RE ROYALTIES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED
MARCH 31, 2024 AND 2023

(Expressed in Canadian Dollars)

(Unaudited)

NOTICE TO READER

In accordance with National Instrument 51-102 subsection 4.3 (3), management of the Company advises that the Company's auditors have not performed a review of these interim financial statements.

RE Royalties Ltd.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Expressed in Canadian Dollars)

	Note	March 31, 2024	December 31, 2023
ASSETS			
Non-current assets			
Secured loans and royalty interests	4	$ 17,870,845	$ 19,655,224
Deferred transaction costs		38,340	46,540
Equity accounted investment		1	1
Derivative financial asset	5	101,951	104,356
Right of use asset		40,549	45,418
		18,051,686	19,851,539
Current assets			
Secured loans and royalty interests	4	19,774,825	17,738,595
Amounts receivable and prepaid expenses	6	828,308	493,241
Interest reserve	7	1,437,150	1,431,996
Income taxes recoverable		47,508	22,743
Cash and cash equivalents, including restricted cash	3	14,613,977	14,439,932
		36,701,768	34,126,507
TOTAL ASSETS		$ 54,753,454	$ 53,978,046
EQUITY			
Share capital	8	$ 30,364,415	$ 30,364,415
Reserves	8(b)	2,780,918	2,558,934
Accumulated deficit		(17,663,006)	(17,588,627)
Equity attributable to owners of the Company		15,482,327	15,334,722
Non-controlling interests		2,045,660	1,752,062
Total equity		17,527,987	17,086,784
LIABILITIES			
Non-current liabilities			
Green bonds	7	36,573,182	36,230,500
Deferred income tax liability		156,734	103,734
Lease liability		19,186	30,683
		36,749,102	36,364,917
Current liabilities			
Lease liability		28,302	21,926
Cash-settled share-based payment liability		10,554	12,318
Income tax payable		65,187	–
Trade payables		372,322	492,101
		476,365	526,345
Total liabilities		37,225,467	36,891,262
TOTAL EQUITY AND LIABILITIES		$ 54,753,454	$ 53,978,046

Events after the reporting period (note 12)

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

These condensed consolidated interim financial statements are approved for issuance by the Audit and Risk Committee of the Company's Board of Directors on May 28, 2024 and are signed on the Company's behalf by the following:

/s/ Bernard Tan *

Bernard Tan
Director

/s/ Rene Carrier

Rene Carrier
Director

RE Royalties Ltd.

Condensed Consolidated Interim Statements of Comprehensive Income

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

		Three months ended March 31,	
	Note	**2024**	**2023**
Revenue and income			
Royalty revenue		$ 208,833	$ 141,786
Finance income		2,427,908	1,682,431
		2,636,741	1,824,217
Depletion of royalty interests	4	(98,615)	(71,257)
Gross profit		2,538,126	1,752,960
Loss on revaluation of derivative financial asset	5	(2,405)	–
Gain on revaluation of financial asset at FVTPL		2,784	36,641
Gross profit, changes in fair value of financial assets		2,538,505	1,789,601
Expenses			
Wages and benefits		270,146	254,964
Administration		105,567	99,656
Marketing and stakeholder communication		120,546	86,014
Audit and audit related		62,691	5,172
Consulting – financing		16,789	16,990
Consulting – other		77,044	13,671
Regulatory and transfer agency		26,016	14,881
Office lease and information technology		11,341	16,157
Legal		5,232	10,708
Donation		25,000	–
Equity-settled share-based payment	8(b)	47,942	–
Cash-settled share-based payment	8(b)	(1,764)	(4,072)
Amortization of right-of-use asset		4,870	4,870
		(771,420)	(519,011)
Other items			
Finance expenses		904,471	684,277
Provision for expected credit loss	4	296,270	–
Foreign exchange (gain) loss		(222,702)	778
		(978,039)	(685,055)
Net income before income tax		$ 789,046	$ 585,535
Income tax expense			
Current income tax expense		77,002	68,584
Deferred income tax expense (recovery)		53,000	(41,000)
		(130,002)	(27,584)
Net income after income tax		$ 659,044	$ 557,951
Other comprehensive income (loss)			
Items that may be subsequently reclassified to net income			
Foreign exchange translation difference		213,236	(15,505)
Total other comprehensive income (loss)		213,236	(15,505)
Total comprehensive income		$ 872,280	$ 542,446
Net income after income tax attributable to:			
Owners of the Company		358,241	166,054
Non-controlling interests		300,803	391,897
		659,044	557,951
Total comprehensive income attributable to:			
Owners of the Company		532,283	154,656
Non-controlling interests		339,997	387,790
		872,280	542,446
Basic and diluted income per share attributable to shareholders of the Company	10	$ 0.01	$ 0.00
Weighted average number of common shares outstanding	10	43,417,981	43,127,607

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

RE Royalties Ltd.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Expressed in Canadian Dollars)

	Note	Three months ended March 31, 2024	2023
Operating activities			
Net income		$ 659,044	$ 557,951
Adjustments for:			
Depletion of royalty interests		98,615	71,257
Finance income for the period, in excess of interest received		(712,536)	(1,252,409)
(Gain) loss on revaluation of financial asset at FVTPL		(2,784)	(36,641)
Loss on revaluation of derivative financial asset		2,405	–
Depreciation of right-of-use asset		4,870	4,870
Provision for expected credit loss		296,270	–
Finance expenses		904,471	684,277
Equity-settled share-based payments		47,942	–
Cash-settled share-based payment		(1,764)	(4,072)
Deferred income tax expense		53,000	(41,000)
Unrealized exchange (gain) loss		(241,682)	13,980
Changes in working capital items:			
Amounts receivable and prepaid expenses		(335,067)	(895,904)
Income taxes recoverable		(24,765)	–
Income tax payable		65,187	172
Trade payables and accrued liabilities		(119,779)	(220,645)
Cash generated by (used in) operating activities		693,427	(1,118,164)
Investing activities			
Acquisition of royalty interests and secured loans, net of repayments	4	435,295	(2,057,302)
Deferred transaction costs, net of recoveries		8,200	(10,312)
Cash provided by (used in) investing activities		443,495	(2,067,614)
Financing activities			
Net proceeds from the Green Bonds offering	7	–	16,552,670
Repayment of convertible notes – principal sum		–	(1,637,176)
Repayment of convertible notes – accrued interest		–	(425,225)
Cash distribution to shareholders	8(c)	(432,620)	(431,276)
Distributions to non-controlling interests – OCEP		(31,011)	(31,005)
Distributions to non-controlling interests – Delta		(15,388)	(1,382)
Contributions from non-controlling interest in FP Puerto Rico Invest, LLC		–	16,106
Payments of interest on Green Bonds		(714,401)	(526,243)
Settlement of Restricted Share Units in cash		–	(29,649)
Lease payments		(6,099)	(5,802)
Cash (used in) provided by financing activities		(1,199,519)	13,481,018
(Decrease) increase in cash and cash equivalents		(62,597)	10,295,240
Effects of exchange rate fluctuations on cash held		236,642	(13,980)
Cash and cash equivalents, opening balance		14,439,932	7,580,132
Cash and cash equivalents, closing balance		$ 14,613,977	$ 17,861,392

Supplemental cash flow information (note 3)

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

Condensed Consolidated Interim Statements of Changes in Equity

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

		Share capital		Reserves							
	Note	Number of shares	Amount	Equity-settled share-based payments	Share purchase warrants	Other reserve	Foreign currency translation reserve	Accumulated deficit	Total equity attributable to shareholders of the Company	Non-controlling interests	Total equity
Balance at January 1, 2023		43,127,607	$30,282,447	$ 1,392,973	$ 411,913	$ 87,000	$ 350,295	$ (12,739,891)	$ 19,784,737	$ 603,253	$ 20,387,990
Net income		–	–	–	–	–	–	166,054	166,054	391,897	557,951
Other comprehensive loss		–	–	–	–	–	(11,398)	–	(11,398)	(4,107)	(15,505)
Total comprehensive income		–	–	–	–	–	(11,398)	166,054	154,656	387,790	542,446
Distribution to shareholders	8(c)	–	–	–	–	–	–	(431,276)	(431,276)	–	(431,276)
Warrants issued pursuant to Series-3 Public Offering		–	–	–	75,000	–	–	–	75,000	–	75,000
Warrants issued pursuant to Series-3 Private Placement		–	–	–	114,000	–	–	–	114,000	–	114,000
Distribution to non-controlling interests - OCEP		–	–	–	–	–	–	–	–	(31,005)	(31,005)
Distribution to non-controlling interests - Delta		–	–	–	–	–	–	–	–	(1,382)	(1,382)
Contributions from non-controlling interest in FP Puerto Rico Invest, LLC		–	–	–	–	–	–	–	–	16,106	16,106
Balance at March 31, 2023		43,127,607	30,282,447	1,392,973	600,913	87,000	338,897	(13,005,113)	19,697,117	974,762	20,671,879
Balance at January 1, 2024		43,261,981	$30,364,415	$ 1,707,126	$ 600,913	$ 87,000	$ 163,895	$ (17,588,627)	$ 15,334,722	$ 1,752,062	$ 17,086,784
Net income (loss)		–	–	–	–	–	–	358,241	358,241	300,803	659,044
Other comprehensive income		–	–	–	–	–	174,042	–	174,042	39,194	213,236
Total comprehensive income		–	–	–	–	–	174,042	358,241	532,283	339,997	872,280
Distribution to shareholders	8(c)	–	–	–	–	–	–	(432,620)	(432,620)	–	(432,620)
Equity-settled share-based payments	8(b)	–	–	47,942	–	–	–	–	47,942	–	47,942
Distribution to non-controlling interests - OCEP		–	–	–	–	–	–	–	–	(31,011)	(31,011)
Distribution to non-controlling interests - Delta		–	–	–	–	–	–	–	–	(15,388)	(15,388)
Balance at March 31, 2024		43,261,981	$30,364,415	$ 1,755,068	$ 600,913	$ 87,000	$ 337,937	$ (17,663,006)	$ 15,482,327	$ 2,045,660	$ 17,527,987

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

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

1 . NATURE OF OPERATIONS

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

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

These condensed consolidated interim financial statements (the "Financial Statements") are comprised of RER and its subsidiaries (note 2(b)) (together referred to as the "Company" or the "Group") and are prepared for the three months ended March 31, 2024 and 2023. RE Royalties Ltd. is the ultimate legal parent entity in the Company.

2 . MATERIAL ACCOUNTING POLICY INFORMATION

(a) Statement of compliance

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

These Financial Statements should be read in conjunction with the Company's consolidated financial statements as at and for the year ended December 31, 2023. Accounting policies applied herein are the same as those applied in the Company's annual financial statements.

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

(b) Basis of presentation and consolidation

These Financial Statements have been prepared on a historical cost basis except for the loan to Aeolis Wind Power Corporation (note 4) and the fair valuation of CleanLight warrants (note 5) which is recorded at fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

Entity	Place of business	Entity type	Economic interest
RE Royalties (Canada) Ltd.	British Columbia, Canada	Acquisition of royalties in renewable projects	100.00%
RE Royalties USA Inc.	Delaware, USA	Acquisition of royalties in renewable projects	100.00%
FP OCEP Invest LLC	Delaware, USA	Holds the OCEP Loan	96.68%
FP Puerto Rico Invest, LLC	Delaware, USA	Holds the Delta Loan	98.00%

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

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

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

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

(c) Significant accounting estimates and judgements

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

Specific areas where significant estimates or judgements exist are:

<u>Estimates:</u>
- Valuation of secured loans and royalty interest
- Determination of the allowance for credit losses relating to the loan receivable from Switch loans;

Except for the foregoing, there was no change in the use of estimates and judgments during the current period as compared to those described in Note 2 in the Company's consolidated financial statements for the year ended December 31, 2023.

(d) Operating segments

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

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

	Three months ended March 31, 2024	2023
North America		
Royalty revenue	$ 184,908	$ 141,786
Finance income	2,296,085	1,682,431
	$ 2,480,993	$ 1,824,217
South America		
Royalty revenue	$ 23,925	$ –
Finance income	131,823	–
	$ 155,748	$ –
Total	$ 2,636,741	$ 1,824,217

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

	March 31, 2024	December 31, 2023
North America		
Canada	$ 4,251,925	$ 3,930,067
United States	897,951	897,952
Mexico	126,285	129,782
South America		
Chile	189,942	195,369
Total	$ 5,466,103	$ 5,153,170

3 . CASH AND CASH EQUIVALENTS, INCLUDING RESTRICTED CASH

	Note	March 31, 2024	December 31, 2023
Components of cash and cash equivalents and restricted cash:			
Cash held in business accounts			
Denominated in Canadian Dollars		$ 808,922	$ 4,352,967
Denominated in US Dollars		13,805,060	10,086,965
Total		$ 14,613,977	$ 14,439,932
Cash and cash equivalents and restricted cash subject to restrictions on use by the Company:			
Net proceeds from the Green Bonds pending deployment (i)	7	$ 11,677,708	$ 12,113,003

(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.

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

4 . SECURED LOANS AND ROYALTY INTERESTS

	Note	March 31, 2024	December 31, 2023
Secured Loans – Amortized Cost			
Switch Power	4(a)	$ 9,211,751	$ 9,003,347
FuseForward Solutions		3,551,279	3,551,279
OCEP		7,818,856	7,171,415
NOMAD		–	6,625,486
Revolve		1,645,947	1,634,897
Switch Solar	4(b)	1,471,159	1,442,200
Revolve Cancun		1,902,789	1,892,724
Delta		2,951,825	2,842,863
CleanLight		1,993,710	1,927,580
Clean Communities	4(c)	1,590,171	–
Revolve Windriver	4(d)	3,793,697	–
Revolve Rooftop Solar	4(e)	393,012	–
		36,324,196	36,091,791
Allowance for lifetime expected losses due to credit impairment (stage 3 ECL)		(5,075,045)	(4,778,775)
Total secured loans at amortized cost, net of net of allowance(s) for expected credit losses		31,249,151	31,313,016
Secured Loans – FVTPL			
Aeolis Wind Power Corporation	11(e)	930,416	927,633
Royalty Interests			
Northland Power Inc.		1,243,546	1,276,271
OntarioCo		238,496	242,745
Scotian Windfields		1,198,976	1,222,955
Switch Power		279,426	287,725
NOMAD		897,951	897,952
Revolve		62,215	63,938
Switch Solar		14,107	14,408
Revolve Cancun		64,070	65,844
AlbertaCo		865,824	885,963
CleanLight		189,942	195,369
Clean Communities	4(c)	133,362	–
Revolve Windriver	4(d)	253,232	–
Revolve Rooftop Solar	4(e)	24,956	–
		5,466,103	5,153,170
Total		$ 37,645,670	$ 37,393,819
Non-current portion		$ 17,870,845	$ 19,655,224
Current portion		19,774,825	17,738,595
Total		$ 37,645,670	$ 37,393,819

At March 31, 2024, the Company had commitments to provide loans, under various loan agreements, for an aggregate amount of $4.76 million, which amount includes a loan commitment under the Delta Loan agreement to provide cash advances, subject to certain conditions precedent, for an aggregate amount of US$2.82 million ($3.81 million) and a loan commitment under the CleanLight Loan agreement to provide cash advances, subject to certain conditions precedent, for an aggregate amount of US$0.7 million ($0.95 million)

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

Lifetime expected credit losses		Three months ended March 31,	
	Note	2024	2023
Beginning balance		$ 4,778,775	$ 473,000
Increase in the loss allowance as a result of revaluations		296,270	–
Ending balance		$ 5,075,045	$ 473,000

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

Secured Loans - Amortized Cost	Switch Power (i)	FuseForward Solutions	OCEP	NOMAD (iii)	Revolve	Switch Solar (i)	Revolve Cancun	Delta	CleanLight	Clean Communities	Revolve Windriver	Revolve Rooftop Solar	Total
Note	4(a)					4(b)				4(c)	4(d)	4(e)	
For the three months ended March 31, 2024													
Balance at January 1, 2024	$ 9,003,347	$ 3,551,279	$ 7,171,415	$ 6,625,486	$ 1,634,897	$ 1,442,200	$ 1,892,724	$ 2,842,863	$ 1,927,580	$ –	$ –	$ –	$ 36,091,791
Fair value at initial recognition	–	–	–	–	–	–		–	–	1,517,217	3,675,880	385,894	5,578,991
Transaction costs	–	–	–	–	–	–			3,532	25,032	40,912	5,268	74,744
Accretion and accrued interest	250,404	–	488,402	871,686	51,384	34,459	67,164	178,178	82,783	47,922	76,905	1,850	2,151,137
Cash payments received	(42,000)	–	–	(7,602,283)	(40,334)	(5,500)	(57,099)	(130,405)	(61,561)	–	–	–	(7,939,182)
Foreign currency revaluation adjustment	–	–	159,039	105,111	–	–	–	61,189	41,376	–	–	–	366,715
Gross Carrying amount at March 31, 2024	9,211,751	3,551,279	7,818,856	–	1,645,947	1,471,159	1,902,789	2,951,825	1,993,710	1,590,171	3,793,697	393,012	36,324,196
Expected lifetime credit losses (ii)	(1,313,491)	(3,551,279)	–	–	–	(210,275)	–	–	–	–	–	–	(5,075,045)
Net Carrying amount at March 31, 2024	$ 7,898,260	$ –	$ 7,818,856	$ –	$ 1,645,947	$ 1,260,884	$ 1,902,789	$ 2,951,825	$ 1,993,710	$ 1,590,171	$ 3,793,697	$ 393,012	$ 31,249,151

(i) The maturity dates of these loans were extended by approximately three months in August 2023 at interest rate of 12% for the extension period. In December 2023, the Company issued the demand notices for all loans at an increased interest rate of 16% p.a.

(ii) Represents stage 3 ECL allowance relating to the amounts receivable from FuseForward, Switch Power and Switch Solar .

(iii) Includes gain of $709,886 on early repayment of loan by NOMAD.

	Switch Power	Teichos Energy	FuseForward Solutions	OCEP	NOMAD	Revolve	Switch Solar	Revolve Cancun	Delta	Teichos Energy	Total
Note	4(a)						4(b)				
For the three months ended March 31, 2023											
Balance at January 1, 2023	$ 8,046,786	$ 496,626	$ 3,163,206	$ 6,716,750	$ 6,619,391	$ 1,594,787	$ 1,346,844	$ 628,961	$ 564,147	$ –	$29,177,498
Fair value at initial recognition	–	–	–	–	–	–	–	1,157,298	805,320	107,479	2,070,097
Transaction costs	–	–	–	–	–	–	–	23,544	–	–	23,544
Accretion and accrued interest	221,988	83,603	127,207	426,769	264,983	49,033	32,295	50,637	51,648	50,564	1,358,727
Additional finance income	–	–	–	–	–	–	–	–	220,671	–	220,671
Cash payments received	(18,930)	–	–	(238,733)	–	(40,334)	–	(14,147)	(11,716)	–	(323,860)
Foreign currency revaluation adjustment	–	(1,282)	–	(18,656)	(17,212)	–	–	–	1,042	673	(35,435)
Gross Carrying amount at March 31, 2023	8,249,844	578,947	3,290,413	6,886,130	6,867,162	1,603,486	1,379,139	1,846,293	1,631,112	158,716	32,491,242
Expected lifetime credit losses	–	–	(473,000)	–	–	–	–	–	–	–	(473,000)
Net Carrying amount at March 31, 2023	$ 8,249,844	$ 578,947	$ 2,817,413	$ 6,886,130	$ 6,867,162	$ 1,603,486	$ 1,379,139	$ 1,846,293	$ 1,631,112	$ 158,716	$32,018,242

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

The continuity schedules for royalty interests are as follows:

Royalty Interests	Cost			Depletion			
	Beginning Balance	Additions/ (disposal)	Ending Balance	Beginning Balance	Charge for the period	Ending Balance	Carrying Amount
Three months ended March 31, 2024							
Northland Power Inc.	1,871,864	–	1,871,864	595,593	32,725	628,318	1,243,546
OntarioCo	316,559	–	316,559	73,814	4,249	78,063	238,496
Scotian Windfields	1,598,626	–	1,598,626	375,671	23,979	399,650	1,198,976
Switch Power	358,695	–	358,695	70,970	8,300	79,269	279,426
NOMAD	932,665	–	932,665	34,713	–	34,714	897,951
Revolve	73,155	–	73,155	9,217	1,722	10,940	62,215
Switch Solar	16,008	–	16,008	1,600	300	1,901	14,107
Revolve Cancun	70,600	–	70,600	4,756	1,774	6,530	64,070
AlbertaCo	939,669	–	939,669	53,706	20,140	73,845	865,824
CleanLight	204,432	–	204,432	9,063	5,427	14,490	189,942
Clean Communities	–	133,362	133,362	–	–	–	133,362
Revolve Windriver	–	253,232	253,232	–	–	–	253,232
Revolve Colima	–	24,956	24,956	–	–	–	24,956
Total	$6,382,273	$ 411,550	$6,793,823	$1,229,103	$ 98,616	$ 1,327,720	$5,466,103
Three months ended March 31, 2023							
Northland Power Inc.	1,871,864	–	1,871,864	464,694	32,725	497,419	1,374,445
OntarioCo	316,559	–	316,559	56,818	4,249	61,067	255,492
Scotian Windfields	1,598,626	–	1,598,626	279,755	23,979	303,734	1,294,892
Switch Power	358,695	–	358,695	37,771	8,300	46,071	312,624
Teichos Energy	1	–	1	–	–	–	1
NOMAD	932,665	–	932,665	34,713	–	34,713	897,952
Revolve	73,155	–	73,155	2,309	1,704	4,013	69,142
Switch Solar	16,008	–	16,008	400	300	700	15,308
Revolve Cancun	17,604	52,996	70,600	–	–	–	70,600
Teichos Energy 2	–	1	1	–	–	–	1
Total	$5,185,177	$ 52,997	$5,238,174	$ 876,460	$ 71,257	$ 947,717	$4,290,457

(a) 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"), to provide 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 the 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 executed energy savings agreements ("ESA") with Hosts and had substantially completed permits and interconnection agreements. The Second Acquisition Loan has a term of 23 months and will bear interest at a rate of 10% per annum.

3) On November 8, 2021, the Company announced that it entered into an equipment procurement loan agreement with Switch OpCo for $4.3 Million (the "EP Loan"), of which amount, $2.8 million was provided upon closing, and the remaining $1.5 million was provided in March 2022. The EP Loan was provided for 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. The EP Loan has a term of 24 months and will bear interest on drawn funds at a rate of 8.6% per annum.

The Switch loans are secured by, among other things, a pledge of the shares of Switch OpCo in favor of the Company and a general security agreement providing the Company with a security interest over all present and after-acquired personal property (collectively referred herein as the "Switch Collateral").

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 the Development Projects reach commercial operation. As additional projects reach commercial operation, the royalty rate will decrease.

At initial recognition, 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.

The original terms for the Switch Loan Agreements expired during third and fourth quarters of 2023, when the respective loans were extended to November 30, 2023. In December 2023, the Company sent a default notice relating to all loans under the Switch Loan Agreements, as the aggregate principal sum and interest accrued thereon remained unpaid on the extended maturity date. The default persisted as of the date when these financial statements were authorized for issuance and the loan was credit impaired. Accordingly, the Company has assessed the Switch loans for expected credit losses as of March 31, 2024 under Stage-3 of ECL.

As part of its assessment of ECL relating to the Switch Loans, the Company has considered various scenarios, and has assigned probabilities to those scenarios, some of which scenarios involved estimating the value of the Switch Collateral:

Scenario 1 : The Company taking control of the shares of Switch OpCo, thereby exercising its step-in rights pursuant to the Switch Collateral. Management has assigned a probability of 75% for the occurrence of this scenario.

To determine the value of the collateral under this scenario, the Company applied a combination of the cost approach for the four remaining development projects and the discounted cash flow method for the nine operating projects. For the discounted cash flow method, the following key assumptions were used: a) a discount rate of 10%; b) the projects' reduce their customer's load for 4.5 of 5 peaks used to determine Global Adjustment charges; c) Global Adjustment pricing remains constant at $432/kW-yr, as per averages provided by third party market consultants; d) terminal value of 30% of gross CAPEX for each project; and e) it takes 3 months for the Company to exercise its step-in rights for Switch OpCo.

Scenario 2 : Switch Power or the Company selling Switch OpCo's assets to use the sale proceeds for repaying the Switch Loans. Based on the best available information and high-level discussions with potential buyers, currently various bids fall in proximity of $7.5 million, comprising of $5.8 million for the Operating Projects, and $1.7 million for the Development Projects. The Company has assigned a probability of approximately 5% to this scenario.

Scenario 3 : The Company extends the maturity date for the Switch Loans by one year, thereby allowing Switch Power sufficient time to complete the currently planned equity financing. Under this scenario, the Company will begin to sweep all cash generated by Switch OpCo, including any cash realised from sale of Development Projects, estimated at its carrying cost $1.1 million. The Company has assigned a 10% probability to this scenario.

Scenario 4 : This scenario is a combination of both Scenario 1 and Scenario 3, whereby the Company will exercise its step-in rights if no financing is completed by Switch Power under Scenario 3. Under this scenario, the fair value of the collateral at the time of taking over (assuming 18 months), would be $9.2 million. The Company has assigned a 10% probability to this scenario.

At March 31, 2024, the Company updated the discounted cash flow model and the recoverable amount, and recorded additional impairment loss of $296,270. Except for the passage of time, all assumptions and input at the reporting date remained consistent with those used in the Company's financial statements for the year ended December 31, 2023.

(b) Switch Solar

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

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

In January 2023, Switch Solar Corp. provided notice to the Company that it will extend the Switch Solar Loan by an additional 6 months. Accordingly, the Royalty has increased to 2% of gross revenues.

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

The original term for the Switch Solar Loan expired during the third quarter of 2023, when the loan's term was extended to November 30, 2023. In December 2023, the Company sent a default notice as the principal sum and interest accrued thereon remained unpaid on the extended maturity date. As of the date these financial statements were authorized for issuance, the default persisted. Accordingly, the Company has assessed the Switch Solar loan for expected credit losses as of March 31, 2024. In its assessment, the Company has considered the value of the underlying collateral and concluded that the value of the collateral exceeded the carrying amount of the loan.

The Switch loans are secured by, among other things, a pledge of the shares of Switch Solar Corp. in favor of the Company and a general security agreement providing the Company with a security interest over all present and after-acquired personal property (collectively referred herein as the "Switch Solar Collateral").

Scenario 1 : The Company taking control of the shares of Switch Solar Corp. thereby exercising its step-in rights pursuant to the Switch Solar Collateral. Management has assigned a probability of 35% for the occurrence of this scenario.

To determine the value of the collateral, the Company used the discounted cash flow method, using the following key assumptions: a) a discount rate of 7%; b) remaining operating life of 22 years from December 31, 2023; c) the project generates 440 MWh in 2024, degrading at 0.4% per annum thereafter.

Scenario 2 : Switch Power or the Company selling Switch Solar Corp's assets for using the sale proceeds for repaying the Switch Solar Loan. Based on the best available information and high-level discussions with potential buyers, currently various bids fall in proximity of $1 million. The Company has assigned a probability of 5% to this scenario.

Scenario 3 : The Company extends the maturity date for the Switch Solar Loan by 6 months, thereby allowing Switch Power sufficient time to complete the currently planned equity financing. Under this scenario, the Company will begin to sweep all cash generated by Switch Solar Corp. The Company has assigned a probability of 60% to this scenario.

At March 31, 2024, the Company updated the discounted cash flow model and the recoverable amount, and recorded no additional impairment loss. Except for the passage of time, all assumptions and input at the reporting date remained consistent with those used in the Company's financial statements for the year ended December 31, 2023.

(c) Clean Communities

In January 2024, the Company announced that it had entered into a loan agreement (the “Clean Communities Loan Agreement”) and a royalty agreement (the “Cardston Royalty Agreement”) with Clean Communities Corporation ("Clean Communities"), an Alberta-based Indigenous-led cleantech company, to support the construction of a 4MW solar project (“Sunrise Solar Project”) currently under development in Cardston, Alberta.

As per the agreement, the Company advanced a $1.7 Million secured loan (the "Clean Communities Loan") having a 60-month term and an interest rate of 13% per annum, compounded monthly. The Company received a structuring fee of 1.5% on the Clean Communities Loan value at closing. The Company received a gross revenue royalty of 5.0% on the Project for 20 years after reaching commercial operations (the "Clean Communities Royalty"). The transaction deploys a cash-sweep structure allowing the Company to sweep all cash generated by the Project net of operating expenses to pay the royalty, interest, and principal on a quarterly basis while the Clean Communities Loan is outstanding.

At initial recognition, the Company recorded the Clean Communities Loan at fair value, plus transaction costs, and a residual value of $133,362 derived by subtracting the fair value of the Clean Communities Loan from the aggregate amount of cash advanced under the Clean Communites Loan Agreement was allocated to the Clean Communities Royalty.

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

(d) Revolve Windriver

In February 2024, the Company provided a $4.0 million secured loan (the "Windriver Loan") to support Revolve's acquisition of Windriver Power Corporation ("Windriver"), a Canadian based owner, operator and developer of wind and hydro projects in the Provinces of British Columbia and Alberta.

The Windriver Loan has a term of 36 months and bears interest at the rate of 12% per annum, compounded monthly, and payable semi-annually. The Company also received a structuring fee of 1.0% on the Windriver Loan value at closing, and a gross revenue royalty of 0.5% on the acquired operating projects during the term of the Loan, growing to a gross revenue royalty of 1.0% upon repayment of the Loan for the remaining life of the power purchase agreements (the "Windriver Royalty").

At initial recognition, the Company recorded the Windriver Loan at fair value, plus transaction costs, and a residual value of $253,232 derived by subtracting the fair value of the Clean Communities Loan from the aggregate amount of cash advanced under the Clean Communites Loan Agreement was allocated to the Clean Communities Royalty.

(e) Revolve Rooftop Solar

The Company has entered into the fourth loan with existing client Revolve and advanced $415,000 (the "Revolve Rooftop Solar Loan") to fund construction of a new 450kW rooftop solar project in Central Mexico (the "Revolve Rooftop Solar Project" having a 15-year PPA.

The Revolve Loan has a term of two years and is secured against the assets of the Project, bearing interest at 12% per annum, payable quarterly, and Revolve paid a 1% closing fee on the total Revolve Rooftop Solar Loan value. A gross revenue royalty of 5% will apply to all revenues received by Revolve from the Revolve Rooftop Solar Project over the term of the PPA (the "Revolve Rooftop Solar Royalty").

At initial recognition, the Company recorded the Revolve Rooftop Solar Loan at fair value, plus transaction costs, and a residual value of $24,956 derived by subtracting the fair value of the Revolve Rooftop Solar Loan from the aggregate amount of cash advanced under the Revolve Rooftop Solar Loan was allocated to the Revolve Rooftop Solar Royalty.

5. DERIVATIVE FINANCIAL ASSET

Continuity of derivative financial asset	March 31, 2024	December 31, 2023
Balance at January 1, 2024	$ 104,356	$ –
Initial recognition	–	117,818
Loss on revaluation of derivative financial asset	(2,405)	(13,462)
Balance at March 31, 2024 (i)	$ 101,951	$ 104,356

(i) On reporting date, the fair value of the CleanLight Warrants was determined using the Black-Scholes Option Valuation model and the following assumptions: risk-free interest rate of 3.5%; expected annual volatility of 50%; exercise price of CLP 670 million ($1,042,000); fair value of the underlying equity interest of $464,000; and time to expiry of 4.3 years.

6 . AMOUNTS RECEIVABLE AND PREPAID EXPENSES – CURRENT

	March 31, 2024	December 31, 2023
Accrued royalty revenue	$ 372,046	$ 219,633
Prepaid expenses	235,923	203,451
Other amounts receivable	220,339	70,157
Total	$ 828,308	$ 493,241

7 . GREEN BONDS

In August 2020, the Company announced the inaugural public offering (Green Bonds 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.

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.

During the first quarter of 2023, the Company closed its marketed public offering (the "Public Offering") of Series 3 senior secured green bonds of the Company (the "Series-3 Green Bonds"), as originally announced on December 9, 2022, in two separate closings. The Company also closed its non-brokered private placement offering (the "Series-3 Private Placement") of Green Bonds, as originally announced on January 27, 2023. The Series-3 Green Bonds will have a maturity date of January 30, 2028 and bear interest at a rate of 9% per annum, payable quarterly, and will be senior obligations of the Company secured against the Company's portfolio of royalty and loan investments.

When taken in total aggregate, including each closing of both the Public Offering and Series-3 Private Placement, the Company issued a total of 16,423 Canadian dollar denominated Green Bonds, with principal amount of $1,000 each, for aggregate gross proceeds of $16,423,000 and 1,242 United States dollar denominated Green Bonds, with principal amount of US$1,000 each, for aggregate gross proceeds of US$1,242,000.

In connection with the Public Offering, the Company paid cash fees of $495,180 and US$1,190 and issued 330,913 warrants (the "Broker Warrants") to the agents. Each Broker Warrant will entitle the holder thereof to acquire one common share of the Company at an exercise price equal to $0.75 for a period of 36 months from the date of issuance of the warrants.

In connection with the Series-3 Private Placement, the Company paid corporate advisory fees in cash to certain parties in the amounts of $654,430 and US$85,750, and also issued 493,453 warrants. Each warrant will entitle the holder thereof to acquire one common share of the Company at an exercise price equal to $0.75 for a period of 36 months from the date of issuance of the warrants.

Series-3 Green Bond offering (number of bonds)	Total	Series-3 Public Offering (Brokered)	Series-3 Private Placement (Non-brokered)
Denominated in Canadian dollars	16,423	7,074	9,349
Denominated in US dollars	1,242	17	1,225
Total	17,665	7,091	10,574
Number of warrants issued	824,366	330,913	493,453

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

Senior Secured Green Bonds	Note	Three months ended March 31, 2024	Year ended December 31, 2023
Beginning balance		$ 36,230,500	$ 19,442,949
Net proceeds from Green Bond – Series-3 Public Offering (brokered)			
Aggregate gross proceeds from issuance of Green Bonds		–	7,097,042
Cash commission		–	(496,793)
		–	6,600,249
Net proceeds from Green Bond – Series-3 Private Placement (non-brokered)			
Aggregate gross proceeds from issuance of Green Bonds		–	11,003,710
Advisory fees		–	(769,524)
		–	10,234,186
Financing costs			
Legal and professional fees		–	413,635
Fair value of compensation warrants (note 8) issued pursuant to:			
Series-3 Public Offering		–	75,000
Series-3 Private Placement		–	114,000
		–	(602,635)
Amortization of financing costs		189,092	711,025
Foreign exchange translation difference		153,590	(155,274)
Ending balance (i)		$ 36,573,182	$ 36,230,500
Carrying amount of the Green Bond liability by series:			
Series-1 6% Green Bonds		9,855,401	9,806,512
Series-2 6% Green Bonds		10,062,758	9,898,496
Series-3 9% Green Bonds		16,655,023	16,525,492
Ending balance (i)		$ 36,573,182	$ 36,230,500

(i) Includes USD-denominated Green Bonds for an aggregate principal sum of US$5,242,000 (note 11(c))

8. SHARE CAPITAL AND RESERVES

(a) Share capital

The authorized share capital of the Company was comprised of an unlimited number of common shares without par value (the "Common Shares"). All issued shares are fully paid.

(b) Reserves

Share-based payment expense

	Three months ended March 31, 2024	2023
Expense arising from equity-settled share-based payment transactions		
Share purchase options	$ 22,302	$ –
Restricted Share Units ("RSUs")	25,640	–
	47,942	–
Changes in the fair value of cash-settled share-based awards	(1,764)	(4,072)
Total	$ 46,178	$ (4,072)

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

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

Continuity of share purchase options:	Three months ended March 31, 2024			Three months ended March 31, 2023		
	Number of Options		Weighted average exercise price	Number of Options		Weighted average exercise price
Outstanding Options – beginning balance	2,410,000	$	1.05	1,585,000	$	1.29
Granted during the period	–	$	–	–	$	–
Expired	(380,000)	$	1.32	–	$	–
Outstanding Options – ending balance	2,030,000	$	1.00	1,585,000	$	1.29
Options Exercisable – ending balance	1,358,000	$	1.18	1,585,000	$	1.29

The options granted during the year will vest in tranches over a 12-month period with a term of three years. 528,000 of these stock options are awarded on the basis of meeting certain financial, Environmental, Social and Governance ("ESG") and investment related non-market performance metrics and will vest upon achievement of those metrics.

Remaining contractual life of the Company's common share purchase options:	March 31, 2024		December 31, 2023	
Exercise price	Number of Options	Weighted average remaining contractual life (years)	Number of Options	Weighted average remaining contractual life (years)
$ 1.32	1,070,000	1.89	1,450,000	1.61
$0.65	960,000	2.08	960,000	2.33
	2,030,000	1.98	2,410,000	1.90

Deferred share units and restricted share units

Continuity of DSUs and RSUs:	Three months ended March 31, 2024		Three months ended March 31, 2023	
	DSUs	RSUs	DSUs	RSUs
Outstanding at the beginning of the period	180,501	314,000	24,501	38,011
Granted during the period	–	–	–	–
Repaid during the period	–	–	–	(38,011)
Outstanding at the end of the period	180,501	314,000	24,501	–
Units vested – ending balance	180,501	–	24,501	–

(i) The grant date fair value for these DSUs and RSUs was $0.67 per unit.

The Company has granted DSUs and RSUs to its directors, officers, employees and consultants during the current period. The DSUs were fully vested on the date of grant. The RSUs will vest in three equal tranches over a period of approximately three years from the grant date.

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

Share purchase warrant reserve

The continuity of the Company's share purchase warrants for the three months ended March 31, 2024 is as follows:

Expiry date		Exercise price	January 1, 2024	Warrants issued	Warrants exercised	Warrants expired	March 31, 2024
June 15, 2024	$	1.10	9,837,680	–	–	–	9,837,680
June 15, 2024	$	0.82	776,250	–	–	–	776,250
January 30, 2026 (i)	$	0.75	239,493	–	–	–	239,493
February 3, 2026 (i)	$	0.75	319,853	–	–	–	319,853
February 28, 2026 (i)	$	0.75	91,420	–	–	–	91,420
March 1, 2026 (i)	$	0.75	159,740	–	–	–	159,740
March 31, 2026 (i)	$	0.75	13,860	–	–	–	13,860
			11,438,296	–	–	–	11,438,296

The continuity of the Company's share purchase warrants for the three months ended March 31, 2023 is as follows:

Expiry date		Exercise price	January 1, 2023	Warrants issued	Warrants exercised	Warrants expired	March 31, 2023
March 1, 2023	$	1.25	17,472	–	–	(17,472)	–
June 15, 2024	$	1.10	9,837,680	–	–	–	9,837,680
June 15, 2024	$	0.82	776,250	–	–	–	776,250
January 30, 2026 (i)	$	0.75	–	239,493	–	–	239,493
February 3, 2026 (i)	$	0.75	–	319,853	–	–	319,853
February 28, 2026 (i)	$	0.75	–	91,420	–	–	91,420
March 1, 2026 (i)	$	0.75	–	159,740	–	–	159,740
March 31, 2026 (i)	$	0.75	–	13,860	–	–	13,860
			10,631,402	824,366	–	(17,472)	11,438,296

(i) These represent the warrants issued to the underwriters for the Series-3 Public offering and Series -3 Private placement of Series-3 Green Bonds (note 6), and their weighted average fair value as of the date of issuance was $0.2296 per warrant, which fair value was determined using the Black-Scholes Option Valuation model and the following assumptions: weighted average risk-free interest rate of 3.45% ; expected volatility of 55%; exercise price of $0.75; underlying weighted average market price of $0.76 per share; and time to expiry of 3 years.

(c) Distribution to shareholders

During the three months ended March 31, 2024 and 2023, the Company declared the following cash distributions to its shareholders:

Declaration date	Record date	Payment date	Amount Per share		Amount Total	
Three months ended March 31, 2024						
January 10, 2024	January 31, 2024	February 21, 2024	$	0.01	$	432,620
					$	432,620
Three months ended March 31, 2023						
January 11, 2023	February 1, 2023	February 22, 2023	$	0.01	$	431,276
					$	431,276

See Note 12(a) for the cash distribution declared after the end of the current reporting period.

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

9 . RELATED PARTY TRANSACTIONS

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

Remuneration for services rendered	Three months ended March 31, 2024	2023
Short-term employment benefits (i)	$ 124,398	$ 118,906
Equity-settled share-based compensation	5,122	–
Cash-settled share-based compensation	(1,764)	(4,072)
Total	$ 127,756	$ 114,834

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

10 . BASIC AND DILUTED INCOME PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The Company presents basic and diluted income (loss) per share data for its common shares, calculated by dividing the income (loss) attributable to common shareholders by the weighted average number of common shares and fully-vested equity-settled DSUs (requiring no additional consideration to be exercised) that were outstanding during the period. Diluted income (loss) per share does not adjust income (loss) attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. For the purposes of the calculation of diluted income (loss) per share for the three months ended March 31, 2024 and 2023, the share purchase options, RSUs, and warrants were excluded from the calculation of diluted income (loss) per share as they were anti-dilutive.

11 . 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.

The gross carrying value of the financial asset best represents the maximum exposure to credit risk at the reporting date.

(Unaudited – 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 and other liabilities are comprised of the following:

As of March 31, 2024		Contractual Cash Flows (i)			
	Carrying Amount	Total	Less than 12 months	Between 1 - 3 years	Between 4 - 5 years
Green Bonds (note 7) (ii)	$ 36,573,182	$ 47,815,911	$ 2,871,737	$ 25,473,471	$ 19,470,703
Lease liability	47,488	51,269	25,486	25,783	–
Trade payables and accrued liabilities	372,322	372,322	372,322	–	–
	$ 36,992,992	$ 48,239,502	$ 3,269,545	$ 25,499,254	$ 19,470,703

(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 monetary assets and liabilities as summarized below:

		March 31, 2024		December 31, 2023	
	Note	US Dollars	Canadian Dollars	US Dollars	Canadian Dollars
Cash	3	10,195,761	$ 13,805,060	7,614,528	$ 10,086,965
Secured loans	4	9,427,172	12,764,391	14,016,263	18,567,344
		19,622,933	26,569,451	21,630,791	28,654,309
Green Bonds	7	(5,242,000)	(7,097,668)	(5,242,000)	(6,944,077)
Net exposure, including foreign operations		14,380,933	$ 19,471,783	16,388,791	$ 21,710,232
Less: Cash and Secured loans held in foreign operations		(8,749,996)	(11,847,495)	(8,317,705)	(11,018,464)
Net exposure, excluding foreign operaitons		$ 5,630,937	$ 7,624,288	$ 8,071,086	$ 10,691,768
Exchange rate as of the reporting date (Canadian Dollar per US Dollar)			$ 1.3540		$ 1.3247

The average exchange rate for the three months ended March 31, 2024 is $1.3488 (March 31, 2023 - $1.3518). The average exchange rate for the 12 months ended December 31, 2023 was $1.3495.

<u>*Sensitivity*</u>

	March 31, 2024	December 31, 2023
Exchange loss that would have been recorded in net income/loss with a 1% increase in the value of the U.S. dollar relative to the Canadian dollar	$ 76,000	$ 107,000
Exchange loss that would have been recorded in other comprehensive income/loss with a 1% increase in the value of the U.S. dollar relative to the Canadian dollar	$ 118,000	$ 110,000

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

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

(d) Interest rate risk

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

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

The Company is subject to interest rate fair value risk with respect to the secured loan to Aeolis, which is carried at fair value (note 11(e)). An increase of 25 basis points in discount rates will result in a decrease of approximately $12,000 in the fair value of the secured loan to Aeolis.

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.

<u>Aeolis Loan</u>

The Aeolis Loan is classified as a financial asset at fair value through profit and loss (note 4). At March 31, 2024, the fair value of the Aeolis Loan was determined by discounting future cash flows using annual discount rates in the range of 7.9% - 8.88% (December 31, 2023: 7.57% - 8.56%) applicable to the term of each cash flow and average annual long term inflation rate of 3.5% (December 31, 2023: 3.5%).

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

At the end of the reporting period, the fair value measurement of the Aeolis Loan (note 4) 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 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 in average future annual inflation rate used in valuation of the Aeolis Loan from 3.5% to 3.6% would increase its fair value by approximately $2,400.

CleanLight Warrants

At the end of the reporting period, the fair value measurement of the CleanLight warrants (note 5) 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 used in the valuation of the CleanLight warrants that are not observable market data were the fair value of the underlying equity interest and other elements constituting the volatility used; these inputs require judgement. An increase in volatility used in valuation of the CleanLight warrants from 50% to 60% would increase its fair value by approximately $39,000. A 10% increase in fair value of the underlying equity interest used in valuation of the CleanLight warrants would increase its fair value by approximately $22,000.

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) Green Bonds.

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

As of March 31, 2024 , the Company was in compliance with all debt covenants.

12 . 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
April 10, 2024	May 1, 2024	May 22, 2024	0.01	432,620