



RE ROYALTIES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2022 AND 2021

(Expressed in Canadian Dollars)

(Unaudited)

RE Royalties Ltd.**Condensed Consolidated Interim Statements of Financial Position**

(Unaudited – Expressed in Canadian Dollars)

	Note	September 30, 2022	December 31, 2021
ASSETS			
Non-current assets			
Secured loans and royalty interests	4	\$ 27,393,843	\$ 13,889,390
Deferred transaction costs	5	122,001	92,679
Investment in an associate and a joint venture	6	1	1
Right of use asset	8	69,766	84,375
		27,585,611	14,066,445
Current assets			
Secured loans and royalty interests	4	5,882,510	274,204
Royalty interests held for sale	4	558,221	
Amounts receivable and prepaid expenses	7	976,036	752,717
Cash and cash equivalents, including restricted cash	3	8,344,791	20,101,585
		15,761,558	21,128,506
TOTAL ASSETS		\$ 43,347,169	\$ 35,194,951
EQUITY			
Share capital	12	\$ 30,282,447	\$ 23,159,638
Reserves	12(b)	2,357,463	1,731,760
Accumulated deficit		(11,505,490)	(10,485,353)
Equity attributable to owners of the Company		21,134,420	14,406,045
Non-controlling interests	14	389,608	-
Total equity		21,524,028	14,406,045
LIABILITIES			
Non-current liabilities			
Green bonds	10	19,457,542	18,702,484
Convertible notes	11	-	1,813,642
Lease liability	8	57,628	71,744
		19,515,170	20,587,870
Current liabilities			
Lease liability	8	18,426	14,972
Cash-settled share-based payment liability	13	36,694	-
Convertible notes	11	1,986,578	-
Income tax payable	4(i)	22,000	
Trade payables and accrued liabilities	9	244,273	186,064
		2,307,971	201,036
Total liabilities		21,823,141	20,788,906
TOTAL EQUITY AND LIABILITIES		\$ 43,347,169	\$ 35,194,951

Events after the reporting period (note 18)

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, 2022 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 Income (Loss)

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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Revenue and income					
Royalty revenue		\$ 195,828	\$ 189,939	\$ 580,535	\$ 603,147
Finance income		1,009,267	190,000	2,058,094	632,832
Gain on derecognition of financial asset		-	129,417	-	129,417
		1,205,095	509,356	2,638,629	1,365,396
Amortization and depletion					
Depletion of royalty interest	4	79,786	72,112	238,139	215,083
		(79,786)	(72,112)	(238,139)	(215,083)
Gross profit					
		1,125,309	437,244	2,400,490	1,150,313
Share of income of OCEP Invest LLC					
Share of income of OCEP Invest LLC	6	97,892	-	507,865	-
Gain (loss) on revaluation of financial asset at FVTPL	4	13,991	9,000	1,805	(4,796)
Gross profit, changes in fair value of financial assets, and share of income of OCEP Invest LLC.					
		1,237,192	446,244	2,910,160	1,145,517
Expenses					
Wages and benefits		190,894	176,571	554,935	508,863
Administration		87,327	86,541	300,832	273,720
Marketing and stakeholder communication		71,047	68,284	224,239	228,821
Audit and audit related		19,661	43,253	206,162	166,765
Consulting – financing		15,992	32,677	61,867	99,203
Consulting – other		26,247	22,059	55,227	98,358
Regulatory and transfer agency		9,698	8,780	97,510	61,487
Donations		-	25,000	25,000	51,000
Office lease and information technology		12,501	12,402	42,856	47,547
Legal		49,680	2,380	68,189	23,048
Equity-settled share-based payment	12(b)	-	147,000	40,000	778,000
Cash-settled share-based payment	13	3,013	-	36,694	-
Amortization of right-of-use asset	8	4,870	4,868	14,609	8,113
		(490,930)	(629,815)	(1,728,120)	(2,344,925)
Other items					
Finance expenses		478,458	266,463	1,395,029	763,126
Loss upon derecognition of investment in joint venture	6	348,792	-	348,792	-
Foreign exchange (gain) loss		(573,125)	(8,347)	(729,478)	1,014
		(254,125)	(258,116)	(1,014,343)	(764,140)
Net income (loss) after income tax					
		\$ 492,137	\$ (441,687)	\$ 167,697	\$ (1,963,548)
Income tax expense					
	4(i)	(22,000)	-	(22,000)	-
Net income (loss) after income tax					
		\$ 470,137	\$ (441,687)	\$ 145,697	\$ (1,963,548)
Other comprehensive income					
Items that may be subsequently reclassified to net income					
Foreign exchange translation difference		446,511	-	532,726	-
Reclassification of Foreign exchange translation difference	4(i)	(100,475)	-	(100,475)	-
Total other comprehensive income		346,036	-	432,251	-
Total comprehensive income (loss)					
		\$ 816,173	\$ (441,687)	\$ 577,948	\$ (1,963,548)
Net income (loss) after income tax attributable to:					
Owners of the Company		401,377	(441,687)	76,937	(1,963,548)
Non-controlling interests		68,760	-	68,760	-
		470,137	(441,687)	145,697	(1,963,548)
Total comprehensive income (loss) attributable to:					
Owners of the Company		725,865	(441,687)	487,640	(1,963,548)
Non-controlling interests		90,308	-	90,308	-
		816,173	(441,687)	577,948	(1,963,548)
Basic and diluted income (loss) per share attributable to shareholders of the Company					
	16	\$ 0.01	\$ (0.01)	\$ 0.00	\$ (0.06)
Weighted average number of common shares outstanding					
	16	43,127,607	33,289,927	37,145,721	33,289,927

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)

	Note	Share capital		Reserves				Accumulated deficit	Total equity attributable to shareholders of the Company	Non-controlling interests (note 14)	Total equity
		Number of shares	Amount	Equity-settled share-based payments	Share purchase warrants	Convertible note - conversion option	Foreign currency translation reserve				
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	\$ -	\$ 17,007,554
Net loss		-	-	-	-	-	-	(1,963,548)	(1,963,548)	-	(1,963,548)
Other comprehensive loss		-	-	-	-	-	-	-	-	-	-
Total comprehensive loss		-	-	-	-	-	-	(1,963,548)	(1,963,548)	-	(1,963,548)
Equity-settled share-based payments	12(b)	-	-	778,000	-	-	-	-	778,000	-	778,000
Distribution to shareholders	12(c)	-	-	-	-	-	-	(998,697)	(998,697)	-	(998,697)
Agent warrants issued pursuant to the Green Bond offering		-	-	-	7,111	-	-	-	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	\$ -	\$ 14,830,420
Balance at January 1, 2022		33,289,927	\$23,159,638	\$ 1,352,973	\$ 236,913	\$ 87,000	\$ 54,874	\$ (10,485,353)	\$ 14,406,045	\$ -	\$ 14,406,045
Net income		-	-	-	-	-	-	76,937	76,937	68,760	145,697
Other comprehensive income		-	-	-	-	-	410,703	-	410,703	21,548	432,251
Total comprehensive income		-	-	-	-	-	410,703	76,937	487,640	90,308	577,948
Equity-settled share-based payments	12(b)	-	-	40,000	-	-	-	-	40,000	-	40,000
Distribution to shareholders	12(c)	-	-	-	-	-	-	(1,097,074)	(1,097,074)	-	(1,097,074)
Common shares issued pursuant to the Public Offering	12(a)	9,837,680	7,122,809	-	-	-	-	-	7,122,809	-	7,122,809
Agent warrants issued pursuant to the Public Offering	12(b)	-	-	-	175,000	-	-	-	175,000	-	175,000
Change of control of OCEP Invest LLC	14	-	-	-	-	-	-	-	-	299,300	299,300
Balance at September 30, 2022		43,127,607	\$30,282,447	\$ 1,392,973	\$ 411,913	\$ 87,000	\$ 465,577	\$ (11,505,490)	\$ 21,134,420	\$ 389,608	\$ 21,524,028

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,	
		2022	2021
Operating activities			
Net income (loss)		\$ 145,697	\$ (1,963,548)
Adjustments for:			
Depletion of royalty interests		238,139	215,083
Finance income for the period, in excess of interest received		(1,503,711)	-
Interest received in excess of finance income for the period		-	464,120
(Gain) loss on revaluation of financial asset at FVTPL		(1,805)	4,796
Depreciation of right-of-use asset		14,609	8,113
Finance expenses		1,395,029	763,126
Equity-settled share-based payments		40,000	778,000
Cash-settled share-based payment		36,694	-
Share of income of OCEP Invest LLC		(507,865)	-
Loss upon derecognition of investment in joint venture		348,792	-
Unrealized exchange (gain) loss		(644,959)	1,200
Changes in working capital items:			
Amounts receivable and prepaid expenses		(223,319)	(335,005)
Trade payables and accrued liabilities		58,209	75,423
Trade payables and accrued liabilities		22,000	-
Cash (used in) provided by operating activities		(582,490)	11,308
Investing activities			
Acquisition of royalty interests and secured loans	4	(11,474,630)	(2,359,750)
Proceeds from repayment of secured loans	4	-	7,689,235
Investment in joint venture	6	(5,709,569)	-
Proceeds from repayment of secured loan at FVTPL		106,728	104,223
Cash distribution from joint venture	6	264,356	-
Deferred transaction costs	5	(29,322)	(83,402)
Cash (used in) provided by investing activities		(16,842,437)	5,350,306
Financing activities			
Net proceeds from the Public Offering	12(a)	7,297,809	-
Net proceeds from the Green Bonds offering	10	-	320,853
Cash distribution to shareholders	12(c)	(1,097,074)	(998,697)
Payments of interest on borrowings		(918,256)	(452,621)
Payment of principal on lease	8	(10,592)	(7,189)
Payment of interest on lease	8	(4,878)	(2,479)
Other finance expenses		(20,771)	(9,283)
Cash provided by (used in) financing activities		5,246,238	(1,149,416)
(Decrease) increase in cash and cash equivalents		(12,178,689)	4,212,198
Effects of exchange rate fluctuations on cash held		421,895	(1,200)
Cash and cash equivalents, opening balance		20,101,585	11,704,731
Cash and cash equivalents, closing balance		\$ 8,344,791	\$ 15,915,729

Supplemental cash flow information (note 3)

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

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

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 subsidiaries (note 2(b)) (together referred to as the “Company” or the “Group”) and are prepared for the three and nine months ended September 30, 2022 and 2021. 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, 2021. 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.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

These Financial Statements include the financial statements of the Company and its following subsidiaries:

Name of Subsidiary	Place of Incorporation	Principal Activity	Ownership
RE Royalties (Canada) Ltd.	British Columbia, Canada	Acquisition of royalties in renewable projects	100.00%
RE Royalties USA Inc.	Delaware, USA (i)	Acquisition of royalties in renewable projects	100.00%
FP OCEP Invest LLC (note 4(i))	Delaware, USA (i)	Holds OCEP Loan	96.68%

(i) Incorporated or formed during the current reporting period.

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.

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

(c) 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 assessed that OCEP Invest LLC was a joint venture before the related shareholders agreement was modified in August 2022, resulting in the Company gaining control over the entity (note 4(i)).

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, 2021.

(d) Cash-settled Share-based payment

The Company has classified the issuance of deferred share units and restricted shares units (note 13) as cash-settled share-based payment.

A liability is recognised for the fair value of cash-settled share-based payment. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in cash-settled share-based payment expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

(e) Investment in Joint Ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Company's investment in OCEP Invest LLC (note 6(b)) was classified as a joint venture and was accounted for using the equity method prior to the Change of Control (note 2(b)).

(f) Assets held for sale

When the Company decides to sell any of its non-current assets and it is highly probable that the sale will occur within 12 months, such asset is classified as "Assets held for sale" and is shown separately in the consolidated statement of financial position. All liabilities associated with asset are also shown separately in the consolidated statement of financial position. Once classified in this category, assets and related liabilities, if any, are measured at the lower of carrying amount or fair value less costs to sell.

At September 30, 2022, the Jade Power Royalty was classified a non-current asset held for sale (note 4(b)).

(g) 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,		Nine months ended September 30,	
	2022	2021	2022	2021
Europe				
Royalty revenue	\$ 25,000	\$ 20,000	\$ 75,000	\$ 62,657
Finance income	-	-	-	-
Gain on derecognition of financial asset	-	-	-	-
	\$ 25,000	\$ 20,000	\$ 75,000	\$ 62,657
North America				
Royalty revenue	\$ 170,828	\$ 169,939	\$ 505,535	\$ 540,490
Finance income	1,009,267	190,000	2,058,094	632,832
Gain on derecognition of financial asset	-	129,417	-	129,417
	\$ 1,180,095	\$ 489,356	\$ 2,563,629	\$ 1,302,739
Total	\$ 1,205,095	\$ 509,356	\$ 2,638,629	\$ 1,365,396

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

The geographical break down of the Company's royalty interests is as follows:

	September 30, 2022	December 31, 2021
Canada	\$ 3,465,122	\$ 3,505,820
United States	932,666	1
Romania	558,221	589,819
Total	\$ 4,956,009	\$ 4,095,640

3 . CASH AND CASH EQUIVALENTS, INCLUDING RESTRICTED CASH

	Note	September 30, 2022	December 31, 2021
Components of cash and cash equivalents and restricted cash:			
Cash held in business accounts			
Denominated in Canadian Dollars		\$ 2,876,055	\$ 12,428,398
Denominated in US Dollars		5,468,736	7,673,187
Total		\$ 8,344,791	\$ 20,101,585

Cash and cash equivalents and restricted cash subject to restrictions on use by the Company:

Cash held as collateral against a letter of credit	4(g)	\$ 3,043,260	\$ 2,781,020
Net proceeds from the Green Bonds pending deployment (i)	10	-	6,848,626
Total		\$ 3,043,260	\$ 9,629,646

(i) Net 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.

	Nine months ended September 30,	
	2022	2021
Interest received		
Interest received on secured loans classified in operating activities	\$ 473,761	\$ 705,020
Interest on cash and cash equivalents and restricted cash classified in operating activities	80,622	50,350
Total	\$ 554,383	\$ 755,370

	Note	Nine months ended September 30,	
		2022	2021
Non-cash financing activities			
Agent and other warrants issued pursuant to the Green Bonds offering	10	\$ 175,000	\$ 7,111

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

4 . SECURED LOANS AND ROYALTY INTERESTS

	Note	September 30, 2022	December 31, 2021
Secured Loans – Amortized Cost			
Switch Power	4(f)	\$ 7,861,103	\$ 5,824,772
Teichos Energy	4(g)	420,008	171,264
FuseForward Solutions	4(h)	3,149,441	3,022,877
OCEP	4(i)	6,648,717	-
NOMAD	4(j)	6,948,424	-
ReVolve	4(k)	1,592,012	-
Switch Solar	4(l)	1,314,742	-
		27,934,447	9,018,913
Secured Loans – FVTPL			
Aeolis Wind Power Corporation	4(a)	944,118	1,049,041
Royalty Interest			
Jade Power Trust	4(b)	558,221	589,819
Northland Power Inc.	4(c)	1,439,895	1,538,070
OntarioCo	4(d)	263,990	276,737
Scotian Windfields	4(e)	1,342,850	1,414,787
Switch Power	4(f)	329,224	276,226
Teichos Energy	4(g)	1	1
NOMAD	4(j)	932,665	-
ReVolve	4(k)	73,155	-
Switch Solar	4(l)	16,008	-
		4,956,009	4,095,640
Total		\$ 33,834,574	\$ 14,163,594
Non-current portion			
		\$ 27,393,843	\$ 13,889,390
Current portion			
		5,882,510	274,204
Secured loans and royalty interests			
		33,276,353	14,163,594
Royalty interests held for sale	4(b) & 2(f)	558,221	-
Total		\$ 33,834,574	\$ 14,163,594

In May 2022, the Company entered into a purchase agreement for a royalty interest on a construction stage wind power project located in Alberta for an estimated consideration of approximately \$1.0 million, payable on the later of January 2, 2023 or the date the project is commissioned to operate on a commercial basis. If the project has not reached commercial operations by June 1, 2023, the Company will no longer be obligated to make a payment for the purchase consideration.

In September 2022, the Company entered into an agreement with ReVolve Renewable Power Corp., to provide a \$1.86 million secured loan that was closed after the end of the current reporting period note(18(b)).

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

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

Secured Loans	Note	Switch	Teichos	FuseForward	OCEP	NOMAD	ReVolve	Switch	Total
		Power	Energy	Solutions				Solar	
		4(f)	4(g)	4(h)	4(i)	4(j)	4(k)	4(l)	
For the nine months ended September 30, 2022									
Balance at January 1, 2022		\$ 5,824,772	\$ 171,264	\$ 3,022,877	\$ -	\$ -	\$ -	\$ -	\$ 9,018,913
Fair value at initial recognition		1,459,295	-	-	6,004,061	6,069,935	1,502,845	1,283,992	16,320,128
Transaction costs		-	-	-	-	-	39,580	20,475	60,055
Accretion and accrued interest		584,288	220,155	369,004	212,405	525,105	56,240	10,275	1,977,472
Cash payments received		(7,252)	-	(242,440)	-	(217,416)	(6,653)	-	(473,761)
Foreign currency revaluation adjustment		-	28,589	-	432,251	570,800	-	-	1,031,640
Balance at September 30, 2022		\$ 7,861,103	\$ 420,008	\$ 3,149,441	\$ 6,648,717	\$ 6,948,424	\$ 1,592,012	\$ 1,314,742	\$ 27,934,447

	Note	Switch	Jade Power	OntarioCo	Scotian	Total
		Power	Trust		Windfields	
		4(f)	4(b)	4(d)	4(e)	
For the nine months ended September 30, 2021						
Balance at January 1, 2021		\$ -	\$ 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		18,105	-	310,082	225,187	553,374
Gain on derecognition of financial asset		-	-	-	129,417	129,417
Cash payments received		-	(1,749,603)	(3,575,616)	(3,510,927)	(8,836,146)
Balance at September 30, 2021		\$ 2,295,332	\$ -	\$ 2,018,125	\$ -	\$ 4,313,457

The continuity schedules for royalty interests are as follows:

	Cost			Depletion			Carrying Amount
	Beginning Balance	Additions/ (Disposal)	Ending Balance	Beginning Balance	Charge for the Period	Ending Balance	
For the nine months ended September 30, 2022							
Jade Power	\$ 800,444	\$ -	\$ 800,444	\$ 210,625	\$ 31,598	\$ 242,223	\$ 558,221
Northland	1,871,864	-	1,871,864	333,794	98,175	431,969	1,439,895
OntarioCo	316,559	-	316,559	39,822	12,747	52,569	263,990
Scotian							
Windfields	1,598,626	-	1,598,626	183,839	71,937	255,776	1,342,850
Switch Power	282,015	76,680	358,695	5,789	23,682	29,471	329,224
NOMAD	-	932,665	932,665	-	-	-	932,665
ReVolve	-	73,155	73,155	-	-	-	73,155
Teichos	1	-	1	-	-	-	1
Switch Solar	-	16,008	16,008	-	-	-	16,008
Total	\$ 4,869,509	\$ 1,098,508	\$ 5,968,017	\$ 773,869	\$ 238,139	\$ 1,012,008	\$ 4,956,009

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

	Cost			Depletion			Carrying Amount
	Beginning Balance	Additions/ (Disposal)	Ending Balance	Beginning Balance	Charge for the Year/ (Disposal)	Ending Balance	
For the 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

(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 royalty 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). At September 30, 2022, the fair value of the Aeolis Loan was determined by discounting future cash flows using annual discount rates in the range of 7.64% - 8.54% (December 31, 2021: 4.98% - 6.17%) applicable to the term of each cash flow and average annual inflation rate of 3.5% (December 31, 2021: 2%).

(b) *Jade Power Trust*

The Jade Power royalty (the “Jade Power Royalty”) is an annual royalty of 1.05% of the gross revenue earned by Jade Power Trust (“Jade Power”) on its portfolio of renewable energy projects. 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 January 2021, the Company received the final repayment of the Jade Power loan. In September 2022, Jade Power notified the Company that it will buy back the Jade Power Royalty pursuant to the underlying royalty agreement. As of September 30, 2022, it was highly probable that Jade Power will complete the buyback of the Jade Power Royalty in near term, and accordingly, the Jade Power Royalty was classified as a non-current asset held for sale.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

(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 group 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 with interest rate and other terms of the loan remained unchanged and was repaid in two installments of \$1,000,000 and \$2,000,000 along with accrued interest, on August 15, 2021 and November 15, 2021 respectively.

(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 of its secured loan to Scotian Windfields 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.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

(f) Switch Power

Over a three month period to November 2021, the Company entered into three loan agreements (“Switch Loan Agreements”) and a royalty agreement (“Switch Royalty Agreement”) with Switch Power Ontario Battery Operations Corp. (“Switch OpCo”), a wholly owned subsidiary of Switch Power Corporation (“Switch Power”), with the objective of providing funding to Switch OpCo for the acquisition of a portfolio (the “Switch Portfolio”) of four operational and ten development stage “behind the meter” battery energy storage systems (“BESS”) located in Ontario with a total capacity of 20.8 MW / 44.3 MWh.

The energy storage projects acquired by Switch OpCo are located adjacent to certain existing buildings owned by large industrial sites, financial institutions, large property managers or REITs (collectively referred to as the “Hosts”) to supply power to the Hosts during periods of peak demand, thereby reducing their overall electricity costs (“Cost Savings”), particularly on account of Global Adjustment Charge, a premium applicable at peak times to large power consumers under the Independent Electricity System Operator’s Global Adjustment program.

The Switch Loans are summarized as follows:

1) On September 8, 2021, the Company announced that it entered into the first loan agreement with Switch OpCo for a \$2.3 million loan (the “First Acquisition Loan”) to finance the acquisition by Switch OpCo of a portfolio of four operational BESS projects (the “Operating Projects”) that have an aggregate capacity of 2 MW / 4.4 MWh and utilize battery technologies from Tesla and Sungrow. The First Acquisition Loan has a term of 24 months and will bear interest at a rate of 10% per annum.

2) 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 BESS development projects (the “Development Projects”) which have a planned aggregate capacity of 18.9 MW / 39.8 MWh. At the time of acquisition by Switch OpCo, nine of the ten Development Projects had received executed ESAs with Hosts and had substantially completed permits and interconnection agreements. The Second Acquisition Loan has a term of 23 months and will bear interest at a rate of 10% per annum.

3) 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”), of which amount, \$2.8 million was provided upon closing, and the remaining \$1.5 million was provided after the end of the reporting period in March 2022. The EP Loan will be used by Switch OpCo to procure BESS, with an aggregate capacity of 3.5 MW / 8.5 MWh, for the first five (of the ten) Development Projects that are expected to be operational in the summer of 2022. The EP Loan has a term of 24 months and will bear interest on drawn funds at a rate of 8.6% per annum.

Pursuant to the Switch Royalty Agreement, the Company will receive royalty payments at a sliding scale of 3% to 5%, depending on aggregate operating capacity, on all gross revenues received by all 14 projects comprising the Switch Portfolio, for the life of respective ESAs, which typically have initial terms of 10–12-years with options to extend. Under the sliding scale royalty, the Operating Projects are subject to a 5% royalty until Development Projects reach commercial operation. As additional projects reach commercial operation, the royalty will decrease.

The Company recorded the Switch Loans at their fair value, plus transaction costs, and any residual value derived by subtracting the fair value of the Switch Loans from the aggregate amount of cash advances under the Switch Loans was allocated to the Switch Power royalty interest.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

(g) *Teichos Energy*

In October 2021, the Company entered into a secured loan agreement (the “Teichos Loan”) for US\$2,280,000 with Teichos Energy, LLC (“Teichos Energy”), a renewable energy development company with its headquarters in Seattle, Washington. Teichos Energy owns the Jackson Center Solar Project Phase 1 (“Jackson Center Project”) located in Mercer County, Pennsylvania. Pursuant to the Teichos Loan, the Company also received a 1% gross revenue royalty (the “Jackson Center Royalty”) on the Jackson Center Project for a period of 15 years once the Jackson Center Project reaches commercial operation.

Pursuant to the Teichos Loan, the Company provided a cash advance of US\$80,000 (\$100,033) and a US\$2,200,000 letter of credit on behalf of Teichos Energy in relation to certain collateral for the Jackson Center Project’s grid connection. The Teichos Loan had an initial term of 6 months, with options to extend the loan by upto 12 months, which options, if exercised, will lead to an increase in the Jackson Center Royalty. The Teichos Loan bears an interest rate of 10% per annum, compounded annually, and payable upon maturity.

As of September 30, 2022, Teichos Energy had exercised its option to extend the term of the Teichos Loan by six months. Accordingly, the Jackson Center Royalty was increased from 1% to 1.5% of gross revenues.

After the end of the current reporting period, in October 2022, Teichos Energy exercised its option to extend the term of the Teichos Loan by another six months. Accordingly, the Jackson Center Royalty was increased from 1.5% to 2.0% of gross revenues.

The Jackson Center Royalty was recorded at a nominal value of \$1 in these Financial Statements.

(h) *FuseForward Solutions*

In December 2021, the Company entered into an agreement to provide financing to FuseForward Solutions Group Ltd. (“FuseForward”), a Vancouver based technology company that provides smart infrastructure and digital transformation solutions to utilities, real estate, health care and government industries. FuseForward’s smart infrastructure solutions allow their clients to improve operational efficiencies and reduce energy consumption, waste, and water use.

The Company provided a \$2 million secured loan with a three-year term and an 8% interest rate and concurrently acquired a royalty for \$1 million from FuseForward with a fixed annual royalty payment of \$284,000 for 10 years (collectively, the “FuseForward Financing Facility”).

Upon initial recognition, the FuseForward Financing Facility was accounted for as a single debt instrument and was recorded at amortized cost.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

(i) *Outagamie Clean Energy Partners (OCEP)*

In March 2022, a newly formed co-investment vehicle, FP OCEP Invest LLC ("OCEP Invest LLC"), entered into a mezzanine financing agreement (the "OCEP Loan Agreement") with Outagamie Clean Energy Partners, a Renewable Natural Gas ("RNG") developer to finance the construction of a biogas to RNG upgrading project located in Wisconsin, United States. Pursuant to the OCEP Loan Agreement, OCEP Invest LLC provided a US\$4.6 million (\$5.8 million) secured loan (the "OCEP Loan" or the "Initial Cash Advance") for three years. During the first two years of its term, the OCEP Loan will accrue and pay interest only at 15% per annum. During the third year of the term of the OCEP Loan, the amount of Initial Cash Advance will be repaid in four equal installments, along with interest at 15% per annum. Thereafter, a fixed annual royalty payment (the "Fixed Royalty") equal to 10% of the Initial Cash Advance will be payable for 10 years.

OCEP Invest LLC is governed by a shareholders' agreement (the "Shareholders' Agreement"). Under the original Shareholders' Agreement, decisions about the relevant activities of OCEP Invest LLC required the unanimous consent of all members. For the purposes of these Financial Statements, OCEP Invest LLC was initially classified as a joint venture ("OCEP JV"), and was accounted for using the equity method. In August 2022, the shareholders' agreement for FP OCEP Invest LLC was modified with mutual consent of its members, thereby the Company received certain rights that gave it the current ability to direct the relevant activities of OCEP Invest LLC, resulting in the Company gaining control over the latter (the "Change of Control").

To provide funds for the OCEP Loan, the Company contributed approximately US\$4.5 million (\$5.7 million) ("RER's Contribution") to OCEP Invest LLC for 96.68% equity/ownership interest in the entity; the remaining equity contribution was provided by certain private parties. The Shareholders' Agreement sets out, among other things, the Company's economic interest as well as that of the non-controlling interests, as summarized below:

Term of the OCEP Loan	The Company's share of cash flows from the OCEP Loan
First two years of the OCEP Loan's term	During the first two years of the term, while the OCEP Loan is interest only, the Company will receive quarterly distributions equivalent to 13.5% per annum on RER's Contribution. The remaining amount of interest payments on the OCEP Loan will be attributable to the non-controlling interests.
Third year of the OCEP Loan's term	During the third year of the term, while the OCEP Loan amortizes, the Company will receive quarterly distributions for an aggregate amount equal to RER's Contribution, plus 13.5% per annum on outstanding balance thereof. The remaining amount of repayment of the Initial Cash Advance, as well as the remaining amount of interest, will be attributable to the non-controlling interests.
Thereafter, for 10 years	After the OCEP Loan is fully repaid in the third year of its term, the Company will receive its share of the Fixed Royalty payments of approximately US\$180,000 (\$225,000) annually at the rate of 4% per annum on RER's Contribution as originally provided. The remaining amount of the Fixed Royalty will be attributable to the non-controlling interests.

Upon the Change of Control, the Company remeasured its previously held interest in OCEP JV, and recognized a loss of \$348,792. The Company recognized the total OCEP Loan at its fair value, and the non-controlling interest was recognized at its proportionate share. Upon derecognition the Company reclassified accumulated foreign exchange translation differences of \$100,475 relating to its investment in OCEP JV from other comprehensive income to net income.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

At September 30, 2022, the Company recorded an income tax expense of \$22,000 and a corresponding liability with respect to net income of OCEP Invest LLC attributable to the Company.

(j) *NOMAD*

In April 2022, the Company entered into an agreement (the "NOMAD Agreement") with Nomad Transportable Power Systems Inc. ("NOMAD"), a company co-founded by KORE Power Inc., a US-based battery manufacturer, and Northern Reliability Inc., an experienced energy systems integrator. Pursuant to the NOMAD Agreement, the Company provided a five-year USD \$5.6 million (\$7.1 million) senior secured working capital loan (the "NOMAD Loan") to enable NOMAD to manufacture Units. The NOMAD Loan has an interest rate of 12% per annum, interest-only for the term, with a bullet repayment after 5 years. The Company also received a gross revenue royalty of 3.5% on the sale of NOMAD's Units manufactured using the NOMAD Loan proceeds.

The Company recorded the NOMAD Loan at its fair value, with the residual value recorded as royalty interest.

(k) *ReVolve Renewable Power*

On June 15, 2022, the Company closed an agreement with ReVolve Renewable Power Corp. (TSXV: REVV) ("ReVolve"), a North American renewable energy developer with 3.3 GW of wind, solar, and battery projects under development in the USA and Mexico, to provide a \$1.6 million secured loan (the "ReVolve Loan") to support ReVolve's acquisition of a portfolio of six operational roof top solar generation projects in Mexico (the "ReVolve Projects") with a combined generating capacity of 2.4 MW.

The ReVolve Loan has a term of 24 months and bear interest at the rate of 10% per annum, compounded monthly, and payable quarterly. The Company received a structuring fee of 1.5% on the ReVolve Loan value at closing, and an additional fee of 1.5% on the ReVolve Loan value at the end of term. The Company will also receive a gross revenue royalty of 5% on four of the ReVolve Projects and 1% on two of the ReVolve Projects for the remaining life of the PPAs.

The Company recorded the ReVolve Loan at its fair value, with the residual value recorded as royalty interest.

(l) *Switch Solar*

In August 2022, the Company entered into a loan agreement with Switch Power Ontario Solar Operating Corporation ("Switch Solar Corp"), a wholly-owned subsidiary of Alberta-based independent power producer Switch Power Corporation, for \$1.3 Million (the "Switch Solar Loan"). The Loan will finance the acquisition of an operational rooftop solar generation project located in Vaughan, Ontario (the "Switch Solar Project").

The Switch Solar Loan will have an initial term of 6 months at a 10% interest rate per annum, compounded monthly, with the option for Switch Solar to extend the Loan by an additional 6 months. The Company will have first-ranking security interest over the Switch Solar Project, including a lien over its assets, and a pledge of shares in Switch Solar Corp. The Company will also receive a gross revenue royalty of 1.0% on the Switch Solar Project for the remainder of the contract term, or approximately 12.5 years, (the "Switch Solar Royalty"). If the Switch Solar Loan term is extended, the Switch Solar Royalty will increase to 2.0%.

The Company recorded the Switch Solar Loan at its fair value, with the residual value recorded as royalty interest.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

5 . DEFERRED TRANSACTION COSTS

The Company incurs legal and due diligence costs relating to potential royalty financing opportunities and records such costs as deferred transaction costs, to be transferred to royalty interests and secured loans, as applicable, upon completion of each transaction.

6 . INVESTMENT IN AN ASSOCIATE AND A JOINT VENTURE

Nine Months ended September 30, 2022	Note	RER		OCEP	Total
		US 1 LLC	Invest LLC		
		6(a)	6(b)		
Beginning balance		\$ 1	\$ -	\$	1
Investment during the period		-	5,709,569		5,709,569
Share of income for the period		-	507,865		507,865
Cash distributions received		-	(264,356)		(264,356)
Foreign exchange translation difference		-	100,475		100,475
Reallocation upon change of control	4(i)	-	(6,053,553)		(6,053,553)
Ending balance		\$ 1	\$ -	\$	1

(a) RER US 1 LLC ("RER US")

During the nine months ended September 30, 2022, there was no change in the Company's interest in RER US.

(b) OCEP Invest LLC

Prior to the Change of Control (note 4(i)), OCEP Invest LLC was classified as a joint venture and was accounted for under the equity method of accounting.

7 . AMOUNTS RECEIVABLE AND PREPAID EXPENSES – CURRENT

	Note	September 30, 2022	December 31, 2021
Accrued royalty revenue		\$ 254,994	\$ 367,643
Prepaid expenses		119,435	41,626
Green Bonds interest reserve account		579,960	304,980
Other amounts receivable		21,647	38,468
Total		\$ 976,036	\$ 752,717

8 . RIGHT-OF-USE ASSET AND LEASE LIABILITY

Effective May 1, 2021, the Company recognized a 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.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

Right-of-use asset	Nine months ended September 30,	
	2022	2021
Beginning balance	\$ 84,375	\$ -
Addition during the period	-	97,356
Depreciation expense during the period (included in office lease expenses)	(14,609)	(8,113)
Ending balance	\$ 69,766	\$ 89,243

Lease liability	Nine months ended September 30,	
	2022	2021
Beginning balance	\$ 86,716	\$ -
Addition during the period	-	97,356
Interest expense (included in finance expenses)	4,808	3,081
Lease payments during the period	(15,470)	(9,669)
Ending balance	\$ 76,054	\$ 90,768

Long-term portion	\$ 57,628	\$ 76,092
Short-term portion	18,426	14,676
Ending balance	\$ 76,054	\$ 90,768

9 . TRADE PAYABLES AND ACCRUED LIABILITIES

	September 30,	December 31,
	2022	2021
Accounts payable	\$ 193,885	\$ 161,846
Accrued liabilities	50,388	24,218
	\$ 244,273	\$ 186,064

10 . GREEN BONDS

5-Year – 6% – Senior Secured Green Bonds	Nine months ended	Year ended
	September 30,	December 31,
	2022	2021
Beginning balance	\$ 18,702,484	\$ 8,906,325
Net proceeds from Green Bond		
Aggregate gross proceeds from issuance of Green Bonds	-	10,586,400
Cash commission and fees	-	(627,904)
		9,958,496
Financing costs		
Legal and professional fees	9,595	350,514
Fair value of warrants issued (note 12(b))	-	7,111
	(9,595)	(357,625)
Amortization of financing costs	287,853	195,288
Foreign exchange translation difference	476,800	-
Ending balance (i)	\$ 19,457,542	\$ 18,702,484

(i) Includes USD-denominated Green Bonds for an aggregate principal sum of US\$4,000,000 (note 17(c))

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

In August 2020, the Company announced the inaugural public offering of its 5-year green bonds under available exemptions from the prospectus requirement, including the offering memorandum exemption. 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, 2022, the Company was in compliance with all debt covenants (note 17(f)).

11 . CONVERTIBLE NOTES

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.

12 . SHARE CAPITAL AND RESERVES

(a) 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.

Pursuant to the marketed public offering (the "Public Offering") of its units ("Units") closed on June 15, 2022, the Company issued 9,837,680 Units for an aggregate gross proceeds of \$8,066,898. Each Unit was priced at \$0.82 and consists of one common share in the capital of the Company, and one common share purchase warrant exercisable into one common share in the capital of the Company at an exercise price of \$1.10 per warrant for a period of 24 months following the closing of the Public Offering.

In connection with the Public Offering, the Company paid a cash commission equal to \$556,957 and also issued compensation warrants to the underwriters entitling them to purchase an aggregate of 776,250 common shares of the Company at a price of \$0.82 per share for a period of two years following closing.

The gross proceeds from the Public Offering was allocated to shares and warrants using the residual value method, whereby the aggregate gross proceeds is first allocated to share capital to the extent of the fair value of the common shares issued, which fair value is determined with reference to their market value. Any excess of the gross proceeds over the fair value of the common shares is allocated to the warrants and is recorded as share warrants reserve. There was no residual value assigned to the warrants because the fair value of the common shares at the timing of the closing was greater than the offering price of the Units.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

(b) Reserves

Share-based payments reserve

	Note	Nine months ended September 30,	
		2022	2021
Expense arising from equity-settled share-based payment transactions	(details below)	\$ 40,000	\$ 778,000
Expense arising from cash-settled share-based payment transactions	13	36,694	-
Total		\$ 76,694	\$ 778,000

The equity-settled share-based payment expenses represent amortization of the fair value of the Company's share purchase options over the vesting term of the options.

Continuity of share purchase options:

	Nine months ended September 30, 2022		Nine months ended September 30, 2021	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding Options – beginning balance	2,645,000	\$ 1.10	1,195,000	\$ 0.82
Granted during the period (i)	-	\$ -	1,450,000	\$ 1.32
Expired	(30,000)	\$ 0.80	-	\$ -
Outstanding Options – ending balance	2,615,000	\$ 1.10	2,645,000	\$ 1.10
Options Exercisable – ending balance	2,615,000	\$ 1.10	1,678,341	\$ 0.97

(i) Weighted average fair value of the options granted in the prior 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:

Exercise price	September 30, 2022		December 31, 2021	
	Number of Options	Weighted average remaining contractual life (years)	Number of Options	Weighted average remaining contractual life (years)
\$ 0.80	1,030,000	0.08	1,060,000	0.82
\$ 1.00	135,000	1.20	135,000	1.95
\$ 1.32	1,450,000	2.86	1,450,000	3.61
	2,615,000	1.68	2,645,000	2.41

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

(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, 2022 is as follows:

Expiry date	Exercise price	January 1, 2022	Warrants issued	Warrants exercised	Warrants expired	September 30, 2022
October 2, 2022	\$ 1.33	245,955	-	-	-	245,955
October 29, 2022	\$ 1.44	86,083	-	-	-	86,083
December 15, 2022	\$ 1.48	92,595	-	-	-	92,595
March 1, 2023	\$ 1.25	17,472	-	-	-	17,472
June 15, 2024 (i)	\$ 1.10	-	9,837,680	-	-	9,837,680
June 15, 2024 (ii)	\$ 0.82	-	776,250	-	-	776,250
		442,105	10,613,930	-	-	11,056,035

(i) These warrants were issued pursuant to the Public Offering and were accounted for using the residual value method (note 12(a)).

(ii) These represent the warrants issued to the underwriters for the Public offering (note 12(a)), and their fair value as of the date of issuance was \$0.225 per warrant, which fair value was determined using the Black-Scholes Option Valuation model and the following assumptions: risk-free interest rate of 3.25%; expected volatility of 53%; exercise price of \$0.82; underlying market price of \$0.85 per share; and time to expiry of 2 years.

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) The 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 assumptions: risk-free interest rate of 0.25%; expected volatility of 54%; exercise price of \$1.25; underlying market price of \$1.30 per share; and time to expiry of 2 years.

(c) *Distribution to shareholders*

During the nine months ended September 30, 2022 and 2021, the Company declared the following cash distributions to its shareholders:

Declaration date	Record date	Payment date	Amount	
			Per share	Total
Nine months ended September 30, 2022				
January 9, 2022	February 2, 2022	February 23, 2022	\$ 0.01	\$ 332,899
March 31, 2022	April 20, 2022	May 11, 2022	\$ 0.01	\$ 332,899
July 13, 2022	August 3, 2022	August 24, 2022	\$ 0.01	\$ 431,276
				\$ 1,097,074

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

Nine months ended September 30, 2021

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
					\$	998,697

See Note 18(a) for the cash distribution declared after the end of the current reporting period.

13 . CASH-SETTLED SHARE-BASED PAYMENT

The Company has a Deferred Share Units ("DSU") plan approved by its shareholders that allows the Board, at its discretion, to award DSUs to non-executive directors for services rendered to the Company. DSUs are payable when the non-executive director ceases to be a director.

The Company's Restricted Share Units ("RSU") plan, as approved by its shareholders, allows the Board to grant employees, executive directors and consultants RSUs from time to time. The RSUs are granted conditionally and entitle the recipient to receive one common share (or the cash equivalent) upon attainment of a time-based vesting period, which period is typically one year from the date of grant.

DSUs and RSUs may be settled in Common Shares issued from treasury, in Common Shares purchased by the Company in the open market, in cash, or any combination thereof, at the discretion of the Company. The Company has classified the DSUs and the RSUs issued during the current period as cash-settled share-based payment as it intends to settle these instruments in cash.

The fair value of DSUs and RSUs is determined with reference to market price of the Company's common shares.

Continuity of DSUs and RSUs:

	Nine months ended September 30, 2022		Nine months ended September 30, 2021	
	DSUs	RSUs	DSUs	RSUs
Outstanding at the beginning of the period	-	-	-	-
Granted during the period(i)	24,501	38,011	-	-
Outstanding at the end of the period	24,501	38,011	-	-
Options Exercisable – ending balance	24,501	-	-	-

(i) The grant date fair value for these DSUs and RSUs was \$1.00 per unit.

14 . NON-CONTROLLING INTERESTS

The amount of non-controlling interests included in these Financial Statements relates to FP OCEP Invest LLC, and was initially recognized in August 2022 following the Change of Control (note 4(i)).

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

Continuity of Non-Controlling Interests	Note	Nine months ended September 30,	
		2022	2021
Beginning balance		\$ -	\$ -
Initial recognition upon change of control	4(i)	299,300	-
Net income		68,760	-
Other comprehensive income		21,548	-
Ending balance		\$ 389,608	\$ -

Information relating to OCEP Invest LLC	September 30, 2022		September 30, 2021	
	Total	NCI's share	Total	NCI's share
Non-current assets	6,648,717	389,608	-	-
Current assets	-	-	-	-
Non-current liabilities	-	-	-	-
Current liabilities	-	-	-	-
Net assets	6,648,717	389,608	-	-

Finance income	212,405	68,760	-	-
Net income	212,405	68,760	-	-
Other comprehensive income	459,073	24,698	-	-

15 . RELATED PARTY TRANSACTIONS

Transactions relating to the Company's interest in an associate and a joint venture 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	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Short-term employment benefits (i)		\$ 100,000	\$ 104,000	\$ 305,000	\$ 307,000
Equity-settled share-based compensation		-	121,000	40,000	604,000
Cash-settled share-based compensation	13	3,013	-	36,694	-
Total		\$ 103,013	\$ 225,000	\$ 381,694	\$ 911,000

(i) Includes executive salaries and directors' fees relating to the Company's key management personnel.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

16 . BASIC AND DILUTED INCOME (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The Company presents basic and diluted income (loss) per share data for its common shares, calculated by dividing the income (loss) attributable to common shareholders by the weighted average number of common shares that were outstanding during the period. Diluted income (loss) per share does not adjust income (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 income (loss) per share for the three and nine months ended September 30, 2022 and 2021, the share purchase options, DSUs, RSUs, and warrants as well as the convertible notes were excluded from the calculation of diluted income (loss) per share as they were antidilutive.

17 . 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:

(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.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

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

As of September 30, 2022	Carrying Amount	Total	Contractual Cash Flows (i)		
			Less than 12 months	Between 1 - 3 years	Between 4 - 5 years
Green Bonds (note 10)	\$ 19,457,542	\$ 25,472,207	\$ 1,251,912	\$ 2,503,824	\$ 21,716,471
Convertible notes (note 11)	1,986,578	2,062,370	2,062,370	-	-
Lease liability (note 8)	76,054	87,168	23,701	50,476	12,991
Income tax payable	22,000	22,000	22,000	-	-
Trade payables and accrued liabilities	244,273	244,273	244,273	-	-
	\$ 21,786,447	\$ 27,888,018	\$ 3,604,256	\$ 2,554,300	\$ 21,729,462

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

(c) Foreign exchange risk

The Company is exposed to foreign currency risk in respect of its US Dollar-denominated monetary assets and liabilities as summarized below:

	Note	September 30, 2022		December 31, 2021	
		US Dollars	Canadian Dollars	US Dollars	Canadian Dollars
Cash	3	3,953,398	\$ 5,468,736	6,070,079	\$ 7,673,187
Secured Loan	4	10,133,123	14,017,149	135,483	171,264
		14,086,521	19,485,885	6,205,562	7,844,451
Green Bonds	10	(4,000,000)	(5,533,200)	(4,000,000)	(5,056,400)
Net exposure		10,086,521	\$ 13,952,685	2,205,562	\$ 2,788,051

Sensitivity

Decrease in net loss with a 10% increase in the value of the U.S. dollar relative to the Canadian dollar

\$ 1,395,000

\$ 279,000

The Company does not have any hedging arrangement with respect to its net exposure to foreign currency risks.

The exchange differences arising on translation of foreign operations (note 6) are recognised in other comprehensive difference.

(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 (note 4), which is carried at fair value (note 17(e)).

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

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 \$13,000 in the fair value of the Aeolis Loan. An increase in average future annual inflation rate used in valuation of the Aeolis Loan from 3.5% to 3.6% 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.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

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)), certain of which covenants were modified after the end of the reporting period note (18(b)).

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 occurrence of non-compliance.

For the quarter ended March 31, 2022, while the Company was in the process of closing several royalty based investment transactions to deploy its cash resources, the minimum Debt Coverage Ratio was not achieved. However, pursuant to the Cure Period, no event of default was deemed to have been occurred at March 31, 2022, and the breach was subsequently cured in the following fiscal quarter. At March 31, 2022, 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.

As of September 30, 2022, the Company was in compliance with all debt covenants and the carrying amount of the Green Bond liability was classified as a non-current liability.

18 . 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:

Declaration date	Record date	Payment date	Amount	
			Per share	Total
October 12, 2022	November 2, 2022	November 23, 2022	0.01	431,276

(b) Additional Loan and Royalty Agreements with ReVolve Renewable Power Corp.(note 4(k))

In September 2022, the Company entered into an agreement with ReVolve Renewable Power Corp., to provide a \$1.86 million secured loan to support the purchase of battery and inverter equipment for three energy storage projects (the "Cancun Projects") currently under development in Punta Cancun, Mexico. A partial cash advance against the loan was made after the end of the current reporting period in October 2022. The loan will have a term of two years, and will bear interest at 12% per annum, payable quarterly. The loan will be subject to a 2% structuring fee on the total loan value. The Company also received a gross revenue royalty of 5% the Cancun Projects.

RE Royalties Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

(c) Loan Agreement with Delta Energy Partners

In November 2022, through its a newly formed investment vehicle, named FP Puerto Rico Invest LLC ("Delta Investment Vehicle"), the Company entered into a loan and royalty agreement with Delta Energy Partners, a provider of Energy-as-a-service (EaaS) solutions to customers in Puerto Rico for US\$3.9 million (the "Delta Loan"). The Delta Loan will be drawn in tranches with a term of 5 years at a 13.50% interest rate per annum, plus a 2% commitment fee on undrawn amounts. The Delta Investment Vehicle will also receive a 10-year royalty of 10% per annum (the "Delta Fixed Royalty") on invested capital commencing the 30th month after closing.

The Company will contribute 98% of the total funds required for cash advance pursuant to the Delta Loan in the form of its equity capital contributions to Delta Investment Vehicle; the remaining equity contribution will be provided by certain private parties. The Delta Investment Vehicle is governed by a shareholders' agreement, which sets out, among other things, the Company's economic interest, whereby interest on the Delta Loan to the extent of 12.15% on the Company's contributions to Delta Investment Vehicle as well as 40% of the Delta Fixed Royalty will be attributable to the Company, whereas the remainder of the income of Delta Investment Vehicle will be attributable to the non-controlling interests.

Pursuant to the Delta Loan, an initial cash advance of US\$0.4 million was provided in November 2022.

(d) Changes in Debt Covenants (note 17(f)).

In November 2022, the debt to equity ratio as per the Indenture was modified from 1:1 to 3:1.