

REBEL CAPITAL INC.

**FILING STATEMENT**

*IN RESPECT OF THE QUALIFYING TRANSACTION INVOLVING THE ACQUISITION BY*

**REBEL CAPITAL INC.**

OF THE ISSUED AND OUTSTANDING SECURITIES OF

**ELECTRIC ROYALTIES LTD.**

Dated as of June 16, 2020

*Neither the TSX Venture Exchange Inc. (the “Exchange”) nor any securities regulatory authority has in any way passed upon the merits of the Qualifying Transaction described in this Filing Statement.*

## TABLE OF CONTENTS

<b>GLOSSARY OF TERMS.....</b>	<b>1</b>
<b>TECHNICAL AND THIRD PARTY INFORMATION .....</b>	<b>13</b>
<b>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS .....</b>	<b>14</b>
SOURCE OF INFORMATION .....	15
<b>SUMMARY OF FILING STATEMENT .....</b>	<b>16</b>
<b>RISK FACTORS .....</b>	<b>20</b>
GENERAL RISK FACTORS.....	20
OPERATIONAL AND DEVELOPMENT RISK .....	24
SPECIFIC RISKS RELATED TO ROYALTIES .....	26
ADDITIONAL RISKS.....	28
<b>PART I — THE TRANSACTION .....</b>	<b>29</b>
SUMMARY OF THE TRANSACTION.....	29
AMALGAMATION .....	29
CONSOLIDATION.....	29
CONCURRENT OFFERING .....	29
<b>BUSINESS COMBINATION AGREEMENT .....</b>	<b>30</b>
REPRESENTATIONS, WARRANTIES AND COVENANTS.....	30
COVENANTS OF THE TARGET COMPANY.....	30
COVENANTS OF THE CORPORATION.....	31
NON SOLICITATION COVENANT.....	31
INDEMNITY .....	32
AMALGAMATION .....	32
CORPORATION’S CONDITIONS .....	32
TARGET COMPANY’S CONDITIONS .....	33
MUTUAL CONDITIONS .....	34
TERMINATION.....	35
EXPENSES .....	35
APPROVALS NECESSARY FOR THE TRANSACTION.....	36
TIMING .....	37
ESCROW .....	37
<b>SUMMARY OF THE TRANSACTION PROCEDURAL STEPS .....</b>	<b>37</b>
<b>PART II — INFORMATION CONCERNING THE CORPORATION .....</b>	<b>39</b>
<b>CORPORATE STRUCTURE .....</b>	<b>39</b>
THE CORPORATION.....	39
<b>GENERAL DEVELOPMENT OF THE BUSINESS .....</b>	<b>39</b>
HISTORY.....	39
<b>SELECTED FINANCIAL INFORMATION AND MANAGEMENT’S DISCUSSION AND ANALYSIS.....</b>	<b>40</b>
INFORMATION FROM INCORPORATION.....	40
<b>DESCRIPTION OF SECURITIES .....</b>	<b>40</b>
COMMON SHARES.....	40

<b>STOCK OPTION PLAN AND OPTIONS GRANTED .....</b>	<b>40</b>
<b>PRIOR SALES.....</b>	<b>41</b>
<b>STOCK EXCHANGE PRICE.....</b>	<b>42</b>
<b>ARM'S LENGTH TRANSACTION.....</b>	<b>42</b>
<b>LEGAL PROCEEDINGS.....</b>	<b>42</b>
<b>AUDITORS.....</b>	<b>42</b>
<b>TRANSFER AGENT AND REGISTRAR.....</b>	<b>43</b>
<b>MATERIAL CONTRACTS .....</b>	<b>43</b>
<b>PART III — INFORMATION CONCERNING ELECTRIC ROYALTIES LTD. ....</b>	<b>44</b>
<b>CORPORATE STRUCTURE .....</b>	<b>44</b>
NAME AND INCORPORATION.....	44
INTERCORPORATE RELATIONSHIPS.....	44
<b>GENERAL DEVELOPMENT OF THE BUSINESS .....</b>	<b>44</b>
ROYALTY ACQUISITIONS.....	45
<b>NARRATIVE DESCRIPTION OF THE BUSINESS .....</b>	<b>52</b>
ADVANTAGES OF A ROYALTY BUSINESS MODEL OVER TRADITIONAL MINING COMPANIES .....	53
DEAL STRUCTURES.....	54
MARKETS OVERVIEW .....	54
<b>SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS .....</b>	<b>58</b>
ANNUAL INFORMATION .....	58
QUARTERLY INFORMATION .....	59
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	59
TRENDS .....	60
<b>DESCRIPTION OF THE SECURITIES .....</b>	<b>60</b>
TARGET COMPANY SHARES.....	60
<b>CONSOLIDATED CAPITALIZATION.....</b>	<b>60</b>
<b>PRIOR SALES.....</b>	<b>60</b>
STOCK EXCHANGE PRICE .....	61
<b>EXECUTIVE COMPENSATION.....</b>	<b>61</b>
SUMMARY COMPENSATION TABLE.....	61
COMPENSATION DISCUSSION & ANALYSIS.....	62
PENSION PLAN BENEFITS.....	62
TERMINATION AND CHANGE OF CONTROL OF BENEFITS .....	63
EMPLOYMENT.....	63
REPORT ON EXECUTIVE COMPENSATION.....	63
<b>MANAGEMENT CONTRACTS.....</b>	<b>63</b>

<b>NON ARM'S LENGTH PARTY TRANSACTIONS</b> .....	<b>63</b>
<b>LEGAL PROCEEDINGS</b> .....	<b>63</b>
<b>MATERIAL CONTRACTS</b> .....	<b>64</b>
<b>PART IV — INFORMATION CONCERNING THE RESULTING ISSUER</b> .....	<b>65</b>
<b>CORPORATE STRUCTURE</b> .....	<b>65</b>
NAME AND INCORPORATION.....	65
INTERCORPORATE RELATIONSHIPS .....	65
.....	65
<b>NARRATIVE DESCRIPTION OF THE BUSINESS</b> .....	<b>65</b>
STATED BUSINESS OBJECTIVES .....	65
SHORT TERM OBJECTIVES AND HOW WE INTEND TO ACHIEVE THEM.....	67
INSUFFICIENT FUNDS .....	69
<b>DESCRIPTION OF SECURITIES</b> .....	<b>70</b>
<b>PRO FORMA CONSOLIDATED CAPITALIZATION</b> .....	<b>70</b>
<b>AVAILABLE FUNDS AND PRINCIPAL PURPOSES</b> .....	<b>71</b>
AVAILABLE FUNDS .....	71
DIVIDENDS .....	72
PRINCIPAL PURPOSES OF AVAILABLE FUNDS .....	72
<b>PRINCIPAL SECURITYHOLDERS</b> .....	<b>73</b>
<b>DIRECTORS, OFFICERS AND PROMOTERS</b> .....	<b>73</b>
NAME, ADDRESS, OCCUPATION AND SECURITY HOLDINGS.....	73
MANAGEMENT AND DIRECTORS .....	74
<b>CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES</b> .....	<b>76</b>
CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES .....	76
PENALTIES OR SANCTIONS.....	76
PERSONAL BANKRUPTCIES .....	76
CONFLICTS OF INTEREST .....	76
OTHER REPORTING ISSUER EXPERIENCE .....	76
<b>EXECUTIVE COMPENSATION</b> .....	<b>78</b>
GENERAL PROVISIONS .....	78
COMPENSATION DISCUSSION AND ANALYSIS .....	78
SUMMARY COMPENSATION TABLE.....	81
PENSION PLAN BENEFITS.....	82
TERMINATION AND CHANGE OF CONTROL BENEFITS .....	82
STOCK OPTIONS.....	82
COMPENSATION OF DIRECTORS .....	82
<b>INDEBTEDNESS OF DIRECTORS AND OFFICERS</b> .....	<b>82</b>
<b>INVESTOR RELATIONS ARRANGEMENTS</b> .....	<b>83</b>
<b>OPTIONS TO PURCHASE SECURITIES</b> .....	<b>83</b>

OPTIONS TO PURCHASE SECURITIES .....	83
STOCK OPTION PLAN .....	83
<b>ESCROWED SECURITIES.....</b>	<b>84</b>
SECURITIES ESCROWED PRIOR TO THE COMPLETION OF THE PROPOSED QUALIFYING TRANSACTION.....	84
ESCROWED SECURITIES ON THE QUALIFYING TRANSACTION .....	85
ESCROW AND POOLING OF TRANSACTION SHARES.....	88
<b>AUDITORS, TRANSFER AGENT AND REGISTRAR .....</b>	<b>88</b>
AUDITOR .....	88
TRANSFER AGENT AND REGISTRAR .....	88
<b>PART V GENERAL MATTERS.....</b>	<b>89</b>
<b>SPONSORSHIP.....</b>	<b>89</b>
SPONSOR .....	89
<b>EXPERTS.....</b>	<b>89</b>
OPINIONS.....	89
INTERESTS OF EXPERTS .....	89
<b>CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....</b>	<b>90</b>
GENERAL.....	90
HOLDERS RESIDENT IN CANADA .....	91
HOLDERS NOT RESIDENT IN CANADA.....	92
<b>OTHER MATERIAL FACTS.....</b>	<b>94</b>
<b>BOARD APPROVAL.....</b>	<b>94</b>

## LIST OF APPENDICES

APPENDIX A - FINANCIAL STATEMENTS OF REBEL CAPITAL INC.
APPENDIX B - REBEL CAPITAL INC.'S MANAGEMENT DISCUSSION & ANALYSIS
APPENDIX C - FINANCIAL STATEMENTS OF ELECTRIC ROYALTIES LTD.
APPENDIX D - ELECTRIC ROYALTIES LTD.'S MANAGEMENT DISCUSSION & ANALYSIS
APPENDIX E - UNAUDITED PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE RESULTING ISSUER
APPENDIX F - INVESTMENT POLICY
APPENDIX G - TECHNICAL DISCLOSURE ON THE BISSETT CREEK PROJECT
APPENDIX H - CERTIFICATE OF REBEL CAPITAL INC.
APPENDIX I - CERTIFICATE OF ELECTRIC ROYALTIES LTD.

## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Filing Statement including the summary hereof. Terms and abbreviations used in the financial statements of the Corporation and the Target Company and the pro-forma consolidated financial statements of the Corporation and in the appendices to this Filing Statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated.

Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

All dollar amounts herein are in Canadian dollars, unless otherwise stated.

All defined terms not otherwise defined herein are as defined in the policies of the Exchange.

“**2018 PEA Update**” has the meaning set out in “*Appendix G – Technical Disclosure on the Bissett Creek Project*”;

“**Affiliate**” means a company that is affiliated with another company as described below.

A company is an “**Affiliate**” of another company if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same Person.

A company is a “**subsidiary**” of another company if it is controlled by the other company.

A company is “**controlled**” by a Person if:

- (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.

A Person beneficially owns securities that are beneficially owned by:

- (a) a company controlled by that Person, or
- (b) an Affiliate of that Person or an Affiliate of any company controlled by that Person;

“**Amalco**” means the corporation resulting from the Amalgamation;

“**Amalco Shares**” means common shares in the capital of Amalco;

“**Amalgamation**” means an amalgamation under section 270 of the BCBCA on the terms and conditions set forth in the Amalgamation Agreement to be approved by the Target Company Shareholders and which

will provide, among other things, for all outstanding Target Company Shares as at the Effective Date to be exchanged for New Common Shares on a one-for-one basis;

“**Amalgamation Agreement**” means the amalgamation agreement dated January 28, 2020 entered into by the Corporation, CPC Sub and the Target Company pursuant to section 270 of the BCBCA, to effect the Amalgamation;

“**Associate**” when used to indicate a relationship with a Person, means:

- (a) an Issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling the Person to more than 10% of the voting rights attached to all outstanding voting securities of the Issuer;
- (b) any partner of the Person;
- (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which the Person serves as trustee or in a similar capacity; and
- (d) in the case of a Person who is an individual, a relative of that Person, including:
  - (i) that Person’s spouse or child, or
  - (ii) any relative of that Person or of his spouse who has the same residence as that Person;

but

- (e) where the Exchange determines that two Persons shall, or shall not, be deemed to be Associates with respect to a Member (as defined by the policies of the Exchange) firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D of the Exchange with respect to that Member firm, Member corporation or holding company;

“**Available Funds**” means the funds that will be available to the Resulting Issuer on Completion of the Qualifying Transaction, as set out in “**Part IV - Information Concerning the Resulting Issuer – Available Funds and Principal Purposes**”;

“**BCBCA**” means the *Business Corporations Act* (British Columbia), including the regulations promulgated thereunder, as amended;

“**Board**” means the board of directors of the Resulting Issuer;

“**Bissett Creek AIF**” means the annual information form for the year ended December 31, 2019 for Northern Graphite dated March 25, 2020;

“**Bissett Creek Project**” has the meaning set out in “**Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions**”;

“**Bissett Creek Royalty**” has the meaning set out in “**Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions**”;

**“Bissett Creek Technical Report”** means the preliminary economic assessment NI 43-101 technical report on the Bissett Creek Project entitled “Northern Graphite Corporation, Bissett Creek Project, Preliminary Economic Assessment” prepared by Marc Leduc P.Eng., with AGP Mining Consultants Inc. for Northern Graphite, dated December 6, 2013;

**“Breaching Party”** has the meaning set out in *“Part I – The Transaction – Business Combination Agreement - Termination”*;

**“Business Combination Agreement”** means the business combination agreement dated January 28, 2020 entered into by the Corporation, CPC Sub and the Target Company in connection with the Transaction, as amended by an amendment agreement dated April 20, 2020;

**“Business Day”** means any day other than a Saturday, Sunday or a day on which banking institutions in Vancouver, British Columbia are authorized or obligated by law to close;

**“CAGR”** means compound annual growth rate;

**“CEO”** means chief executive officer;

**“CFO”** means chief financial officer;

**“Chibougamau Agreement”** has the meaning set out in *“Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business – Royalty Acquisitions”*;

**“Cleveland Royalty”** has the meaning set out in *“Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions”*;

**“Cleveland Royalty Option”** has the meaning set out in *“Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions”*;

**“Cleveland Tin Project”** has the meaning set out in *“Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions”*;

**“Closing Date”** means the day of closing of the Transaction;

**“Cobalt Ridge Cobalt Project”** has the meaning set out in *“Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions”*;

**“Cobalt Ridge Royalty”** has the meaning set out in *“Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions”*;

**“Common Shares”** means common shares in the capital of the Corporation, as presently constituted (prior to giving effect to the Consolidation);

**“Compensation Committee”** has the meaning set out in *“Part IV – Information Concerning The Resulting Issuer – Executive Compensation - Compensation Discussion and Analysis”*;

**“Completion of the Qualifying Transaction”** means the date the Final Exchange Bulletin is issued by the Exchange;

**“Conditions”** has the meaning set out in *“Part I – The Transaction – Summary of the Transaction - Offering”*;

“**Consolidation**” means the consolidation of the Common Shares on the basis of one Post-Consolidation Common Share for each two Common Shares;

“**Consolidation Resolution**” means the written consent resolution of at least 2/3 of the Corporation Shareholders authorizing the Consolidation;

“**Control Person**” means any Person or company that holds or is one of a combination of Persons or companies that holds a sufficient number of any of the securities of an Issuer so as to affect materially the control of that Issuer, or that holds more than 20% of the outstanding voting securities of an Issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the Issuer;

“**Corporation**” means Rebel Capital Inc., a corporation incorporated under the BCBCA;

“**Corporation Option Plan**” means the stock option plan as adopted by the Corporation;

“**Corporation Options**” means stock options to acquire Common Shares pursuant to the Corporation Option Plan;

“**Corporation Shareholders**” means holders of Common Shares;

“**Court**” means the Supreme Court of British Columbia;

“**COVID-19**” has the meaning set out in “*Risk Factors*”;

“**CPC**” means a corporation:

- (a) that has been incorporated or organized in a jurisdiction of Canada;
- (b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and
- (c) in regard to which the Completion of the Qualifying Transaction has not yet occurred;

“**CPC Escrow Agreement**” means the Exchange Form 2F CPC Escrow Agreement dated August 29, 2017 among the Corporation, the Transfer Agent as escrow agent and certain securityholders of the Corporation in respect of the CPC Escrow Shares;

“**CPC Escrow Shares**” means the 2,660,000 Common Shares held in escrow pursuant to the CPC Escrow Agreement;

“**CPC IPO**” means the initial public offering of 2,000,000 Common Shares at \$0.10 per share, which completed on October 31, 2017;

“**CPC Policy**” means Policy 2.4 - *Capital Pool Companies* of the Exchange’s corporate finance manual;

“**CPC Sub**” means 1238383 B.C. Ltd., a corporation incorporated under the BCBCA and a wholly-owned subsidiary of the Corporation;

“**CPC Sub Amalgamation Resolution**” means the resolution of the Corporation, as sole shareholder of CPC Sub, approving the Amalgamation and adopting the Amalgamation Agreement;

“**CPC Sub Shares**” means the common shares in the capital of CPC Sub, as presently constituted;

“**CPI**” means the Canadian Consumer Price Index;

“**CRA**” means the Canada Revenue Agency;

“**Deadline**” has the meaning set out in “*Part I – The Transaction – Summary of the Transaction - Concurrent Offering*”;

“**Donegal**” has the meaning set out in “*Appendix G – Technical Disclosure on the Bissett Creek Project*”;

“**Effective Date**” means the date on which the Amalgamation is made effective by the Registrar;

“**Elementos**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business – Royalty Acquisitions*”;

“**Elementos Closing Date**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business – Royalty Acquisitions*”;

“**Elementos Letter Agreement**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business – Royalty Acquisitions*”;

“**ERL Amalgamation Resolution**” means the resolution of the holders of Target Company Shares approving the Amalgamation and adopting the Amalgamation Agreement at the ERL Meeting;

“**ERL Meeting**” means the special meeting of the Target Company Shareholders to be held to approve, *inter alia*, the Amalgamation and any and all adjournments or postponements of such meeting;

“**Escrow Agent**” or “**Transfer Agent**” or “**Trustee**” means TSX Trust Company;

“**Exchange**” means TSX Venture Exchange Inc.;

“**EVs**” means electric vehicles;

“**Filing Statement**” means this filing statement of the Corporation dated June 16, 2020, together with the appendices attached hereto and including the summary hereof;

“**Final Exchange Bulletin**” means the Exchange Bulletin which is issued following closing of the Proposed Qualifying Transaction and the submission of all required documentation that evidences the final Exchange acceptance of the Proposed Qualifying Transaction;

“**First Global Option**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions*”;

“**GAAP**” means generally accepted accounting principles in Canada;

“**Glen Eagle Agreement**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business – Royalty Acquisitions*”;

“**Global Closing Date**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions*”;

“**Global Letter Agreement**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions*”;

“**Global Portfolio**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions*”;

“**Globex**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business – Royalty Acquisitions*”;

“**Globex Letter Agreement**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business – Royalty Acquisitions*”;

“**Globex Portfolio**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business – Royalty Acquisitions*”;

“**GMR**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business – Royalty Acquisitions*”;

“**Great Thunder Agreement**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business – Royalty Acquisitions*”;

“**GRR**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business*”;

“**Hartford**” has the meaning set out in “*Appendix G – Technical Disclosure on the Bissett Creek Project*”;

“**Holder**” or “**Holders**” has the meaning set out in “*Part V – General Matters - Certain Canadian Federal Income Tax Considerations - General*”;

“**IMI**” has the meaning set out in “*Appendix G – Technical Disclosure on the Bissett Creek Project*”;

“**Initial Release**” has the meaning set out in “*Part IV – Information Concerning The Resulting Issuer – Escrowed Securities - Securities Escrowed Prior to the Completion of the Proposed Qualifying Transaction*”;

“**Insider**” as used in relation to an Issuer, means:

- a) a director or senior officer of the Issuer;
- b) a director or senior officer of a company that is an Insider or subsidiary of the Issuer;
- c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the Issuer; or
- d) the Issuer itself if it holds any of its own securities;

“**Investment Policy**” means the investment policy to be adopted by the Resulting Issuer in connection with the Proposed Qualifying Transaction, a copy of which is attached as Appendix F to this Filing Statement;

“**IPO**” means a transaction that involves an Issuer issuing securities from its treasury pursuant to its first Prospectus;

“**IPO Agency Agreement**” means the agency agreement entered into effective August 11, 2017, between the Corporation and Leede Jones Gable Inc., in connection with the CPC IPO;

“**IRR**” means internal rate of return;

“**Issuer**” means a company and its subsidiaries which have any of its securities listed for trading on the Exchange and, as the context requires, any applicant company seeking a listing of its securities on the Exchange;

“**LaMotte Agreement**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business – Royalty Acquisitions*”;

“**LaMotte Claim**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business – Royalty Acquisitions*”;

“**LaMotte Royalty**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business – Royalty Acquisitions*”;

“**Letter Agreement**” means the letter agreement dated November 21, 2019, entered into between the Corporation and the Target Company relating to the purchase of all of the issued and outstanding Target Company Shares, which has been superseded and replaced by the Business Combination Agreement;

“**Material Adverse Change**” or “**Material Adverse Effect**” means, with respect to either the Corporation or the Target Company any change, event, effect, occurrence or state of facts that has, or could reasonably be expected to constitute a material adverse change in respect of or to have a material adverse effect on, the business, properties, assets, liabilities (including contingent liabilities), results of operations, financial performance or financial condition of the party and its subsidiaries, as applicable, taken as a whole. The foregoing shall not include any change or effects attributable to: (i) any matter that has been disclosed in writing to the other party or any of its advisers by a party or any of its advisers in connection with the Business Combination Agreement; (ii) changes relating to general economic, political or financial conditions; (iii) relating to the state of securities markets in general; (iv) the Offering; or (v) the announcement of the Amalgamation;

“**MCP**” has the meaning set out in “*Appendix G – Technical Disclosure on the Bissett Creek Project*”;

“**Millennium Cobalt Project**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions*”;

“**Millennium GMR Royalty**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions*”;

“**Millennium NSR Royalty**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions*”;

“**Mt. Dorothy Cobalt Project**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions*”;

“**Mt. Dorothy Royalty**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions*”;

“**Name Change**” means the change of name of the Corporation to “**Electric Royalties Ltd.**” upon closing of the Transaction, subject to Exchange and other regulatory acceptance;

“**Name Change Resolution**” means the resolution of the board of directors of the Corporation authorizing the name change of the Corporation to “**Electric Royalties Ltd.**”;

“**Named Executive Officer**” or “**NEO**” has the meaning set out in “*Part IV – Information Concerning The Resulting Issuer – Executive Compensation*”;

“**New Common Shares**” means the Post-Consolidation Common Shares that will be issued to Target Company Shareholders pursuant to the Proposed Qualifying Transaction;

“**NG Buy Back Option**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions*”;

“**NG Closing Date**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions*”;

“**NG Consideration Shares**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions*”;

“**NG FS**” has the meaning set out in “*Appendix G – Technical Disclosure on the Bissett Creek Project*”;

“**NG Letter Agreement**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions*”;

“**NG Transaction**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions*”;

“**NI 43-101**” means National Instrument 43-101 – Standards of Disclosure for Mineral Projects;

“**Non Arm’s Length Parties**” means: (a) in relation to a company: a promoter, officer, director, other Insider or Control Person of that company (including an Issuer) and any Associates or Affiliates of any such Persons; and (b) in relation to an individual, any Associate of the individual or any company of which the individual is a promoter, officer, director, Insider or Control Person;

“**Non Arm’s Length Parties to the Qualifying Transaction**” means the Vendor(s) (as defined in the CPC Policy), any Target Company(ies) (as defined in the CPC Policy) and includes, in relation to Significant Assets or Target Company(ies), the Non Arm’s Length Parties of the Vendor(s), the Non Arm’s Length Parties of any Target Company(ies) and all other parties to or associated with the Qualifying Transaction and Associates or Affiliates of all such other parties;

“**Non Arm’s Length Qualifying Transaction**” means a proposed Qualifying Transaction where the same party or parties or their respective Associates and Affiliates are Control Persons in both the CPC and in relation to the Significant Assets which are to be the subject of the proposed Qualifying Transaction;

“**Non-Offending Persons**” has the meaning set out in “*Part I – The Transaction – Business Combination Agreement - Indemnity*”;

“**Non-Resident Holder**” has the meaning set out in “*Part V – General Matters - Certain Canadian Federal Income Tax Considerations - Holders not Resident in Canada*”;

“**North Coast**” has the meaning set out in “*Appendix G – Technical Disclosure on the Bissett Creek Project*”;

“**Northern Graphite**” means Northern Graphite Corporation;

“**NSR**” means net smelter returns;

“**Offering**” means the private placement by the Corporation of Subscription Receipts for minimum gross proceeds of \$3,500,000, which will be closed concurrently with the closing of the Amalgamation;

“**Offering Shares**” means such number of Post-Consolidation Common Shares issued upon conversion of the Subscription Receipts;

“**Officers**” has the meaning set out in “*Part IV – Information Concerning The Resulting Issuer – Executive Compensation - Compensation Discussion and Analysis*”;

“**Oropesa Royalty**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions*”;

“**Oropesa Royalty Option**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions*”;

“**Oropesa Tin Project**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Royalty Acquisitions*”;

“**Person**” means any individual, firm, partnership, company, corporation or other body corporate, and the heirs, executors, administrators and other legal representatives of an individual;

“**Post-Consolidation Common Shares**” means the common shares in the capital of the Corporation following completion of the Consolidation;

“**Princeton**” has the meaning set out in ““*Appendix G – Technical Disclosure on the Bissett Creek Project*””;

“**Principals**” means:

- (a) a Person who acted as a promoter of the Issuer within two years before the IPO prospectus or Final Exchange Bulletin confirming final acceptance of a transaction;
- (b) a director or senior officer of the Issuer or any of its material operating subsidiaries at the time of the IPO prospectus or the Final Exchange Bulletin;
- (c) a 20% holder – a Person who holds securities carrying more than 20% of the voting rights attached to the Issuer’s outstanding securities immediately before and immediately after the Issuer’s IPO or immediately after the Final Exchange Bulletin for non-IPO transactions;
- (d) a 10% holder – a person that:
  - (i) holds securities carrying more than 10% of the voting rights attached to the Issuer’s outstanding securities immediately before and immediately after the Issuer’s IPO or immediately after the Final Exchange Bulletin for non IPO transactions; and

- (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the Issuer or any of its material operating subsidiaries.

In calculating these percentages, include securities issued to the holder under outstanding convertible securities in both the holder's securities and the total securities outstanding.

A company, more than 50% held by one or more Principals will be treated as a Principal. (In calculating this percentage, include the securities of an entity that may be issued to the Principals under outstanding convertible securities in both the Principals' securities of the entity and the total securities of the entity outstanding.) Any securities of the Issuer that this entity holds will be subject to escrow requirements.

A Principal's spouse and their relatives that live at the same address as the Principal are treated as Principals and any securities of the Issuer they hold are subject to escrow requirements;

**"Project Owner"** means a party that owns an operating mine, construction ready mining project, development or exploration stage resource property that may be exploited for minerals;

**"Projects"** has the meaning set out in *"Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business"*;

**"Proposed Amendments"** has the meaning set out in *"Part V – General Matters - Certain Canadian Federal Income Tax Considerations - General"*;

**"Proposed Qualifying Transaction"** means the acquisition of all of the Target Company Shares by the Corporation by means of the Amalgamation pursuant to the Business Combination Agreement and the Amalgamation Agreement, as described in this Filing Statement and submitted to the Exchange for acceptance as the Corporation's Qualifying Transaction;

**"Prospectus"** means a disclosure document required to be prepared in connection with a public offering of securities and which complies with the form and content requirements of a prospectus as described in applicable securities laws;

**"Qualifying Transaction"** means a transaction where a CPC acquires Significant Assets other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means;

**"Resident Holder"** has the meaning set out in *"Part V – General Matters - Certain Canadian Federal Income Tax Considerations - Holders Resident in Canada"*;

**"RI"** or **"Resulting Issuer"** means Rebel Capital Inc. (which shall be renamed "Electric Royalties Ltd."), being the Issuer that will exist following completion of a Qualifying Transaction (which was formerly a CPC);

**"RI Escrow Agreement"** means the escrow agreement to be entered into by the Corporation, Escrow Agent, as escrow agent, and certain Principals of the Target Company and Target Company Shareholders;

**"RI Escrow Shares"** means the common shares that will be subject to escrow pursuant to the policies of the Exchange;

**"RI Pooled Shares"**; has the meaning set out in *"Part IV – Information Concerning The Resulting Issuer – Escrowed Securities"*;

“**RI Shares**” means the common shares in the capital of the Resulting Issuer, which for greater certainty includes the New Common Shares;

“**Royalty**” or “**Royalties**” means an ongoing economic interest in the production or future production of metals and or minerals from a mining project. Royalties are often expressed as percentage based on the gross revenue value of the production or net proceeds received by the operator, as specified by a contractual agreement;

“**Royalty Seller**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business*”;

“**Sayona Agreement**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Significant Acquisitions and Dispositions – Royalty Acquisitions Under Binding Letter Agreement*”;

“**Significant Assets**” means one or more assets or businesses which, when purchased, optioned or otherwise acquired by a CPC, together with any other concurrent transactions, would result in the CPC meeting the initial listing requirements of the Exchange;

“**Subscription Receipts**” means the subscription receipts of the Corporation issued pursuant to the Offering at a price of \$0.25 per Subscription Receipt;

“**Sunset**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Significant Acquisitions and Dispositions – Royalty Acquisitions Under Binding Letter Agreement*”;

“**Sunset Agreement**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business - Significant Acquisitions and Dispositions – Royalty Acquisitions Under Binding Letter Agreement*”;

“**Surplus Security Escrow Agreement**” has the meaning set out in “*Part IV – Information Concerning The Resulting Issuer – Escrowed Securities - Escrowed Securities on the Qualifying Transaction*”;

“**Target Commodities**” has the meaning set out in “*Part III – Information Concerning Electric Royalties Ltd. – General Development of the Business*”;

“**Target Company**” or “**ERL**” means Electric Royalties Ltd., a private company incorporated on January 26, 2012 under the BCBCA, to be acquired by the Corporation as its Significant Asset pursuant to a Qualifying Transaction;

“**Target Company Shareholders**” means holders of Target Company Shares;

“**Target Company Shares**” means the common shares in the capital of the Target Company, as presently constituted;

“**Tax Act**” means the *Income Tax Act* (Canada);

“**Transaction**” means the transactions, including the Consolidation, the Offering and the Proposed Qualifying Transaction as described in this Filing Statement;

**“Value Securities”** has the meaning set out in **“Part IV – Information Concerning The Resulting Issuer – Escrowed Securities - Escrowed Securities on the Qualifying Transaction”**; and

**“Value Security Escrow Agreement”** has the meaning set out in **“Part IV – Information Concerning The Resulting Issuer – Escrowed Securities - Escrowed Securities on the Qualifying Transaction”**.

### TECHNICAL AND THIRD PARTY INFORMATION

The scientific and technical information in this Filing Statement has been reviewed and approved by David Gaunt, PGeo, a “qualified person” as defined in NI 43-101. Mr. Gaunt is not independent of the Target Company.

Except where otherwise noted, the disclosure in this Filing Statement relating to mineral reserve and mineral resource statements for individual properties is made as of the documents referenced. In addition, numerical information contained in this Filing Statement which has been derived from information publicly disclosed by owners or operators may have been rounded and, therefore, there may be some inconsistencies in this Filing Statement with respect to significant digits presented.

<b>Technical Terms and Abbreviations</b>	
<b>NI 43-101 as defined by CIM (Canadian Institute of Mining &amp; Metallurgy)</b>	
<b>feasibility study</b>	A comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable modifying factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate, at the time of reporting, that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a pre-feasibility study.
<b>indicated mineral resource</b>	That part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. An indicated mineral resource has a lower level of confidence than that applying to a measured mineral resource and may only be converted to a probable mineral reserve.
<b>inferred mineral resource</b>	That part of a mineral resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An inferred mineral resource has a lower level of confidence than that applying to an indicated mineral resource and may not be converted to a mineral reserve. It is reasonably expected that the majority of inferred mineral resources could be upgraded to indicated mineral resources with continued exploration.
<b>measured mineral resource</b>	That part of a mineral resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of modifying factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A measured mineral resource has a higher level of confidence than that applying to either an Indicated mineral resource or an inferred mineral resource. It may be converted to a proven mineral reserve or to a probable mineral reserve.
<b>mineral reserve</b>	The economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility

	level as appropriate that include application of modifying factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which mineral reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported. The public disclosure of a mineral reserve must be demonstrated by a pre-feasibility study or feasibility study.		
<b>mineral resource</b>	A concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.		
<b>modifying factors</b>	Considerations used to convert mineral resources to mineral reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.		
<b>probable mineral reserve</b>	The economically mineable part of an indicated, and in some circumstances, a measured mineral resource. The confidence in the modifying factors applying to a probable mineral reserve is lower than that applying to a proven mineral reserve.		
<b>proven mineral reserve</b>	The economically mineable part of a measured mineral resource. A proven mineral reserve implies a high degree of confidence in the modifying factors.		
<b>Abbreviations</b>			
<b>Cg</b>	Graphitic Carbon	<b>Concentrate</b>	Metal product post mill treatment
<b>DDH</b>	Diamond drill hole	<b>IRR</b>	Internal Rate of Return
<b>Km</b>	Kilometre	<b>m</b>	metres
<b>Mtpa</b>	Million ton per year (annum)	<b>QA/QC</b>	Quality assurance/quality control
<b>t</b>	Metric Tonne		

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Filing Statement includes forward-looking information with respect to the Corporation, the Target Company and the Resulting Issuer. In particular, the information contained in the section called "**Part III – Information Concerning the Target Company**" and "**Part IV – Information Concerning the Resulting Issuer**" may constitute "forward-looking information" for the purpose of securities legislation, as it contains statements of the intended course of conduct and future operations of the Resulting Issuer. When used in this Filing Statement, such statements and information use words such as "**may**", "**will**", "**expect**", "**believes**", "**plan**", "**could**", "**should**", "**anticipate**", "**continue**", "**estimate**", "**intend**", "**potential**", "**predict**", "**project**", and other similar terminology. These statements are based on assumptions made by the Resulting Issuer about the success of the Resulting Issuer's business strategies in certain market conditions, relying on the experience of the Resulting Issuer's officers and employees and their knowledge of historical economic and market trends. Investors are cautioned that the assumptions we make and the success of the Resulting Issuer's investment strategies are subject to a number of mitigating factors. Economic and market conditions may change, which may materially impact the success of our intended strategies as well as the Resulting Issuer's actual course of conduct. Investors are urged to read the section called "**Risk Factors**" for a discussion of other factors that may impact the Resulting Issuer. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected

developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. We believe that the assumptions and expectations reflected in such forward-looking information are reasonable. Forward-looking statements or information are statements about the future and are inherently uncertain, and actual achievements of the Resulting Issuer or other future events or conditions may differ materially from those reflected in the forward-looking statements or information due to a variety of risks, uncertainties and other factors, including, without limitation, the risks and uncertainties described above. Our forward-looking statements and risk factors are based on the reasonable beliefs, expectations and opinions of management on the date of this Filing Statement. Although we have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. We do not undertake to update any forward-looking information, except as, and to the extent required by, applicable securities laws.

For a more detailed discussion of certain of these risk factors, see “*Risk Factors*”.

### **Source of Information**

The information contained in this Filing Statement with respect to the Target Company (and any information with respect to the Resulting Issuer that is dependent upon information with respect to the Target Company) has been furnished by the Target Company. The Corporation and its directors and officers have relied on the information relating to the Target Company furnished by the Target Company and assume no responsibility for any errors in such information or omissions therefrom. Similarly, neither the Target Company nor its directors or officers assume any responsibility for any errors in the information contained herein or omissions therefrom with respect to the Corporation, CPC Sub or any information with respect to the Resulting Issuer or omissions therefrom that is dependent upon information with respect to the Corporation or CPC Sub.

## SUMMARY OF FILING STATEMENT

*The following is a summary of information relating to the Corporation, the Target Company, the Resulting Issuer (assuming completion of the Proposed Qualifying Transaction) and the Transaction and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement. Capitalized terms used in this summary will have the meaning provided in the Glossary or elsewhere in this Filing Statement.*

This Filing Statement is being prepared and filed in accordance with the CPC Policy in connection with the Proposed Qualifying Transaction.

### **Summary Of The Terms Of The Proposed Qualifying Transaction:**

The Corporation, CPC Sub and the Target Company entered into the Business Combination Agreement and the Amalgamation Agreement on January 28, 2020. The Business Combination Agreement provides for the reverse takeover of the Corporation by the Target Company by way of a “three-cornered” amalgamation under the provisions of the BCBCA, pursuant to which the Target Company will amalgamate with CPC Sub to form Amalco and Amalco will become a wholly-owned subsidiary of the Resulting Issuer. See “*Part I - The Transaction – Business Combination Agreement*”.

The Proposed Qualifying Transaction will constitute the Corporation’s Qualifying Transaction pursuant to the CPC Policy, and is not a Non Arm’s Length Transaction.

The Transaction includes the Proposed Qualifying Transaction and the Offering.

It is a term of the Business Combination Agreement that concurrently with the closing of the Proposed Qualifying Transaction, the Target Company and the Corporation shall complete the Offering of Subscription Receipts at a minimum price of \$0.25 per Subscription Receipt for gross proceeds of \$3,500,000 or such other price and/or amount as may be agreed to by the Corporation and the Target Company. If the Offering is completed at the minimum price, then upon the automatic conversion of the Subscription Receipts the Corporation will issue 14,000,000 Offering Shares. See “*Part I - The Transaction - Concurrent Offering*”.

The Business Combination Agreement may be terminated by any party if the initial submission has not been filed with the Exchange by February 28, 2020, or if such filing has been made but the Target Company is unable to meet any of the material requirements imposed by the Exchange on or before June 25, 2020.

It is a term of the Business Combination Agreement that if the Proposed Qualifying Transaction is not completed as a result of the Corporation electing not to proceed with the Proposed Qualifying Transaction or the Proposed Qualifying Transaction is abandoned due to non-performance of the Corporation of any of its obligations thereunder, the Corporation will pay the Target Company’s reasonable out-of-pocket expenses incurred in connection with the Transaction to a maximum of \$70,000.

It is also a term of the Business Combination Agreement that if the Proposed Qualifying Transaction is not completed as a result of the Target Company electing

not to proceed with the Proposed Qualifying Transaction or the Proposed Qualifying Transaction is abandoned due to non-performance of the Target Company of any of its obligations thereunder, the Target Company will pay the Corporation's reasonable out-of-pocket expenses incurred in connection with the Proposed Qualifying Transaction to a maximum of \$70,000.

Upon closing of the Proposed Qualifying Transaction, all of the existing directors and officers of the Corporation (other than Craig Lindsay) will resign, the board of directors will be increased to four members and the board will be comprised of Craig Lindsay, Robert Schafer, Marchand Snyman and Brendan Yurik. See "**Part IV - Information Concerning the Resulting Issuer – Directors, Officers and Promoters**".

Prior to giving effect to the Proposed Qualifying Transaction, the following is a summary of the interests of any applicable Insider, Promoter or Control Person.

1. Mihalis Belantis, CEO and Director of the Corporation, owns 586,667 Common Shares and 50,000 Corporation Options.
2. Christopher Donald Reid, CFO and Director of the Corporation, owns 720,000 Common Shares and 100,000 Corporation Options.
3. Craig Thomas Lindsay, a Director of the Corporation, owns 720,000 Common Shares (through Arbutus Grove Capital Corp., a company controlled by him) and 50,000 Corporation Options.

The directors and officers of the Resulting Issuer as a group will hold an aggregate of 13.7% RI Shares, assuming the price per Offering Share is \$0.25 and assuming no Offering Shares are acquired by them under the Offering. No Insiders of the Corporation will receive any consideration as a result of the Proposed Qualifying Transaction should the Proposed Qualifying Transaction proceed.

Subject to Exchange and other regulatory acceptance, the name of the Resulting Issuer will be changed to "Electric Royalties Ltd." after completion of the Proposed Qualifying Transaction. Amalco will change its name to "Electric Royalties (Canada) Ltd."

The Completion of the Qualifying Transaction contemplated by the Business Combination Agreement is subject to certain conditions, including: (a) obtaining all necessary regulatory approvals, including the approval of the Exchange; (b) the approval of the Amalgamation by the Corporation as the sole shareholder of CPC Sub; (c) the approval of the Amalgamation by the Target Company Shareholders; (d) completion of the Consolidation; (e) completion of the Offering; and (f) other customary conditions.

**The Corporation:**

The Corporation was incorporated pursuant to the provisions of the BCBCA on September 16, 2016. On October 31, 2017, the Corporation completed the CPC IPO and began trading on the Exchange under the symbol "RBL.P" as a CPC on November 3, 2017. Trading of the Common Shares was halted on November 7, 2019. As a CPC, the principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. See "**Part II - Information Concerning the Corporation — General Development of the Business.**"

- The Target Company:** The Target Company is a private investment company in the mineral royalties sector. See “*Part III - Information Concerning the Target Company — General Development of the Business.*”
- The Offering:** Concurrently with the completion of the Amalgamation, the Corporation will complete the Offering of Subscription Receipts at a minimum price of \$0.25 per Subscription Receipt for gross proceeds of \$3,500,000, or such other price and/or amount as agreed to between the Corporation and the Target Company. If the Offering is completed at the minimum price, then upon the automatic conversion of the Subscription Receipts 14,000,000 Offering Shares will be issued by the Corporation.
- Available Funds And Principal Uses Of Funds:** Management of the Corporation anticipates that, based on estimated working capital as at May 31, 2020 and assuming the closing of the Offering with a minimum gross proceeds of \$3,500,000, the Resulting Issuer will have Available Funds after closing the Transaction of approximately \$3,700,000. The principal purposes of the Available Funds will be to fund the acquisition of additional royalties, administrative costs and for general working capital purposes and to pay for the regulatory and legal costs to complete the Transaction. See “*Part IV - Information Concerning the Resulting Issuer — Available Funds and Principal Purposes.*”
- Selected Pro Forma Consolidated Financial Information:** The following table sets out certain unaudited pro forma consolidated financial information for the Resulting Issuer (as at March 31, 2020), after giving effect to the Proposed Qualifying Transaction. The following information should be read in conjunction with the unaudited pro forma consolidated statement of financial position of the Resulting Issuer. See “*Appendix E — Unaudited Pro-Forma Consolidated Statement of Financial Position of the Resulting Issuer.*”
- |                             | <u>Pro Forma Resulting Issuer</u><br><u>(Dated as of March 31, 2020)</u> |
|-----------------------------|--|
| Total Assets                | \$ 5,936,177   |
| Total Current Liabilities   | \$ 687,525   |
| Total Long Term Liabilities | \$ Nil   |
| Total Shareholders' Equity  | \$ 5,248,652   |
- Public Market:** The Common Shares have been listed on the Exchange since November 3, 2017 under the symbol “RBL.P” but trading in Common Shares is currently halted as a result of the Corporation having failed to complete a Qualifying Transaction within 24 months of its listing, in accordance with the CPC Policy. The closing price of the Common Shares on November 6, 2019, being the last day on which the Common Shares were available for trading prior to the announcement of the Proposed Qualifying Transaction, was \$0.14 per Common Share. It is anticipated that the Common Shares will resume trading on the Exchange upon completion of the Transaction under the symbol “ERL”. The Target Company Shares are not traded publicly. See “*Part II - Information Concerning the Corporation - Stock Exchange Price.*”
- Sponsorship:** The Corporation intends to rely on an exemption from the requirements to have a sponsor for the Transaction. As such, no sponsor has been engaged by the Corporation in connection with the Proposed Qualifying Transaction. See “*Part V - General Matters - Sponsorship.*”

- Interest of Experts:** Deloitte LLP is independent of the Target Company within the meaning of the rules of professional conduct of the Chartered Professional Accountants of British Columbia. KPMG LLP are the auditors of the Corporation and have confirmed that they are independent with respect to the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations. As for other interest of experts, no person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Filing Statement or prepared or certified a report or valuation described or included in this Filing Statement currently holds, directly or indirectly, more than 1% of the Common Shares or the Target Company Shares, or holds any property of the Corporation or the Target Company or of an Associate or Affiliate of the Corporation or the Target Company and no such person is expected to be elected, appointed or employed as director, senior officer or employee of the Corporation or the Target Company or of an Associate or Affiliate of the Resulting Issuer and no such person is a promoter of the Corporation or the Target Company or an Associate or Affiliate of the Corporation or the Target Company.
- Conflict of Interest:** As of the date of this Filing Statement, neither the management of the Corporation nor the Target Company is aware of any material conflicts of interest arising out of the Proposed Qualifying Transaction. See “**Part IV - Information Concerning the Resulting Issuer – Directors, Officer and Promoters**” for a discussion of the potential conflicts of interest that may arise with respect to the proposed directors and officers of the Resulting Issuer in the future.
- Canadian Tax Consequences:** For an overview of the principal Canadian federal income tax considerations affecting the Target Company Shareholders under the Amalgamation, the Target Company Shareholders should review the information contained under “**Part V – General Matters - Certain Canadian Federal Income Tax Considerations**”, and consult with their own tax advisors in this regard. This Filing Statement does not address any other tax considerations, including any United States or other non-Canadian tax considerations. All Target Company Shareholders, shareholders of the Corporation and prospective investors should discuss the tax considerations applicable to their particular circumstances with their own tax advisors.
- Risk Factors:** An investment in the RI Shares should be considered to be speculative. Investors should carefully consider certain risks associated with an investment in the RI Shares, including the following: (a) ERL’s dependency on management, (b) early termination of royalty agreements, (c) delay or failure of royalty payments, (d) competition, (e) failure of acquisition strategy, (f) concentration of risk in one sector, (g) ERL has no operating history, (h) ERL is subject to foreign exchange fluctuations, and (i) other risks generally associated with investing in the mineral development sector.
- See “**Risk Factors**” below for a more detailed description of the risk factors associated with the Transaction.
- Conditional Listing Approval:** The Proposed Qualifying Transaction is subject to the acceptance of the Exchange and the Corporation fulfilling all of the requirements of the Exchange.

## RISK FACTORS

The Target Company's current business will be the Resulting Issuer's business upon Completion of the Qualifying Transaction. Where used in this Risk Factors section, "ERL" refers to either the Target Company or the Resulting Issuer, as the context may require. The risk factors associated with the principal business of the Target Company are discussed below.

**An investment in the RI Shares should be considered highly speculative due to the nature of ERL's business. Investments in companies involved in commodities, such as ERL, involve a significant degree of risk, and commodities prices are also subject to significant volatility, which affects the economic viability of ERL. ERL has no history of earnings, a limited business history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future. ERL is in the "start-up" phase of its business. Its operations are not sufficiently established such that it can mitigate the risks associated with its planned activities. Anyone investing in ERL must rely on the ability, expertise, judgement, discretion, integrity and good faith of the management of ERL. The risks and uncertainties described below are not the only risks and uncertainties that ERL faces. Additional risks and uncertainties of which ERL is not aware or that ERL currently believes to be immaterial may also adversely affect ERL's business, financial condition, results of operations, financial performance or prospects. If any of the possible events described below occur, ERL's business, financial condition, results of operations, financial performance or prospects could be materially and adversely affected. Investors should carefully consider the risks described below and the other information contained in this Filing Statement before making a decision to buy the RI Shares. If any of the following risks or other risks not listed below occurs, ERL's business prospects, financial condition, results of operations, financial performance and cash flows could be materially adversely impacted. In that case, investors could lose part or all of their investment in the RI Shares.**

### 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 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 RI 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 RI 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 RI 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 and adverse effect on the value of ERL's investments and, consequently, the value of the RI 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 RI Shares. Any future determinations to pay dividends on the RI 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 rates. As a result, a holder of RI Shares may not receive any return on an investment in RI Shares.

#### *Market for the Shares*

There can be no assurance that an active market for the RI Shares will develop or be sustained. If an active public market for the RI 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 risks 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, results of operations, financial performance and financial condition. 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 ERL's overall revenue. Any such price decline may result in a material and adverse effect on ERL's profitability, results of operations, financial performance 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 operations, financial performance and financial condition.

#### *Competition*

Many companies are engaged in the search for and the acquisition of commodities, or rights to or interests 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 operations, financial performance 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 operations, financial performance 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 ERL's 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 operations, financial performance 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.

#### *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 and adverse effect on its profitability, results of operations, financial performance 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 ERL's

growth and valuation. Specifically, the global credit/liquidity crisis could impact the cost and availability of financing and ERL's overall liquidity; the volatility of commodities and other metal prices could impact ERL's revenues, profits, losses, cash flow and the value of ERL's Royalties; continued recessionary pressures could adversely impact demand for ERL's assets; and the devaluation and volatility of global stock markets could impact the valuation of ERL's equity and other securities. These factors could have a material and 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, results of operations and financial performance will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the 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.

#### *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 RI 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 RI Shares. Because exchange rate fluctuations are beyond ERL's 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 RI Shares.

#### *Regulatory Change*

ERL's operations 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.

#### *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, results of operations, financial performance 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 RI 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 ERL 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 operations, financial performance 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, financial performance and financial condition. ERL does not intend to maintain "key man" insurance for any members of its management.

### **Specific Risks Related to Royalties**

#### *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 operations, financial performance 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 and adverse effect on its profitability, financial condition, results of operations and financial performance.

### *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 and adverse effect on ERL's profitability, results of operations, financial performance 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 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 and adverse effect on ERL's profitability, financial performance, results of operations 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 and adverse effect on ERL's profitability, results of operations, financial performance 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 target 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 operations, financial performance 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 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.

## PART I — THE TRANSACTION

### SUMMARY OF THE TRANSACTION

#### **Amalgamation**

The Corporation and CPC Sub have entered into the Business Combination Agreement with the Target Company pursuant to which the Corporation will acquire all of the issued and outstanding Target Company Shares by way of a three-cornered amalgamation pursuant to the Amalgamation Agreement. Pursuant to the Amalgamation Agreement, the Target Company and CPC Sub will amalgamate, the holders' Target Company Shares will be disposed of and cancelled in exchange for New Common Shares, and the CPC Sub Shares will be disposed of and cancelled, and in exchange therefor Amalco will issue one Amalco Share in respect of every cancelled CPC Sub Share. In addition, Amalco shall issue one Amalco Share to the Corporation in consideration for the issuance of the New Common Shares issued by the Corporation. The acquisition of all of the issued and outstanding Target Company Shares will serve as the Corporation's Qualifying Transaction. Although the Proposed Qualifying Transaction will result in Amalco becoming a wholly-owned subsidiary of the Corporation, the Proposed Qualifying Transaction will constitute a reverse takeover of the Corporation inasmuch as the former Target Company Shareholders will own a substantial majority of the RI Shares and all members of the Board except Craig Lindsay, a current director of the Corporation, will be designees of the Target Company. Upon Completion of the Transaction, the business of the Target Company will be the business of the Resulting Issuer. See "*Part III - Information Concerning the Target Company - Narrative Description of the Business*".

#### **Consolidation**

As a condition of closing the Transaction, concurrently with, or immediately prior to the closing of the Transaction, and subject to approval of the Corporation Shareholders, the Corporation will undertake the Consolidation of the Common Shares on the basis of two Common Shares for one Post-Consolidation Common Share. The number of Common Shares issuable upon the exercise of the Corporation Options will be adjusted according to the Consolidation ratio in accordance with their terms.

#### **Concurrent Offering**

As a condition of closing the Transaction, subject to approval of the Exchange, the Corporation will complete the Offering of a minimum of 14,000,000 Subscription Receipts at a price of \$0.25 per Subscription Receipt for aggregate gross proceeds of a minimum of \$3,500,000. Each Subscription Receipt will be automatically converted, without payment of additional consideration or further action by the holder thereof, into one Offering Share upon the satisfaction or waiver of all the conditions precedent to the completion of the Transaction (other than the release of the gross proceeds from the sale of the Subscription Receipts) and the completion of the Amalgamation (collectively, the "**Conditions**") at or before 5:00 p.m. (Vancouver time) on June 25, 2020 (the "**Deadline**"). In the event the Conditions are not satisfied on or prior to the Deadline, the Subscription Receipts will be cancelled and the aggregate subscription price paid by each of the holders will be returned to each of the holders.

In connection with the Offering, the Corporation may pay a cash commission or finder's fee equal to 6% of the gross proceeds from the Offering to certain parties designated by the Corporation. The Resulting Issuer will use the net proceeds from the Offering and current cash on hand to fund, among other things, the acquisition of additional Royalties, administrative costs, general working capital purposes and regulatory and legal costs incurred to complete the Transaction. See "*Part IV Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*".

## **BUSINESS COMBINATION AGREEMENT**

The Business Combination Agreement provides for the reverse takeover of the Corporation by the Target Company by way of a “three-cornered” amalgamation under the provisions of the BCBCA, pursuant to which the Target Company will amalgamate with CPC Sub to form Amalco and Amalco will become a wholly-owned subsidiary of the Resulting Issuer. The following is a summary of the Business Combination Agreement and is qualified in its entirety by the full text of the Business Combination Agreement, which has been filed on SEDAR and is incorporated by reference herein.

### **Representations, Warranties and Covenants**

The Business Combination Agreement contains representations and warranties made by the Target Company to the Corporation and CPC Sub and representations and warranties made by the Corporation and CPC Sub to the Target Company. Those representations and warranties were made solely for the purposes of the Business Combination Agreement and may be subject to important qualifications, limitations and exceptions agreed to by the parties in connection with negotiating its terms, and as set out in the disclosure letter delivered by the Target Company to the Corporation and CPC Sub.

Moreover, some of the representations and warranties are subject to a contractual standard of materiality or Material Adverse Effect different from that generally applicable to public disclosure to Corporation Shareholders, or are used for the purpose of allocating risk between the parties to the Business Combination Agreement. For the foregoing reasons, you should not rely on the representations and warranties contained in the Business Combination Agreement as statements of factual information at the time they were made or otherwise.

The representations and warranties provided by the Target Company in favour of the Corporation and CPC Sub relate to, among other things: due organization and good standing; capitalization; fair presentation of financial statements; board approvals of the Business Combination Agreement and Amalgamation Agreement; authority to enter into the Business Combination Agreement; the enforceability of the Business Combination Agreement; no violations as a result of the Business Combination Agreement; absence of finders’ fees; absence of a Material Adverse Change, litigation or other actions; the business, operations and entering into contracts; absence of material undisclosed liabilities; subsidiaries; license and title to property; tax matters; and no violation of anti-bribery laws.

The representations and warranties provided by the Corporation and CPC Sub, as applicable, in favour of the Target Company relate to, among other things: due organization and good standing; capitalization; authority to complete the transactions contemplated by the Business Combination Agreement; the enforceability of the Business Combination Agreement; board approvals of the Business Combination Agreement and Amalgamation Agreement; the business, operations and entering into contracts; absence of finders’ fees; absence of a Material Adverse Change, litigation or other actions; employment and labour matters; absence of material undisclosed liabilities; subsidiaries; license and title to property; tax matters; securities law matters; and no violation of anti-bribery laws.

### **Covenants of the Target Company**

The Target Company has agreed to certain covenants intended to ensure that the Target Company carries on business in the ordinary course consistent with past practice. These covenants include, among other things, and subject to certain exceptions, prohibitions on: amending constating documents; capital alterations; issuing securities; redemption of securities; incurring or modifying indebtedness; selling, pledging, abandoning and certain other actions in respect of assets; reducing the stated capital of the Target

Company Shares; reorganizing or amalgamating with another entity; acquiring a material asset; entering into agreements with its directors and officers; and undertaking certain tax-related actions.

The Target Company has also agreed to the following: granting the Corporation reasonable access to its properties; using all commercially reasonable efforts to cause all conditions under the Business Combination Agreement to be satisfied on or prior to the Effective Date; and using all reasonable efforts to assist the Corporation in connection with the preparation of this Filing Statement and the written consent resolution of at least 2/3 of the Corporation Shareholders authorizing the Consolidation.

### **Covenants of the Corporation**

The Corporation has agreed to certain covenants intended to ensure that the Corporation carries on business in the ordinary course consistent with past practice. These covenants include, among other things, and subject to certain exceptions, prohibitions on: amending constating documents; capital alterations; issuing securities; redemption of securities; incurring or modifying indebtedness; selling, pledging, abandoning and certain other actions in respect of assets; reducing the stated capital of the Common Shares; reorganizing or amalgamating with another entity; acquiring a material asset; entering into agreements with its directors and officers; undertaking certain tax-related actions; making capital expenditures; and modifying employment arrangements and benefits.

The Corporation has also agreed to the following: granting the Target Company reasonable access to its properties; ensuring all property continues to be insured; completing the Consolidation; using all commercially reasonable efforts to cause all conditions under the Business Combination Agreement to be satisfied on or prior to the Effective Date; causing CPC Sub to approve the Amalgamation; completing and filing such documents prescribed by the BCBCA to give effect to the change of directors and officers of the Corporation and CPC Sub and the appointment of Brendan Yurik, Craig Lindsay, Robert Schafer and Marchand Snyman as the directors of the Resulting Issuer and Brendan Yurik and Luqman Khan as the officers of the Resulting Issuer; and completing the Name Change after receiving requisite approval of the Corporation's board of directors.

### **Non Solicitation Covenant**

Each of the Corporation and the Target Company has agreed that, until the termination of the Business Combination Agreement, it will not, through any officer, director, employee, agent or Affiliate, directly or indirectly: (i) solicit, encourage or conduct discussions with, or engage in negotiations with, any other person relating to the possible acquisition of the Target Company or the Corporation, as applicable, or any Affiliates (whether by way of merger, purchase of shares, purchase of assets or otherwise) or any material portion of its shares or assets, (ii) provide information with respect to the Target Company or the Corporation, as applicable, or any of its Affiliates to any other person relating to the possible acquisition of the Target Company or the Corporation (whether by way of merger, purchase of shares, purchase of assets or otherwise) or any material portion of its shares or assets, (iii) enter into an agreement with any other Person providing for the acquisition of such party or any of its Affiliates (whether by way of merger, purchase of shares, purchase of assets or otherwise) or any material portion of its shares or assets, or (iv) make or authorize any statement, recommendation or solicitation in support of any possible acquisition of such party (whether by way of merger, purchase of shares, purchase of assets or otherwise) or any material portion of its shares or assets by any Person, other than by the Target Company and the Corporation. In addition to the foregoing, if either the Target Company or the Corporation or any of its officers, directors, agents, or Affiliates receives any unsolicited offer or proposal to enter negotiations relating to any of the above, the party receiving such offer or proposal shall immediately notify the other party thereof, including information as to the identity of the offeror or the party making any such offer or proposal and the specific terms of such offer or proposal, as the case may be.

## **Indemnity**

Each party has agreed to indemnify and hold harmless the other parties to the Business Combination Agreement (and such other parties' respective directors, officers and advisers) (collectively, the "**Non-Offending Persons**") from and against all claims, damages, liabilities, actions or demands to which the Non-Offending Persons may become subject insofar as such claims, damages, liabilities, actions or demands arise out of or are based upon the information supplied by a party (other than the Non-Offending Persons) and contained in a circular having contained a misrepresentation. Each party has agreed to obtain and hold the rights and benefits of the indemnity section in trust for and on behalf of such party's directors, officers and advisers.

## **Amalgamation**

On or before the Effective Date, the Corporation and the Target Company shall use commercially reasonable efforts to take all necessary steps to amalgamate the Target Company with CPC Sub.

## **Corporation's Conditions**

The obligation of the Corporation and CPC Sub to complete the Transaction is subject to the satisfaction of the following conditions on or prior to the Effective Date, each of which may be waived by the Corporation and CPC Sub:

- the representations and warranties made by the Target Company in the Business Combination Agreement that are qualified as to materiality shall be true and correct, and the representations and warranties not so qualified shall be true and correct in all material respects, as of the date of the Business Combination Agreement and on the Effective Date as if made on the Effective Date, except for such representations and warranties made expressly as of a specified date, which shall be true and correct in all material respects as of such date; and the Corporation shall have received a certificate signed on behalf of the Target Company by an executive officer thereof to such effect, dated as of the Effective Date;
- the Target Company shall have performed and complied in all material respects with all covenants and agreements required by the Business Combination Agreement to be performed or complied with by it prior to or on the Effective Date, and the Corporation shall have received a certificate signed on behalf of the Target Company by an executive officer thereof to such effect dated as of the Effective Date;
- there shall not have occurred any Material Adverse Change in the Target Company since the date of the Business Combination Agreement;
- Target Company Shareholders shall have approved the ERL Amalgamation Resolution in accordance with applicable law;
- Corporation Shareholders shall have approved the Consolidation Resolution;
- the dissent rights of Target Company Shareholders shall have been exercised in respect of no more than 10% of the issued and outstanding Target Company Shares;
- the current officers and/or employees of the Target Company shall have duly waived any termination or change of control payments if applicable, triggered upon completion of the Transaction; and

- the Offering shall have been completed.

### **Target Company's Conditions**

The obligation of the Target Company to complete the Transaction is subject to the satisfaction of the following conditions on or prior to the Effective Date, each of which may be waived by the Target Company:

- the representations and warranties of the Corporation and CPC Sub set forth in the Business Combination Agreement qualified as to materiality shall be true and correct, and the representations and warranties not so qualified shall be true and correct in all material respects as of the date of the Business Combination Agreement and on the Effective Date as if made on the Effective Date, except for such representations and warranties made expressly as of a specified date which shall be true and correct in all material respects as of such date, and the Target Company shall have received certificates signed on behalf of the Corporation and CPC Sub, respectively, by an executive officer thereof to such effect dated as of the Effective Date;
- the Corporation and CPC Sub shall have performed and complied in all material respects with all covenants and agreements required by the Business Combination Agreement to be performed or complied with by the Corporation and CPC Sub, respectively, prior to or on the Effective Date and the Target Company shall have received certificates signed on behalf of the Corporation and CPC Sub respectively, by an executive officer thereof to such effect dated as of the Effective Date;
- there shall not have occurred any Material Adverse Change in the Corporation or CPC Sub since the date of the Business Combination Agreement;
- Target Company Shareholders shall have approved the ERL Amalgamation Resolution in accordance with applicable law;
- the Corporation shall have approved the CPC Sub Amalgamation Resolution in accordance with applicable law;
- Corporation Shareholders shall have approved the Consolidation Resolution;
- the Corporation shall have filed articles of amendment in accordance with the BCBCA in respect of the Name Change and the Consolidation and the Name Change shall be effective;
- the dissent rights of Target Company Shareholders shall have been exercised in respect of no more than 10% of the issued and outstanding Target Company Shares;
- the Target Company shall be satisfied that the exchange of New Common Shares for Target Company Shares shall be qualified or exempt from registration or qualification under all applicable United States federal and state securities laws;
- all of the current directors and officers of the Corporation (other than Craig Lindsay) and CPC Sub shall have resigned without payment by or any liability to the Corporation, the Target Company, CPC Sub or Amalco, and each such director or officer shall have executed and delivered a release in favour of the Corporation, the Target Company, CPC Sub and Amalco, in a form acceptable to the Corporation and the Target Company, each acting reasonably;

- the Target Company shall be satisfied in its sole discretion that: (a) at the time of the completion of the Transaction, the Corporation has a cash balance of not less than \$130,000; and (b) the Corporation and CPC Sub have no liabilities;
- the Target Company shall be satisfied in its sole discretion of the maintenance of the Corporation's listing on the Exchange; and
- the Offering shall have been completed.

### **Mutual Conditions**

The obligations of the Corporation and the Target Company to complete the Transaction are subject to the satisfaction of the following conditions on or prior to the Effective Date, each of which may be waived only with the consent in writing of the Corporation, CPC Sub and the Target Company:

- all consents, waivers, permits, exemptions, orders, consents and approvals required to permit the completion of the Transaction, the failure of which to obtain could reasonably be expected to have a Material Adverse Effect on the Target Company or the Corporation or materially impede the completion of the Transaction, shall have been obtained;
- no temporary restraining order, preliminary injunction, permanent injunction or other order preventing the consummation of the Transaction shall have been issued by any federal, state, or provincial court (whether domestic or foreign) having jurisdiction and remain in effect;
- the New Common Shares to be issued pursuant to the Transaction shall have been conditionally approved for listing on the Exchange, subject to standard listing conditions on the Effective Date or as soon as practicable thereafter;
- the Exchange shall have accepted the Amalgamation, the Consolidation, the Offering and the other transactions contemplated by the Business Combination Agreement as part of the Corporation's Qualifying Transaction under the rules and policies of the Exchange, subject to compliance with the usual requirements of the Exchange;
- on the Effective Date, no cease trade order or similar restraining order of any other provincial securities administrator relating to the Common Shares, the Post-Consolidation Common Shares, the New Common Shares, the Target Company Shares or the Amalco Shares shall be in effect;
- there shall not be pending or threatened any suit, action or proceeding before any court or governmental authority, agency or tribunal, domestic or foreign, that has a significant likelihood of success, seeking to restrain or prohibit the consummation of the Transaction or any of the other transactions contemplated by the Business Combination Agreement or seeking to obtain from the Corporation, CPC Sub or the Target Company any damages that are material in relation to the Corporation, CPC Sub and the Target Company and their subsidiaries taken as a whole;
- the distribution of Amalco Shares and the New Common Shares pursuant to the Transaction shall be exempt from the prospectus and registration requirements of applicable Canadian securities laws either by virtue of exemptive relief from the securities regulatory authorities of each of the provinces of Canada or by virtue of applicable exemptions under Canadian securities laws and shall not be subject to resale restrictions under applicable Canadian securities laws (other than as applicable to control persons or pursuant to section 2.6 of National Instrument 45-102 – Resale of Securities of the Canadian Securities Administrators); and

- the Business Combination Agreement shall not have been terminated in accordance with its terms.

### **Termination**

The Business Combination Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of the ERL Amalgamation Resolution by the Target Company Shareholders, the CPC Sub Amalgamation Resolution or the Name Change Resolution by the Corporation, or the Consolidation Resolution by the Corporation Shareholders or any other matters presented in connection with the Transaction:

- (a) by mutual written consent of the Corporation, CPC Sub and the Target Company;
- (b) by a party if a condition in its favour or a mutual condition is not satisfied by June 25, 2020 (or any earlier date by which such condition is required to be satisfied) except where such failure is the result of a breach of the Business Combination Agreement by such party;
- (c) by the Corporation or the Target Company if there has been a breach of any of the representations, warranties, covenants and agreements on the part of the Breaching Party set forth in the Business Combination Agreement, which breach has or is likely to result in the failure of the conditions set forth in sections 7.1, 8.1 or 9.1 of the Business Combination Agreement, as the case may be, to be satisfied and in each case has not been cured within ten Business Days following receipt by the Breaching Party of written notice of such breach from the non-breaching party;
- (d) by any party if any permanent order, decree, ruling or other action of a court or other competent authority restraining, enjoining or otherwise preventing the consummation of the Proposed Qualifying Transaction shall have become final and non-appealable;
- (e) by the Corporation or the Target Company if:
  - (i) the other party or the board of directors of such other party, or any committee thereof, withdraws or modifies in a manner adverse to the initial party, its approval of the Business Combination Agreement or its recommendation to shareholders to vote in favour of the Consolidation or the ERL Amalgamation Resolution, as applicable;
  - (ii) the ERL Amalgamation Resolution is not approved by the Target Company Shareholders;
  - (iii) the Consolidation Resolution is not approved by the Corporation Shareholders; or
  - (iv) the Name Change Resolution is not approved by the board of directors of the Corporation.
- (f) by the Corporation or the Target Company if the Amalgamation is not completed by June 25, 2020 provided that the party then seeking to terminate the Business Combination Agreement is not then in default of any of its obligations thereunder; or
- (g) by the Corporation or the Target Company if the other party has breached the provisions of section 6.7 of the Business Combination Agreement in any material manner.

### **Expenses**

Except as expressly set forth in the Business Combination Agreement, each of the parties shall be responsible for its own costs and charges incurred with respect to the transaction contemplated therein,

including, without limitation, all costs and charges incurred prior to the date of the Letter Agreement and all legal and accounting fees and disbursements relating to preparing the Business Combination Agreement or otherwise relating to the transactions contemplated therein.

If the Transaction is not completed because the Corporation elects not to proceed with the Transaction (other than an election consequent upon a breach of the Business Combination Agreement by the Target Company, or the frustration of a term of the Business Combination Agreement), breaches the Business Combination Agreement or the Transaction is abandoned due to non-performance of the Corporation of any of its obligations thereunder, other than those obligations for which Exchange approval was not obtained, the Corporation will pay the Target Company's reasonable out-of-pocket expenses incurred in connection with the Transaction to a maximum of \$70,000. If the Transaction is not completed because the Target Company elects not to proceed with the Transaction (other than an election consequent upon a breach of the Business Combination Agreement by the Corporation, or the frustration of a term of the Business Combination Agreement), breaches the Business Combination Agreement or the Transaction is abandoned due to non-performance of the Target Company of any of its obligations thereunder, other than those obligations for which Exchange approval was not obtained, the Target Company will pay the Corporation's reasonable out-of-pocket expenses incurred in connection with the Transaction to a maximum of \$70,000.

### **Resignations of Directors and Officers of the Corporation**

Concurrently with the completion of the Transaction, all of the current directors and officers of the Corporation and CPC Sub (other than Craig Lindsay) shall resign and be replaced by Brendan Yurik, Craig Lindsay, Robert Schafer and Marchand Snyman as the directors of the Resulting Issuer and Brendan Yurik and Luqman Khan as the officers of the Resulting Issuer. For information in respect of the board of directors and management of the Resulting Issuer, see "*Part IV - Information Concerning the Resulting Issuer – Directors, Officers and Promoters*".

### **Approvals Necessary for the Transaction**

#### ***Shareholder Approval***

No approval of the Proposed Qualifying Transaction by Corporation Shareholders is required for the Proposed Qualifying Transaction; however, the Consolidation Resolution must be approved by the Corporation Shareholders. The Corporation Shareholders have approved the Consolidation Resolution.

Pursuant to the provisions of the BCBCA, the Amalgamation requires the approval of the Target Company Shareholders and the approval of the Corporation, in its capacity as the sole shareholder of CPC Sub. The parties have respectively agreed to obtain such approvals, and as at the date hereof, all necessary approvals required of the Target Company Shareholders and of CPC Sub have been obtained.

#### ***Exchange Approval***

The Exchange has conditionally approved the Proposed Qualifying Transaction as the Qualifying Transaction for the Corporation subject to the Corporation fulfilling all the requirements of the Exchange on or before September 13, 2020.

Legally, the Effective Date will be on the date that a certificate of amalgamation is issued in respect of the Amalgamation. However, for the purposes of listing on the Exchange, the Transaction will be considered to have been completed on the date that the Exchange issues a Final Exchange Bulletin in respect of such transactions, which is expected to be on or about the second or third Business Day after the closing of the Transaction, provided that all required documentation is filed with the Exchange. The CPC Policy shall

cease to apply after the Corporation has completed the Transaction and the Final Exchange Bulletin in respect of the Transaction has been issued by the Exchange with the exception of any escrow agreements, which will continue in full force and effect.

### **Timing**

If the terms and conditions of the Business Combination Agreement are satisfied or waived, it is expected that the Transaction will be completed and become effective on or before June 25, 2020.

### **Escrow**

The RI Shares of Persons who will be “principals” of the Resulting Issuer will be subject to escrow provisions. See “*Part IV - Information Concerning the Resulting Issuer — Escrowed Securities*”.

## **SUMMARY OF THE TRANSACTION PROCEDURAL STEPS**

The Corporation and the Target Company propose to complete the Transaction, including the Amalgamation, in the following order:

- (a) the Target Company shall prepare and mail the ERL Circular to the Target Company Shareholders;
- (b) the Target Company shall call and hold the ERL Meeting for the purpose of approving the ERL Amalgamation Resolution;
- (c) the Corporation, as the sole shareholder of the CPC Sub, shall approve the CPC Sub Amalgamation Resolution;
- (d) the Corporation shall prepare and mail the Consolidation Resolution to the Corporation Shareholders for the purpose of approving the Consolidation;
- (e) upon the approval of the Consolidation by the Corporation Shareholders in accordance with the requirements of the BCBA, and prior to the Effective Time, the Corporation shall complete the Consolidation;
- (f) the Corporation shall then acquire the Target Company via the Amalgamation pursuant to which, on the Effective Date:
  - (i) the Target Company and the CPC Sub shall amalgamate and continue as one corporation, Amalco:
    - A. to have the name assigned by the British Columbia Registrar of Companies upon the effective time of the Amalgamation, being Amalco’s incorporation number followed by the words “B.C. Ltd.”;
    - B. to be a wholly-owned subsidiary of the Corporation; and
    - C. to own all of the assets, properties, rights, privileges and licences, and be subject to all of the liabilities, contracts and obligations of each of the amalgamating corporations;

- (g) each Target Company Shareholder shall receive one fully paid and non-assessable New Common Share for each Target Company Share held, following which all such Target Company Shares shall be cancelled;
- (h) the Subscription Receipts shall be exchanged for Post-Consolidation Common Shares upon satisfaction of the Conditions; and
- (i) the Resulting Issuer shall be renamed “Electric Royalties Ltd.”.

## PART II — INFORMATION CONCERNING THE CORPORATION

The following information is presented on a pre-Transaction basis and is reflective of the current business, financial and share capital position of the Corporation. See “*Part IV – Information Concerning the Resulting Issuer*” for pro forma business, financial and share capital information relating to the Resulting Issuer after giving effect to the Transaction.

### CORPORATE STRUCTURE

#### The Corporation

The Corporation was incorporated under the BCBCA on September 16, 2016. The principal business of the Corporation has been the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. The Corporation has not commenced commercial operations and has no assets other than cash.

The head office and the registered office of the Corporation is located at Suite 2000, 250 Howe Street, Vancouver, BC.

The directors and officers of the Corporation are Mihalis Belantis, Christopher Reid and Craig Lindsay.

### GENERAL DEVELOPMENT OF THE BUSINESS

#### History

The Corporation is a CPC under the CPC Policy of the Exchange. As a CPC, the principal business of the Corporation is the identification and evaluation of Significant Assets with a view to completing a Qualifying Transaction.

On October 31, 2017, the Corporation completed the CPC IPO, and began trading on the Exchange under the symbol “RBL.P” as a CPC on November 3, 2017.

In July 2019, DLC Pittsburgh Data Centre 1 LLC, a wholly-owned subsidiary of the Corporation, entered into a definitive agreement with Chief Commercial Construction L.P., a Pennsylvania limited partnership, to acquire certain property located in Pittsburgh, Pennsylvania. This transaction was intended to constitute the Corporation’s “Qualifying Transaction” in accordance with the CPC Policy. In October 2019, the Corporation announced that the proposed transaction with Chief Commercial Construction L.P. was terminated as certain conditions were not met by the required dates. DLC Pittsburgh Data Centre 1 LLC was subsequently dissolved.

On November 21, 2019, the Corporation entered into the Letter Agreement with the Target Company with respect to the Transaction, which is intended to constitute the Corporation’s Qualifying Transaction. Effective January 28, 2020 the Corporation entered into the Business Combination Agreement with the Target Company and CPC Sub, which supersedes and replaces the Letter Agreement. See “*Part I – The Transaction – Business Combination Agreement*” below.

**SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Information from Incorporation**

<b>Income Statement Data</b>	<b>Three Months Ended March 31, 2020 (Unaudited)</b>	<b>Year Ended December 31, 2019 (Audited)</b>	<b>Year Ended December 31, 2018 (Audited)</b>	<b>Year Ended December 31, 2017 (Audited)</b>
Total Income (Expenses) <sup>(1)</sup>	\$(33,247)	\$(31,725)	\$(74,762)	\$(55,956)
Amounts deferred in connection with the Transaction	Nil	Nil	Nil	Nil

Note:

(1) Total income (expenses) refers to the net loss for the Corporation.

**Management's Discussion & Analysis**

Management's Discussion and Analysis for (i) the years ended December 31, 2019, 2018 and 2017 and (ii) the three month period ended March 31, 2020, are presented in Appendix B to this Filing Statement.

**DESCRIPTION OF SECURITIES**

**Common Shares**

The Corporation is authorized to issue an unlimited number of Common Shares of which 4,660,000 Common Shares are issued and outstanding as fully paid and non-assessable, and of which 2,660,000 are CPC Escrow Shares. In addition, 200,000 Common Shares are reserved for issuance under the Corporation Options.

All of the authorized Common Shares will rank equally as to dividends, voting powers (one vote per Common Share) and participation in assets upon dissolution or winding-up. No Common Shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights attached to the Common Shares and no provisions for redemption, retraction, or purchase for cancellation, surrender, or sinking or purchase funds, or provision permitting or restricting the issuance of additional securities, or requiring a security holder to contribute additional capital. Provisions as to the modification, amendment or variation of such rights or provisions are contained in the BCBCA and the articles of the Corporation. Generally, substantive changes to the share capital require the approval of the Corporation Shareholders by special resolution (at least two-thirds of the votes cast by Corporation Shareholders present in person or by proxy). All Post-Consolidation Common Shares to be outstanding after completion of the Transaction will be fully paid and non-assessable.

**STOCK OPTION PLAN AND OPTIONS GRANTED**

The Corporation has adopted the Corporation Option Plan, which provides that the board of directors of the Corporation may from time to time, in its discretion, and in accordance with Exchange requirements, grant to directors, officers and technical consultants to the Corporation, Corporation Options, which are non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved

for issuance will not exceed 10% of the Common Shares issued and outstanding from time to time, and provided that so long as the Corporation remains classified as a CPC the number of shares reserved for issuance under the Corporation Option Plan will not exceed 10% Common Shares.

Such Corporation Options will be exercisable for a period of up to ten years from the date of grant. In connection with the foregoing, the number of Common Shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding Common Shares, and the number of Common Shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding Common Shares. The board of directors determines the price per Common Share, the number of Common Shares that may be granted to each director, officer and technical consultant and all other terms and conditions of the option, including the vesting schedule of the Corporation Option, subject to Exchange Policies. In the absence of a vesting schedule, the Corporation Option will vest immediately. While the Corporation is a CPC it is prohibited from granting Corporation Options to any person providing investor relations activities, promotional, or market-making services. Options may be exercised no later than 90 days following cessation of the optionee's position with the Corporation, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the Corporation Option may be exercised within a maximum period of one year after such death, subject to the expiry date of such Corporation Option. The exercise price of any options granted under the Corporation Option Plan shall not be less than the closing price of the Common Shares on the day preceding the day on which the directors grant such Corporation Options, less any discount permitted by the Exchange to a minimum of \$0.10 per share. For so long as the Corporation remains classified as a CPC and has not completed its Qualifying Transaction, no Corporation Option granted may be exercised before the completion of the Qualifying Transaction unless the optionee agrees in writing to deposit the Common Shares acquired into escrow until the completion of the Qualifying Transaction.

There are currently 200,000 outstanding and exercisable Corporation Options as granted under the Corporation Option Plan.

### PRIOR SALES

Since the Corporation's incorporation, 4,660,000 Common Shares have been issued as follows, of which 4,660,000 are outstanding as of June 16, 2020:

<b>Date</b>	<b>Number of Common Shares</b>	<b>Issue Price Per Share</b>	<b>Aggregate Issue Price</b>	<b>Consideration Received</b>
September 16, 2016	2,000,000 <sup>(1)</sup>	\$0.05	\$100,000	Cash
July 31, 2017	660,000 <sup>(1)</sup>	\$0.05	\$33,000	Cash
October 31, 2017	2,000,000 <sup>(2)</sup>	\$0.10	\$200,000	Cash
<b>Total</b>	4,660,000		\$333,000	

Notes:

- (1) These Common Shares are subject to escrow restrictions. See "Part IV – Information Concerning the Resulting Issuer - Escrowed Securities".
- (2) This represents the Corporation's initial public offering pursuant to the CPC Policy.

### STOCK EXCHANGE PRICE

The Common Shares have been listed and posted for trading on the Exchange since November 3, 2017. Trading in the Common Shares was halted on November 7, 2019. This suspension of trading was the result of the Corporation having failed to complete a Qualifying Transaction within 24 months of its listing, in accordance with the CPC Policy. The following table sets out trading information for the Common Shares for the periods indicated.

Period	High	Low	Trading Volume
June 1, 2020 – June 16, 2020	-- <sup>(1)</sup>	-- <sup>(1)</sup>	-- <sup>(1)</sup>
Month-ended May 31, 2020	-- <sup>(1)</sup>	-- <sup>(1)</sup>	-- <sup>(1)</sup>
Month-ended April 30, 2020	-- <sup>(1)</sup>	-- <sup>(1)</sup>	-- <sup>(1)</sup>
Quarter-ended March 31, 2020	-- <sup>(1)</sup>	-- <sup>(1)</sup>	-- <sup>(1)</sup>
Quarter-ended December 31, 2019	-- <sup>(1)</sup>	-- <sup>(1)</sup>	-- <sup>(1)</sup>
Quarter-ended September 30, 2019	-- <sup>(2)</sup>	-- <sup>(2)</sup>	-- <sup>(2)</sup>
Quarter-ended June 30, 2019	0.00 <sup>(2)</sup>	0.00 <sup>(2)</sup>	0 <sup>(2)</sup>
Quarter-ended March 31, 2019	0.00 <sup>(3)</sup>	0.00 <sup>(3)</sup>	0 <sup>(3)</sup>
Quarter-ended December 31, 2018	-- <sup>(4)</sup>	-- <sup>(4)</sup>	-- <sup>(4)</sup>
Quarter-ended September 30, 2018	-- <sup>(4)</sup>	-- <sup>(4)</sup>	-- <sup>(4)</sup>

Notes:

- (1) Trading in the Common Shares was halted on November 7, 2019 as a result of the Corporation having failed to complete a Qualifying Transaction within 24 months of its listing, in accordance with the CPC Policy. Trading remains suspended until further notice.
- (2) Per Exchange Bulletin dated May 31, 2019, the shares of the Corporation were halted from trading, and continued to be halted from trading pursuant to Exchange Bulletin dated June 3, 2019.
- (3) Per Exchange Bulletin dated February 13, 2019, the shares of the Corporation resumed trading.
- (4) Per Exchange Bulletin dated June 15, 2018, the shares of the Corporation were halted from trading.

### ARM'S LENGTH TRANSACTION

The Proposed Qualifying Transaction was negotiated by the parties dealing at arm's length with each other and therefore in accordance with the policies of the Exchange and is not a Non Arm's Length Qualifying Transaction. As a result, approval of the Proposed Qualifying Transaction by the Corporation Shareholders is not required under the Exchange policies as a condition to the completion of the Proposed Qualifying Transaction.

### LEGAL PROCEEDINGS

There are no legal proceedings to which the Corporation is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Corporation to be contemplated.

### AUDITORS

The auditors of the Corporation are KPMG LLP, Chartered Professional Accountants located at 205 5<sup>th</sup> Ave SW #3100, Calgary, AB T2P 4B9.

## **TRANSFER AGENT AND REGISTRAR**

The Corporation's transfer agent and registrar is TSX Trust Company, located at 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1.

## **MATERIAL CONTRACTS**

Since incorporation, the only material contracts entered into by the Corporation, other than contracts entered into in the ordinary course of business, are as follows:

1. Business Combination Agreement;
2. Amalgamation Agreement;
3. CPC Escrow Agreement;
4. IPO Agency Agreement;
5. Service Agreement dated as of August 29, 2017, between the Corporation and the Trustee; and
6. Corporation Option Plan dated for reference April 3, 2017.

Copies of these agreements are filed on SEDAR under the Corporation's profile. Copies of these agreements will be available for inspection at the offices of DuMoulin Black LLP, solicitors for the Corporation, located at 595 Howe St 10th floor, Vancouver, BC V6C 2T5, during ordinary business hours until the date of closing of the Transaction and for a period of thirty days thereafter.

## **PART III — INFORMATION CONCERNING ELECTRIC ROYALTIES LTD.**

### **CORPORATE STRUCTURE**

#### **Name and Incorporation**

Electric Royalties Ltd. was incorporated on January 26, 2012 pursuant to the BCBCA. The Target Company's name was changed from Hunter Dickinson Mining Limited to Electric Royalties Ltd. on July 10, 2019.

The head office and registered office of the Target Company is located at 15<sup>th</sup> Floor, 1040 West Georgia Street, Vancouver, British Columbia V6E 4H1.

#### **Intercorporate Relationships**

The Target Company has no subsidiaries.

### **GENERAL DEVELOPMENT OF THE BUSINESS**

The Target Company is currently a privately held royalty investment company in the natural resources (mining) sector.

The Target Company 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 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**").

The Target Company'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.

The Target Company 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 the Target Company's focus commodities of nickel, copper, graphite, cobalt, tin, lithium, manganese and vanadium (collectively, the "**Target 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.

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

- acquiring long-term GRR and NSR Royalties on Projects from Royalty Sellers;
- reinvesting Royalty income to acquire new Royalties on an ongoing basis to drive growth in the Target Company'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.

## Financings

### *Equity*

The Target Company has completed the following placement of Target Company Shares:

Date of Offering	Number of Target Company Shares Issued	Price per Target Company Share	Gross Proceeds
2016	100	\$0.01	\$1.00
December 2019 <sup>(1)</sup>	10,000,000	\$0.01	\$100,000
February 2020	10,000,000	\$0.05	\$500,000

Note:

- (1) The 10,000,000 Target Company Shares issued at \$0.01 per Target Company Share are subject to a pooled escrow agreement and such shares will only be released upon the approval of the board of directors of the Target Company. During the period in which such shares are retained in escrow, no dividend or distribution shall be paid to such holder.

## Royalty Acquisitions

### *Summary Chart of Information Relating to Proposed Royalty Acquisitions*

Royalty	Project	Type and Amount of Royalty	Royalty Acquisition Agreements	Property Owner	Location	Commodity
Bissett Creek Royalty	Bissett Creek Project	1% GRR	NG Letter Agreement	Northern Graphite Corporation	Ontario, Canada	Graphite
Authier Royalty	Authier Lithium Project	0.5% GMR	Globex Letter Agreement	Sayona Quebec Inc.	Quebec, Canada	Lithium
Mont Sorcier Royalty	Mont Sorcier Project	1% GMR	Globex Letter Agreement	Vanadium One Iron Corp.	Quebec, Canada	Vanadium
Battery Hill Royalty	Battery Hill Project	2% GMR	Globex Letter Agreement	Sunset Cove Mining	New Brunswick, Canada	Manganese
Authier Lithium Exploration Royalty	Authier Lithium Exploration Project	2% GMR	Globex Letter Agreement	Glen Eagle Resources Inc.	Quebec, Canada	Lithium

<b>Royalty</b>	<b>Project</b>	<b>Type and Amount of Royalty</b>	<b>Royalty Acquisition Agreements</b>	<b>Property Owner</b>	<b>Location</b>	<b>Commodity</b>
Chubb Royalty	Chubb Lithium Project	2% GMR	Globex Letter Agreement	Great Thunder Gold Corp.	Quebec, Canada	Lithium
Bouvier Royalty	Bouvier Lithium Project	2% GMR	Globex Letter Agreement	Great Thunder Gold Corp.	Quebec, Canada	Lithium
LaMotte Royalty	Authier Lithium Project	0.5% GMR	Globex Letter Agreement	9087-1400 Quebec Inc.	Quebec, Canada	Lithium
Millennium GMR Royalty	Millennium Cobalt Project	0.5% GMR	Global Letter Agreement	Global Energy Metals Corp.	Queensland, Australia	Cobalt
Mt. Dorothy Royalty	Mt. Dorothy Cobalt Project	0.5% GMR	Global Letter Agreement	Global Energy Metals Corp.	Queensland, Australia	Cobalt
Cobalt Ridge Royalty	Cobalt Ridge Cobalt Project	0.5% GMR	Global Letter Agreement	Global Energy Metals Corp.	Queensland, Australia	Cobalt
Cleveland Royalty	Cleveland Tin Project	1% GRR	Elementos Letter Agreement	Rockwell Minerals Pty Ltd	Tasmania, Australia	Tin
Oropesa Royalty	Oropesa Tin Project	1% GRR	Elementos Letter Agreement	Minas De Estano De Espana, SLU	Andalucía, Spain	Tin

### ***Northern Graphite Royalty Acquisition Under Binding Letter Agreement***

The Bissett Creek Royalty is a material royalty to the Target Company.

The Target Company entered into a binding letter agreement dated March 18, 2020, as amended by Amendment No. 1 to Purchase and Sale of Gross Revenue Royalty Letter Agreement dated June 10, 2020 (the “**NG Letter Agreement**”) with Northern Graphite Corporation (“**Northern Graphite**”) to acquire a 1% GRR (the “**Bissett Creek Royalty**”) on all revenues received or receivable by Northern Graphite in connection with graphite flotation concentrate produced from the Bissett Creek graphite project (the “**Bissett Creek Project**”) in exchange for 2,000,000 Target Company Shares (the “**NG Consideration Shares**”) and C\$500,000 cash (the “**NG Transaction**”). The NG Consideration Shares will be subject to hold conditions, namely (i) 50% of the NG Consideration Shares will become free trading 12 months after the closing date of the NG Transaction (the “**NG Closing Date**”); and (ii) 50% of the NG Consideration Shares will become free trading 18 months after the NG Closing Date. The NG Closing Date shall be no later than July 15, 2020.

Pursuant to the NG Letter Agreement, the Target Company must satisfy certain conditions precedent in order to close the NG Transaction, including completing a minimum financing of C\$3,500,000 at a price of \$0.25 per share, and obtaining a listing of its common shares on the Exchange. The Offering is intended to satisfy the financing condition precedent.

#### Bissett Creek Royalty Call Option

Pursuant to the NG Letter Agreement, the Target Company will have a call option, exercisable at any time for a period of two years from the NG Closing Date, to acquire a further 0.5% GRR on the Bissett Creek Project by paying C\$750,000 to Northern Graphite, of which the Target Company can elect to pay up to 25% in Target Company Shares, valued at the preceding 5-day volume weighted closing price of Target Company Shares on the Exchange. The additional 0.5% GRR will become part of the Bissett Creek Royalty.

#### Northern Graphite Buy Back Option

Northern Graphite has the option (the “**NG Buy Back Option**”), exercisable at any time after 12 months from the NG Closing Date, to buy back a 0.5% GRR on the Bissett Creek Project from the Target Company by either paying (i) C\$1,500,000 cash, or (ii) returning the original NG Consideration Shares. If the NG Buy Back Option is exercised, 0.5% shall be deducted from the Bissett Creek Royalty.

#### About the Bissett Creek Project

The scientific and technical information regarding the Bissett Creek Project contained in this Filing Statement has been summarized from or is based on (i) the Bissett Creek Technical Report filed under Northern Graphite’s SEDAR profile; (ii) Northern Graphite’s news release dated February 28, 2018 announcing updated financial metrics for the Bissett Creek Technical Report filed under Northern Graphite’s SEDAR profile; (iii) the information disclosed in the Bissett Creek AIF filed under Northern Graphite’s SEDAR profile; and (iv) information disclosed in the Bissett Creek Mine Environmental Study Report prepared by Stantec Consulting Ltd. dated August 19, 2019 available on Northern Graphite’s website.

In 2002, Northern Graphite (formerly Industrial Minerals Canada Inc.) acquired a 100% interest in the Bissett Creek Project. The Bissett Creek Project is located in the United Townships of Head, Clara and Maria, in the County of Renfrew in the Province of Ontario, approximately 300 km northeast of Toronto. The Bissett Creek Project presently consists of Ontario mining lease number 106693 (covering 565 hectares) and Ontario mining lease number 109335 (covering 1,938 hectares). Ontario mining lease 109335 was granted in July, 2013 and expires on June 30, 2034. Ontario Mining Lease number 106693 was granted in September, 2014 and expires on August 31, 2035. Northern Graphite also holds five unpatented mining claims (SO4259855, SO4259861, SO4259863, SO4259856 and SO4259862), contiguous to the two mining leases, which have been converted into 52 cells covering 1,159 hectares as a result of the Ministry of Energy, Northern Development and Mines new Mining Lands Administration System.

The information below regarding mineral resources at the Bissett Creek Project has been summarized from the Bissett Creek Technical Report.

## Bissett Creek Project's Flake Graphite Deposit Mineral Resources (as at May 7, 2013)

Cutoff	Measured + Indicated Resources			Inferred Resources		
	Tonnage	Cg%	In Situ Graphite (t)	Tonnage	Cg%	In Situ Graphite (t)
1.02	69,791,000	1.74	1,213,000	24,038,000	1.65	396,000

See “*Appendix G — Technical Disclosure on the Bissett Creek Project*” for additional information.

### ***Globex Royalty Acquisitions Under Binding Letter Agreement***

The Target Company entered into a binding letter agreement dated August 30, 2019 with Globex Mining Enterprises Inc. (“**Globex**”), as amended by Amendment No. 1 to the Royalty Portfolio Purchase Letter Agreement dated November 1, 2019 and further amended by Amendment No. 2 to the Royalty Portfolio Purchase Letter Agreement dated February 7, 2020, Amendment No. 3 to the Royalty Portfolio Purchase Letter Agreement dated March 25, 2020 and Amendment No. 4 to the Royalty Portfolio Purchase Letter Agreement dated April 1, 2020 (the “**Globex Letter Agreement**”) to acquire a portfolio consisting of seven Royalties (the “**Globex Portfolio**”) in exchange for 3,000,000 Target Company Shares and C\$500,000 cash. The Target Company has made an advance cash payment of C\$25,000 to Globex, to be held by Globex in trust, such payment to be accrued to and received by Globex on June 25, 2020. Such payment will be offset against the C\$500,000 cash consideration due to Globex under the Globex Letter Agreement, and will be retained by Globex in the event of termination of the Globex Letter Agreement. In the event the Authier Lithium Project (as defined below) enters commercial production within six years of the Effective Date (as defined in the Globex Letter Agreement), the Target Company shall make a bonus payment of C\$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 CPI. Pursuant to the Globex Letter Agreement, the Target Company must satisfy certain conditions precedent in order to close the acquisition of the Globex Portfolio, including completing a C\$3,500,000 private placement by June 25, 2020. The Offering is intended to satisfy the private placement condition precedent.

The Globex Portfolio consists of the following Royalties:

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

The Authier Royalty is a 0.5% gross metal Royalty (“**GMR**”) on part of the Authier lithium project (the “**Authier Lithium Project**”) as set out in the Mineral Claim Purchase Agreement dated July 31, 2018 among Globex, Sayona Québec Inc. (“**Sayona Quebec**”) and Sayona Mining Limited (the “**Sayona Agreement**”). The Authier Lithium Project is located in the municipality of Preissac in the Province of Quebec and comprises 19 mineral claims. The Authier Royalty is one quarter of the 2% GMR payable under the Sayona Agreement. Pursuant to the Sayona Agreement, a 2% GMR is payable to Globex on the actual proceeds derived from the sale of all metals, minerals or mineral compounds produced from the Authier Lithium Project by a refinery or another processing facility, including but not limited to lithium, lithium compounds, gold, silver and tungsten. No costs of any kind whatsoever shall be included in the calculation of the 2% GMR. The 2% GMR shall also apply to the revenue generated from the sale of aggregates or waste rocks or tailings from the Authier Lithium Project. At Globex’s option, the 2% GMR

shall be paid in cash or in kind by the refinery or processing facility immediately upon delivery of the metal, mineral or mineral compounds. If Globex requests payment in cash, the dollar value of the 2% GMR will be deemed to be the dollar amount actually received by Sayona Québec, or if any portion of the minerals are sold to an Affiliate of Sayona Québec, an amount calculated by reference to the gross proceeds (prorated in respect of quantity) received from the last sale to a party that was not an Affiliate of Sayona Québec, or, if no such transaction exists in the last 12 months, at a rate equal to prevailing industry benchmark pricing averaged over the calendar month of delivery. The Authier Royalty will be paid to Globex who will be responsible for onward payment to the Target Company.

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**”) as set out in the Option to Purchase Agreement entered into as of September 29, 2016 between Chibougamau Independent Mines Inc. and Vanadium One Iron Corp. (formerly Vendome Resources Corp.) (the “**Chibougamau Agreement**”). Globex is entitled to the Mont Sorcier Royalty under the Chibougamau Agreement. The Mont Sorcier Royalty comprises one third of the total 3% GMR payable under the Chibougamau Agreement. The Mont Sorcier Project is located in Roy Township, Province of Quebec and comprises 37 mining claims. Under the Chibougamau Agreement, a GMR of 3% is payable on the value of all metals produced from the Mont Sorcier Project as delivered by an arms length processing plant, refinery or smelter, including but not limited to gold, silver, copper, iron, titanium and vanadium. No costs of any kind whatsoever, including transportation, smelter or treatment charges, shall be deducted from the value of the metals produced from the Mont Sorcier Project in the calculation of the GMR.

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**”), as set out in the Option Agreement entered into as of April 22, 2016 between Sunset Cove Mining (“**Sunset**”) and Globex (the “**Sunset Agreement**”). The Battery Hill Project is located in Carleton County, Province of New Brunswick and comprises 32 mining claims. Pursuant to the Sunset Agreement, a GMR of 3% is payable to Globex on the value of all metals produced from the Battery Hill Project as delivered by an arms length or wholly owned or partially owned processing facility, including but not limited to manganese iron, precious metals, base metals, industrial minerals and compounds. No costs of any kind whatsoever, including transportation, smelter or treatment charges, shall be deducted from the value of the metals, minerals or compounds produced from the Battery Hill Project in the calculation of the GMR. At Globex’s option, the 3% GMR shall be paid in cash or in kind at the processing facility immediately upon delivery of the metals, minerals or compounds, provided that Globex must elect on an annual basis at the end of Sunset’s fiscal year which form Globex wishes to receive payment in and payment shall be in the form so elected for the balance of the fiscal year. As part of the Globex Portfolio, the Target Company is acquiring the Battery Hill Royalty, which is two-thirds of the 3% GMR payable under the Sunset Agreement. The Battery Hill Royalty, expected to be paid in cash, will be paid to Globex who will be responsible for onward payment to the Target Company.

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**”) as set out in the Agreement for Sale of Assets dated September 27, 2010 between Globex and Glen Eagle Resources Inc. (the “**Glen Eagle Agreement**”). The Authier Lithium Exploration Project is located in the municipality of Preissac in the Province of Quebec and comprises 12 mineral claims. The Authier Lithium Exploration Royalty shall be payable on the value of all metals produced from the Authier Lithium Exploration Project as delivered by an arms length refinery or smelter, including but not limited to lithium, nickel, gold and silver. No costs or deduction of any kind

whatsoever shall be included in the calculation of the GMR. At Globex's option, the Authier Lithium Exploration Royalty shall be paid in cash or in kind at the refinery or smelter immediately upon delivery of the metal.

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**”), both as set out in the letter agreement dated May 25, 2016 between Globex and Great Thunder Gold Corp., as amended by an addendum dated February 14, 2017 (the “**Great Thunder Agreement**”). The Chubb Lithium Project and Bouvier Lithium Project are located in Lacorne and Figuery Townships in the Province of Quebec respectively, and collectively comprise 22 mineral claims. A GMR of 2% is payable on the value of all metals produced from the Chubb Lithium Project and Bouvier Lithium Project as processed by an arms length processing facility, refinery or smelter, including but not limited to lithium, molybdenum, gold, silver, copper, zinc and industrial minerals. No costs or deduction of any kind whatsoever shall be deducted from the value of the metals produced from the Chubb Lithium Project or Bouvier Lithium Project in the calculation of the GMR.

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

The LaMotte Royalty is a 0.5% GMR on the Authier Lithium Project as set out in the letter agreement dated December 17, 2009 between Globex and 9087-1400 Quebec Inc. (the “**LaMotte Agreement**”). 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, and is 50% of Globex's 1% GMR entitlement under the LaMotte Agreement. The LaMotte Royalty is payable on the value of all metals, minerals or mineral compounds, including but not limited to lithium, lithium compounds, gold, silver and tungsten, produced from the Authier Lithium Project as delivered by an arms length refinery or another processing facility. No costs or deduction of any kind whatsoever shall be included in the calculation of the GMR. At Globex's option, the LaMotte Royalty shall be paid in cash or in kind at the refinery or processing facility immediately upon delivery of the metal, mineral or mineral compounds. The GMR also applies to revenue generated from the sale of aggregates or waste rock or tailings from the LaMotte Claim.

***Global Royalty Acquisitions Under Binding Letter Agreement***

The Target Company entered into a binding letter agreement dated February 27, 2020 with Global Energy Metals Corp., as amended by Amendment No. 1 to Royalty Financing Letter Agreement dated June 10, 2020 (the “**Global Letter Agreement**”) to acquire a portfolio consisting of three Royalties (the “**Global Portfolio**”) in exchange for 1,150,000 Target Company Shares and C\$150,000 cash. Pursuant to the Global Letter Agreement, the Target Company must satisfy certain standard conditions precedent in order to close the acquisition of the Global Portfolio. The closing date of the acquisition of the Global Portfolio (the “**Global Closing Date**”) shall be no later than July 15, 2020.

The Global Portfolio consists of the following Royalties:

Millennium Cobalt Royalty (the “**Millennium GMR Royalty**”)

The Millennium GMR 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 and comprises five mining leases, which expire in 2025.

### 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 located near Mount Isa, Queensland, Australia and consists of one mining permit on one block.

### 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 located near Mount Isa, Queensland, Australia and consists of one mining permit on two blocks.

### Global Portfolio Call Option

Pursuant to the Global Letter Agreement, the Target Company will have a call option (the “**First Global Option**”) exercisable at any time in the two years from the Global Closing Date to acquire a 0.5% Royalty on the NSR from the Millennium Cobalt Project (the “**Millennium NSR Royalty**”) for C\$500,000. Up to 25% of the payment for the Millennium NSR Royalty may be payable in Target Company Shares, at the Target Company’s election. Upon exercise of the First Global Option, the Target Company will have a further call option, exercisable on the earlier of (i) the third anniversary of the Global Closing Date and (ii) the date that is six months from the date that a preliminary economic analysis or similar study on the Millennium Cobalt Project is provided to Target Company, to increase the Millennium NSR Royalty to 1.5% for C\$1,000,000. Up to 25% of the payment for the increase in the Millennium NSR Royalty may be payable in Target Company Shares, at the Target Company’s election.

### *Elementos Royalty Acquisitions Under Binding Letter Agreement*

The Target Company entered into a binding letter agreement dated April 15, 2020, as amended by Amendment No. 1 to Purchase of Royalties Letter Agreement dated June 14, 2020 (the “**Elementos Letter Agreement**”) with Elementos Limited (“**Elementos**”) to acquire a portfolio consisting of two Royalties (the “**Elementos Portfolio**”) in exchange for 1,500,000 Target Company Shares (“**Elementos Consideration Shares**”) and C\$500,000 cash.

The Elementos Consideration Shares will be escrowed and will vest and be released from escrow as follows: (i) 50% of the Elementos Consideration Shares will vest and be released from escrow 6 months after the closing date of the acquisition of the Elementos Portfolio (the “**Elementos Closing Date**”); and (ii) 50% of the Elementos Consideration Shares will vest and be released from escrow 12 months after the Elementos Closing Date. The Elementos Closing Date shall be no later than July 7, 2020, or such other date as the parties agree in writing. Pursuant to the Elementos Letter Agreement, the Target Company must satisfy certain conditions precedent in order to close the acquisition of the Elementos Portfolio, including obtaining a listing of its common shares on the Exchange at a price of \$0.25 per share. The Offering is intended to satisfy the financing condition precedent.

The Elementos Portfolio consists of the following Royalties:

### Cleveland Royalty (the “Cleveland Royalty”)

The Cleveland Royalty is a 1% GRR on the Cleveland tin project (the “**Cleveland Tin Project**”). The Cleveland Tin Project is located near Burnie, Tasmania, Australia and comprises one exploration licence.

### Oropesa Royalty (“Oropesa Royalty”)

The Oropesa Royalty is a 1% GRR on the Oropesa tin project (the “**Oropesa Tin Project**”). The Oropesa Tin Project is located near Fuente Obejuna, Andalucía, Spain and consists of an investigation permit that expires in 2047 with an option to extend for a further 60 years.

### Elementos Portfolio Call Options

Pursuant to the Elementos Letter Agreement, the Target Company will have call options to: (a) acquire a further 1% GRR on the Cleveland Tin Project for C\$1,000,000 (the “**Cleveland Royalty Option**”); and (b) acquire a further 1% GRR on the Oropesa Tin Project for C\$1,500,000 (the “**Oropesa Royalty Option**”). The Cleveland Royalty Option and the Oropesa Royalty Option will each be exercisable at any time, by the earlier of (i) a period of two years from the Elementos Closing Date; (ii) 21 days from the date Elementos notifies the Target Company, and provides the Target Company with the material commercial terms of a binding written offer received by Elementos from an arm’s length third party, capable of being completed, to sell at least a 1% GRR on the particular project to a third party; or (iii) 14 days after the issue of project definitive feasibility studies. Up to 50% of the payment for each of the Cleveland Royalty Option and the Oropesa Royalty Option may be payable in Target Company Shares, at the Target Company’s election.

## **NARRATIVE DESCRIPTION OF THE BUSINESS**

The Target Company’s business model is well understood and developed in the mining sector and offers shareholders advantages relative to other mining investments. Key aspects of the Target Company’s business model include:

<b>Diversification</b>	Management plans on diversifying its Royalty acquisitions across several different commodities including graphite, nickel, copper, cobalt, lithium, manganese, vanadium and tin, development stage of projects ranging from operating to exploration and geography.
<b>Geographic Focus</b>	The Target Company’s primary focus will be on jurisdictions with low geopolitical risk targeting Projects located in Canada, USA, Australia, Europe and other jurisdictions that meet the criteria.
<b>Low Operating Costs</b>	The Target Company’s Royalty investments over time should generate cash flows without ongoing holding costs while maintaining a low general and administrative (G&A) and overhead cost structure.
<b>Security</b>	In addition to formal legal agreements, the Target Company intends to secure its Royalty investments through registration or recording the royalty against title, where applicable.
<b>Gross Revenue or Net Smelter Return Based</b>	Royalties are calculated based on GRR or the NSR and are payable irrespective of the underlying profitability of the Project Owner.

<b>No Additional Capital Outlay</b>	The Target Company's Royalty interests do not require additional capital contribution or operating expenditures post-acquisition, even if the underlying Project requires additional capital to increase the mine's life, capacity or development costs. Management believes that such activities may create additional opportunities to increase its Royalty investment in the underlying Project.
<b>Leverage</b>	The long-term sustainable cash flows generated from the underlying Royalty acquisitions should enable the Target Company to access debt markets at competitive borrowing rates. At the appropriate time in the future, management intends on accessing debt in order to fund Royalty acquisitions and enhance the return to shareholders.
<b>Dividends</b>	The long-term sustainable cash flows generated from the underlying Royalty acquisitions should enable the Target Company to institute a sustainable cash dividend policy. At the appropriate time in the future, the Target Company intends to pay an annual cash dividend to shareholders.

### **Advantages of a Royalty Business Model over Traditional Mining Companies**

The Target Company is a growth and yield-oriented company as it plans to re-invest most of its free cash flows into new Royalty investments while maintaining a sustainable cash dividend policy over time. The Target Company management believes that a Royalty based business model will provide shareholders with significant advantages over comparable investments in a traditional mining company. These advantages include:

- the Royalty business model having been successfully deployed by other Issuers (e.g. Franco-Nevada Corporation and Wheaton Precious Metals) in the mining space and having outperformed traditional mining companies and the underlying commodities they are associated with;
- Royalty companies do not operate mines and as a result do not require large and highly specialized teams to carry on their business in the ordinary course;
- the Royalty business model diversifies investments and mitigates risk;
- Royalties are generally registered against mineral title (i.e. they are "secured"); and
- lower risk - Royalties are typically based on revenues and paid irrespective of underlying profitability, with no further capital outlay required.

Management believes that the Target Company's business model provides a combination of growth and long-term yield that should be attractive to public market, private equity, institutional, pension or insurance investors.

## Deal Structures

The Target Company will transact Royalty acquisitions using one or a combination of the following deal structures. However, the Target Company may enter into different deal structures than those outlined below.

STRUCTURE	ATTRIBUTES
Establish a New Royalty	<ul style="list-style-type: none"> <li>• The Target Company provides funding to a Royalty Seller in exchange for a new Royalty on a Project.</li> <li>• Royalty is paid to the Target Company from the GRR or NSR cash flows of the Project.</li> <li>• Royalty payment is made over the life of the royalty agreement.</li> </ul>
Monetize Pre-Existing Royalty	<ul style="list-style-type: none"> <li>• The Target Company monetizes (cash / share purchase) a pre-existing Royalty on a Project through acquisition of the Royalty from the Royalty Seller.</li> <li>• Royalty is paid to the Target Company from the GRR or NSR cash flows of the Project.</li> <li>• Royalty payment is made over the life of the royalty agreement.</li> </ul>

## Markets Overview

### *Royalty Sellers*

Due to their size and a continued shortage of capital investment into the junior mining sector, Royalty Sellers typically have limited and/or expensive financing alternatives for the exploration, development or construction of Projects or recapitalisation of balance sheets. Historically, these companies have had to rely on expensive and dilutive equity financing, loans from their shareholders, or proceeds from the full or partial sale of their development or operational assets to fund their business objectives.

The Royalty financing solutions provided by the Target Company allow these companies to access capital to assist them in developing or advancing their Projects until they reach the point where traditional debt and equity becomes available to them on more attractive terms or they are able to sell their Projects to larger mining groups.

The Target Company's Royalty structures provide non-dilutive financing solutions that are aligned with the interests of Royalty Sellers as follows:

- (a) provides funding that may not be readily available in debt or equity markets;
- (b) is non-dilutive to the equity shareholders of the Royalty Sellers, as Royalties are tied to individual Projects;
- (c) allows the Royalty Sellers to raise capital without having to sell down an ownership interest in their existing projects;
- (d) provides funding at a reasonable cost;
- (e) does not impose any debt structures that obligate a specific amount and timing of repayment;

- (f) allows the Royalty Sellers the financial flexibility to issue equity or debt in the future when commercial terms are more favorable to them; and
- (g) does not require the Royalty Sellers to give up control of their Projects.

### ***Proven Business Model***

While Royalty financing is new to the renewable energy industry, Royalty financing and sale of revenue streams have been a major alternative sources of funding in a number of industries such as:

- (a) health-care, industrial and commercial businesses (e.g. Alaris Royalties and Diversified Royalties);
- (b) restaurants (e.g. Boston Pizza Royalties and Keg Royalties);
- (c) mining (e.g. Franco-Nevada Corporation, Wheaton Precious Metals, Royal Gold, Maverix Metals, Sandstorm);
- (d) oil and gas (e.g. Prairie Sky); and
- (e) agriculture (e.g. Input Capital).

The success of this alternative financing solution has been demonstrated by the growth and performance of companies in the Royalty financing sector. The stock price performance of these companies has typically outperformed all relevant equity and underlying commodity price indices. Companies receiving the Royalty financing have greatly benefited by receiving upfront cash from the sale of Royalties and revenue streams without immediate dilution of their share capital, as this alternative source of financing is more accretive to net asset value per common share of an investee. Unlike debt financing, Royalty financing does not require significant financial covenants.

The Target Company has identified that the recent (i) emergence and rapid move to electrification of transportation; (ii) increase in demand for storage (batteries) from renewable energy sources; and (iii) growth of the renewable energy generation section, has created opportunity for Royalty financing of Projects that seeks to exploit metals and minerals to feed this demand.

The following table outlines the benefits of the Royalty model for Royalty Sellers:

	<b>Challenge</b>	<b>Royalty Solution</b>
<b>Small Publicly Traded Project Owner</b>	<ul style="list-style-type: none"> <li>• Requires development, acquisition or refinancing capital</li> <li>• Unable to raise equity capital due to illiquid shares and/or insufficient demand in public markets</li> <li>• Debt financing too expensive</li> <li>• Equity financing too dilutive</li> </ul>	<ul style="list-style-type: none"> <li>• Royalty financing at asset level</li> <li>• Provides non-dilutive financing at a reasonable cost</li> <li>• Able to raise funding from existing operational assets without selling</li> <li>• Able to raise funding from to be acquired assets</li> </ul>
<b>Privately Held Project Owner</b>	<ul style="list-style-type: none"> <li>• Requires development, acquisition or refinancing capital</li> <li>• No access to public markets limits the pool of available investors, which increases the cost of financing to the developer/operator</li> <li>• Debt financing too expensive</li> <li>• Equity financing too dilutive</li> </ul>	<ul style="list-style-type: none"> <li>• Able to raise funding from existing operational assets without selling</li> <li>• Able to raise funding from to be acquired assets</li> <li>• Command a higher premium on eventual sale of project equity once asset is built</li> <li>• Non-dilutive as the royalty financing is at the asset level</li> </ul>
<b>Mid-size Publicly Traded Project Owner</b>	<ul style="list-style-type: none"> <li>• Requires development, acquisition or refinancing capital</li> <li>• Debt financing too expensive</li> <li>• Equity financing too dilutive due to downturn in share price</li> </ul>	<ul style="list-style-type: none"> <li>• Able to leverage existing operational assets without the need to sell projects</li> <li>• Non-dilutive as royalty financing is at the asset level</li> <li>• Reasonable cost of capital</li> <li>• Able to raise funding from to be acquired assets</li> </ul>
<b>Project Acquirer</b>	<ul style="list-style-type: none"> <li>• Requires capital or debt to acquire a partial or full ownership</li> <li>• Financing options limited, too expensive and/or dilutive</li> </ul>	<ul style="list-style-type: none"> <li>• Royalty financing at asset level on existing or to be acquired project.</li> <li>• Provide non-dilutive financing at a reasonable cost</li> </ul>

### ***Royalty Overview***

A Royalty is a payment by the Project Owner or an operator of a Project of a percentage of the minerals or other products produced or the profits generated from the Project to the holder of such Royalty. The granting of a Royalty to a person other than the Project Owner or the operator of the Project typically arises as a result of: (i) raising funds by granting the Royalty; (ii) paying part of the consideration payable to prospectors or junior mining companies for the purchase of their property interests; or (iii) a conversion to a Royalty of a participating interest in a joint venture relationship. Royalties are not working interests in the Project. Therefore, the Royalty holder is not responsible for the Project, nor does it have an obligation to contribute additional funds for any purpose, including, but not limited to, operating or capital costs, or environmental or reclamation liabilities. Furthermore, because many Royalties are constructed as legal contracts rather than property interests, the Royalty holder's risk exposure is usually limited to metal prices and operational performance. These unique characteristics provide Royalty holders with special commercial benefits not available to the Project Owner because the Royalty holder enjoys the upside potential of the Project with reduced risk.

Today, the creation of Royalties is prevalent in many countries around the world and the governments of a number of countries have also adopted Royalties as part of the payments owed to them by Project Owners when Projects go into production. Royalties between Project Owners and private third-parties often have similar characteristics to government-based Royalties.

The most common types of Royalties include:

- Gross Overriding Royalties based on the total revenue stream with no deductions.
- Gross Royalties based on all revenues in cash or in-kind products received by the operator for the sale of product.
- Gross Revenue Royalties based on total revenues calculated in respect of sales agreements by multiplying the metal content by a reference price from the sale of ore, minerals or other products extracted from the area covered by the project.
- NSR Royalties based on a percentage of proceeds received for refined minerals from the smelter or refinery, less specified transport, insurance and other expenses.
- Net Profit Royalty (NPR) or Net Interest Royalties (NIR) based on the total revenues less specified accounting expenses, possible recovery of capital and interest on expenditures incurred.

Minority working or equity interests are not considered to be Royalties because of the ongoing funding commitments, although they can be similar in their calculations to NIRs or NPRs. NSRs are the most common Royalty for mineral projects with variations being based on a dollar per tonne processed or changing (“sliding”) rate tied to either metal prices, grade and/or capital repayment schedules.

### ***Competitive Conditions***

The Target Company believes that there is a significant lack of funding sources available to junior mining companies developing lithium, cobalt, tin, manganese, graphite, vanadium, copper and nickel projects. Unlike the precious metals sector which has a large number of Royalty companies focused on providing alternative Royalty financing, there are no publicly listed Royalty companies focused exclusively on the suite of metals associated with EV and electric battery production.

There are some potential competitors for Royalty financing on copper and nickel projects from publicly-listed companies such as Anglo Pacific Group plc and Franco-Nevada Corporation, as well as privately held companies such as BaseCore and Orion Mine Finance. The larger listed and unlisted Royalty companies or funds generally focus on precious metals and on larger projects where they can deploy significant amounts of capital in a single construction financing transaction. They may be opportunistic in the base metal space especially if it meets their size constraints or has a precious metals component (e.g. copper and gold asset). The Target Company will be investing in or acquiring Royalties earlier in the development timeline of Projects and working on smaller deal sizes. Additionally, a large portion of funding competition generally comes in the form of metal streams. The Target Company intends to maintain a focus on royalties which offers less imposing restrictions upon the Project Owners. On the smaller end of the scale, competitors include Conic Metals Corp. (battery metals streaming, royalties and direct interest focus) and privately held Battery One Royalty Corp (nickel and copper focus), Lithium Royalty Corp. (lithium focus) and Vox Royalties (diversified streaming and royalties including battery metals focus).

New sources of competition could potentially come from the established royalty groups already active in the precious metals sector however relative to the gold market, the Target Company’s target sector is smaller in comparison. There may be new entrants or entrants that the Target Company has not identified, as the battery metal space develops.

The Target Company will be geographically unconstrained in its Royalty holdings, but will focus on safe jurisdictions with well established mining laws and Royalty regimes where the asset quality justifies investment.

### **Industry Overview**

The global EV and battery production industry continues to expand rapidly. According to the International Energy Agency (“**IEA**”), the global stock of electric passenger cars passing five million in 2018, an increase of 63% from 2017. The number of charging points worldwide was estimated to be approximately 5.2 million at the end of 2018, up 44% from 2017. China remains the world’s largest EV market, followed by Europe and the United States. The IEA notes that government policies continue to have a major influence on the development of electric mobility.

The EV industry is a subset of the renewable energy industry. With the completion of the December 2015 UN Climate Change Conference (COP21) in Paris, many countries globally have agreed to adopt and/or enhance policies to curb greenhouse gas emissions in order to limit the effects of climate change. This global agreement supports long-term growth in the EV sector.

### ***Target Commodities***

EV and battery production capacity is slated to increase significantly over the next several years and with it the demand for the Target Commodities. The Target Company will initially focus on the following Target Commodities:

- Tin
- Lithium
- Graphite
- Cobalt
- Manganese
- Vanadium
- Copper
- Nickel

## **SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT’S DISCUSSION AND ANALYSIS**

### **Annual Information**

The following table sets forth selected historical financial information for the Target Company for the years ended December 31, 2019, December 31, 2018 and December 31, 2017 expressed in accordance with International Financial Reporting Standards. (See “*Appendix C – Financial Statements of Electric Royalties Ltd.*”). The following amounts are expressed in Canadian dollars.

<b>Item</b>	<b>As At and For the Financial Year Ended December 31, 2019 (in CAD)</b>	<b>As At and For the Financial Year Ended December 31, 2018 (in CAD)</b>	<b>As At and For the Financial Year Ended December 31, 2017 (in CAD)</b>
<b>Total Revenues</b>	Nil	Nil	Nil
<b>Comprehensive loss for the year</b>	\$50,874	Nil	Nil
<b>Total assets</b>	\$102,308	Nil	Nil
<b>Total current assets</b>	\$102,308	Nil	Nil
<b>Total current liabilities</b>	\$53,181	Nil	Nil
<b>Total shareholders' equity</b>	\$49,127	\$1	\$1
<b>Total liabilities and shareholder's equity</b>	\$102,308	Nil	Nil
<b>Net loss</b>	\$50,874	Nil	Nil
<b>Amounts deferred in connection with the Transaction</b>	Nil	Nil	Nil
<b>Cash Dividends</b>	Nil	Nil	Nil

### Quarterly Information

The Target Company is not a reporting issuer in any jurisdiction and has not published financial statements for any fiscal quarter prior to the date of this Filing Statement, other than for the financial statements of the Target Company for the three months ended March 31, 2020.

The following table sets forth selected historical financial information for the Target Company for the three months ended March 31, 2020 in accordance with IAS 34, Interim Financial Reporting under IFRS. (See "*Appendix C – Financial Statements of Electric Royalties Ltd.*"). The following amounts are expressed in Canadian dollars.

<b>Item</b>	<b>As At and For the Three Month Period Ended March 31, 2020 (in CAD)</b>
<b>Total Revenues</b>	Nil
<b>Comprehensive loss for the period</b>	\$286,459
<b>Total assets</b>	\$595,471
<b>Total current assets</b>	\$595,471
<b>Total current liabilities</b>	\$332,803
<b>Total shareholders' equity</b>	\$262,668
<b>Total liabilities and shareholder's equity</b>	\$595,471
<b>Accumulated deficit</b>	\$337,333
<b>Amounts deferred in connection with the Transaction</b>	Nil
<b>Cash Dividends</b>	Nil

### Management's Discussion and Analysis

Management's Discussion and Analysis for (i) the years ended December 31, 2019, 2018 and 2017 and (ii) the three month period ended March 31, 2020, are presented in Appendix D to this Filing Statement.

## Trends

The directors and officers of the Target Company do not know of any trend, commitment, event or uncertainty that is expected to have a material effect on the Target Company's business, financial condition results of operations or financial performance other than as disclosed herein under "*Risk Factors*".

## DESCRIPTION OF THE SECURITIES

The authorized share capital of the Target Company consists of an unlimited number of Target Company Shares of which 20,000,100 Target Company Shares are issued and outstanding as fully paid and non-assessable as at the date hereof.

### Target Company Shares

The holders of the Target Company Shares are entitled to receive notice of and to attend all meetings of the shareholders of the Target Company and shall have one vote for each Target Company Share held at all meetings of the shareholders of the Target Company. The holders of Target Company Shares are entitled to (a) receive any dividends as and when declared by the board of directors out of the assets of the Target Company properly applicable to the payment of dividends, in such amount and in such form as the board of directors may from time to time determine, and (b) receive the remaining property of the Target Company (after payment of all outstanding debts) in the event of any liquidation, dissolution or winding-up of the Target Company. The holders of the Target Company Shares have no pre-emptive, redemption or conversion rights. There are no provisions for redemption, retraction, or purchase for cancellation, surrender, or sinking or purchase funds, or provisions permitting or restricting the issuance of additional securities, or requiring a security holder to contribute additional capital.

## CONSOLIDATED CAPITALIZATION

<b>Designation of Security</b>	<b>Amount Authorized</b>	<b>Amount Outstanding as of the date of the most recent balance sheet contained in the Filing Statement<sup>(1)</sup></b>	<b>Amount Outstanding as of June 16, 2020, Prior to Giving Effect to the Transaction</b>
Common Shares	Unlimited	20,000,100	20,000,100

Note:

(1) The Target Company had an accumulated deficit of \$337,333 at March 31, 2020.

## PRIOR SALES

In the 24 months prior to the date of this Filing Statement, the Target Company has issued the following Target Company Shares:

<b>Date of issuance</b>	<b>Type of security issued</b>	<b>Number of securities issued</b>	<b>Price per security</b>	<b>Total funds received</b>
December 3, 2019	Common Shares	10,000,000	\$0.01	\$100,000
February 21, 2020	Common Shares	10,000,000	\$0.05	\$500,000



Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans (\$)	Long-term incentive plans (\$)			
Luqman Khan <sup>(2)</sup> CFO	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2017	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Mr. Yurik was appointed as a director and CEO in July 2019.
- (2) Mr. Khan was appointed as a CFO in July 2019.

### Compensation Discussion & Analysis

For information on the Target Company's compensation discussion and analysis, see "*Part IV – Information Concerning the Resulting Issuer – Executive Compensation – Compensation Discussion and Analysis*".

#### Director Compensation Table

The following table sets out the directors' compensation, except for those listed as NEO(s), during the year ended December 31, 2019.

Name	Fees Earned (\$)	Share-based Awards (\$)	Option-based Awards (\$)	Non-equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Robert Schafer <sup>(1)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Marchand Snyman <sup>(2)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Mr. Schafer was appointed to the board of directors of the Target Company in October 2019.
- (2) Mr. Snyman was appointed to the board of directors of the Target Company in February 2017.

### Pension Plan Benefits

The Target Company has no pension or deferred compensation plans for its directors, officers or employees.

**Termination and Change of Control of Benefits**

There are no compensatory plan(s) or arrangement(s), with respect to any NEO resulting from the resignation, retirement or any other termination of employment of the officer's employment or from a change of the NEO's responsibilities following a change in control.

**Employment**

Except as otherwise outlined herein, there are no compensatory plan(s) or arrangement(s), with respect to any NEO resulting from the resignation, retirement or any other termination of employment of the officer's employment or from a change of the NEO's responsibilities following a change in control.

**Report on Executive Compensation**

From the date of incorporation of the Target Company to the date of this Filing Statement, the Target Company did not have a compensation committee.

Apart from the foregoing, the Target Company has not instituted any formal executive compensation policies or programs.

**MANAGEMENT CONTRACTS**

Except as otherwise disclosed herein, the Target Company has not entered into management contracts with any director, officer, employee or consultant. Except as disclosed herein, no management function of the Target Company or its subsidiary are performed by a person other than a director or senior officer of the Target Company.

The Target Company has one direct employee.

**NON ARM'S LENGTH PARTY TRANSACTIONS**

Other than as described herein, within the five years prior to the date hereof, the Target Company has not acquired any assets or been provided any services from any director, officer, Insider or Promoter of the Target Company, except in their capacities as directors, officers or employees of the Target Company.

**LEGAL PROCEEDINGS**

There are no legal proceedings in which the Target Company is involved and no such proceedings are known by the Target Company to be contemplated.

## **MATERIAL CONTRACTS**

Since incorporation, the only material contracts entered into by the Target Company, or which are material to the Target Company, other than contracts entered into in the ordinary course of business, are as follows:

1. Business Combination Agreement;
2. Amalgamation Agreement;
3. Globex Letter Agreement;
4. Global Letter Agreement;
5. Northern Graphite Letter Agreement; and
6. Elementos Letter Agreement.

Copies of these agreements will be available for inspection at the office of the Target Company's counsel located at 745 Thurlow Street, Suite 2400, Vancouver, BC V6E 0C5, during ordinary business hours until the date of closing of the Transaction and for a period of thirty days thereafter.

## PART IV — INFORMATION CONCERNING THE RESULTING ISSUER

### CORPORATE STRUCTURE

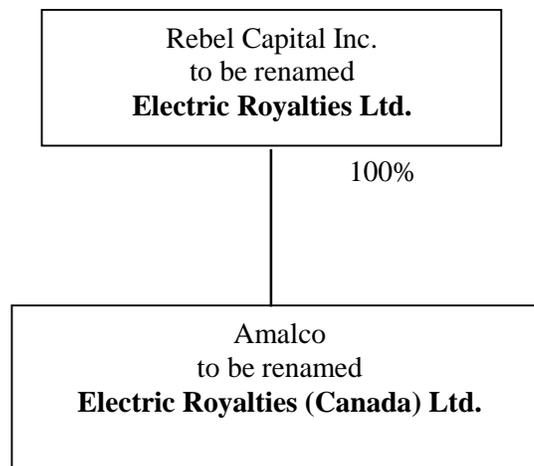
#### Name and Incorporation

Following Completion of the Qualifying Transaction, it is anticipated that the Resulting Issuer will operate under the name “**Electric Royalties Ltd.**” and will be governed by the provisions of the BCBCA.

The registered and head office of the Resulting Issuer will be located at 15<sup>th</sup> Floor, 1040 West Georgia Street, Vancouver, British Columbia V6E 4H1.

#### Intercorporate Relationships

On Completion of the Qualifying Transaction, the Target Company will have amalgamated with CPC Sub to become Amalco, which will become a wholly-owned subsidiary of the Resulting Issuer. The Target Company is governed by the BCBCA. The following chart shows the intercorporate relationships among the Resulting Issuer and its subsidiary after the Completion of the Qualifying Transaction. Amalco will be amalgamated under the provisions of the BCBCA.



### NARRATIVE DESCRIPTION OF THE BUSINESS

#### Stated Business Objectives

Upon Completion of the Qualifying Transaction, the Resulting Issuer will carry on the business currently operated by the Target Company. The Target Company’s general business objective is to acquire a portfolio of long-term, stable and diversified Royalty streams.

#### *Long Term Objectives and Financial Forecast*

The Resulting Issuer expects to acquire a portfolio of long-term, stable, and diversified Royalty streams on Projects and to provide RI Shareholders with capital appreciation and a growing, sustainable, long-term cash distribution over time. The Resulting Issuer’s long-term objectives will be achieved by:

- acquiring long-term Royalty streams on a diversified pool of Projects;
- reinvesting Royalty income to acquire new Royalties on an ongoing basis to drive growth;

- maintaining a low operating cost structure (relative to other mining companies); and
- using debt financing to acquire additional Royalties in order to enhance financial returns for RI Shareholders.

Management of the Resulting Issuer will screen and acquire Royalties in accordance with the following major principles:

- quality of the Project / feasibility of successful mining across geology, engineering, metallurgy, permitting etc.;
- stage of development of the Project;
- management team and track record; and
- jurisdiction.

The Resulting Issuer's Royalty investments will typically be protected using a combination of the following securitization strategies:

- registration against title, and
- contractual security (pledge of other assets).

The Resulting Issuer has no intention to vary or amend the current business objectives of the Target Company. The Resulting Issuer intends to raise additional capital, either in the form of equity or debt, to execute upon its long-term objective of acquiring a portfolio of long-term, stable, and diversified Royalty streams.

The long-term financial forecast below is based on the following key assumptions:

- the Resulting Issuer's ability to complete equity financings;
- the Resulting Issuer's ability to complete debt financings on the following terms;
  - five-year term;
  - one year grace period and thereafter increased annual principal repayments; and
  - interest rate of 7.5%;
- the Resulting Issuer's ability to issue dividends commencing in year 4 at 7.5%;
- average long-term pre-tax IRR of over 25% on Royalty investments;
- average inflation rate of 2%;
- 7% commission on equity financing;
- 27% effective corporate tax rate for the Resulting Issuer;
- the Resulting Issuer's ability to complete acquisitions of additional Royalties;
- the Resulting Issuer's ability to use RI Shares to acquire new Royalties;
- commodity price forecasts estimated internally by the Resulting Issuer proving to be accurate; and
- Projects on which Royalties held by the Resulting Issuer develop along planned timelines and meet production targets.

Based on the assumptions above, the Resulting Issuer expects to acquire 10 to 12 additional royalties over the next 12 to 24 months. The forecasts included in this Filing Statement have been prepared by, and are the responsibility of, management of the Target Company. Neither the Target Company's independent auditor, nor any other independent auditors or financial advisors, has audited, reviewed, examined, compiled nor applied agreed-upon procedures with respect to the forecasts set forth below, and accordingly, neither the Target Company's independent auditor nor any other independent auditors or financial advisors has expressed an opinion or any other form of assurance with respect thereto.

The Resulting Issuer expects its long-term financial and cash flow forecast to be as follows:

	2020	2021	2022	2023	2024	2025
<b>Acquisition Costs</b>						
Shares	8,400,000	23,500,000				
Cash	\$3,150,000	\$18,500,000				
Financing Costs	\$70,000	\$1,295,000				
G&A	\$400,000	\$600,000	\$700,000	\$700,000	\$700,000	\$700,000
Transaction Costs	\$300,000	\$300,000	\$500,000	\$500,000	\$500,000	\$500,000
<b>Financing</b>						
Equity	\$4,100,000	\$15,000,000				
Debt	0	\$10,000,000	\$8,500,000	\$6,000,000	\$3,000,000	
Royalty Revenue	\$350,000	\$3,250,000	\$4,450,000	\$5,700,000	\$12,550,000	\$15,525,000
<b>Taxes</b>						
27%	0	\$364,500	\$705,375	\$1,093,500	\$3,003,750	\$3,867,750
<b>Debt Repayment</b>						
Interest		\$1,000,000	\$637,500	\$450,000	\$225,000	
Principal			\$1,500,000	\$2,500,000	\$3,000,000	\$3,000,000
<b>Cash Position</b>	<b>\$530,000</b>	<b>\$6,720,500</b>	<b>\$7,127,625</b>	<b>\$7,584,125</b>	<b>\$12,277,875</b>	<b>\$18,793,875</b>
Dividend	0	0	0	\$427,500	\$941,250	\$1,164,375
<b>End Cash Position</b>	<b>\$530,000</b>	<b>\$6,720,500</b>	<b>\$7,127,625</b>	<b>\$7,156,625</b>	<b>\$11,336,625</b>	<b>\$17,629,500</b>

## Short Term Objectives and How We Intend to Achieve Them

### *Target Acquisitions*

Management has identified over 750 existing and potential Royalty financing opportunities. Management intends to use the net proceeds from the Offering to pursue a shortlist of these opportunities in the next 12 months, subject to the successful completion of due diligence to the Resulting Issuer's satisfaction and documentation of the intended transaction. The Target Company has had discussions with more than seven individuals and/or companies regarding Royalty financing and Royalty acquisition opportunities and is currently advancing due diligence and negotiations on several opportunities in parallel. In general, the Target Company's target Royalty acquisitions are primarily advanced stage Projects with an established resource located in Canada, the USA, Australia or Europe. The target Royalty acquisitions are diversified across nickel, cobalt, copper, lithium, vanadium, manganese, tin and graphite.

Discussions are currently underway with Royalty Sellers in connection with the acquisition of two Royalties in addition to the Globex Portfolio, the Global Portfolio, the Bissett Creek Royalty and the Elementos Portfolio. Initial discussions have begun with respect to another five Royalty acquisitions.

The Resulting Issuer intends to meet its business objectives for the next 12 months as set out in the following table.

Objective and Process	Target completion date or, if not known, number of months to complete	The Resulting Issuer's cost to complete
The Resulting Issuer intends to complete one or more of the identified target Royalty acquisition opportunities in the tables below. Each transaction is subject to successful completion of due diligence, documentation of the intended transaction and approval of the Board.	6 to 9 months	New Royalty Acquisitions: \$2.9 million.  Corporate Costs: \$500,000  Transaction costs: \$300,000

A summary of some of the identified Royalty targets is described below.

### **New Royalties to be acquired through provision of funding**

Initial discussions are underway with six Royalty Sellers with respect to potential new Royalties to be acquired. The location, commodity and project stage of the potential Royalties are summarized in the chart below.

Project Location	Commodity	Project Stage	Additional Information Regarding Status	Estimated Consideration
North America	Cobalt	Preliminary Economic Assessment	Initial discussions underway	\$750,000 to \$1,500,000
North America	Vanadium	Production	Initial discussions underway	\$750,000 to \$1,500,000
North America	Copper	Producing	Due diligence and discussions underway	\$1,250,000 to \$1,750,000
South America	Nickel	Feasibility	Due diligence and discussions underway	\$750,000 to \$1,500,000
South America	Lithium	Preliminary Economic Assessment	Initial discussions underway	\$400,000 to \$750,000
Europe	Manganese	Preliminary Economic Assessment	Initial discussions underway	\$400,000 to \$750,000

### Monetization of Existing Royalties

Initial discussions are underway with a Royalty Seller with respect to monetization of an existing Royalty. The location, commodity and project stage is set out in the chart below.

Project Location	Commodity	Project Stage	Additional Information Regarding Status	Estimated Acquisition Cost
North America	Lithium	Feasibility	Invited as a bidder for a Royalty sales process in Q2 2020	\$5,000,000

### Insufficient Funds

The proceeds of the Offering will not be sufficient to accomplish all of the Resulting Issuer's proposed objectives. Management anticipates that Royalty income and funds from additional financings will be sufficient for it to meet its objectives, however there is no assurance that such revenue will result or that additional financing will be available. The Resulting Issuer may have to curtail its operations if revenue does not occur as expected, or additional financing is not available.

### Investment Policy

The Resulting Issuer's investment objectives, investment strategy and investment restrictions may be amended from time to time on the recommendation of management and approval of the Board. They are further detailed in the Resulting Issuer's Investment Policy, a copy of which is attached as Appendix F to this Filing Statement.

### *Milestones*

Significant milestones for measuring the success of the Resulting Issuer's operation and activities planned in 2020 and 2021 include acquiring additional Royalties and maintaining a low operating cost structure. The Resulting Issuer's initial business objective will be to acquire four to six additional advanced stage Royalties with the potential to generate near term Royalty revenue to cover corporate costs and to build cash flow to acquire additional Royalties moving forward. The Resulting Issuer's cash balance of approximately C\$3.7 million may not be sufficient to meet this objective.

For pre-production stage Projects, many of the proposed Royalty acquisitions will include an option to acquire additional Royalties in exchange for additional financing support prior to Royalty revenue being generated. The additional Royalty options will be subject to the underlying Projects meeting certain technical development milestones. In order to be able to execute on the additional Royalty options or acquire larger cash-flow producing Royalties, the Resulting Issuer will require additional financing. THERE IS NO ASSURANCE THAT THE RESULTING ISSUER WILL RAISE ANY SUCH ADDITIONAL CAPITAL AND THE FAILURE TO DO SO COULD RESULT IN A LACK OF WORKING CAPITAL TO CARRY ON BUSINESS ACTIVITIES, WHICH WOULD HAVE AN ADVERSE EFFECT ON THE RESULTING ISSUER. See "*Risk Factors*".

## DESCRIPTION OF SECURITIES

Upon Completion of the Qualifying Transaction, the Post-Consolidation Common Shares will be the RI Shares. For a description of the attributes of the Common Shares (and Post-Consolidation Common Shares), refer to “*Part II - Information Concerning the Corporation – Description of Securities*” of this Filing Statement.

### PRO FORMA CONSOLIDATED CAPITALIZATION

The following table sets out the Resulting Issuer’s pro forma consolidated capitalization as at the date indicated after giving effect to the Transaction.

Designation of Security	Amount Authorized	Amount Outstanding After Giving Effect to the Transaction as of June 16, 2020 Assuming \$3.5 Million Minimum Offering at \$0.25 <sup>(1)(2)</sup>	Amount Outstanding After Giving Effect to the Transaction as of June 16, 2020 Assuming \$10 Million Private Placement at \$0.25 <sup>(1)(2)</sup>
RI Shares	Unlimited	43,980,100 <sup>(3)</sup>	69,980,100 <sup>(3)</sup>
Long Term Debt	N/A	Nil	Nil

Notes:

- (1) 10,725,100 of these RI Shares will be subject to escrow upon Completion of the Qualifying Transaction. See “*Part IV - Information Concerning the Resulting Issuer - Escrowed Securities*”. 9,275,000 of these RI shares will be subject to the seed share resale restrictions under Policy 5.4.
- (2) In addition to the number of issued and outstanding RI Shares, after giving effect to the Transaction, as of March 31, 2020, the Resulting Issuer will have share capital of \$6,385,001, an accumulated deficit of \$1,150,349 and reserves of \$14,000.
- (3) There will be 100,000 share purchase options outstanding and exercisable after giving effect to the Transaction as of June 16, 2020.

### Fully Diluted Share Capital

The following table sets out the share capital of the Resulting Issuer, on a fully-diluted basis, immediately upon completion of the Transaction and the Offering:

	Number of Securities		Percentage	
	Assuming \$3.5 million Private Placement at \$0.25	Assuming \$10 million Private Placement at \$0.25	Assuming \$3.5 million Private Placement at \$0.25	Assuming \$10 million Private Placement at \$0.25
<b>Common Shares:</b>				
Common Shares of the Corporation at June 16, 2020 Consolidation	4,660,000 (2,330,000)	4,660,000 (2,330,000)		
Post-Consolidation Common Shares of the Corporation	2,330,000	2,330,000	5.3%	3.3%

	<b>Number of Securities</b>		<b>Percentage</b>	
	<b>Assuming \$3.5 million Private Placement at \$0.25</b>	<b>Assuming \$10 million Private Placement at \$0.25</b>	<b>Assuming \$3.5 million Private Placement at \$0.25</b>	<b>Assuming \$10 million Private Placement at \$0.25</b>
Target Company Shares	20,000,100	20,000,100	45.4%	28.5%
Finders' Shares	nil	nil	nil%	nil%
Offering Shares	14,000,000	40,000,000	31.8%	57.1%
RI Shares to be issued pursuant to the Globex Letter Agreement	3,000,000	3,000,000	6.8%	4.3%
RI Shares to be issued pursuant to the Global Letter Agreement	1,150,000	1,150,000	2.6%	1.6%
RI Shares to be issued pursuant to the NG Letter Agreement	2,000,000	2,000,000	4.5%	2.9%
RI Shares to be issued pursuant to the Elementos Letter Agreement	1,500,000	1,500,000	3.4%	2.1%
Total RI Shares issued and outstanding after proposed Qualifying Transaction and Offering	43,980,100	69,980,100	99.8%	99.9%
<b><u>Securities reserved for future issuance:</u></b>				
Share purchase options	100,000	100,000	0.2%	0.1%
Fully diluted number of RI Shares	44,080,100	70,080,100	100%	100%

## **AVAILABLE FUNDS AND PRINCIPAL PURPOSES**

### **Available Funds**

Concurrently with the completion of the Proposed Qualifying Transaction, the Offering of Offering Shares at a price of \$0.25 for gross proceeds of between \$3,500,000 and \$10,000,000, respectively, will close. A cash commission or finder's fee equal to 6% of the gross proceeds from the Offering may be paid to certain parties designated by the Corporation.

The following table sets forth the estimated total Available Funds of the Resulting Issuer after giving effect to the Offering as at May 31, 2020:

<b>Sources of funds</b>	<b>Assuming \$3.5 million Private Placement at \$0.25</b>	<b>Assuming \$10.0 million Private Placement at \$0.25</b>
	<b>\$</b>	<b>\$</b>
Pro-Forma Working Capital - May 31, 2020	200,000	200,000
Proceeds from the Offering	3,500,000	\$ 10,000,000
	<b>\$</b>	<b>\$</b>
<b>Total Available Funds</b>	<b>3,700,000</b>	<b>10,200,000</b>

### **Dividends**

The proposed directors of the Resulting Issuer anticipate that the Resulting Issuer will retain all future earnings and other cash resources for the future operation and development of its business. Payment of any future dividends will be at the discretion of the Board after taking into account many factors including the Resulting Issuer's operating results, financial condition and current and anticipated cash needs.

### **Principal Purposes of Available Funds**

It is intended that the estimated total Available Funds of the Resulting Issuer will be expended as follows in order of priority:

<b>Description</b>	<b>Assuming \$3.5 million Private Placement</b>	<b>Assuming \$10.0 million Private Placement</b>
	<b>\$</b>	<b>\$</b>
Expenses related to the Qualifying Transaction	300,000	300,000
Cost of financing (finder's fee commission and costs )	210,000	600,000
Expected G&A (12 months)	500,000	800,000
Payment pursuant to the Globex Letter Agreement	475,000	475,000
Payment pursuant to the Global Letter Agreement	150,000	150,000
Payment pursuant to the NG Letter Agreement	500,000	500,000
Payment pursuant to the Elementos Letter Agreement	500,000	500,000
Transaction costs related to current proposed Royalty acquisitions <sup>(1)</sup>	200,000	200,000
Expected Royalty Acquisitions (12 months) <sup>(2)</sup>	765,000	6,575,000
	<b>\$</b>	<b>\$</b>
<b>Total costs and expenses:</b>	<b>3,600,000</b>	<b>10,100,000</b>

<b>Description</b>	<b>Assuming \$3.5 million Private Placement</b>	<b>Assuming \$10.0 million Private Placement</b>
Unallocated Funds	100,000	100,000
	\$	\$
<b>Total use of Available Funds</b>	<b>3,700,000</b>	<b>10,200,000</b>

Notes:

- (1) These transaction costs relate to the proposed Royalty acquisitions pursuant to the Globex Letter Agreement, the Global Letter Agreement, the NG Letter Agreement and the Elementos Letter Agreement.
- (2) These costs relate to additional Royalty acquisitions the Resulting Issuer intends to make in the next 12 months.

Upon Completion of the Qualifying Transaction, the Available Funds will be sufficient to meet the administrative costs and sales and marketing expenditures of the Resulting Issuer for at least 12 months. The Resulting Issuer intends to spend the net funds available to it as stated in this Filing Statement. However, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary.

### PRINCIPAL SECURITYHOLDERS

To the knowledge of the management of the Corporation and the Target Company, no person will own, of record or beneficially, directly or indirectly, or exercise control or direction over, RI Shares carrying more than 10% of the voting rights attached to all RI Shares after giving effect to the Transaction.

### DIRECTORS, OFFICERS AND PROMOTERS

#### Name, Address, Occupation and Security Holdings

The following are the names and municipalities of residence of those persons who are proposed to be directors and officers of the Resulting Issuer following the Transaction, the positions and offices they are to hold with the Resulting Issuer, their principal occupations within the five preceding years, and the number of RI Shares which will be beneficially held by each of them upon the completion of the Transaction. Each director will hold office until the next annual general meeting of the Resulting Issuer unless his office is earlier vacated in accordance with the provisions of the BCBCA or the Articles of the Resulting Issuer.

<b>Name, municipality of residence and proposed position with the Resulting Issuer</b>	<b>Principal Occupation for Past Five Years</b>	<b>Date of first appointment as a Director or Officer of the Target Company or the Corporation</b>	<b>RI Shares held at Closing Date<sup>(1)</sup></b>	<b>Percentage of RI Shares held at Closing Date<sup>(3)</sup></b>
Brendan Yurik Vancouver, BC	Chief Executive Officer, Mining Finance Advisory	Chief Executive Officer and Director since July 24, 2019	3,125,000	7.11%
Luqman Khan Vancouver, BC	Chief Financial Officer, Chartered Professional	Chief Financial Officer since July 24, 2019	300,000	0.68%

<b>Name, municipality of residence and proposed position with the Resulting Issuer</b>	<b>Principal Occupation for Past Five Years</b>	<b>Date of first appointment as a Director or Officer of the Target Company or the Corporation</b>	<b>RI Shares held at Closing Date<sup>(1)</sup></b>	<b>Percentage of RI Shares held at Closing Date<sup>(3)</sup></b>
Trevor Thomas Vancouver, BC	Accountant, CGA Secretary, LLB	Secretary since May 27, 2020	Nil	Nil
Marchand Snyman West Vancouver, BC	Senior executive and public company director	Chairman and Director since February 3, 2017	325,100	0.74%
Robert Schafer, Salt Lake City, Utah	Geologist and public company director	Director since October 31, 2019	850,000	1.93%
Craig Lindsay	Managing director of Arbutus Capital Grove Corp.	On Completion of the Qualifying Transaction	360,000 <sup>(2)</sup>	0.82%

## Notes:

- (1) The RI Shares do not take into account any Offering Shares issued in connection with the Offering.
- (2) Certain of the RI Shares are held by family members of directors and officers or companies controlled by directors and officers.
- (3) Based on 43,980,100 RI Shares outstanding on a non-diluted basis, assuming completion of the minimum Offering of \$3.5 million at \$0.25 per share.

On the Closing Date, the directors, officers and promoters of the Resulting Issuer, as a group, will beneficially own, directly or indirectly, 4,960,100 RI Shares (excluding any Offering Shares issued in connection with the Offering) representing 11.28% of the total issued and outstanding RI Shares upon the Completion of the Qualifying Transaction, assuming completion of the minimum Offering of \$3.5 million at \$0.25 per share.

### **Management and Directors**

The following sets forth further particulars on those individuals who will be members of management and key personnel of the Resulting Issuer, including the positions they will hold with the Resulting Issuer, the proportion of their time to be devoted to the Resulting Issuer, and their relevant educational background.

#### ***Brendan Yurik (age 32), Chief Executive Officer and Director***

Founder and CEO of Evenor Investments Ltd., a financial advisory group to junior mining companies for alternative financing, debt, equity and M&A with experience on over \$2 billion in mining financing transactions throughout his career. Prior global experience as a research analyst as well as in business development and mining financial advisory roles with Endeavour Financial, Cambrian Mining Finance Ltd., Northern Vertex Mining Corp. and King & Bay West Management Corp.

***Marchand Snyman (age 53), Chairman and Director***

Mr. Snyman is a co-founder of the Target Company and RE Royalties Ltd. (a company providing royalty financing for renewable energy projects). Mr. Snyman has over 20 years of senior executive experience in global corporate finance, M&A, financing and divestiture activities. He also currently serves as a director and officer on a number of publicly traded companies. Mr. Snyman is currently a Director and the Chief Operating Officer of Hunter Dickinson Inc. Mr. Snyman is a Chartered Accountant (Australia and New Zealand) and a Chartered Accountant (South Africa).

***Robert Schafer (age 66), Director***

Co-founding director of International Royalty Corp. (sold for \$800 million to Royal Gold). More than 30 years of experience working internationally in business development roles with major and junior mining companies as well as Past-President of the Prospectors and Developers Association of Canada (PDAC) and the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) and Past Chairman of the Canadian Mining Hall of Fame. Serves as a director of a number of public resource companies.

***Craig Lindsay, MBA, CFA, (age 54), Director***

Founder and CEO of Otis Gold Corp. (TSXV: OOO) and a current director of VR Resources Ltd. (TSXV: VRR), Alianza Minerals Ltd. (TSXV: ANZ) and Philippine Metals Inc. (TSXV: PHI). Prior to Otis, was Founder and CEO of Magnum Uranium Corp. and led its sale to Energy Fuels Inc. In excess of 25 years of experience in corporate finance, venture capital and public company management.

***Luqman Khan (age 48), Chief Financial Officer***

Mr. Khan is currently the CFO of RE Royalties Ltd., a renewable energy royalty company, involved in the acquisition of 63 Royalties to date. Financial reporting executive with over 20 years of professional experience in accountancy and business management. Has served as CFO for several publicly listed Exchange resource companies and previously worked with Ernst and Young in their assurance practice.

***Trevor Thomas (age 53), Secretary***

Mr. Thomas has practiced in the areas of corporate commercial, corporate finance, securities and mining law since 1995, both in private practice environment as well as in-house positions and is currently general counsel for Hunter Dickinson Inc. Prior to joining Hunter Dickinson Inc. he served as in-house legal counsel with Placer Dome Inc.

**Resulting Issuer Board of Director Committees**

The Board expects to form the following committees:

	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Nomination &amp; Governance Committee</b>
<b>Chairman</b>	Craig Lindsay	Robert Schafer	Marchand Snyman
<b>Member</b>	Robert Schafer	Craig Lindsay	Craig Lindsay
<b>Member</b>	Marchand Snyman	Marchand Snyman	Robert Schafer

**Promoter Consideration**

Craig Lindsay, Brendan Yurik and Marchand Snyman may be considered the Promoters of the Resulting Issuer as they took the initiative in founding and organizing the Corporation or the Target Company, as applicable. Craig Lindsay, Brendan Yurik and Marchand Snyman have not received, nor are they expected to receive, anything of value including money, property, contracts, options or rights of any kind, directly or indirectly, from the Resulting Issuer or a subsidiary of the Resulting Issuer, except as disclosed below or elsewhere in this Filing Statement.

## **CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES**

### **Corporate Cease Trade Orders or Bankruptcies**

No proposed director, officer or Promoter of the Resulting Issuer has, within the last ten years, been a director, officer or Promoter of any Person or company that, while such Person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied that Person or company access to any statutory exemption for a period of more than 30 consecutive days or was declared a bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that person.

### **Penalties or Sanctions**

No proposed director, officer or Promoter of the Resulting Issuer, or a security holder anticipated to hold a sufficient number of securities to materially affect the control of the Resulting Issuer, or any personal holding company of such persons, has, to the knowledge of the Resulting Issuer, been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely to be considered important to a reasonable security holder making a decision about the Proposed Qualifying Transaction.

### **Personal Bankruptcies**

No proposed director, officer or Promoter of the Resulting Issuer, or a security holder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or any personal holding company of such persons, has, within the ten years prior to the date of this Filing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets.

### **Conflicts of Interest**

The proposed directors and officers of the Resulting Issuer may, from time to time, serve as directors or officers of other issuers or organizations or may be involved with the business and operations of other issuers or organizations, in which case a conflict of interest may arise.

### **Other Reporting Issuer Experience**

The following tables set out information for the proposed directors, officers and Promoters of the Resulting Issuer that are, or have been within the five years prior to the date hereof, directors, officers or promoters of other reporting issuers. In the following tables, "TSX" means Toronto Stock Exchange, "TSX-V" means TSX Venture Exchange Inc., "OTCBB" means the OTC Bulletin Board, "NYSE Amex" means the NYSE

Amex stock exchange, “JSE” means the JSE Limited and “AIM” means Alternative Investment Market, London Stock Exchange.

Name	Name of Reporting Issuer	Name of Exchange or Market (if applicable)	Position	Period (month/year)
Marchand Snyman Chair & Director	Northcliff Resources Ltd.	TSX	Chairman, Director	01/2013 to present
	Northern Dynasty Minerals Ltd.	TSX	CFO	08/2008 to 05/2019
	Northern Dynasty Minerals Ltd.	TSX	Director	08/2008 to 02/2016
	RE Royalties Ltd	TSX-V	Chairman, Director	11/2018 to present
Craig Lindsay	Rebel Capital Inc.	TSX-V	Director	09/2016 to present
	Otis Gold Corp.	TSX-V	CEO and Director	04/2007 to 04/2020
	Alianza Minerals Ltd.	TSX-V	Director	11/2008 to present
	Philippine Metals Inc.	TSX-V	CEO and Director	06/2011 to present
	VR Resources Ltd.	TSX-V	Director	03/2017 to present
	Excellon Resources Inc.	TSX	Director	04/2020 to present
Robert Schafer Director	Amur Minerals Company	AIM	Director	04/2004 to present
	Volcanic Gold Inc	TSX-V	Director	03/2017 to present
	Trigon Metals Inc.	TSX-V	Director	04/2017 to 08/2019
	Orosur Mining Inc	TSX	Director	07/2018 to 04/2020
	Renaissance Gold Inc.	TSX-V	Director	03/2020 to Present
Luqman Khan CFO	RE Royalties Ltd.	TSX-V	CFO	11/2018 to present
	Amarc Resources Ltd.	TSX-V	CFO	04/2016 to 02/2019
Trevor Thomas Secretary	Amarc Resources Ltd.	TSX-V, OTCBB	Secretary	02/2008 to Present
	Heatherdale Resources Ltd.	TSX-V	Secretary	06/2013 to Present
	Mineral Mountain Resources Ltd.	TSX-V	Director	09/2016 to Present

Name	Name of Reporting Issuer	Name of Exchange or Market (if applicable)	Position	Period (month/year)
	Northcliff Resources Ltd.	TSX	Secretary	06/2011 to Present
	Quadro Resources Ltd.	TSX-V	Secretary	06/2017 to Present
	Quartz Mountain Resources Ltd.	TSX-V	Secretary	06/2013 to Present
	Rathdowney Resources Ltd.	TSX-V	Secretary	03/2011 to Present
	RE Royalties Ltd.	TSX-V	Secretary	11/2018 to Present
	Taseko Mines Limited	TSX, NYSE American	Secretary	07/2008 to Present

## EXECUTIVE COMPENSATION

### General Provisions

NEO means each of the following individuals:

- (a) CEO;
- (b) CFO;
- (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year; and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Resulting Issuer, nor acting in a similar capacity, during the year.

### Compensation Discussion and Analysis

The Resulting Issuer's compensation policies and programs will be designed to be competitive with similar royalty financing companies and to recognize and reward executive performance consistent with the success of the Resulting Issuer's business.

The Resulting Issuer expects to establish a compensation committee (the "**Compensation Committee**"). The function of this committee will be to assist the Board in fulfilling its responsibilities relating to the compensation practices of the executive officers of the Resulting Issuer. In furtherance of this purpose, the Compensation Committee shall have the following duties, responsibilities and authority:

- (a) The Compensation Committee shall recommend to the Board the form and amount of compensation to be paid by the Resulting Issuer to directors for service on the Board and on Board committees. The Committee shall review director compensation at least annually.
- (b) The Compensation Committee shall annually review the Resulting Issuer's base compensation structure and the Resulting Issuer's incentive compensation, stock option

and other equity-based compensation programs and recommend changes in or additions in such structure and plans to the Board as needed.

- (c) The Compensation Committee shall recommend to the Board the annual base compensation of the Resulting Issuer's executive officers and senior managers (collectively the "**Officers**").
- (d) The Compensation Committee shall recommend to the Board the range of increase or decrease in the annual base compensation for non-Officer personnel providing services to the Resulting Issuer.
- (e) The Compensation Committee shall recommend to the Board annual corporate goals and objectives under any incentive compensation plan adopted by the Resulting Issuer for Officers and non-Officer personnel providing services to the Resulting Issuer, and recommend incentive compensation participation levels for Officers and non-Officer personnel providing services to the Resulting Issuer under any such incentive compensation plan. In determining the incentive component of compensation, the Committee will consider the Resulting Issuer's performance and relative shareholder return, the values of similar incentives at comparable companies and the awards given in past years.
- (f) The Compensation Committee shall evaluate the performance of Officers generally and in light of annual corporate goals and objectives under any incentive compensation plan.
- (g) The Compensation Committee shall periodically review with the Chairman and CEO their assessments of Officers and succession plans, and make recommendations to the Board regarding the appointment of Officers.
- (h) The Compensation Committee shall provide oversight of the performance evaluation and incentive compensation of non-Officer personnel providing services to the Resulting Issuer.
- (i) The Compensation Committee shall administer the Resulting Issuer's stock option and other equity based compensation plans and determine the annual grants of stock options and other equity based compensation.
- (j) The Compensation Committee shall recommend to the nominating and governance committee the qualifications and criteria for membership on the Compensation Committee.

### ***Report on Executive Compensation***

The Board assumes responsibility for reviewing and monitoring the long-range compensation strategy for the senior management of the Resulting Issuer although the Compensation Committee guides it in this role. As part of its mandate, the Board will determine the type and amount of compensation for the Resulting Issuer's executive officers. In addition, the Board will review the methodology utilized by the Resulting Issuer for setting salaries of employees throughout the organization.

The Resulting Issuer's Compensation Committee shall review competitive market information on compensation levels for executives.

### *Philosophy and Objectives*

The compensation program for the senior management of the Resulting Issuer shall be designed to ensure that the level and form of compensation achieves certain objectives, including:

- (a) attracting and retaining talented, qualified and effective executives;
- (b) motivating the short and long-term performance of these executives; and
- (c) better aligning their interests with those of the Resulting Issuer's shareholders.

In compensating its senior management, the Resulting Issuer expects to employ a combination of base salary, bonus compensation and equity participation through its stock option plan.

### *Base Salary*

In the Board's view, paying base salaries that are competitive in the markets in which the Resulting Issuer operates is a first step to attracting and retaining talented, qualified and effective executives. Competitive salary information on comparable companies within the industry is compiled from a variety of sources, including surveys conducted by independent consultants and national and international publications.

### *Bonus Compensation*

The Resulting Issuer's objective will be to achieve certain strategic objectives and milestones. The Board will consider executive bonus compensation dependent upon the Resulting Issuer meeting those strategic objectives and milestones and sufficient cash resources being available for the granting of bonuses. Bonuses are awarded at the discretion of the Board. The Board approves executive bonus compensation dependent upon compensation levels based on recommendations of the Compensation Committee, and such recommendations are generally based, if necessary, on survey data provided by independent consultants.

### *Option-Based Awards*

The Board believes that encouraging its executives and employees to become shareholders is the best way of aligning their interests with those of its shareholders. Equity participation will be accomplished through a stock option plan. Stock options are expected to be granted to senior executives taking into account a number of factors, including the amount and term of options previously granted, base salary and bonuses and competitive factors. Options are expected to generally be granted to senior executives and vest on terms established by the Compensation Committee. During the 12 month period following completion of the Transaction, an option grant will be made to senior executives, but the timing, price and quantum of the proposed grant has not yet been determined.

### Share-Based Awards

During the 12 month period following completion of the Transaction, it is not expected that the Resulting Issuer will grant any share-based awards, being awards granted under an equity incentive plan of equity based instruments that do not have option-like features, including common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units, and stock.

### Compensation of the CEO

The compensation of the CEO is to be approved by the Board. Base salary and bonus levels will be determined taking into account independent market survey data.

The Compensation Committee, once constituted, will review the grants of stock options to directors, management, employees and consultants.

As noted above under the heading “Bonus Compensation”, incentives that may be paid to the CEO and any other member of the executive or senior management team are determined in respect of the individuals and management team achieving strategic objectives and milestones which are expected to be set at the beginning of each year by the Compensation Committee and approved by the Board.

### Summary Compensation Table

The Resulting Issuer expects to compensate its CEO and highest paid executive officer upon Completion of the Transaction as follows for the 12 month period after giving effect to the Transaction:

Name and principal position	Salary (\$)	Share - based awards (\$)	Option -based awards (\$)	Non-Equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
				Annual incentive plans (\$)	Long-term incentive plans			
Brendan Yurik CEO and Director	\$150,000	Nil	Nil	Nil	Nil	Nil	\$5,000	\$155,000
Luqman Khan <sup>(1)</sup> CFO	\$50,000	Nil	Nil	Nil	Nil	Nil	Nil	\$50,000

Note:

- (1) Mr. Khan’s services as CFO of the Resulting Issuer will be provided on a part-time basis and the amount of compensation presented herein represents an estimate based on an expected 30% allocation of his time to the Resulting Issuer.

The Resulting Issuer expects to compensate its directors upon Completion of the Qualifying Transaction as follows for the 12 month period after giving effect to the Transaction:

Name of director	Fees Earned (\$)	Share - based awards (\$)	Option -based awards (\$)	Non-Equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total compensation (\$)
Marchand Snyman	\$100,000	Nil	Nil	Nil	Nil	Nil	\$100,000
Craig Lindsay	\$24,000	Nil	Nil	Nil	Nil	Nil	\$24,000
Robert Schafer	\$24,000	Nil	Nil	Nil	Nil	Nil	\$24,000

### Pension Plan Benefits

The Resulting Issuer will have no pension or deferred compensation plans for its directors, officers or employees.

### Termination and Change of Control Benefits

There is no written employment contract between the Target Company and any NEO.

Except as otherwise outlined herein, there will be no compensatory plan(s) or arrangement(s), with respect to any NEO resulting from the resignation, retirement or any other termination of employment of the officer's employment or from a change of the NEO's responsibilities following a change in control.

### Stock Options

Concurrent with the Completion of the Qualifying Transaction, it is anticipated that the Resulting Issuer will adopt a 10% rolling stock option plan. For a description of the material terms of the Resulting Issuer's proposed stock option plan see "*Part IV – Information Concerning the Resulting Issuer – Options to Purchase Securities*" in this Filing Statement.

### Compensation of Directors

Following the Completion of the Qualifying Transaction, it is anticipated that non-management directors of the Resulting Issuer will receive an annual retainer fee of \$15,000 (\$1,250 per month) in their capacity as directors. The directors may also receive additional fees for any committee work (i.e. audit committee) performed on behalf of the Board.

It is also anticipated that non-management directors will be reimbursed for transportation and other out-of-pocket expenses incurred for attendance at Board meetings and in connection with discharging their director functions.

### INDEBTEDNESS OF DIRECTORS AND OFFICERS

No individual who is, or at any time since the beginning of the most recently completed financial year of the Target Company or the Corporation, was, a director or officer of the Target Company or the Corporation, no proposed director or officer of the Resulting Issuer, and no associate of any such director, officer or proposed nominee, is indebted to the Target Company or the Corporation or CPC Sub (other than for "routine indebtedness" as defined by applicable securities legislation) or has any indebtedness that is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Target Company, the Corporation or CPC Sub.

## INVESTOR RELATIONS ARRANGEMENTS

The Corporation has not reached any written or oral agreement or understanding with any person to provide any promotional or investor relations services for the Resulting Issuer.

## OPTIONS TO PURCHASE SECURITIES

### Options to Purchase Securities

The following table sets out information on options to purchase RI Shares that will be held upon completion of the Transaction to the extent presently known and subject to applicable regulatory approvals.

Holder	Number of RI Shares Issuable if Option is Fully Exercised <sup>(1)</sup>	Exercise Price	Expiry Date
Officers of the Resulting Issuer	Nil	N/A	N/A
Non-executive directors of the Resulting Issuer <sup>(2)</sup>	25,000	\$0.20	April 10, 2022
Employees of the Resulting Issuer	Nil	N/A	N/A
Consultants of the Resulting Issuer	Nil	N/A	N/A
Other	75,000	\$0.20	April 10, 2022
<b>Total:</b>	<b>100,000</b>		

Notes:

- (1) The Corporation Options are fully vested. The vesting dates of the Corporation Options were: one-third on the grant date on April 10, 2017, one-third on the first anniversary of the grant date and one-third on the second anniversary of the grant date.
- (2) Craig Lindsay holds 25,000 Corporation Options (on a post-Consolidation basis) at an exercise price of \$0.20.

### Stock Option Plan

Prior to the Completion of the Qualifying Transaction, the Corporation may implement a new incentive stock option plan which provides that the Board may from time to time, in its discretion, and in accordance with Exchange requirements, grant to directors, officers, employees and consultants of the Resulting Issuer non-transferable options to purchase RI Shares, provided that the number of RI Shares reserved for issuance will not exceed 10% of the issued and outstanding RI Shares. The exercise price for all options will be determined by the Board, provided that the minimum exercise price of options must not be less than the discounted market price (as defined by the Exchange). Such options will be exercisable for a period of up to five years from the date of grant. In connection with the foregoing, the number of RI Shares reserved for issuance in any twelve month period to: (a) any individual director or officer may not exceed 5% of the issued and outstanding RI Shares (unless otherwise approved by the disinterested shareholders of the Resulting Issuer); (b) any one consultant may not exceed 2% of the issued and outstanding RI Shares; and (c) all persons employed to provide investor relations activities may not exceed 2% of the issued and outstanding RI Shares.

### *Tax withholding and procedures*

The Resulting Issuer may, from time to time, implement such procedures and conditions as it determines appropriate with respect to the withholding and remittance of taxes imposed under applicable law, or the

funding of related amounts for which liability may arise under such applicable law. Without limiting the generality of the foregoing, an optionee who wishes to exercise an option must, in addition to following the procedures set out in the stock option plan (i.e. the payment of the exercise price), and as a condition of exercise, (a) deliver a certified cheque, wire transfer or bank draft payable to the RI for the amount determined by the Resulting Issuer to be the appropriate amount on account of such taxes or related amounts, or (b) otherwise ensure, in a manner acceptable to the Resulting Issuer (if at all) in its sole and unfettered discretion, that the amount will be securely funded, and must in all other respects follow any related procedures and conditions imposed by the Resulting Issuer.

## **ESCROWED SECURITIES**

### **Securities Pooled Prior to the Completion of the Proposed Qualifying Transaction**

9,275,000 Common Shares to be issued to the Target Company Shareholders (excluding any Target Company Shares that may be issued under the Offering) (the “**RI Pooled Shares**”) will be subject to the seed share resale restrictions under Policy 5.4 *Escrow, Vendor Consideration and Resale Restrictions* of the Exchange Corporate Finance Manual (“**Policy 5.4**”) and released as follows:

- (a) 20% of the RI Pooled Shares will be released at the time of the Completion of the Qualifying Transaction; and
- (b) 20% of the RI Pooled Shares will be released on each of the 3, 6, 9 and 12 month anniversaries of the Completion of the Qualifying Transaction.

The certificates evidencing the RI Pooled Shares will bear the legend required under Policy 5.4. While the RI Pooled Shares are subject to the seed share resale restrictions under Policy 5.4, the RI Shareholders will be restricted from assigning, dealing in, pledging, selling, trading or transferring in any manner whatsoever, any of the RI Pooled Shares or any beneficial interest in them, or agreeing to take any such action in the future, except (i) a transfer of RI Pooled Shares from the holder to a registered retirement savings plan the sole beneficiary of which is the RI Shareholder, or (ii) with the Exchange’s written consent. The Transfer Agent must not release the RI Pooled Shares from the seed share resale restrictions while the Resulting Issuer is listed on the Exchange, except (i) in accordance with Exchange policies, or (ii) with the express consent of the Exchange.

### **Securities Escrowed Prior to the Completion of the Proposed Qualifying Transaction**

There are a total of 2,660,000 CPC Escrow Shares (1,330,000 on a post-Consolidation basis) held in escrow with the Trustee, the Corporation’s registrar and transfer agent, under the CPC Escrow Agreement.

In addition, all Common Shares acquired in the secondary market prior to the Completion of the Qualifying Transaction by any person or company who becomes a Control Person are required to be deposited in escrow.

Under the CPC Escrow Agreement, 10% of the CPC Escrow Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the “**Initial Release**”) and an additional 15% will be released on the dates that are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release. If the Resulting Issuer meets the Exchange’s Tier 1 initial listing requirements either at the time the Final Exchange Bulletin is issued or subsequently, the release of the CPC Escrow Shares will be accelerated over an 18 month period with 25% being releasable at the time of the Final Exchange Bulletin, and 25% being releasable every 6 months thereafter. An accelerated escrow release will not commence

until the Resulting Issuer has made application to the Exchange for listing as a Tier 1 issuer and the Exchange has issued a bulletin that announces the acceptance for listing of the Resulting Issuer on Tier 1 of the Exchange. The Exchange's prior consent must be obtained before a transfer within escrow of CPC Escrow Shares. Generally, the Exchange will only permit a transfer within escrow to be made to incoming Principals in connection with a proposed Qualifying Transaction. If a Final Exchange Bulletin is not issued, the CPC Escrow Shares will not be released.

Under the CPC Escrow Agreement each Non Arm's Length Party to the Corporation who holds CPC Escrow Shares acquired from treasury at a price below the offering price under the Corporation's initial prospectus (i.e. \$0.10) has irrevocably authorized and directed the Escrow Agent to immediately:

- (a) cancel all of those CPC Escrow Shares upon the issuance by the Exchange of a bulletin delisting the Common Shares; or
- (b) if the Corporation lists on the NEX board of the Exchange, either:
  - (i) cancel all Seed Shares (as defined in the Exchange policies) purchased by Non Arm's Length Parties to the Corporation at a discount from the IPO price, in accordance with section 11.2 (a) of the CPC Policy, or
  - (ii) subject to majority shareholder approval, cancel an amount of Seed Shares purchased by Non Arm's Length Parties to the CPC so that the average cost of the remaining Seed Shares is at least equal to the IPO price.

### **Escrowed Securities on the Qualifying Transaction**

RI Shares held by persons who will be considered to be Principals of the Resulting Issuer will be subject to the Exchange's escrow requirements upon Completion of the Qualifying Transaction.

On Completion of the Qualifying Transaction, Principals of the Resulting Issuer will hold 7,000,100 RI Shares excluding any Offering Shares issued in connection with the Offering and any CPC Escrow Shares from former directors of the Corporation. These RI Shares will be deposited by the holders into escrow pursuant to the RI Escrow Agreement, which will be either a Value Security Escrow Agreement or a Surplus Security Escrow Agreement, as described below.

Generally, if at least 75% of the RI Shares issued pursuant to the Proposed Qualifying Transaction are "Value Securities", then all RI Shares issued to Principals of the Resulting Issuer pursuant to the Transaction held by such Principals will be deposited into escrow pursuant to a value security agreement (a "**Value Security Escrow Agreement**").

"**Value Securities**" are securities issued pursuant to a transaction, for which the deemed value of the securities at least equals the value ascribed to the asset, using a valuation method acceptable to the Exchange, or securities that are otherwise determined by the Exchange to be Value Securities and required to be placed in escrow under a Value Security Escrow Agreement.

However, if at least 75% of the securities issued pursuant to the Transaction are not Value Securities, all securities issued pursuant to the Transaction will be deposited into a surplus security escrow agreement (a "**Surplus Security Escrow Agreement**").

The principal distinction between a Value Security Escrow Agreement and a Surplus Security Escrow Agreement is the timing for release of securities from escrow.

If the Resulting Issuer will be a Tier 2 issuer when the Final Exchange Bulletin is issued, the Value Security Escrow Agreement provides for a three year escrow release mechanism with 10% of the escrowed securities being releasable at the time of the Final Exchange Bulletin, and 15% of the escrowed securities being releasable every 6 months thereafter, on each of the 6, 12, 18, 24, 30 and 36 month anniversaries of the Final Exchange Bulletin.

If the Resulting Issuer will be a Tier 2 issuer, when the Final Exchange Bulletin is issued, the Surplus Security Escrow Agreement provides for a three-year escrow release mechanism with:

- (a) 5% of the escrowed securities being releasable at the time of the Final Exchange Bulletin and 6 months after the initial release;
- (b) 10% of the escrowed securities being releasable in 6 month intervals on each of the 12 and 18 month anniversaries of the Final Exchange Bulletin;
- (c) 15% of the escrowed securities being releasable in 6 month intervals on each of the 24 and 30 month anniversaries of the Final Exchange Bulletin; and
- (d) 40% of the escrowed securities being releasable on the 36 month anniversary of the Final Exchange Bulletin.

In the case of a Resulting Issuer will be a Tier 1 issuer when the Final Exchange Bulletin is issued, the Value Security Escrow Agreement provides for an 18 month escrow release mechanism with 25% of the escrowed securities being releasable at the time of the Final Exchange Bulletin, and 25% of the escrowed securities being releasable every 6 months thereafter.

If the Resulting Issuer that will be a Tier 1 issuer when the Final Exchange Bulletin is issued, the Surplus Security Escrow Agreement provides for a three-year escrow release mechanism with:

- (a) 10% of the escrowed securities being releasable upon the issuance of the Final Exchange Bulletin;
- (b) 20% of the escrowed securities being releasable on the 6 month anniversary of the Final Exchange Bulletin;
- (c) 30% of the escrowed securities being releasable on the 12 month anniversary of the Final Exchange Bulletin; and
- (d) 40% of the escrowed securities being releasable on the 18 month anniversary of the Final Exchange Bulletin;

Any RI Shares issued pursuant to the Offering to Principals of the Resulting Issuer will generally be exempt from escrow requirements provided that:

- (a) at least 75% of the proceeds from the Offering are not from Principals of the Resulting Issuer;
- (b) if subscribers, other than Principals of the Resulting Issuer, will obtain securities subject to hold periods, then in addition to any resale restrictions under applicable securities legislation, any securities issued to such Principals will be subject to a four month hold period; and

- (c) none of the proceeds of the Offering are allocated to pay compensation or to settle indebtedness owing to Principals of the Resulting Issuer.

To the knowledge of the Corporation and the Target Company and as of the date hereof, the following is a summary of the Common Shares and Target Company Shares held in escrow and, in the case of the Resulting Issuer, the number of RI Shares that will be held in escrow on Completion of the Qualifying Transaction further to applicable Exchange requirements.

Name and Municipality of Residence of Securityholder	Designation of Class of Shares	Prior to Giving Effect to the Transaction and Before the Consolidation		After Giving Effect to the Transaction	
		Number of Securities held in Escrow	Percentage of Class <sup>(1)</sup>	Number of RI Shares to be held in Escrow <sup>(2)(3)</sup>	Percentage of Class <sup>(4)</sup>
Brendan Yurik Vancouver, BC	Common	NIL	NIL	3,125,000 <sup>(8)</sup>	7.11%
Luqman Khan Vancouver, BC	Common	NIL	NIL	300,000 <sup>(8)</sup>	0.68%
Marchand Snyman West Vancouver, BC	Common	NIL	NIL	325,100 <sup>(8)</sup>	0.74%
Robert Schafer, Salt Lake City, Utah	Common	NIL	NIL	850,000 <sup>(8)</sup>	1.93%
Mihalis Belantis Calgary, AB	Common	586,667 <sup>(6)</sup>	12.59%	93,334 <sup>(6)</sup>	0.21%
Doug Bachman St. Albert, AB	Common	100,000 <sup>(6)</sup>	2.15%	50,000 <sup>(6)</sup>	0.11%
Claudio Pucci Edmonton, AB	Common	100,000 <sup>(6)</sup>	2.15%	50,000 <sup>(6)</sup>	0.11%
Mihali Belandis Calgary, AB	Common	100,000 <sup>(6)</sup>	2.15%	50,000 <sup>(6)</sup>	0.11%
Christopher Donald Reid Calgary, AB	Common	720,000 <sup>(6)</sup>	15.45%	360,000 <sup>(6)</sup>	0.82%
Harold Reid Brandon, MB	Common	120,000 <sup>(6)</sup>	2.58%	60,000 <sup>(6)</sup>	0.14%
Rachelle Chapman Calgary, AB	Common	46,666 <sup>(6)</sup>	1.00%	23,333 <sup>(6)</sup>	0.05%
Arbutus Grove Capital Corp. <sup>(5)</sup> Vancouver, BC	Common	720,000 <sup>(6)</sup>	15.45%	360,000 <sup>(6)</sup>	0.82%
Narinder Paul Bains Surrey, BC	Common	166,667 <sup>(6)</sup>	3.58%	83,334 <sup>(6)</sup>	0.19%

---

<b>Total</b>	Common	2,660,000	57.08%	5,931,100	13.49%
--------------	--------	-----------	--------	-----------	--------

## Notes:

- (1) Based on 4,660,000 Common Shares outstanding, on a non-diluted basis.
- (2) These figures assume that no Offering Shares are acquired pursuant to the Offering.
- (3) Assuming Completion of the Minimum Offering of \$3,500,000 at a price of \$0.25 per share.
- (4) Based on 43,980,100 RI Shares outstanding, on a non-diluted basis.
- (5) Craig Lindsay is the 100% beneficial owner of Arbutus Grove Capital Corp.
- (6) CPC Escrow Shares held in escrow pursuant to the CPC Escrow Agreement.
- (7) RI Pooled Shares subject to the seed share resale restrictions under Policy 5.4.
- (8) RI Escrow Shares held in escrow pursuant to the RI Escrow Agreement.

It is anticipated that the Trustee will be appointed to act as the Escrow Agent for the RI Shares to be held in escrow.

### **Escrow and Pooling of Transaction Shares**

It is an Exchange requirement that:

- a) 10,725,100 Common Shares to be issued to the Target Company Shareholders (excluding any Target Company Shares that may be issued under the Offering) will be deposited into escrow. 10% of such shares will be released at the time of the Final Exchange Bulletin, and 15% of such shares will be released from escrow on each of the 6, 12, 18, 24, 30 and 36 month anniversaries of the closing date of the Proposed Qualifying Transaction;
- b) 9,275,000 Common Shares to be issued to the Target Company Shareholders (excluding any Target Company Shares that may be issued under the Offering) will be subject to the seed share resale restrictions under Policy 5.4. 20% of such shares will be released at the time of the Final Exchange Bulletin, and 20% of such shares will be released on each of the 3, 6, 9 and 12 month anniversaries of the closing date of the Proposed Qualifying Transaction.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

### **Auditor**

The auditor of the Resulting Issuer following Completion of the Qualifying Transaction will be Deloitte LLP of 939 Granville St, Vancouver, British Columbia V6Z 1L3. Deloitte LLP is the current auditor of the Target Company.

### **Transfer Agent and Registrar**

The current registrar and transfer agent for the Corporation is TSX Trust Company. It is anticipated that the registrar and transfer agent for the Resulting Issuer will be TSX Trust Company at its head office in Toronto, Ontario.

## PART V GENERAL MATTERS

### SPONSORSHIP

#### Sponsor

A general policy of the Exchange requires that a sponsor be retained to prepare a sponsor report in compliance with Policy 2.2 *Sponsorship and Sponsorship Requirements* of the Exchange Corporate Finance Manual (“**Policy 2.2**”). The Corporation intends to rely on an exemption from sponsorship contained in subsection 3.4(a)(i) of Policy 2.2. As such, no sponsor has been engaged by the Corporation in connection with the Proposed Qualifying Transaction.

### EXPERTS

#### Opinions

The following professional persons have prepared reports or have provided opinions that are either included in or referred to in this Filing Statement:

- 1 KPMG LLP, Chartered Professional Accountants, has provided an auditors’ report on the financial statements of the Corporation as at and for the years ended December 31, 2019 and December 31, 2018, and an auditors’ report on the financial statements of the Corporation as at and for the years ended December 31, 2018 and December 31, 2017, copies of which are attached hereto as part of Appendix A.
- 2 Deloitte LLP, Chartered Professional Accountants, has provided an auditors’ report on the financial statements of the Target Company for the financial periods ended December 31, 2019, December 31, 2018 and 2017, a copy of which are attached hereto as part of Appendix C.
3. The information in this Filing Statement under the headings “*Summary of Filing Statement – Canadian Tax Consequences*” (as it relates to Canadian income tax considerations) and “*Part V – General Matters - Certain Canadian Federal Income Tax Considerations*” has been prepared by McCarthy Tétrault LLP.

#### Interests of Experts

Except as disclosed herein, no person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Filing Statement or prepared or certified a report or valuation described or included in this Filing Statement currently holds, directly or indirectly, more than 1% of the Common Shares or the Target Company Shares, or holds any property of the Corporation or the Target Company or of an Associate or Affiliate of the Corporation or the Target Company and no such person is expected to be elected, appointed or employed as director, senior officer or employee of the Corporation or the Target Company or of an Associate or Affiliate of the RI and no such person is a promoter of the Corporation or the Target Company or an Associate or Affiliate of the Corporation or the Target Company.

KPMG LLP are the auditors of the Corporation and have confirmed that they are independent with respect to the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

Deloitte LLP is independent of the Target Company within the meaning of the rules of professional conduct of the Chartered Professional Accountants of British Columbia.

The scientific and technical information in this Filing Statement has been reviewed and approved by David Gaunt, PGeo, a “qualified person” as defined in NI 43-101. Mr. Gaunt is not independent of the Target Company.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

### General

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act in respect of the Amalgamation to a beneficial owner of Target Company Shares who, for purposes of the Tax Act and at all relevant times, deals at arm’s length with the Target Company, CPC Sub, the Corporation and Amalco. A holder that meets all of the foregoing requirements are referred to as “**Holder**” or “**Holders**” in this summary, and this summary only addresses such Holders.

This summary is not applicable to a Holder: (i) that is a “financial institution” for the purposes of the “mark-to-market” rules contained in the Tax Act; (ii) that is a “specified financial institution”; (iii) an interest in which is a “tax shelter investment”; (iv) that has elected to report its “Canadian tax results” in a currency other than Canadian currency; (v) that has entered into, or will enter into, a “derivative forward agreement” or a “synthetic disposition arrangement” with respect to the Target Company Shares or New Common Shares; or (vi) that will receive dividends on New Common Shares under or as part of a “dividend rental arrangement”, as all of those terms are defined in the Tax Act. **Any such Holders should consult their own tax advisor.**

This summary is based on the provisions of the Tax Act and the regulations promulgated thereunder (the “**Regulations**”) in force as of the date hereof and the Corporation’s understanding of the current published administrative policies of the Canada Revenue Agency (the “**CRA**”). This summary takes into account all specific proposals to amend the Tax Act or the Regulations that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”) and assumes that the Proposed Amendments will be enacted in the form proposed, although no assurance in this regard can be given. The summary also assumes that Holders participating in the Amalgamation will, for the purposes of the Tax Act, be considered to have received no consideration on the Amalgamation other than New Common Shares. While the Company believes this to be a reasonable assumption, no income tax ruling or legal opinion has been sought or obtained in respect of any of the matters addressed in the summary.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable in respect of the proposed Transaction and, except for the Proposed Amendments, does not take into account or anticipate any changes in the law, whether by legislative, regulatory or judicial action, or changes in the published administrative policies of the CRA. This summary does not take into account any provincial, territorial or foreign tax considerations, which may differ significantly from the Canadian federal income tax considerations discussed herein.

**This summary is of a general nature only and is not intended to be, and should not be construed to be, legal, business or tax advice to any particular Target Company Shareholder, including a Holder, and no representations with respect to the income tax consequences to any Holder are made.**

**Consequently, all Target Company Shareholders are urged to obtain their own tax advice in respect of the consequences to them of the Amalgamation having regard to their particular circumstances.**

### **Holders Resident in Canada**

The following portion of this summary is generally applicable to a Holder who, for purposes of the Tax Act and at all relevant times, (i) is, or is deemed to be, resident solely in Canada, (ii) holds Target Company Shares and will hold New Common Shares to be received under the Amalgamation as capital property, and (iii) is not affiliated with the Target Company, CPC Sub, the Corporation or Amalco. A Holder who meets these requirements is referred to in this summary as a “**Resident Holder**”, and the following portion of the summary only addresses such Resident Holders. Target Company Shares and New Common Shares generally will be considered capital property to a Holder for the purposes of the Tax Act, unless the Holder holds such shares in the course of carrying on a business or as part of an adventure or concern in the nature of trade..

### ***Amalgamation – Exchange of Target Company Shares for New Common Shares***

On the Amalgamation, a Resident Holder will be deemed to have disposed of the Resident Holder’s Target Company Shares for proceeds of disposition equal to the adjusted cost base of the Resident Holder’s Target Company Shares immediately before the Amalgamation. Consequently, such Resident Holder will not realize any capital gain or capital loss as a result of the Amalgamation.

A Resident Holder’s aggregate cost of the New Common Shares acquired will equal the aggregate adjusted cost base of the Target Company Shares exchanged for the New Common Shares. The Resident Holder’s adjusted cost base of New Common Shares is subject to the averaging rules under the Tax Act.

### ***Receipt of Dividends on New Common Shares***

Dividends received or deemed to be received on the New Common Shares by a Resident Holder who is an individual (other than certain trusts) will be included in computing the individual’s income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from a “taxable Canadian corporation” (as defined in the Tax Act). No comment is provided as to whether dividends paid by the Corporation (if any) will be eligible for the enhanced gross-up and dividend tax credit applicable to dividends that are designated as “eligible dividends” under the Tax Act.

Taxable dividends received or deemed to be received by Resident Holders who are individuals (including certain trusts) may give rise to liability for the alternative minimum tax as calculated under the detailed rules set out in the Tax Act. Resident Holders who are individuals should consult their own tax advisors in this regard.

A Resident Holder that is a corporation will include dividends received or deemed to be received on New Common Shares in computing its income and generally will be entitled to deduct the amount of such dividends in computing the corporation’s income, subject to the limitations under the Tax Act. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

Certain Resident Holders that are corporations, including a “private corporation” or a “subject corporation” (as such terms are defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable

tax on dividends received or deemed to be received on the New Common Shares to the extent that such dividends are deductible in computing the corporation's taxable income.

### ***Disposition of New Common Shares acquired on the Amalgamation***

A Resident Holder who disposes of or is deemed to dispose of a New Common Share will realize a capital gain or capital loss, as the case may be, equal to the amount by which the proceeds of disposition in respect of such share exceeds or is exceeded by the aggregate of the adjusted cost base of such share and any reasonable costs of the disposition. See "*Taxation of Capital Gains and Capital Losses*" below for a general description of the tax treatment of capital gains and losses under the Tax Act.

### ***Taxation of Capital Gains and Capital Losses***

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Resident Holder must be included in income in the taxation year in which it is realized. One-half of the amount of any capital loss (an "**allowable capital loss**") realized by a Resident Holder in a taxation year must be deducted from any taxable capital gains realized by the Resident Holder in that year. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and in the circumstances specified in the Tax Act.

The amount of any capital loss arising on the disposition or deemed disposition of any New Common Shares by a Resident Holder that is a corporation may be reduced by the amount of certain dividends received or deemed to have been received by it on such shares (or on a share for which such New Common Share has been substituted) to the extent and under circumstances specified in the Tax Act. Similar rules may apply where the corporation is a member of a partnership or a beneficiary of a trust that owns such shares, directly or indirectly, through a partnership or a trust. Affected Resident Holders should consult their own tax advisors in this regard.

Taxable capital gains realized by a Resident Holder who is an individual (including certain trusts) may give rise to liability for the alternative minimum tax as calculated under the detailed rules set out in the Tax Act. A Resident Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax on certain investment income, including taxable capital gains.

### **Holders not Resident in Canada**

The following portion of the summary is generally applicable to a Holder who, for purposes of the Tax Act and any applicable income tax convention, and at all relevant times, (i) is not resident nor deemed to be resident in Canada, and (ii) will not use or hold, and is not and will not be deemed to use or hold, the Target Company Shares or the New Common Shares in, or in the course of carrying on, a business in Canada. A Holder who meets all of the foregoing requirements is referred to as a "**Non-Resident Holder**" in this summary, and this portion of the summary only addresses such Non-Resident Holders. Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on an insurance business in Canada and elsewhere.

### ***Taxable Canadian Property – Target Company Shares***

In general, Target Company Shares will constitute "taxable Canadian property" to a Non-Resident Holder at a particular time if, at any time during the 60 month period that ends at that time, more than 50% of the fair market value of the Target Company Shares was derived directly or indirectly (otherwise than through a corporation, partnership or trust the shares or interests in which were not themselves taxable Canadian property at the particular time) from one or any combination of (i) real or immovable property situated in

Canada, (ii) “Canadian resource property” (as defined in the Tax Act) or “timber resource property” (as defined in the Tax Act), or (iii) options in respect of, or interests in, or for civil law rights in, any of the foregoing, whether or not the property exists. Target Company Shares may also be deemed to constitute “taxable Canadian property” in certain other circumstances under the Tax Act. The status of the Target Company Shares as “taxable Canadian property” is relevant to the further discussion below.

***Amalgamation – Exchange of the Target Company Shares for New Common Shares***

The exchange of Target Company Shares for New Common Shares on the Amalgamation should not give rise to a capital gain or capital loss to Non-Resident Holders for purposes of the Tax Act. However, Non-Resident Holders who hold Target Company Shares as “taxable Canadian property” will generally be required to file a Canadian income tax return reporting the transaction. Certain additional notice requirements normally required under the Tax Act in respect of dispositions of “taxable Canadian property” should not be applicable, based on our understanding of the published administrative policy of the CRA.

A Non-Resident Holder’s aggregate cost of the New Common Shares acquired on the Amalgamation will equal the aggregate adjusted cost base of the Target Company Shares that are exchanged for the New Common Shares. The Non-Resident Holder’s adjusted cost base of New Common Shares is subject to the averaging rules under the Tax Act.

***Receipt of Dividends on New Common Shares***

A dividend paid or credited (or deemed to be paid or credited) on New Common Shares to a Non-Resident Holder is subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax convention between Canada and the Non-Resident Holder’s country of residence. For example, under the *Canada-United States Tax Convention (1980)*, as amended (the “**Canada-US Treaty**”), the withholding rate on any such dividend beneficially owned by a Non-Resident Holder that is a resident of the United States for the purposes of the Canada-US Treaty and entitled to the full benefits of such treaty is generally reduced to 15% (or to 5% for a company that holds at least 10% of the voting stock of the corporation paying the dividend).

***Disposition of New Common Shares acquired on the Amalgamation***

A Non-Resident Holder will generally not be liable for tax under the Tax Act on any capital gain realized on a disposition or deemed disposition of New Common Shares unless such New Common Shares are, or are deemed to be, “taxable Canadian property” to the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the Non-Resident Holder is resident. Where a Non-Resident Holder does so dispose of New Common Shares held as “taxable Canadian property” and relief under an applicable tax convention is not available, any capital gain realized on the disposition will generally be subject to similar Canadian federal income tax considerations as are discussed above with respect to Resident Holders. A Non-Resident Holder who disposes of taxable Canadian property is required to file a Canadian income tax return for the year of disposition, including where any resulting capital gain is not subject to tax under the Tax Act by virtue of an applicable income tax treaty or convention.

Generally, New Common Shares will not be “taxable Canadian property” to a Non-Resident Holder at any particular time unless:

- a. the Target Company Shares were held as “taxable Canadian property” (in which event the New Common Shares will be deemed to be held as “taxable Canadian property” under the Tax Act throughout the 60 months following the Effective Date), or the New Common

Shares are otherwise deemed to be held as “taxable Canadian property” under the Tax Act; or

- b. on the assumption that the New Common Shares are then listed on a “designated stock exchange” for purposes of the Tax Act, at any time during the 60 month period ending at the particular time, (i) one or any combination of (a) the Non-Resident Holder, (b) persons with whom the Non-Resident Holder does not deal at arm’s length and (c) partnerships in which the Non-Resident Holder or a person described in (i)(b) holds a membership interest (directly or indirectly through one or more partnerships), owns 25% or more of the issued shares of any class or series of the Corporation, and (ii) more than 50% of the fair market value of the New Common Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, “Canadian resource property” (as defined in the Tax Act) or “timber resource property” (as defined in the Tax Act), or options in respect of, or interests in, or for civil law rights in, any of the foregoing, whether or not the property exists.

Non-Resident Holders who may hold New Common Shares as “taxable Canadian property” should consult with their own tax advisors with respect to the application of the Tax Act and related compliance rules.

#### **OTHER MATERIAL FACTS**

There are no other material facts in respect of the Resulting Issuer which are not disclosed elsewhere in this Filing Statement.

#### **BOARD APPROVAL**

The board of directors of the Corporation has approved the contents and the delivery of this Filing Statement as it relates to the Corporation but assumes no responsibility for the adequacy and accuracy of any information regarding the Target Company.

**APPENDIX A**

**FINANCIAL STATEMENTS OF REBEL CAPITAL INC.**

**REBEL CAPITAL INC.**

**FINANCIAL STATEMENTS**

**For the years ended December 31, 2018 and 2017**

## MANAGEMENT'S REPORT

The accompanying financial statements and related financial information are the responsibility of management, and have been prepared in accordance with International Financial Reporting Standards. They include certain amounts that are based on estimates and judgments relating to matters not concluded by year-end. Financial information presented elsewhere in this document is consistent with that contained in the financial statements.

In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies adopted by management. If alternate accounting methods exist, management has chosen those policies it deems the most appropriate in the circumstances. Management has established systems of accounting and internal control that provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and produce reliable accounting records for the preparation of financial information. Policies and procedures are maintained to support the accounting and internal control systems.

The independent external auditors, KPMG LLP, have conducted an examination of the financial statements on behalf of shareholders. The auditors have unrestricted access to the Corporation and the Audit Committee.

The Board of Directors, currently composed of three directors, carries out its responsibility for the financial statements principally through its Audit Committee, consisting of two members. This Committee reviews the financial statements with management and the auditors, as well as recommends to the Board of Directors the external auditors to be appointed by the shareholders at each annual meeting. The Audit Committee meets at least quarterly to review and approve interim financial statements prior to their release and recommend their approval to the Board of Directors.

The Board of Directors on the recommendation of the Audit Committee has approved the financial statements and information as presented.

*(signed)*

Mihalis Belantis  
Chief Executive Officer

April 26, 2019  
Calgary, Canada

*(signed)*

Chris Reid  
Chief Financial Officer



KPMG LLP  
205 5th Avenue SW  
Suite 3100  
Calgary AB T2P 4B9  
Tel (403) 691-8000  
Fax (403) 691-8008  
www.kpmg.ca

## INDEPENDENT AUDITORS' REPORT

### ***Opinion***

We have audited the financial statements of Rebel Capital Inc. (the "Entity"), which comprise:

- the statements of financial position as at December 31, 2018 and December 31, 2017
- the statements of loss and comprehensive loss for the years then ended
- the statements of changes in shareholders' equity for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies.

Hereinafter referred to as the "financial statements".

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Other Information***

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is



materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditors' report is Gregory Ronald Caldwell.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

April 26, 2019

**REBEL CAPITAL INC.**  
STATEMENTS OF FINANCIAL POSITION

<i>(Expressed in Canadian Dollars)</i>	<b>December 31, 2018</b>	December 31, 2017
<b>Assets</b>		
Current assets		
Cash	<b>194,719</b>	225,990
Accounts receivable	-	2,619
	<b>194,719</b>	228,609
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	<b>46,941</b>	9,901
<b>Shareholders' Equity</b>		
Share capital (Note 5)	<b>256,892</b>	256,892
Contributed surplus (Note 5)	<b>24,717</b>	20,885
Deficit	<b>(133,831)</b>	(59,069)
	<b>147,778</b>	218,708
	<b>194,719</b>	228,609

*See accompanying notes to the financial statements.*

**Approved by the Board of Directors:**

*(signed) "Mihalis Belantis"*  
**Director**

*(signed) "Chris Reid"*  
**Director**

# REBEL CAPITAL INC.

## STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended December 31

<i>(Expressed in Canadian Dollars)</i>	<b>2018</b>	2017
<b>Revenue:</b>		
Interest and other	<b>1,255</b>	-
<b>Expenses:</b>		
Professional fees	<b>56,978</b>	17,992
Transfer agent and filing fees	<b>14,698</b>	26,597
Bank fees	<b>509</b>	821
Administrative expenses	-	204
Stock-based compensation (Note 6)	<b>3,832</b>	10,342
	<b>76,017</b>	55,956
<b>Loss and comprehensive loss for the year</b>	<b>(74,762)</b>	(55,956)
Loss per share – basic and diluted (Note 5)	<b>(0.04)</b>	(0.17)
Weighted average number of common shares outstanding	<b>2,000,000</b>	334,247

*See accompanying notes to the financial statements.*

## REBEL CAPITAL INC.

### STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

*(Expressed in Canadian Dollars)*

	<b>Number of Common Shares</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total</b>
Balance at January 1, 2017	2,000,000	100,000	-	(3,113)	96,887
Share issuance, private placement	660,000	33,000			33,000
Initial public offering	2,000,000	200,000			200,000
Share issue costs on initial public offering		(76,108)	10,543		(65,565)
Share-based payments			10,342		10,342
Loss				(55,956)	(55,956)
Balance at December 31, 2017	4,660,000	256,892	20,885	(59,069)	218,708

	<b>Number of Common Shares</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total</b>
Balance at January 1, 2018	4,660,000	256,892	20,885	(59,069)	218,708
Share-based payments			3,832		3,832
Loss				(74,762)	(74,762)
Balance at December 31, 2018	4,660,000	256,892	24,717	(133,831)	147,778

*See accompanying notes to the financial statements.*

# REBEL CAPITAL INC.

## STATEMENTS OF CASH FLOWS

For the years ended December 31

*(Expressed in Canadian Dollars)*

**2018**

**2017**

### Cash flows related to the following activities:

#### Operating activities

Loss for the period	<b>(74,762)</b>	(55,956)
Adjustments for:		
Stock-based compensation	<b>3,832</b>	10,342
Change in non-cash working capital	<b>39,659</b>	4,459
	<b>(31,271)</b>	(41,155)

#### Financing activities

Issuance of common shares	-	233,000
Share issue costs	-	(64,065)
Change in non-cash working capital	-	92,500
	-	261,435

<b>Net cash (used in) from operating and financing activities</b>	<b>(31,271)</b>	220,280
Cash, beginning of year	<b>225,990</b>	5,710
<b>Cash, end of year</b>	<b>194,719</b>	225,990

*See accompanying notes to the financial statements.*

REBEL CAPITAL INC.  
Notes to the Financial Statements  
For the years ended December 31, 2018 and 2017

## **1. INCORPORATION**

Rebel Capital Inc. (the "Corporation") was incorporated under the laws of the Province of British Columbia on September 16, 2016. The Corporation completed in October 2017 its Initial Public Offering (the "Offering") on the TSX Venture Exchange ("Exchange") as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the Exchange. The principal business of the Corporation is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a Qualifying Transaction under the Exchange rules. The Corporation is required to complete a Qualifying Transaction on or before two (2) years from the date of listing of the Common Shares on the Exchange, being November 3, 2019. The address of the registered office is 2000, 250 Howe Street, Vancouver, BC.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon the ability of the Corporation to obtain additional financing.

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's shares from trading.

## **2. BASIS OF PREPARATION**

### **Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The financial statements were authorized for issue by the Board of Directors on April 26, 2019.

### **Basis of measurement**

These financial statements are stated in Canadian dollars and were prepared on a going concern basis, under the historical cost methodology.

### **Use of estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Given the early stage of the Corporation there were no significant estimates or judgments made by management in the preparation of these financial statements.

### **Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

REBEL CAPITAL INC.  
Notes to the Financial Statements  
For the years ended December 31, 2018 and 2017

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### **Financial instruments**

Effective January 1, 2018, the Corporation adopted IFRS 9, Financial Instruments and the following accounting policy was in place: Financial instruments are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are not offset unless the Corporation has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

The Corporation characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### ***Classification and Measurement of Financial Assets***

The initial classification of a financial asset depends upon the Corporation's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Corporation classified its financial assets:

- **Amortized Cost:** Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;
- **Fair Value through Other Comprehensive Income ("FVOCI"):** Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or
- **Fair Value Through Profit or Loss ("FVTPL"):** Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss. This includes all derivative financial instruments.

On initial recognition, the Corporation may irrevocably designate a financial asset that meets the amortized cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. On initial recognition of an equity investment that is not held-for-trading, the Corporation may irrevocably elect to present subsequent changes in the investment's fair value in OCI. There is no subsequent reclassification of fair value changes to earnings following the derecognition of the investment. However, dividends that reflect a return on investment continue to be recognized in net earnings. This election is made on an investment-by-investment basis.

At initial recognition, the Corporation measures a financial asset at its fair value and, in the case of a financial asset not at FVTPL, including transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded as an expense in net earnings.

Financial assets are reclassified subsequent to their initial recognition only if the business model for managing those financial assets changes. The affected financial assets will be reclassified on the first day of the first reporting period following the change in the business model. A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Corporation has transferred substantially all the risks and rewards of ownership.

REBEL CAPITAL INC.  
Notes to the Financial Statements  
For the years ended December 31, 2018 and 2017

***Impairment of Financial Assets***

The Corporation recognizes loss allowances for Expected Credit Losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Corporation measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Corporation expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Corporation does not have any financial assets that contain a financing component.

***Classification and Measurement of Financial Liabilities***

A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. The classification of a financial liability is irrevocable.

Financial liabilities at FVTPL are measured at fair value with changes in fair value, along with any interest expense, recognized in net earnings. Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in net earnings. Any gain or loss on derecognition is also recognized in net earnings.

A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in net earnings based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net earnings.

Prior to the adoption of IFRS 9, Financial Instruments on January 1, 2018 the following accounting policy was in place: The Corporation initially measures financial instruments at estimated fair value. The Corporation's loans and receivables, comprised of cash and accounts receivables, are included in current assets due to their short-term nature. Financial liabilities are categorized as "other financial liabilities" consisting of accounts payable and accrued liabilities.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The amortization is included in finance income in the consolidated statement of income. The losses arising from impairment are recognized in the consolidated statement of loss as a finance cost.

The Corporation's cash and cash equivalents, short-term investments, and accounts receivable are classified as loans and receivables.

***Cash and cash equivalents***

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less.

REBEL CAPITAL INC.  
Notes to the Financial Statements  
For the years ended December 31, 2018 and 2017

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

***Other financial liabilities***

Other financial liabilities are financial liabilities that are not quoted in an active market and with no intention of being traded. They are included in current liabilities, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current liabilities. Accounts payable are initially recognized at the amount required to be paid less any discount or rebates to reduce the payables to estimated fair value. Accounts payable are subsequently measured at amortized cost using the effective interest method. For accounts payable that have maturity dates of less than one year, the Corporation estimates their carrying value approximates their fair value due to their short-term nature.

**Deferred financing costs**

Financing costs related to the Corporation's proposed financing are recorded as deferred financing costs. These costs will be deferred until the financing is completed, at which time the costs will be charged against the proceeds received. If the financing does not close, the costs will be charged to operations.

**Share capital**

Proceeds from the issuance of common shares are classified as equity. Costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

**Share based payments**

The Corporation follows the fair-value method for valuing stock options and other dilutive instruments granted to employees and directors. Under this method, the compensation cost is measured at the grant date using the Black-Scholes option pricing model and expensed over the vesting period of the instrument granted as stock-based compensation expense with a corresponding increase to contributed surplus. The contributed surplus balance is reduced as stock options and other dilutive instruments are exercised with the amount previously recognized plus any consideration received credited to share capital. The Corporation has included an estimated forfeiture rate for stock options that will not vest, which is adjusted to reflect actual forfeitures upon final vesting of the award.

**Income Taxes**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

REBEL CAPITAL INC.  
Notes to the Financial Statements  
For the years ended December 31, 2018 and 2017

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **Impairment of financial assets**

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset. If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

#### **Earnings per share ("EPS")**

Basic EPS is calculated by dividing profit or loss attributable to owners of the Corporation (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. The denominator (number of units) is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted EPS. All options are considered anti-dilutive when the Corporation is in a loss position.

#### **4. ACCOUNTING STANDARDS ADOPTIONS AND PRONOUNCEMENTS**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning on or after January 1, 2018 or later periods.

##### **New standards adopted on January 1, 2018**

###### ***IFRS 9: Financial Instruments***

On January 1, 2018, the Corporation adopted IFRS 9 "Financial Instruments", which includes a principle-based approach for classification and measurement of financial assets and a forward-looking 'expected credit loss' model. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. The classification and measurement of financial instruments under IFRS 9 did not have a material impact on the Corporation's financial statements.

Impairment of financial assets under IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortized cost, and contract assets and debt investments at FVOCI. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The application of the expected credit loss model to financial assets classified as amortized cost did not result in a material adjustment on transition.

IFRS 9 was applied retrospectively in accordance with transition requirements with no impact to opening retained earnings or comparative periods. Cash continues to be measured at amortized cost and is now classified as

REBEL CAPITAL INC.  
Notes to the Financial Statements  
For the years ended December 31, 2018 and 2017

"amortized cost". The Corporation's financial liabilities previously classified as "other financial liabilities" being trade and other payables and accrued liabilities continue to be measured at amortized cost and are now classified as "amortized cost". The Corporation has not designated any financial instruments as FVOCI or FVTPL, nor does the Corporation use hedge accounting.

**IFRS 15: Revenue from Contracts with Customers**

The Corporation adopted IFRS 15 "Revenue from Contracts with Customers" effective January 1, 2018, which establishes a comprehensive framework for determining whether, how much, and when revenue from contracts with customers is recognized. The Corporation adopted IFRS 15 using the modified retrospective approach to contracts that were not completed at the date of initial application. Under this transitional provision, the cumulative effect of initially applying IFRS 15 is recognized on the date of initial application as an adjustment to retained earnings. Given that the Corporation has no revenue-generating operations to date, no adjustment to retained earnings was required upon adoption of IFRS 15.

**Future Accounting Pronouncements**

**IFRS 16: Leases**

On January 1, 2019, the Corporation will be required to adopt IFRS 16 "Leases" to replace the existing guidance of IAS 17 "Leases". The standard establishes principles and disclosures related to the amount, timing and uncertainty of cash flows arising from a lease. The Corporation does not expect any material impact from the adoption of this standard.

**5. SHARE CAPITAL**

**a) Authorized**

The Corporation has authorized an unlimited number of common shares to be issued.

**b) Issued**

	<b>Common shares</b>	<b>Amount</b>
<b>Balance, January 1, 2017</b>	2,000,000	\$ 100,000
Shares issuance, private placement	660,000	33,000
Initial public offering	2,000,000	200,000
Share issue costs	-	(76,108)
<b>Balance, December 31, 2017 and 2018</b>	<b>4,660,000</b>	<b>\$ 256,892</b>

In July 2017, the Corporation issued 660,000 common shares at a price of \$0.05 per common share for total consideration of \$33,000 pursuant to a non-brokered private placement. All 660,000 common shares were acquired by directors and officers of the Corporation.

In October 2017, the Corporation completed the Offering and issued 2,000,000 common shares at a price of \$0.10 per common share for total consideration of \$200,000. Pursuant to an agency agreement dated August 11, 2017 (the "Agency Agreement") between the Corporation and Leede Jones Gable Inc. (the "Agent"), the Agent received a cash commission of \$20,000, a corporate finance fee of \$10,000 and an amount equal to the Agent's reasonable expenses of \$8,549. Effective November 3, 2017, the date that the common shares were listed for trading on the Exchange, the Corporation issued to the Agent options to purchase 200,000 common shares at an exercise price of \$0.10, exercisable until November 3, 2019 (the "Agent's Option"). The Corporation incurred total share issue costs of \$76,108, consisting of cash transaction costs of \$65,565 directly related to the Offering and \$10,543 for share-based payments related to the Agent's Options (note 6b).

REBEL CAPITAL INC.  
Notes to the Financial Statements  
For the years ended December 31, 2018 and 2017

**c) Escrowed shares**

Pursuant to an escrow agreement dated August 29, 2017 (the “Escrow Agreement”) between the Corporation and certain shareholders of the Corporation, 2,660,000 common shares (the “Escrowed Shares”), being all of the issued and outstanding common shares prior to the completion of the Offering, were deposited in escrow. Pursuant to the Escrow Agreement, the Escrowed Shares shall be released pro-rata to the shareholders as to 10% upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These Escrowed Shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities. The Escrow Agreement provides that holders of escrowed common shares shall not sell, transfer, assign, mortgage, enter into a derivative transaction concerning or otherwise deal in any way with their escrowed shares.

**d) Loss per share**

The basic loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period. With the completion of the Offering, Escrowed Shares will be subject to the Escrow Agreement and may be cancelled in the event that the Corporation is unable to complete a Qualifying Transaction within the required time limits. Accordingly, these shares are accounted for as contingently returnable shares and excluded from the calculation of basic and diluted loss per share. For the year ended December 31, 2018 and 2017, the weighted average number of common shares outstanding for purposes of calculating basic and diluted loss per share were 334,247 and 2,000,000 common shares, respectively. For purposes of the loss per share calculations for the years ended December 31, 2018 and 2017, there is no difference between the basic loss per share and the diluted loss per share amounts as all instruments are anti-dilutive.

**6. SHARE-BASED PAYMENTS**

**a) Stock options**

On April 3, 2017, the Corporation adopted a stock option plan, pursuant to which the board of directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, and employees of and consultants to the Corporation, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares at the time of grant. However, for so long as the Corporation is a CPC under the policies of the Exchange, the aggregate number of common shares issuable upon exercise of all options granted under the stock option plan shall not exceed 10% of the common shares of the Corporation issued and outstanding at the closing of the Offering. Options granted under the option plan may be exercisable for periods of up to 10 years from the date of grant. For so long as the Corporation is a CPC, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% and to all technical consultants will not exceed 2% of the common shares of the Corporation issued and outstanding at the closing of the Offering. Options granted to the directors and officers of the Corporation while it is a CPC may be exercised during the greater of 12 months after the completion of the Qualifying Transaction and 90 days following cessation of the optionee’s position with the Corporation, provided that if the cessation of office, directorship, or technical consulting arrangement is by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Any common shares acquired pursuant to the exercise of options prior to the completion of the Qualifying Transaction must be deposited in escrow and will be subject to the requirements of the Exchange under a CPC escrow agreement, as described previously.

On April 10, 2017, the Corporation granted options to its directors and officers entitling the purchase of 200,000 common shares at a price of \$0.10 per common share. The options are for a five year term, expiring on April 10, 2022, and vest one-third on April 10, 2017, one-third on the first anniversary date and one-third on the second anniversary date from the date of grant. As at December 31, 2018 there are 200,000 options outstanding of which 133,333 have vested and are exercisable with a remaining life of 3.3 years.

REBEL CAPITAL INC.  
Notes to the Financial Statements  
For the years ended December 31, 2018 and 2017

Options granted were allocated an estimated fair value using the Black-Scholes option pricing model to estimate the fair value with the following weighted average assumptions:

Expected forfeiture rate	0%
Risk-free interest rate	0.92%
Expected dividend yield	0%
Expected stock price volatility	100%
Expected option life	5 years
Fair value of options granted	\$0.074

During the year ended December 31, 2018, the Corporation recognized \$3,832 (2017 - \$10,342) of share-based payments that were recorded as contributed surplus.

**b) Agent's Options**

The fair value of the Agent's Options is estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

Expected forfeiture rate	0%
Risk-free interest rate	1.39%
Expected dividend yield	0%
Expected stock price volatility	100%
Expected option life	2 years
Fair value of Agent's Options granted	\$0.052

The share-based payment amount of \$10,543 for Agent's Options was included within share issue costs in association with the Offering finalized in October 2017, with the offset being included as contributed surplus.

**7. INCOME TAXES**

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the loss before income taxes. A reconciliation of the expected income tax recovery to the actual income tax recovery for the years ended December 31, 2018 and 2017 is as follows:

	<b>2018</b>	<b>2017</b>
Net loss before income tax	\$ 74,762	\$ 55,956
Statutory tax rate	27%	26%
Expected income tax recovery at the statutory tax rate	20,186	14,549
Stock-based compensation	(1,035)	(2,689)
Increase in statutory tax rate	-	587
Deferred tax assets not recognized	(19,151)	(12,447)
Income tax recovery	\$ -	\$ -

The Corporation has deductible temporary differences of \$185,222 for which a deferred tax asset has not been recognized as it is not considered more likely than not as at December 31, 2018 (December 31, 2017 - \$114,292) that the benefits will be realized. This balance includes \$145,933 of non-capital losses expiring between 2036 and 2038.

REBEL CAPITAL INC.  
Notes to the Financial Statements  
For the years ended December 31, 2018 and 2017

## 8. RELATED PARTY TRANSACTIONS

### Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Key management personnel include the Corporation's executive officers and directors.

During the year ended December 31, 2017, 200,000 stock options were granted to directors and officers. A fair value of \$3,832 and \$10,342 were recorded as share-based compensation in December 31, 2018 and 2017, respectively.

Other than disclosed above, there was no other compensation paid to key management during the periods ended December 31, 2018 and 2017.

## 9. CAPITAL DISCLOSURES

The Corporation's capital consists of share capital. The Corporation's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Corporation sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Corporation's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and
- ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or business for future investment, with the exception that the lesser of 30% of the gross proceeds (being \$99,900) and \$210,000 may be used to cover prescribed costs of issuing the common shares and general administrative expenses of the Corporation. These restrictions apply until the completion of the Qualifying Transaction by the Corporation as defined under the policies of the Exchange.

## 10. FINANCIAL INSTRUMENTS

The Corporation, as part of its operations, carries financial instruments consisting of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

### Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. Certain of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The Corporation's fair value measurements are classified as one of the following levels of the fair value hierarchy:

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

REBEL CAPITAL INC.  
Notes to the Financial Statements  
For the years ended December 31, 2018 and 2017

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these items.

**Credit Risk**

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's cash and cash equivalents and accounts receivable. The carrying amount of cash and cash equivalents and accounts receivable represent the maximum credit exposure to the Corporation. The Corporation held cash in the bank of \$194,719 at December 31, 2018 (December 31, 2017 - \$225,990). The Corporation manages credit exposure related to cash and cash equivalents by selecting financial institution counterparties with high credit ratings. The accounts receivable balance of \$2,619 existing as of December 31, 2017 consisted entirely of Goods & Services Tax receivable, which was reimbursed by the Government of Canada subsequent to applicable filings and assessment.

**Liquidity Risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation has accounts payable and accrued liabilities of \$46,941 as at December 31, 2018 (December 31, 2017 - \$9,901) that are considered payable within the next year.

**Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Corporation does not have significant exposure to these risks.

**11. COMPARATIVE FIGURES**

Certain categories of expenses have been reclassified in the comparative period in order to provide improved disclosure and to conform to current period presentation within the statements of loss and comprehensive loss. \$45,614 of general and administrative expenses have been reclassified to \$17,992 of professional fees, \$26,597 of transfer agent and filing fees, \$821 of bank fees, and \$204 of administrative expenses.

**REBEL CAPITAL INC.**

**FINANCIAL STATEMENTS**

**For the years ended December 31, 2019 and 2018**

## MANAGEMENT'S REPORT

The accompanying financial statements and related financial information are the responsibility of management, and have been prepared in accordance with International Financial Reporting Standards. They include certain amounts that are based on estimates and judgments relating to matters not concluded by year-end. Financial information presented elsewhere in this document is consistent with that contained in the financial statements.

In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies adopted by management. If alternate accounting methods exist, management has chosen those policies it deems the most appropriate in the circumstances. Management has established systems of accounting and internal control that provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and produce reliable accounting records for the preparation of financial information. Policies and procedures are maintained to support the accounting and internal control systems.

The independent external auditors, KPMG LLP, have conducted an examination of the financial statements on behalf of shareholders. The auditors have unrestricted access to the Corporation and the Audit Committee.

The Board of Directors, currently composed of three directors, carries out its responsibility for the financial statements principally through its Audit Committee, consisting of two members. This Committee reviews the financial statements with management and the auditors, as well as recommends to the Board of Directors the external auditors to be appointed by the shareholders at each annual meeting. The Audit Committee meets at least quarterly to review and approve interim financial statements prior to their release and recommend their approval to the Board of Directors.

The Board of Directors on the recommendation of the Audit Committee has approved the financial statements and information as presented.

*(signed)*

Mihalis Belantis  
Chief Executive Officer

April 28, 2020  
Calgary, Canada

*(signed)*

Chris Reid  
Chief Financial Officer



KPMG LLP  
205 5th Avenue SW  
Suite 3100  
Calgary AB T2P 4B9  
Tel (403) 691-8000  
Fax (403) 691-8008  
www.kpmg.ca

## INDEPENDENT AUDITORS' REPORT

### ***Opinion***

We have audited the financial statements of Rebel Capital Inc. (the "Entity"), which comprise:

- the statements of financial position as at December 31, 2019 and December 31, 2018
- the statements of loss and comprehensive loss for the years then ended
- the statements of changes in shareholders' equity for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies.

Hereinafter referred to as the "financial statements".

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019 and December 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Material Uncertainty Related to Going Concern***

We draw attention to Note 2 in the financial statements, which indicates that, for the year ended December 31, 2019, the Entity incurred a net loss and used cash in operating activities, and has no assets capable of generating cash flows to fund future operations.

As stated in Note 2 in the financial statements, these events or conditions, along with other matters as set forth in Note 2 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.



### ***Other Information***

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditors' report is Gregory Ronald Caldwell.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada  
April 28, 2020

**REBEL CAPITAL INC.**  
STATEMENTS OF FINANCIAL POSITION

*(Expressed in Canadian Dollars)*

**December 31, 2019**

**December 31, 2018**

**Assets**

Current assets

Cash

141,559

194,719

141,559

194,719

**Liabilities**

Current liabilities

Accounts payable and accrued liabilities

24,828

46,941

**Shareholders' Equity**

Share capital (Note 6)

256,892

256,892

Contributed surplus (Note 7)

25,395

24,717

Deficit

(165,556)

(133,831)

116,731

147,778

141,559

194,719

*Going concern (Note 2)*

*Subsequent events (Note 12)*

*See accompanying notes to the financial statements.*

**Approved by the Board of Directors:**

*(signed) "Mihalis Belantis"*

**Director**

*(signed) "Chris Reid"*

**Director**

# REBEL CAPITAL INC.

## STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended December 31

<i>(Expressed in Canadian Dollars)</i>	<b>2019</b>	<b>2018</b>
<b>Revenue:</b>		
Interest and other	2,014	1,255
<b>Expenses:</b>		
Professional fees	23,827	56,978
Transfer agent and filing fees	9,160	14,698
Bank fees	74	509
Stock-based compensation (Note 7)	678	3,832
	<u>33,739</u>	<u>76,017</u>
<b>Loss and comprehensive loss for the year</b>	<b>(31,725)</b>	<b>(74,762)</b>
Loss per share – basic and diluted (Note 6)	(0.02)	(0.04)
Weighted average number of common shares outstanding	2,000,000	2,000,000

*See accompanying notes to the financial statements.*

## REBEL CAPITAL INC.

### STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

*(Expressed in Canadian Dollars)*

	<b>Number of Common Shares</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total</b>
Balance at January 1, 2018	4,660,000	256,892	20,885	(59,069)	218,708
Share-based payments			3,832		3,832
Loss				(74,762)	(74,762)
<b>Balance at December 31, 2018</b>	<b>4,660,000</b>	<b>256,892</b>	<b>24,717</b>	<b>(133,831)</b>	<b>147,778</b>

	<b>Number of Common Shares</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total</b>
Balance at January 1, 2019	4,660,000	256,892	24,717	(133,831)	147,778
Share-based payments			678		678
Loss				(31,725)	(31,725)
<b>Balance at December 31, 2019</b>	<b>4,660,000</b>	<b>256,892</b>	<b>25,395</b>	<b>(165,556)</b>	<b>116,731</b>

*See accompanying notes to the financial statements.*

**REBEL CAPITAL INC.**  
STATEMENTS OF CASH FLOWS  
For the years ended December 31

*(Expressed in Canadian Dollars)*

	<b>2019</b>	<b>2018</b>
<b>Cash flows related to the following activities:</b>		
<b>Operating activities</b>		
Loss for the year	(31,725)	(74,762)
Adjustments for:		
Stock-based compensation	678	3,832
Change in non-cash working capital	(22,113)	39,659
<b>Net change in cash</b>	<b>(53,160)</b>	<b>(31,271)</b>
Cash, beginning of year	194,719	225,990
<b>Cash, end of year</b>	<b>141,559</b>	<b>194,719</b>

*See accompanying notes to the financial statements.*

REBEL CAPITAL INC.  
Notes to the Financial Statements  
For the years ended December 31, 2019 and 2018

## 1. INCORPORATION

Rebel Capital Inc. (the "Corporation") was incorporated under the laws of the Province of British Columbia on September 16, 2016. The Corporation completed in October 2017 its Initial Public Offering (the "Offering") on the TSX Venture Exchange ("Exchange") as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the Exchange. The principal business of the Corporation is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a Qualifying Transaction under the Exchange rules. The Corporation was required to complete a Qualifying Transaction on or before two (2) years from the date of listing of the Common Shares on the Exchange, being November 3, 2019, which did not occur. The address of the registered office is 2000, 250 Howe Street, Vancouver, BC.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon the ability of the Corporation to obtain additional financing.

As of the date of these financial statements, the Corporation has not completed a Qualifying Transaction within the time limitations permissible under the policies of the Exchange. On November 5, 2019, the Exchange formally advised that trading in the shares of the Corporation would be suspended which occurred on November 7, 2019 and remains in effect until further notice. The Corporation has identified and is currently working through the process of completing a Qualifying Transaction by way of a definitive business combination agreement with Electric Royalties Inc. (see Note 12). There is no certainty that this potential Qualifying Transaction will be completed or accepted by the Exchange. Furthermore, as of the date of these financial statements, the cumulative general administrative expenses of the Corporation are in excess of allowable general administrative expenses based on the restrictions mentioned in Note 10, which may cause the Exchange to deny the Qualifying Transaction.

## 2. GOING CONCERN

These financial statements have been prepared on a going concern basis, which assumes that the Corporation will be able to discharge its obligations and realize its assets in the normal course of operations for the foreseeable future. During the year ended December 31, 2019, the Corporation incurred a loss from operations of \$31,725 and used \$53,160 of cash flows in its operating activities, and has no assets capable of generating cash flows to fund future operations. As at December 31, 2019, the Corporation has working capital of \$116,731.

As the Corporation has no assets capable of generating net positive cash flow, it will continue for the foreseeable future to rely upon its remaining financial resources to fund ongoing costs and to complete a potential Qualifying Transaction. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Corporation's ability to continue as a going concern. There is no certainty that the Corporation will be successful in raising the capital required to successfully complete a Qualifying Transaction and finance future operations.

Management believes that the going concern assumption is appropriate for these financial statements and that the Corporation will be able to meet its obligations as they come due. However, there is no certainty as to the timing and likelihood of realizing a Qualifying Transaction that may provide additional financial resources to the Corporation. Should the going concern assumption not be appropriate and the Corporation is not able to realize its assets and discharge its obligations in the normal course of operations, these financial statements would require adjustments to the amounts and classifications of assets and liabilities. These adjustments could be material.

REBEL CAPITAL INC.  
Notes to the Financial Statements  
For the years ended December 31, 2019 and 2018

### **3. BASIS OF PREPARATION**

#### **Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The financial statements were authorized for issue by the Board of Directors on April 28, 2020.

#### **Basis of measurement**

These financial statements are stated in Canadian dollars and were prepared on a going concern basis, under the historical cost methodology.

#### **Use of estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Given the early stage of the Corporation there were no significant estimates or judgments made by management in the preparation of these financial statements.

#### **Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### **Financial instruments**

Non-derivative financial instruments consist primarily of cash and accounts payable and accrued liabilities. Non-derivative financial instruments are recognized when the Corporation becomes party to the contractual provisions of the instrument, initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are classified at amortized cost and are measured using the effective interest method. Financial assets and liabilities are not offset unless the Corporation has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously.

Cash consists of cash on hand, deposits and term deposits held with banks or other financial institutions with an original maturity of three months or less.

#### **Impairment of Financial Assets**

The Corporation recognizes loss allowances for Expected Credit Losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Corporation measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in

REBEL CAPITAL INC.  
Notes to the Financial Statements  
For the years ended December 31, 2019 and 2018

accordance with the contract and the cash flows that the Corporation expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Corporation does not have any financial assets that contain a financing component.

**Deferred financing costs**

Financing costs related to the Corporation's proposed financing are recorded as deferred financing costs. These costs will be deferred until the financing is completed, at which time the costs will be charged against the proceeds received. If the financing does not close, the costs will be charged to operations.

**Share capital**

Proceeds from the issuance of common shares are classified as equity. Costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

**Share-based payments**

The Corporation follows the fair-value method for valuing stock options and other dilutive instruments granted to employees and directors. Under this method, the compensation cost is measured at the grant date using the Black-Scholes option pricing model and expensed over the vesting period of the instrument granted as stock-based compensation expense with a corresponding increase to contributed surplus. The contributed surplus balance is reduced as stock options and other dilutive instruments are exercised with the amount previously recognized plus any consideration received credited to share capital. The Corporation has included an estimated forfeiture rate for stock options that will not vest, which is adjusted to reflect actual forfeitures upon final vesting of the award.

**Income Taxes**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**Earnings per share ("EPS")**

Basic EPS is calculated by dividing profit or loss attributable to owners of the Corporation (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. The denominator

REBEL CAPITAL INC.  
Notes to the Financial Statements  
For the years ended December 31, 2019 and 2018

(number of units) is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted EPS. All options are considered anti-dilutive when the Corporation is in a loss position.

## 5. ACCOUNTING STANDARDS ADOPTIONS AND PRONOUNCEMENTS

### IFRS 16: Leases

On January 1, 2019, the Corporation adopted IFRS 16 “Leases” to replace the existing guidance of IAS 17 “Leases”. The standard establishes principles and disclosures related to the amount, timing and uncertainty of cash flows arising from a lease. Given that the Corporation has no leases, no adjustments were required from the adoption of this standard.

## 6. SHARE CAPITAL

### a) Authorized

The Corporation has authorized an unlimited number of common shares to be issued.

### b) Issued

As of December 31, 2019, the Corporation had 4,660,000 common shares (December 31, 2018 - 4,660,000) issued and outstanding with a share capital balance of \$256,892 (December 31, 2018 - \$256,892). The common shares consist of 2,660,000 common shares issued to Directors and Officers of the Corporation at a price of \$0.05 per share (\$133,000) and 2,000,000 common shares issued pursuant to an initial public offering at a price of \$0.10 per share (\$200,000). Share issue costs of \$76,108 are included in share capital.

### c) Escrowed shares

Pursuant to an escrow agreement dated August 29, 2017 (the “Escrow Agreement”) between the Corporation and certain shareholders of the Corporation, 2,660,000 common shares (the “Escrowed Shares”) were deposited in escrow. Pursuant to the Escrow Agreement, the Escrowed Shares shall be released pro-rata to the shareholders as to 10% upon issuance of notice of final acceptance of a Qualifying Transaction by the Exchange and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These Escrowed Shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities. The Escrow Agreement provides that holders of escrowed common shares shall not sell, transfer, assign, mortgage, enter into a derivative transaction concerning or otherwise deal in any way with their escrowed shares.

### d) Loss per share

The basic loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period. The Escrowed Shares will be subject to the Escrow Agreement and may be cancelled in the event that the Corporation is unable to complete a Qualifying Transaction within the required time limits. Accordingly, these shares are accounted for as contingently returnable shares and excluded from the calculation of basic and diluted loss per share. For the year ended December 31, 2019, the weighted average number of common shares outstanding for purposes of calculating basic and diluted loss per share is 2,000,000 common shares (2,000,000 - December 31, 2018). For purposes of the loss per share calculations for the years ended December 31, 2019 and 2018, there is no difference between the basic loss per share and the diluted loss per share amounts as all instruments are anti-dilutive.

REBEL CAPITAL INC.  
Notes to the Financial Statements  
For the years ended December 31, 2019 and 2018

## **7. SHARE-BASED PAYMENTS**

### **a) Stock options**

On April 3, 2017, the Corporation adopted a stock option plan, pursuant to which the board of directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, and employees of and consultants to the Corporation, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares at the time of grant. However, for so long as the Corporation is a CPC under the policies of the Exchange, the aggregate number of common shares issuable upon exercise of all options granted under the stock option plan shall not exceed 10% of the common shares of the Corporation issued and outstanding at the closing of the initial public offering. Options granted under the option plan may be exercisable for periods of up to 10 years from the date of grant. For so long as the Corporation is a CPC, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% and to all technical consultants will not exceed 2% of the common shares of the Corporation issued and outstanding at the closing of the initial public offering. Options granted to the directors and officers of the Corporation while it is a CPC may be exercised during the greater of 12 months after the completion of the Qualifying Transaction and 90 days following cessation of the optionee's position with the Corporation, provided that if the cessation of office, directorship, or technical consulting arrangement is by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Any common shares acquired pursuant to the exercise of options prior to the completion of the Qualifying Transaction must be deposited in escrow and will be subject to the requirements of the Exchange under a CPC escrow agreement, as described previously.

On April 10, 2017, the Corporation granted options to its directors and officers entitling the purchase of 200,000 common shares at a price of \$0.10 per common share. The options are for a five year term, expiring on April 10, 2022, and vest one-third on April 10, 2017, one-third on the first anniversary date and one-third on the second anniversary date from the date of grant. As at December 31, 2019 there are 200,000 options outstanding and exercisable with a remaining life of 2.3 years.

During the year ended December 31, 2019, the Corporation recognized \$678 (2018 - \$3,832) of share-based payments that were recorded as contributed surplus.

### **b) Agent Options**

The Corporation issued the Agent Options to purchase 200,000 common shares at an exercise price of \$0.10 as part of the initial public equity offering. The Agent Options were exercisable for a period of two years and expired on November 3, 2019.

The share-based payment amount of \$10,543 for Agent's Options was included within share issue costs with the offset being included as contributed surplus.

## **8. INCOME TAXES**

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the loss before income taxes. A reconciliation of the expected income tax recovery to the actual income tax recovery for the years ended December 31, 2019 and 2018 is as follows:

REBEL CAPITAL INC.  
Notes to the Financial Statements  
For the years ended December 31, 2019 and 2018

	<b>2019</b>	<b>2018</b>
Net loss before income tax	\$ 31,725	\$ 74,762
Statutory tax rate	27%	27%
Expected income tax recovery at the statutory tax rate	8,566	20,186
Stock-based compensation	(183)	(1,035)
Deferred tax assets not recognized	(8,383)	(19,151)
Income tax recovery	\$ -	\$ -

The Corporation has deductible temporary differences of \$216,269 for which a deferred tax asset has not been recognized as it is not considered more likely than not as at December 31, 2019 (December 31, 2018 - \$185,222) that the benefits will be realized. This balance includes \$190,093 of non-capital losses expiring between 2036 and 2039.

## 9. RELATED PARTY TRANSACTIONS

### Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. Key management personnel include the Corporation's executive officers and directors.

Other than stock options disclosed above, there was no other compensation paid to key management during the years ended December 31, 2019 and 2018.

## 10. CAPITAL DISCLOSURES

The Corporation's capital consists of share capital. The Corporation's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Corporation sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Corporation's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and
- ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or business for future investment, with the exception that the lesser of 30% of the gross proceeds (being \$99,900) and \$210,000 may be used to cover prescribed costs of issuing the common shares and general administrative expenses of the Corporation. These restrictions apply until the completion of the Qualifying Transaction by the Corporation as defined under the policies of the Exchange.

Expenditures as presented herein exceed the scope of the allowable general administrative expenses based on the aforementioned restrictions. As part of the Qualifying Transaction application to be submitted in connection with the definitive business combination agreement with Electric Royalties Ltd. (see Note 12), the Corporation will submit a waiver application to the Exchange in regard to this matter of non-compliance. The Exchange will review the details of this waiver application in conjunction with its overall consideration of the Qualifying Transaction application. At their discretion, the Exchange may determine that the waiver application is denied and, consequentially, may deny the entire Qualifying Transaction submission.

REBEL CAPITAL INC.  
Notes to the Financial Statements  
For the years ended December 31, 2019 and 2018

## **11. FINANCIAL INSTRUMENTS**

The Corporation, as part of its operations, carries financial instruments consisting of cash and accounts payable and accrued liabilities. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

### **Fair value**

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. Certain of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The Corporation's fair value measurements are classified as one of the following levels of the fair value hierarchy:

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash and accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these items.

### **Credit Risk**

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's cash. The carrying amount of cash represents the maximum credit exposure to the Corporation. The Corporation held cash in the bank of \$141,559 at December 31, 2019 (December 31, 2018 - \$194,719). The Corporation manages credit exposure related to cash by selecting financial institution counterparties with high credit ratings.

### **Liquidity Risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation has accounts payable and accrued liabilities of \$24,828 as at December 31, 2019 (December 31, 2018 - \$46,941) that are considered payable within the next year.

### **Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Corporation does not have significant exposure to these risks.

## **12. SUBSEQUENT EVENTS**

### **Proposed Qualifying Transaction**

On January 28, 2020, the Corporation entered into a definitive business combination agreement with Electric Royalties Ltd. ("Electric Royalties") pursuant to which the Corporation will acquire all of the issued and outstanding

REBEL CAPITAL INC.  
Notes to the Financial Statements  
For the years ended December 31, 2019 and 2018

shares in the capital of Electric Royalties (the “Transaction”). On April 22, 2020, certain terms of the definitive agreement were amended. The completion of the Transaction is subject to the following:

- 1) The approval of the Corporation’s shareholders of a 2:1 consolidation of the Corporation’s common shares.
- 2) The completion of a private placement by the Corporation and/or Electric Royalties of a minimum of 20,000,000 subscription receipts at a price of \$0.25 per subscription receipt for aggregate gross proceeds of a combined minimum of \$3,500,000. Upon completion of the Transaction, each subscription receipt will be automatically converted into one post-consolidation share. In the event that the Transaction is not completed, the subscription receipts will be cancelled and the subscription price paid will be returned to the subscribers. If the Transaction is not completed because either of the parties elects not to proceed forward and/or breaches the definitive agreement, that party will be responsible for paying the other parties reasonable out-of-pocket expenses in connection with the Transaction up to a maximum of \$70,000.
- 3) The approval of the Exchange of the Corporations submission of this transaction as a Qualifying Transaction.

As described in Note 1, the Corporation has not completed a Qualifying Transaction within the time limitations specified under the policies of the Exchange. Furthermore, as of the date of these financial statements, the cumulative general administrative expenses of the Corporation are in excess of allowable general administrative expenses based on the aforementioned restrictions (see Note 10). As part of the submission process to the Exchange for approval of the Transaction as a “Qualifying Transaction” under the Exchange rules, each of the facts and circumstances of the Corporation as previously described herein will be taken into consideration by the Exchange in the context of the overall decision to either approve or deny the Corporation’s submission. In the event that the Exchange denies the Corporation’s Qualifying Transaction submission, the Corporation’s shares may be de-listed from the Exchange. Under this scenario, the shareholders may apply for listing on NEX stock exchange (“NEX”) rather than be de-listed upon obtaining majority shareholder approval (exclusive of the votes of the Escrowed Shares). In order to be eligible to list on NEX, the Corporation must either 1) cancel all the Escrowed Shares or 2) subject to majority shareholder approval (exclusive of the votes of the Escrowed Shares), cancel an amount of the Escrowed Shares so that the average cost of the remaining Escrowed Shares is at least equal to the initial purchase offer price. This would equate to the cancellation of 1,330,000 (50%) of the Escrowed Shares. If the option of applying for listing on the NEX is not pursued, then within 90 days of the de-listing the Corporation will be required under Policy 2.4 of the Exchange to wind-up and liquidate its assets, and distribute its remaining assets on a pro rata basis to its shareholders.

As of the date of these financial statements, trading in the shares of the Corporation on the Exchange remains suspended until further notice by the Exchange.

**COVID-19 Pandemic**

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may, in general, cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Corporation’s business and financial condition.

**REBEL CAPITAL INC.**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
(UNAUDITED)**

**MARCH 31, 2020**

# REBEL CAPITAL INC.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*(Unaudited, expressed in Canadian Dollars)*

March 31, 2020

December 31, 2019

### Assets

#### Current assets

Cash	138,206	141,559
Restricted cash (Note 5)	162,466	-
	300,672	141,559

### Liabilities

#### Current liabilities

Accounts payable and accrued liabilities	54,722	24,828
Subscriptions payable (Note 5)	162,466	-
	217,188	24,828

### Shareholders' Equity

Share capital (Note 6)	256,892	256,892
Contributed surplus (Note 7)	25,395	25,395
Deficit	(198,803)	(165,556)
	83,484	116,731
	300,672	141,559

*Going concern (Note 2)*

*See accompanying notes to the interim condensed consolidated financial statements.*

## REBEL CAPITAL INC.

### INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the three months ended March 31

<i>(Unaudited, expressed in Canadian Dollars)</i>	2020	2019
Revenue:		
Interest and other	592	587
Expenses:		
Professional fees	27,436	1,786
Transfer agent and filing fees	6,364	6,448
Bank fees	39	33
Stock-based compensation	-	610
	33,839	8,877
Loss and comprehensive loss for the year	(33,247)	(8,290)
Loss per share – basic and diluted (Note 6)	(0.02)	(0.00)
Weighted average number of common shares outstanding	2,000,000	2,000,000

*See accompanying notes to the interim condensed consolidated financial statements.*

## REBEL CAPITAL INC.

### INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

*(Unaudited, expressed in Canadian Dollars)*

	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance at January 1, 2019	4,660,000	256,892	24,717	(133,831)	147,778
Share-based payments			610		610
Loss				(8,290)	(8,290)
<b>Balance at March 31, 2019</b>	<b>4,660,000</b>	<b>256,892</b>	<b>25,327</b>	<b>(142,121)</b>	<b>140,098</b>

	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance at January 1, 2020	4,660,000	256,892	25,395	(165,556)	116,731
Loss				(33,247)	(33,247)
<b>Balance at March 31, 2020</b>	<b>4,660,000</b>	<b>256,892</b>	<b>25,395</b>	<b>(198,803)</b>	<b>83,484</b>

*See accompanying notes to the interim condensed consolidated financial statements.*

## REBEL CAPITAL INC.

### INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31

<i>(Unaudited, expressed in Canadian Dollars)</i>	2020	2019
<b>Cash flows related to the following activities:</b>		
<b>Operating activities</b>		
Loss for the period	(33,247)	(8,290)
Adjustments for:		
Stock-based compensation	-	610
Change in non-cash working capital	29,894	8,234
	<u>(3,353)</u>	<u>554</u>
<b>Financing activities</b>		
Subscription receipts received	162,466	-
Change in restricted cash	(162,466)	-
	<u>-</u>	<u>-</u>
<b>Net change in cash</b>	<b>(3,353)</b>	<b>554</b>
Cash, beginning of period	141,559	194,719
<b>Cash, end of period</b>	<b>138,206</b>	<b>195,273</b>

*See accompanying notes to the interim condensed consolidated financial statements.*

REBEL CAPITAL INC.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the three months ended March 31, 2020 (unaudited)

## 1. INCORPORATION

Rebel Capital Inc. (the "Corporation") was incorporated under the laws of the Province of British Columbia on September 16, 2016. The Corporation completed in October 2017 its Initial Public Offering (the "Offering") on the TSX Venture Exchange (the "Exchange") as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the Exchange. The principal business of the Corporation is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a Qualifying Transaction under the Exchange rules. The Corporation was required to complete a Qualifying Transaction on or before two (2) years from the date of listing of the Common Shares on the Exchange, being November 3, 2019, which did not occur. The address of the registered office is 2000, 250 Howe Street, Vancouver, BC.

Where an acquisition or participation is being considered, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon the ability of the Corporation to obtain additional financing.

As of the date of these interim condensed consolidated financial statements, the Corporation has not completed a Qualifying Transaction within the time limitations permissible under the policies of the Exchange. On November 5, 2019, the Exchange formally advised that trading in the shares of the Corporation would be suspended which occurred on November 7, 2019 and remains in effect until further notice. The Corporation has identified and is currently working through the process of completing a Qualifying Transaction by way of a definitive business combination agreement with Electric Royalties Inc. (see Note 4). There is no certainty that this potential Qualifying Transaction will be completed or accepted by the Exchange. Furthermore, as of the date of these interim condensed consolidated financial statements, the cumulative general administrative expenses of the Corporation are in excess of allowable general administrative expenses based on the restrictions mentioned in Note 8, which may cause the Exchange to deny the Qualifying Transaction.

These interim condensed consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, 1238383 BC Ltd., incorporated on January 24, 2020 under the laws of the Province of British Columbia. All inter-company transactions and balances have been eliminated.

## 2. GOING CONCERN

These interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Corporation will be able to discharge its obligations and realize its assets in the normal course of operations for the foreseeable future. During the three months ended March 31, 2020, the Corporation incurred a loss from operations of \$33,247 and used \$3,353 of cash flows in its operating activities, and has no assets capable of generating cash flows to fund future operations. As at March 31, 2020, the Corporation has working capital of \$83,484.

As the Corporation has no assets capable of generating net positive cash flow, it will continue for the foreseeable future to rely upon its remaining financial resources to fund ongoing costs and to complete a potential Qualifying Transaction. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Corporation's ability to continue as a going concern. There is no certainty that the Corporation will be successful in identifying and raising the capital required to successfully complete a Qualifying Transaction and finance future operations.

Further, in March 2020, the global outbreak of COVID-19 (coronavirus) was declared a pandemic by the World Health Organization. Governments worldwide, including those in Canada, have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic downturn. Governments and central banks have reacted with significant monetary and fiscal interventions designed

REBEL CAPITAL INC.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the three months ended March 31, 2020 (unaudited)

to stabilize economic conditions; however, the success of these interventions is not currently determinable. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. The scale and duration of these developments remain uncertain but could impact the Corporation's operations, cash flows and financial condition or the timing for the completion of a Qualifying Transaction.

Management believes that the going concern assumption is appropriate for these interim condensed consolidated financial statements and that the Corporation will be able to meet its obligations as they come due. However, there is no certainty as to the timing and likelihood of realizing a Qualifying Transaction that may provide additional financial resources to the Corporation. Should the going concern assumption not be appropriate and the Corporation is not able to realize its assets and discharge its obligations in the normal course of operations, these interim condensed consolidated financial statements would require adjustments to the amounts and classifications of assets and liabilities. These adjustments could be material.

### **3. BASIS OF PREPARATION**

#### **Statement of compliance**

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" under International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These interim condensed consolidated financial statements follow the same accounting policies and method of computation as the Corporation's audited financial statements for the year ended December 31, 2019 (the "Audited Financial Statements"), with the exception of certain disclosures that are normally required to be included in audited financial statements which have been condensed or omitted. These interim condensed consolidated financial statements should be read in conjunction with the Corporation's Audited Financial Statements.

These unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 29, 2020.

#### **Basis of measurement**

These unaudited interim condensed financial statements have been prepared on a going concern basis, under the historical cost methodology and are stated in Canadian dollars.

#### **Use of estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Given the early stage of the Corporation there have been no significant estimates or judgments made by management in the preparation of these interim condensed consolidated financial statements.

REBEL CAPITAL INC.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the three months ended March 31, 2020 (unaudited)

#### 4. PROPOSED QUALIFYING TRANSACTION

On January 28, 2020, the Corporation entered into a definitive business combination agreement with Electric Royalties Ltd. (“Electric Royalties”) pursuant to which the Corporation will acquire all of the issued and outstanding shares in the capital of Electric Royalties (the “Transaction”). On April 22, 2020, certain terms of the definitive agreement were amended (see Note 10). The completion of the Transaction is subject to the following:

- 1) The approval of the Corporation’s shareholders of a 2:1 consolidation of the Corporation’s common shares.
- 2) The completion of a private placement by the Corporation and/or Electric Royalties of a minimum of 20,000,000 subscription receipts at a price of \$0.25 per subscription receipt for aggregate gross proceeds of a combined minimum of \$3,500,000 (as amended). Upon completion of the Transaction, each subscription receipt will be automatically converted into one post-consolidation share. In the event that the Transaction is not completed, the subscription receipts will be cancelled and the subscription price paid will be returned to the subscribers (see note 5). If the Transaction is not completed because either of the parties elects not to proceed forward and/or breaches the definitive agreement, that party will be responsible for paying the other parties reasonable out-of-pocket expenses in connection with the Transaction up to a maximum of \$70,000.
- 3) The approval of the Exchange of the Corporation’s submission of this transaction as a Qualifying Transaction.

As described in Note 1, the Corporation has not completed a Qualifying Transaction within the time limitations specified under the policies of the Exchange. Furthermore, as of the date of these financial statements, the cumulative general administrative expenses of the Corporation are in excess of allowable general administrative expenses based on the aforementioned restrictions (see Note 8). As part of the submission process to the Exchange for approval of the Transaction as a “Qualifying Transaction” under the Exchange rules, each of the facts and circumstances of the Corporation as described herein will be taken into consideration by the Exchange in the context of the overall decision to either approve or deny the Corporation’s submission. In the event that the Exchange denies the Corporation’s Qualifying Transaction submission, the Corporation’s shares may be de-listed from the Exchange. Under this scenario, the shareholders may apply for listing on NEX stock exchange (“NEX”) rather than be de-listed upon obtaining majority shareholder approval (exclusive of the votes of the Escrowed Shares as described in Note 6). In order to be eligible to list on NEX, the Corporation must either 1) cancel all the Escrowed Shares or 2) subject to majority shareholder approval (exclusive of the votes of the Escrowed Shares), cancel an amount of the Escrowed Shares so that the average cost of the remaining Escrowed Shares is at least equal to the initial purchase offer price. This would equate to the cancellation of 1,330,000 (50%) of the Escrowed Shares. If the option of applying for listing on the NEX is not pursued, then within 90 days of the de-listing the Corporation will be required under Policy 2.4 of the Exchange to wind-up and liquidate its assets, and distribute its remaining assets on a pro rata basis to its shareholders.

As of the date of these financial statements, trading in the shares of the Corporation on the Exchange remains suspended until further notice by the Exchange.

#### 5. SUBSCRIPTION RECEIPTS & RESTRICTED CASH

##### Subscriptions payable

As of March 31, 2020, the Corporation has received \$162,466 for subscription receipts pursuant to the private placement at a price of \$0.25 per subscription receipt as part of the Transaction outlined in Note 4. As mentioned above, each subscription receipt will be automatically converted into one post-consolidation share of the Corporation upon completion of the Transaction. The subscription agreement for the subscription receipts specifies that the closing of the underlying subscriptions is conditional upon the closing of the Transaction. In the event the

REBEL CAPITAL INC.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the three months ended March 31, 2020 (unaudited)

Transaction is not completed, the subscription receipts will be cancelled and the subscription price paid will be returned to the subscribers and as a result, the proceeds received for \$162,466 have been recorded as a subscriptions payable on the interim condensed consolidated statement of financial position.

**Restricted cash**

As of March 31, 2020, the \$162,466 received for subscription receipts was held in trust in accordance with the terms of the subscription agreement. This cash balance is presented as restricted on the interim condensed consolidated statement of financial position given management does not have authority to access these underlying balances held in trust until such time that the Transaction closes.

**6. SHARE CAPITAL**

**a) Authorized**

The Corporation has authorized an unlimited number of common shares to be issued.

**b) Issued**

As of March 31, 2020, the Corporation had 4,660,000 common shares (December 31, 2019 - 4,660,000) issued and outstanding with a share capital balance of \$256,892 (December 31, 2019 - \$256,892). The common shares consist of 2,660,000 common shares issued to Directors and Officers of the Corporation at a price of \$0.05 per share (\$133,000) and 2,000,000 common shares issued pursuant to an initial public offering at a price of \$0.10 per share (\$200,000). Share issue costs of \$76,108 are included in share capital.

**c) Escrowed shares**

Pursuant to an escrow agreement dated August 29, 2017 (the "Escrow Agreement") between the Corporation and certain shareholders of the Corporation, 2,660,000 common shares (the "Escrowed Shares") were deposited in escrow. Pursuant to the Escrow Agreement, the Escrowed Shares shall be released pro-rata to the shareholders as to 10% upon issuance of notice of final acceptance of a Qualifying Transaction by the Exchange and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These Escrowed Shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities. The Escrow Agreement provides that holders of escrowed common shares shall not sell, transfer, assign, mortgage, enter into a derivative transaction concerning or otherwise deal in any way with their escrowed shares.

**d) Loss per share**

The basic loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period. The Escrowed Shares will be subject to the Escrow Agreement and may be cancelled in the event that the Corporation is unable to complete a Qualifying Transaction within the required time limits. Accordingly, these shares are accounted for as contingently returnable shares and excluded from the calculation of basic and diluted loss per share. For the three months ended March 31, 2020, the weighted average number of common shares outstanding for purposes of calculating basic and diluted loss per share is 2,000,000 common shares (2,000,000 – March 31, 2019). For purposes of the loss per share calculations for the three months ended March 31, 2020 and 2019, there is no difference between the basic loss per share and the diluted loss per share amounts as all instruments are anti-dilutive.

REBEL CAPITAL INC.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the three months ended March 31, 2020 (unaudited)

## **7. SHARE-BASED PAYMENTS**

### **a) Stock options**

On April 3, 2017, the Corporation adopted a stock option plan, pursuant to which the board of directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, and employees of and consultants to the Corporation, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares at the time of grant. However, for so long as the Corporation is a CPC under the policies of the Exchange, the aggregate number of common shares issuable upon exercise of all options granted under the stock option plan shall not exceed 10% of the common shares of the Corporation issued and outstanding at the closing of the initial public offering. Options granted under the option plan may be exercisable for periods of up to 10 years from the date of grant. For so long as the Corporation is a CPC, the number of common shares reserved for issuance to any individual director or officer will not exceed 5% and to all technical consultants will not exceed 2% of the common shares of the Corporation issued and outstanding at the closing of the initial public offering. Options granted to the directors and officers of the Corporation while it is a CPC may be exercised during the greater of 12 months after the completion of the Qualifying Transaction and 90 days following cessation of the optionee's position with the Corporation, provided that if the cessation of office, directorship, or technical consulting arrangement is by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Any common shares acquired pursuant to the exercise of options prior to the completion of the Qualifying Transaction must be deposited in escrow and will be subject to the requirements of the Exchange under a CPC escrow agreement, as described previously.

On April 10, 2017, the Corporation granted options to its directors and officers entitling the purchase of 200,000 common shares at a price of \$0.10 per common share. The options are for a five year term, expiring on April 10, 2022, and vest one-third on April 10, 2017, one-third on the first anniversary date and one-third on the second anniversary date from the date of grant. As at March 31, 2020 there are 200,000 options outstanding and exercisable with a remaining life of 2.0 years.

During the three months ended March 31, 2020, the Corporation recognized \$nil (2019 - \$610) of share-based payments.

### **b) Agent Options**

The Corporation issued the Agent Options to purchase 200,000 common shares at an exercise price of \$0.10 as part of the initial public equity offering. The Agent Options were exercisable for a period of two years and expired on November 3, 2019.

The share-based payment amount of \$10,543 for Agent's Options was included within share issue costs with the offset being included as contributed surplus.

## **8. CAPITAL DISCLOSURES**

The Corporation's capital consists of share capital. The Corporation's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Corporation sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Corporation's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and

REBEL CAPITAL INC.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the three months ended March 31, 2020 (unaudited)

- ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or business for future investment, with the exception that the lesser of 30% of the gross proceeds (being \$99,900) and \$210,000 may be used to cover prescribed costs of issuing the common shares and general administrative expenses of the Corporation. These restrictions apply until the completion of the Qualifying Transaction by the Corporation as defined under the policies of the Exchange.

Expenditures as presented herein exceed the scope of the allowable general administrative expenses based on the aforementioned restrictions. As part of the Qualifying Transaction application to be submitted in connection with the definitive business combination agreement with Electric Royalties (see Note 4), the Corporation will submit a waiver application to the Exchange in regard to this matter of non-compliance. The Exchange will review the details of this waiver application in conjunction with its overall consideration of the Qualifying Transaction application. At their discretion, the Exchange may determine that the waiver application is denied and, consequentially, may deny the entire Qualifying Transaction submission.

## 9. FINANCIAL INSTRUMENTS

The Corporation, as part of its operations, carries financial instruments consisting of cash, restricted cash, accounts payable and accrued liabilities, and subscriptions payable. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

### Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. Certain of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The Corporation's fair value measurements are classified as one of the following levels of the fair value hierarchy:

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash, restricted cash, and accounts payable and accrued liabilities and subscriptions payable approximates their fair value due to the short-term maturities of these items.

### Credit Risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's cash and restricted cash. The carrying amount of cash and restricted cash represents the maximum credit exposure to the Corporation. The Corporation held cash in the bank of \$138,206 at March 31, 2020 (December 31, 2019 - \$141,559). Furthermore, the Corporation held restricted cash in the bank of \$162,466 at March 31, 2020, (December 31, 2019 - \$nil). The Corporation manages credit exposure related to cash by selecting financial institution counterparties with high credit ratings.

REBEL CAPITAL INC.  
Notes to the Interim Condensed Consolidated Financial Statements  
For the three months ended March 31, 2020 (unaudited)

**Liquidity Risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation has accounts payable and accrued liabilities of \$54,722 as at March 31, 2020 (December 31, 2019 - \$24,828) that are considered payable within the next year. The subscriptions payable of \$162,466 is also considered potentially payable within the next year, but has an equal amount established as restricted cash.

**Market Risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Corporation does not have significant exposure to these risks.

**10. SUBSEQUENT EVENT**

On April 22, 2020, the Corporation and Electric Royalties amended the terms of the definitive business combination agreement pursuant to the Transaction. The amendments served to (a) extend the deadline to complete the Transaction from April 30, 2020 to June 25, 2020; and (b) reduce the condition that the Corporation and/or Electric Royalties complete a private placement for aggregate gross proceeds of at least \$5,000,000 to at least \$3,500,000.

**APPENDIX B**

**REBEL CAPITAL INC.'S MANAGEMENT DISCUSSION & ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017 AND THE THREE MONTH  
PERIOD ENDED MARCH 31, 2020**

**REBEL CAPITAL INC.**  
**Management's Discussion and Analysis**  
**For the Years Ended December 31, 2018 and 2017**

**Introduction**

The following management's discussion and analysis ("**MD&A**") is dated April 26, 2019, unless otherwise indicated, and should be read in conjunction with the audited financial statements of Rebel Capital Inc. (the "**Corporation**" or "**Rebel**") for the years ended December 31, 2018 and 2017 (the "**Audited Financial Statements**"), and the related notes thereto. This MD&A was written to comply with the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations*. Results are reported in Canadian dollars, unless otherwise noted. The results presented for the years ended December 31, 2018 and 2017 are not necessarily indicative of the results that may be expected for any future period.

For further details, see the Corporation's Audited Financial Statements and other additional information about the Corporation as can be found on SEDAR.

**Forward-Looking Statements**

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

**Overview**

The Corporation was incorporated under the *Business Corporations Act* (British Columbia) on September 16, 2016 and, subsequent to the completion of its initial public offering on October 31, 2017, is a Capital Pool Corporation ("**CPC**") as defined in the Policy 2.4 of the TSX Venture Exchange (the "**Exchange**") Corporate Finance Manual. The Corporation has authorized an unlimited number of common shares ("**Common Shares**") to be issued. The registered office of the Corporation is located at 2000, 250 Howe Street, Vancouver, British Columbia, V6C 3R8.

The principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("**QT**"). Until the completion of a QT, the Corporation will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a QT. The Corporation's continuing operations as intended are dependent upon its ability

to identify, evaluate and negotiate an acquisition or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's length transaction, of the majority of the minority shareholders.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that the lesser of 30% of the gross proceeds (\$99,900) and \$210,000 may be used by the Corporation in respect of covering the prescribed costs of issuing the Common Shares and general administrative expenses of the Corporation. These restrictions apply until completion of the QT by the Corporation as defined under the policies of the Exchange. The Corporation is required to complete its QT on or before two (2) years from the date of listing of the Common Shares on the Exchange, being November 3, 2019.

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's shares for trading.

### **Initial Public Offering**

On October 31, 2017, the Corporation completed the Offering and issued 2,000,000 Common Shares at a price of \$0.10 per Common Share for total consideration of \$200,000. Pursuant to an agency agreement dated August 11, 2017 (the "**Agency Agreement**") between the Corporation and Leede Jones Gable Inc. (the "**Agent**"), the Agent received a cash commission of \$20,000, a corporate finance fee of \$10,000 and an amount equal to the Agent's reasonable expenses of \$8,549. Effective November 3, 2017, the date that the Common Shares were listed for trading on the Exchange, the Corporation issued to the Agent options to purchase 200,000 common shares at an exercise price of \$0.10, exercisable until November 3, 2019 (the "**Agent's Option**"). The Corporation incurred total share issue costs of \$76,108, consisting of cash transaction costs of \$65,565 directly related to the Offering and \$10,543 for share-based payments related to the Agent's Options.

As a result of the Offering, the Corporation has 4,660,000 Common Shares issued and outstanding (2,660,000 of which are subject to escrow restrictions), 200,000 Common Shares reserved for issuance upon the exercise of the Agent's Option, and 200,000 Common Shares reserved for issuance upon the exercise of outstanding Stock Options (as defined below).

After the completion of the Offering, Common Shares previously issued are subject to an escrow agreement and may be cancelled in the event the Corporation is unable to complete a QT within the required time limit of two (2) years. These shares are accounted for as contingently returnable shares and are excluded from the calculation of loss per share.

### **Stock Options**

On April 3, 2017, the Corporation adopted a stock option plan, where the board of directors has the discretion to grant directors, officers, employees and consultants of the Corporation, non-transferable options to purchase Common Shares, in accordance with the Exchange requirements ("**Stock Options**"). For as long as the Corporation is a CPC under the policies of the Exchange, the aggregate number of Common Shares issuable upon exercise of all Stock Options granted under the stock option plan shall not exceed 10% of the Common Shares of the Corporation issued and outstanding at the closing of the Offering. As a CPC, the number of Common Shares reserved for issuance to any individual or director or officer will not exceed 5% of the issued and outstanding Common Shares and the number of Common

Shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding Common Shares in any twelve (12) month period.

Stock Options granted to the directors, officers, employees or consultants of the Corporation while it is a CPC may be exercised during the greater of twelve (12) months after the completion of the QT and ninety (90) days following cessation of the optionee's position with the Corporation, provided that if the cessation of office, directorship, or technical consulting arrangement is by reason of death, the Stock Option may be exercised within a maximum period of one (1) year after such death, subject to the expiry date of such Stock Option. Any Common Shares acquired pursuant to the exercise of Stock Options prior to the completion of the QT must be deposited in escrow and will be subject to the requirements of the Exchange under a CPC escrow agreement.

The Corporation granted Stock Options to its directors and officers on April 10, 2017, entitling the purchase of 200,000 Common Shares at an exercise price of \$0.10 per Common Share. The Stock Options are for a five (5) year term, expiring on April 10, 2022, with one-third vesting on April 10, 2017, one-third vesting on April 10, 2018 and one-third vesting on April 10, 2019. As at December 31, 2018 there are 200,000 options outstanding of which 133,333 have vested and are exercisable with a remaining life of 3.3. years.

The Stock Options granted were valued using the Black-Scholes option pricing model to estimate the fair value. During the three months and year ended December 31, 2018, the Corporation recognized stock-based compensation expense of \$624 and \$3,832, respectively (\$1,872 and \$10,342 - December 31, 2017) that was recorded as contributed surplus.

### **Selected Annual Information**

The following table summarizes the Corporation's key financial results over the past three years:

	<b>Year 2018</b>	<b>Year 2017</b>	<b>Year 2016</b>
Total Revenue	\$ 1,255	\$ -	\$ -
Net Loss	(74,762)	(55,956)	(3,113)
Loss per share - basic and diluted	(0.04)	(0.17)	(0.00)
Working capital	147,778	218,708	95,387
Total assets	194,719	228,609	101,210
Total non-current liabilities	-	-	-

As of December 31, 2018, the Corporation's financial position is constituted by short-term financial assets and liabilities with no existing financial commitments. Fluctuations in annual financial results have been primarily influenced by incurred professional fees as well as transfer agent and filing fees in each year. As previously mentioned, the Corporation was only incorporated in September 2016.

### **Summary of Quarterly Results**

Results for the most recent quarters ending with the last quarter for the three months ending on December 31, 2018 are:

	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Total Assets	\$ 194,719	\$ 198,970	\$ 201,589	\$ 224,087
Total Revenues	601	530	124	-
Total Expenses	22,922	4,422	43,458	5,215
Net Loss	22,321	3,892	43,334	5,215
Basic and diluted net loss per share	0.01	0.00	0.02	0.00

	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Total Assets	\$ 228,609	\$ 137,786	\$ 99,750	\$ 102,927
Total Revenues	-	-	-	-
Total Expenses	19,185	16,716	13,108	6,947
Net Loss	19,185	16,716	13,108	6,947
Basic and diluted net loss per share	0.01	-	-	-

Operating results for each quarter since incorporation are primarily composed of professional fees, transfer agent and filings fees, and stock-based compensation expenses incurred in each quarter. To date, the Corporation has only generated interest revenue.

### Results of Operations

The Corporation recorded net losses of \$22,321 and \$74,762 for the three months and year ended December 31, 2018, respectively (\$19,185 and \$55,956 for the comparative periods ending December 31, 2017). These net losses are due mainly to professional fees, transfer agent and filings fees, and stock-based compensation expenses incurred in each period as well as costs incurred in 2017 relating to its listing on the Exchange.

### Additional Disclosure for Venture Issuers without Significant Revenue

Since the Corporation has no revenue from operations, the following is a breakdown of the material costs incurred for the years ended December 31, 2018 and 2017:

Material Costs (\$)	Year 2018	Year 2017
Professional fees	56,978	17,992
Transfer agent and filing fees	14,698	26,597
Bank fees	509	821
Administrative expenses	-	204
Stock-based compensation	3,832	10,342

### Financial Condition including Cash Flows, Liquidity and Capital Resources

At December 31, 2018, working capital was \$147,778. Cash as at December 31, 2018 was \$194,719, compared with \$225,990 as at December 31, 2017. The decrease in cash is due to expenditures for professional fees and transfer agent and filing fees of the Corporation during the year ended December 31, 2018.

Other than accounts payable and accrued liabilities, the Corporation does not otherwise have any outstanding commitments and has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants. Based on current information, the Corporation anticipates that its working capital is sufficient to meet its expected ongoing obligation for the coming year and for completion of a QT.

### **Outstanding Share Data**

The following table summarizes the Corporation's outstanding common share and options data as of the date of this MD&A:

Common Shares	4,660,000
Agent's Options	200,000
Stock Options	200,000

\* There have been no changes to outstanding common shares and options from year end December 31, 2017.

### *Escrowed shares*

As at the date of this MD&A, the Corporation has 4,660,000 Common Shares (December 31, 2017 – 4,660,000) outstanding, of which 2,660,000 Common Shares are held in escrow and contingently cancellable. These Common Shares will be held in escrow and will be released pro-rata to the shareholders as to 10% of the escrowed shares upon issuance of notice of final acceptance of a QT by the Exchange, and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrowed shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. If the Corporation does not receive final acceptance of a QT and is delisted, the common shares held in escrow may be cancelled and the proceeds returned to the shareholders.

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

As of the date of this MD&A, the Corporation does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

### **Proposed Transactions**

Although the Corporation has commenced the process of identifying potential acquisitions with a view to completing a QT, the Corporation has not yet entered into any agreement.

### **Related Party Transactions**

Related parties include the board of directors and executive officers of the Corporation, close family members and enterprises which are controlled by individuals as well as certain persons performing similar functions.

The Exchange prohibits directors and officers from receiving remuneration while the Corporation is a CPC. As of December 31, 2018, the Corporation has not completed a QT and accordingly, the officers and

directors of the Corporation have not been paid any compensation other than the stock options granted on April 10, 2017 (see above).

There were no related party transactions during the years ended December 31, 2018 and 2017. The Corporation does not have amounts owing to or from related parties as of December 31, 2018 or December 31, 2017.

### **Capital Management**

Capital is comprised of the Corporation's shareholders' equity and any debt that it may issue. As at December 31, 2018, the Corporation's shareholders' equity was \$147,778 and it had \$46,941 in current liabilities. The Corporation's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally-determined capital guidelines and calculated risk management levels.

The capital for expansion was entirely from proceeds from the issuance of Common Shares. The net proceeds raised will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a QT. Additional funds may be required to finance the Corporation's QT.

The Corporation's capital management objectives, policies and processes have not changed over the periods presented. The Corporation is not subject to any externally imposed capital requirements.

### **Financial Instruments and Risk Management**

The Corporation, as part of its operations, carries financial instruments consisting of cash and cash equivalents, accounts receivables and accounts payable and accrued liabilities. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

#### *Fair Value*

Fair value represents the price at which a financial instrument could be exchanged in an orderly market in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. Certain accounting policies and disclosures of the Corporation's require the determination of fair value, for both financial and non-financial assets and liabilities. The Corporation characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these items.

### *Credit Risk*

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's cash and cash equivalents and accounts receivable. The carrying amount of cash and cash equivalents and accounts receivable represent the maximum credit exposure to the Corporation. The Corporation held cash in the bank of \$194,719 at December 31, 2018 (December 31, 2017 - \$225,990).

The Corporation manages credit exposure related to cash and cash equivalents by selecting financial institution counterparties with high credit ratings. The accounts receivable balance of \$2,619 existing as of December 31, 2017 consisted entirely of Goods & Services Tax receivable, which was reimbursed by the Government of Canada subsequent to applicable filings and assessment.

### *Liquidity Risk*

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation has accounts payable and accrued liabilities of \$46,941 as at December 31, 2018 (December 31, 2017 - \$9,901) that are considered payable within the next year.

### *Market Risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Corporation does not have significant exposure to these risks.

## **Critical Accounting Estimates**

The Corporation's Audited Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Corporation's significant accounting policies are summarized in Note 3 within the Audited Financial Statements. Given the early stage of the Corporation, there were no significant estimates or judgments made by management in the preparation of the Audited Financial Statements.

## **New standards adopted on January 1, 2018**

### *IFRS 9: Financial Instruments*

On January 1, 2018, the Corporation adopted IFRS 9 "Financial Instruments", which includes a principle-based approach for classification and measurement of financial assets and a forward-looking 'expected credit loss' model. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. The

classification and measurement of financial instruments under IFRS 9 did not have a material impact on the Corporation's consolidated financial statements.

Impairment of financial assets under IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortized cost, and contract assets and debt investments at FVOCI. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The application of the expected credit loss model to financial assets classified as amortized cost did not result in a material adjustment on transition.

IFRS 9 was applied retrospectively in accordance with transition requirements with no impact to opening retained earnings or comparative periods. Cash and cash equivalents, and trade and other receivables continue to be measured at amortized cost and are now classified as "amortized cost". The Corporation's financial liabilities previously classified as "other financial liabilities" being trade and other payables and accrued liabilities continue to be measured at amortized cost and are now classified as "amortized cost". The Corporation has not designated any financial instruments as FVOCI or FVTPL, nor does the Corporation use hedge accounting.

#### *IFRS 15: Revenue from Contracts with Customers*

The Corporation adopted IFRS 15 "Revenue from Contracts with Customers" effective January 1, 2018, which establishes a comprehensive framework for determining whether, how much, and when revenue from contracts with customers is recognized. The Corporation adopted IFRS 15 using the modified retrospective approach to contracts that were not completed at the date of initial application. Under this transitional provision, the cumulative effect of initially applying IFRS 15 is recognized on the date of initial application as an adjustment to retained earnings. Given that the Corporation has no revenue-generating operations to date, no adjustment to retained earnings was required upon adoption of IFRS 15.

#### **Future Accounting Pronouncements**

The following are new IFRS pronouncements that have been issued, although not yet effective and have not been early adopted, and may have an impact on the financial statements in the future as discussed below.

#### *IFRS 16: Leases*

On January 1, 2019, the Corporation will be required to adopt IFRS 16 "Leases" to replace the existing guidance of IAS 17 "Leases". The standard establishes principles and disclosures related to the amount, timing and uncertainty of cash flows arising from a lease. The Corporation does not expect any material impact from the adoption of this standard.

#### **Outlook**

The Corporation intends to evaluate direct or indirect acquisitions of assets to complete a QT. The Corporation continues to monitor its spending and will amend its plans based on business opportunities that may arise in the future.

**REBEL CAPITAL INC.**  
**Management's Discussion and Analysis**  
**For the Years Ended December 31, 2019 and 2018**

**Introduction**

The following management's discussion and analysis ("**MD&A**") is dated April 28, 2020, unless otherwise indicated, and should be read in conjunction with the audited financial statements of Rebel Capital Inc. (the "**Corporation**" or "**Rebel**") for the years ended December 31, 2019 and 2018 (the "**Audited Financial Statements**"), and the related notes thereto. This MD&A was written to comply with the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations*. Results are reported in Canadian dollars, unless otherwise noted. The results presented for the years ended December 31, 2019 and 2018 are not necessarily indicative of the results that may be expected for any future period.

For further details, see the Corporation's Audited Financial Statements and other additional information about the Corporation as can be found on SEDAR.

**Forward-Looking Statements**

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

**Overview**

The Corporation was incorporated under the *Business Corporations Act* (British Columbia) on September 16, 2016 and, subsequent to the completion of its initial public offering on October 31, 2017, is a Capital Pool Corporation ("**CPC**") as defined in the Policy 2.4 of the TSX Venture Exchange (the "**Exchange**") Corporate Finance Manual. The Corporation has authorized an unlimited number of common shares ("**Common Shares**") to be issued. The registered office of the Corporation is located at 2000, 250 Howe Street, Vancouver, British Columbia, V6C 3R8.

The principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("**QT**"). Until the completion of a QT, the Corporation will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a QT. The Corporation's continuing operations as intended are dependent upon its ability

to identify, evaluate and negotiate an acquisition or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's length transaction, of the majority of the minority shareholders.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that the lesser of 30% of the gross proceeds (\$99,900) and \$210,000 may be used by the Corporation in respect of covering the prescribed costs of issuing the Common Shares and general administrative expenses of the Corporation. These restrictions apply until completion of the QT by the Corporation as defined under the policies of the Exchange.

The Corporation was required to complete its QT on or before two (2) years from the date of listing of the Common Shares on the Exchange, being November 3, 2019, which did not occur. As of the date of this MD&A, the Corporation has not completed a QT within the time limitations permissible under the policies of the Exchange. On November 5, 2019, the Exchange formally advised that trading in the Common Shares of the Company would be suspended which occurred on November 7, 2019 and remains in effect until further notice.

As of December 31, 2019, expenditures of the Corporation exceeded the scope of the allowable general administrative expenses based on the aforementioned restrictions. As part of the QT application to be submitted in connection with the definitive business combination agreement with Electric Royalties Ltd. (see below), the Corporation will submit a waiver application to the Exchange in regard to this matter of non-compliance. The Exchange will review the details of this waiver application in conjunction with its overall consideration of the QT application. At their discretion, the Exchange may determine that the waiver application is denied and, consequentially, may deny the entire QT submission.

### **Proposed Qualifying Transaction**

On January 28, 2020, the Corporation entered into a definitive business combination agreement with Electric Royalties Ltd. ("**Electric Royalties**") pursuant to which the Corporation will acquire all of the issued and outstanding shares in the capital of Electric Royalties (the "**Transaction**"). On April 22, 2020, certain terms of the definitive agreement were amended. The completion of the Transaction is subject to the following:

- 1) The approval of the Corporation's shareholders of a 2:1 consolidation of the Corporation's common shares.
- 2) The completion of a private placement by the Corporation and/or Electric Royalties of a minimum of 20,000,000 subscription receipts at a price of \$0.25 per subscription receipt for aggregate gross proceeds of a combined minimum of \$3,500,000. Upon completion of the Transaction, each subscription receipt will be automatically converted into one post-consolidation share. In the event that the Transaction is not completed, the subscription receipts will be cancelled and the subscription price paid will be returned to the subscribers. If the Transaction is not completed because either of the parties elects not to proceed forward and/or breaches the definitive agreement, that party will be responsible for paying the other parties reasonable out-of-pocket expenses in connection with the Transaction up to a maximum of \$70,000.
- 3) The approval of the Exchange of the Corporations submission of this transaction as a QT.

As described previously, the Corporation has not completed a QT within the time limitations specified under the policies of the Exchange. Furthermore, as of the date of this MD&A, the cumulative general administrative expenses of the Corporation are in excess of allowable general administrative expenses based on the aforementioned restrictions. As part of the submission process to the Exchange for approval of the Transaction as a "Qualifying Transaction" under the Exchange rules, each of the facts and circumstances of the Corporation as previously described herein will be taken into consideration by the Exchange in the context of the overall decision to either approve or deny the Corporation's submission. In the event that the Exchange denies the Corporation's QT submission, the Corporation's shares may be de-listed from the Exchange. Under this scenario, the shareholders may apply for listing on NEX stock exchange ("NEX") rather than be de-listed upon obtaining majority shareholder approval (exclusive of the votes of the Escrowed Shares). In order to be eligible to list on NEX, the Company must either 1) cancel all the Escrowed Shares or 2) subject to majority shareholder approval (exclusive of the votes of the Escrowed Shares), cancel an amount of the Escrowed Shares so that the average cost of the remaining Escrowed Shares is at least equal to the initial purchase offer price. This would equate to the cancellation of 1,330,000 (50%) of the Escrowed Shares. If the option of applying for listing on the NEX is not pursued, then within 90 days of the de-listing the Company will be required under Policy 2.4 of the Exchange to wind-up and liquidate its assets, and distribute its remaining assets on a pro rata basis to its shareholders.

### **COVID-19 Pandemic**

In the first quarter of 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may, in general, cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Corporation's business and financial condition.

### **Initial Public Offering**

On October 31, 2017, the Corporation completed the Offering and issued 2,000,000 Common Shares at a price of \$0.10 per Common Share for total consideration of \$200,000. Pursuant to an agency agreement dated August 11, 2017 (the "**Agency Agreement**") between the Corporation and Leede Jones Gable Inc. (the "**Agent**"), the Agent received a cash commission of \$20,000, a corporate finance fee of \$10,000 and an amount equal to the Agent's reasonable expenses of \$8,549. Effective November 3, 2017, the date that the Common Shares were listed for trading on the Exchange, the Corporation issued to the Agent options to purchase 200,000 common shares at an exercise price of \$0.10, which were exercisable until they expired on November 3, 2019 (the "**Agent's Option**"). The Corporation incurred total share issue costs of \$76,108, consisting of cash transaction costs of \$65,565 directly related to the Offering and \$10,543 for share-based payments related to the Agent's Options.

As a result of the Offering, the Corporation has 4,660,000 Common Shares issued and outstanding (2,660,000 of which are subject to escrow restrictions), and 200,000 Common Shares reserved for issuance upon the exercise of outstanding Stock Options (as defined below).

After the completion of the Offering, Common Shares previously issued are subject to an escrow agreement and may be cancelled in the event the Corporation is unable to complete a QT within the required time limit of two (2) years. These shares are accounted for as contingently returnable shares and are excluded from the calculation of loss per share.

### **Stock Options**

On April 3, 2017, the Corporation adopted a stock option plan, where the board of directors has the discretion to grant directors, officers, employees and consultants of the Corporation, non-transferable options to purchase Common Shares, in accordance with the Exchange requirements ("**Stock Options**"). For as long as the Corporation is a CPC under the policies of the Exchange, the aggregate number of Common Shares issuable upon exercise of all Stock Options granted under the stock option plan shall not exceed 10% of the Common Shares of the Corporation issued and outstanding at the closing of the Offering. As a CPC, the number of Common Shares reserved for issuance to any individual or director or officer will not exceed 5% of the issued and outstanding Common Shares and the number of Common Shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding Common Shares in any twelve (12) month period.

Stock Options granted to the directors, officers, employees or consultants of the Corporation while it is a CPC may be exercised during the greater of twelve (12) months after the completion of the QT and ninety (90) days following cessation of the optionee's position with the Corporation, provided that if the cessation of office, directorship, or technical consulting arrangement is by reason of death, the Stock Option may be exercised within a maximum period of one (1) year after such death, subject to the expiry date of such Stock Option. Any Common Shares acquired pursuant to the exercise of Stock Options prior to the completion of the QT must be deposited in escrow and will be subject to the requirements of the Exchange under a CPC escrow agreement.

The Corporation granted Stock Options to its directors and officers on April 10, 2017, entitling the purchase of 200,000 Common Shares at an exercise price of \$0.10 per Common Share. The Stock Options are for a five (5) year term, expiring on April 10, 2022, with one-third vesting on April 10, 2017, one-third vesting on April 10, 2018 and one-third vesting on April 10, 2019. As at December 31, 2019 there are 200,000 options outstanding and exercisable with a remaining life of 2.3 years.

The Stock Options granted were valued using the Black-Scholes option pricing model to estimate the fair value. During the three months and year ended December 31, 2019, the Corporation recognized stock-based compensation expense of \$678 (\$3,832 - December 31, 2018) that was recorded as contributed surplus.

### **Selected Annual Information**

The following table summarizes the Corporation's key financial results over the past three years:

<b>Annual Information (\$)</b>	<b>Year 2019</b>	<b>Year 2018</b>	<b>Year 2017</b>
Total Revenue	2,014	1,255	-
Net Loss	31,725	74,762	55,956
Loss per share - basic and diluted	0.02	0.04	0.17
Working capital	116,731	147,778	218,708
Total assets	141,559	194,719	228,609
Total non-current liabilities	-	-	-

As of December 31, 2019, the Corporation's financial position is constituted by short-term financial assets and liabilities with no existing financial commitments. Fluctuations in annual financial results have been primarily influenced by incurred professional fees as well as transfer agent and filing fees in each year. As previously mentioned, the Corporation was incorporated in September 2016.

### Summary of Quarterly Results

Results for the most recent quarters ending with the last quarter for the three months ending on December 31, 2019 are:

<b>Quarterly Results (\$)</b>	<b>Q4 2019</b>	<b>Q3 2019</b>	<b>Q2 2019</b>	<b>Q1 2019</b>
Total Assets	141,559	144,729	145,673	195,273
Total Revenues	446	467	514	587
Total Expenses	14,707	8,703	1,452	8,877
Net Loss	14,261	8,236	938	8,290
Basic and diluted net loss per share	0.01	0.00	0.00	0.00

	<b>Q4 2018</b>	<b>Q3 2018</b>	<b>Q2 2018</b>	<b>Q1 2018</b>
Total Assets	194,719	198,970	201,589	224,087
Total Revenues	601	530	124	-
Total Expenses	22,922	4,422	43,458	5,215
Net Loss	22,321	3,892	43,334	5,215
Basic and diluted net loss per share	0.01	0.00	0.02	0.00

Operating results for each quarter since incorporation are primarily composed of professional fees, transfer agent and exchange fees, and stock-based compensation expenses incurred in each quarter. To date, the Corporation has only generated interest revenue.

### Results of Operations

The Corporation recorded net losses of \$14,261 and \$31,725 for the three months and year ended December 31, 2019, respectively (\$22,321 and \$74,762 for the comparative periods ending December 31, 2018). These net losses are due mainly to professional fees, transfer agent and exchange fees, and stock-based compensation expenses incurred in each period.

## Additional Disclosure for Venture Issuers without Significant Revenue

Since the Corporation has no revenue from operations, the following is a breakdown of the material costs incurred for the years ended December 31, 2019 and 2018:

Material Costs (\$)	Year 2019	Year 2018	Year 2017
Professional fees	23,827	56,978	17,992
Transfer agent and filing fees	9,160	14,698	26,597
Bank fees	74	509	821
Administrative expenses	-	-	204
Stock-based compensation	678	3,832	10,342

## Financial Condition including Cash Flows, Liquidity and Capital Resources

At December 31, 2019, working capital was \$116,731. Cash as at December 31, 2018 was \$141,559, compared with \$194,719 as at December 31, 2018. The changes in cash are due to expenditures for professional fees and transfer agent and filing fees of the Corporation offset by interest revenue earned during the year ended December 31, 2019.

As the Corporation has no assets capable of generating net positive cash flow, it will continue for the foreseeable future to rely upon its remaining financial resources to fund ongoing costs and to complete a potential QT. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Corporation's ability to continue as a going concern. There is no certainty that the Corporation will be successful in raising the capital required to successfully complete a QT and finance future operations. The Corporation continues to make deliberate efforts to conserve Corporation finances while pursuing completion of a QT.

Other than accounts payable and accrued liabilities, the Corporation does not otherwise have any outstanding commitments and has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants. Based on current information, the Corporation anticipates that its working capital is sufficient to meet its expected ongoing obligation for the coming year and for completion of a QT.

## Outstanding Share Data

The following table summarizes the Corporation's outstanding common share and options data as of the date of this MD&A:

Common Shares	4,660,000
Stock Options	200,000

\* There have been no changes to outstanding common shares and stock options from year end December 31, 2018. On November 3, 2019, the 200,000 outstanding Agent's Options expired.

### *Escrowed shares*

As at the date of this MD&A, the Corporation has 4,660,000 Common Shares (December 31, 2018 – 4,660,000) outstanding, of which 2,660,000 Common Shares are held in escrow and contingently cancellable. These Common Shares will be held in escrow and will be released pro-rata to the shareholders as to 10% of the escrowed shares upon issuance of notice of final acceptance of a QT by the Exchange, and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrowed shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. If the Corporation does not receive final acceptance of a QT and is delisted, the common shares held in escrow may be cancelled and the proceeds returned to the shareholders.

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

As of the date of this MD&A, the Corporation does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

### **Related Party Transactions**

Related parties include the board of directors and executive officers of the Corporation, close family members and enterprises which are controlled by individuals as well as certain persons performing similar functions.

The Exchange prohibits directors and officers from receiving remuneration while the Corporation is a CPC. As of December 31, 2019, the Corporation has not completed a QT and accordingly, the officers and directors of the Corporation have not been paid any compensation other than the stock options granted on April 10, 2017 (see above).

There were no related party transactions during the years ended December 31, 2019 and 2018. The Corporation does not have amounts owing to or from related parties as of December 31, 2019 or December 31, 2018.

### **Capital Management**

Capital is comprised of the Corporation's shareholders' equity and any debt that it may issue. As at December 31, 2019, the Corporation's shareholders' equity was \$116,731 and it had \$24,828 in current liabilities. The Corporation's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally-determined capital guidelines and calculated risk management levels.

The capital for expansion was entirely from proceeds from the issuance of Common Shares. The net proceeds raised will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a QT. Additional funds may be required to finance the Corporation's QT.

The Corporation's capital management objectives, policies and processes have not changed over the periods presented. The Corporation is not subject to any externally imposed capital requirements.

### **Financial Instruments and Risk Management**

The Corporation, as part of its operations, carries financial instruments consisting of cash and accounts payable and accrued liabilities. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

#### *Fair Value*

Fair value represents the price at which a financial instrument could be exchanged in an orderly market in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. Certain accounting policies and disclosures of the Corporation's require the determination of fair value, for both financial and non-financial assets and liabilities. The Corporation characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of cash and accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these items.

#### *Credit Risk*

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's cash. The carrying amount of cash represent the maximum credit exposure to the Corporation. The Corporation held cash in the bank of \$141,559 at December 31, 2019 (December 31, 2018 - \$194,719). The Corporation manages credit exposure related to cash by selecting financial institution counterparties with high credit ratings.

#### *Liquidity Risk*

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation has accounts payable and accrued liabilities of \$24,828 as at December 31, 2019 (December 31, 2018 - \$46,941) that are considered payable within the next year.

### *Market Risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Corporation does not have significant exposure to these risks.

### **Critical Accounting Estimates**

The Corporation's Audited Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**"). The Corporation's significant accounting policies are summarized in Note 4 within the Audited Financial Statements. Given the early stage of the Corporation, there were no significant estimates or judgments made by management in the preparation of the Audited Financial Statements.

### **New standards adopted on January 1, 2019**

#### *IFRS 16: Leases*

On January 1, 2019, the Corporation adopted IFRS 16 "Leases" to replace the existing guidance of IAS 17 "Leases". The standard establishes principles and disclosures related to the amount, timing and uncertainty of cash flows arising from a lease. Given that the Corporation has no leases, no adjustments were required from the adoption of this standard.

### **Outlook**

The Corporation continues to move forward with the Transaction with Electric Royalties in order to complete a QT. The Corporation continues to monitor its spending and will amend its plans as necessary to realize business opportunities available to the Corporation.

**REBEL CAPITAL INC.**  
**Management's Discussion and Analysis**  
**For the Three Months Ended March 31, 2020**

**Introduction**

The following management's discussion and analysis ("**MD&A**") is dated May 29, 2020, unless otherwise indicated, and should be read in conjunction with the unaudited interim condensed consolidated financial statements of Rebel Capital Inc. (the "**Corporation**" or "**Rebel**") for the three months ended March 31, 2020 (the "**Quarterly Financial Statements**"), as well as the audited financial statements for the year ended December 31, 2019 (the "**Audited Financial Statements**"), and the related notes thereto. This MD&A was written to comply with the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations*. Results are reported in Canadian dollars, unless otherwise noted. The results presented for the three months ended March 31, 2020 are not necessarily indicative of the results that may be expected for any future period.

For further details, see the Corporation's Audited Financial Statements and other additional information about the Corporation as can be found on SEDAR.

**Forward-Looking Statements**

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

**Overview**

The Corporation was incorporated under the *Business Corporations Act* (British Columbia) on September 16, 2016 and, subsequent to the completion of its initial public offering on October 31, 2017, is a Capital Pool Corporation ("**CPC**") as defined in the Policy 2.4 of the TSX Venture Exchange (the "**Exchange**") Corporate Finance Manual. The Corporation has authorized an unlimited number of common shares ("**Common Shares**") to be issued. The registered office of the Corporation is located at 2000, 250 Howe Street, Vancouver, British Columbia, V6C 3R8.

The principal business of the Corporation is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("**QT**"). Until the completion of a QT, the Corporation will

not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a QT. The Corporation's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's length transaction, of the majority of the minority shareholders.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that the lesser of 30% of the gross proceeds (\$99,900) and \$210,000 may be used by the Corporation in respect of covering the prescribed costs of issuing the Common Shares and general administrative expenses of the Corporation. These restrictions apply until completion of the QT by the Corporation as defined under the policies of the Exchange.

The Corporation was required to complete its QT on or before two (2) years from the date of listing of the Common Shares on the Exchange, being November 3, 2019, which did not occur. As of the date of this MD&A, the Corporation has not completed a QT within the time limitations permissible under the policies of the Exchange. On November 5, 2019, the Exchange formally advised that trading in the Common Shares of the Company would be suspended which occurred on November 7, 2019 and remains in effect until further notice.

As of March 31, 2020, expenditures of the Corporation exceeded the scope of the allowable general administrative expenses based on the aforementioned restrictions. As part of the QT application to be submitted in connection with the definitive business combination agreement with Electric Royalties Ltd. (see below), the Corporation will submit a waiver application to the Exchange in regard to this matter of non-compliance. The Exchange will review the details of this waiver application in conjunction with its overall consideration of the QT application. At their discretion, the Exchange may determine that the waiver application is denied and, consequentially, may deny the entire QT submission.

### **Going Concern**

The Corporation's financial statements have been prepared on a going concern basis, which assumes that the Corporation will be able to discharge its obligations and realize its assets in the normal course of operations for the foreseeable future. During the three months ended March 31, 2020, the Corporation incurred a loss from operations of \$33,247 and used \$3,353 of cash flows in its operating activities, and has no assets capable of generating cash flows to fund future operations. As at March 31, 2020, the Corporation has working capital of \$83,484.

As the Corporation has no assets capable of generating net positive cash flow, it will continue for the foreseeable future to rely upon its remaining financial resources to fund ongoing costs and to complete a potential QT. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Corporation's ability to continue as a going concern. There is no certainty that the Corporation will be successful in identifying and raising the capital required to successfully complete a QT and finance future operations.

Further, in March 2020, the global outbreak of COVID-19 (coronavirus) was declared a pandemic by the World Health Organization. Governments worldwide, including those in Canada, have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic downturn. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; however, the

success of these interventions is not currently determinable. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. The scale and duration of these developments remain uncertain but could impact the Corporation's operations, cash flows and financial condition or the timing for the completion of a QT.

Management believes that the going concern assumption is appropriate for the financial statements and that the Corporation will be able to meet its obligations as they come due. However, there is no certainty as to the timing and likelihood of realizing a QT that may provide additional financial resources to the Corporation. Should the going concern assumption not be appropriate and the Corporation is not able to realize its assets and discharge its obligations in the normal course of operations, the financial statements of the Corporation would require adjustments to the amounts and classifications of assets and liabilities. These adjustments could be material.

### **Proposed Qualifying Transaction**

On January 28, 2020, the Corporation entered into a definitive business combination agreement with Electric Royalties Ltd. ("**Electric Royalties**") pursuant to which the Corporation will acquire all of the issued and outstanding shares in the capital of Electric Royalties (the "**Transaction**"). On April 22, 2020, certain terms of the definitive agreement were amended (see below). The completion of the Transaction is subject to the following:

- 1) The approval of the Corporation's shareholders of a 2:1 consolidation of the Corporation's common shares.
- 2) The completion of a private placement by the Corporation and/or Electric Royalties of a minimum of 20,000,000 subscription receipts at a price of \$0.25 per subscription receipt for aggregate gross proceeds of a combined minimum of \$3,500,000 (as amended). Upon completion of the Transaction, each subscription receipt will be automatically converted into one post-consolidation share. In the event that the Transaction is not completed, the subscription receipts will be cancelled and the subscription price paid will be returned to the subscribers. If the Transaction is not completed because either of the parties elects not to proceed forward and/or breaches the definitive agreement, that party will be responsible for paying the other parties reasonable out-of-pocket expenses in connection with the Transaction up to a maximum of \$70,000.
- 3) The approval of the Exchange of the Corporations submission of this transaction as a QT.

On April 22, 2020, the Corporation and Electric Royalties amended the terms of the definitive business combination agreement pursuant to the Transaction. The amendments served to (a) extend the deadline to complete the Transaction from April 30, 2020 to June 25, 2020; and (b) reduce the condition that the Corporation and/or Electric Royalties complete a private placement for aggregate gross proceeds of at least \$5,000,000 to at least \$3,500,000.

As described previously, the Corporation has not completed a QT within the time limitations specified under the policies of the Exchange. Furthermore, as of the date of this MD&A, the cumulative general administrative expenses of the Corporation are in excess of allowable general administrative expenses based on the aforementioned restrictions. As part of the submission process to the Exchange for approval of the Transaction as a "Qualifying Transaction" under the Exchange rules, each of the facts and circumstances of the Corporation as previously described herein will be taken into consideration by the

Exchange in the context of the overall decision to either approve or deny the Corporation's submission. In the event that the Exchange denies the Corporation's QT submission, the Corporation's shares may be de-listed from the Exchange. Under this scenario, the shareholders may apply for listing on NEX stock exchange ("NEX") rather than be de-listed upon obtaining majority shareholder approval (exclusive of the votes of the Escrowed Shares as described further below). In order to be eligible to list on NEX, the Company must either 1) cancel all the Escrowed Shares or 2) subject to majority shareholder approval (exclusive of the votes of the Escrowed Shares), cancel an amount of the Escrowed Shares so that the average cost of the remaining Escrowed Shares is at least equal to the initial purchase offer price. This would equate to the cancellation of 1,330,000 (50%) of the Escrowed Shares. If the option of applying for listing on the NEX is not pursued, then within 90 days of the de-listing the Company will be required under Policy 2.4 of the Exchange to wind-up and liquidate its assets, and distribute its remaining assets on a pro rata basis to its shareholders.

### **Initial Public Offering**

On October 31, 2017, the Corporation completed the Offering and issued 2,000,000 Common Shares at a price of \$0.10 per Common Share for total consideration of \$200,000. Pursuant to an agency agreement dated August 11, 2017 (the "**Agency Agreement**") between the Corporation and Leede Jones Gable Inc. (the "**Agent**"), the Agent received a cash commission of \$20,000, a corporate finance fee of \$10,000 and an amount equal to the Agent's reasonable expenses of \$8,549. Effective November 3, 2017, the date that the Common Shares were listed for trading on the Exchange, the Corporation issued to the Agent options to purchase 200,000 common shares at an exercise price of \$0.10, which were exercisable until they expired on November 3, 2019 (the "**Agent's Option**"). The Corporation incurred total share issue costs of \$76,108, consisting of cash transaction costs of \$65,565 directly related to the Offering and \$10,543 for share-based payments related to the Agent's Options.

As a result of the Offering, the Corporation has 4,660,000 Common Shares issued and outstanding (2,660,000 of which are subject to escrow restrictions), and 200,000 Common Shares reserved for issuance upon the exercise of outstanding Stock Options (as defined below).

After the completion of the Offering, Common Shares previously issued are subject to an escrow agreement and may be cancelled in the event the Corporation is unable to complete a QT within the required time limit of two (2) years. These shares are accounted for as contingently returnable shares and are excluded from the calculation of loss per share.

### **Stock Options**

On April 3, 2017, the Corporation adopted a stock option plan, where the board of directors has the discretion to grant directors, officers, employees and consultants of the Corporation, non-transferable options to purchase Common Shares, in accordance with the Exchange requirements ("**Stock Options**"). For as long as the Corporation is a CPC under the policies of the Exchange, the aggregate number of Common Shares issuable upon exercise of all Stock Options granted under the stock option plan shall not exceed 10% of the Common Shares of the Corporation issued and outstanding at the closing of the Offering. As a CPC, the number of Common Shares reserved for issuance to any individual or director or officer will not exceed 5% of the issued and outstanding Common Shares and the number of Common Shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding Common Shares in any twelve (12) month period.

Stock Options granted to the directors, officers, employees or consultants of the Corporation while it is a CPC may be exercised during the greater of twelve (12) months after the completion of the QT and ninety (90) days following cessation of the optionee's position with the Corporation, provided that if the cessation of office, directorship, or technical consulting arrangement is by reason of death, the Stock Option may be exercised within a maximum period of one (1) year after such death, subject to the expiry date of such Stock Option. Any Common Shares acquired pursuant to the exercise of Stock Options prior to the completion of the QT must be deposited in escrow and will be subject to the requirements of the Exchange under a CPC escrow agreement.

The Corporation granted Stock Options to its directors and officers on April 10, 2017, entitling the purchase of 200,000 Common Shares at an exercise price of \$0.10 per Common Share. The Stock Options are for a five (5) year term, expiring on April 10, 2022, with one-third vesting on April 10, 2017, one-third vesting on April 10, 2018 and one-third vesting on April 10, 2019. As at March 31, 2020 there are 200,000 options outstanding and exercisable with a remaining life of 2.0 years.

The Stock Options granted were valued using the Black-Scholes option pricing model to estimate the fair value. During the three months ended March 31, 2020, the Corporation recognized stock-based compensation expense of \$nil (\$610 - March 31, 2019).

### Summary of Quarterly Results

Results for the most recent quarters ending with the last quarter for the three months ending on March 31, 2020 are:

<b>Quarterly Results (\$)</b>	<b>Q1 2020</b>	<b>Q4 2019</b>	<b>Q3 2019</b>	<b>Q2 2019</b>
Total Assets	300,672	141,559	144,729	145,673
Total Revenues	592	446	467	514
Total Expenses	33,839	14,707	8,703	1,452
Net Loss	33,247	14,261	8,236	938
Basic and diluted net loss per share	0.02	0.01	0.00	0.00

	<b>Q1 2019</b>	<b>Q4 2018</b>	<b>Q3 2018</b>	<b>Q2 2018</b>
Total Assets	195,273	194,719	198,970	201,589
Total Revenues	587	601	530	124
Total Expenses	8,877	22,922	4,422	43,458
Net Loss	8,290	22,321	3,892	43,334
Basic and diluted net loss per share	0.00	0.01	0.00	0.02

Operating results for each quarter since incorporation are primarily composed of professional fees, transfer agent and exchange fees, and stock-based compensation expenses incurred in each quarter. To date, the Corporation has only generated interest revenue.

## Results of Operations

The Corporation recorded a net loss of \$33,247 for the three months ended March 31, 2020 (\$9,290 - March 31, 2019). These net losses are due mainly to professional fees, transfer agent and exchange fees, and stock-based compensation expenses incurred in each period.

### Additional Disclosure for Venture Issuers without Significant Revenue

Since the Corporation has no revenue from operations, the following is a breakdown of the material costs incurred for the three months ended March 31, 2020 and 2019:

<b>Material Costs (\$)</b>	<b>Q1 2020</b>	<b>Q1 2019</b>
Professional fees	27,436	1,786
Transfer agent and filing fees	6,364	6,448
Bank fees	39	33
Stock-based compensation	-	610

### Financial Condition including Cash Flows, Liquidity and Capital Resources

At March 31, 2020, working capital was \$83,484. Cash as at March 31, 2020 was \$138,206, compared with \$141,559 as at December 31, 2019. The changes in cash are due to expenditures for professional fees and transfer agent and filing fees of the Corporation offset by interest revenue earning during the three months ended March 31, 2020.

As mentioned previously, the Corporation has no assets capable of generating net positive cash flow. As such, it will continue for the foreseeable future to rely upon its remaining financial resources to fund ongoing costs and to complete a potential QT. These conditions indicate the existence of a material uncertainty that casts significant doubt about the Corporation's ability to continue as a going concern. There is no certainty that the Corporation will be successful in identifying and raising the capital required to successfully complete a QT and finance future operations. The Corporation continues to make deliberate efforts to conserve Corporation finances while pursuing completion of a QT.

Other than accounts payable and accrued liabilities, the Corporation does not otherwise have any outstanding commitments and has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants. Based on current information, the Corporation anticipates that its working capital is sufficient to meet its expected ongoing obligation for the coming year and for completion of a QT.

### *Subscription Receipts & Restricted Cash*

As of March 31, 2020, the Corporation has received \$162,466 for subscription receipts pursuant to the aforementioned private placement at a price of \$0.25 per subscription receipt as part of the Transaction outlined above. As mentioned above, each subscription receipt will be automatically converted into one post-consolidation share of the Corporation upon completion of the Transaction. The subscription agreement for the subscription receipts specifies that the closing of the underlying subscriptions is conditional upon the closing of the Transaction. In the event the Transaction is not completed, the

subscription receipts will be cancelled and the subscription price paid will be returned to the subscribers and as a result, the proceeds received for \$162,466 have been recorded as a subscriptions payable. The \$162,466 received for subscription receipts is held in trust in accordance with the terms of the governing agreement of the subscription receipts. This cash balance is presented as restricted given management does not have authority to access these underlying balances held in trust until such time that the Transaction closes.

### **Outstanding Share Data**

The following table summarizes the Corporation's outstanding common share and options data as of the date of this MD&A:

Common Shares	4,660,000
Stock Options	200,000

\* There have been no changes to outstanding common shares and stock options from year end December 31, 2018. On November 3, 2019, the 200,000 outstanding Agent's Options expired.

### ***Escrowed shares***

As at the date of this MD&A, the Corporation has 4,660,000 Common Shares (December 31, 2019 – 4,660,000) outstanding, of which 2,660,000 Common Shares are held in escrow and contingently cancellable. These Common Shares will be held in escrow and will be released pro-rata to the shareholders as to 10% of the escrowed shares upon issuance of notice of final acceptance of a QT by the Exchange, and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrowed shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. If the Corporation does not receive final acceptance of a QT and is delisted, the common shares held in escrow may be cancelled and the proceeds returned to the shareholders.

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

As of the date of this MD&A, the Corporation does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

### **Related Party Transactions**

Related parties include the board of directors and executive officers of the Corporation, close family members and enterprises which are controlled by individuals as well as certain persons performing similar functions.

The Exchange prohibits directors and officers from receiving remuneration while the Corporation is a CPC. As of March 31, 2020, the Corporation has not completed a QT and accordingly, the officers and directors of the Corporation have not been paid any compensation other than the stock options granted on April 10, 2017 (see above).

There were no related party transactions during the three months ended March 31, 2020 and 2019. The Corporation does not have amounts owing to or from related parties as of March 31, 2020 or December 31, 2019.

### **Capital Management**

Capital is comprised of the Corporation's shareholders' equity and any debt that it may issue. As at March 31, 2020, the Corporation's shareholders' equity was \$83,484 and it had \$217,188 in current liabilities, including \$162,466 in subscriptions payable. The Corporation's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally-determined capital guidelines and calculated risk management levels.

The capital for expansion was entirely from proceeds from the issuance of Common Shares. The net proceeds raised will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a QT. Additional funds may be required to finance the Corporation's QT.

The Corporation's capital management objectives, policies and processes have not changed over the periods presented. The Corporation is not subject to any externally imposed capital requirements.

### **Financial Instruments and Risk Management**

The Corporation, as part of its operations, carries financial instruments consisting of cash, restricted cash, accounts payable and accrued liabilities and subscriptions payable. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

### *Fair Value*

Fair value represents the price at which a financial instrument could be exchanged in an orderly market in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. Certain accounting policies and disclosures of the Corporation's require the determination of fair value, for both financial and non-financial assets and liabilities. The Corporation characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of cash, restricted cash, accounts payable and accrued liabilities and subscriptions payable approximates their fair value due to the short-term maturities of these items.

### *Credit Risk*

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's cash and restricted cash. The carrying amount of cash and restricted cash represents the maximum credit exposure to the Corporation. The Corporation held cash in the bank of \$138,206 at March 31, 2020 (December 31, 2019 - \$141,559). Furthermore, the Corporation held restricted cash in the bank of \$162,466 at March 31, 2020 (December 31, 2019 - \$nil). The Corporation manages credit exposure related to cash by selecting financial institution counterparties with high credit ratings.

### *Liquidity Risk*

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Corporation has accounts payable and accrued liabilities of \$54,722 as at March 31, 2020 (December 31, 2019 - \$24,828) that are considered payable within the next year. The subscriptions payable of \$162,466 is also considered potentially payable within the next year, but has an equal amount established as restricted cash.

### *Market Risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Corporation does not have significant exposure to these risks.

### **Critical Accounting Estimates**

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**"). The Corporation's significant accounting policies are summarized in Note 4 within the Audited Financial Statements. Given the early stage of the Corporation, there have been no significant estimates or judgments made by management in the preparation of the Audited Financial Statements.

### **Outlook**

The Corporation continues to move forward with the Transaction with Electric Royalties in order to complete a QT. The Corporation continues to monitor its spending and will amend its plans as necessary to realize business opportunities available to the Corporation.

**APPENDIX C**

**FINANCIAL STATEMENTS OF ELECTRIC ROYALTIES LTD.**

**Electric Royalties Ltd.**  
(Formerly Hunter Dickinson Mining Limited)

**FINANCIAL STATEMENTS**

FOR THE YEARS ENDED  
December 31, 2019, 2018 and 2017

*(Expressed in Canadian Dollars)*

## Independent Auditor's Report

To the Shareholders and the Board of Directors of  
Electric Royalties Ltd.

### Opinion

We have audited the financial statements of Electric Royalties Ltd. (formerly Hunter Dickinson Mining Limited) (the "Company"), which comprise the statements of financial position as at December 31, 2019, 2018 and 2017, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/ Deloitte LLP

Chartered Professional Accountants  
Vancouver, British Columbia  
June 14, 2020

## Electric Royalties Ltd.

(Formerly Hunter Dickinson Mining Limited)

### Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	December 31, 2019	December 31, 2018	December 31, 2017
<b>ASSETS</b>				
Cash		\$ 96,047	\$ 1	\$ 1
Account receivable		6,261	-	-
<b>TOTAL ASSETS</b>		<b>\$ 102,308</b>	<b>\$ 1</b>	<b>\$ 1</b>
<b>EQUITY</b>				
Share capital	3	\$ 100,001	\$ 1	\$ 1
Accumulated deficit		(50,874)	-	-
		49,127	1	1
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities		53,181	-	-
		53,181	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>\$ 102,308</b>	<b>\$ 1</b>	<b>\$ 1</b>

Events after the reporting period (note 5)

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

These financial statements are approved for issuance on June 14, 2020 and are signed on the Company's behalf by the following:

*/s/ Brendan Yurik*

Brendan Yurik  
Director

*/s/ Marchand Snyman*

Marchand Snyman  
Director

## Electric Royalties Ltd.

(Formerly Hunter Dickinson Mining Limited)

### Statements of Comprehensive Loss

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

	Note	Year ended December 31,		
		2019	2018	2017
Expenses				
Legal		\$ 34,713	\$ -	\$ -
Administration		16,283	-	-
Total expenses		50,996	-	-
Interest income		(122)	-	-
Net loss and comprehensive loss		\$ 50,874	\$ -	\$ -
Basic and diluted loss per share		\$ 0.03	\$ -	\$ -
Weighted average number of common shares outstanding		1,666,683	100	175

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

## Electric Royalties Ltd.

(Formerly Hunter Dickinson Mining Limited)

### Statements of Changes in Equity

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

	Note	Share capital (note 3)		Accumulated deficit	Total equity
		Number of shares	Amount		
Balance at January 1, 2017		600	\$ 6	\$ -	\$ 6
Share repurchased and cancelled	3	(500)	(5)	-	(5)
<b>Balance at December 31, 2017</b>		100	\$ 1	\$ -	\$ 1
Balance at January 1, 2018		100	\$ 1	\$ -	\$ 1
<b>Balance at December 31, 2018</b>		100	\$ 1	\$ -	\$ 1
Balance at January 1, 2019		100	\$ 1	\$ -	\$ 1
Common shares issued for cash	3	10,000,000	100,000	-	100,000
Net loss and comprehensive loss		-	-	(50,874)	(50,874)
<b>Balance at December 31, 2019</b>		10,000,100	\$ 100,001	\$ (50,874)	\$ 49,127

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

## Electric Royalties Ltd.

(Formerly Hunter Dickinson Mining Limited)

### Statements of Cash Flows

(Expressed in Canadian Dollars)

	Note	Year ended December 31,		
		2019	2018	2017
<b>Operating activities</b>				
Net loss		\$ (50,874)	\$ -	\$ -
Adjustments for:				
Interest income		(122)	-	-
Changes in working capital items				
Account receivable		(2,261)	-	-
Accounts payable and accrued liabilities		53,181	-	-
<b>Cash provided by operating activities</b>		<b>(76)</b>	<b>-</b>	<b>-</b>
<b>Investing activities</b>				
Interest received		122	-	-
<b>Cash provided by investing activities</b>		<b>122</b>	<b>-</b>	<b>-</b>
<b>Financing activities</b>				
Repurchase of common shares	3	-	-	(5)
Common shares issued for cash	3	96,000	-	-
<b>Cash used in financing activities</b>		<b>96,000</b>	<b>-</b>	<b>(5)</b>
<b>Change in cash</b>		<b>96,046</b>	<b>-</b>	<b>(5)</b>
Cash, opening balance		1	1	6
<b>Cash, closing balance</b>		<b>\$ 96,047</b>	<b>\$ 1</b>	<b>\$ 1</b>

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

**Electric Royalties Ltd.**  
**(Formerly Hunter Dickinson Mining Limited)**  
**Notes to the Financial Statements**  
For the year ended December 31, 2019, 2018 and 2017  
(Expressed in Canadian Dollars, unless otherwise stated)

---

**1. NATURE OF OPERATIONS**

Electric Royalties Ltd. (formerly Hunter Dickinson Mining Limited) (the “Company”) was incorporated on January 26, 2012 under the laws of the Province of British Columbia, Canada. The address of the Company’s corporate office is 15th Floor, 1040 West Georgia Street, Vancouver, BC, V6E 4H1.

The Company is 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).

The Company entered into a binding letter agreement dated August 30, 2019, as subsequently amended with last amendment date being April 1, 2020, with Globex Mining Enterprises Inc. to acquire a portfolio consisting of seven royalties in exchange for 3,000,000 company shares of the Company and \$500,000 cash. The transaction is subject, amongst other conditions, to completion of an initial public listing and a \$3,500,000 private placement of the Company’s common share.

After the reporting period, the Company entered into three additional agreements for acquisition of royalty interests (note 5).

In November 2019, the Company and Rebel Capital Inc. (“Rebel”) (TSXV: RBL.P), a capital pool company, announced that they had entered into a letter of intent dated November 21, 2019 (the “Letter of Intent”) pursuant to which Rebel will acquire all of the issued and outstanding shares in the capital of the Company (the “Proposed Transaction”). Pursuant to the Letter of Intent, on January 28, 2020, the Company and Rebel entered into a definitive business combination agreement (“BCA”), as subsequently amended as announced by Rebel on April 22, 2020. The Proposed Transaction is intended to constitute Rebel’s “Qualifying Transaction”, in accordance with TSX Venture Exchange Policy 2.4 – Capital Pool Companies.

The Proposed Transaction is expected to be completed by way of a “three-cornered” amalgamation under the provisions of the British Columbia Business Corporations Act (BCBCA), pursuant to which the Company will amalgamate with a wholly-owned subsidiary of Rebel, which will result in the Company becoming a wholly-owned subsidiary of Rebel.

Pursuant to the Proposed Transaction, the current shares of Rebel will be consolidated on the basis of one new Rebel common share for every two existing common shares, resulting in a total of 2,330,000 post-consolidation Rebel shares. Rebel will then acquire 100% of the issued and outstanding shares of the Company at a ratio of one post-consolidation Rebel share for every one Company share. The shareholders of the Company will be issued approximately 20 million post-consolidation Rebel common shares upon closing of the Proposed Transaction.

**Electric Royalties Ltd.**  
**(Formerly Hunter Dickinson Mining Limited)**  
**Notes to the Financial Statements**  
For the year ended December 31, 2019, 2018 and 2017  
(Expressed in Canadian Dollars, unless otherwise stated)

---

Although the Proposed Transaction will result in the Company becoming a wholly-owned subsidiary of Rebel, it will constitute a reverse takeover (RTO) for accounting purposes as the current shareholders of the Company will own a substantial majority of the common shares of the resulting group.

The completion of the Proposed Transaction will be subject to requisite regulatory approval, including the approval of the TSX Venture Exchange (the "TSXV"), and a number of additional conditions precedent, including the completion of a private placement financing for a minimum aggregate gross amount of \$3,500,000 at a price of \$0.25 per common share.

There can be no assurance that the Proposed Transaction will be completed. If the Proposed Transaction is not completed because either of the parties elects not to proceed forward and/or breaches the definitive agreement, that party will be responsible for paying the other parties reasonable out-of-pocket expenses in connection with the Transaction up to a maximum of \$70,000.

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these Financial Statements are described below. These policies have been consistently applied for all years presented, unless otherwise stated.

*(a) Statement of compliance*

These Financial Statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), effective for the Company's reporting year ended December 31, 2019.

*(b) Basis of presentation*

Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

*(c) Functional currency*

The functional currency is the currency of the primary economic environment in which an entity operates. The functional and presentation currency of the Company is the Canadian Dollar.

*(d) Financial instruments*

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

# Electric Royalties Ltd.

(Formerly Hunter Dickinson Mining Limited)

## Notes to the Financial Statements

For the year ended December 31, 2019, 2018 and 2017

(Expressed in Canadian Dollars, unless otherwise stated)

---

All financial assets that are not classified at amortised cost or fair value through other comprehensive income ("FVTOCI") are measured at fair value through profit or loss ("FVTPL") with net gains and losses on subsequent revaluation and income and expenses, including any transaction cost, associated with such assets recognised in profit or loss. All derivative financial assets and hybrid financial instruments with embedded derivatives are classified at FVTPL.

For a financial asset to be measured at amortized cost, it must meet the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition, financial assets at amortized cost are measured at fair value plus, transaction costs that are directly attributable to its acquisition. Subsequently, these financial assets are measured at amortised cost, using the effective interest method, and net of any impairment loss. Interest income, foreign exchange gains and losses, impairment losses, and gain or losses on derecognition are recognised in profit or loss.

The Company has no financial assets which are classified as at FVTOCI.

The Company's financial assets at amortized cost comprise accounts receivable and cash.

The Company classifies its non-derivative financial liabilities at amortized cost that are recognized initially at fair value net of any directly attributable transaction costs.

When a compound financial instrument is issued, its initial carrying amount is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component.

Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company's financial liabilities measured at amortized cost comprise accounts payable and accrued liabilities.

The Company has no derivative financial liabilities.

### Impairment of financial assets:

The Company recognises an allowance for expected credit losses ("ECL") for all debt instruments at amortized cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages.

# Electric Royalties Ltd.

(Formerly Hunter Dickinson Mining Limited)

## Notes to the Financial Statements

For the year ended December 31, 2019, 2018 and 2017  
(Expressed in Canadian Dollars, unless otherwise stated)

---

- For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months.
- For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### *(e) Share capital*

Common shares are classified as equity. Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

### *(f) Loss per share*

The Company presents basic and diluted loss per share information for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

### *(g) Income taxes*

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for:

- goodwill not deductible for tax purposes;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future.

# Electric Royalties Ltd.

(Formerly Hunter Dickinson Mining Limited)

## Notes to the Financial Statements

For the year ended December 31, 2019, 2018 and 2017

(Expressed in Canadian Dollars, unless otherwise stated)

---

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### *(h) Operating segments*

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

## **3. SHARE CAPITAL AND RESERVES**

### *(a) Authorized share capital*

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

### *(b) Issued share capital*

In December 2019, the Company issued 10,000,000 of its Common Shares at a price of \$0.01 per share and for aggregate proceeds of \$100,000.

In February 2017, the Company repurchased and cancelled 500 of its Common Shares for an aggregate price of \$5.

## **4. INCOME TAXES**

### *(a) Provision for current tax*

No provision has been made for current income taxes, as the Company has no taxable income.

### *(b) Provision for deferred tax*

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized.

**Electric Royalties Ltd.**  
**(Formerly Hunter Dickinson Mining Limited)**  
**Notes to the Financial Statements**

For the year ended December 31, 2019, 2018 and 2017  
(Expressed in Canadian Dollars, unless otherwise stated)

As at December 31, 2019, the Company had unused non-capital loss carry forwards and deductible expenditure pools of approximately \$50,874 (2018-\$nil; 2017 - \$nil).

(c) *Reconciliation of effective tax rate*

	Year ended December 31,		
	2019	2018	2017
Loss for the year	\$ (50,874)	\$ -	\$ -
Total income tax expense	-	-	-
Loss excluding income tax	\$ (50,874)	\$ -	\$ -
Income tax recovery using the Company's tax rate	\$ (14,000)	\$ -	\$ -
Non-deductible expenses	-	-	-
Changes in tax rates	-	-	-
Change in unrecognized temporary differences	14,000	-	-
Total	\$ -	\$ -	\$ -

For the year ended December 31, 2019, the Company's statutory tax rate was 27% (2018-27%; 2017-26%) and its effective tax rate was nil (2018-nil; 2017-nil).

As at December 31, 2019, the Company had the following temporary differences of which no deferred tax asset was recognized:

Expiry	Tax Losses	Other
Within one year	-	-
One to five years	-	-
After five years	16,000	-
No expiry date	-	35,000
	16,000	35,000

**5. EVENTS OCCURRING AFTER THE REPORTING PERIOD**

(a) *Issuance of Common Shares*

In February 2020, the Company issued 10,000,000 of its Common Shares at a price of \$0.05 per share and for aggregate cash proceeds of \$500,000.

(b) *Agreement with Global Energy Metals Corp.*

The Company entered into a binding letter agreement dated February 27, 2020 with Global Energy Metals Corp. to acquire a portfolio consisting of three royalties (the "Global Portfolio") in exchange for 1,150,000 common shares of the Company and \$150,000 cash. In order to

# Electric Royalties Ltd.

(Formerly Hunter Dickinson Mining Limited)

## Notes to the Financial Statements

For the year ended December 31, 2019, 2018 and 2017

(Expressed in Canadian Dollars, unless otherwise stated)

---

close the acquisition of the Global Portfolio, the Company must satisfy certain conditions precedent.

*(c) Agreement with Northern Graphite Corporation*

The Company entered into a binding letter agreement dated March 18, 2020 (the “NG Letter Agreement”) with Northern Graphite Corporation to acquire a 1% Gross Revenue Royalty in connection with graphite flotation concentrate produced from the Bissett Creek graphite project in exchange for 2,000,000 common shares of the Company and \$500,000 cash. Pursuant to the NG Letter Agreement, the Company must satisfy certain conditions precedent in order to close the transaction, including completing a minimum financing of \$3,500,000 at a price of \$0.25 per share, and obtaining a listing of its common shares on the TSX-V.

*(d) Agreement with Elementos Limited*

The Company entered into a binding letter agreement dated April 15, 2020 with Elementos Limited to acquire a portfolio consisting of two royalties in exchange for 1,500,000 company shares of the Company and \$500,000 cash, subject to the Company satisfying certain conditions precedent, including obtaining a listing of its common shares on the TSX-V at a price of \$0.25 per share.

# **Electric Royalties Ltd.**

## **CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE THREE MONTHS ENDED  
MARCH 31, 2020 AND 2019

*(Expressed in Canadian Dollars)*

(Unaudited)

**Electric Royalties Ltd.**  
**Condensed Interim Statements of Financial Position**  
(Unaudited – Expressed in Canadian Dollars)

	Note	March 31, 2020	December 31, 2019
<b>ASSETS</b>			
Cash		\$ 576,923	\$ 96,047
Account receivable and prepaid expenses	3	18,548	6,261
<b>TOTAL ASSETS</b>		<b>\$ 595,471</b>	<b>\$ 102,308</b>
<b>EQUITY</b>			
Share capital	4	\$ 600,001	\$ 100,001
Accumulated deficit		(337,333)	(50,874)
		262,668	49,127
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities		332,803	53,181
		332,803	53,181
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>\$ 595,471</b>	<b>\$ 102,308</b>

Events after the reporting period (note 1 and 5)

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

These financial statements are approved for issuance on June 14, 2020 and are signed on the Company's behalf by the following:

*/s/ Brendan Yurik*

Brendan Yurik  
Director

*/s/ Marchand Snyman*

Marchand Snyman  
Director

## Electric Royalties Ltd.

### Condensed Interim Statements of Comprehensive Loss

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

	Three months ended March 31,	
	2020	2019
Expenses		
Legal and regulatory expenses	\$ 152,776	\$ -
Marketing	6,955	-
Administration	25,717	-
Salaries and benefits	101,859	-
Total expenses	287,307	-
Interest income	(848)	-
Net loss and comprehensive loss	\$ 286,459	\$ -
Basic and diluted loss per share	\$ 0.02	\$ 0.00
Weighted average number of common shares outstanding	14,285,814	100

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

## Electric Royalties Ltd.

### Condensed Interim Statements of Changes in Equity

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

	Note	Share capital (note 4)		Accumulated deficit	Total equity
		Number of shares	Amount		
Balance at January 1, 2019		100	\$ 1	\$ –	\$ 1
Net loss and comprehensive loss		–	–	–	–
<b>Balance at March 31, 2019</b>		100	\$ 1	\$ –	\$ 1
Balance at January 1, 2020		10,000,100	\$ 100,001	\$ (50,874)	\$ 49,127
Common shares issued for cash	4	10,000,000	500,000	–	500,000
Net loss and comprehensive loss		–	–	(286,459)	(286,459)
<b>Balance at March 31, 2020</b>		20,000,100	\$ 600,001	\$ (337,333)	\$ 262,668

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

**Electric Royalties Ltd.**  
**Condensed Interim Statements of Cash Flows**  
(Unaudited – Expressed in Canadian Dollars)

	Note	Three months ended March 31	
		2020	2019
<b>Operating activities</b>			
Net loss		\$ (286,459)	\$ -
Adjustments for:			
Interest income		(848)	-
Changes in working capital items			
Account receivable and prepaid expenses		(12,287)	-
Accounts payable and accrued liabilities		279,622	-
<b>Cash (used in) provided by operating activities</b>		<b>(19,972)</b>	<b>-</b>
<b>Investing activities</b>			
Interest received		848	-
<b>Cash provided by investing activities</b>		<b>848</b>	<b>-</b>
<b>Financing activities</b>			
Common shares issued for cash	4	500,000	-
<b>Cash provided by financing activities</b>		<b>500,000</b>	<b>-</b>
<b>Change in cash</b>		<b>480,876</b>	<b>-</b>
Cash, opening balance		96,047	1
<b>Cash, closing balance</b>		<b>\$ 576,923</b>	<b>\$ 1</b>

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

# Electric Royalties Ltd.

## Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2020 and 2019

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

---

### 1. NATURE OF OPERATIONS

Electric Royalties Ltd. (the “Company”) was incorporated on January 26, 2012 under the laws of the Province of British Columbia, Canada. The address of the Company’s corporate office is 15th Floor, 1040 West Georgia Street, Vancouver, BC, V6E 4H1.

The Company is 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).

As of the date of issuance of these Financial Statements, the Company had entered into several agreements for acquisition of royalty interests (note 5) that are subject to certain conditions precedent as described in Note 5.

On January 28, 2020, the Company and Rebel Capital Inc. (“Rebel”) (TSXV: RBL.P), a capital pool company, entered into a definitive business combination agreement (“BCA”) pursuant to which Rebel will acquire all of the issued and outstanding shares in the capital of the Company (the “Proposed Transaction”). The BCA was subsequently amended as announced by Rebel on April 22, 2020. The Proposed Transaction is intended to constitute Rebel’s “Qualifying Transaction”, in accordance with TSX Venture Exchange Policy 2.4 – Capital Pool Companies.

The Proposed Transaction is expected to be completed by way of a “three-cornered” amalgamation under the provisions of the British Columbia Business Corporations Act (BCBCA), pursuant to which the Company will amalgamate with a wholly-owned subsidiary of Rebel, which will result in the Company becoming a wholly-owned subsidiary of Rebel.

Pursuant to the Proposed Transaction, the current shares of Rebel will be consolidated on the basis of one new Rebel common share for every two existing common shares, resulting in a total of 2,330,000 post-consolidation Rebel shares. Rebel will then acquire 100% of the issued and outstanding shares of the Company at a ratio of one post-consolidation Rebel share for every one Company share. The shareholders of the Company will be issued approximately 20 million post-consolidation Rebel common shares upon closing of the Proposed Transaction.

Although the Proposed Transaction will result in the Company becoming a wholly-owned subsidiary of Rebel, it will constitute a reverse takeover (RTO) for accounting purposes as the current shareholders of the Company will own a substantial majority of the common shares of the resulting group.

The completion of the Proposed Transaction will be subject to requisite regulatory approval, including the approval of the TSX Venture Exchange (the “TSXV”), and a number of additional conditions precedent, including the completion of a private placement financing for a minimum aggregate gross amount of \$3,500,000 at a price of \$0.25 per common share.

# Electric Royalties Ltd.

## Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2020 and 2019

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

---

There can be no assurance that the Proposed Transaction will be completed. If the Proposed Transaction is not completed because either of the parties elects not to proceed forward and/or breaches the definitive agreement, that party will be responsible for paying the other parties reasonable out-of-pocket expenses in connection with the Transaction up to a maximum of \$70,000.

## 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 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 change 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) *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. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	March 31, 2020	December 31, 2019
Sales tax	\$ 8,784	\$ 2,186
Prepaid insurance	9,764	-
Other	-	4,075
Total	\$ 18,548	\$ 6,261

# Electric Royalties Ltd.

## Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2020 and 2019

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

---

### 4. SHARE CAPITAL AND RESERVES

#### (a) *Authorized share capital*

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

#### (b) *Issued share capital*

In February 2020, the Company issued 10,000,000 of its Common Shares at a price of \$0.05 per share and for aggregate cash proceeds of \$500,000.

In December 2019, the Company issued 10,000,000 of its Common Shares at a price of \$0.01 per share and for aggregate proceeds of \$100,000.

### 5. AGREEMENTS TO ACQUIRE ROYALTY INTERESTS

At March 31, 2020 and as of the date of issuance of these Financial Statements, the Company had not completed any acquisition of royalty interests. As of the date of issuance of these Financial Statements, the Company had entered into several agreements to acquire royalty interests that are summarized below:

#### (a) *Agreement with Globex Mining Enterprises*

The Company entered into a binding letter agreement dated August 30, 2019, as subsequently amended with last amendment date being April 1, 2020, with Globex Mining Enterprises Inc. to acquire a portfolio consisting of seven royalties in exchange for 3,000,000 company shares of the Company and \$500,000 cash, of which \$25,000 was paid by the Company as a non-refundable advance in April 2020. The transaction is subject, amongst other conditions, to completion of an initial public listing and a \$3,500,000 private placement of the Company’s common share.

#### (b) *Agreement with Global Energy Metals Corp.*

The Company entered into a binding letter agreement dated February 27, 2020 with Global Energy Metals Corp. to acquire a portfolio consisting of three royalties (the “Global Portfolio”) in exchange for 1,150,000 common shares of the Company and \$150,000 cash. In order to close the acquisition of the Global Portfolio, the Company must satisfy certain conditions precedent, including satisfactory completion of due diligence by the Company.

#### (c) *Agreement with Northern Graphite Corporation*

The Company entered into a binding letter agreement dated March 18, 2020 (the “NG Letter Agreement”) with Northern Graphite Corporation to acquire a 1% Gross Revenue Royalty in connection with graphite flotation concentrate produced from the Bissett Creek graphite project in exchange for 2,000,000 common shares of the Company and \$500,000 cash. Pursuant to the NG Letter Agreement, the Company must satisfy certain conditions precedent

# Electric Royalties Ltd.

## Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2020 and 2019

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

---

in order to close the transaction, including completing a minimum financing of \$3,500,000 at a price of \$0.25 per share, and obtaining a listing of its common shares on the TSX-V.

(d) *Agreement with Elementos Limited*

The Company entered into a binding letter agreement dated April 15, 2020 with Elementos Limited to acquire a portfolio consisting of two royalties in exchange for 1,500,000 company shares of the Company and \$500,000 cash, subject to the Company satisfying certain conditions precedent, including obtaining a listing of its common shares on the TSX-V at a price of \$0.25 per share, that is, the price of a concurrent equity financing vis-à-vis the Proposed Transaction (note 1).

## 6. 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:

<b>Remuneration for services rendered</b>	Three months ended March 31,	
	2020	2019
Short-term employment benefits	\$ 40,000	\$ -

**APPENDIX D**

**ELECTRIC ROYALTIES LTD.'S MANAGEMENT DISCUSSION & ANALYSIS FOR THE  
YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017 AND THE THREE MONTH PERIOD  
ENDED MARCH 31, 2020**

# **ELECTRIC ROYALTIES LTD.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED DECEMBER 31, 2019**

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

**Table of Contents**

1.1	DATE .....	5
1.2	OVERVIEW .....	5
1.2.1	ROYALTY ACQUISITIONS .....	7
1.2.2	FINANCINGS.....	12
1.2.3	MARKET TRENDS .....	12
1.3	SELECTED ANNUAL INFORMATION .....	14
1.4	SUMMARY AND DISCUSSION OF QUARTERLY RESULTS .....	14
1.5	RESULTS OF OPERATIONS .....	14
1.6	LIQUIDITY .....	14
1.7	CAPITAL RESOURCES.....	14
1.8	OFF-BALANCE SHEET ARRANGEMENTS .....	15
1.9	TRANSACTIONS WITH RELATED PARTIES .....	15
1.10	FOURTH QUARTER.....	15
1.11	PROPOSED TRANSACTIONS .....	15
1.12	CRITICAL ACCOUNTING ESTIMATES .....	15
1.13	CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION.....	15
1.14	FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS.....	15
1.15	OTHER MD&A REQUIREMENTS .....	15
1.15.1	ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE .....	15
1.15.2	DISCLOSURE OF OUTSTANDING SHARE DATA .....	15
1.15.3	INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS.....	16
1.15.4	RISK FACTORS.....	16

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

**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 not aware of any misstatements regarding any industry data or comparables presented herein,

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

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.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

## **1.1 Date**

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements of Electric Royalties Ltd. ("ERL" or the "Company") for the year ended December 31, 2019 (the "Financial Statements").

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 June 14, 2020.

## **1.2 Overview**

Incorporated on January 26, 2012 pursuant to the British Columbia Business Corporations Act ("BCBCA"), the Company's name was changed from Hunter Dickinson Mining Limited to Electric Royalties Ltd. on July 10, 2019.

The head office and registered office of ERL is located at 15th Floor, 1040 West Georgia Street, Vancouver, British Columbia V6E 4H1.

ERL is currently a privately held royalty investment company in the natural resources (mining) sector.

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 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").

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.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

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

- Acquiring long-term GRR 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.

### **Proposed Reverse Takeover**

On January 28, 2020, the Company and Rebel Capital Inc. ("Rebel") (TSXV: RBL.P), a capital pool company, entered into a definitive business combination agreement ("BCA") pursuant to which Rebel will acquire all of the issued and outstanding shares in the capital of the Company (the "Proposed Transaction"). The BCA was subsequently amended as announced by Rebel on April 22, 2020. The Proposed Transaction is intended to constitute Rebel's "Qualifying Transaction", in accordance with TSX Venture Exchange Policy 2.4 – Capital Pool Companies.

The Proposed Transaction is expected to be completed by way of a "three-cornered" amalgamation under the provisions of the BCBCA, pursuant to which the Company will amalgamate with a wholly-owned subsidiary of Rebel, which will result in the Company becoming a wholly-owned subsidiary of Rebel.

Pursuant to the Proposed Transaction, the current shares of Rebel will be consolidated on the basis of one new Rebel common share for every two existing common shares, resulting in a total of 2,330,000 post-consolidation Rebel shares. Rebel will then acquire 100% of the issued and outstanding shares of the Company at a ratio of one post-consolidation Rebel share for every one Company share. The shareholders of the Company will be issued approximately 20 million post-consolidation Rebel common shares upon closing of the Proposed Transaction.

Although the Proposed Transaction will result in the Company becoming a wholly-owned subsidiary of Rebel, it will constitute a reverse takeover (RTO) for accounting purposes as the current shareholders of the Company will own a substantial majority of the common shares of the resulting group.

The completion of the Proposed Transaction will be subject to requisite regulatory approval, including the approval of the TSX Venture Exchange (the "TSXV"), and a number of additional conditions precedent, including the completion of a private placement financing for a minimum aggregate gross amount of \$3,500,000 at a price of \$0.25 per common share.

There can be no assurance that the Proposed Transaction will be completed. If the Proposed Transaction is not completed because either of the parties elects not to proceed forward and/or breaches the definitive agreement, that party will be responsible for paying the other parties reasonable out-of-pocket expenses in connection with the Transaction up to a maximum of \$70,000.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

**1.2.1 Royalty Acquisitions**

**Summary Chart of Information Relating to Proposed Royalty Acquisitions**

<b>Royalty</b>	<b>Project</b>	<b>Type and Amount of Royalty</b>	<b>Royalty Acquisition Agreements</b>	<b>Property Owner</b>	<b>Location</b>	<b>Commodity</b>
Authier Royalty	Authier Lithium Project	0.5% GMR	Globex Letter Agreement	Sayona Quebec Inc.	Quebec, Canada	Lithium
Mont Sorcier Royalty	Mont Sorcier Project	1% GMR	Globex Letter Agreement	Chibougamau Independent Mines Inc.	Quebec, Canada	Vanadium
Battery Hill Royalty	Battery Hill Project	2% GMR	Globex Letter Agreement	Sunset Cove Mining	New Brunswick, Canada	Manganese
Authier Lithium Exploration Royalty	Authier Lithium Exploration Project	2% GMR	Globex Letter Agreement	Glen Eagle Resources Inc.	Quebec, Canada	Lithium
Chubb Royalty	Chubb Lithium Project	2% GMR	Globex Letter Agreement	Great Thunder Gold Corp.	Quebec, Canada	Lithium
Bouvier Royalty	Bouvier Lithium Project	2% GMR	Globex Letter Agreement	Great Thunder Gold Corp.	Quebec, Canada	Lithium
LaMotte Royalty	Authier Lithium Project	0.5% GMR	Globex Letter Agreement	9087-1400 Quebec Inc.	Quebec, Canada	Lithium
Millennium GMR Royalty	Millennium Cobalt Project	0.5% GMR	Global Letter Agreement	Global Energy Metals Corp.	Queensland, Australia	Cobalt
Mt. Dorothy Royalty	Mt. Dorothy Cobalt Project	0.5% GMR	Global Letter Agreement	Global Energy Metals Corp.	Queensland, Australia	Cobalt
Cobalt Ridge Royalty	Cobalt Ridge Cobalt Project	0.5% GMR	Global Letter Agreement	Global Energy Metals Corp.	Queensland, Australia	Cobalt
Bissett Creek Royalty	Bissett Creek Project	1% GRR	NG Letter Agreement	Northern Graphite Corporation	Ontario, Canada	Graphite
Cleveland Royalty	Cleveland Tin Project	1% GRR	Elementos Letter Agreement	Rockwell Minerals Pty Ltd	Tasmania, Australia	Tin
Oropesa Royalty	Oropesa Tin Project	1% GRR	Elementos Letter Agreement	Minas De Estano De Espana, SLU	Andalucía, Spain	Tin

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

### **Globex Royalty Acquisitions Under Binding Letter Agreement**

The Company entered into a binding letter agreement (“Royalty Portfolio Purchase Letter Agreement”) dated August 30, 2019 with Globex Mining Enterprises Inc., as amended by Amendment No. 1 to the Royalty Portfolio Purchase Letter Agreement dated November 1, 2019 and further amended by Amendment No. 2 to the Royalty Portfolio Purchase Letter Agreement dated February 7, 2020, Amendment No. 3 to the Royalty Portfolio Purchase Letter Agreement dated March 25, 2020 and Amendment No. 4 to the Royalty Portfolio Purchase Letter Agreement dated April 1, 2020 (the “Globex Letter Agreement”) to acquire a portfolio consisting of six royalties (the “Globex Portfolio”) in exchange for 3,000,000 Company Shares and C\$500,000 cash. The Company has made an advance cash payment of C\$25,000 to Globex, to be held by Globex in trust, such payment to be accrued to and received by Globex on June 25, 2020. Such payment will be offset against the C\$500,000 cash consideration due to Globex under the Globex Letter Agreement, and will be retained by Globex in the event of termination of the Globex Letter Agreement. In the event the Authier Lithium Project (as defined below) enters commercial production within six years of the Effective Date (as defined in the Globex Letter Agreement), the Company shall make a bonus payment of C\$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 CPI. Pursuant to the Globex Letter Agreement, the Company must satisfy certain conditions precedent in order to close the acquisition of the Globex Portfolio, including completing a C\$3,500,000 private placement by June 25, 2020. The Offering is intended to satisfy the private placement condition precedent.

The Globex Portfolio consists of the following royalties:

1. Authier Lithium Royalty (the “Authier Royalty”) – The Authier Royalty is a 0.5% gross metal Royalty (“GMR”) on part of the Authier lithium project (the “Authier Lithium Project”) as set out in the Mineral Claim Purchase Agreement dated July 31, 2018 among Globex, Sayona Québec Inc. (“Sayona Quebec”) and Sayona Mining Limited (the “Sayona Agreement”). The Authier Lithium Project is located in the municipality of Preissac in the Province of Quebec and comprises 19 mineral claims. The Authier Royalty is one quarter of the 2% GMR payable under the Sayona Agreement. Pursuant to the Sayona Agreement, a 2% GMR is payable to Globex on the actual proceeds derived from the sale of all metals, minerals or mineral compounds produced from the Authier Lithium Project by a refinery or another processing facility, including but not limited to lithium, lithium compounds, gold, silver and tungsten. No costs of any kind whatsoever shall be included in the calculation of the 2% GMR. The 2% GMR shall also apply to the revenue generated from the sale of aggregates or waste rocks or tailings from the Authier Lithium Project. At Globex’s option, the 2% GMR shall be paid in cash or in kind by the refinery or processing facility immediately upon delivery of the metal, mineral or mineral compounds. If Globex requests payment in cash, the dollar value of the 2% GMR will be deemed to be the dollar amount actually receipted by Sayona Québec, or if any portion of the minerals are sold to an Affiliate of Sayona Québec, an amount calculated by reference to the gross proceeds (pro-rated in respect of quantity) received from the last sale to a party that was not an Affiliate of Sayona Québec, or, if no such transaction exists in the last 12 months, at a rate equal to prevailing industry benchmark pricing averaged over the calendar month of delivery. The Authier Royalty will be paid to Globex who will be responsible for onward payment to ERL.
2. 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

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

Project”) as set out in the Option to Purchase Agreement entered into as of September 29, 2016 between Chibougamau Independent Mines Inc. and Vanadium Iron Ore Corp. (formerly Vendome Resources Corp.) (the “Chibougamau Agreement”). Globex is entitled to the Mont Sorcier Royalty under the Chibougamau Agreement. The Mont Sorcier Royalty comprises one third of the total 3% GMR payable under the Chibougamau Agreement. The Mont Sorcier Project property is located in Roy Township, Province of Quebec and comprises 37 mining claims. Under the Chibougamau Agreement, a GMR of 3% is payable on the value of all metals produced from the Mont Sorcier Project as delivered by an arms length processing plant, refinery or smelter, including but not limited to gold, silver, copper, iron, titanium and vanadium. No costs of any kind whatsoever, including transportation, smelter or treatment charges, shall be deducted from the value of the metals produced from the Mont Sorcier Project in the calculation of the GMR.

3. 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”), as set out in the Option Agreement entered into as of April 22, 2016 between Sunset Cove Mining (“Sunset”) and Globex (the “Sunset Agreement”). The Battery Hill Project is located in Carleton County, Province of New Brunswick and comprises 32 mining claims. Pursuant to the Sunset Agreement, a GMR of 3% is payable to Globex on the value of all metals produced from the Battery Hill Project as delivered by an arms length or wholly owned or partially owned processing facility, including but not limited to manganese iron, precious metals, base metals, industrial minerals and compounds. No costs of any kind whatsoever, including transportation, smelter or treatment charges, shall be deducted from the value of the metals, minerals or compounds produced from the Battery Hill Project in the calculation of the GMR. At Globex’s option, the 3% GMR shall be paid in cash or in kind at the processing facility immediately upon delivery of the metals, minerals or compounds, provided that Globex must elect on an annual basis at the end of Sunset’s fiscal year which form Globex wishes to receive payment in and payment shall be in the form so elected for the balance of the fiscal year. As part of the Globex Portfolio, the Company is acquiring the Battery Hill Royalty, which is two-thirds of the 3% GMR payable under the Sunset Agreement. The Battery Hill Royalty, expected to be paid in cash, will be paid to Globex who will be responsible for onward payment to ERL.
4. 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”) as set out in the Agreement for Sale of Assets dated September 27, 2010 between Globex and Glen Eagle Resources Inc. (the “Glen Eagle Agreement”). The Authier Lithium Exploration Project is located in the municipality of Preissac in the Province of Quebec and comprises 12 mineral claims. The Authier Lithium Exploration Royalty shall be payable on the value of all metals produced from the Authier Lithium Exploration Project as delivered by an arms length refinery or smelter, including but not limited to lithium, nickel, gold and silver. No costs or deduction of any kind whatsoever shall be included in the calculation of the GMR. At Globex’s option, the Authier Lithium Exploration Royalty shall be paid in cash or in kind at the refinery or smelter immediately upon delivery of the metal.
5. 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”), both as set out in the Letter agreement dated May 25, 2016 between Globex and Great Thunder Gold Corp., as amended by an addendum dated February 14, 2017 (the “Great Thunder Agreement”). The Chubb Lithium Project and Bouvier Lithium Project are

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

located in Lacorne and Figury Townships in the Province of Quebec respectively, and collectively comprise 22 mineral claims. A GMR of 2% is payable on the value of all metals produced from the Chubb Lithium Project and Bouvier Lithium Project as processed by an arms length processing facility, refinery or smelter, including but not limited to lithium, molybdenum, gold, silver, copper, zinc and industrial minerals. No costs or deduction of any kind whatsoever shall be deducted from the value of the metals produced from the Chubb Lithium Project or Bouvier Lithium Project in the calculation of the GMR.

6. LaMotte Authier Lithium Royalty (the "LaMotte Royalty") – The LaMotte Royalty is a 0.5% GMR on the Authier Lithium Project as set out in the letter agreement dated December 17, 2009 between Globex and 9087-1400 Quebec Inc. (the "LaMotte Agreement"). 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, and is 50% of Globex's 1% GMR entitlement under the LaMotte Agreement. The LaMotte Royalty is payable on the value of all metals, minerals or mineral compounds, including but not limited to lithium, lithium compounds, gold, silver and tungsten, produced from the Authier Lithium Project as delivered by an arms length refinery or another processing facility. No costs or deduction of any kind whatsoever shall be included in the calculation of the GMR. At Globex's option, the LaMotte Royalty shall be paid in cash or in kind at the refinery or processing facility immediately upon delivery of the metal, mineral or mineral compounds. The GMR also applies to revenue generated from the sale of aggregates or waster rock or tailings from the LaMotte Claim.

**Letter Agreements for Proposed Royalty Acquisitions Executed after December 31, 2019**

**Global Royalty Acquisitions Under Binding Letter Agreement**

The Company entered into a binding letter agreement dated February 27, 2020 with Global Energy Metals Corp. (the "Global Letter Agreement") to acquire a portfolio consisting of three royalties (the "Global Portfolio") in exchange for 1,150,000 Company Shares and C\$150,000 cash. Pursuant to the Global Letter Agreement, the Company must satisfy certain standard conditions precedent in order to close the acquisition of the Global Portfolio.

The Global Portfolio consists of the following royalties:

1. Millennium Cobalt Royalty (the "Millennium GMR Royalty") – The Millennium GMR 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 and comprises five mining leases, which expire in 2025.
2. 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 located near Mount Isa, Queensland, Australia and consists of one mining permit on one block.
3. 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 located near Mount Isa, Queensland, Australia and consists of one mining permit on two blocks.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

### Global Portfolio Call Option

Pursuant to the Global Letter Agreement, the Company will have a call option (the “First Global Option”) exercisable at any time in the two years from the closing date of the acquisition of the Global Portfolio (the “Global Closing Date”) to acquire a 0.5% royalty on the NSR from the Millennium Cobalt Project (as defined below) (the “Millennium NSR Royalty”) for C\$500,000. Up to 25% of the payment for the Millennium NSR Royalty may be payable in Company 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 Global Closing Date and (ii) the date that is six months from the date that a preliminary economic analysis or similar study on the Millennium Cobalt Project is provided to Company, to increase the Millennium NSR to 1.5% for C\$1,000,000. Up to 25% of the payment for the increase in the Millennium NSR may be payable in Company Shares, at the Company’s election.

### **Northern Graphite Royalty Acquisition Under Binding Letter Agreement**

The Company entered into a binding letter agreement dated March 18, 2020 (the “NG Letter Agreement”) with Northern Graphite Corporation (“Northern Graphite”) to acquire a 1% GRR (the “Bissett Creek Royalty”) on all revenues received or receivable by Northern Graphite in connection with graphite flotation concentrate produced from the Bissett Creek graphite project (the “Bissett Creek Project”) in exchange for 2,000,000 Company Shares (the “NG Consideration Shares”) and C\$500,000 cash (the “NG Transaction”). The Bissett Creek Project is located in the Maria Township of Renfrew County in Ontario, and consists of 57 mineral claims with anniversary dates in 2024, and two mining leases that expire in 2034 and 2035.

The NG Consideration Shares will be subject to hold conditions, namely (i) 50% of the NG Consideration Shares will become free trading 12 months after the closing date of the NG Transaction (the “**NG Closing Date**”); and (ii) 50% of the NG Consideration Shares will become free trading 18 months after the NG Closing Date. The NG Closing Date shall be no later than July 15, 2020. Pursuant to the NG Letter Agreement, the Company must satisfy certain conditions precedent in order to close the NG Transaction, including completing a minimum financing of C\$3,500,000 at a price of \$0.25 per share, and obtaining a listing of its common shares on the TSX-V. The Offering is intended to satisfy the financing condition precedent.

Pursuant to the NG Letter Agreement, the Company will have a call option, exercisable at any time for a period of two years from the NG Closing Date, to acquire a further 0.5% GRR on the Bissett Creek Project by paying C\$750,000 to Northern Graphite, of which the Company can elect to pay up to 25% in Company Shares, valued at the preceding 5-day volume weighted closing price of Company Shares on the TSX-V. The additional 0.5% GRR will become part of the Bissett Creek Royalty. Northern Graphite has the option (the “NG Buy Back Option”), exercisable at any time after 12 months from the NG Closing Date, to buy back a 0.5% GRR on the Bissett Creek Project from the Company by either paying (i) C\$1,500,000 cash, or (ii) returning to the Company the original NG Consideration Shares. If the NG Buy Back Option is exercised, 0.5% shall be deducted from the Bissett Creek Royalty.

### **Elementos Royalty Acquisitions Under Binding Letter Agreement**

The Company entered into a binding letter agreement dated April 15, 2020 (the “Elementos Letter Agreement”) with Elementos Limited (“Elementos”) to acquire a portfolio consisting of two royalties (the “Elementos Portfolio”) in exchange for 1,500,000 Company Shares (“Elementos Consideration Shares”) and C\$500,000 cash.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

The Elementos Consideration Shares will be escrowed and will vest and be released from escrow as follows: (i) 50% of the Elementos Consideration Shares will vest and be released from escrow 6 months after the Elementos Closing Date; and (ii) 50% of the Elementos Consideration Shares will vest and be released from escrow 12 months after the closing date of the acquisition of the Elementos Portfolio (the "Elementos Closing Date"). Pursuant to the Elementos Letter Agreement, the Company must satisfy certain conditions precedent in order to close the acquisition of the Elementos Portfolio, including obtaining a listing of its common shares on the TSX-V at a price of \$0.25 per share. The Offering is intended to satisfy the financing condition precedent.

The Elementos Portfolio consists of the following royalties:

1. Cleveland Royalty (the "Cleveland Royalty") – The Cleveland Royalty is a 1% GRR on the Cleveland tin project (the "Cleveland Tin Project"). The Cleveland Tin Project is located near Burnie, Tasmania, Australia and comprises one exploration licence.
2. Oropesa Royalty ("Oropesa Royalty") – The Oropesa Royalty is a 1% GRR on the Oropesa tin project (the "Oropesa Tin Project"). The Oropesa Tin Project is located near Fuente Obejuna, Andalucía, Spain and consists of an investigation permit that expires in 2047 with an option to extend for a further 60 years.

#### Elementos Portfolio Call Options

Pursuant to the Elementos Letter Agreement, the Company will have call options to: (a) acquire a further 1% GRR on the Cleveland Tin Project for C\$1,000,000 (the "Cleveland Royalty Option"); and (b) acquire a further 1% GRR on the Oropesa Tin Project for C\$1,500,000 (the "Oropesa Royalty Option"). The Cleveland Royalty Option and the Oropesa Royalty Option will each be exercisable at any time, by the earlier of (i) a period of two years from the Elementos Closing Date; (ii) 21 days from the date Elementos notifies the Company, and provides the Company with the material commercial terms of a binding written offer received by Elementos from an arm's length third party, capable of being completed, to sell at least a 1% GRR on the particular project to a third party; or (iii) 14 days after the issue of project definitive feasibility studies. Up to 50% of the payment for each of the Cleveland Royalty Option and the Oropesa Royalty Option may be payable in Company Shares, at the Company's election.

#### **1.2.2 Financings**

In February 2020, the Company issued 10,000,000 of its Common Shares at a price of \$0.05 per share and for aggregate cash proceeds of \$500,000.

In December 2019, the Company issued 10,000,000 of its Common Shares at a price of \$0.01 per share and for aggregate proceeds of \$100,000.

#### **1.2.3 Market Trends**

The Company is currently focused on the following target commodities:

- Tin
- Lithium
- Graphite
- Cobalt

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

- Manganese
- Vanadium
- Copper
- Nickel

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.

During 2019, average tin price was US\$ 18,607/tonne, down 8% from last year's average. Average tin price during the first quarter of 2020 was US\$ 16,286/tonne, a decrease of 23% compared to the same period of the previous year. As of the date hereof, LME reported a cash price for tin as US\$ 16,985/tonne.

In March 2020, Fastmarkets assessed the lithium carbonate (minimum 99.5% Li<sub>2</sub>CO<sub>3</sub>, battery grade) spot price at US\$8.00/kg – US\$9.50/kg, and lithium hydroxide monohydrate (minimum 56.5% LiOH<sub>2</sub>O, battery grade) spot price at US\$9.50/kg – US\$11.00/kg, both on a CIF China, Japan and Korea basis. In 2016 and 2017, lithium prices followed an overall upward trend and increased over the two year period from approximately US\$ 8/kg to US\$ 22/kg. In 2018, monthly average lithium carbonate spot prices decreased by approximately 50% from a peak of US\$22.89/kg in February 2018 to US\$11.28/kg by October 2018.

Graphite prices are determined based on direct negotiations between buyers and sellers and, because 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.

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.

The average manganese ore 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\$ 4.5 /dmtu.

The average price of V<sub>2</sub>O<sub>5</sub> (vanadium pentoxide flake 98%) was approximately US\$18.30/lb in 2018, up from the 2017 average of US\$6.52. However, 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 and US\$5.85; this increased to a range of between US\$5.05 and US\$6.10 at March 31, 2020. The average price of V<sub>2</sub>O<sub>5</sub> for April 2020 was approximately US\$6.45/lb.

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. A recent closing price is US\$ 2.58/lb.

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

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

nickel for the first quarter of 2020 was US\$ 5.77/lb, which was 18% lower than the average price for the last quarter of 2019; the decrease was mainly due to concerns surrounding the COVID-19 pandemic. Closing LME cash price of nickel as of the date hereof was US\$ 5.72/lb.

### 1.3 Selected Annual Information

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

	2019	2018	2017
Total assets	\$ 102,000	\$ -	\$ -
Total non-current financial liabilities	\$ -	\$ -	\$ -
Total current financial liabilities	\$ 53,000	\$ -	\$ -
Revenue	\$ -	\$ -	\$ -
Net loss attributable to shareholders of the Company	\$ 49,000	\$ -	\$ -
Basic and diluted loss per common share	\$ 0.03	\$ -	\$ -

### 1.4 Summary and Discussion of Quarterly Results

Not required.

### 1.5 Results of Operations

The Company reported a loss of \$51,000 during the year ended December 31, 2019 mainly due to the general, administration and legal expenses relating to the Proposed Transaction. In the prior years, the Company was inactive.

### 1.6 Liquidity

At December 31, 2019, the Company had cash and cash equivalents of \$96,000 (December 31, 2018 - \$nil) and working capital of \$49,000 (December 31, 2018 - \$nil).

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.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

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**

There was no related party transaction during the year ended December 31, 2019.

**1.10 Fourth Quarter**

Prior to the fourth quarter of the year ended December 31, 2019, the Company was inactive. Net loss for the year ended December 31, 2019 was recorded in the fourth quarter of the year.

**1.11 Proposed Transactions**

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

**1.12 Critical Accounting Estimates**

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

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

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

**1.14 Financial Instruments and Other Instruments**

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

**1.15 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	20,000,100
Share to be issued under binding letters of intent	7,650,000

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

### **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 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 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.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

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 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,

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

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.

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

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

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.

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

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

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.

#### 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.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

Regulatory Change

ERL's operations as well as the operations 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.

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

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

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**

#### 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 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

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

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 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

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Year ended December 31, 2019

---

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 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.

# **ELECTRIC ROYALTIES LTD.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**THREE MONTHS MARCH 31, 2020**

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

**Table of Contents**

1.1	DATE .....	5
1.2	OVERVIEW .....	5
1.2.1	ROYALTY ACQUISITIONS .....	7
1.2.3	FINANCINGS.....	12
1.2.4	MARKET TRENDS .....	12
1.3	SELECTED ANNUAL INFORMATION .....	14
1.4	SUMMARY AND DISCUSSION OF QUARTERLY RESULTS .....	14
1.5	RESULTS OF OPERATIONS .....	14
1.6	LIQUIDITY .....	14
1.7	CAPITAL RESOURCES.....	14
1.8	OFF-BALANCE SHEET ARRANGEMENTS .....	14
1.9	TRANSACTIONS WITH RELATED PARTIES .....	15
1.10	FOURTH QUARTER.....	15
1.11	PROPOSED TRANSACTIONS .....	15
1.12	CRITICAL ACCOUNTING ESTIMATES .....	15
1.13	CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION.....	15
1.14	FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS.....	15
1.15	OTHER MD&A REQUIREMENTS .....	15
1.15.1	ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE .....	15
1.15.2	DISCLOSURE OF OUTSTANDING SHARE DATA .....	15
1.15.3	INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS.....	15
1.15.4	RISK FACTORS.....	16

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

**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 not aware of any misstatements regarding any industry data or comparables presented herein,

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

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.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

## **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. ("ERL" or the "Company") for the three months ended March 31, 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 June 14, 2020.

## **1.2 Overview**

Incorporated on January 26, 2012 pursuant to the British Columbia Business Corporations Act ("BCBCA"), the Company's name was changed from Hunter Dickinson Mining Limited to Electric Royalties Ltd. on July 10, 2019.

The head office and registered office of ERL is located at 15th Floor, 1040 West Georgia Street, Vancouver, British Columbia V6E 4H1.

ERL is currently a privately held royalty investment company in the natural resources (mining) sector.

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 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").

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.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

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

- Acquiring long-term GRR 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.

### **Proposed Reverse Takeover**

On January 28, 2020, the Company and Rebel Capital Inc. ("Rebel") (TSXV: RBL.P), a capital pool company, entered into a definitive business combination agreement ("BCA") pursuant to which Rebel will acquire all of the issued and outstanding shares in the capital of the Company (the "Proposed Transaction"). The BCA was subsequently amended as announced by Rebel on April 22, 2020. The Proposed Transaction is intended to constitute Rebel's "Qualifying Transaction", in accordance with TSX Venture Exchange Policy 2.4 – Capital Pool Companies.

The Proposed Transaction is expected to be completed by way of a "three-cornered" amalgamation under the provisions of the BCBCA, pursuant to which the Company will amalgamate with a wholly-owned subsidiary of Rebel, which will result in the Company becoming a wholly-owned subsidiary of Rebel.

Pursuant to the Proposed Transaction, the current shares of Rebel will be consolidated on the basis of one new Rebel common share for every two existing common shares, resulting in a total of 2,330,000 post-consolidation Rebel shares. Rebel will then acquire 100% of the issued and outstanding shares of the Company at a ratio of one post-consolidation Rebel share for every one Company share. The shareholders of the Company will be issued approximately 20 million post-consolidation Rebel common shares upon closing of the Proposed Transaction.

Although the Proposed Transaction will result in the Company becoming a wholly-owned subsidiary of Rebel, it will constitute a reverse takeover (RTO) for accounting purposes as the current shareholders of the Company will own a substantial majority of the common shares of the resulting group.

The completion of the Proposed Transaction will be subject to requisite regulatory approval, including the approval of the TSX Venture Exchange (the "TSXV"), and a number of additional conditions precedent, including the completion of a private placement financing for a minimum aggregate gross amount of \$3,500,000 at a price of \$0.25 per common share.

There can be no assurance that the Proposed Transaction will be completed. If the Proposed Transaction is not completed because either of the parties elects not to proceed forward and/or breaches the definitive agreement, that party will be responsible for paying the other parties reasonable out-of-pocket expenses in connection with the Transaction up to a maximum of \$70,000.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

**1.2.1 Royalty Acquisitions**

**Summary Chart of Information Relating to Proposed Royalty Acquisitions**

<b>Royalty</b>	<b>Project</b>	<b>Type and Amount of Royalty</b>	<b>Royalty Acquisition Agreements</b>	<b>Property Owner</b>	<b>Location</b>	<b>Commodity</b>
Authier Royalty	Authier Lithium Project	0.5% GMR	Globex Letter Agreement	Sayona Quebec Inc.	Quebec, Canada	Lithium
Mont Sorcier Royalty	Mont Sorcier Project	1% GMR	Globex Letter Agreement	Chibougamau Independent Mines Inc.	Quebec, Canada	Vanadium
Battery Hill Royalty	Battery Hill Project	2% GMR	Globex Letter Agreement	Sunset Cove Mining	New Brunswick, Canada	Manganese
Authier Lithium Exploration Royalty	Authier Lithium Exploration Project	2% GMR	Globex Letter Agreement	Glen Eagle Resources Inc.	Quebec, Canada	Lithium
Chubb Royalty	Chubb Lithium Project	2% GMR	Globex Letter Agreement	Great Thunder Gold Corp.	Quebec, Canada	Lithium
Bouvier Royalty	Bouvier Lithium Project	2% GMR	Globex Letter Agreement	Great Thunder Gold Corp.	Quebec, Canada	Lithium
LaMotte Royalty	Authier Lithium Project	0.5% GMR	Globex Letter Agreement	9087-1400 Quebec Inc.	Quebec, Canada	Lithium
Millennium GMR Royalty	Millennium Cobalt Project	0.5% GMR	Global Letter Agreement	Global Energy Metals Corp.	Queensland, Australia	Cobalt
Mt. Dorothy Royalty	Mt. Dorothy Cobalt Project	0.5% GMR	Global Letter Agreement	Global Energy Metals Corp.	Queensland, Australia	Cobalt
Cobalt Ridge Royalty	Cobalt Ridge Cobalt Project	0.5% GMR	Global Letter Agreement	Global Energy Metals Corp.	Queensland, Australia	Cobalt
Bissett Creek Royalty	Bissett Creek Project	1% GRR	NG Letter Agreement	Northern Graphite Corporation	Ontario, Canada	Graphite
Cleveland Royalty	Cleveland Tin Project	1% GRR	Elementos Letter Agreement	Rockwell Minerals Pty Ltd	Tasmania, Australia	Tin
Oropesa Royalty	Oropesa Tin Project	1% GRR	Elementos Letter Agreement	Minas De Estano De Espana, SLU	Andalucía, Spain	Tin

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

### **Globex Royalty Acquisitions Under Binding Letter Agreement**

The Company entered into a binding letter agreement (“Royalty Portfolio Purchase Letter Agreement”) dated August 30, 2019 with Globex Mining Enterprises Inc., as amended by Amendment No. 1 to the Royalty Portfolio Purchase Letter Agreement dated November 1, 2019 and further amended by Amendment No. 2 to the Royalty Portfolio Purchase Letter Agreement dated February 7, 2020, Amendment No. 3 to the Royalty Portfolio Purchase Letter Agreement dated March 25, 2020 and Amendment No. 4 to the Royalty Portfolio Purchase Letter Agreement dated April 1, 2020 (the “Globex Letter Agreement”) to acquire a portfolio consisting of six royalties (the “Globex Portfolio”) in exchange for 3,000,000 Company Shares and C\$500,000 cash. The Company has made an advance cash payment of C\$25,000 to Globex, to be held by Globex in trust, such payment to be accrued to and received by Globex on June 25, 2020. Such payment will be offset against the C\$500,000 cash consideration due to Globex under the Globex Letter Agreement, and will be retained by Globex in the event of termination of the Globex Letter Agreement. In the event the Authier Lithium Project (as defined below) enters commercial production within six years of the Effective Date (as defined in the Globex Letter Agreement), the Company shall make a bonus payment of C\$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 CPI. Pursuant to the Globex Letter Agreement, the Company must satisfy certain conditions precedent in order to close the acquisition of the Globex Portfolio, including completing a C\$3,500,000 private placement by June 25, 2020. The Offering is intended to satisfy the private placement condition precedent.

The Globex Portfolio consists of the following royalties:

1. Authier Lithium Royalty (the “Authier Royalty”) – The Authier Royalty is a 0.5% gross metal Royalty (“GMR”) on part of the Authier lithium project (the “Authier Lithium Project”) as set out in the Mineral Claim Purchase Agreement dated July 31, 2018 among Globex, Sayona Québec Inc. (“Sayona Quebec”) and Sayona Mining Limited (the “Sayona Agreement”). The Authier Lithium Project is located in the municipality of Preissac in the Province of Quebec and comprises 19 mineral claims. The Authier Royalty is one quarter of the 2% GMR payable under the Sayona Agreement. Pursuant to the Sayona Agreement, a 2% GMR is payable to Globex on the actual proceeds derived from the sale of all metals, minerals or mineral compounds produced from the Authier Lithium Project by a refinery or another processing facility, including but not limited to lithium, lithium compounds, gold, silver and tungsten. No costs of any kind whatsoever shall be included in the calculation of the 2% GMR. The 2% GMR shall also apply to the revenue generated from the sale of aggregates or waste rocks or tailings from the Authier Lithium Project. At Globex’s option, the 2% GMR shall be paid in cash or in kind by the refinery or processing facility immediately upon delivery of the metal, mineral or mineral compounds. If Globex requests payment in cash, the dollar value of the 2% GMR will be deemed to be the dollar amount actually receipted by Sayona Québec, or if any portion of the minerals are sold to an Affiliate of Sayona Québec, an amount calculated by reference to the gross proceeds (pro-rated in respect of quantity) received from the last sale to a party that was not an Affiliate of Sayona Québec, or, if no such transaction exists in the last 12 months, at a rate equal to prevailing industry benchmark pricing averaged over the calendar month of delivery. The Authier Royalty will be paid to Globex who will be responsible for onward payment to ERL.
2. 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

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

Project”) as set out in the Option to Purchase Agreement entered into as of September 29, 2016 between Chibougamau Independent Mines Inc. and Vanadium Iron Ore Corp. (formerly Vendome Resources Corp.) (the “Chibougamau Agreement”). Globex is entitled to the Mont Sorcier Royalty under the Chibougamau Agreement. The Mont Sorcier Royalty comprises one third of the total 3% GMR payable under the Chibougamau Agreement. The Mont Sorcier Project property is located in Roy Township, Province of Quebec and comprises 37 mining claims. Under the Chibougamau Agreement, a GMR of 3% is payable on the value of all metals produced from the Mont Sorcier Project as delivered by an arms length processing plant, refinery or smelter, including but not limited to gold, silver, copper, iron, titanium and vanadium. No costs of any kind whatsoever, including transportation, smelter or treatment charges, shall be deducted from the value of the metals produced from the Mont Sorcier Project in the calculation of the GMR.

3. 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”), as set out in the Option Agreement entered into as of April 22, 2016 between Sunset Cove Mining (“Sunset”) and Globex (the “Sunset Agreement”). The Battery Hill Project is located in Carleton County, Province of New Brunswick and comprises 32 mining claims. Pursuant to the Sunset Agreement, a GMR of 3% is payable to Globex on the value of all metals produced from the Battery Hill Project as delivered by an arms length or wholly owned or partially owned processing facility, including but not limited to manganese iron, precious metals, base metals, industrial minerals and compounds. No costs of any kind whatsoever, including transportation, smelter or treatment charges, shall be deducted from the value of the metals, minerals or compounds produced from the Battery Hill Project in the calculation of the GMR. At Globex’s option, the 3% GMR shall be paid in cash or in kind at the processing facility immediately upon delivery of the metals, minerals or compounds, provided that Globex must elect on an annual basis at the end of Sunset’s fiscal year which form Globex wishes to receive payment in and payment shall be in the form so elected for the balance of the fiscal year. As part of the Globex Portfolio, the Company is acquiring the Battery Hill Royalty, which is two-thirds of the 3% GMR payable under the Sunset Agreement. The Battery Hill Royalty, expected to be paid in cash, will be paid to Globex who will be responsible for onward payment to ERL.
4. 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”) as set out in the Agreement for Sale of Assets dated September 27, 2010 between Globex and Glen Eagle Resources Inc. (the “Glen Eagle Agreement”). The Authier Lithium Exploration Project is located in the municipality of Preissac in the Province of Quebec and comprises 12 mineral claims. The Authier Lithium Exploration Royalty shall be payable on the value of all metals produced from the Authier Lithium Exploration Project as delivered by an arms length refinery or smelter, including but not limited to lithium, nickel, gold and silver. No costs or deduction of any kind whatsoever shall be included in the calculation of the GMR. At Globex’s option, the Authier Lithium Exploration Royalty shall be paid in cash or in kind at the refinery or smelter immediately upon delivery of the metal.
5. 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”), both as set out in the Letter agreement dated May 25, 2016 between Globex and Great Thunder Gold Corp., as amended by an addendum dated February 14, 2017 (the “Great Thunder Agreement”). The Chubb Lithium Project and Bouvier Lithium Project are

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

located in Lacorne and Figury Townships in the Province of Quebec respectively, and collectively comprise 22 mineral claims. A GMR of 2% is payable on the value of all metals produced from the Chubb Lithium Project and Bouvier Lithium Project as processed by an arms length processing facility, refinery or smelter, including but not limited to lithium, molybdenum, gold, silver, copper, zinc and industrial minerals. No costs or deduction of any kind whatsoever shall be deducted from the value of the metals produced from the Chubb Lithium Project or Bouvier Lithium Project in the calculation of the GMR.

6. LaMotte Authier Lithium Royalty (the "LaMotte Royalty") – The LaMotte Royalty is a 0.5% GMR on the Authier Lithium Project as set out in the letter agreement dated December 17, 2009 between Globex and 9087-1400 Quebec Inc. (the "LaMotte Agreement"). 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, and is 50% of Globex's 1% GMR entitlement under the LaMotte Agreement. The LaMotte Royalty is payable on the value of all metals, minerals or mineral compounds, including but not limited to lithium, lithium compounds, gold, silver and tungsten, produced from the Authier Lithium Project as delivered by an arms length refinery or another processing facility. No costs or deduction of any kind whatsoever shall be included in the calculation of the GMR. At Globex's option, the LaMotte Royalty shall be paid in cash or in kind at the refinery or processing facility immediately upon delivery of the metal, mineral or mineral compounds. The GMR also applies to revenue generated from the sale of aggregates or waster rock or tailings from the LaMotte Claim.

### **Global Royalty Acquisitions Under Binding Letter Agreement**

The Company entered into a binding letter agreement dated February 27, 2020 with Global Energy Metals Corp. (the "Global Letter Agreement") to acquire a portfolio consisting of three royalties (the "Global Portfolio") in exchange for 1,150,000 Company Shares and C\$150,000 cash. Pursuant to the Global Letter Agreement, the Company must satisfy certain standard conditions precedent in order to close the acquisition of the Global Portfolio.

The Global Portfolio consists of the following royalties:

1. Millennium Cobalt Royalty (the "Millennium GMR Royalty") – The Millennium GMR 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 and comprises five mining leases, which expire in 2025.
2. 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 located near Mount Isa, Queensland, Australia and consists of one mining permit on one block.
3. 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 located near Mount Isa, Queensland, Australia and consists of one mining permit on two blocks.

### **Global Portfolio Call Option**

Pursuant to the Global Letter Agreement, the Company will have a call option (the "First Global Option") exercisable at any time in the two years from the closing date of the acquisition of the Global

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

Portfolio (the “Global Closing Date”) to acquire a 0.5% Royalty on the NSR from the Millennium Cobalt Project (as defined below) (the “Millennium NSR Royalty”) for C\$500,000. Up to 25% of the payment for the Millennium NSR Royalty may be payable in Company 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 Global Closing Date and (ii) the date that is six months from the date that a preliminary economic analysis or similar study on the Millennium Cobalt Project is provided to Company, to increase the Millennium NSR to 1.5% for C\$1,000,000. Up to 25% of the payment for the increase in the Millennium NSR may be payable in Company Shares, at the Company’s election.

### **Northern Graphite Royalty Acquisition Under Binding Letter Agreement**

The Company entered into a binding letter agreement dated March 18, 2020 (the “NG Letter Agreement”) with Northern Graphite Corporation (“Northern Graphite”) to acquire a 1% GRR (the “Bissett Creek Royalty”) on all revenues received or receivable by Northern Graphite in connection with graphite flotation concentrate produced from the Bissett Creek graphite project (the “Bissett Creek Project”) in exchange for 2,000,000 Company Shares (the “NG Consideration Shares”) and C\$500,000 cash (the “NG Transaction”). The Bissett Creek Project is located in the Maria Township of Renfrew County in Ontario, and consists of 57 mineral claims with anniversary dates in 2024, and two mining leases that expire in 2034 and 2035.

The NG Consideration Shares will be subject to hold conditions, namely (i) 50% of the NG Consideration Shares will become free trading 12 months after the closing date of the NG Transaction (the “**NG Closing Date**”); and (ii) 50% of the NG Consideration Shares will become free trading 18 months after the NG Closing Date. The NG Closing Date shall be no later than July 15, 2020. Pursuant to the NG Letter Agreement, the Company must satisfy certain conditions precedent in order to close the NG Transaction, including completing a minimum financing of C\$3,500,000 at a price of \$0.25 per share, and obtaining a listing of its common shares on the TSX-V. The Offering is intended to satisfy the financing condition precedent.

Pursuant to the NG Letter Agreement, the Company will have a call option, exercisable at any time for a period of two years from the NG Closing Date, to acquire a further 0.5% GRR on the Bissett Creek Project by paying C\$750,000 to Northern Graphite, of which the Company can elect to pay up to 25% in Company Shares, valued at the preceding 5-day volume weighted closing price of Company Shares on the TSX-V. The additional 0.5% GRR will become part of the Bissett Creek Royalty. Northern Graphite has the option (the “NG Buy Back Option”), exercisable at any time after 12 months from the NG Closing Date, to buy back a 0.5% GRR on the Bissett Creek Project from the Company by either paying (i) C\$1,500,000 cash, or (ii) returning to the Company the original NG Consideration Shares,. If the NG Buy Back Option is exercised, 0.5% shall be deducted from the Bissett Creek Royalty.

### **Elementos Royalty Acquisitions Under Binding Letter Agreement**

The Company entered into a binding letter agreement dated April 15, 2020 (the “Elementos Letter Agreement”) with Elementos Limited (“Elementos”) to acquire a portfolio consisting of two royalties (the “Elementos Portfolio”) in exchange for 1,500,000 Company Shares (“Elementos Consideration Shares”) and C\$500,000 cash.

The Elementos Consideration Shares will be escrowed and will vest and be released from escrow as follows: (i) 50% of the Elementos Consideration Shares will vest and be released from escrow 6 months after the Elementos Closing Date; and (ii) 50% of the Elementos Consideration Shares will

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

vest and be released from escrow 12 months after the closing date of the acquisition of the Elementos Portfolio (the "Elementos Closing Date"). Pursuant to the Elementos Letter Agreement, the Company must satisfy certain conditions precedent in order to close the acquisition of the Elementos Portfolio, including obtaining a listing of its common shares on the TSX-V at a price of \$0.25 per share. The Offering is intended to satisfy the financing condition precedent.

The Elementos Portfolio consists of the following royalties:

1. Cleveland Royalty (the "Cleveland Royalty") – The Cleveland Royalty is a 1% GRR on the Cleveland tin project (the "Cleveland Tin Project"). The Cleveland Tin Project is located near Burnie, Tasmania, Australia and comprises one exploration licence.
2. Oropesa Royalty ("Oropesa Royalty") – The Oropesa Royalty is a 1% GRR on the Oropesa tin project (the "Oropesa Tin Project"). The Oropesa Tin Project is located near Fuente Obejuna, Andalucía, Spain and consists of an investigation permit that expires in 2047 with an option to extend for a further 60 years.

#### Elementos Portfolio Call Options

Pursuant to the Elementos Letter Agreement, the Company will have call options to: (a) acquire a further 1% GRR on the Cleveland Tin Project for C\$1,000,000 (the "Cleveland Royalty Option"); and (b) acquire a further 1% GRR on the Oropesa Tin Project for C\$1,500,000 (the "Oropesa Royalty Option"). The Cleveland Royalty Option and the Oropesa Royalty Option will each be exercisable at any time, by the earlier of (i) a period of two years from the Elementos Closing Date; (ii) 21 days from the date Elementos notifies the Company, and provides the Company with the material commercial terms of a binding written offer received by Elementos from an arm's length third party, capable of being completed, to sell at least a 1% GRR on the particular project to a third party; or (iii) 14 days after the issue of project definitive feasibility studies. Up to 50% of the payment for each of the Cleveland Royalty Option and the Oropesa Royalty Option may be payable in Company Shares, at the Company's election.

#### **1.2.3 Financings**

In February 2020, the Company issued 10,000,000 of its Common Shares at a price of \$0.05 per share and for aggregate cash proceeds of \$500,000.

In December 2019, the Company issued 10,000,000 of its Common Shares at a price of \$0.01 per share and for aggregate proceeds of \$100,000.

#### **1.2.4 Market Trends**

The Company is currently focused on the following target commodities:

- Tin
- Lithium
- Graphite
- Cobalt
- Manganese
- Vanadium
- Copper

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

- Nickel

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.

During 2019, average tin price was US\$ 18,607/tonne, down 8% from last year's average. Average tin price during the first quarter of 2020 was US\$ 16,286/tonne, a decrease of 23% compared to the same period of the previous year. As of the date hereof, LME reported a cash price for tin as US\$ 16,985/tonne.

In March 2020, Fastmarkets assessed the lithium carbonate (minimum 99.5% Li<sub>2</sub>CO<sub>3</sub>, battery grade) spot price at US\$8.00/kg – US\$9.50/kg, and lithium hydroxide monohydrate (minimum 56.5% LiOH<sub>2</sub>O, battery grade) spot price at US\$9.50/kg – US\$11.00/kg, both on a CIF China, Japan and Korea basis. In 2016 and 2017, lithium prices followed an overall upward trend and increased over the two year period from approximately US\$ 8/kg to US\$ 22/kg. In 2018, monthly average lithium carbonate spot prices decreased by approximately 50% from a peak of US\$22.89/kg in February 2018 to US\$11.28/kg by October 2018.

Graphite prices are determined based on direct negotiations between buyers and sellers and, because 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.

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.

The average manganese ore 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\$ 4.5 /dmtu.

The average price of V<sub>2</sub>O<sub>5</sub> (vanadium pentoxide flake 98%) was approximately US\$18.30/lb in 2018, up from the 2017 average of US\$6.52. However, 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 and US\$5.85; this increased to a range of between US\$5.05 and US\$6.10 at March 31, 2020. The average price of V<sub>2</sub>O<sub>5</sub> for April 2020 was approximately US\$6.45/lb.

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. A recent closing price is US\$ 2.58/lb.

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 first quarter of 2020 was US\$ 5.77/lb, which was 18% lower than the average price for the last quarter of 2019; the decrease was mainly due to concerns surrounding the COVID-19 pandemic. Closing LME cash price of nickel as of the date hereof was US\$ 5.72/lb.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

**1.3 Selected Annual Information**

Not required.

**1.4 Summary and Discussion of Quarterly Results**

Not required.

**1.5 Results of Operations**

The Company recorded a net loss of \$286,000 during the three months ended March 31, 2020, mainly due to the general, administration and legal expenses relating to the Proposed Transaction and due diligence with respect to potential royalty acquisitions under letter agreements. During the three months ended March 31, 2019, the Company was inactive. A breakdown of expenses incurred during the three months ended March 31, 2020 is as follows:

Expenses	Three months ended March 31,	
	2020	2019
Legal and regulatory expenses	\$ 152,776	\$ -
Marketing	6,955	-
Administration	25,717	-
Salaries and benefits	101,859	-
Total expenses	\$ 287,307	\$ -

**1.6 Liquidity**

At March 31, 2020, the Company had a cash balance of \$577,000 (December 31, 2019 - \$96,000) and working capital of \$263,000 (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

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

**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**

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

**1.12 Critical Accounting Estimates**

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

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

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 the date of this MD&A, is as follows:

	Number
Common shares issued and outstanding	20,000,100
Share to be issued under binding letters of intent	7,650,000

**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.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

## **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 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.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

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 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

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

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.

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.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

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.

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

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

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.

#### 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 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

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

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.

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

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

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**

#### 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.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

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 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.

**ELECTRIC ROYALTIES LTD.**  
**Management's Discussion And Analysis**  
Three months ended March 31, 2020

---

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 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.

**APPENDIX E**

**UNAUDITED PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF  
THE RESULTING ISSUER**

# **ELECTRIC ROYALTIES LTD.**

## **PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at March 31, 2020

*(Expressed in Canadian Dollars)*

(Unaudited – Prepared by Management)

**ELECTRIC ROYALTIES LTD.**

As at March 31, 2020

**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(Unaudited – Expressed in Canadian Dollars)

	Rebel Capital Inc.	Electric Royalties Ltd.	Pro Forma Adjustments	Note 3	Pro Forma Consolidation
<b>ASSETS</b>					
Current assets					
Amounts receivable and prepaid expenses	\$ -	\$ 18,548	\$ -		\$ 18,548
Restricted cash	162,466	-	(162,466)	(d)	-
Cash	138,206	576,923	3,290,000	(d)	2,155,129
			(1,650,000)	(f)	
			(200,000)	(f)	
	300,672	595,471			2,173,677
Non-current assets					
Royalty interests	-	-	1,650,000	(f)	3,762,500
			1,912,500	(f)	
			200,000	(f)	
	-	-			3,762,500
<b>TOTAL ASSETS</b>	<b>\$ 300,672</b>	<b>\$ 595,471</b>			<b>\$ 5,936,177</b>
<b>EQUITY</b>					
Share capital	\$ 256,892	\$ 600,001	\$ 3,290,000	(d)	\$ 6,385,001
			582,500	(b)	
			(256,892)	(b)	
			1,912,500	(f)	
Reserves	25,395	-	14,000	(b)	14,000
			(25,395)	(b)	
Accumulated deficit	(198,803)	(337,333)	(513,016)	(b)	(1,150,349)
			198,803	(b)	
			(300,000)	(e)	
	83,484	262,668			5,248,652
<b>LIABILITIES</b>					
Current liabilities					
Subscriptions payable	162,466	-	(162,466)	(d)	-
Trade payables and accrued liabilities	54,722	332,803	300,000	(e)	687,525
	217,188	332,803			687,525
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>\$ 300,672</b>	<b>\$ 595,471</b>			<b>\$ 5,936,177</b>

*The accompanying notes are an integral part of this pro forma consolidated statement of financial position.*

# Electric Royalties Ltd.

## Notes to the Pro Forma Consolidated Statement of Financial Position

As at March 31, 2020

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

---

### 1. PROPOSED TRANSACTION

Electric Royalties Ltd. (the “Company” or “ERL”) and Rebel Capital Inc. (“Rebel”) entered into the Business Combination Agreement and the Amalgamation Agreement (together referred to as “BCA”) on January 28, 2020 that was subsequently amended on April 22, 2020. The BCA provides for the reverse takeover (the “Transaction”) of Rebel by the Company by way of a “three-cornered” amalgamation under the provisions of the British Columbia Business Corporations Act (BCBCA), pursuant to which the Company will amalgamate with a wholly-owned subsidiary of Rebel and Amalco will become a wholly-owned subsidiary of the resulting issuer (“RI”).

Although the Transaction will result in ERL becoming a wholly-owned subsidiary of Rebel, it will constitute a reverse takeover (“RTO”) for accounting purposes as the former ERL shareholders will own a substantial majority of the common shares of the RI and all members of the Board of Directors except Craig Lindsay, a current director of Rebel, and management of the RI will be designees of ERL. Upon completion of the Transaction, the business of the Company will be the continuation of the business of ERL. In connection with the completion of the Transaction, Rebel intends to change its name to “Electric Royalties Ltd.” or such other name as may be agreed upon by the parties. Completion of the Transaction is subject to various conditions, including, but not limited to, receipt of approval of the TSX Venture Exchange (the “TSXV”).

Subject to compliance with TSXV policies, Rebel will complete a consolidation of its common shares at a ratio of two (2) pre-consolidation common shares for one (1) post-consolidation common share concurrently with or immediately prior to and as a condition of the closing of the Transaction. The number of common shares issuable on exercise of Rebel share purchase options shall be adjusted accordingly based on the consolidation ratio. Following the consolidation, Rebel will have 2,330,000 common shares outstanding and 100,000 options (“CPC Options”) outstanding and exercisable with an exercise price of \$0.20.

The completion of the Transaction is subject to, among other things, the completion of a concurrent private placement financing (note 3(d)). Additionally, upon completion of the Transaction, the RI expects to complete acquisition of certain royalty interests (note 3(f)).

### 2. BASIS OF PRESENTATION

This unaudited *pro forma* consolidated statement of financial position (the “*Pro Forma Statement*”) of the Company has been prepared by management from information derived from the unaudited condensed interim financial statements of ERL as at March 31, 2020 and the unaudited interim condensed consolidated financial statements of Rebel as at March 31, 2020, both of which are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), together with other information available to the Company. The *Pro Forma Statement* to which these notes relate has been prepared for inclusion in the filing statement of Rebel dated June 16, 2020 (the “*Filing Statement*”) to be filed by Rebel in conjunction with the

# Electric Royalties Ltd.

## Notes to the Pro Forma Consolidated Statement of Financial Position

As at March 31, 2020

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

---

Transaction. All capitalized terms used but not defined herein have the meaning ascribed thereto in the Filing Statement.

Pursuant to the terms of the Transaction, Rebel intends to acquire all of the issued and outstanding shares (the "Target Shares") of ERL, a corporation incorporated under the laws of the Province of British Columbia, causing ERL to become a wholly-owned subsidiary of Rebel. The *Pro Forma* Statement gives effect to the Transaction as if it had occurred on March 31, 2020.

It is management's opinion that the *Pro Forma* Statement includes all adjustments necessary for the fair presentation, in all material respects, of the Transaction, as described in note 1. The *Pro Forma* Statement should be read in conjunction with the financial statements and notes thereto of ERL and financial statements and notes thereto of Rebel. The *Pro Forma* Statement is not necessarily indicative of the financial position of the continuing entity had the proposed Transaction been effected on the dates indicated. The *pro forma* assumptions and adjustments (note 3) and allocations of the purchase price of Rebel by ERL as a reverse takeover transaction are based in part on estimates of the fair value of the assets acquired and the liabilities assumed. The final valuation will be based on the actual assets and liabilities of Rebel that exist as of the date of completion of the acquisition.

The *Pro Forma* Statement is presented in Canadian Dollars, unless otherwise stated.

### 3. **PRO FORMA ASSUMPTIONS AND ADJUSTMENTS**

- (a) The acquisition of ERL by Rebel is expected to be effected by way of a three-cornered amalgamation, whereby ERL will amalgamate with a wholly-owned subsidiary of Rebel, and the RI, which will be a wholly-owned subsidiary of Rebel, will continue to carry on the business of ERL.

Legally, Rebel will be the parent of ERL. However, as a result of the Transaction, control of the combined companies will pass to the former shareholders of ERL in a share exchange referred to as a "reverse takeover."

The RTO involving a non-public operating entity, in this case ERL, and a non-operating public entity, in this case Rebel, is in substance a reverse asset acquisition rather than a business combination as Rebel does not meet the definition of a business, as defined in IFRS 3, *Business Combinations*. The transaction is equivalent to the issuance of shares by ERL for the net assets of Rebel accompanied by the recapitalization of ERL.

- (b) In accordance with reverse acquisition accounting:
- i) The assets and liabilities of ERL are included in the *Pro Forma* Statement at their carrying values;
  - ii) The net assets of Rebel are included at their fair value of \$83,484, equal to the carrying value of the net assets given the current nature of the net assets. The difference between the estimated fair value of the ERL shares issued to Rebel shareholders less

# Electric Royalties Ltd.

## Notes to the Pro Forma Consolidated Statement of Financial Position

As at March 31, 2020

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

the net fair value of the assets of Rebel acquired is recorded as an expense. The carrying amount of Rebel's equity is eliminated.

	Amount
Fair value of 2,330,000 shares of the RI determined with reference to the offering price of the concurrent financing (note 3(d))	\$ 582,500
Fair value of 100,000 options of the RI (note 4(b))	14,000
Value of shares and options to be issued to shareholders and optionholders of Rebel	596,500
Net assets acquired:	
Cash	\$ 138,206
Trade payables	(54,722)
	(83,484)
Difference between estimated fair value of RI shares issued less fair value of net assets acquired included in accumulated deficit	\$ 513,016

In addition, an estimated \$300,000 will be incurred as professional and regulatory costs (note 3(e)). These costs will be expensed when incurred.

- (c) Immediately prior to, or concurrently with, the Transaction, Rebel will undertake a consolidation of its common shares on the basis of two (2) pre-consolidation common shares for one (1) post-consolidation common share. The number of common shares issuable upon exercise of the CPC Options will be adjusted accordingly.
- (d) A private placement of a minimum 14,000,000 common shares for gross proceeds of \$3,500,000 at \$0.25 per share to be completed concurrently with the Transaction. Estimated issuance costs are \$210,000 resulting in net proceeds of \$3,290,000. At March 31, 2020, Rebel had received \$162,466 on account of subscriptions relating to the concurrent private placement; this amount is applied against the gross proceeds from the private placement in the *Pro Forma* Statement.
- (e) An adjustment of \$300,000 has been made to accounts payable to reflect the estimated professional and regulatory costs associated with the Transaction. This amount has been included in accumulated deficit in this *Pro Forma* Statement.
- (f) For the purpose of the *Pro Forma Statement*, it is assumed that, concurrently with the Transaction, the RI will make cash payments of an aggregate amount of \$1,650,000 and issue 7,650,000 common shares at a deemed price of \$0.25 per share with aggregate deemed value of \$1,912,500 pursuant to certain royalty purchase agreements as described in the Filing Statement. Moreover, an estimated amount of \$200,000 for transaction costs relating to acquisition of royalty interests under the royalty purchase agreements is assumed and recognized in the *Pro Forma Statement*.

# Electric Royalties Ltd.

## Notes to the Pro Forma Consolidated Statement of Financial Position

As at March 31, 2020

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

### 4. PRO FORMA SHARE CAPITAL

#### (a) Share capital

Immediately following the completion of the Transaction, the share capital as at March 31, 2020 in the unaudited *Pro Forma* Statement is comprised of the following:

#### Authorized

- Unlimited number of common shares without par value.

#### Issued and outstanding

	Number of Common Shares	Share capital
Share capital of Rebel	4,660,000	\$ 256,892
Consolidation of Rebel' common shares pursuant to the terms of the Transaction (note 3(c))	(2,330,000)	-
Post-consolidation share capital of Rebel	2,330,000	256,892
Elimination of pre-acquisition share capital of Rebel (note 3(b)(ii))	(2,330,000)	(256,892)
Share capital of ERL	20,000,100	600,001
ERL share capital prior to the Transaction	20,000,100	600,001
Deemed issuance of common shares to Rebel shareholders (note 3(b)(ii))	2,330,000	582,500
Issuance of common shares pursuant to private placement, net of transaction costs (note 3(d))	14,000,000	3,290,000
Issuance of common shares pursuant to certain royalty purchase agreements (note 3(f))	7,650,000	1,912,500
	43,980,100	\$ 6,385,001

#### (b) Options

	Exercise Price	Expiry	Number
Options of Rebel	\$ 0.10	April 10, 2022	200,000
Consolidation of Rebel's options pursuant to the Transaction (note 3(c))			(100,000)
Post-consolidation options of Rebel	\$ 0.20	April 10, 2022	100,000

# **Electric Royalties Ltd.**

## **Notes to the Pro Forma Consolidated Statement of Financial Position**

As at March 31, 2020

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

---

The fair value of Rebel's options (note 3(b)) for the purpose of this *Pro forma* Statement is based on the Black-Scholes option valuation model and the following valuation assumptions: risk-free interest rate of 0.50%; expected volatility of 90%; market price of \$0.25 per share; time to expiry of 2.0 years; and dividend yield of 0%.

### **5. INCOME TAXES**

The *pro forma* effective tax rate as at and for the period ending March 31, 2020 is nil.

## APPENDIX F

### INVESTMENT POLICY

#### Investment Objective

The Resulting Issuer's business objectives are to acquire a portfolio of long-term, stable, and diversified royalty streams on mineral projects. The Resulting Issuer's long-term objectives will be achieved by:

- acquiring royalty streams on a diversified portfolio of mineral projects focussed on minerals that will support the electrification of transportation, renewable energy generation and battery storage;
- reinvesting royalty income and interest to acquire new royalties on an ongoing basis to drive growth;
- maintaining a low operating cost structure (relative to other natural resource companies);
- using debt financing to acquire additional royalties in order to enhance financial returns for shareholders;
- balancing commodities exposure by assessing exposure to the various individual metals and minerals in the Resulting Issuer's targeted metals and minerals universe. Royalties over non-core metals and minerals may be acquired as part of larger transaction or on an opportunistic basis; and
- investing in Royalties from Projects at various stages, from producing or construction-ready and fully-permitted to exploration stage, with a focus on producing or near production assets to grow free cash flow per share over the long term with investments across earlier stages of the mine life cycle to maintain exposure to a robust collection of development-stage assets.

The Resulting Issuer's Royalty investments are typically protected by registering the Royalty against the property title (where allowed) or by prioritizing contractual protections in order to enhance the security of the Royalty.

#### Investment Process

Below is a summary of the investment process followed:

- a) Management will review projects and meet with (i) Project Owners to discuss Royalty financing proposals, and (ii) Royalty holders to discuss Royalty acquisitions.
- b) Technical and other consultants working closely with ERL will undertake preliminary due diligence of all data available, including technical reports, and summarize the technical risks and opportunities of the projects.
- c) Management will enter into discussions on royalty financing terms with the Project Owner or Royalty acquisition terms with the Royalty holder.
- d) Management will prepare an investment memorandum for the Board outlining the investment thesis for the proposed Royalty financing and/or acquisition including the terms on which a financing or acquisition would be of interest to the Resulting Issuer.

- e) The Board will review the information and provide input, and decide whether or not to advance discussions, negotiate terms and sign a letter of intent.
- f) Upon signing a letter of intent, the Resulting Issuer will conduct additional technical and legal due diligence which may include but not be limited to tax advice, legal advice on jurisdictional royalty policies, resource data compilation, metallurgy and processing review, commodity pricing research and financial model analysis.
- g) If all due diligence is completed satisfactorily, a final investment proposal will be sent to the Board including all of the findings from the due diligence for a final decision on whether to make an investment or not.

## APPENDIX G

### TECHNICAL DISCLOSURE ON THE BISSETT CREEK PROJECT

The information set out below is summarized from the Bissett Creek Technical Report, a copy of which is available on Northern Graphite's SEDAR profile at [www.sedar.com](http://www.sedar.com).

The scientific and technical information regarding the Bissett Creek Project contained in this Filing Statement has been summarized from or is based on (i) the Bissett Creek Technical Report available on Northern Graphite's SEDAR profile; (ii) Northern Graphite's news release dated February 28, 2018 announcing updated financial metrics for the Bissett Creek Technical Report available on Northern Graphite's SEDAR profile; (iii) the information disclosed in the Bissett Creek AIF available on Northern Graphite's SEDAR profile; and (iv) information disclosed in the Bissett Creek Mine Environmental Study Report prepared by Stantec Consulting Ltd. dated August 19, 2019 available on Northern Graphite's website.

#### Property Description and Location

The Bissett Creek Project is located in the United Townships of Head, Clara and Maria, in the County of Renfrew in the Province of Ontario, approximately 300 km northeast of Toronto and 200 km west of Ottawa, Ontario, Canada. Access to the property is obtained via 15 km of gravel road located 53 km east of the town of Mattawa off Trans-Canada Highway (Highway 17).

#### History and Exploration

The Bissett Creek Project was first staked by Frank Tagliamonte and Associates in 1980. Donegal Resources Ltd. ("**Donegal**") optioned the property in the same year. Limited work was performed by Donegal prior to its relinquishing the option. In 1981, Hartford Resources Inc. ("**Hartford**") optioned the property and staked an additional 24 claims. In 1982 Hartford carried out a program of line cutting/ VLF-EM surveying and trenching. In 1984, Princeton Resources Corporation ("**Princeton**") acquired a 100% interest in the Bissett Creek Project through its acquisition of Hartford.

In 1984 Princeton completed a program of property reconnaissance, road and grid line surveys, followed by geological mapping, trenching, trench sampling, bulk sampling and diamond drilling. In 1985 Princeton continued its exploration work with the extension of geological grid mapping over the center of the property, magnetic survey, diamond drilling, and bulk sampling. A pilot plant was constructed on site and 4,000 t were mined from three sites.

In November 1986, North Coast Industries Ltd. ("**North Coast**") entered into an option agreement with Princeton whereby North Coast would earn a 58% interest in the Bissett Creek Project by building a batch testing plant, extracting a bulk sample and producing flake product for end user tests. North Coast was awarded its 58% in June of 1987, and subsequently acquired Princeton's remaining 42% interest on February 6, 1989. From its option in 1986 up to 1989, North Coast completed geological mapping, outcrop sampling, trenching, bulk sampling, resource estimates and engineering studies. These studies culminated in a prefeasibility study in 1987 and a feasibility study completed in April 1989. *The feasibility study and resource estimate were not completed in accordance with NI 43-101 and therefore should not be relied upon.*

In 2002, Industrial Minerals Canada Inc. ("**IMI**") took over ownership of the property and attempted to develop a dry process for graphite recovery. IMI changed its name to Northern Graphite Corporation in December 2009.

In 2007 IMI produced a technical report on the Bissett Creek Project. Northern Graphite completed additional drilling, surveying, topographic surveys and geophysics from 2010 through 2011.

In July 2012, G Mining Services Inc. prepared the NI 43-101 Technical Report – Bankable Feasibility Study on the Bissett Creek Project, Canada for Northern Graphite dated August 23, 2012 (the “**NG FS**”). On September 23, 2013, based on additional drilling a resource and reserve update for the NG FS was developed by AGP Mining Consultants. These results culminated in the completion of the Bissett Creek Technical Report. The Bissett Creek Technical Report was updated on February 28, 2018 with current prices and exchange rates (the “**2018 PEA Update**”).

### **Geological Setting, Mineralization, and Deposit Types**

The Bissett Creek Project lies within the Ontario segment of the Central Gneiss Belt of the Grenville Structural Province. Mapping of the area indicates that the Bissett Creek Project and the surrounding area are underlain by Middle Precambrian meta-sediments. The host rock to the graphite is a medium to coarse-grained, grey, quartz-rich gneiss. The three main gneisses that are found on the property are the graphitic gneiss, the barren gneiss and the transitional graphitic gneiss. The Bissett Creek deposit is classified as disseminated flake graphite in silica-rich metasediments. The graphite at the deposit tends to be associated with biotite. Sulphides appear in the graphitic gneiss at a sulphur content ranging between 0.8% and 1.86%. The western edge of the graphitic gneiss is truncated by erosion. The eastern limit of graphite outcrop is determined by the overlying barren gneiss contact. The limits of graphitic gneiss exposure form an irregular area with a north-south length of 2.1 km; east-west dimensions reach a maximum of 1.2 km. The graphitic gneiss exposure tapers dramatically toward the north and south before being lost through structural displacement or erosion.

### **Drilling**

A major program was conducted by Princeton in 1985, where a total of 5,156 m were drilled and a 4,000-t bulk sample was extracted for pilot plant testing. Additional drilling occurred in 1986 and 1987. In 2007, IMI completed six vertical diamond drill holes for a total of 246 m. In 2010, Northern Graphite conducted another drilling program to validate historical data, to extend the mineralized zone and to upgrade inferred resources into indicated resources. In 2012, a 61-hole drill program was performed to infill a significant portion of the previous inferred resources with the objective of upgrading them to the measured and indicated categories. In addition, the potential for higher grade zones to extend outside of the current resource model was tested.

	<b>Percussion</b>	<b>Geotech</b>	<b># DDH</b>	<b>Total DDH</b> <b>m</b>
1984			4	187.8
1985			102	5156.3
1986			6	274.3
1987	82		45	2154.0
<b>Sub Total</b>	<b>82</b>		<b>157</b>	<b>7772.4</b>
2007			6	246.4
2010		17	51	2926.9
2012			61	3425.0
<b>Total</b>	<b>82</b>	<b>17</b>	<b>275</b>	<b>14370.7</b>

*Figure 1 Drilling Summary for Bissett Creek Project*

## **Sample Analyses and Data Validation**

Graphite is evaluated and marketed on its flake size, carbon content and ash content. Flake size is determined with standard “tyler” sieve size openings. The ash content is determined by qualitative spectrographic analysis.

During the course of the Bissett Creek Project, the carbon content was evaluated using various methods, including double loss-on-ignition LECO, and coulometry. The LECO method was considered to produce the most reliable readings; however locked cycle testing led to a discrepancy of 4% to 12% between direct and reconstituted head grades. In 2012 the assay method was investigated to identify the source of the discrepancies. The final concentrates were re-assayed using the DLOI method and results confirmed the original LECO data, thus suggesting that the direct head grade of the composites using in locked cycle testing were understated. Repeat analysis of the head samples with different assay methods and by different labs led to the conclusion that the sample preparation conditions and the leach conditions and acid used for the graphitic carbon analysis were too aggressive, thus leaching some of the graphite. Consequently, the 4% to 12% difference between direct and constituted head grades were attributed primarily to the conditions and specific assay method used in the determination of the head grades.

There is no documentation on the QA/QC procedures for the drilling conducted in the 1980s. Starting in 2010, Northern Graphite introduced a QA/QC programs with blanks, standards, and duplicates. This program continued in 2012 with the addition of a matrix match reference material that was developed specifically for Northern Graphite using mineralized material from the Bissett Creek Project deposit. The historical drill holes were validated by SGS Canada Inc. using five twinned holes drilled as part of the 2010 drill campaign.

In 2012 after review of QA/QC data performance for blanks, duplicates, and reference material, the Qualified Person for AGP Mining Consultants Inc. concluded that drill analyses had sufficient precision and repeatability to support mineral resources.

## **Mineral Resource Estimate**

The mineral resource was estimated using Ordinary Kriging to interpolate Cg into a block model with block sizes of 8m x 8m x 3m (x,y,z). Prior to interpolation the mineralised zone was partitioned into higher grade and lower grade domains based on raw assay probability plots. A barren gneissic unit was modeled to limit mineralisation and several interior barren zones were also interpreted. In addition, a surface was developed to represent the hard rock/overburden contact and a LIDAR survey completed to develop a high resolution topography surface.

High grade data was not capped prior to interpolation, however its influence was limited through a sample search restriction set at a threshold of 6% Cg. Based on the small range of bulk density results, the entire model was set to a density of 2.72 g/cm<sup>3</sup> with the exception of the overburden which was set to a density of 1.8 g/cm<sup>3</sup>.

Kriging parameters including nugget, structures and range were obtained from variographic analysis however the search strategy was modified to accommodate the geometry of the mineralized zones. Several sub-domains were defined within which the search ellipse orientation was modified to better accommodate the orientation of the mineralisation.

A resource classification scheme was developed based on a blocks distance to the closest sample. The classification of any given block could also be modified based on the number of historical holes

informing the block. Isolated blocks were upgraded or downgraded in their classification based on the class value of surrounding blocks.

Cutoff	Measured + Indicated Resources			Inferred Resources		
	Tonnage	Cg%	In Situ Graphite (t)	Tonnage	Cg%	In Situ Graphite (t)
1.02	69,791,000	1.74	1,213,000	24,038,000	1.65	396,000

Figure 2 Mineral Resource of Bissett Creek property as of May 7<sup>th</sup>, 2013

### **Mine Planning and Operations**

The Bissett Creek Project is expected to be mined by open pit methods proceeding in nine phases. The life of the mine is expected to be 22 years at an average production rate of 1.8 Mtpa. Mill feed from the mine will be crushed by a mobile jaw crusher, and conveyed to a stockpile. Crushed mill feed will then be reclaimed to the concentrator building. The mill feed will then go through successive steps of grinding, flotation and screening on progressively finer particles. The objective is to produce a high grade graphite concentrate, but also to preserve as much as possible the large size of the graphite flakes to maximize the value of the concentrates. The graphite concentrate will be thickened to remove excess water, before being filtered and dried then bagged and sold.

The Bissett Creek Project will require specific infrastructure to be built in order to support the mining and processing operations. Natural gas will be transported to the site by truck in the form of compressed natural gas from a compressor station to be built approximately 15 km east of project on the large gas pipeline that parallels the trans-Canada highway. Support buildings and infrastructure will include water pumping stations, water treatment for waste water disposal and for potable use. A dry storage warehouse will be built near the processing plant. Offices and an assay and metallurgical laboratory will be included inside the concentrator building. Services such as change rooms and lunch room will be integrated into the office complex. A diesel storage area will be built in order to store fuel for the owner's mining and support fleet. The access road will be upgraded to facilitate site access. A haul road will be built to allow haulage of mill feed to the processing facility. Service roads will be built to allow access to the tailings management facilities and to the pumping stations. The tailings will be stored in two separate storage facilities. The non-deleterious tailings management facility will store the neutral, non-acid generating tailings. The sulphides tailings management facility will store the tailings with acid generating potential. These tailings will be kept under water to avoid chemical reaction with the ambient air.

### **Permitting**

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*.

**APPENDIX H**

**CERTIFICATE OF REBEL CAPITAL INC.**

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of Rebel Capital Inc. assuming Completion of the Qualifying Transaction.

*“Mihalis Belantis”*  
Mihalis Belantis, Chief Executive Officer

*“Christopher Donald Reid”*  
Christopher Donald Reid, Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS  
OF REBEL CAPITAL INC.**

*“Mihalis Belantis”*  
Mihalis Belantis, Director

*“Craig Thomas Lindsay”*  
Craig Thomas Lindsay, Director

**APPENDIX I**

**CERTIFICATE OF ELECTRIC ROYALTIES LTD.**

The foregoing, as it relates to Electric Royalties Ltd. constitutes full, true and plain disclosure of all material facts relating to the securities of Electric Royalties Ltd.

*“Brendan Yurik”*  
Brendan Yurik, Chief Executive Officer

*“Luqman Khan”*  
Luqman Khan, Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS  
OF ELECTRIC ROYALTIES LTD.**

*“Marchand Snyman”*  
Marchand Snyman, Director

*“Robert Schafer”*  
Robert Schafer, Director