RE ROYALTIES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2021 AND 2020

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders and the Board of Directors of
RE Royalties Ltd.

Opinion

We have audited the consolidated financial statements of RE Royalties Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") .

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for

the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Tim Holwill.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, British Columbia
May 2, 2022

RE Royalties Ltd.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	December 31, 2021	December 31, 2020
ASSETS			
Non-current assets			
Secured loans and royalty interests	4	$ 13,889,390	$ 8,302,723
Deferred transaction costs	6	92,679	–
Investment in an associate	5	1	1
Right of use asset	8	84,375	–
		14,066,445	8,302,724
Current assets			
Secured loans and royalty interests	4	274,204	7,135,378
Amounts receivable and prepaid expenses	7	752,717	467,701
Cash and cash equivalents, including restricted cash	3	20,101,585	11,704,731
		21,128,506	19,307,810
TOTAL ASSETS		$ 35,194,951	$ 27,610,534
EQUITY			
Share capital	12	$ 23,159,638	$ 23,159,638
Reserves	12	1,731,760	871,649
Accumulated deficit		(10,485,353)	(7,023,733)
		14,406,045	17,007,554
LIABILITIES			
Non-current liabilities			
Green bonds	10	18,702,484	8,906,325
Convertible notes	11	1,813,642	1,608,122
Lease liability	8	71,744	–
		20,587,870	10,514,447
Current liabilities			
Lease liability	8	14,972	–
Trade payables and accrued liabilities	9	186,064	88,533
		201,036	88,533
Total liabilities		20,788,906	10,602,980
TOTAL EQUITY AND LIABILITIES		$ 35,194,951	$ 27,610,534

Events after the reporting period (note 18)

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

These financial statements are approved for issuance by the Company's Board of Directors on May 2, 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.

Consolidated Statements of Comprehensive Loss

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

	Note	Year ended December 31, 2021	2020
Revenue and income			
Royalty revenue		$ 784,296	$ 750,792
Finance income		911,378	1,189,394
Gain from royalty buyout	4(b),(i)	–	431,015
Gain on derecognition of financial asset	4(e)	129,417	–
Other revenue		100,000	
		1,925,091	2,371,201
Amortization and depletion			
Amortization of transaction cost	4	–	7,521
Depletion of royalty interest	4	291,731	277,546
		(291,731)	(285,067)
Gross profit		1,633,360	2,086,134
Gain on revaluation of financial asset at FVTPL	4	10,104	156,199
Gross profit and changes in fair value of financial assets		1,643,464	2,242,333
Expenses/(recoveries)			
Wages and benefits		624,622	532,977
Administration		336,849	307,432
Marketing and stakeholder communication		282,889	259,493
Audit and audit related		189,229	112,519
Consulting – financing		131,881	159,047
Consulting – other		103,358	197,807
Regulatory and transfer agency		64,306	45,503
Office lease and information technology		59,948	76,500
Legal		29,867	23,512
Donations		51,000	75,000
Equity-settled share-based payments	12	853,000	9,842
Amortization of right-of-use asset	8	12,981	–
Cost recovery		–	(16,974)
		(2,739,930)	(1,782,658)
Other items			
Finance expenses	13	1,025,559	366,181
Share of loss of an associate	5	–	554,394
Foreign exchange loss (gain)		7,999	(14,247)
		(1,033,558)	(906,328)
Net loss		$ (2,130,024)	$ (446,653)
Other comprehensive loss			
Items that may be subsequently reclassified to net income			
Foreign exchange translation difference	5	–	(9,375)
Total other comprehensive loss		–	(9,375)
Total comprehensive loss		$ (2,130,024)	$ (456,028)
Basic and diluted loss per share	15	$ (0.06)	$ (0.01)
Weighted average number of common shares outstanding	15	33,289,927	32,499,979

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

RE Royalties Ltd.

Consolidated Statements of Changes in Equity

(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 loss		–	–	–	–	–	–	(446,653)	(446,653)
Other comprehensive loss		–	–	–	–	–	(9,375)	–	(9,375)
Total comprehensive loss		–	–	–	–	–	(9,375)	(446,653)	(456,028)
Issuance of the 2020-Convertible Notes – equity component	11	–	–	–	–	87,000	–	–	87,000
Equity-settled share-based payments	12(b)	–	–	9,842	–	–	–	–	9,842
Distribution to shareholders	12(c)	–	–	–	–	–	–	(1,297,506)	(1,297,506)
Conversion of the 2018-Convertible Note into Common Shares	11(b)	503,538	503,538	–	–	–	–	–	503,538
Reallocation of reserve upon conversion of the 2018-Convertible Not	11(b)	–	26,911	–	–	(26,911)	–	–	–
Fair value of warrants issued pursuant to the Green Bond offering	10	–	–	–	221,926	–	–	–	221,926
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)	115,000	95,000	–	–	–	–	–	95,000
Reallocation of reserve relating to options exercised	12(b)	–	38,052	(38,052)	–	–	–	–	–
Balance at December 31, 2020		33,289,927	$23,159,638	$ 499,973	$ 229,802	$ 87,000	$ 54,874	$ (7,023,733)	$ 17,007,554
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		–	–	–	–	–	–	(2,130,024)	(2,130,024)
Other comprehensive loss		–	–	–	–	–	–	–	–
Total comprehensive loss		–	–	–	–	–	–	(2,130,024)	(2,130,024)
Equity-settled share-based payments	12(b)	–	–	853,000	–	–	–	–	853,000
Distribution to shareholders	12(c)	–	–	–	–	–	–	(1,331,596)	(1,331,596)
Fair value of warrants issued pursuant to the Green Bond offering	12(b)	–	–	–	7,111	–	–	–	7,111
Balance at December 31, 2021		33,289,927	$23,159,638	$ 1,352,973	$ 236,913	$ 87,000	$ 54,874	$(10,485,353)	$ 14,406,045

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

RE Royalties Ltd.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

		Year ended December 31,	
	Note	**2021**	**2020**
Operating activities			
Net loss		$ (2,130,024)	$ (446,653)
Adjustments for:			
Amortization of transaction costs		–	7,521
Depletion of royalty interests		291,731	277,546
Interest received, net of accretion and accrued interest on secured loans		283,993	287,019
Gain from royalty buyout		–	(431,015)
Loss/(gain) on revaluation of financial asset at FVTPL		(10,104)	(156,199)
Amortization of right-of-use asset		12,981	–
Finance expenses		1,025,559	366,176
Equity-settled share-based payments		853,000	9,842
Share of loss of an associate		–	554,394
Unrealized exchange loss on cash held		6,000	14,900
Changes in working capital items:			
Amounts receivable and prepaid expenses		(285,016)	395,154
Trade payables and accrued liabilities		95,194	29,798
Cash provided by operating activities		143,314	908,483
Investing activities			
Acquisition of royalty interests and secured loan	4	(9,060,395)	(4,627,545)
Proceeds from repayment of secured loan		9,665,058	1,314,563
Proceeds from buyout of royalty interests		–	451,915
Proceeds from repayment of secured loan at FVTPL		104,224	103,843
Deferred transaction costs	6	(92,679)	–
Cash provided by (used in) investing activities		616,208	(2,757,224)
Financing activities			
Proceeds from the Green Bonds offering, net of costs	10	9,607,982	9,082,059
Proceeds from exercise of warrants	12(b)	–	250,000
Proceeds from exercise of options	12(b)	–	95,000
Proceeds from issuance of convertible notes, net of costs	11	–	1,524,647
Cash distribution to shareholders	12(c)	(1,331,596)	(1,297,506)
Payments of interest on borrowings		(607,372)	(133,885)
Payment of principal on lease	8	(10,640)	–
Payment of interest on lease	8	(4,830)	–
Other finance expenses		(10,212)	–
Cash provided by financing activities		7,643,332	9,520,315
Increase in cash and cash equivalents		8,402,854	7,671,574
Effects of exchange rate fluctuations on cash held		(6,000)	(14,900)
Cash and cash equivalents, opening balance		11,704,731	4,048,057
Cash and cash equivalents, closing balance		$ 20,101,585	$ 11,704,731

Supplemental cash flow information (note 3)

The accompanying notes are an integral part of these consolidated 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 consolidated 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 year ended December 31, 2021 and 2020. RE Royalties Ltd. is the ultimate legal parent entity in the Group.

2 . SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Financial Statements are described below. These policies have been consistently applied for all years presented, unless otherwise stated.

(a) Statement of compliance

These Financial Statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), effective for the Company's reporting year ended December 31, 2021.

(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. These Financial Statements have been prepared using the accrual basis of accounting.

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) Significant accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. The impact of such estimates are pervasive throughout the Financial Statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Changes in subjective inputs and assumptions can materially affect accounting estimates.

Specific areas where significant estimates or judgements exist are:

Estimates:
- Valuation of secured loans and royalty interest (note 4);
- Depletion of royalty interests (note 4);
- Fair value of the loan to Aeolis Wind Power Corporation (note 4(a));
- Fair value estimates of the liability portion of convertible note (note 11); and
- Inputs into the Black-Scholes model for options and warrants (note 12);

Judgements:
- Assessment of evidence as to whether a financial asset may be impaired. No evidence of impairment was identified.

(d) Foreign currency

The functional currency is the currency of the primary economic environment in which an entity operates. The functional and presentation currency of the Company and its wholly-owned subsidiary, RER Canada, is the Canadian Dollar. The functional currency of RER US is the US dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Gains and losses arising on translation are included in profit or loss for the year.

To translate the Company's interest in RER US to the presentation currency, all assets and liabilities are translated using the exchange rate as of the reporting date and all income and expenses are translated using the average exchange rates during the period. All resulting exchange differences are recognized in other comprehensive income (loss).

(e) Financial instruments

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

All financial assets that are not classified at amortised cost or fair value through other comprehensive income ("FVTOCI") are measured at fair value through profit or loss ("FVTPL") with net gains and losses on subsequent revaluation and income and expenses, including any transaction cost, associated with such assets recognised in profit or loss. All derivative financial assets and hybrid financial instruments with embedded derivatives are classified at FVTPL.

For a financial asset to be measured at amortized cost, it must meet the following conditions:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition, financial assets at amortized cost are measured at fair value plus, transaction costs that are directly attributable to its acquisition. Subsequently, these financial assets are measured at amortised cost, using the effective interest method, and net of any impairment loss. Interest income, foreign exchange gains and losses, impairment losses, and gain or losses on derecognition are recognised in profit or loss.

The Company's financial assets are classified in these Financial Statements as follows:

Financial Assets	Note	Classification
Secured loan – Aeolis Wind Power Corporation	4	FVTPL
Secured loans – other	4	Amortized cost
Cash and cash equivalents and restricted cash	3	Amortized cost

The Company has no financial assets which are classified as at FVTOCI.

The Company classifies its non-derivative financial liabilities at amortized cost that are recognized initially at fair value net of any directly attributable transaction costs.

When a compound financial instrument is issued, its initial carrying amount is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the fair value of the liability component.

Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company's financial liabilities are classified in these Financial Statements as follows:

Financial Liabilities	Note	Classification
Lease liability	8	Amortized cost
Trade payables and accrued liabilities	9	Amortized cost
Green bonds	10	Amortized cost
Convertible notes	11	Amortized cost

The Company has no derivative financial liabilities.

Impairment of financial assets:

The Company recognises an allowance for expected credit losses ("ECL") for all debt instruments at amortized cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages, which are as follows:

- For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months.
- For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

In these Financial Statements, the Company has not recognized any ECL.

(f) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

(g) Loss per share

The Company presents basic and diluted loss per share information for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(h) Income taxes

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

Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
The following temporary differences are not provided for: a) goodwill not deductible for tax purposes; b) the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and c) differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(i) Revenue

The Company's revenue recognized in these Financial Statements comprised of revenue earned from contracts with customers under and related to its royalty interests. Performance obligation is considered to be met and revenue is recognized when each unit of power is generated and delivered to its customer by the operator of the underlying asset through an interconnection.

Revenue is measured at the fair value of the consideration received or receivable when management can reliably estimate the amount, pursuant to the terms of the royalty agreement. Differences between estimates and actual amounts are adjusted and recorded in the period that the actual amounts are known.

(j) Royalty interests

Royalty interests are recorded at cost and capitalized as tangible assets. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any. Project evaluation costs that are not related to a specific agreement are expensed in the period incurred.

Producing royalty interests (note 4) are depleted over their contractual lives on a straight-line basis.

(k) Share-based payment transactions

The Company operates an equity-settled share-based option plan for its directors, officers, employees and service providers. The fair value of share purchase options granted is recognized as an expense with a corresponding increase in the equity-settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by a direct employee.

The fair value is measured at grant date for each tranche, which is expensed on a straight line basis over the vesting period, with a corresponding increase in equity. The fair value of share purchase options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted and forfeiture rates as appropriate. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(l) Impairment

At the end of each reporting period the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that these assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

(m) Investments in associates

Investments over which the Company exercises significant influence but does not control or jointly control are associates. Investments in associates are accounted for using the equity method, except when classified as held for sale.

On acquisition, an equity method investment is initially recognized at cost. The carrying amount of equity method investments includes goodwill identified on acquisition, net of any accumulated impairment losses. The carrying amount is adjusted by the Company's share of post-acquisition income or loss; depreciation, amortization or impairment of the fair value adjustments made on the underlying statement of financial position at the date of acquisition; dividends; cash contributions; and the Company's share of post-acquisition movements in other comprehensive income.

(Expressed in Canadian Dollars, unless otherwise stated)

Outlined below is information related to the Company's investments in associates as at December 31, 2021:

Entity	Place of business	Entity type	Economic interest
RER US 1 LLC (note 6)	Delaware, USA	Associate	23.30%

RER US 1 LLC ("RER US") was incorporated on December 13, 2017 in the State of Delaware for the purpose of completing the transactions described in Note 6. At December 31, 2017 RER US was a wholly-owned subsidiary of the Company, which owned all equity units issued for the purposes of the incorporation of RER US. During the year ended December 31, 2018, as a result of issuance of additional units by RER US (note 5), the Company ceased to hold a controlling interest in RER US which was no longer consolidated in these Financial Statements.

(n) 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.

(Expressed in Canadian Dollars, unless otherwise stated)

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.

(o) 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:

	Year ended December 31, 2021	2020
Europe		
Royalty revenue	$ 102,657	$ 112,173
Finance income	–	330,191
Gain from royalty buyout	–	25,858
Gain on derecognition of financial asset	–	–
Other revenue	–	–
	$ 102,657	$ 468,222
North America		
Royalty revenue	$ 681,639	$ 638,619
Finance income	911,378	859,203
Gain from royalty buyout	–	405,157
Gain on derecognition of financial asset	129,417	–
Other revenue	100,000	–
	$ 1,822,434	$ 1,902,979
Total	$ 1,925,091	$ 2,371,201

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

3 . CASH AND CASH EQUIVALENTS, INCLUDING RESTRICTED CASH

	Note	December 31, 2021	December 31, 2020
Components of cash and cash equivalents:			
Cash held in business accounts			
Denominated in Canadian Dollars		$12,428,398	$11,318,189
Denominated in US Dollars		7,673,187	386,542
Total		$20,101,585	$11,704,731
Cash and cash equivalents subject to restrictions on use by the Company:			
Cash held as collateral against a letter of credit	4(g)	$ 2,781,020	$ –
Net proceeds from the Green Bonds pending deployment (i)	10	6,848,626	9,082,059
Total		$ 9,629,646	$ 9,082,059

(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.

	Year ended December 31, 2021	2020
Interest received		
Interest received on secured loans classified in operating activities	$ 1,221,499	$ 1,446,974
Interest on cash and cash equivalents and restricted cash classified in operating activities	104,384	29,439
Total	$ 1,325,883	$ 1,476,413

	Note	Year ended December 31, 2021	2020
Non-cash financing activities			
Settlement of the 2018-Convertible Note through issuance of equity	11	$ –	$ 503,538
Agent and other warrants issued pursuant to the Green Bonds offering	10	$ 7,111	$ 221,926

(Expressed in Canadian Dollars, unless otherwise stated)

A reconciliation of liabilities arising from financing activities is as follows:

Year ended December 31, 2021		Liabilities		
	Note	Green Bonds	Convertible Notes	Lease Liability
Balance as at January 1, 2021		$ 8,906,325	$ 1,608,122	$ –
Changes from financing cash flows				
Proceeds from issuance of Green Bonds, net	10	9,607,982	–	–
Repayment		–	–	(15,470)
Total changes from financing cash flows		9,607,982	–	(15,470)
Other changes				
Issuance of agent warrants – Green Bond offering	10	(7,111)	–	–
New lease	8	–	–	97,356
Amortization of financing costs		195,288	205,520	4,830
Total liability-related other changes		188,177	205,520	102,186
Balance as at December 31, 2021		$18,702,484	$ 1,813,642	$ 86,716

Year ended December 31, 2020		Liabilities		
	Note	Green Bonds	Convertible Notes	Convertible Note
Balance as at January 1, 2020		$ –	$ –	$ 487,914
Changes from financing cash flows				
Proceeds from issuance of Green Bonds, net	10	9,082,059	1,524,647	–
Total changes from financing cash flows		9,082,059	1,524,647	–
Other changes				
Issuance of agent warrants – Green Bond offering	10	(221,926)	–	–
Equity component of 2020-Convertible Notes	11(a)	–	(87,000)	–
Conversion of the 2018-Convertible Note	11(b)	–	–	(503,538)
Amortization of financing costs		46,192	170,475	15,624
Total liability-related other changes		(175,734)	83,475	(487,914)
Balance as at December 31, 2020		$ 8,906,325	$ 1,608,122	$ –

(Expressed in Canadian Dollars, unless otherwise stated)

4 . SECURED LOANS AND ROYALTY INTERESTS

	Note	December 31, 2021	December 31, 2020
Secured Loans – Amortized Cost			
Jade Power Trust	4(b)	$ –	$ 1,749,603
OntarioCo	4(d)	–	5,283,659
Scotian Windfields	4(e)	–	3,156,323
Switch Power	4(f)	5,824,772	–
Teichos Energy	4(g)	171,264	–
FuseForward Solutions	4(h)	3,022,877	–
		9,018,913	10,189,585
Secured Loans – FVTPL			
Aeolis Wind Power Corporation	4(a)	1,049,041	1,143,161
Royalty Interests			
Jade Power Trust	4(b)	589,819	631,949
OntarioCo	4(d)	276,737	293,733
Northland Power Inc.	4(c)	1,538,070	1,668,970
Scotian Windfields	4(e)	1,414,787	1,510,703
Switch Power	4(f)	276,226	–
Teichos Energy	4(g)	1	–
		4,095,640	4,105,355
Total		$14,163,594	$15,438,101
Non-current portion		$13,889,390	$ 8,302,723
Current portion		274,204	7,135,378
Total		$14,163,594	$15,438,101

(Expressed in Canadian Dollars, unless otherwise stated)

The continuity schedules for secured loans for the year ended December 31, 2021 and 2020 are as follows:

Secured Loans	Note	Jade Power Trust 4(b)	OntarioCo 4(d)	Scotian Windfields 4(e)	Switch Power 4(f)	Teichos Energy 4(g)	FuseForward Solutions 4(h)	Total
Balance at January 1, 2021		$ 1,749,603	$ 5,283,659	$ 3,156,323	$ –	$ –	$ –	$ 10,189,585
Fair value at initial recognition		–	–	–	5,584,710	100,033	3,000,000	8,684,743
Transaction cost			–	–	88,001	5,635	–	93,636
Accretion and accrued interest		–	342,368	225,187	152,061	64,501	22,877	806,994
Gain on derecognition of financial asset		–	–	129,417	–	–	–	129,417
Cash payments received		(1,749,603)	(5,626,027)	(3,510,927)	–	–	–	(10,886,557)
Foreign currency revaluation adjustment		–	–	–		1,095	–	1,095
Balance at December 31, 2021		$ –	$ –	$ –	$ 5,824,772	$171,264	$ 3,022,877	$ 9,018,913
Balance at January 1, 2020		$ 3,784,268	$ 5,074,789	$ –	$ –	$ –	$ –	$ 8,859,057
Fair value at initial recognition		–	–	3,028,918	–	–	–	3,028,918
Accretion and accrued interest		251,532	548,156	281,608	–	–	–	1,081,296
Capitalization of expenses/fees		346,758	–	–	–	–	–	346,758
Cash payments received		(2,632,955)	(250,000)	(154,203)	–	–	–	(3,037,158)
Adjustment upon refinancing		–	(89,286)	–	–	–	–	(89,286)
Balance at December 31, 2020		$ 1,749,603	$ 5,283,659	$ 3,156,323	$ –	$ –	$ –	$ 10,189,585

The continuity schedules for royalty interests for the year ended December 31, 2021 and 2020 are as follows:

Royalty Interests	Cost			Depletion			
	Beginning Balance	Additions/ (Disposal)	Ending Balance	Beginning Balance	Charge for the year	Ending Balance	Carrying Amount
Year ended December 31, 2021							
Jade Power	$ 800,444	$ –	$ 800,444	$ 168,495	$ 42,130	$ 210,625	$ 589,819
Northland	1,871,864	–	1,871,864	202,894	130,900	333,794	1,538,070
OntarioCo	316,559	–	316,559	22,826	16,996	39,822	276,737
Scotian Windfields	1,598,626	–	1,598,626	87,923	95,916	183,839	1,414,787
Switch Power	–	282,015	282,015	–	5,789	5,789	276,226
Teichos Energy	–	1	1	–	–	–	1
Total	$ 4,587,493	$ 282,016	$ 4,869,509	$ 482,138	$ 291,731	$ 773,869	$ 4,095,640
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 by Belltown in September 2020 (note 4(i)).

(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). Fair value was determined by discounting future cash flows using annual discount rates (in the range of 4.98% - 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 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.

(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 Development Projects are expected to be operational between the summer of 2022 and the summer of 2023. 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 a residual value of $282,015 derived by subtracting the fair value of the Switch Loans from the aggregate amount of cash advances under to the Switch Loans was allocated to the Switch Power royalty.

(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 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 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. In April 2022, Teichos Energy provided notice to the Company that it will extend the Teichos Loan by an additional 6 months. Accordingly, the Jackson Center Royalty has increased from 1% to 1.5% 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.

(i) 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).

5. INVESTMENT IN AN ASSOCIATE

In February 2018, the Company's US affiliate (RER US, note 2(m)), entered into an equity purchase transaction with Alpin Sun GmbH ("Alpin Sun"), whereby RER US acquired a 50% interest in a portfolio of four separate advanced stage development solar projects in Texas, totaling 332 MW (the "Projects"). The ultimate goal of both RER US and Alpin Sun is to develop the Projects to the point where they are ready to build, and then to sell the Projects to a third party to build and operate.

The total investment commitment for the 50% equity investment in the Projects is for US$5 million (the "Texas Investment"). The Company contributed US$1 million ("RER Investment") with the remaining investment commitment contributed by a consortium of private investors. The Texas Investment is structured as a US limited liability company (the "Project Entities"), RER US, which holds the 50% interest in the Projects. The Company is the manager of RER US. In addition to owning a portion of RER US's 50% ownership in the Projects, the Company will also receive 50% of a 2% Gross Revenue Royalty payable to RER US for a period of twenty years.

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

Upon execution of the Sale Agreements, RER US derecognized its investment in the underlying two Project Entities. However, as of December 31, 2018, RER US had recognized only the Down Payment and had deferred the recognition of the Contingent Payments to be recognized upon completion of the related milestones, which milestones have been delayed. Accordingly, during the year ended December 31, 2018, RER US recorded a loss of US$1,171,300, representing the difference between the aggregate carrying amount of its investment in the two jointly controlled entities and the Down Payment received. As of the date of issuance of these Financial Statements, no Contingent Payment was received by RER US.

Prior to the execution of the Sale Agreements, the Company's royalty interest in the underlying projects was bought-out for US$300,000, which amount was received by the Company in January 2020.

RER US currently retains 50% ownership interest in two of the Texas Projects. An analysis was completed in October 2020 and the proposed interconnection cost estimates, including the estimates for cost of system upgrades, for the projects as determined by the analysis were significantly higher than expected. RER US and Alpin Sun have decided to not to proceed with securing interconnection. The land lease options for the projects expired in 2021 and the Company and Alpin Sun decided not to extend the options.

In December 2020, RER US wrote down the carrying amount of its ownership interests in respective Project Entities that own the Existing Texas Projects. The Company has recognized its share of loss of RER US that includes that the write-down. Consequently, the Company's investment in RER US is carried at a nominal value of $1 at December 31, 2020.

During the year ended December 31, 2021, RER US recorded a net loss and a comprehensive loss of $15,000 (December 31, 2020 – $2,370,000), of which $nil (December 31, 2020 – $554,394), representing the Company's share, was recorded in these Financial Statements. RER US did not record any revenue or other comprehensive income or loss during the year ended December 31, 2021 or 2020.

During the year ended December 31, 2021, the Company recorded cost recoveries of $nil relating to the Company's management of activities of RER US (December 31, 2020 – $16,974).

6 . 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.

(Expressed in Canadian Dollars, unless otherwise stated)

7 . AMOUNTS RECEIVABLE AND PREPAID EXPENSES

	Note	December 31, 2021	December 31, 2020
Accrued revenue		$ 367,643	$ 202,097
Other receivable from RER US	5	–	82,617
Prepaid expenses		41,626	19,427
Green Bonds interest reserve account		304,980	163,560
Other amounts receivable		38,468	–
Total		$ 752,717	$ 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	Year ended December 31, 2021	2020
Beginning balance	$ –	$ –
Addition during the year	97,356	–
Depreciation expense during the year (included in office lease expenses)	(12,981)	–
Ending balance	$ 84,375	$ –

Lease liability	Year ended December 31, 2021	2020
Beginning balance	$ –	$ –
Addition during the year	97,356	–
Interest expense (included in finance expenses)	4,830	–
Lease payments during the year	(15,470)	–
Ending balance	$ 86,716	$ –
Long-term portion	$ 71,744	$ –
Short-term portion	14,972	–
Ending balance	$ 86,716	$ –

9 . TRADE PAYABLES AND ACCRUED LIABILITIES

	December 31, 2021	December 31, 2020
Accounts payable	$ 161,846	$ 80,533
Accrued liabilities	24,218	8,000
	$ 186,064	$ 88,533

(Expressed in Canadian Dollars, unless otherwise stated)

10 . GREEN BONDS

5-Year – 6% – Senior Secured Green Bonds	Year ended December 31, 2021	Year ended December 31, 2020
Beginning balance	$ 8,906,325	$ –
Gross proceeds	10,586,400	9,802,000
Cash commission and finder's fees	(627,904)	(389,480)
	9,958,496	9,412,520
Other financing costs		
Legal and professional fees	(350,514)	(330,461)
Fair value of warrants issued (note 12(b))	(7,111)	(221,926)
	(357,625)	(552,387)
Amortization of financing costs	195,288	46,192
Ending balance	$18,702,484	$ 8,906,325

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.

Gross Proceeds from Issuance of Green Bonds		Total		Year ended	Year ended
		Canadian	US	December 31,	December 31,
Issuance Date	Maturity Date	Dollars	Dollars	2021	2020
Series 1					
October 2, 2020	October 2, 2025	$ 5,452,000	US$ –	$ –	$ 5,452,000
October 29, 2020	October 29, 2025	2,066,000	–	–	2,066,000
December 15, 2020	December 15, 2025	2,284,000	–	–	2,284,000
March 1, 2021	March 1, 2026	364,000	–	364,000	–
		10,166,000	–	364,000	9,802,000
Series 2					
December 30, 2021	December 30, 2026	5,166,000	–	5,166,000	–
December 30, 2021	December 30, 2026	–	4,000,000	5,056,400	–
		5,166,000	4,000,000	10,222,400	–
		$15,332,000	US$4,000,000	$10,586,400	$ 9,802,000

Between October 2, 2020 and March 1, 2021, the Company issued 10,166 Green Bonds in four tranches pursuant to the Series 1 Green Bond offering, under available exemptions from the prospectus requirement, including the offering memorandum exemption.

On December 30, 2021, the Company closed a brokered private placement of Series 2-Green Bonds, issuing 5,166 Green Bonds denominated in Canadian Dollars and 4,000 Green Bonds denominated in (US$1,000) United States dollars.

11 . CONVERTIBLE NOTES

(a) 2020 Unsecured Convertible Notes

	Year ended December 31, 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	205,520	168,775
Ending balance	$ 1,813,642	$ 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 the Company's Common Shares 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.

(Expressed in Canadian Dollars, unless otherwise stated)

12 . SHARE CAPITAL

(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) Reserves

Equity-settled share-based payments reserve

The Company's stock option compensation plan (the "Option Plan") allows it to grant options exercisable to acquire up to a total of 10% of the issued and outstanding shares of the Company at any one time, subject to regulatory terms and approval, to its directors, officers, employees, consultants, and service providers. The exercise price of each option may be set equal to or greater than the closing market price of the Common Shares of the Company on the day prior to the date of the grant of the option, less any allowable discounts. Awards typically vest in several tranches ranging from 6 months to 18 months. Options can have a maximum term of ten years and terminate 60 days following the termination of the optionee's employment, or 180 days following the optionee's death or disability.

Continuity of share purchase options	Year ended December 31, 2021			Year ended December 31, 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	–	$	–
Expired	–	$	–	(50,000)	$	0.80
Options exercised	–	$	–	(115,000)	$	(0.83)
Outstanding Options – ending balance	2,645,000	$	1.10	1,195,000	$	0.82
Options Exercisable – ending balance	2,161,675	$	1.05	1,195,000	$	0.82
Weighted-average share price at the date of options exercised		$	–		$	1.46

(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%.

(Expressed in Canadian Dollars, unless otherwise stated)

Remaining contractual life of share purchase options	December 31, 2021		December 31, 2020	
Exercise price	Number of Options	Weighted average remaining contractual life	Number of Options	Weighted average remaining contractual life
$ 0.80	1,060,000	0.82	1,060,000	1.82
$ 1.00	135,000	1.95	135,000	2.95
$ 1.32	1,450,000	3.61	–	–
	2,645,000	2.41	1,195,000	1.95

Share purchase warrant reserve

The continuity of the Company's share purchase warrants for the ended December 31, 2021 is as follows:

Expiry date		Exercise price	January 1, 2021	Warrants issued	Warrants exercised	Warrants expired	December 31, 2021
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 (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.

(Expressed in Canadian Dollars, unless otherwise stated)

(c) Distribution to shareholders

The Company declared the following cash distributions to its shareholders:

Declaration date	Record date	Payment date	Amount Per share	Amount Total
Year ended December 31, 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
October 28, 2021	November 17, 2021	December 8, 2021	0.01	332,899
		Total	$ 0.04	$ 1,331,596
Year ended December 31, 2020				
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

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

13 . FINANCE EXPENSES

	Year ended December 31, 2021	Year ended December 31, 2020
Finance expenses relating to the Green Bonds (note 10)		
Interest expense	$ 609,709	$ 109,389
Amortization of capitalized finance costs and other expenses	205,500	46,192
	815,209	155,581
Finance expenses relating to the 2020-Convertible Note (note 11(a))		
Interest expense	140,532	119,881
Accretion	28,638	22,333
Amortization of capitalized finance costs and other expenses	36,350	26,561
	205,520	168,775
Finance expenses relating to the 2018-Convertible Note (note 11(b))		
Interest expense	–	29,740
Accretion	–	12,085
	–	41,825
Interest on lease liability (note (8))	4,830	–
Total	$ 1,025,559	$ 366,181

(Expressed in Canadian Dollars, unless otherwise stated)

14 . RELATED PARTY TRANSACTIONS

Transactions relating to the Company's interest in an associate, RER US, are disclosed in Note 5.

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

Transactions with KMP were as follows:

	Year ended December 31,	
Remuneration for services rendered	2021	2020
Short-term employment benefits (i)	$ 343,000	$ 405,000
Share-based compensation	662,000	–
Total	$ 1,005,000	$ 405,000

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

15 . BASIC AND DILUTED LOSS 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 year. 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. 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.

16 . INCOME TAXES

(a) Provision for current tax

No provision has been made for current income taxes, as the Company has no taxable income.

(b) Provision for deferred tax and reconciliation of effective tax rate

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized.

	Year ended December 31,	
	2021	2020
Net loss for the year	$ 2,130,024	$ 446,653
Total income tax expense	–	–
Net loss for the year, excluding income tax	$ 2,130,024	$ 446,653
Income tax recovery using the Company's tax rate	$ (575,000)	$ (121,000)
Non-deductible expenses and other	487,000	375,000
Change in unrecognized temporary differences	88,000	(254,000)
Total	$ –	$ –

	2021	2020
Statutory tax rate	27%	27%
Effective tax rate	Nil	Nil

	2021	2020
Deferred Income Tax Assets (Liabilities)		
Deferred income tax assets with respect to tax losses	$ 931,000	$ 568,000
Deferred income tax liabilities with respect to secured loans, royalty interests, 2020-Convertible Notes, and Green Bonds	(931,000)	(568,000)
Net deferred tax asset (liability)	$ –	$ –

	At December 31,	
	2021	2020
Unused non-capital loss carry forwards	$ 4,342,000	$ 3,084,000

As at December 31, 2021, the Company had the following tax losses and other temporary differences for which no deferred tax asset was recognized:

Expiry	Tax Losses	Other
Within 1 year	$ –	$ –
1 to 5 years	–	1,328,000
After 5 years	1,231,000	1,243,000
No expiry date	–	420,000
Total	$ 1,231,000	$ 2,991,000

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.

(Expressed in Canadian Dollars, unless otherwise stated)

(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:

December 31, 2021		Contractual Cash Flows(i)			
	Carrying Amount	Total	Less than 12 months	Between 1 - 3 years	Between 4 - 5 years
Green Bonds(ii)	$18,702,484	$25,789,090	$ 1,223,304	$ 2,446,608	$22,119,178
Convertible notes	1,813,642	2,062,370	–	2,062,370	–
Lease liability (note 8)	86,716	102,638	21,271	49,187	32,180
Trade payables and accrued liabilities	186,064	186,064	186,064	–	–
Total	$20,788,906	$28,140,162	$ 1,430,639	$ 4,558,165	$22,151,358

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

(ii) Contractual cash flows relating to the US Dollar-denominated Green Bonds are converted into the reporting currency based on the exchange rate as of the reporting date.

(c) Foreign exchange risk

The Company is exposed to foreign currency risk in respect of its US Dollar-denominated cash is summarized as follows:

		December 31, 2021		December 31, 2020	
	Note	US Dollars	Canadian Dollars	US Dollars	Canadian Dollars
Cash	3	$ 6,070,079	$ 7,673,187	$ 303,503	$ 386,542
Secured Loan - Teichos Loan	4	135,483	171,264	–	–
		6,205,562	7,844,451	303,503	386,542
Green Bonds	10	(4,000,000)	(5,056,400)	–	–
Net exposure		$ 2,205,562	$ 2,788,051	$ 303,503	$ 386,542
<u>Sensitivity</u>					
Decrease in net loss with a 10% increase in the value of the U.S. dollar relative to the Canadian dollar			$ 279,000		$ 39,000

(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 variable 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 $15,000 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) debt, comprising the 2020-Convertible Notes and the 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)).

The Green Bond indenture also requires the Company to maintain, subject to a cure period, a minimum debt coverage ratio ("Debt Coverage Ratio") as determined pursuant to the Indenture by dividing its quarterly earnings, before certain items such as interest, taxes, depreciation, amortization, and extraordinary items, by total interest expenses for a fiscal quarter.

As of December 31, 2021, the Company was in compliance with all debt covenants.

During the third quarter of the Company’s 2021 fiscal year, while the Company was in the process of closing several royalty based investment transactions, the Debt Coverage Ratio was not achieved, but there was no event of default as the breach was cured in the subsequent (fourth) quarter as a result of an increase in the Company’s income following the closing of various royalty based investment transactions and a decrease in expenses.

(Expressed in Canadian Dollars, unless otherwise stated)

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:

			Amount	
Declaration date	Record date	Payment date	Per share	Total
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
		Total	$ 0.02	$ 665,798

(b) Investment on Renewable Natural Gas Project in Wisconsin

In March 2022, the Company announced that it had entered into a mezzanine financing 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.

The Company provided a US$4.6 million ($5.7 million) secured loan (the "OCEP Loan") for three years. The OCEP Loan has an interest rate of 13.5% per annum. During the first two years of the term, the Company will receive interest only, and during the third and final year of the them, the OCEP Loan will be amortized over a year. The Company will also receive a fixed annual royalty payment of 4% of invested capital for 10 years upon repayment of the OCEP Loan.

(c) Switch Power Final Advance

In March 2022, after the end of the reporting period, pursuant to the EP Loan agreement (note 4(f)), the second and final cash advance of $1.5 million was provided.

(d) Investment in Nomad Transportable Power Systems

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 during the term of the NOMAD Loan.

(e) Launching of $10 Million Marketed Offering

On April 25, 2022, the Company announced the launching of a best efforts marketed public offering of units, of up to 12,200,000 Units (the "Units") for gross proceeds of up to $10 Million (the "Offering").

Each Unit will be priced at $0.82 and consist of one (1) common share in the capital of the Company (each a "Common Share" and collectively, the "Common Shares"), and one (1) common share purchase warrant (each a "Warrant" and collectively, the "Warrants"). Each Warrant will be exercisable into one (1) Common Share in the capital of the Company (each a "Warrant Share" and collectively, the "Warrant Shares') at an exercise price of $1.10 per Warrant Share for a period of twenty-four (24) months following the closing of the Offering.

The closing of the Offering is subject to satisfaction of customary closing conditions, including, but not limited, the receipt of all necessary approvals, including the conditional approval of the TSX Venture Exchange Inc. (the "TSXV") and other necessary regulatory approvals.