in significant commodities producing countries. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. All commodities, by their nature, are subject to wide price fluctuations and future material price declines will result in a decrease in the revenue or, in the case of severe declines that cause a suspension or termination of production by relevant operators, a complete cessation of revenue from royalties or interests in mineral properties applicable to the relevant commodities. Moreover, the broader commodities market tends to be cyclical, and a general downturn in overall commodities prices or a significant strengthening of the Canadian dollar relative to the U.S. dollar could result in a significant decrease in the value of our overall revenue. Any such price decline may result in a material and adverse effect on ERL's profitability, results of operation and financial condition.

Changes in Technology and Future Demand for Commodities

Currently the commodities ERL focuses its investments on are some of the key metals used in batteries for EVs and other devices. However, the technology pertaining to batteries, EVs and energy creation and storage is changing rapidly, and there is no assurance that the commodities will continue to be used to the same degree as they are now, or that they will be used at all. Any decline in the use of commodities in EVs, batteries, renewable energy generation or technologies utilizing commodities based batteries may result in a material and adverse effect on ERL's profitability, results of operation and financial condition.

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Competition

Many companies are engaged in the search for and the acquisition of commodities, or rights to or interest in commodities, and there is a limited supply of desirable commodities related interests. Many competitors are larger, more established companies with substantial financial resources, operational capabilities and long earnings track-records. ERL may be at a competitive disadvantage in acquiring interests in any commodities related assets, whether by way of royalty or other form of investment, as many competitors have greater financial resources and technical staff. Accordingly, there can be no assurance that ERL will be able to compete successfully against other companies in acquiring new commodities related interests.

ERL's inability to acquire additional commodities interests may result in a material and adverse effect on its profitability, results of operation and financial condition.

No History

While many members of ERL's management have expertise and industry experience, ERL itself has no operating history as an investment issuer upon which its business and affairs may be evaluated, and there can be no assurance that its business will be successful or profitable or that it will be able to successfully execute its business model and growth strategy. If ERL cannot execute its business model and growth strategy, it may result in a material and adverse effect on its profitability, results of operation and financial condition.

Future Acquisitions

As part of ERL's business strategy, it may seek to grow by acquiring companies and/or assets or establishing joint ventures that it believes will complement its current or future business. Acquisition transactions involve inherent risks, including but not limited to: accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates; ability to achieve identified and anticipated operating and financial synergies; unanticipated costs; diversion of management attention from existing business; potential loss of ERL's key employees or key employees of any business acquired; unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition; and decline in the value of acquired properties, companies or securities. Any one or more of these factors or other risks could cause ERL not to realize the anticipated benefits of an acquisition of properties or companies, and could have a material adverse effect on its financial condition. ERL may not effectively select acquisition candidates or negotiate or finance acquisitions or integrate the acquired businesses and their personnel or acquire assets for our business. ERL cannot guarantee that it can complete any acquisition it pursues on favourable terms, or that any acquisitions completed will ultimately benefit its business.

Uncertainty of Additional Funding

There can be no assurance that ERL will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further business activities, and may result in a material and adverse effect on its profitability, results of operation and financial condition. ERL will require new capital to grow its business and there are no assurances that capital will be available when needed, if at all. It is likely that such additional capital will be raised through the issuance of additional equity, which will result in dilution to shareholders.

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Expansion of the Business Activities Outside Areas of Expertise

ERL's operations and expertise are currently focused on the acquisition and management of royalties or rights to or interest in commodities. In the future, ERL may pursue acquisitions outside this area, including acquiring and/or investing in, producing, developing or exploration-stage resource projects. Expansion of ERL's activities into new areas would present challenges and risks that it has not faced in the past. If ERL does not manage these challenges and risks successfully, it may have a material adverse effect on its profitability, results of operation and financial condition.

Market Events and General Economic Conditions May Adversely Affect ERL's Business, Industry and Profitability

Adverse events in global financial markets can have profound impacts on the global economy.

Many industries, including the mining industry, are impacted by these market conditions. Some of the key impacts of the financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange, precious metal, base metal and mineral markets and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect our growth and valuation. Specifically, the global credit/liquidity crisis could impact the cost and availability of financing and our overall liquidity; the volatility of commodities and other metal prices would impact ERL's revenues, profits, losses, cash flow and the value of our royalties; continued recessionary pressures could adversely impact demand for ERL's assets; the devaluation and volatility of global stock markets would impact the valuation of our equity and other securities. These factors could have a material adverse effect on ERL's financial condition and operating results.

Disease Outbreaks May Adversely Affect ERL's Business

ERL's business could be significantly adversely affected by the effects of a widespread global outbreak of contagious disease, including the recent outbreak of respiratory illness caused by a novel coronavirus ("COVID-19"). ERL cannot accurately predict the impact COVID-19 will have on third parties' ability to meet their obligations with ERL, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. COVID-19 has become a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could impact ERL's operating results. The ultimate extent of the impact of any widespread global outbreak of contagious disease or other health crisis on ERL's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of outbreak of contagious disease or other health crisis and actions taken to contain or prevent their further spread, among others. These and other potential impacts of an outbreak of contagious disease or other health crisis, such as COVID-19, could therefore materially and adversely affect ERL's business, financial condition and operating results.

**Operational and Development Risk**

ERL invests in the mineral exploration sector, which implicitly involves a high degree of risk caused by limited chances of discovery of an economic deposit and eventual mine development.

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Uncertainty of Exploration Results and Speculative Nature of Mineral Exploration and Mining

Exploration for minerals is a speculative venture necessarily involving substantial risk. There is no certainty that the expenditures made by the operator of any given project will result in discoveries of commercial quantities of minerals on lands where ERL holds or may hold royalties. If mineable deposits are discovered, substantial expenditures are required to establish reserves through drilling, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that resources will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained at all or on terms acceptable to the operator. Although ERL intends to only hold royalty interests and not be responsible for these expenditures, the operator may not be in a financial position to obtain the necessary funds to advance the project.

Development Stage Projects

Royalties from commercial operations will depend on a significant number of factors, including economic feasibility, changing market conditions, aboriginal involvement, environmental and governmental regulations, labour availability, the cost of and the ability to attract external financial capital, and the ability to attract partners with sufficient technical expertise and relevant industry experience to further develop the various projects. The mine operations may require licenses and permits from various governmental authorities. There can be no assurance that the operator of any given project will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations. Any failure to meet one or a combination of these factors may result in project delays or potential cancellation and ERL's future operating results may be adversely affected. ERL mitigates this risk by evaluating the economic potential of each property at each stage of its life cycle and through diversification of royalties.

Foreign Exchange Rates

Commodities are typically purchased in U.S. currency, which drives royalty income. However, ERL maintains its accounting records, reports its financial position and results, pays certain operating expenses and will have the Company's shares listed on an exchange, in Canadian currency. Fluctuation in the U.S. currency exchange rate relative to the Canadian currency could negatively impact the value of the Company's shares. Because exchange rate fluctuations are beyond our control, there can be no assurance that such fluctuations will not have an adverse effect on ERL's operations or on the trading value of the Company's shares.

Regulatory Change

ERL's operations as well as the operations of the underlying projects in which the Company may hold royalty interests are subject to extensive governmental regulations with respect to such matters as environmental protection, health, safety and labour; mining law reform; restrictions on production or export, price controls and tax increases; aboriginal land claims; and expropriation of property in the jurisdictions in which it operates. Violations of these regulations and regulatory requirements could lead to substantial fines, penalties or other sanctions. ERL mitigates this risk through not doing business in unstable countries and, within stable countries, ERL follows all laws and regulations and engages legal counsel to ensure compliance, if necessary. ERL may be affected by changes in regulatory requirements, customs, duties or other taxes. Such changes could, depending on their nature, benefit or adversely affect ERL.

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Litigation

ERL may from time to time be involved in various claims, legal proceedings and disputes arising in the ordinary course of business. If such disputes arise and ERL is unable to resolve these disputes favourably, it may have a material and adverse effect on ERL's profitability or results of operations and financial condition.

Leverage

ERL may use financial leverage by borrowing funds against the assets of ERL. The use of leverage increases the risk to ERL and subjects ERL to higher current expenses. Also, if the value of ERL's assets drops to the loan value or less, shareholders could sustain a total loss of their investment.

No Opportunity to Hedge Commodities

There is no opportunity for ERL to hedge the downside price risk of all the commodities of interest since there is no derivatives market for all the commodities of interest. As a result, the value of the Company's shares will largely depend upon, and typically fluctuate with, the price of commodities.

Impact from Other Commodities

Some of the commodities such as cobalt may be predominantly mined as a by-product. Any effect on the price of the main commodities may affect the price and availability of the other commodities. Future pricing of commodities will depend, in part, on mine capacity and major producing countries, as well as the development of new projects. For example, a strong copper and/or nickel market will likely result in increased output of copper and nickel ores containing other commodities, which may impact the supply and price of those commodities.

Conflicts of Interest

Certain of ERL's directors may also serve as directors or officers, or have significant shareholdings in, other companies involved in the metals industry and, to the extent that such other companies may participate in ventures in which ERL may participate, or in ventures in which ERL may seek to participate, the directors and officers of ERL may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In all cases where directors and officers have an interest in other companies, such other companies may also compete with us for the acquisition of royalties or other investments. Such conflicts of the directors and officers may result in a material adverse effect on ERL's profitability, results of operation and financial condition.

Management Experience and Dependence on Key Personnel and Employees

ERL is dependent upon the continued availability and commitment of its key management, whose contributions to immediate and future operations of ERL are of significant importance. The loss of any such members could negatively affect business operations. From time to time, ERL will also need to identify and retain additional skilled management and specialized technical personnel to efficiently operate its business. The number of persons skilled in the acquisition of royalties and interests in the metals industry is limited, and competition for such persons can be intense. Recruiting and retaining qualified personnel is critical to ERL's success and there can be no assurance of such success. If ERL is not successful in attracting and training qualified personnel, ERL's ability to execute its business model and growth strategy could be affected, which could have a material adverse impact on its profitability, results of operations and financial condition. ERL does not intend to maintain "key man" insurance for any members of its management.

**Specific Risks Related to Royalties**

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### Royalties

While management of ERL believes that the acquisition of royalties in mineral properties containing battery and renewable energy-related commodities will deliver attractive risk-adjusted returns regardless of commodity cycles, there can be no assurance that any of ERL's royalties will be successful or profitable, or that it will be able to acquire any successful or profitable royalty investments. If ERL cannot acquire any successful or profitable royalty investments, it may result in a material and adverse effect on ERL's profitability, results of operation and financial condition.

### Rights of Third Parties

Some royalty interests may be subject to: (i) buy-down right provisions pursuant to which an operator may buy-back all or a portion of the royalty; (ii) pre-emptive rights pursuant to which parties have the right of first refusal or first offer with respect to a proposed sale or assignment of the royalty; or (iii) claw back rights pursuant to which the seller of a Royalty has the right to re-acquire the royalty. Holders of these rights may exercise them such that certain Royalty interests would not be available for acquisition.

### Costs May Influence Return to Royalty Holder

Net smelter or net profit royalties, equity interests and similar interests allow the operator to account for the effect of prevailing cost pressures on the project before calculating a Royalty. In the instance of net smelter royalties these cost pressures include smelting, refining and transportation cost. In the instance of net profits royalties, these cost pressures include costs of labour, equipment, electricity, environmental compliance, and numerous other capital, operating and production inputs. Such costs will fluctuate in ways the Royalty holder will not be able to predict and will be beyond the control of such holder, and can have a dramatic effect on the revenue payable on these royalties and other interests. Any increase in the costs incurred by the operators on the applicable properties will likely result in a decline in the royalty revenue received by the Royalty holder. This, in turn, will affect overall revenue generated by the Royalty holder which may have a material adverse effect on its profitability, financial condition, and results of operation.

### Dependence on Third Party Property Owners and Operators

Cash flows derived from royalties are based on operations by third parties. These third parties will be responsible for determining the manner in which the relevant properties subject to the royalties are exploited, including decisions to expand, continue or reduce production from a property, decisions about the marketing of products extracted from the property and decisions to advance exploration efforts and conduct development of non-producing properties. As a holder of royalties or other interests, ERL will have little or no input on such matters. The interests of third party owners and operators and those of ERL on the relevant properties may not always be aligned. As an example, it will, in almost all cases, be in the interests of ERL to advance development and production on properties as rapidly as possible in order to maximize near-term cash flow, while third party owners and operators may, in many cases, take a more cautious approach to development as they are at risk on the cost of development and operations. The inability of ERL to control the operations for the properties in which it has a Royalty or other interest may have a material adverse effect on ERL's profitability, results of operation and financial condition.

### Limited Access to Data and Disclosure

As a holder of royalties and other non-operator interests, ERL neither serves as the mine owner or operator, and in almost all cases ERL has no input into how the operations are conducted. As such, ERL has varying access to data on the operations or to the actual properties themselves. This could

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affect its ability to assess the value of the royalties or enhance their performance. This could also result in delays in cash flow from that anticipated by ERL based on the stage of development of the applicable properties covered by its royalties. ERL's royalty payments may be calculated by the payors in a manner different from ERL's projections and ERL may or may not have rights of audit with respect to royalty interests. In addition, some royalties may be subject to confidentiality arrangements which govern the disclosure of information with regard to royalties and as such ERL may not be in a position to publicly disclose non-public information with respect thereto. The limited access to data and disclosure regarding the operations of the properties in which ERL has an interest, may restrict its ability to assess the value or enhance its performance which may have a material adverse effect on ERL's profitability, results of operation and financial condition.

Royalties May not be Honoured by Operators of a Project

Royalties are largely contractually based. Parties to contracts do not always honour contractual terms and contracts themselves may be subject to interpretation or technical defects. To the extent grantors of royalties and other interests do not abide by their contractual obligations, ERL may be forced to take legal action to enforce its contractual rights. Such litigation may be time consuming and costly, and as with all litigation, no guarantee of success can be made. Should any such decision be determined adversely to ERL, it may have a material adverse effect on ERL's profitability, results of operations and financial condition.

Due Diligence May Not Reveal All Relevant Facts in connection with an Investment in a Royalty

The due diligence process undertaken by ERL in connection with any investments in royalties that it makes or wishes to make may not reveal all relevant facts in connection with an investment in such royalties. Before making an investment in a royalty, ERL will conduct due diligence investigations that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence investigations, ERL may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence investigations and making an assessment regarding an investment in a particular royalty or other interest, ERL will rely on resources available, including information provided by the of the investment and, in some circumstances, third party investigations. The due diligence investigations that are carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such investigation will not necessarily result in the investment being successful.

**Additional Risks**

ERL's operations and expertise are currently focused on the acquisition and holding of royalties. In the future, ERL may elect to pursue acquisitions outside this area, including acquiring direct interests in commodity properties or shares in commodity producers, explorers or technology developers. Expansion of ERL's activities into new areas will present challenges and risks for which management may not have sufficient expertise. If ERL does not manage these challenges and risks successfully, it may result in a material adverse effect on ERL's profitability, results of operation and financial condition.

Dependence on Payment from Operators

ERL will be dependent to a large extent upon the financial viability and operational effectiveness of owners and operators of the properties underlying its royalty portfolio. Payments from production

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generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues. Payments may be delayed by restrictions imposed by lenders, delays in the sale or delivery of products, recovery by the operators of expenses, the establishment by the operators of mineral reserves for such expenses or the bankruptcy, insolvency or other adverse financial condition of the operator. ERL's rights to payment under the royalties must, in most cases, be enforced by contract without the protection of a security interest over property that ERL could readily liquidate. This inhibits ERL's ability to collect outstanding payments owed on its royalties upon a default. In the event of a bankruptcy, insolvency or other arrangement of an operator or owner, ERL will be treated like any other unsecured creditor, and therefore have a limited prospect for full recovery of royalty revenue. ERL mitigates this risk by having formal legal agreements with royalty payors, which would allow ERL to exert legal rights and enforce royalty contracts, if required.