RE ROYALTIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2018

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Cautionary Note to Investors Concerning Forward-looking Statements

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

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

While management considers these assumptions to be reasonable, based on information available, they may prove to be incorrect. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to risks associated with general economic conditions; adverse industry events; marketing costs; loss of markets; future legislative and regulatory developments involving the renewable energy industry; inability to access sufficient capital from internal and external sources, and/or inability to access sufficient capital on favourable terms; the renewable energy 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 concerning the renewable energy industry 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, 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.

1.1 DATE

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of RE Royalties Ltd. ("RER" or the "Company") for the year ended December 31, 2018 (the "Financial Statements"), as publically filed on SEDAR at www.sedar.com.

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 April 29, 2019.

1.2 OVERVIEW

Description of Business

RE Royalties Ltd., formerly Baetis Ventures Ltd., is a public company whose common shares are listed on the TSX Venture Exchange ("TSXV"), under the trading symbol "RE". The Company was incorporated on November 2, 2016 under the laws of the Province of British Columbia, Canada. The address of the Company's corporate office is 15th Floor, 1040 West Georgia Street, Vancouver, BC, V6E 4H1.

The Company acquires revenue-based royalties from renewable energy generation facilities by providing a non-dilutive royalty financing solution to privately held and publicly traded renewable energy generation and development companies. The Company's business objectives are to acquire a portfolio of long-term, stable, and diversified royalty streams from renewable energy generation facilities and to provide shareholders with capital appreciation and a growing, sustainable, long-term cash distribution.

Management has identified an underserviced segment in the renewable energy capital markets that lies between traditional debt and equity financing. For many small to medium-sized renewable energy companies ("SMREs"), a revenue-based royalty financing has many advantages with respect to flexibility, cost and contractual terms.

Traditional royalty-based financing has been used extensively in the North American natural resource, consumer service, industrial manufacturing, health-care, music and food sectors. Management believes that there is significant demand among SMREs for non-dilutive royalty based financing solutions due to a lack of innovation in the financing for renewable energy projects.

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

- Acquiring long-term renewable energy royalty streams backed by power purchase agreements or similar revenue programs from credit worthy utilities and/or facilities which operate in strong merchant markets with stable power pricing;
- Reinvesting capital to acquire new royalties and to grow royalty income and interest;
- Utilizing debt financing and/or co-investment structures to acquire additional royalties in order to enhance financial returns for shareholders; and
- Maintaining a low operating cost structure.

1.2.1 REVERSE TAKE-OVER AND TSX VENTURE EXCHANGE LISTING

On November 6, 2018, the Company completed its qualifying transaction (the "Transaction") under *TSXV Policy 2.4 – Capital Pool Companies*, and it concurrently changed its name from Baetis Ventures Ltd. to RE Royalties Ltd. Prior to the Transaction, the Company was a Capital Pool Company (CPC) as defined pursuant to Policy 2.4 of the TSXV that performed no significant business activities other than the identification and evaluation of assets or business with the view of completing a qualifying transaction.

The Transaction was completed pursuant to a plan of arrangement (the "Arrangement") dated May 31, 2018 between Baetis Ventures Ltd. (the "CPC") and RE Royalties Ltd. (the "Legal Acquiree") whereby the CPC issued 30,466,889 of its common shares for 100% of the issued and outstanding common shares of the Legal Acquiree on a one-for-one basis. The Transaction resulted in a reverse takeover of the CPC by the Legal Acquiree as, immediately after the completion of the Transaction; the shareholders of the Legal Acquiree owned 96% of the combined Company.

Pursuant to the term of the Arrangement, and concurrently with the Transaction, the CPC completed a consolidation of its common shares at a ratio of three (3) existing common shares for one (1) post-consolidation common share (the "Consolidation"). After the Consolidation, the CPC had 1,333,334 common shares issued and outstanding and 66,667 share purchase warrants outstanding.

In October 2018, prior to the completion of the Transaction, the CPC also completed a private placement of 307,000 of its common shares at $1.00 per share. Similarly, the Legal Acquiree completed a private placement of 12,916,700 of its common shares at $1.00 per share.

Immediately prior to the completion of the Transaction, the capital structure of RE Royalties Ltd. comprised the following: (i) 30,466,889 issued and outstanding common shares; (ii) warrants exercisable for 500,000 common shares at $0.50 per share; and (iii) stock options exercisable for 1,180,000 common shares at $0.80 per share.

Accounting Treatment

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

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

a) the historical equity of the Company has been eliminated and the excess of the fair value of deemed issuance of the equity instruments over the fair value of the net assets acquired as listing expense in net loss for the period;

b) the retained earnings (deficit) and other equity balances presented in these Financial Statements are those of the Legal Acquiree;

c) the assets and liabilities of the Legal Acquiree are included in these Financial Statements on pre-transaction basis of accounting;

d) The net assets of the Company were measured at their estimated fair value on the date of the Transaction;

e) Comparative information presented in these financial statements is that the Legal Acquiree.

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

Fair value equity instruments deemed to be issued pursuant to the Transaction:		
Common shares	$	1,333,334
Share purchase warrants		44,700
Total amount recorded in equity in these Financial Statements		1,378,034
Less: Cash held in Baetis Venture Ltd. immediately before the Transaction		(136,842)
Net fair value recorded as listing expenses in these Financial Statements		1,241,192
Other listing expenses:		
Finder's fee paid through issuance of shares		200,000
Other listing fees and expenses		219,689
		419,689
Total listing expense	$	1,660,881

1.2.2 RENEWABLE ENERGY ROYALTY INVESTMENT UPDATE

New Royalty Investment Transactions for the Year Ended December 31, 2018

A. Alpin Sun GmbH

In February 2018, RER US 1 LLC, an affiliate ("RER US") established by the Company, entered into an equity purchase transaction with Alpin Sun GmbH ("Alpin Sun"), whereby RER US acquired a 50% interest in a portfolio of four separate advanced stage development solar projects in Texas, totaling 352 MW (the "Projects"). The ultimate goal of both RER US and Alpin Sun is to develop the Texas Projects to the point where they are ready to build, and then to sell the Projects to a third party to build and operate.

The total investment commitment for the 50% equity investment in the Projects is for US$5 million (the "Texas Investment"). The Company contributed US$1 million ("RER Investment") with the remaining US$4 million to be contributed by a consortium of private investors. The Texas Investment is structured as a US limited liability company (the "Project Entities"), whereby RER US holds the 50% interest in the Projects. The Company is the manager of RER US pursuant to a management services agreement dated December 13, 2017, whereby the Company provides technical, financial, administrative, and management services to RER US. The Company also incurs third-party costs on behalf of RER US. Such third-party costs include, for example, travel, communication services, and information technology services. Third-party costs are billed at cost without markup.

In addition to owning a portion of RER US's 50% ownership in the Projects, the Company will also receive 50% of a 2% Gross Revenue Royalty payable to RER US for a period of twenty years, on any revenue generated by any of the Projects. Revenue is defined to include electricity sales, renewable credits, insurance proceeds and liquated damages/warranty claims, if any.

In December 2018, RER US and an arm's-length party entered into two separate sale agreements (the "Sale Agreements") whereby RER US sold its equity interest in two of the four Project Entities for an aggregate price of US$6 million, based on US$30,000 per MW. In December 2018, pursuant to the Sale Agreements and upon execution thereof, RER US received US$1.4 million (the "Down Payment") in cash, representing 23.33% of the total sale proceed. The remainder of US$4.6 million (the "Contingent Payments") of the aggregate sale price is receivable in tranches subject to certain milestones leading up to the completion of the projects.

Upon execution of the Sale Agreements, RER US derecognized its investment in the underlying two Project Entities. However, as of December 31, 2018, RER US had recognized only the Down Payment and had deferred the recognition of the Contingent Payments to be recognized upon completion of the related milestones.

Accordingly, during the year ended December 31, 2018, RER US recorded a net loss as per the following.

Total sale price	US$	6,000,000
Less; aggregate carrying amount derecognized upon execution of the Sale Agreements		(2,571,300)
Excess of the total sale price over the carrying amount		3,428,700
Less: the aggregate amount of the Contingent Payments not recognized during the year		(4,600,000)
Loss recognized during the year	US$	(1,171,300)

For the year ended December 31, 2018, RER US recorded a net loss of $1,679,000, including the loss recognized upon execution of the Sale Agreements. The Company's share of the loss in RER US was $418,681. Prior to the execution of the Sale Agreements, the Company's royalty interest in the underlying projects was bought-out for US$300,000, which has been recognized in these Financial Statements as royalty income.

B. Belltown Power Texas

In December 2018, the Company entered into a loan agreement for US$2.8 million ("Belltown Loan") with a subsidiary of Belltown Power Texas, LLC ("Belltown") whereby the Company provided US$42,050 in a cash advance to Belltown and a US$2.76 million letter of credit for up to one year on behalf of Belltown, in order for Belltown to post certain collateral for grid connection for 78 MW Rippey solar project ("Rippey Project") located in Texas.

The Belltown Loan bears interest at 10% per annum for the first six months, and increases to 15% per annum from the seventh month to the end of the term of the loan. In addition, the Company received a 1% gross revenue royalty interest in the Rippey Project.

In February 2019, Belltown repaid back the Belltown Loan.

Royalty Investment Transactions completed prior to January 1, 2018

C. Aeolis Wind

The Company has a secured non-revolving term loan with Aeolis Wind Power Corporation ("Aeolis"), whereby the Company loaned Aeolis $1,239,000 (the "Aeolis Loan") subject to fixed payments of $100,000 per annum, to be increased annually by an amount equal to 50% of the British Columbia Consumer Price Index ("Aeolis Royalty"). The term of the Aeolis Loan expires on July 31, 2035. The Aeolis Loan is secured against a gross revenue royalty interest owned by Aeolis on the 102 MW Bear Mountain Wind Park near Dawson Creek, British Columbia, Canada. The Aeolis Royalty payments to RER under the Aeolis Loan are paid from Aeolis' gross revenue royalty interest.

During the year, the Company continued to receive its payments from Aeolis as determined in the Aeolis Loan.

D. Blockchain Power Trust (formerly Transeastern Power Trust)

In January 2017, the Company provided Blockchain Power Trust ("Blockchain"; formerly Transeastern Power Trust) a three-year, non-revolving secured loan (the "Blockchain Loan") and received a twenty-year gross revenue royalty (the "Blockchain Royalty"; and together with the Blockchain Loan, the "Blockchain Transaction") on certain of Blockchain's renewable energy generation assets. Blockchain is a Canadian publicly listed trust and an independent power producer that owns and operates facilities that produce electricity from renewable energy sources in eastern Europe.

The Blockchain Loan is a three year, $3.8 million loan, with semi-annual interest payments at 5% per annum and a full principal repayment at maturity. The Blockchain Loan may be extended for a fourth year at Blockchain's option, and in this event, the interest rate increases to 7% per annum for the fourth year.

The Blockchain Royalty is an annual royalty of 1.14% of the gross revenue earned by Blockchain on its portfolio of renewable energy projects. The Blockchain Royalty is payable to the Company for twenty years, including the years that the Blockchain Loan is outstanding. The Blockchain Royalty will be paid in Canadian dollars at the prevailing Euro exchange rate at the time payment is due. The Blockchain Royalty is calculated based on gross revenues earned on three operational hydro projects (5.1MW), two operational solar projects (16.6MW) and one operational wind project (17MW).

The gross revenue for the purpose of the Blockchain Royalty is equal to the sum of all revenues in the fiscal year recognized by Blockchain with respect to the applicable projects, calculated in a consistent basis and in accordance with IFRS, in respect of (i) the sale of electricity energy, (ii) the sale of green certificates (or equivalent renewable incentive credits), (iii) any insurance proceeds received as a result of business interruption; and (iv) any liquidated damages.

1.2.3 FINANCING

Equity

During the quarter ended December 31, 2018, the Company completed non-brokered private placement financings for total gross proceeds of $13,223,700 (*1.2.1 Reverse Takeover and TSX Venture Exchange Listing*). The Company paid fees of $86,322 and issued 18,109 warrants to certain finders in connection with the financing. The warrants issued to the finders have a 2-year term and are exercisable at $1.00 per common share.

Additionally, the Company issued the following shares during the year ended December 31, 2018:

- 200,000 common shares as finder's fee for the Transaction;
- 1,500,000 common shares upon exercise of warrants for $750,000 at $0.50 per share;
- 1,875,000 common shares at a deemed value of $1,500,000 as repayment of a debt;
- 2,008,767 common shares upon conversion of a convertible note issued in July 2017.

Convertible Notes

In November 2018, following the closing of the Transaction, the Company issued to an arm's-length party a $500,000 unsecured convertible note (the "2018-Note") with a 24-month term and interest rate of 7% per annum. The 2018-Note shall be convertible, at the holder's sole description, into common shares of the Company at conversion price of $1.00 per share.

In July 2017, the Company issued a $1,500,000 unsecured convertible note (the "2017-Note") to an arm's length party for a 12-month term and at an interest rate of 7% per annum. The face value of the 2017-Note was only convertible into common shares of the Company at a price of $0.80 per share at the earlier of: (i) 12 months or (ii) upon the Company completing a listing of its shares on a publically-traded Canadian stock exchange. The 2017-Note, including interest thereon, was converted into the Company's common shares in July 2018.

Debt

In January 2017, the Company entered into a loan agreement (the "Loan") with two arm's length private parties (collectively the "Lenders"), whereby an aggregate principal sum of $2,000,000 was advanced to the Company for a 6-month term and at an interest rate of 10% per annum. The Loan was secured by a general security agreement and pledge of the Company's assets. Pursuant to the Loan, the Company issued 2,000,000 of its share purchase warrants to the Lenders with an expiry term of two years and an exercise price of $0.80 per share.

In July 2017, the Loan was extended for an additional 6-month term and the interest rate was increased to 12% per annum and interest was paid in advance. The warrants issued pursuant to the original term of the Loan were cancelled and replaced with 2,000,000 common share purchase warrants with an expiry term of three years and an exercise price of $0.50 per common share.

In February 2018, $1,500,000 of the Loan was settled through the issuance of 1,875,000 Common Shares of the Company at $0.80 per share. The Company paid a fee $94,500 in relation to this conversion of the Loan. The term of remainder of the Loan with principal sum of $500,000 was extended on customary terms for an additional nine-month term and was fully repaid in October 2018.

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.

		2018		2017		2016
Total assets	$	19,876,000	$	7,188,000	$	3,175,000
Total non-current financial liabilities	$	475,000	$	–	$	–
Revenue from royalty interests	$	89,000	$	140,000	$	–
Gain from royalty interest buyout		409,000		–		–
Finance income		521,000		455,000		46,000
Total revenue and income	$	1,019,000	$	595,000	$	46,000
Net loss attributable to shareholders of the Company	$	3,199,000	$	288,000	$	392,000
Basic and diluted loss per common share	$	0.17	$	0.02	$	0.06

Total assets of the Company increased over the last 3 years mainly as a result of cash raised from financing activities and the acquisition of revenue-based royalties from renewable energy generation facilities. Non-current liabilities at December 31, 2018 included a convertible with the face value of $500,000 that was accounting for as a compound instrument and upon initial recognition its equity component was recorded at the residual amount after deducting the amount separately determined for the liability component from the fair value of the instrument as a whole.

The Company's total revenue and income grew in 2017 mainly as a result of interest income from the Blockchain Loan and royalty revenue from the Blockchain Royalty. The growth in the Company's revenue and income in 2018 was mainly due to royalty income recognized from the Alpin Sun royalty investment transaction.

The Company started its operation in 2016 and recorded a net loss of $392,000, mainly due to its business development and startup activities. In 2017, the Company mainly relied on debt financing to fund the acquisition of revenue-based royalties from renewable energy generation facilities and incurred finance expenses of $281,000, which approximately equals the net loss during the year. In 2018, the following items primarily contributed to the net loss of $3,199,000:

1) Listing expenses of $1,661,000, which includes non-cash expenses of $1,441,000 – mainly the deemed issuance of equity under the accounting for the reverse takeover;
2) Share of loss of an associate of $419,000, which was recorded as a result of derecognition of two of its Project Entities as described herein; and
3) Non-recurring consulting fees.

1.4 SUMMARY OF QUARTERLY RESULTS

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, except for the weight average number of shares.

	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017
Royalty revenue	$ 21,000	$ 22,000	$ 26,000	$ 21,000	$ 44,000	$ 38,000	$ 38,000	$ 21,000
Royalty buyout	409,000	–	–	–	–	–	–	–
Finance income	192,000	111,000	107,000	108,000	123,000	119,000	117,000	95,000
	622,000	133,000	135,000	129,000	167,000	157,000	155,000	116,000
Net loss	2,395,000	350,000	357,000	97,000	102,000	58,000	35,000	93,000
Net loss per share	0.08	0.02	0.02	0.01	0.01	0.00	0.00	0.01
Weight average number of shares	28,916,815	15,810,931	15,716,422	14,799,755	11,966,422	11,932,794	11,910,172	11,792,672

The Company's revenue during the quarter ended December 31, 2018 was higher due to royalty income recognized from the Alpin Sun royalty investment transaction. As for the other fiscal quarters presented above, the Company's revenue primarily comprises interest income on secured loans. The Company's revenue presented above also includes royalty income from a variety of renewable power generation sources, which exhibit seasonal behaviors individually but counterbalance each other. For instance, wind power generation is stronger in winter than in summer. The opposite is true for solar power generation.

The increase in the Company's net loss in the three quarters to December 31, 2018 was attributable to the Company's activities pertaining to the Transaction, with the listing expenses of $1,660,881 recorded in the fourth quarter ended at December 31, 2018.

1.5 RESULTS OF OPERATIONS

Revenue and income	2018	2017	Change ($)	Change (%)
Revenue from royalty interests	$ 89,402	$ 140,346	$ (50,944)	(31)%
Gain from royalty interest buyout	409,230	–	409,230	N/A
Finance income	520,683	455,143	65,540	14 %
Total	$ 1,019,315	$ 595,489	$ 423,826	72 %
Gain on revaluation of Aeolis Loan	$ 70,128	$ –	$ 70,128	N/A

During the year ended December 31, 2018, revenue and income increased by $423,826 (or 72%) from the prior year due mainly to royalty income recognized from the Alpin Sun royalty investment transaction. For further details on revenue generated from individual royalty transactions, please refer to section *1.2.2 Renewable Energy Royalty Investment Update.*

Effective January 1, 2018, when the Company adopted IFRS 9, Financial Instruments, the Aeolis Loan was reclassified to financial assets at fair value through profit and loss. In 2017, the Aeolis Loan was recorded at amortized cost.

Operating Expenses	2018	2017	Change ($)	Change (%)
Legal	$ 2,777	$ 15,716	$ (12,939)	(82)%
Accounting and audit	96,621	39,323	57,298	146 %
Marketing	66,285	11,613	54,672	471 %
Rent and information technology	38,316	41,968	(3,652)	(9)%
Regulatory	11,949	–	11,949	N/A
Administration	177,078	115,582	61,496	53 %
Wages and benefits	297,760	115,741	182,019	157 %
Finance expense	94,142	280,899	(186,757)	(66)%
Cost recoveries	(131,356)	–	(131,356)	N/A
Total	$ 653,572	$ 620,842	$ 32,730	5 %

Operating expenses increased for the year ended December 31, 2018 vs. the year ended December 31, 2017 due to the following reasons:

- Audit and accounting expenses increased due to higher fees charged by the Company's auditor.
- Marketing expenses increased due to the Company engaging a communications firm and consultants to assist with the Company's shareholder and client outreach programs.
- Regulatory costs incurred relate to the Company's listing on the TSX Venture exchange.
- Wages and benefits increased due to additional staff hiring and increase in employee wages.
- Administration costs increased due to additional support and paralegal services incurred relating to the Company's listing on the TSX Venture exchange, and financings.

The increase in operating expenses for 2018 was offset by the following:

- Reduction in interest expenses due to certain of the Company's debt being repaid or converted to equity in 2018. Please refer to *Section 1.2.3 Financings* for additional discussion.
- Cost recoveries relating to the Company's management of activities of an affiliate, RER US 1 LLC.

Non-recurring expenses	2018	2017	Change ($)	Change (%)
Consulting	$ 1,134,711	$ 18,929	$ 1,115,782	5,895%
Listing expenses	1,660,881	–	1,660,881	N/A
Share of loss of an associate	418,681	–	418,681	N/A
Total	$ 3,214,273	$ 18,929	$ 3,195,344	16,881%

The Company also incurred certain non-recurring expenses for 2018 relating to the following:

- Consulting expenses of $1,134,711 relate to certain consulting engagements with third-party consultants to assist in the Company's financing activities.
- Listing expenses of $1,660,881 relating to the Company's reverse take-over and listing on the TSX Venture Exchange. For further details, please refer to *1.2.1 Reverse Takeover and TSX Venture Exchange Listing.*
- Share of loss of an associate relates to the de-recognition of an investment by the Company's interest in an associate, RER US 1 LLC. For further details, please refer to the discussion on Alpin Sun in *1.2.2 Renewable Energy Royalty Investment Update.*

Non-cash expenses	2018	2017	Change ($)	Change (%)
Amortization and depletion	$ 170,739	$ 147,202	$ 23,537	16 %
Foreign exchange (gain) loss	(87,777)	1,425	(89,202)	(6,260)%
Equity-settled share-based payments	337,625	95,565	242,060	253 %
Total	$ 420,587	$ 244,192	$ 176,395	72 %

In addition to the non-cash expenses listed above, the non-recurring expenses in the preceding table include listing expenses of $1,660,881 which includes total non-cash amount of $1,441,192 relating to the deemed issuance of common shares under the accounting for the reverse takeover and the share issued as finder's fee.

Changes in the Company's non-cash expense for 2018 relate to the following:

- Increase in amortization and depletion increased in line with the pattern of unwinding of interest income on relevant financial instruments.
- Foreign exchange gain relates mainly to USD cash balances held by the Company at year end.
- Equity settled share payments increased in 2018 due to a full year of amortization of stock options granted in October 2017 and additional stock options granted in December 2018.

1.6 LIQUIDITY

At December 31, 2018, the Company had cash and cash equivalents of $8,859,907 (December 31, 2017 – $909,402) and working capital of $12,910,169 (December 31, 2017 – $1,256,063 working capital deficiency).

At December 31, 2018, the Company had restricted cash of $3,819,480 which was held as a collateral against the letter of credit issued pursuant to the Belltown Loan. After the current reporting period, in March 2019, the letter of credit was cancelled upon repayment of the Belltown Loan.

In 2018, cash used in the Company's operating activities was mainly attributable to expenses incurred in connection with the Company's listing on the TSX Venture exchange.

In 2017, the Company relied on certain short-term loans and a convertible note to fund its investing activities and working capital requirements. In 2018, the Company's primary source of cash was the equity financing of approximately $13 million completed before the Transaction. Additionally, the Company's short-term debt with the face value of $1,500,000 converted into equity and certain of the Company's warrants were exercised with an aggregate proceed of $750,000.

As at December 31, 2018, from the proceeds of the financing completed in 2018, the Company had used $3.8 million to provide cash advance and cash collateral relating to the Belltown Loan. Additionally, the Company's cash used in its investing activities mainly included $1.3 million investment in RER US in the second quarter of 2018. In 2017, the Company's investing cash flow comprised cash used in the Blockchain transaction.

The Company does not have any material capital 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 either through one or a combination of the following:

- Issuance of additional equity from treasury;
- Issuance of debt such as green bonds or convertible notes; and/or
- Establishment of co-investment structures or funds, whereby the Company receives a portion of the royalties generated from the co-investment structures or funds.

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

The Company has no "Purchase Obligations" defined as any agreements to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and, the approximate timing of the transaction.

1.8 OFF-BALANCE SHEET ARRANGEMENTS

None.

1.9 TRANSACTIONS WITH RELATED PARTIES

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

1.10 FOURTH QUARTER

During the quarter ended December 31, 2018, the Company recorded a net loss of $2,395,000 which includes listing expenses of $1,661,000 and the Company's share of loss of RER US of $419,000.

The Company's revenue during the quarter ended December 31, 2018 was higher due to royalty income recognized of $426,747 from the Alpin Sun royalty investment transaction.

1.11 PROPOSED TRANSACTIONS

Except 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 ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Not applicable.

1.16 DISCLOSURE OF OUTSTANDING SHARE DATA

The following table details the share capital structure as of the date of this MD&A:

	Number
Common shares	32,171,389
Share-purchase options	1,330,000
Share-purchase warrants	20,609
Shares to be issued upon conversion of the Convertible Note	500,000

1.17 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.

1.18 RISK FACTORS

Dependency on Renewable Energy Generation Facility Owners

The operations of the power generation facilities in which the Company holds royalty interests will be dependent upon the facility owner, operator, or developer of the renewable energy generation facility (collective the "Facility Owner"), and the Company has no input as to how these facilities are operated. As a result of the Company's operating model, the cash flow of the Company is dependent upon the activities of the Facility Owner, that creates the risk that at any time those Facility Owners: (a) may have business interests or targets that are inconsistent with those of the Company; (b) may take action contrary to the Company's policies or objectives; (c) may be unable or unwilling to fulfill their obligations under their agreements with the Company; (d) may be unable or unwilling to comply with the underlying power or electricity purchase or sale agreement between the owner of a facility generating electricity and a third party acquirer of electricity ("PPA"); or, (e) may experience financial, operational or other difficulties, including insolvency, which could limit the Facility Owner's ability to perform its obligations under the royalty arrangements.

Dependency on Renewable Energy Generation Facility Developers

The development of the power generation facilities that are not yet operational and in which the Company holds royalty interests will be dependent upon the Facility Owner's ability to complete the development and place the facility into operation at the name plate capacity, and the Company will have no input as to how these facilities will be developed. The failed development or delayed development, could have a material adverse effect on the Company's profitability, results of operation and financial condition.

The Company Will Have Limited Access to Data and Disclosure Regarding the Operation of Power Generation Facilities, Which Will Affect its Ability to Access the Performance of the Operators

As a royalty holder, the Company will have limited access to data on the underlying operations or to the underlying facilities themselves. This could affect its ability to assess the performance of the royalty agreements with the Facility Owners. This could result in deviations in cash flow from that which is anticipated from the power generation facilities. The limited access to data and disclosure regarding the operations of the facilities to which the royalty agreements relate may restrict the ability of the Company to enhance the performance of the power generation facilities, which may result in a material and adverse effect on the profitability, results of operations and financial condition of the Company.

Early Termination of Royalty Agreements

While the Company seeks to ensure that all its royalty interests will be secured and legally binding with the Facility Owners, there exists the possibility that other third parties such as governments or senior lenders to the facility owners may seek to terminate the royalty arrangements without compensation to the Company. The early termination of one or more of the Company's royalty agreements, without compensation to the Company, could have a material adverse effect on the Company's profitability, results of operation and financial condition.

The Company Will Depend on Facility Owners for the Calculation of Royalty Amounts

The amounts deliverable under the royalty agreements are calculated by the Facility Owners of the power generation facilities based on electricity produced and sold at the revenue meter. Each Facility Owner's calculation of royalty amounts is subject to and dependent upon the adequacy and accuracy of its production and accounting functions, and errors may occur from time to time in the calculations made by a Facility Owner. As a result, the Company's ability to detect errors in royalty amounts may be limited. Some of the royalty agreements provide the right to audit the operational calculations and production data for the associated royalty amounts; however, such audits may not occur until many months following recognition of the royalty revenue, and may require the Company to adjust revenue in later periods.

Delay or Failure of Royalty Payments

Although the Company generally seeks to invest in royalties generated from revenues from facilities that are fully contracted under long-term PPAs with investment grade counterparties ("Off-taker"), the Company will not be a party to the PPA and as such, revenues (and the corresponding royalties) generated will generally flow first from the Off-taker to the Facility Owner. In the event there are any delays or failure to pay by the Off-taker to the Facility Owner, or the Facility Owner to the Company, the Company may face delay or possibly failure in receiving its royalty payments, contrary to its contractual arrangements. The Company's rights to payment under the royalties must, in most cases, be enforced by contract, with or without the protection of a security interest over property that the Company could readily liquidate. This affects the Company's ability to collect outstanding royalties upon a default. In the event of a bankruptcy of a Facility Owner, the Company may be treated like any other unsecured creditor, and therefore have a limited prospect for full recovery of royalty revenue. The Company may not have any recourse against the Off-taker in a PPA. Failure to receive any royalty payments from the owners and operators may result in a material adverse effect on the Company's profitability, results of operation and financial condition.

Reliance on Facility Owner Reporting

The Company relies on public disclosure and other information regarding the power generation facilities it receives from the Facility Owners. The Company must rely on the accuracy and timeliness of the public disclosure and other information it receives from the Facility Owners of the power generation facilities, and uses such information in its analyses, forecasts and assessments relating to its own business and to prepare its disclosure with respect to the royalties. If the information provided by the Facility Owners to the Company contains material inaccuracies or omissions, the Company's disclosure may be inaccurate and its ability to accurately forecast or achieve its stated objectives may be materially impaired, which may have a material adverse effect on the Company.

Acquisition Strategy

As part of the Company's business strategy, it has sought and will continue to seek to purchase royalties from renewable power generation facility owners, operators and developers. In pursuit of such opportunities, the Company may fail to select appropriate acquisition targets or negotiate acceptable arrangements, including arrangements to finance the acquisitions. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit the Company.

Royalty and Other Interests May Not Be Honored by Facility Owners

Royalty and other interests in renewable energy projects are largely contractually based. Parties to contracts do not always honor contractual terms and contracts themselves may be subject to interpretation or technical defects. To the extent grantors of royalty and other interests do not abide by their contractual obligations, the Company would be forced to take legal action to enforce its contractual rights, including any security interests. 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 the Company, it may have a material adverse effect on the Company's profitability, results of operations and financial condition.

Rights in Favour of Third Parties

The Company may acquire royalties that are subject to: (i) buy-down right provisions pursuant to which a Facility Owner may buy-back all or a portion of the royalty; (ii) pre-emptive rights pursuant to which parties to various operating and royalty agreements may have the right of first refusal or first offer with respect to a proposed sale or assignment of a royalty to the Company; or, (iii) claw back rights pursuant to which the seller of a royalty to the Company has the right to re-acquire the royalty. Holders of these rights may exercise them such that certain royalty interests would not be available to the Company. Any such exercise may result in the elimination of a royalty interest for compensation to the Company and it may have a material adverse effect on the Company's profitability, results of operations and financial condition.

Increased Competition for Royalty Interests

Although the Company believes that, as a pioneer in providing royalty financing in the renewable energy sector, it faces minimal competition in the acquisition of royalties in the renewable energy sector, the success of the Company's business model may lead other companies to engage in the search for and the acquisition of royalties in the renewable energy sector. If the Company has to compete with larger companies with substantial financial resources, the Company may be at a competitive disadvantage in acquiring royalty interests in these renewable energy projects. Accordingly, there can be no assurance that the Company will be able to compete successfully against other larger companies in acquiring new royalty interests or ability to acquire royalties at a viable cost. The Company's inability to acquire additional royalties may result in a material adverse effect on the Company's profitability, results of operation and financial condition.

Concentration Risk

The business of the Company is to invest in royalty interests in the renewable energy generation sector only. Given the concentration of the Company's exposure to the renewable power generation sector, the Company's investment portfolio will be more susceptible to adverse economic or regulatory occurrences affecting the renewable power generation sector than an investment fund that holds a diversified portfolio of securities. Moreover, while the Company's intention is to purchase a large number of royalties from different companies in different renewable energy generation segments, it will take time to attain such diversification. Until diversification is achieved, the Company may have a significant portion of its assets dedicated to a small number of renewable energy generation facilities or a single segment of the renewable energy generation sector. In the event that any such business or renewable energy generation segment is unsuccessful or experiences a downturn, a material adverse effect on the Company's profitability, results of operation and financial condition may result.

The Company Has a Limited History of Operations and There Can Be No Assurance of Success or Profits

The Company's business has only recently commenced and the Company has a limited history of operations. While many members of management have expertise and comparable operating experience, the Company itself has a limited history of operations and there can be no assurance that the Company's business will be successful or profitable or that the Company will be able to successfully execute its business model and growth strategy. If the Company cannot execute its business model and growth strategy, it may result in a material adverse effect on the Company's profitability, results of operation and financial condition. Since the Company is an early stage company, there will be limited financial, operational and other information available to evaluate the Company's prospects.

Availability and Terms of Additional Financing and Dilution to Shareholders' Interest

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

Foreign Exchange Risk

The Company's royalty interests will be subject to foreign currency fluctuations and inflationary pressures, which may have a material adverse effect on the Company's profitability, results of operation and financial condition. There can be no assurance that the steps taken by management to address variations in foreign exchange rates will eliminate all adverse effects and, accordingly, the Company may suffer losses due to adverse foreign currency rate fluctuations and it may result in a material adverse effect on the Company's profitability, results of operations and financial condition.

Interest Rate Risk

The Company intends on obtaining financing in the future by accessing the debt markets. Amounts payable in respect of interest and principal on debt to be incurred by the Company will affect its net cash flow and profitability. Any increase in such payments will result in a corresponding increase in the cash out flow of the Company that must be applied to debt service. In the event of such an increase, there can be no assurance that net cash flow derived from the Company's operations will be sufficient to cover its future financial obligations or that additional funds will otherwise be able to be obtained. If the Company becomes unable to pay its debt service charges or otherwise commits an event of default such as bankruptcy, the lender may foreclose on or sell all or some of the Company's assets, which may have a material adverse effect on the Company's profitability, results of operation and financial condition.

Payments of Dividends

Payment of dividends on the Common Shares will be within the discretion of the Board and will depend upon the Company's future earnings, its cash flows, its acquisition capital requirements and financial condition, and other relevant factors discussed herein. There can be no assurance that the Company will pay dividends or will be in a position to issue dividends due to the occurrence of one or more of the risks described herein.

Attracting and Retaining Qualified Management and Personnel

The Company is dependent upon the continued availability and commitment of its key management, whose contributions to immediate and future operations of the Company are of significant importance. The loss of any such members could negatively affect business operations. From time to time, the Company may need to identify and retain additional skilled management and personnel to efficiently operate its business. The number of persons skilled in the acquisition of royalties in the renewable energy sector is limited and as new companies will enter this business, competition for such persons may intensify. Recruiting and retaining qualified personnel is critical to the Company's success and there can be no assurance of such recruitment and retention. If the Company is not successful in attracting and training qualified personnel, the Company'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.

Income Taxes

The Company's activities will generally be taxable in the jurisdictions in which it operates. Changes to taxation laws in Canada, the United States or any of the countries in which the Company acquires royalty agreements could materially affect the Company's royalty interests. No assurance can be given that new taxation rules will not be enacted or that existing rules will not be applied in a manner that could materially affect in the Company's profits and it may result in a material adverse effect on the Company's profitability, results of operations and financial condition.

Legal Proceedings

In the normal course of business, the Company may become party to legal action. There can be no assurance that the Company will be successful in defending these claims and legal actions or that any claim or legal action that is decided adverse to the Company will not materially and adversely affect the Company's profitability, results of operations and financial condition.

Limitation of Insurance

The Company maintains insurance policies, covering usual and customary risks associated with its business, with credit-worthy insurance carriers. A royalty interest in a renewable power generation facility is generally exposed to the risks inherent in the construction and operation of electricity generation facilities, such as breakdowns, manufacturing defects, natural disasters, theft, terrorist attacks and sabotage. The Company relies on the Facility Owner's insurance policies to cover losses as a result of force majeure, natural disasters, terrorist attacks or sabotage, among other things. While the Company performs a review of the Facility Owner's insurance policies, a significant uninsured loss or a loss that significantly exceeds the limits of the Facility Owner's insurance policies or the failure to renew such insurance policies on similar or favourable terms could have a material adverse effect on the Company's royalty interests.

General Risks Involved in the Operations of a Power Generation Facility

The revenue generated by the Company from a royalty interest is dependent on the amount of electricity generated by underlying power generation facilities. The ability of the power generation facilities to generate the amount of electricity expected is a primary determinant in the amount of revenues that will be received by the Company. A number of different factors, including: equipment failure due to wear and tear, latent defect, design error, operator error, slow response to outages due to underperforming monitoring systems, changes in wind or water flows, changes in solar irradiation patterns, and vandalism or theft could adversely affect the amount of electricity produced, and thus the revenues and cash flows of the Company. Unplanned outages or prolonged downtime for maintenance and repair may increase operating and maintenance expenses and reduce revenues as a result of selling less electricity. To the extent that a facility's equipment requires longer than forecasted down times for maintenance and repair, or suffers disruptions of power generation for other reasons, the profitability, results of operation and financial condition of the Company could be adversely affected.

Natural Disasters and Other Catastrophic Events

The power generation facilities and operations could be exposed to potential interruption and damage (partial or full loss) resulting from events such as environmental disasters (e.g. floods, high winds, fires, and earthquakes), severe weather conditions and equipment failures. There can be no assurance that in the event of an earthquake, hurricane, tornado, tsunami, typhoon, terrorist attack, act of war or other natural, manmade or technical catastrophe, all or some parts of the generation facilities and infrastructure systems of the power generation facilities which the Company holds a royalty interest in, will not be disrupted. The occurrence of a significant event which disrupts the ability of the renewable power generation assets of the Royalty Sellers to produce or sell electricity for an extended period that could have a material adverse effect on the Company's profitability, results of operation and financial condition.

Permitting Risk

Although the Company generally seeks to acquire royalty interests in the power generating facilities that have commenced commercial operations or will commence commercial operations in near term, the Company may acquire royalty interests in power generation facilities that will require additional permits before commercial operations can be commenced. These facilities will require various property rights, permits and licenses in order to conduct current and future operations, and delays or a failure to obtain such property rights, permits and licenses, or a failure to comply with the terms if any of such property rights, permits and licenses could result in interruption or closure of operations on the facility. Such interruptions or closures could have a material adverse effect on the Company's profitability, results of operation and financial condition.

Environmental Laws and Regulations

The activities of a renewable power generation facility are subject to stringent environmental laws and regulations promulgated and administered by federal, provincial and municipal governments where the facility operates. These laws and regulations generally concern water use, wildlife, wetlands preservation, endangered species preservation and noise limitations, among others. Failure to comply with applicable environmental laws and regulations or failure to obtain or comply with any necessary environmental permits pursuant to such laws and regulations could result in sanctions against the facility owner and operator and may disrupt revenue of the Company for an extended period that, in turn, may have a material adverse effect on the Company's profitability, results of operation and financial condition.

Local Public Opposition

The development and operation of renewable assets may at times be subject to public opposition. In particular, with respect to the development and operation of wind projects, public concerns and objections often center around the noise generated by wind turbines and the impact such turbines have on wildlife, including birds and bats. While public opposition may be of greatest concern during the development stage of renewable assets, when the public has the ability to provide comments and appeal regulatory permits, continued opposition could have an impact on ongoing operations. Legal requirements, changes in scientific knowledge and public complaints regarding issues such as noise generated by wind turbines could impact the operation of certain of the projects in which the Company may hold a royalty interest in the future and it may result in a material adverse effect on the Company's profitability, results of operation and financial condition.

Negative Public or Community Response

Negative public or community response to wind, hydroelectric, and other power generation facilities could adversely affect the ability of the owners and operators to operate the power generation facilities in which the Company may acquire royalty interests. This type of negative response could lead to legal, public relations and other challenges that impede the ability of the power generation facilities to achieve commercial operations and generate revenues at the anticipated levels. An increase in opposition to the facilities or segment of the renewable energy sector in which the Company may hold royalty interests could have a material adverse effect on the Company's profitability, results of operation and financial condition.

Changes in Supply of Water, Levels of Winds, Irradiation and Other Natural Variables

The operation of renewable assets are inherently exposed to relevant natural variables, such as levels of wind, precipitation, the timing and rate of melting, run off, temperatures, hours of irradiation and other factors beyond the control of the Company. A shift in these weather or climate patterns may reduce the water flow to, or consistency of the wind resource at, the facilities in which the Company may hold royalty interests. Moreover, the use, treatment and discharge of water, and the licensing of water rights in many jurisdictions are subject to increasing level of regulations that may impact the supply of water to a specific power generation facility. These changes in natural variables and regulations could have a material adverse effect on the Company's profitability, results of operation and financial condition.

Reliance on Natural and Regional Transmission Systems

Renewable power generation facilities generally depend on electric transmission systems and related facilities (the "Grid") owned and operated by third parties to deliver the electricity a facility generates to delivery points where ownership changes as per the terms of underlying PPA. These Grids operate with both regulatory and physical constraints which in certain circumstances may impede access to electricity markets. There may be instances in system emergencies in which the power generation facilities are physically disconnected from the power grid, or their production curtailed, for short periods of time. Most PPAs do not provide for payments to the relevant facilities if electricity is not delivered. Renewable power generation facilities may also be subject to changes in regulations governing the use of the local transmission and distribution systems. The Company's profitability, results of operation and financial condition could be adversely affected as a result of any impediment to a facility's access to electricity markets due to regulatory and/or physical constraints relating to electricity transmission systems.

Effect of General Economic and Political Conditions

The Company's business is subject to the impact of changes in global economic conditions including, but not limited to, recessionary or inflationary trends, market conditions, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence. These economic conditions may be further affected by political events throughout the world that cause disruptions in the financial markets, either directly or indirectly. Adverse economic and political developments could have a material adverse effect on the Company's profitability, results of operation and financial condition.

Delays and Cost Overruns in the Design and Construction of Projects

Delays and cost over-runs may occur in completing the construction of power generation facilities that the Facility Owners will undertake. A number of factors which could cause such delays or cost over-runs include, without limitation, permitting delays, construction pricing escalation, changing engineering and design requirements, the performance of contractors, labour disruptions, adverse weather conditions and the availability of financing. Even when complete, a power generation facility may not operate as planned due to design or manufacturing flaws, which may not all be covered by warranty. Mechanical breakdown that is not covered by business interruption insurance could occur in equipment after the period of warranty has expired, resulting in loss of production.

Health, Safety and Environmental Risks

The ownership, construction and operation of power generation facilities carries an inherent risk of liability related to worker health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and/or to remediate or otherwise address environmental contamination, potential penalties for contravention of health, safety and environmental laws, licences, permits and other approvals, and potential civil liability. Compliance with health, safety and environmental laws (and any future changes) and the requirements of licences, permits and other approvals remain material to the Facility Owners' businesses. The Facility Owners' power generation facilities may become subject to government orders, investigations, inquiries or other proceedings (including civil claims) relating to health, safety and environmental matters. The occurrence of any of these events or any changes, additions to or more rigorous enforcement of, health, safety and environmental laws, licences, permits or other approvals could have a significant impact on operations and/or result in additional material expenditures and ultimately affect the ability of Facility Owners to pay the Company royalties. As a consequence, no assurances can be given that additional environmental and workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to the business and operations of the power generation facilities.