



RE ROYALTIES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2020 AND 2019

(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, 2020 and 2019, 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("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
April 30, 2021

RE Royalties Ltd.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	December 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Secured loans and royalty interests	4	\$ 8,302,723	\$ 7,492,267
Investment in an associate	5	1	563,770
		8,302,724	8,056,037
Current assets			
Secured loans and royalty interests	4	7,135,378	5,173,483
Amounts receivable and prepaid expenses	6	467,701	862,854
Cash and cash equivalents and restricted cash	3	11,704,731	4,048,057
		19,307,810	10,084,394
TOTAL ASSETS		\$ 27,610,534	\$ 18,140,431
EQUITY			
Share capital	10	\$ 23,159,638	\$ 22,241,137
Reserves	10	871,649	632,219
Accumulated deficit		(7,023,733)	(5,279,574)
		17,007,554	17,593,782
LIABILITIES			
Non-current liabilities			
Green Bonds	8	8,906,325	-
Convertible notes	9	1,608,122	-
		10,514,447	-
Current liabilities			
Convertible note	9	-	487,914
Trade payables and accrued liabilities	7	88,533	58,735
		88,533	546,649
Total liabilities		10,602,980	546,649
TOTAL EQUITY AND LIABILITIES		\$ 27,610,534	\$ 18,140,431

Events after the reporting period (note 4(b)) and (note 16)

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 April 28, 2021 and are signed on the Company's behalf by the following:

/s/ Bernard Tan

Bernard Tan
Director

/s/ Rene Carrier

Rene Carrier
Director

RE Royalties Ltd.

Consolidated Statements of Comprehensive Loss

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

	Note	Year ended December 31,	
		2020	2019
Revenue and income			
Royalty revenue	4	\$ 750,792	\$ 367,902
Income from royalty buyout	4(f)	431,015	-
Finance income	4	1,189,394	1,012,277
		2,371,201	1,380,179
Amortization and depletion			
Amortization of transaction cost	4	7,521	164,916
Depletion of royalty interest	4	277,546	123,146
		(285,067)	(288,062)
Gross profit		2,086,134	1,092,117
Gain on revaluation of financial asset at FVTPL	4(a)	156,199	72,406
Gross profit and changes in fair value of financial assets		2,242,333	1,164,523
Expenses/(recoveries)			
Rent and information technology		76,500	59,062
Legal		23,512	2,446
Regulatory		45,503	29,792
Audit and audit related fees		112,519	75,908
Administration		307,432	242,225
Donations		75,000	51,000
Marketing and stakeholder communication		259,493	230,914
Consulting – Financing		159,047	67,022
Consulting – Other		197,807	-
Wages and benefits		532,977	489,110
Equity-settled share-based payments	10	9,842	94,993
Cost recoveries	5	(16,974)	(69,212)
		(1,782,658)	(1,273,260)
Other items			
Finance expenses	11	366,181	47,971
Share of loss of an associate	5	554,394	51,917
Foreign exchange (gain) loss		(14,247)	203,439
		(906,328)	(303,327)
Net loss		\$ (446,653)	\$ (412,064)
Other comprehensive loss			
Items that may be subsequently reclassified to net income			
Foreign exchange translation difference	5	(9,375)	(35,151)
Total other comprehensive loss		(9,375)	(35,151)
Total comprehensive loss		\$ (456,028)	\$ (447,215)
Basic and diluted loss per share	13	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	13	32,499,979	32,157,696

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)

	Note	Share capital		Reserves			Accumulated deficit	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, 2019		32,111,889	\$ 22,181,863	\$ 433,190	\$ 54,300	\$ 26,911	\$ 99,400	\$ (3,902,368)	\$ 18,893,296
Net loss		-	-	-	-	-	-	(412,064)	(412,064)
Other comprehensive loss		-	-	-	-	-	(35,151)	-	(35,151)
Total comprehensive loss		-	-	-	-	-	(35,151)	(412,064)	(447,215)
Equity-settled share-based payments	10(b)	-	-	94,993	-	-	-	-	94,993
Distribution to shareholders	10(c)	-	-	-	-	-	-	(965,142)	(965,142)
Issuance of common shares upon warrants exercised at \$0.30	10(b)	59,500	59,274	-	(41,424)	-	-	-	17,850
Balance at December 31, 2019		32,171,389	\$ 22,241,137	\$ 528,183	\$ 12,876	\$ 26,911	\$ 64,249	\$ (5,279,574)	\$ 17,593,782
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)
Equity-settled share-based payments	10(b)	-	-	9,842	-	-	-	-	9,842
Distribution to shareholders	10(c)	-	-	-	-	-	-	(1,297,506)	(1,297,506)
Issuance of the 2020-Convertible Notes - equity component	9(a)	-	-	-	-	87,000	-	-	87,000
Conversion of the 2018-Convertible Note into shares	9(b)	503,538	503,538	-	-	-	-	-	503,538
Reallocation of reserve upon conversion of the 2018-Convertible Note	9(b)	-	26,911	-	-	(26,911)	-	-	-
Fair value of warrants issued pursuant to the Green Bond offering	8 & 10(b)	-	-	-	221,926	-	-	-	221,926
Shares issued upon exercise of warrants	10(b)	500,000	250,000	-	-	-	-	-	250,000
Reallocation of reserve upon exercise of warrants	10(b)	-	5,000	-	(5,000)	-	-	-	-
Shares issued upon exercise of options	10(b)	115,000	95,000	-	-	-	-	-	95,000
Reallocation of reserve upon exercise of options	10(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

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

RE Royalties Ltd.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Note	Year ended December 31,	
		2020	2019
Operating activities			
Net loss		\$ (446,653)	\$ (412,064)
Adjustments for:			
Income from royalty buyout		(431,015)	-
Amortization of transaction costs		7,521	164,916
Depletion of royalty interests		277,546	123,146
Interest received, net of accretion and accrued interest on secured loans		287,019	(463,303)
Gain on revaluation of financial asset at FVTPL		(156,199)	(72,406)
Finance expenses		366,176	47,971
Equity-settled share-based payments		9,842	94,993
Share of loss of an associate		554,394	51,917
Exchange loss upon reclassification of restricted cash		-	81,480
Unrealized exchange loss on cash held		14,900	73,120
Changes in working capital items:			
Amounts receivable and prepaid expenses		395,154	(324,499)
Trade payables and accrued liabilities		29,798	(443,919)
Cash provided by (used in) operating activities		908,483	(1,078,648)
Investing activities			
Restricted cash	4(f)	-	3,738,000
Acquisition of royalty interests and secured loan	4	(4,627,545)	(6,871,864)
Proceeds from repayment of secured loan	4(b)	1,314,563	57,413
Proceeds from buyout of royalty interests	4(b) & (f)	451,915	-
Proceeds from repayment of secured loan at FVTPL	4(a)	103,843	102,703
Cash distribution received from an associate	5	-	294,580
Deferred transaction costs		-	6,650
Cash used in investing activities		(2,757,224)	(2,672,518)
Financing activities			
Proceeds from the Green Bonds offering, net of costs	8	9,082,059	-
Proceeds from exercise of warrants	10(b)	250,000	17,850
Proceeds from exercise of options	10(b)	95,000	-
Proceeds from issuance of convertible notes, net of costs	9	1,524,647	-
Cash distribution to shareholders	10(c)	(1,297,506)	(965,142)
Interest paid		(133,885)	(40,272)
Cash provided by (used in) financing activities		9,520,315	(987,564)
Increase (Decrease) in cash and cash equivalents		7,671,574	(4,738,730)
Effects of exchange rate fluctuations on cash held		(14,900)	(73,120)
Cash and cash equivalents, opening balance		4,048,057	8,859,907
Cash and cash equivalents, closing balance		\$ 11,704,731	\$ 4,048,057

Supplemental cash flow information (note 3)

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

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(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 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, 2020 and 2019. 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, 2020.

(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.

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

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 9); and
- Inputs into the Black-Scholes model for options (note 10);

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).

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

(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
Loan receivable from Aeolis Wind Power Corporation	4(a)	FVTPL
Loan receivable from Jade Power Trust	4(b)	Amortized cost
Loan receivable from OntarioCo	4(d)	Amortized cost
Loan receivable from Scotian Windfields	4(e)	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.

Financial liabilities measured at amortized cost is comprised of trade payable and accrued liabilities, short-term loan, and the liability portion of the convertible note.

The Company has no derivative financial liabilities.

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

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.

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

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 using the straight line method.

(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.

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

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.

Outlined below is information related to the Company's investments in associates as at December 31, 2020:

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.

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

(n) 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:

	Royalty Revenue	Income from Royalty Buyout	Finance Income	Total
Year ended December 31, 2020				
Europe	\$ 112,173	\$ 25,858	\$ 330,191	\$ 468,222
North America	638,619	405,157	859,203	1,902,979
Total	\$ 750,792	\$ 431,015	\$ 1,189,394	\$ 2,371,201
Year ended December 31, 2019				
Europe	\$ 121,000	\$ -	\$ 465,084	\$ 586,084
North America	246,902	-	547,193	794,095
Total	\$ 367,902	\$ -	\$ 1,012,277	\$ 1,380,179

At December 31, 2020 and 2019, except for the royalty interest in renewable assets in Romania (note 4(b)) all of the Company's non-current non-financial assets were held in Canada.

3 . CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Note	December 31, 2020	December 31, 2019
Components of cash and cash equivalents and restricted cash:			
Cash held in business accounts			
Denominated in Canadian Dollars		\$11,318,189	\$ 784,050
Denominated in US Dollars		386,542	3,264,007
Total		\$11,704,731	\$ 4,048,057

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

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.	8	\$ 9,082,059	\$ -
---	---	--------------	------

	Year ended December 31,	
	2020	2019
Interest received		
Interest received on secured loans classified in operating activities	\$ 1,446,974	\$ 365,132
Interest on cash and cash equivalents and restricted cash classified in operating activities	29,439	183,842
Total	\$ 1,476,413	\$ 548,974

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

	Note	Year ended December 31,	
		2020	2019
Non-cash financing activities			
Settlement of the 2018-Convertible Note through issuance of equity	9	\$ 503,538	\$ -
Agent and other warrants issued pursuant to the Green Bonds offering	8	\$ 221,926	\$ -

A reconciliation of liabilities arising from financing activities during the year ended December 31, 2020 is as follows:

Year ended December 31, 2020	Note	Beginning Balance	Cash Flows	Equity (i)	Accretion/ Amortization	Ending Balance
Non-current liabilities						
Green Bonds	8	\$ -	\$ 9,082,059	\$ (221,926)	\$ 46,192	\$ 8,906,325
Convertible notes	9(a)	-	1,524,647	(87,000)	170,475	1,608,122
Current liabilities						
Convertible note	9(b)	487,914	-	(503,538)	15,624	-
Total liabilities		\$ 487,914	\$10,606,706	\$ (812,464)	\$ 232,291	\$10,514,447

(i) These amounts are described, in the order they are listed in the table above, as follows: the fair value of Agent and other warrants issued pursuant to the Green Bond offering (note 8); the amount allocated of the 2020-Convertible Notes (note 9(a)) to its equity component; the carrying amount of the 2018-Convertible Note (note 9(b)) transferred to equity upon conversion thereof into the Company's common shares.

[The remainder of this page is intentionally left blank]

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

4 . SECURED LOANS AND ROYALTY INTERESTS

	Note	December 31, 2020	December 31, 2019
Secured Loans – Amortized Cost			
Jade Power Trust	4(b)	\$ 1,749,603	\$ 3,784,268
OntarioCo	4(d)	5,283,659	5,074,789
Scotian Windfields	4(e)	3,156,323	-
		10,189,585	8,859,057
Secured Loans – FVTPL			
Aeolis Wind Power Corporation	4(a)	1,143,161	1,090,805
Royalty Interest			
Jade Power Trust	4(b)	631,949	696,373
Northland Power Inc.	4(c)	1,668,970	1,799,869
OntarioCo	4(d)	293,733	219,645
Scotian Windfields	4(e)	1,510,703	-
Belltown	4(f)	-	1
		4,105,355	2,715,888
		\$15,438,101	\$12,665,750
Non-current portion		\$ 8,302,723	\$ 7,492,267
Current portion		7,135,378	5,173,483
Total		\$15,438,101	\$12,665,750

The continuity schedules for secured loans for the year ended December 31, 2020 and 2019 are as follows:

Secured Loans	Jade Power	OntarioCo	OntarioCo	Scotian	Total
For the year ended December 31, 2020	Trust	(2019-Loan)	(2020-Loan)	Windfields	
Note	4(b)	4(d)	4(d)	4(e)	
Loan					
Beginning balance	\$ 3,776,747	\$ 5,074,789	\$ -	\$ -	\$ 8,851,536
Fair value at initial recognition	-	-	4,910,714	3,028,918	7,939,632
Accretion and accrued interest	259,053	175,211	372,945	281,608	1,088,817
Capitalization of expenses/fees	346,758	-	-	-	346,758
Cash payments received	(2,632,955)	(250,000)	-	(154,203)	(3,037,158)
Loan refinanced	-	(5,000,000)	-	-	(5,000,000)
	\$ 1,749,603	\$ -	\$ 5,283,659	\$ 3,156,323	\$ 10,189,585
Transaction cost					
Beginning balance	\$ 7,521	\$ -	\$ -	\$ -	\$ 7,521
Amortization	(7,521)	-	-	-	(7,521)
	\$ -	\$ -	\$ -	\$ -	\$ -
Carrying amount	\$ 1,749,603	\$ -	\$ 5,283,659	\$ 3,156,323	\$ 10,189,585

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

Secured Loans		Jade Power	OntarioCo	Belltown	Total
For the year ended December 31, 2019	Note	4(b)	(2019-Loan) 4(d)	4(f)	
Loan					
Beginning balance		\$ 3,596,662	\$ -	\$ 57,386	\$ 3,654,048
Fair value at initial recognition		-	4,772,734	-	4,772,734
Accretion and accrued interest		465,085	302,055	61,295	828,435
Cash payments received		(285,000)	-	(118,681)	(403,681)
		\$ 3,776,747	\$ 5,074,789	\$ -	\$ 8,851,536
Transaction cost					
Beginning balance		\$ 154,164	\$ -	\$ 24,947	\$ 179,111
Cost recovery		-	-	(6,674)	(6,674)
Amortization		(146,643)	-	(18,273)	(164,916)
		\$ 7,521	\$ -	\$ -	\$ 7,521
Carrying amount		\$ 3,784,268	\$ 5,074,789	\$ -	\$ 8,859,057

The continuity schedules for royalty interests for the year ended December 31, 2020 and 2019 are as follows:

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

	Cost			Depletion			
	Beginning Balance	Additions	Ending Balance	Beginning Balance	Charge for the Year	Ending Balance	Carrying Amount
Year ended December 31, 2019							
Jade Power	\$ 826,944	\$ -	\$ 826,944	\$ 87,047	\$ 43,524	\$ 130,571	\$ 696,373
Northland	-	1,871,864	1,871,864	-	71,995	71,995	1,799,869
OntarioCo	-	227,272	227,272	-	7,627	7,627	219,645
Belltown(i)	-	1	1	-	-	-	1
Total	\$ 826,944	\$ 2,099,137	\$ 2,926,081	\$ 87,047	\$ 123,146	\$ 210,193	\$ 2,715,888

(i) The Company retained a 1% gross revenue royalty interest in the Rippey Project that was carried at a nominal value in these Financial Statements before it was bought back in September 2020 (note 4(f)).

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

(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 4.62% - 5.47%) 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.

Jade Power Loan

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 (the "Capitalized Items") 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 after the end of the reporting period in January 2021.

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

Jade Power Royalty

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. The Jade Power Royalty is payable to the Company for twenty years, including the years that the Jade Power Loan is outstanding. The Jade Power Royalty is paid in Canadian dollars at the prevailing Euro exchange rate at the time payment is due. The Jade Power Royalty is calculated based on gross revenues earned on three operational hydro projects (5.1MW), two operational solar projects (16.6MW) and one operational wind project (17MW).

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. Moreover, the Company released its royalty interest in a non-operational hydro project in the Jade Power Royalty Portfolio for a consideration of \$46,758, which is included in the Capitalized Items.

The gross revenue for the purpose of the Jade Power Royalty is equal to the sum of all revenues in the fiscal year recognized by Jade Power with respect to the applicable projects, calculated in a consistent basis and in accordance with IFRS, in respect of:

- a) the sale of electricity energy;
- b) the sale of green certificates (or equivalent renewable incentive credits);
- c) any insurance proceeds received as a result of business interruption; and
- d) any liquidated damages.

Upon initial recognition, the Company recorded the Jade Power Loan at its fair value and the Jade Power Royalty interest at residual value derived by subtracting the fair value of the Jade Power Loan from the initial investment of \$3.8 million. The transaction cost has been allocated to the two components in the ratio of the values assigned upon initial recognition.

(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.

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

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 a annual discount rate of 12%.

(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.

(f) *Belltown*

In December 2018, the Company entered into a loan agreement for US\$2.8 million with a subsidiary of Belltown Power Texas, LLC ("Belltown") whereby the Company provided \$57,386 (US\$42,050) in a cash advance to Belltown and a US\$2.76 million letter of credit for up to one year on behalf of Belltown, in order for Belltown to post certain collateral for grid connection for the 78 MW 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.

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

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 at this point in time.

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.

	December 31, 2020	December 31, 2019
Non-current assets	\$ -	\$ 2,415,000
Current assets	271,000	528,000
Total	\$ 271,000	\$ 2,943,000
Net assets	\$ 7,000	\$ 2,306,000
Current liabilities	264,000	637,000
Total	\$ 264,000	\$ 2,943,000

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

During the year ended December 31, 2020, RER US recorded a net loss and a comprehensive loss of \$2,370,000 (December 31, 2019 – \$219,000), of which \$554,394 (December 31, 2019 – \$51,917), 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, 2020 or 2019.

During the year ended December 31, 2019, the Company received a cash distribution of US\$220,000 (\$294,580) from RER US that was designated as return of capital. No distribution from RER US was received during the year ended December 31, 2020.

During the year ended December 31, 2020, the Company recorded cost recoveries of \$16,974 relating to the Company's management of activities of RER US (December 31, 2019 – \$69,212).

6 . AMOUNTS RECEIVABLE AND PREPAID EXPENSES

	Note	December 31, 2020	December 31, 2019
Accrued royalty revenue		\$ 202,097	\$ 160,410
Royalty receivable from RER US	5	-	389,700
Other receivable from RER US	5	82,617	67,707
Prepaid expenses		19,427	16,127
Other amounts receivable		163,560	228,910
Total		\$ 467,701	\$ 862,854

7 . TRADE PAYABLES AND ACCRUED LIABILITIES

	December 31, 2020	December 31, 2019
Accounts payable	\$ 80,533	\$ 58,735
Accrued liabilities	8,000	-
Total	\$ 88,533	\$ 58,735

[The remainder of this page is intentionally left blank]

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

8 . GREEN BONDS

	Year ended December 31, 2020	Year ended December 31, 2019
Beginning balance	\$ -	\$ -
Net proceeds from Green Bond		
Aggregate gross proceeds from issuance of 9,802 Green Bonds	9,802,000	-
Cash commission and fees	(389,480)	-
	9,412,520	-
Financing costs		
Legal and professional fees	(330,461)	-
Fair value of warrants issued (note 10)	(221,926)	-
	(552,387)	-
Amortization of financing costs	46,192	-
Ending balance	\$ 8,906,325	\$ -

In August 2020, the Company announced the inaugural public offering of its 5-year green bonds, for gross proceeds of up to \$10,000,000 aggregate principal amount (the "Green Bonds") under available exemptions from the prospectus requirement, including the offering memorandum exemption.

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.

The Green Bond offering was led by Integral Wealth Securities Limited (the "Lead Agent"). The Company has also granted the Lead Agent an over-allotment option of up to 100% of the offering size, for a total Green Bond offering of up to \$20,000,000.

As of December 31, 2020, the Company had closed three tranches of Green Bond offering and a fourth tranche was closed after the reporting period on March 1, 2021 (note 16(b)).

[The remainder of this page is intentionally left blank]

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

9 . CONVERTIBLE NOTES

(a) *2020 Unsecured 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.

(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.

10 . 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.

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

Continuity of the Company's common share purchase options:	Year ended December 31, 2020		Year ended December 31, 2019	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding Options – beginning balance	1,360,000	\$ 0.82	1,330,000	\$ 0.82
Granted(i)	-	\$ -	30,000	\$ 0.80
Expired	(50,000)	\$ 0.80	-	\$ -
Options exercised	(115,000)	\$ (0.83)	-	\$ -
Outstanding Options – ending balance	1,195,000	\$ 0.82	1,360,000	\$ 0.82
Options Exercisable – ending balance	1,195,000	\$ 0.82	1,290,000	\$ 0.82
Weighted-average share price at the date of options exercised		\$ 1.46		\$ -

(i) In June 2019, the Company issued 30,000 share purchase options to one of its consultants. The fair value of these options was determined to be \$0.26 per option, using the Black-Scholes pricing model and based on the following assumptions: risk-free interest rate of 1.36%; expected volatility of 70%; underlying market price of \$0.73 per share; time to expiry of 3.00 years; and dividend yield of 4%.

Remaining contractual life of the Company's common share purchase options:	December 31, 2020		December 31, 2019	
	Number of Options	Weighted average remaining contractual	Number of Options	Weighted average remaining contractual
Exercise price				
\$ 0.80	1,060,000	1.82	1,210,000	2.57
\$ 1.00	135,000	2.95	150,000	3.75
	1,195,000	1.95	1,360,000	2.70

[The remainder of this page is intentionally left blank]

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

Share purchase warrant reserve

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 8). 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 70%; c) exercise price of \$1.39; d) underlying market price of \$1.38 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, 2019 is as follows:

Expiry date	Exercise price	January 1, 2019	Warrants issued	Warrants exercised	Warrants expired	December 31, 2019
July 2020	\$ 0.50	500,000	-	-	-	500,000
February 2020	\$ 0.30	62,000	-	(59,500)	-	2,500
November 2020	\$ 1.00	18,109	-	-	-	18,109
		580,109	-	(59,500)	-	520,609

(c) *Distribution to shareholders*

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

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

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

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

During the year ended December 31, 2019, the Company declared the following cash distributions to its shareholders:

Declaration date	Record date	Payment date	Amount	
			Per share	Total
March 15, 2019	April 3, 2019	May 1, 2019	\$ 0.01	\$ 321,714
June 25, 2019	July 17, 2019	August 7, 2019	0.01	321,714
September 27, 2019	October 16, 2019	November 6, 2019	0.01	321,714
		Total	\$ 0.03	\$ 965,142

11 . FINANCE EXPENSES

	Year ended December 31,	
	2020	2019
Finance expenses relating to the Green Bonds (note 8)		
Interest expense	\$ 109,389	\$ -
Amortization of capitalized finance costs	46,192	-
	155,581	-
Finance expenses relating to the 2020-Convertible Note (note 9(a))		
Interest expense	119,881	-
Accretion	22,333	-
Amortization of capitalized finance costs	26,561	-
	168,775	-
Finance expenses relating to the 2018-Convertible Note (note 9(b))		
Interest expense	29,740	35,000
Accretion	12,085	12,971
	41,825	47,971
Total	\$ 366,181	\$ 47,971

12 . 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,	
	2020	2019
Remuneration for services rendered		
Short-term employment benefits	\$ 405,000	\$ 380,000
Share-based compensation	-	70,000
Total	\$ 405,000	\$ 450,000

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

13 . 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.

14 . 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,	
	2020	2019
Net loss for the year	\$ (446,653)	\$ (412,064)
Total income tax expense	-	-
Net loss for the year, excluding income tax	\$ (446,653)	\$ (412,064)
Income tax recovery using the Company's tax rate	\$ (121,000)	\$ (111,000)
Non-deductible expenses and other	375,000	83,000
Changes in tax rates	-	-
Change in unrecognized temporary differences	(254,000)	28,000
Total	\$ -	\$ -
Statutory tax rate	27%	27%
Effective tax rate	Nil	Nil
Deferred Income Tax Assets (Liabilities)		
Deferred income tax assets with respect to tax losses	\$ 568,000	\$ 174,000
Deferred income tax liabilities with respect to secured loans, royalty interests, 2020-Convertible Notes, and Green Bonds	(568,000)	(174,000)
Net deferred tax asset (liability)	\$ -	\$ -
		At December 31,
	2020	2019
Unused non-capital loss carry forwards	\$ 3,084,000	\$ 2,660,000

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

As at December 31, 2020, 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	-	699,000
After 5 years	710,000	1,374,000
No expiry date	-	420,000
Total	\$ 710,000	\$ 2,493,000

15 . FINANCIAL RISK MANAGEMENT

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

(a) Credit Risk

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

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

(b) Liquidity Risk

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

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

December 31, 2020	Carrying Amount	Contractual Obligation	Less than 12 months	Between 1 - 3 years	Between 4 - 5 years
Green Bonds	\$ 8,906,325	\$ 9,802,000	\$ -	\$ -	\$ 9,802,000
Convertible notes	1,608,122	1,637,176	-	1,637,176	-
Trade payables and accrued liabilities	88,533	88,533	88,533	-	-
	\$10,602,980	\$11,527,709	\$ 88,533	\$ 1,637,176	\$ 9,802,000

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

(c) Foreign exchange risk

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

Based on the Company's U.S. dollar denominated monetary assets at December 31, 2020, a 10% increase (decrease) of the value of the U.S. dollar relative to the Canadian dollar would decrease (increase) net loss by approximately \$37,000.

(d) Interest rate risk

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

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

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

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

(e) Fair Value

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means.

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

- 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 \$18,000 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) non-current debts, 2020-Convertible Notes and Green Bonds. In the period prior year, the Company relied predominantly on shareholders' equity as a source of its capital.

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 (9)) and the Green Bonds indenture (note (8)), and was in compliance with these covenants.

16 . EVENTS AFTER END OF THE REPORTING PERIOD

(a) Declaration and Payment of Dividend

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

Declaration date	Record date	Payment date	Amount	
			Per share	Total
January 6, 2021	January 27, 2021	February 17, 2021	\$ 0.01	\$ 332,899
April 7, 2021	April 28, 2021	May 19, 2021	0.01	332,899
Total			\$ 0.02	\$ 665,798

(b) Final Closing of the Green Bonds

On March 1, 2021, the Company announced the closing of the final and fourth tranche of its brokered private placement of Green Bonds (note 8) and issued 364 Green Bonds for aggregate gross proceeds of \$364,000.

RE Royalties Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

(Expressed in Canadian Dollars, unless otherwise stated)

In connection with the closing of the final tranche, the Company paid a cash fee of \$8,040 and a corporate finance fee of \$6,520. The Company also issued 17,472 warrants; each warrant will entitle the holder to acquire one common share of the Company at an exercise price equal to \$1.25 for a period of 24 months from the closing date.

(c) Grant of Share Purchase Options

The Company granted, under its stock option plan, 1,070,000 stock options to certain directors and officers of the Company, which options are exercisable over a five-year term at \$1.32 per common share.

The Company also granted, under its stock option plan, 380,000 stock options to certain employees and consultants of the Company, which options are exercisable over a three-year term at \$1.32 per common share.

(d) Letter of Intent for \$10 Million Loan and Royalty on Battery Storage Project in Australia

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

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

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