RE ROYALTIES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2021 AND 2020

(Expressed in Canadian Dollars)

(Unaudited)

RE Royalties Ltd.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Expressed in Canadian Dollars)

	Note	September 30, 2021	December 31, 2020
ASSETS			
Non-current assets			
Secured loans and royalty interests	4	$ 7,200,457	$ 8,302,723
Deferred transaction costs	5	83,402	–
Investment in an associate	6	1	1
Right of use asset	8	89,243	–
		7,373,103	8,302,724
Current assets			
Secured loans and royalty interests	4	2,119,937	7,135,378
Amounts receivable and prepaid expenses	7	802,706	467,701
Cash and cash equivalents and restricted cash	3	15,915,729	11,704,731
		18,838,372	19,307,810
TOTAL ASSETS		$ 26,211,475	$ 27,610,534
EQUITY			
Share capital	12	$ 23,159,638	$ 23,159,638
Reserves	12(c)	1,656,760	871,649
Accumulated deficit		(9,985,978)	(7,023,733)
		14,830,420	17,007,554
LIABILITIES			
Non-current liabilities			
Green bonds	10	–	8,906,325
Convertible notes	11	1,761,426	1,608,122
Lease liability	8	76,092	–
		1,837,518	10,514,447
Current liabilities			
Green bonds	10	9,364,905	–
Lease liability	8	14,676	–
Trade payables and accrued liabilities	9	163,956	88,533
		9,543,537	88,533
Total liabilities		11,381,055	10,602,980
TOTAL EQUITY AND LIABILITIES		$ 26,211,475	$ 27,610,534

Events after the reporting period (note 16)

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

These condensed interim financial statements are approved for issuance by the Audit and Risk Committee of the Company's Board of Directors on November 29, 2021 and are signed on the Company's behalf by the following:

/s/ Bernard Tan

Bernard Tan
Director

/s/ Rene Carrier

Rene Carrier
Director

RE Royalties Ltd.

Condensed Consolidated Interim Statements of Comprehensive (Loss) Income

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

		Three months ended September 30,		Nine months ended September 30,	
	Note	**2021**	**2020**	**2021**	**2020**
Revenue and income					
Royalty revenue		$ 189,939	$ 187,275	$ 603,147	$ 580,773
Finance income		190,000	270,161	632,832	912,475
Gain from royalty buyout	4(b),(f)	–	451,915	–	451,915
Gain on derecognition of financial asset	4(e)	129,417	–	129,417	–
		509,356	909,351	1,365,396	1,945,163
Amortization and depletion					
Amortization of transaction cost	4	–	–	–	7,521
Depletion of royalty interest	4	72,112	71,834	215,083	205,712
		(72,112)	(71,834)	(215,083)	(213,233)
Gross profit		437,244	837,517	1,150,313	1,731,930
Gain/(Loss) on revaluation of financial asset at FVTPL	4	9,000	38,000	(4,796)	149,110
Gross profit and changes in fair value of financial assets		446,244	875,517	1,145,517	1,881,040
Expenses/(recoveries)					
Wages and benefits		176,571	132,107	508,863	397,546
Administration		86,541	73,513	273,720	227,113
Marketing and stakeholder communication		68,284	85,528	228,821	185,481
Audit and audit related		43,253	33,705	166,765	112,519
Consulting – financing		32,677	44,639	99,203	118,075
Consulting – other		22,059	38,190	98,358	129,427
Regulatory and transfer agency		8,780	15,383	61,487	37,921
Office lease and information technology		12,402	18,900	47,547	57,600
Legal		2,380	–	23,048	–
Donations		25,000	–	51,000	50,000
Equity-settled share-based payments	12(c)	147,000	444	778,000	9,428
Amortization of right-of-use asset	8	4,868	–	8,113	–
Cost recovery		–	(9,299)	–	(13,465)
		(629,815)	(433,110)	(2,344,925)	(1,311,645)
Other items					
Finance expenses		266,463	58,738	763,126	159,261
Share of loss of an associate	6	–	4,050	–	15,300
Foreign exchange loss (gain)		(8,347)	(7,366)	1,014	(40,571)
		(258,116)	(55,422)	(764,140)	(133,990)
Net (loss) income		$ (441,687)	$ 386,985	$ (1,963,548)	$ 435,405
Other comprehensive (loss) income					
Items that may be subsequently reclassified to net income					
Foreign exchange translation difference		–	(10,520)	–	11,480
Total other comprehensive (loss) income		–	(10,520)	–	11,480
Total comprehensive (loss) income		$ (441,687)	$ 376,465	$ (1,963,548)	$ 446,885
Basic and diluted (loss) income per share	14	$ (0.01)	$ 0.01	$ (0.06)	$ 0.01
Weighted average number of common shares outstanding	14	33,289,927	32,402,367	33,289,927	32,248,944

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

RE Royalties Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

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

		Share capital		Reserves					
	Note	**Number of shares**	**Amount**	**Equity-settled share-based payments**	**Share purchase warrants**	**Convertible note – conversion option**	**Foreign currency translation reserve**	**Accumulated deficit**	**Total equity**
Balance at January 1, 2020		32,171,389	$22,241,137	$ 528,183	$ 12,876	$ 26,911	$ 64,249	$ (5,279,574)	$ 17,593,782
Net income		–	–	–	–	–	–	435,405	435,405
Other comprehensive income		–	–	–	–	–	11,480	–	11,480
Total comprehensive income		–	–	–	–	–	11,480	435,405	446,885
Issuance of the 2020-Convertible Notes – equity component	11	–	–	–	–	87,000	–	–	87,000
Equity-settled share-based payments	12(c)	–	–	9,428	–	–	–	–	9,428
Distribution to shareholders	12(d)	–	–	–	–	–	–	(970,142)	(970,142)
Shares issued upon exercise of warrants	12(b)	500,000	250,000	–	–	–	–	–	250,000
Reallocation of reserve relating to warrants exercised	12(b)	–	5,000	–	(5,000)	–	–	–	–
Shares issued upon exercise of options	12(b)	7,700	7,700	–	–	–	–	–	7,700
Reallocation of reserve relating to options exercised	12(b)	–	2,926	(2,926)	–	–	–	–	–
Balance at September 30, 2020		32,679,089	$22,506,763	$ 534,685	$ 7,876	$ 113,911	$ 75,729	$ (5,814,311)	$ 17,424,653
Balance at January 1, 2021		33,289,927	$23,159,638	$ 499,973	$ 229,802	$ 87,000	$ 54,874	$ (7,023,733)	$ 17,007,554
Net loss		–	–	–	–	–	–	(1,963,548)	(1,963,548)
Other comprehensive loss		–	–	–	–	–	–	–	–
Total comprehensive loss		–	–	–	–	–	–	(1,963,548)	(1,963,548)
Equity-settled share-based payments	12(c)	–	–	778,000	–	–	–	–	778,000
Distribution to shareholders	12(d)	–	–	–	–	–	–	(998,697)	(998,697)
Fair value of warrants issued pursuant to the Green Bond offering	12(c)	–	–	–	7,111	–	–	–	7,111
Balance at September 30, 2021		33,289,927	$23,159,638	$ 1,277,973	$ 236,913	$ 87,000	$ 54,874	$ (9,985,978)	$ 14,830,420

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

RE Royalties Ltd.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Expressed in Canadian Dollars)

	Note	Nine months ended September 30, 2021	2020
Operating activities			
Net (loss) income		$ (1,963,548)	$ 435,405
Adjustments for:			
Amortization of transaction costs		–	7,521
Depletion of royalty interests		215,083	205,712
Interest received, net of accretion and accrued interest on secured loans		464,120	59,528
Loss/(gain) on revaluation of financial asset at FVTPL		4,796	(45,267)
Amortization of right-of-use asset		8,113	–
Finance expenses		763,126	159,261
Equity-settled share-based payments		778,000	9,428
Share of loss of an associate		–	15,300
Unrealized exchange loss on cash held		1,200	(9,900)
Changes in working capital items:			
Amounts receivable and prepaid expenses		(335,005)	474,474
Trade payables and accrued liabilities		75,423	37,132
Cash provided by operating activities		11,308	1,348,594
Investing activities			
Acquisition of royalty interests and secured loan	4	(2,359,750)	(4,627,545)
Proceeds from repayment of secured loan		7,689,235	–
Proceeds from repayment of secured loan at FVTPL		104,223	–
Deferred transaction costs	5	(83,402)	–
Cash provided by (used in) investing activities		5,350,306	(4,627,545)
Financing activities			
Proceeds from the Green Bonds offering, net of costs	10	320,853	–
Subscriptions for Green Bonds	10	–	386,264
Proceeds from issuance of convertible notes, net of costs	11	–	1,524,647
Cash distribution to shareholders	12(d)	(998,697)	(970,142)
Proceeds from exercise of warrants	12(b)	–	250,000
Proceeds from exercise of options	12(b)	–	7,700
Payment of principal on lease	8	(7,189)	–
Payment of interest on lease	8	(2,479)	–
Payments of interest on borrowings		(452,621)	(24,497)
Other finance expenses		(9,283)	–
Cash (used in) provided by financing activities		(1,149,416)	1,173,972
Increase (Decrease) in cash and cash equivalents		4,212,198	(2,104,979)
Effects of exchange rate fluctuations on cash held		(1,200)	9,900
Cash and cash equivalents, opening balance		11,704,731	4,048,057
Cash and cash equivalents, closing balance		$ 15,915,729	$ 1,952,978

Supplemental cash flow information (note 3)

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

1. NATURE OF OPERATIONS

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

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

These condensed consolidated interim financial statements (the "Financial Statements") are comprised of RER and its wholly-owned subsidiary, RE Royalties (Canada) Ltd. ("RER Canada") (together referred to as the "Company" or the "Group") and are prepared for the three and nine months ended September 30, 2021 and 2020. RE Royalties Ltd. is the ultimate legal parent entity in the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These Financial Statements have been prepared on a going concern basis in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). These Financial Statements do not include all of the information and footnotes required by International Financial Reporting Standards ("IFRS") for complete financial statements for year-end reporting purposes.

These Financial Statements should be read in conjunction with the Company's consolidated financial statements as at and for the year ended December 31, 2020. Accounting policies applied herein are the same as those applied in the Company's annual financial statements, except as described below.

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

(b) Basis of presentation and consolidation

These Financial Statements have been prepared on a historical cost basis except for the loan to Aeolis Wind Power Corporation (note 4(a)) which is recorded at fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

These Financial Statements include the financial statements of the Company and its wholly-owned subsidiary; namely: RE Royalties (Canada) Ltd.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns.

Intra-group balances and transactions, including any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the Financial Statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(c) Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. For these leases, the Company recognizes the lease payments as an expense in loss on a straight-line basis over the term of the lease.

The Company recognizes a lease liability and a right-of-use asset ("ROU Asset") at the lease commencement date.

The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following: a) fixed payments, including in-substance fixed payments, less any lease incentives receivable; b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; c) amounts expected to be payable by the Group under residual value guarantees; d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and e) payments of penalties for terminating the lease, if the Group expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

The ROU Asset is initially measured at cost, which comprises the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs incurred by the Group; and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The ROU Asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. It is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term using either the straight-line or units-of-production method depending on which method more accurately reflects the expected pattern of consumption of the future economic benefits.

Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(d) Significant accounting estimates and judgements

In preparing these Financial Statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The Company used judgment in terms of accounting for leases in accordance with IFRS 16 *Leases,* which applies a control model to the identification of leases and the determination of whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a fixed period of time.

The Company uses its incremental borrowing rate as the discount rate for determining its lease liabilities at the lease commencement date since the rate implicit in the lease cannot be readily determined. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes necessary adjustments to reflect the terms of the lease and type of the asset leased.

Except for the foregoing, there was no change in the use of estimates and judgments during the current period as compared to those described in Note 2 in the Company's consolidated financial statements for the year ended December 31, 2020.

(e) Operating segments

As the Company operates as a single segment, the Financial Statements should be read as a whole for the results of this single reporting segment.

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

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Europe				
Royalty revenue	$ 20,000	$ 27,000	$ 62,657	$ 130,758
Finance income	–	59,000	–	273,264
Gain from royalty buyout	–	46,758	–	46,758
Gain on derecognition of financial asset	–	–	–	–
	$ 20,000	$ 132,758	$ 62,657	$ 450,780
North America				
Royalty revenue	$ 169,939	$ 160,275	$ 540,490	$ 450,015
Finance income	190,000	211,161	632,832	639,211
Gain from royalty buyout	–	405,157	–	405,157
Gain on derecognition of financial asset	129,417	–	129,417	–
	$ 489,356	$ 776,593	$ 1,302,739	$ 1,494,383
Total	$ 509,356	$ 909,351	$ 1,365,396	$ 1,945,163

At September 30, 2021 and December 31, 2020, except for the royalty interest in renewable assets in Romania (note 4(b)), all of the Company's non-current non-financial assets were held in Canada.

3 . CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Note	September 30, 2021	December 31, 2020
Components of cash and cash equivalents and restricted cash:			
Cash held in business accounts			
Denominated in Canadian Dollars		$ 15,626,240	$ 11,318,189
Denominated in US Dollars		289,489	386,542
Total		$ 15,915,729	$ 11,704,731

	Note	September 30, 2021	December 31, 2020
Cash and cash equivalents and restricted cash subject to restrictions on use by the Company:			
Proceeds from the Green Bonds offering to be utilized to finance renewable energy projects and clean energy technology in accordance with the Company's Green Bond Framework (net of accumulated investments to-date).	10	$ 7,043,162	$ 9,082,059

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

	Nine months ended September 30, 2021	2020
Interest received		
Interest received on secured loans classified in operating activities	$ 1,146,910	$ 953,622
Interest on cash and cash equivalents and restricted cash classified in operating activities	79,459	18,381
Total	$ 1,226,369	$ 972,003

	Note	Nine months ended September 30, 2021	2020
Non-cash financing activities			
Agent and other warrants issued pursuant to the Green Bonds offering	10	$ 7,111	$ –

4 . SECURED LOANS AND ROYALTY INTERESTS

	Note	September 30, 2021	December 31, 2020
Secured Loans – Amortized Cost			
Jade Power Trust	4(b)	$ –	$ 1,749,603
OntarioCo	4(d)	2,018,125	5,283,659
Scotian Windfields	4(e)	–	3,156,323
Switch Power	4(g)	2,295,332	–
		4,313,457	10,189,585
Secured Loans – FVTPL			
Aeolis Wind Power Corporation	4(a)	1,034,142	1,143,161
Royalty Interest			
Jade Power Trust	4(b)	600,351	631,949
Northland Power Inc.	4(c)	1,570,795	1,668,970
OntarioCo	4(d)	280,985	293,733
Scotian Windfields	4(e)	1,438,766	1,510,703
Switch Power	4(g)	81,898	–
		3,972,795	4,105,355
Total		$ 9,320,394	$ 15,438,101
Non-current portion		$ 7,200,457	$ 8,302,723
Current portion		2,119,937	7,135,378
Total		$ 9,320,394	$ 15,438,101

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

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

Secured Loans **Nine Months ended September 30, 2021**	Jade Power Trust	OntarioCo (2020-Loan)	Scotian Windfields	Switch Power	Total
	4(b)	4(d)	4(e)	4(g)	
Loan					
Beginning balance	$ 1,749,603	$ 5,283,659	$ 3,156,323	$ –	$ 10,189,585
Fair value at initial recognition	–	–	–	2,277,227	2,277,227
Accretion and accrued interest	–	310,082	225,187	18,105	553,374
Gain on disposition	–	–	129,417	–	129,417
Cash received	(1,749,603)	(3,575,616)	(3,510,927)	–	(8,836,146)
	$ –	$ 2,018,125	$ –	$ 2,295,332	$ 4,313,457

Secured Loans **Year ended December 31, 2020**	Jade Power Trust	OntarioCo (2019-Loan)	OntarioCo (2020-Loan)	Scotian Windfields	Total
	4(b)	4(d)	4(d)	4(e)	
Loan					
Beginning balance	$ 3,776,747	$ 5,074,789	$ –	$ –	$ 8,851,536
Fair value at initial recognition	–	–	4,910,714	3,028,918	7,939,632
Accretion and accrued interest	259,053	175,211	372,945	281,608	1,088,817
Capitalization of expenses/fees	346,758	–	–	–	346,758
Cash payments received	(2,632,955)	(250,000)	–	(154,203)	(3,037,158)
Loan refinanced	–	(5,000,000)	–	–	(5,000,000)
Carrying amount	$ 1,749,603	$ –	$ 5,283,659	$ 3,156,323	$ 10,189,585

The continuity schedules for royalty interests are as follows:

	Cost			Depletion			
	Beginning Balance	Additions/ (Disposal)	Ending Balance	Beginning Balance	Charge for the Period	Ending Balance	Carrying Amount
Nine Months ended September 30, 2021							
Jade Power	$ 800,444	$ –	$ 800,444	$ 168,495	$ 31,598	$ 200,093	$ 600,351
Northland	1,871,864	–	1,871,864	202,894	98,175	301,069	1,570,795
OntarioCo	316,559	–	316,559	22,826	12,748	35,574	280,985
Scotian Windfields	1,598,626	–	1,598,626	87,923	71,937	159,860	1,438,766
Switch Power	–	82,523	82,523	–	625	625	81,898
Total	$ 4,587,493	$ 82,523	$ 4,670,016	$ 482,138	$ 215,083	$ 697,221	$ 3,972,795

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

	Cost			Depletion			
	Beginning Balance	Additions/ (Disposal)	Ending Balance	Beginning Balance	Charge for the Year/ (Disposal)	Ending Balance	Carrying Amount
Year ended December 31, 2020							
Jade Power	$ 826,944	$ (26,500)	$ 800,444	$ 130,571	$ 43,524 (5,600)	$ 168,495	$ 631,949
Northland	1,871,864	–	1,871,864	71,995	130,899	202,894	1,668,970
OntarioCo	227,272	89,287	316,559	7,626	15,200	22,826	293,733
Scotian Windfields	–	1,598,626	1,598,626	–	87,923	87,923	1,510,703
Belltown(i)	1	(1)	–	–	–	–	–
Total	$ 2,926,081	$ 1,661,412	$ 4,587,493	$ 210,192	$ 271,946	$ 482,138	$ 4,105,355

(i) The Company retained a 1% gross revenue royalty interest in the Rippey Project that was carried at a nominal value in these Financial Statements before it was bought back in September 2020.

(a) Aeolis Wind Power Corporation

In March 2016, the Company entered into a secured non-revolving term loan with Aeolis Wind Power Corporation ("Aeolis"), whereby the Company loaned Aeolis $1,239,000 (the "Aeolis Loan") subject to fixed payments of $100,000 per annum, to be increased annually by an amount equal to 50% of the British Columbia Consumers Price Index. The term of the Aeolis Loan expires on July 31, 2035.

Aeolis is the owner of a gross revenue royalty interest in the Bear Mountain Wind Limited Partnership ("BMWLP"). BMWLP is an indirect wholly owned subsidiary of AltaGas Ltd. and owns the 102 MW Bear Mountain Wind Park near Dawson Creek, British Columbia. The wind park is fully connected to the BC power grid and the power from the project is sold to BC Hydro under a 25-year contract. The payments to the Company under the Aeolis Loan are paid from Aeolis' gross revenue royalty interest received from BMWLP. Aeolis has also assigned its full royalty interest to the Company as security for the Aeolis Loan and BMWLP has executed an irrevocable direction to pay the royalty into an escrow account that the Company will control in the event of default.

The Aeolis Loan is classified as a financial asset at FVTPL (note 2). Fair value was determined by discounting future cash flows using annual discount rates (in the range of 4.65% - 6.17%) applicable to the term of each cash flow and average annual inflation rate of 2%.

(b) Jade Power Trust

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

In June 2020, the Jade Power Loan and the Jade Power Royalty were modified (the "2020-Modification") as further described herein.

The Jade Power Loan was a three year, $3.8 million loan, with semi-annual interest payments at 5% per annum and a full principal repayment at maturity. Jade Power had an option to extend the Jade Power Loan for a fourth year with semi-annual interest payments at 7% per annum; this option was exercised by Jade Power effective January 2020. Pursuant to the 2020-Modification, certain legal expenses and fees in the amount of $346,758 were capitalized as part of the Jade Power Loan and Jade Power made aggregate prepayments of $2,500,000 against the principal sum prior to the maturity of the Jade Power Loan . The Jade Power Loan was fully repaid in January 2021.

The Jade Power Royalty was originally an annual royalty of 1.14% of the gross revenue (including power balancing adjustments) earned by Jade Power on its portfolio (the "Jade Power Royalty Portfolio") of renewable energy projects. Pursuant to the 2020-Modification, the Jade Power Royalty rate was reduced from 1.14% to 1.05%, whereas the definition of gross revenue was revised to exclude any power balancing adjustments.

(c) Northland Power Inc.

In June 2019, the Company acquired a portfolio of gross revenue royalties on four separate operational solar parks ("Ontario Solar Projects") in Ontario, Canada from Fresh Air Energy Inc. for $1,871,864. The Ontario Solar Projects are owned and operated by Northland Power Inc. and have a generation capacity of 40 MW and have been in operation since 2013.

(d) OntarioCo

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

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

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

(e) Scotian Windfields

On February 6, 2020, the Company acquired a portfolio of 12 gross revenue royalties on 12 operational wind energy generation projects in Nova Scotia, Canada ("Nova Scotia Wind Projects") from Scotian Windfields Inc. ("Scotian Windfields") for $1.34 million. The Company also provided an interest-bearing senior secured loan to Scotian Windfields of $3.3 million dollars with a term of 3 years.

The Nova Scotia Wind Projects were developed from 2013 to 2017 and have been operating for between 3 and 6 years. The Nova Scotia Wind Projects have a generating capacity of 39.7 megawatts (MW), and have 20-year power purchase agreements with fixed electricity purchase prices from Nova Scotia Power Incorporated.

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

(f) Belltown

In December 2018, the Company entered into a loan agreement for US$2.8 million with a subsidiary of Belltown Power Texas, LLC ("Belltown") whereby the Company provided $57,386 (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 the Rippey solar project ("Rippey Project") located in Texas. The Company recorded $21,500 in transaction costs in relation to the Belltown Loan. As a consideration for the loan, the Company received a 1% gross revenue royalty interest (the "Rippey Royalty") in the Rippey Project that was carried at a nominal value in these Financial Statements.

In March 2019, the loan receivable from Belltown was fully repaid and the letter of credit was returned and cancelled, releasing the restriction on the cash of $3,738,000 (US$2.76 million) which was held as collateral against the letter of credit. The Company retained the royalty interest in the Rippey Project.

In September 2020, the grantor of the Rippey Royalty exercised its option to buy-back the royalty as per the terms of the original royalty agreement for $405,000 (US$310,500).

(g) Switch Power

In September 2021, the Company entered into a loan agreement with Switch Power Ontario Battery Operations Corp. ("Switch OpCo"), a wholly owned subsidiary of Switch Power Corporation ("Switch Power"), for a $2,313,250 loan to finance the acquisition by Switch OpCo of a portfolio of four operational energy storage projects (the "Operating Projects") located in Ontario. RE Royalties received a 5% royalty on all gross revenues received by the Operating Projects for the life of the Energy Services Agreements ("ESA"), which have initial terms of 10–12-years with options to extend.

The Operating Projects are located adjacent to commercial buildings owned by large property managers or REITs and utilize battery technologies from Tesla and Sungrow to significantly reduce their electricity costs by supplying power during periods of peak demand. Switch OpCo will receive revenue from several different sources, with the majority coming from ESAs with the building owners. Under the ESAs Switch OpCo may receive, depending on the project, between 70% and 75% of the cost savings generated by the batteries, primarily through reducing the charges under the Independent Electricity System Operator's Global Adjustment program.

The loan will have a term of 24 months and bear an interest rate of 10% per annum, compounded monthly, and payable quarterly, with an option to capitalize interest in certain circumstances.

As per the residual value method applied to royalty interests received by the Company pursuant to secured loan arrangements, upon initial recognition, the Company recorded the Switch Power loan at its fair value, plus transaction costs and a residual value of $82,523 allocated to the Switch Power royalty; the residual value was derived by subtracting the fair value of the Switch Power loan from the initial investment of $2,313,250.

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

5 . DEFERRED TRANSACTION COSTS

	Note	September 30, 2021	December 31, 2020
Canigou Molonglo Letter Agreement	5(a)	$ 32,416	$ –
Other Potential Royalty Financing Opportunities	5(b)	50,986	–
Total		$ 83,402	$ –

(a) Canigou Molonglo Letter Agreement

On March 29, 2021, the Company announced that it had entered into a non-binding letter of intent (the "Letter Agreement") with Canigou Molonglo Bess Pty Ltd. ("Canigou"), to finance a 10MW battery storage project ("Canigou Project") located near Canberra, in the Australian Capital Territory ("ACT"), Australia.

Pursuant to the Letter Agreement, the Company will provide a $10 million loan (the "Proposed Loan") to Canigou and acquire a gross margin royalty (the "Canigou Royalty") for the life of the project. The Proposed Loan will be a first-ranking senior secured amortizing loan with a four-year term. The Proposed Loan will bear interest at 10% per annum compounded monthly and will be repaid based on project revenues.

The Canigou Royalty will be a 20% royalty on gross margin (revenues less operating costs) from the Canigou Project while the Proposed Loan remains unpaid and will reduce to 15% of gross margin thereafter for the remainder of the project's life, which is currently estimated to be approximately ten years.

As of the date of authorization of these Financial Statements, the proposed transaction with Canigou was still undergoing due diligence.

During the nine months ended September 30, 2021, the Company recorded certain legal and due diligence costs relating to the proposed transaction with Canigou as deferred transaction costs in the amount of $32,416, which will be transferred to royalty interests and secured loans, as applicable, upon completion of the proposed transaction.

(b) Other Potential Royalty Financing Opportunities

During the nine months ended September 30, 2021, the Company incurred certain legal and due diligence costs relating to various potential royalty financing opportunities and recorded such costs as deferred transaction costs in the amount of $50,986, which will be transferred to royalty interests and secured loans, as applicable, upon completion of the proposed transactions.

6 . INVESTMENT IN AN ASSOCIATE

During the nine months ended September 30, 2021, there was no change in the Company's interest in its US affiliate, RER US 1 LLC ("RER US").

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

7 . AMOUNTS RECEIVABLE AND PREPAID EXPENSES – CURRENT

	Note	September 30, 2021	December 31, 2020
Accrued royalty revenue		$ 266,002	$ 202,097
Receivable from RER US	6	82,273	82,617
Prepaid expenses		89,983	19,427
Green Bonds interest reserve account		304,980	163,560
Other amounts receivable		59,468	–
Total		$ 802,706	$ 467,701

8 . RIGHT-OF-USE ASSET AND LEASE LIABILITY

Effective May 1, 2021, the Company recognized $97,356 in right-of use asset and a corresponding lease liability with respect to a lease ("Office Lease") for an office space with a 5 year term. The incremental borrowing rate applied to measure lease liabilities was 8% per annum.

Right-of-use asset	Nine months ended September 30, 2021	2020
Beginning balance	$ –	$ –
Addition during the period	97,356	–
Depreciation expense during the period (included in office lease expenses)	(8,113)	–
Ending balance	$ 89,243	$ –

Lease liability	Nine months ended September 30, 2021	2020
Beginning balance	$ –	$ –
Addition during the period	97,356	–
Interest expense (included in finance expenses)	3,081	–
Lease payments during the period	(9,669)	–
Ending balance	$ 90,768	$ –
Long-term portion	$ 76,092	$ –
Short-term portion	14,676	–
Ending balance	$ 90,768	$ –

9 . TRADE PAYABLES AND ACCRUED LIABILITIES

	September 30, 2021	December 31, 2020
Accounts payable	$ 155,956	$ 80,533
Accrued liabilities	8,000	8,000
	$ 163,956	$ 88,533

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

10 . GREEN BONDS

	Nine months ended September 30, 2021	Year ended December 31, 2020
Beginning balance	$ 8,906,325	$ –
Net proceeds from Green Bond		
Aggregate gross proceeds from issuance of Green Bonds	364,000	9,802,000
Cash commission and fees	(14,560)	(389,480)
	349,440	9,412,520
Financing costs		
Legal and professional fees	(28,588)	(330,461)
Fair value of warrants issued (note 12(b))	(7,111)	(221,926)
	(35,699)	(552,387)
Amortization of financing costs	144,839	46,192
Ending balance	$ 9,364,905	$ 8,906,325

In August 2020, the Company announced the inaugural public offering of its 5-year green bonds, for gross proceeds of up to $10,000,000 aggregate principal amount (the "Green Bonds") under available exemptions from the prospectus requirement, including the offering memorandum exemption. The Green Bond offering was led by Integral Wealth Securities Limited (the "Lead Agent"). The Company granted the Lead Agent an over-allotment option of up to 100% of the offering size, for a total Green Bond offering of up to $20,000,000.

Each Green Bond has a principal amount of $1,000 and bears interest at a rate of 6%, per annum, payable quarterly, and are senior secured obligations of the Company that are secured against the Company's portfolio of royalty and loan investments.

At September 30, 2021, the carrying amount of the Green Bond liability was classified as a current liability due to breach of a debt covenant (note 15(f)).

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

11 . CONVERTIBLE NOTES

(a) 2020 Unsecured Convertible Notes

	Nine months ended September 30, 2021	Year ended December 31, 2020
Beginning balance	$ 1,608,122	$ –
Net proceeds from Green Bond		
Aggregate gross proceeds from issuance	–	1,637,176
Finder's fee and other legal and regulatory costs	–	(110,829)
Net proceeds	–	1,526,347
Less: amount allocated to equity		(87,000)
		1,439,347
Accrued interest, accretion, and amortization	153,304	168,775
Ending balance	$ 1,761,426	$ 1,608,122

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

(b) 2018 Unsecured Convertible Note

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

In November 2020, the holder of the 2018-Note elected to convert the outstanding principal sum of $500,000 and accrued interest of $3,538 into common shares of the Company at $1 per share. Accordingly, upon conversion of the 2018-Convertible Note, the Company issued 503,538 of its Common Shares.

The 2020-Notes and the 2018-Convertible Note are compound financial instruments. A compound instrument has both a liability and an equity component from the issuer's perspective and, upon initial recognition, its equity component is 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 has used a discount rate of 10% in applying a discounted cash flow method for valuation of the convertible notes.

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

12 . 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

During the nine months ended September 30, 2020, pursuant to exercise of certain of the Company's share purchase warrants, the Company issued 500,000 Common Shares at $0.50 per share for total proceeds of $250,000.

During the nine months ended September 30, 2020, the Company issued 7,700 Common Shares pursuant to exercise of share purchase options (note 12(c)).

(c) Reserves

Equity-settled share-based payments reserve

Continuity of the Company's common share purchase options:	Nine months ended September 30, 2021			Nine months ended September 30, 2020		
	Number of Options		Weighted average exercise price	Number of Options		Weighted average exercise price
Outstanding Options – beginning balance	1,195,000	$	0.82	1,360,000	$	0.82
Granted(i)	1,450,000	$	1.32	–	$	–
Options exercised	–	$	–	(7,700)	$	(1.00)
Outstanding Options – ending balance	2,645,000	$	1.10	1,352,300	$	0.82
Options Exercisable – ending balance	2,161,675	$	1.05	1,342,300	$	0.82

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

Remaining contractual life of the Company's common share purchase options:	September 30, 2021		December 31, 2020	
Exercise price	Number of Options	Weighted average remaining contractual life (years)	Number of Options	Weighted average remaining contractual life (years)
$ 0.80	1,060,000	1.07	1,060,000	1.82
$ 1.00	135,000	2.20	135,000	2.95
$1.32	1,450,000	3.86	–	–
	2,645,000	2.66	1,195,000	1.95

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

Share purchase warrant reserve

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

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

(i) Warrants issued pursuant to the Green Bonds offering (note 10). Fair value of these warrants were determined using the Black-Scholes Option Valuation model and the following weighted average assumptions:

a) risk-free interest rate of 0.25%; b) expected volatility of 54%; c) exercise price of $1.25; d) underlying market price of $1.30 per share; and e) time to expiry of 2 years.

The continuity of the Company's share purchase warrants for the year ended December 31, 2020 is as follows:

Expiry date	Exercise price		January 1, 2020	Warrants issued	Warrants exercised	Warrants expired	December 31, 2020
July 2020	$	0.50	500,000	–	(500,000)	–	–
February 2020	$	0.30	2,500	–	–	(2,500)	–
November 2020	$	1.00	18,109	–	–	(18,109)	–
October 2022 (i)	$	1.33	–	245,955	–	–	245,955
October 2022 (i)	$	1.44	–	86,083	–	–	86,083
December 2022 (i)	$	1.48	–	92,595	–	–	92,595
			520,609	424,633	(500,000)	(20,609)	424,633

(i) Warrants issued pursuant to the Green Bonds offering (note 10). Fair value of these warrants were detemined using the Black-Scholes Option Valuation model and the following weighted average assumptions:

a) risk-free interest rate of 0.25%; b) expected volatility of 70%; c) exercise price of $1.39; d) underlying market price of $1.38 per share; and e) time to expiry of 2 years.

(d) Distribution to shareholders

During the nine months ended September 30, 2021, the Company declared the following cash distributions to its shareholders:

			Amount			
Declaration date	Record date	Payment date		Per share		Total
January 6, 2021	January 27, 2021	February 17, 2021	$	0.01	$	332,899
April 7, 2021	April 28, 2021	May 19, 2021		0.01		332,899
July 14, 2021	August 4, 2021	August 25, 2021		0.01		332,899
		Total	$	0.01	$	998,697

See Note 16(a) for the cash distribution declared after the end of the current reporting period.

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

During the year ended December 31, 2020, the Company declared the following cash distributions to its shareholders:

			Amount	
Declaration date	Record date	Payment date	Per share	Total
January 8, 2020	January 29, 2020	February 19, 2020	$ 0.01	$ 321,714
April 8, 2020	April 29, 2020	May 20, 2020	0.01	321,714
July 10, 2020	July 29, 2020	August 19, 2020	0.01	326,714
October 8, 2020	October 28, 2020	November 18, 2020	0.01	327,364
		Total	$ 0.04	$ 1,297,506

13 . RELATED PARTY TRANSACTIONS

Transactions relating to the Company's interest in an associate, RER US, are disclosed in Note 6.

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

Transactions with KMP were as follows:

Remuneration for services rendered	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Short-term employment benefits (i)	$ 104,000	$ 99,000	$ 307,000	$ 303,000
Share-based compensation	121,000	–	604,000	6,000
Total	$ 225,000	$ 99,000	$ 911,000	$ 309,000

(i) Short-term employment benefits include executive salaries and directors' fees.

14 . BASIC AND DILUTED (LOSS) INCOME PER SHARE

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares that were outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. For the purposes of the calculation of diluted loss per share for the three and nine months ended September 30, 2021, the share purchase options and warrants as well as the convertible notes were excluded from the calculation of diluted loss per share as they were antidilutive.

15 . FINANCIAL RISK MANAGEMENT

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

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

(a) Credit Risk

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

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

(b) Liquidity Risk

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

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

September 30, 2021		Contractual Cash Flows (i)			
	Carrying Amount	Total	Less than 12 months	Between 1 - 3 years	Between 4 - 5 years
Green Bonds (note 10)	$ 9,364,905	$ 12,653,790	$ 609,960	$ 1,219,920	$ 10,823,910
Convertible notes (note 11)	1,761,426	2,062,370	–	2,062,370	–
Lease liability (note 8)	90,768	108,438	21,271	48,592	38,575
Trade payables and accrued liabilities	163,956	163,956	163,956	–	–
	$ 11,381,055	$ 14,988,554	$ 795,187	$ 3,330,882	$ 10,862,485

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

(c) Foreign exchange risk

Primarily, the Company is exposed to foreign currency risk in respect of its cash held in foreign currency (note 3).

Based on the Company's U.S. dollar denominated monetary assets at September 30, 2021, a 10% increase (decrease) of the value of the U.S. dollar relative to the Canadian dollar would decrease (increase) net loss by approximately $29,000.

(d) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The Company is subject to interest rate cash flow risk with respect to its investments in cash and cash equivalents and restricted cash . The Company's policy is to invest cash at fixed rates of interest and cash reserves are to be maintained in cash in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates and when cash and cash equivalents mature impact interest income earned.

The Company is subject to interest rate fair value risk with respect to the secured loan to Aeolis, which is carried at fair value. An increase of 25 basis points in discount rates will result in a decrease of approximately $18,000 in the fair value of the secured loan to Aeolis (note 4).

All other investments in financial assets and borrowings through financial liabilities of the Company are subject to fixed interest rates and are carried at amortized cost in these Financial Statements, and are therefore not subject to interest rate risk.

(e) Fair Value

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell an asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means.
- Level 3 inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

At the end of the reporting period, the fair value measurement of the Aeolis Loan (note 4(a)) has been categorized within level 3 of the fair value hierarchy. The Company has assessed the fair value of the instrument based on a valuation technique using unobservable discounted future cash flows. Significant inputs (note 4(a)) used in the valuation of the Aeolis Loan that are not observable market data were the credit spread and other elements constituting the discount rates and inflation rates used; these inputs require judgement. An increase of 25 basis points in discount rates will result in a decrease of approximately $15,000 in the fair value of the Aeolis Loan. An increase in average future annual inflation rate used in valuation of the Aeolis Loan from 2% to 2.1% would increase its fair value by approximately $4,000.

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

(f) Capital Management

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

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

Starting from the six month period ended June 30, 2021, as per the Green Bond indenture (the "Indenture"), the Company is also required to maintain a minimum debt coverage ratio ("Debt Coverage Ratio") as determined by dividing its earnings, before certain items such as interest, taxes, depreciation, amortization, and extraordinary items, by total interest payments. As per the Indenture, various financial covenants, including Debt Coverage Ratio, are subject to a cure period ("Cure Period"), whereby an event of default will only occur if the Company fails to comply with such covenants by the end of the second fiscal quarter following the first occurrence of non-compliance.

As of September 30, 2021, the minimum Debt Coverage Ratio was not achieved as the net proceeds from the Green Bond offering remained held in cash and cash equivalents (note 3), pending its deployment in renewable energy projects and clean energy technology in accordance with the Green Bond Framework, with no significant contribution to the Company's total revenue for the current period. However, pursuant to the Cure Period, no event of default was deemed to have been occurred at September 30, 2021.

At September 30, 2021, the carrying amount of the Green Bond liability was classified as a current liability because the Cure Period for the breach of covenant as of the reporting date was less than 12 months.

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

16 . EVENTS AFTER END OF THE REPORTING PERIOD

(a) Declaration and Payment of Dividend

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

			Amount	
Declaration date	Record date	Payment date	Per share	Total
October 28, 2021	November 17, 2021	December 8, 2021	0.01	332,899

(b) Royalty on Solar Project in Pennsylvania

On October 8, 2021, the Company announced that it acquired a sliding scale gross revenue royalty on the Jackson Center Solar Project Phase 1 ("Jackson Center Project") located in Mercer County, Pennsylvania. Jackson Center Project is owned by Teichos Energy, LLC ("Teichos"), a renewable energy development company headquartered in Seattle, Washington and is an advanced stage solar project that is expected to reach commercial operation in 2023.

The Company has entered into a secured loan agreement (the "Teichos Loan") with Teichos whereby the Company provided a US$2.2 million letter of credit on behalf of Teichos, for Teichos to post certain collateral for the Jackson Center Project's grid connection. The Teichos Loan will have an initial term of 6 months and bear an interest rate of 10% per annum, compounded annually, and payable at the end of the term. The Company will have first-ranking security interest including a lien over Jackson Center Project assets, and a pledge of all equity capital in the Jackson Center Project.

The Company will receive a 1% gross revenue royalty on the Jackson Center Project (the "Jackson Center Royalty") for a period of 15 years once the Jackson Center Project reaches commercial operation. The Teichos Loan term can be extended for two additional 6-month increments, for a total extension of up to 12 months. If the Teichos Loan term is extended, the Jackson Center Royalty will increase accordingly.

(c) Switch Power Second Acquisition Loan (note 4(g))

On October 5, 2021, the Company announced that it entered into a second loan agreement with Switch OpCo for $786,750 (the "Second Acquisition Loan") to finance the purchase of a portfolio of ten battery energy storage development projects located in Ontario (the "Development Projects"). This loan is the Company's second transaction with Switch Power following on the First Acquisition Loan.

The Development Projects will have a capacity of 21 MW, and Switch OpCo will receive revenue from several sources, with the majority coming from ESAs with the building owners. Under the ESAs Switch OpCo may receive a percentage of the cost savings generated by the batteries, primarily through reducing the charges under the Independent Electricity System Operator's Global Adjustment program.

This loan is the Company's second transaction with Switch Power following on the $2.3 Million loan and royalty transaction completed in early September for four operating projects totalling 2 MW.

(d) Secured Loan to Switch Power for Five Battery Storage Projects (note 4(g))

On November 8, 2021, the Company announced that it entered into an equipment procurement loan agreement with Switch OpCo for $4.3 Million (the "EP Loan").

The EP Loan will allow Switch OpCo to procure Battery Energy Storage Systems ("BESS") for five projects owned by Switch OpCo (the "2022 Projects"), located in Ontario. The EP loan is RE Royalties' third transaction with Switch Power following the previously announced $2.3 million Acquisition Loan and $0.8 million Development Acquisition Loan, which were used by Switch Power to acquire the portfolio of 4 operating and 10 development energy storage projects located in Ontario and will be used to fund the first 5 development projects.

The 2022 Projects will have a total storage capacity of 3.5MW and are expected to reach commercial operations in the summer of 2022. The 2022 Projects are located adjacent to existing buildings owned by large industrial and financial institutions, and Switch OpCo will receive revenue from several sources, with the majority coming from Energy Services Agreements ("ESAs") with the building owners. Under the ESAs, Switch OpCo will receive a percentage of the cost savings generated by the BESS systems, primarily through reducing the charges related to Global Adjustment, under the Independent Electricity System Operator's Industrial Conservation Program.

The EP Loan will be provided in two draws: $2.8 million at closing, and the remaining $1.5 million in March 2022. The EP Loan will have a term of 24 months and will be repayable at maturity, bear interest at 8.6% on drawn funds, with interest payable during the term. The Company will also receive a sliding scale royalty of between 3% to 5% on gross revenues generated by the 2022 Projects for the life of the ESAs, for a 10-to-15-year initial term, with options to extend.