Altius Renewable Royalties Corp.

Condensed Consolidated Financial Statements

Three months ended March 31, 2023 and 2022

(Unaudited)

## CONDENSED CONSOLIDATED BALANCE SHEETS

| Expressed in United States Dollars, rounded to the nearest thousand | Note | As at March 31, 2023 | | As at December 31, 2022 | |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | | $ | 48,480,000 | $ | 50,092,000 |
| Accounts receivable and prepaid expenses | | | 332,000 | | 191,000 |
| Income tax receivable | | | 235,000 | | 235,000 |
| | | $ | 49,047,000 | $ | 50,518,000 |
| Non-current assets | | | | | |
| Interest in joint venture | 4 | | 152,957,000 | | 151,095,000 |
| | | $ | 152,957,000 | $ | 151,095,000 |
| TOTAL ASSETS | | $ | 202,004,000 | $ | 201,613,000 |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | | | 208,000 | | 566,000 |
| | | $ | 208,000 | $ | 566,000 |
| Non-current liabilities | | | | | |
| Deferred tax liability | 5 | | 6,093,000 | | 6,000,000 |
| | | $ | 6,093,000 | $ | 6,000,000 |
| TOTAL LIABILITIES | | $ | 6,301,000 | $ | 6,566,000 |
| EQUITY | | | | | |
| Shareholders' equity | | | 195,703,000 | | 195,047,000 |
| | | $ | 195,703,000 | $ | 195,047,000 |
| TOTAL LIABILITIES AND EQUITY | | $ | 202,004,000 | $ | 201,613,000 |

*See accompanying notes to the Condensed Consolidated Financial Statements*

## CONDENSED CONSOLIDATED STATEMENTS OF LOSS

| Expressed in United States Dollars, rounded to the nearest thousand, except per share amounts | Note | | Three months ended March 31, 2023 | | Three months ended March 31, 2022 |
|---|---|---|---|---|---|
| **Revenue and other income** | | | | | |
| Interest | | $ | 558,000 | $ | 41,000 |
| | | $ | 558,000 | $ | 41,000 |
| **Costs and Expenses** | | | | | |
| General and administrative | 6 | $ | 520,000 | $ | 464,000 |
| Share based compensation | | | 133,000 | | 30,000 |
| Foreign exchange loss (gain) | | | 1,000 | | (7,000) |
| | | $ | 654,000 | $ | 487,000 |
| Loss before the following | | | (96,000) | | (446,000) |
| Share of (loss) earnings in joint venture | 4 | | (92,000) | | 166,000 |
| Loss before income taxes | | | (188,000) | | (280,000) |
| Income tax recovery | 5 | | (82,000) | | (38,000) |
| **Net loss** | | $ | (106,000) | $ | (242,000) |
| **Loss per share** | | | | | |
| Basic and diluted | 7 | $ | - | $ | (0.01) |

*See accompanying notes to the Condensed Consolidated Financial Statements*

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

| Expressed in United States Dollars, rounded to the nearest thousand | Note | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|---|
| Net loss | | $ (106,000) | $ (242,000) |
| Other comprehensive earnings | | | |
| To not be classifed subsequently to profit or loss | | | |
| Share of revaluation of investments held in joint venture | | | |
| Gross amount | 4 | 804,000 | 537,000 |
| Tax effect | | (175,000) | (39,000) |
| Net amount | | $ 629,000 | $ 498,000 |
| Total other comprehensive earnings | | $ 629,000 | $ 498,000 |
| Total comprehensive earnings | | $ 523,000 | $ 256,000 |

*See accompanying notes to the Condensed Consolidated Financial Statements*

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| Expressed in United States Dollars, rounded to the nearest thousand | Note | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|---|
| **Operating activities** | | | |
| Net loss | | $ (106,000) | $ (242,000) |
| Adjustments for operating activities: | | | |
| Share based compensation | | 133,000 | 30,000 |
| Income tax recovery | 5 | (82,000) | (38,000) |
| Share of loss (earnings) of joint venture | 4 | 92,000 | (166,000) |
| | | 143,000 | (174,000) |
| Changes in non-cash operating working capital: | | | |
| Accounts receivables and prepaid expenses | | (141,000) | (615,000) |
| Accounts payable and accrued liabilities | | (358,000) | 695,000 |
| Changes in non-cash operating working capital | | (499,000) | 80,000 |
| | | $ (462,000) | $ (336,000) |
| **Investing activities** | | | |
| Distributions from joint venture | 4 | - | 20,850,000 |
| Investment in joint venture | 4 | (1,150,000) | - |
| | | $ (1,150,000) | $ 20,850,000 |
| Net (decrease) increase in cash and cash equivalents | | (1,612,000) | 20,514,000 |
| Cash and cash equivalents, beginning of period | | 50,092,000 | 49,304,000 |
| Cash and cash equivalents, end of period | | $ 48,480,000 | $ 69,818,000 |

*See accompanying notes to the Condensed Consolidated Financial Statements*

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| Expressed in United States Dollars, except per share amounts | Note | Common Shares Number | Common Shares Amount | Other Equity Reserves | Accumulated Other Comprehensive Income | Deficit | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| Balance, December 31, 2021 | | 26,513,889 | $ 145,251,000 | $ 2,592,000 | $ 18,115,000 | (6,902,000) | $ 159,056,000 |
| Net (loss) and comprehensive earnings, January 1 to March 31, 2022 | | - | - | - | 498,000 | (242,000) | 256,000 |
| Share-based compensation | | - | - | 30,000 | - | - | 30,000 |
| Balance, March 31, 2022 | | 26,513,889 | $ 145,251,000 | $ 2,622,000 | $ 18,613,000 | $ (7,144,000) | $ 159,342,000 |
| Net (loss) and comprehensive earnings, April 1 to December 31, 2022 | | - | - | - | 9,623,000 | (538,000) | 9,085,000 |
| Common shares issued | | 4,268,800 | 28,194,000 | - | - | - | 28,194,000 |
| Share issuance costs | | - | (1,864,000) | - | - | - | (1,864,000) |
| Share-based compensation | | - | - | 290,000 | - | - | 290,000 |
| Balance, December 31, 2022 | | 30,782,689 | $ 171,581,000 | $ 2,912,000 | $ 28,236,000 | $ (7,682,000) | $ 195,047,000 |
| Net (loss) and comprehensive earnings, January 1 to March 31, 2023 | | - | - | - | 629,000 | (106,000) | 523,000 |
| Share-based compensation | | - | - | 133,000 | - | - | 133,000 |
| Balance, March 31, 2023 | | 30,782,689 | $ 171,581,000 | $ 3,045,000 | $ 28,865,000 | $ (7,788,000) | $ 195,703,000 |

*See accompanying notes to the Condensed Consolidated Financial Statements*

## 1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

Altius Renewable Royalties Corp. ("ARR" or "the Corporation") is a renewable energy royalty company whose investments result in the creation of gross revenue royalties and royalty like payments related to development through operating stage wind, solar and other types of renewable energy projects.

Currently, ARR indirectly holds interests in a portfolio of 2,068 MW of operational wind, solar, and hydro-electric projects located in Texas, Kansas, California and Vermont as well as royalty interests related to a portfolio of approximately 5.5 GW of development stage wind and solar energy projects located across the United States including Texas, Indiana, Pennsylvania, Virginia, Wyoming, Nebraska, Colorado, and Illinois and 300 MW of wind projects under construction. In addition the Corporation holds investments in renewable project developers that entitle it to additional royalty interest grants upon project sales to third parties.

As at March 31, 2023 TSX listed Altius Minerals Corporation ("Altius" or "the Parent") owned 58% of the Corporation.

ARR is incorporated and domiciled in Canada. The head office of the Corporation is located at 2nd Floor, 38 Duffy Place, St. John's, Newfoundland and Labrador A1B 4M5. Its registered office is located at 4300 Bankers Hall West, 888 – 3rd Street S.W., Calgary, Alberta, T2P 5C5.

These condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 5, 2023.

## 2. BASIS OF PRESENATION

These condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard 34 Interim Financial Reporting (IAS 34) as issued by the International Accounting Standards Board (IASB). These condensed consolidated financial statements have been prepared on an historical cost basis, except for financial assets classified at fair value through other comprehensive income. All amounts are expressed in United States dollars, rounded to the nearest thousand, unless otherwise stated. Tabular amounts are presented in United States dollars, rounded to the nearest thousand with the exception of per share amounts.

## 3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND PRONOUCEMENTS

These condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Corporation as at and for the year ended December 31, 2022. The Corporation has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2022.

(Expressed in United States dollars, rounded to the nearest thousand, except per share amounts)

## 4. INTEREST IN JOINT VENTURE

| | GBR I, LLC | GBR II, LLC | GBR Joint Venture |
|---|---|---|---|
| Balance, December 31, 2021 | 88,613,000 | 27,526,000 | 116,139,000 |
| Investment in joint venture | 20,000,000 | 23,850,000 | 43,850,000 |
| Distribution from joint venture | (20,850,000) | - | (20,850,000) |
| Share of (loss) earnings | (2,409,000) | 2,930,000 | 521,000 |
| Revaluation of investments (net of tax of $417,100)(1) | 4,810,000 | 6,625,000 | 11,435,000 |
| Balance, December 31, 2022 | $ 90,164,000 | $ 60,931,000 | $ 151,095,000 |
| Investment in joint venture | 1,150,000 | - | 1,150,000 |
| Share of (loss) earnings | (633,000) | 541,000 | (92,000) |
| Revaluation of investments(1) | 899,000 | (95,000) | 804,000 |
| Balance, March 31, 2023 | $ 91,580,000 | $ 61,377,000 | $ 152,957,000 |

*(1) Recognized through other comprehensive earnings*

The Corporation, with certain funds (the "Apollo Funds") managed by affiliates of Apollo Global Management, Inc. ("Apollo") holds interests in two joint venture entities, Great Bay Renewables Holdings, LLC ("GBR I") and Great Bay Renewables Holdings II, LLC ("GBR II"), collectively referred to herein as "GBR" or the Joint Venture. The Corporation's share of earnings (loss) and other comprehensive earnings (loss) is reflective of its 50% proportionate ownership of the Joint Venture as at and for the three months ended March 31, 2023 (March 31, 2022 – 50%).

During the three months ended March 31, 2023 the Corporation invested $1,150,000 to fund the Hodson Energy LLC ('Hodson") tranche detailed below (March 31, 2022 - $nil). During the three months ended March 31, 2023 the Corporation did not receive any distributions from GBR (March 31, 2022 - $20,850,000 following the redemption of a renewable energy investment in Apex Clean Energy).

(Expressed in United States dollars, rounded to the nearest thousand, except per share amounts)

Below is a summary of the Joint Venture's assets, liabilities, income, expense and cash flow, presented on a 100% basis.

| | As at March 31, 2023 | | | As at December 31, 2022 | | |
|---|---|---|---|---|---|---|
| | GBR I, LLC | GBR II, LLC | Total | GBR I, LLC | GBR II, LLC | Total |
| Balance Sheets | | | | | | |
| Current assets | | | | | | |
| Cash | $ 982,000 | $ 498,000 | $ 1,480,000 | $ 1,670,000 | $ 1,193,000 | $ 2,863,000 |
| Other current assets | 409,000 | 794,000 | 1,203,000 | 541,000 | 1,417,000 | 1,958,000 |
| Non-current assets | | | | | | |
| Investments(1) | $ 87,098,000 | $ 148,755,000 | $ 235,853,000 | $ 80,222,000 | $ 148,945,000 | $ 229,167,000 |
| Investment in associate (1) | 5,078,000 | - | 5,078,000 | 5,970,000 | - | 5,970,000 |
| Royalty interests(1) | 59,903,000 | - | 59,903,000 | 60,644,000 | - | 60,644,000 |
| Other non-current assets | - | - | - | 42,000 | - | 42,000 |
| Total Assets | | | $ 303,517,000 | | | $300,646,000 |
| Current liabilities | | | | | | |
| Trade and other payables | $ 290,000 | $ - | $ 290,000 | $ 1,163,000 | $ - | $ 1,163,000 |
| Non-current liabilities | | | | | | |
| Loan payable (receivable) | $ (27,600,000) | $ 27,600,000 | $ - | $(30,000,000) | $ 30,000,000 | $ - |
| Total Liabilities | | | $ 290,000 | | | $ 1,163,000 |

*(1) Refer to below tables for breakdown of investments and royalty interests held in GBR*

| | Three Months March 31, 2023 | | | Three Months March 31, 2022 | | |
|---|---|---|---|---|---|---|
| | GBR I, LLC | GBR II, LLC | Total | GBR I, LLC | GBR II, LLC | Total |
| Statement of (Loss) Earnings and Comprehensive Earnings | | | | | | |
| Revenue | | | | | | |
| Royalty revenue | $ 751,000 | $ 1,224,000 | $ 1,975,000 | $ 53,000 | $ 1,164,000 | $ 1,217,000 |
| Interest income | 5,000 | 10,000 | 15,000 | 138,000 | (132,000) | 6,000 |
| Other revenue (expense) | 134,000 | (134,000) | - | - | - | - |
| Expenses | | | | | | |
| General and administrative expense | $ (913,000) | $ (16,000) | $ (929,000) | $ (586,000) | $ (106,000) | $ (692,000) |
| Amortization | (485,000) | - | (485,000) | (199,000) | - | (199,000) |
| Other items impacting net earnings (loss) | | | | | | |
| Gain on disposal of geothermal wells | 132,000 | - | 132,000 | - | - | - |
| Share of loss in associates | (892,000) | - | (892,000) | - | - | - |
| Net (loss) earnings | $ (1,268,000) | $ 1,084,000 | $ (184,000) | $ (594,000) | $ 926,000 | $ 332,000 |
| Other comprehensive earnings, revaluation | 1,799,000 | (191,000) | 1,608,000 | 1,073,000 | - | 1,073,000 |
| Other comprehensive earnings, cash taxes | - | - | - | (206,000) | - | (206,000) |
| Total comprehensive earnings | $ 531,000 | $ 893,000 | $ 1,424,000 | $ 273,000 | $ 926,000 | $ 1,199,000 |
| Statement of Cash Flows | | | | | | |
| Operating activities | $ (745,000) | $ 1,706,000 | $ 961,000 | $ (424,000) | $ 599,000 | $ 175,000 |
| Financing activities | 4,700,000 | (2,400,000) | 2,300,000 | (41,200,000) | (500,000) | (41,700,000) |
| Investing activities | (4,643,000) | (1,000) | (4,644,000) | (8,000) | (2,000) | (10,000) |
| Net (decrease) increase in cash and cash equivalents | $ (688,000) | $ (695,000) | $ (1,383,000) | $ (41,632,000) | $ 97,000 | $ (41,535,000) |
| Cash and cash equivalents, beginning of period | 1,670,000 | 1,193,000 | 2,863,000 | 42,137,000 | 553,000 | 42,690,000 |
| Cash and cash equivalents, end of period | $ 982,000 | $ 498,000 | $ 1,480,000 | $ 505,000 | $ 650,000 | $ 1,155,000 |

The remainder of Note 4 disclosures present the Joint Venture on a 100% basis.

*Joint venture Agreement – GBR*

During the three months ended March 31, 2023 $2,300,000 was funded into GBR equally by the Corporation and Apollo (December 31, 2022 – $87,700,000). This amount in addition to $2,700,000 cash on hand at GBR was used to fund the Hodson investment tranche noted below.

*Sale of Geothermal wells*

On January 6, 2023 GBR sold the assets of NEO Geothermal for proceeds of $435,000. The assets, consisting of a geothermal wellfield located under a building in Portsmouth, New Hampshire, were sold to the building owner. Closing costs of $4,000 were incurred and a gain on sale of $132,000 was recognized on GBR's income statement for the three months ended March 31, 2023.

*Hodson Energy LLC*

During the three months ended March 31, 2023 GBR invested $5,000,000 into Hodson and incurred acquisition costs of $77,000 (March 31, 2022 - $nil) for a total investment balance recorded of $19,112,000 and a warrant balance of $237,000.

*Bluestar Energy Capital LLC ("Bluestar") & Nova Clean Energy, LLC ("Nova")*

As at March 31, 2023 and December 31, 2022 the total invested into Bluestar is $3,000,000 and Nova is $5,000,000 with incurred acquisition costs of $107,000 for a total investment of $8,107,000. During the three months ended March 31, 2023 GBR recorded its share of loss of $892,000 in relation to these investments (March 31, 2022 - $nil).

*Tri Global Energy LLC ("TGE")*

As at March 31, 2023 and December 31, 2022 the total invested in TGE is $47,116,000 including acquisition costs of $616,000.

*Longroad Energy ("Longroad")*

As at March 31, 2023 and December 31, 2022 the total invested in Longroad's Prospero 2 project is $35,495,000 including acquisition costs of $495,000.

*Titan Solar ("Titan")*

As at March 31, 2023 the total invested in Longroad's Titan Solar project is $46,800,000 including acquisition costs of $800,000 (December 31, 2022 – $46,799,000).

*Northleaf Capital Partners ("Northleaf")*

As at March 31, 2023 and December 31, 2022 the total invested in Northleaf is $53,401,000 including acquisition costs of $901,000.

(Expressed in United States dollars, rounded to the nearest thousand, except per share amounts)

### *Level 3 Financial Assets*

A summary of renewable energy investments that are classified as financial assets held in GBR is as follows. Additional information including fair value hierarchy can be found in Note 9.

| | TGE | Longroad | Northleaf | Titan | Hodson | Hodson Warrants | Total |
|---|---|---|---|---|---|---|---|
| Balance, December 31, 2021 | $ 58,780,000 | $ 35,495,000 | $ 53,398,000 | $ - | $ - | $ - | $ 147,674,000 |
| Additional investments | 1,529,000 | - | 2,000 | 46,799,000 | 14,035,000 | 237,000 | 62,602,000 |
| Reclassification to royalty interest | (4,813,000) | - | - | - | - | - | (4,813,000) |
| Revaluation gains through OCI | 10,454,000 | 7,294,000 | 5,956,000 | - | - | - | 23,704,000 |
| Balance, December 31, 2022 | $ 65,950,000 | $ 42,789,000 | $ 59,356,000 | $ 46,799,000 | $ 14,035,000 | $ 237,000 | $ 229,167,000 |
| Additional investments | - | - | - | 1,000 | 5,077,000 | - | 5,078,000 |
| Revaluation gains (losses) through OCI | 1,799,000 | (162,000) | (29,000) | - | - | - | 1,608,000 |
| Balance, March 31, 2023 | $ 67,749,000 | $ 42,627,000 | $ 59,327,000 | $ 46,800,000 | $ 19,112,000 | $ 237,000 | $ 235,853,000 |

### *Investments in Associate*

A summary of renewable energy investments that are classified as investments in associate held in GBR is as follows.

| | Bluestar | Nova | Total |
|---|---|---|---|
| Balance, December 31, 2021 | $ - | $ - | $ - |
| Additional investments | 3,000,000 | 5,107,000 | 8,107,000 |
| Share of loss | (649,000) | (1,488,000) | (2,137,000) |
| Balance, December 31, 2022 | $ 2,351,000 | $ 3,619,000 | $ 5,970,000 |
| Share of loss | (283,000) | (609,000) | (892,000) |
| Balance, March 31, 2023 | $ 2,068,000 | $ 3,010,000 | $ 5,078,000 |

(Expressed in United States dollars, rounded to the nearest thousand, except per share amounts)

### *Royalty Interests*

A summary of royalty interests held in GBR is as follows:

| | As at December 31, 2022 | Additions | Disposals | As at March 31, 2023 |
|---|---|---|---|---|
| Renewable royalty interests | | | | |
| Jayhawk - Wind | $ 8,011,000 | $ - | $ - | $ 8,011,000 |
| El Sauz - Wind | 8,262,000 | - | - | 8,262,000 |
| Young Wind - Wind | 19,875,000 | - | - | 19,875,000 |
| Appaloosa - Wind | 4,813,000 | - | - | 4,813,000 |
| Hansford County - Wind | 17,789,000 | - | - | 17,789,000 |
| Neo Geothermal - Thermal | 389,000 | - | (389,000) | - |
| Clyde River - Hydro | 2,185,000 | - | - | 2,185,000 |
| Balance, end of period | $ 61,324,000 | $ - | $ (389,000) | $ 60,935,000 |
| | | | | |
| Accumulated amortization | | | | |
| Jayhawk - Wind | $ (245,000) | $ (67,000) | $ - | $ (312,000) |
| Hansford County - Wind | - | (148,000) | - | (148,000) |
| Appaloosa - Wind | - | (40,000) | - | (40,000) |
| Young Wind - Wind | - | (165,000) | - | (165,000) |
| Neo Geothermal - Thermal | (90,000) | - | 90,000 | - |
| Clyde River - Hydro | (345,000) | (22,000) | - | (367,000) |
| Balance, end of period | $ (680,000) | $ (442,000) | $ 90,000 | $ (1,032,000) |
| Net book value | $ 60,644,000 | $ (442,000) | $ (299,000) | $ 59,903,000 |

| | As at December 31, 2021 | Additions | Disposals | As at December 31, 2022 |
|---|---|---|---|---|
| Renewable royalty interests | | | | |
| Jayhawk - Wind | $ 8,011,000 | $ - | $ - | $ 8,011,000 |
| El Sauz - Wind | 8,262,000 | - | - | 8,262,000 |
| Young Wind - Wind | 19,875,000 | - | - | 19,875,000 |
| Appaloosa - Wind | - | 4,813,000 | - | 4,813,000 |
| Hansford County - Wind | - | 17,789,000 | - | 17,789,000 |
| Neo Geothermal - Thermal | 389,000 | - | - | 389,000 |
| Clyde River - Hydro | 2,185,000 | - | - | 2,185,000 |
| Balance, end of period | $ 38,722,000 | $ 22,602,000 | $ - | $ 61,324,000 |
| Accumulated amortization | | | | |
| Jayhawk - Wind | $ - | $ (245,000) | $ - | $ (245,000) |
| Neo Geothermal - Thermal | (67,000) | (23,000) | - | (90,000) |
| Clyde River - Hydro | (257,000) | (88,000) | - | (345,000) |
| Balance, end of period | $ (324,000) | $ (356,000) | $ - | $ (680,000) |
| Net book value | $ 38,398,000 | $ 22,246,000 | $ - | $ 60,644,000 |

### *Key management compensation*

During the three months ended March 31, 2023 GBR LLC paid compensation to key management personnel of $803,000 (March 31, 2022 - $153,000) related to salaries and benefits.

(Expressed in United States dollars, rounded to the nearest thousand, except per share amounts)

*Commitments*

As at March 31, 2023 the following are GBR's commitments and contractual obligations over the next five calendar years:

| | Bluestar & Nova | Hodson | Total |
|---|---|---|---|
| 2023 | 6,000,000 | 14,000,000 | 20,000,000 |
| 2024 | 18,500,000 | 7,000,000 | 25,500,000 |
| 2025 | - | - | - |
| 2026 | - | - | - |
| 2027 | - | - | - |
| | $ 24,500,000 | $ 21,000,000 | $ 45,500,000 |

GBR is committed under a consulting agreement to remit the following payments on the Hodson investment, until royalty funding has been completed or the agreement terminated:

- $150,000 on each date that the Joint Venture signs definitive documentation in connection with a royalty investment
- 1.5% of the first $20,000,000 in funded value; plus
- 1% of funded value greater than $20,000,000 but less than $50,000,000; less
- The aggregate amount of the above payments.

GBR has committed under the Bluestar/Nova investments and Hodson investments to fund up to an additional $24,500,000 and $21,000,000, respectively. The commitments are associated with the expectation of future capital calls and the timing and amounts are at the discretion of the board or manager of each company. In addition, Hodson must achieve certain milestones for future funding to be requested.

On January 29, 2021 GBR committed under a short term lease on office space including operating costs for future minimum lease payments of $31,200 per annum until the lease expires in March 2024. GBR has applied the exemptions from IFRS 16 in relation to this lease and has therefore not recorded a right-of-use asset and lease liability.

The final value of royalties assigned to GBR under the Apex agreement was to be determined six months following the commercial operation date of the associated project. Apex and the Joint Venture agreed to a true-up mechanism to be used in the future in the event that the current estimates for the final value of the royalties used in determining the redemption payment differ from the actual final values determined. The true-up mechanism is based on the same valuation methodology that would have been used if the redemption did not occur. Based on the final valuation of each royalty, Apex may owe a cash payment to the Joint Venture, or vice versa. As of the date of these financial statements, the amount is not determinable, and no amount is reflected herein (Note 4).

See Note 8 for a summary of related party transactions; see Note 9 for financial instruments and fair value qualitative and quantitative analysis.

(Expressed in United States dollars, rounded to the nearest thousand, except per share amounts)

## 5. INCOME TAXES

Significant components of the deferred tax assets and liabilities are as follows:

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| Non capital loss carryforwards | $ 714,000 | $ 500,000 |
| Carrying value of investments in excess of tax values | (6,807,000) | (6,500,000) |
| | $ (6,093,000) | $ (6,000,000) |

| | March 31, 2023 | December 31, 2022 |
|---|---|---|
| Deferred tax assets | 714,000 | 500,000 |
| Deferred tax liabilities | (6,807,000) | (6,500,000) |
| Total deferred income tax | $ (6,093,000) | $ (6,000,000) |

Components of income tax expense (recovery) are as follows:

| | Three months ended | |
|---|---|---|
| | March 31, 2023 | March 31, 2022 |
| Current tax | $ - | $ - |
| Deferred tax | (82,000) | (38,000) |
| | $ (82,000) | $ (38,000) |

## 6. GENERAL AND ADMINISTRATIVE EXPENSES

| | Three months ended | |
|---|---|---|
| | March 31, 2023 | March 31, 2022 |
| Professional fees | $ 196,000 | $ 126,000 |
| Office and administrative | 147,000 | 164,000 |
| Management fees | 127,000 | 138,000 |
| Director fees | 30,000 | 32,000 |
| Travel and accomodations | 20,000 | 4,000 |
| | $ 520,000 | $ 464,000 |

(Expressed in United States dollars, rounded to the nearest thousand, except per share amounts)

## 7. SHAREHOLDERS EQUITY

*Net loss per share*

Basic and diluted net loss per share were calculated using the weighted average number of common shares for the respective periods.

| | Three months ended | |
|---|---|---|
| | March 31, 2023 | March 31, 2022 |
| Basic | 30,782,689 | 26,513,889 |
| Diluted | 31,263,047 | 27,100,389 |

## 8. RELATED PARTY TRANSACTIONS

*Altius Minerals Services Agreement*

During the three months ended March 31, 2023 Altius billed the Corporation $127,000 (C$173,000) (March 31, 2022 - $138,000 (C$173,000)) for office space, management, and administrative services. At March 31, 2023 the balance owing to Altius is $nil.

*GBR Services Agreement*

During the three months ended March 31, 2023 Altius billed GBR $23,000 (March 31, 2022 - $23,000) for finance and administrative services. At March 31, 2023 the balance owing to Altius is $nil.

*GBR-ARR Services Agreement*

During the three months ended March 31, 2023 GBR billed the Corporation $22,000 (March 31, 2022 - $6,000) for support services. At March 31, 2023 the balance owing to GBR is $nil.

*Other*

During the three months ended March 31, 2023 the Corporation paid salaries and benefits to directors of $28,000 (March 31, 2022 - $39,000) and recognized share-based compensation of $133,000 (March 31, 2022 – $30,000).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

## 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Corporation's financial assets and liabilities are measured at fair value on a recurring basis by level within the fair value hierarchy.

Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; inputs other than quoted prices used in a valuation model that are observable for that instrument; inputs that are derived principally from or corroborated by observable market data by correlation or other means; and estimates of expected volatility, expected life and expected risk-free rate of return, and;

Level 3 – valuation techniques with significant unobservable market inputs.

The Corporation does not have any financial assets and liabilities subject to the fair value hierarchy. The fair value of the Corporation's other financial instruments approximates the carrying values due to their short term nature. The below note summarizes the financial instruments held in the Corporation's joint venture.

*Reconciliation of Level 3 fair value measurements of financial instruments*

Refer to Note 4 for a reconciliation of the fair value measurements of the Corporation's level 3 financial assets which included renewable energy investments that are held in its joint venture. Below is a summary of the valuation technique, key inputs, significant unobservable inputs, relationship and sensitivity of these assets.

*Valuation technique and key inputs*

The Corporation applies an income approach methodology primarily modelled with risk adjusted discounted cash flows to capture the present value of expected future economic benefits to be derived from the ownership of the investments (Longroad, Northleaf and Titan Solar) and the royalty contracts that have been or will be granted in exchange for the TGE and Hodson investments. The total number and value of royalty contracts to be ultimately awarded under the TGE and Hodson investment agreements is subject to a minimum return threshold, which has the effect of muting the potential value impact of several of the unobservable inputs. The total cash distributions to be received under the Longroad, Northleaf and Titan Solar agreements are also subject to various return thresholds ensuring a target rate of return. If an income approach is not possible or the investment is recent, the Corporation utilizes cost as a proxy for fair value. The Corporation works with valuation specialists to establish valuation methodologies and techniques for Level 3 assets including the valuation approach, assumptions using publicly available and internally available information, updates for changes to inputs to the model and reconciling any changes in the fair value of the assets for each reporting date within its financial models.

*Significant unobservable inputs*

The Corporation uses publicly available information for power purchase agreement prices and merchant power pricing, as well as estimates related to timing of revenues and cash flows, discounts rates and timing of commercial operations all of which are key inputs into the valuation model.

*Relationship and sensitivity of unobservable inputs to fair value*

The following table provides information about how the fair value of these investments, are determined and in particular, the significant unobservable inputs. The recently acquired Hodson and Titan Solar investments has been excluded as it is currently measured at cost approximating fair value.

| Significant unobservable inputs | Relationship and sensitivity of unobservable inputs to fair value | Quantitative impact |
|---|---|---|
| Discount rate | The Corporation applies a range of risk adjusted discount rates to the expected project royalties based on the stage of development and an assessment of the likelihood of completion of the TGE investment.<br><br>For the Northleaf and Longroad royalty investments, ARR determines a discount rate based on the expected weighted average cost of capital (WACC) of the Corporation using a capital asset pricing model. | The lower the discount rate the higher the value of an individual royalty. The higher the discount rate the lower the value of the individual royalty.<br><br>A 1% increase in discount rates results in a change of $6,901,000 for the investment in TGE and $7,571,000 for the royalty investments in Northleaf and Longroad. |
| Timing of commercial operations | For the TGE investment, there are a series of anticipated project development milestones that occur as a project approaches commercial operations. As each project development milestone nears completion or is met, the risk associated with the project reaching commercial operations decreases. The expected timing of the commercial operations date (the date upon which cash flows are expected to commence) will impact the fair value calculation. | As the commercial operations date approach and the time to cashflow shortens, the value will increase based on the time value of money. Impact is dependent on reduction in time and appropriate risk adjusted discount rate. While the timing of commercial operations may affect near term expected realized revenues, the impact on the fair market value of the investment is muted because of the minimum return threshold concept implicit in the contract. As a result, as any delays will result in a higher number of royalties being granted to the Corporation, which will offset any reduction in value. |
| Power prices | The Corporation uses available forecast data of market power prices in order to calculate expected royalty revenue over the life of each project subject to merchant power prices. The forecasted power prices have a direct impact on forecasted annual revenue for the Corporation's Northleaf and Longroad royalty investments. | The Northleaf and Longroad agreements are structured such that royalty rates will often vary over the life of a specific project so that the Corporation's targeted IRR threshold is met. These mechanisms effectively mute the long-term impact of merchant power prices on the valuations. Several of the Corporation's royalties are also contracted under long-term PPAs and are not exposed to market power prices. Given the minimum return threshold on the TGE investment, it is expected that the impact of power prices will be muted as delays will result in a higher number of royalties granted and thus a higher value.<br><br>A 10% increase in power prices results in a $1,600,000 change in valuation of Northleaf and Longroad. |

### *Risk Management*

The Corporation’s financial assets and financial liabilities are exposed to various risk factors that may affect the fair value presentation or the amount ultimately received or paid on settlement of its assets and liabilities. The Corporation manages these risks through prudent investment and business decisions and does not currently utilize derivative financial instruments for trading or speculative purposes.

There has been no change in the Corporations approach to the financial instrument risks identified in the notes to annual consolidated financial statements for the year ended December 31, 2022.