Altius Renewable Royalties Corp.

Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

Independent Auditor's Report

To the Shareholders and the Board of Directors of
Altius Renewable Royalties Corp.

Opinion

We have audited the consolidated financial statements of Altius Renewable Royalties Corp. (the "Corporation"), which comprise the consolidated balance sheets as at December 31, 2023 and 2022, and the consolidated statements of loss, comprehensive earnings, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Interest in Joint Venture — Fair value determination of renewable royalty interests and investments in renewable royalties - Refer to Note 2, 3, 4 and 10 to the financial statements

Key Audit Matter Description

The Corporation's joint venture has renewable royalty interests and holds investments in renewable royalties, which are accounted for as financial instruments held at fair value through other comprehensive income. The Corporation's methodology to determine the fair value of the investments at the reporting date is based on complex models and unobservable inputs. The valuation of these investments is subjective and includes several assumptions that are required to determine the fair value. The judgments with the highest degree of subjectivity and impact on the fair values are the determination of an appropriate valuation methodology, expected timing of cashflow from royalties, discount rates, power purchase agreement prices and merchant power pricing, and timing of commercial operations.

Given the significant judgments made by management to estimate the fair value of the renewable royalty interests and investments in renewable royalties, performing audit procedures to evaluate the reasonableness of the estimates and assumptions related to the determination of an appropriate valuation methodology, expected timing of cashflow from royalties, discount rates, power purchase agreement prices and merchant power pricing, and timing of commercial operations required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the fair value determination of the renewable royalty interests and investments in renewable royalties included the following, among others:

- Evaluated the reasonableness of management's expected timing of cashflow from royalties, power purchase agreement prices and merchant power pricing, and timing of commercial operations, as applicable, by comparing management's forecasts to:
    - Contractual terms;
    - Historical forecasts;
    - Internal communications to management and the Board of Directors; and
    - Forecasted information included in the Corporation's press releases, as well as analyst and industry reports for the Corporation and third-party information.
- With the assistance of fair value specialists, evaluated the reasonableness of:
    - The valuation methodology and the mathematical accuracy of the calculations.
    - The discount rates by testing the source information underlying the determination of the discount rate and developed a range of independent estimates for the discount rate and compared to the discount rate selected by management.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

/s/ Deloitte LLP

Chartered Professional Accountants
St. John's, Newfoundland and Labrador
March 6, 2024

CONSOLIDATED BALANCE SHEETS

Expressed in United States Dollars, rounded to the nearest thousand	Note	As at			
			December 31, 2023		December 31, 2022
ASSETS					
Current assets					
Cash and cash equivalents		$	88,716,000	$	50,092,000
Accounts receivable and prepaid expenses			116,000		191,000
Income tax receivable			645,000		235,000
		$	89,477,000	$	50,518,000
Non-current assets					
Interest in joint venture	4		125,512,000		151,095,000
		$	125,512,000	$	151,095,000
TOTAL ASSETS		$	214,989,000	$	201,613,000
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities			383,000		566,000
		$	383,000	$	566,000
Non-current liabilities					
Deferred tax liability	5		9,235,000		6,000,000
		$	9,235,000	$	6,000,000
TOTAL LIABILITIES		$	9,618,000	$	6,566,000
EQUITY					
Shareholders' equity	7		205,371,000		195,047,000
		$	205,371,000	$	195,047,000
TOTAL LIABILITIES AND EQUITY		$	214,989,000	$	201,613,000

See accompanying notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF LOSS

Expressed in United States Dollars, rounded to the nearest thousand (except per share amounts)	Note	Year ended December 31, 2023	December 31, 2022
Revenue and other income			
Interest		$ 2,665,000	$ 781,000
		$ 2,665,000	$ 781,000
Costs and Expenses			
General and administrative	6	2,103,000	1,972,000
Share based compensation	8	344,000	320,000
Foreign exchange gain		(30,000)	(300,000)
		$ 2,417,000	$ 1,992,000
Earnings (loss) before the following:		$ 248,000	$ (1,211,000)
Share of (loss) earnings in joint venture	4	(1,742,000)	521,000
Loss before income taxes		$ (1,494,000)	$ (690,000)
Income tax (recovery) expense	5	(423,000)	90,000
Net loss		$ (1,071,000)	$ (780,000)
Loss per share			
Basic and diluted	7	$ (0.04)	$ (0.03)

See accompanying notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

Expressed in United States Dollars, rounded to the nearest thousand	Note	Year ended December 31, 2023	December 31, 2022
Net loss		$ (1,071,000)	$ (780,000)
Other comprehensive earnings (loss)			
To be classified subsequently to profit or loss			
Share of revaluation of cash flow swap held in joint venture			
Gross amount	4	(3,979,000)	–
Tax effect		881,000	–
Net amount		$ (3,098,000)	$ –
To not be classified subsequently to profit or loss			
Share of revaluation of investments held in joint venture			
Gross amount	4	18,313,000	11,852,000
Tax effect		(4,130,000)	(1,731,000)
Net amount		$ 14,183,000	$ 10,121,000
Total other comprehensive earnings		$ 11,085,000	$ 10,121,000
Total comprehensive earnings		$ 10,014,000	$ 9,341,000

See accompanying notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in United States Dollars, rounded to the nearest thousand	Note	Year ended December 31, 2023	December 31, 2022
Operating activities			
Net loss		$ (1,071,000)	$ (780,000)
Adjustments for operating activities:			
Share based compensation	8	344,000	320,000
Income tax (recovery) expense	5	(423,000)	90,000
Share of loss (earnings) of joint venture	4	1,742,000	(521,000)
		1,663,000	(111,000)
Changes in non-cash operating working capital:			
Accounts receivables and prepaid expenses		75,000	(69,000)
Accounts payable and accrued liabilities		(218,000)	(212,000)
Changes in non-cash operating working capital		(143,000)	(281,000)
		$ 449,000	$ (1,172,000)
Financing activities			
Proceeds on issuance of common shares	7	–	28,194,000
Share issuance costs	7	–	(1,597,000)
		$ –	$ 26,597,000
Investing activities			
Distributions from joint venture	4	54,125,000	20,850,000
Investment in joint venture	4	(15,950,000)	(43,850,000)
Income taxes paid	5	–	(1,637,000)
		$ 38,175,000	$ (24,637,000)
Net increase in cash and cash equivalents		38,624,000	788,000
Cash and cash equivalents, beginning of year		50,092,000	49,304,000
Cash and cash equivalents, end of year		$ 88,716,000	$ 50,092,000

See accompanying notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Expressed in United States Dollars, except per share amounts	Note	Common Shares		Other Equity Reserves	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
		Number	Amount				
Balance, December 31, 2021		26,513,889	$ 145,251,000	$ 2,592,000	$ 18,114,000	$ (6,902,000)	$ 159,055,000
Net loss and comprehensive earnings, January 1 to December 31, 2022		–	–	–	10,121,000	(780,000)	9,341,000
Common shares issued	7	4,268,800	28,194,000	–	–	–	28,194,000
Share issuance costs	7	–	(1,863,000)	–	–	–	(1,863,000)
Share-based compensation	8	–	–	320,000	–	–	320,000
Balance, December 31, 2022		30,782,689	$ 171,582,000	$ 2,912,000	$ 28,235,000	$ (7,682,000)	$ 195,047,000
Net loss and comprehensive earnings, January 1 to December 31, 2023		–	–	–	11,085,000	(1,071,000)	10,014,000
Common shares issued under long term incentive plan		4,918	39,000	(73,000)	–	–	(34,000)
Share-based compensation	8	–	–	344,000	–	–	344,000
Balance, December 31, 2023		30,787,607	$ 171,621,000	$ 3,183,000	$ 39,320,000	$ (8,753,000)	$ 205,371,000

See accompanying notes to the 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. The Corporation was created on November 13, 2018 as Blue Sky Renewable Royalties Corp. and subsequently changed its name on February 2, 2019.

At December 31, 2023 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 700 MW of wind projects under construction. In addition the Corporation indirectly holds investments in renewable project developers that entitle it to additional royalty interest grants upon project sales to third parties.

As at December 31, 2023 TSX listed Altius Minerals Corporation ("Altius" or the "Parent") owned 58% (2022 – 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 4200 Bankers Hall West, 888 3rd St. SW Calgary, Alberta, T2P 5C5.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 6, 2024.

2. MATERIAL ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

These consolidated financial statements have been prepared on an historical cost basis except for financial assets classified at fair value through other comprehensive income ("FVTOCI"). All amounts are expressed in US dollars, unless otherwise stated. Tabular amounts are presented in US dollars, rounded to nearest thousand with the exception of per share amounts.

Basis of consolidation

The consolidated financial statements include the financial statements of the Corporation and any entities controlled by the Corporation (its subsidiaries). Control exists when the Corporation has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

The Corporation reassesses whether or not it controls an investee at each reporting date if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Corporation has less than a majority of the voting rights of an investee, it is deemed to have power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Corporation considers all relevant facts and circumstances in assessing whether or not the Corporation's voting rights in an investee are sufficient to give it power, including the size of the Corporation's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; potential voting rights held by the Corporation, other vote holders or other parties; rights arising from other contractual arrangements; and any additional facts and circumstances that indicate that the Corporation has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

The consolidated financial statements include all subsidiaries in the accounts of the Corporation for the periods presented. The Corporation has one subsidiary, Altius GBR Holdings Inc.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Corporation's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

When the Corporation loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Corporation had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, and when applicable, the cost on initial recognition of an investment in an associate or a joint venture. The Corporation applies a "full-gain recognition" approach in accounting for a loss of control of a former subsidiary. The application of the IFRS 10 full-gain approach would result in recognition of the fair value of investment in joint venture and any gain or loss recorded in the consolidated statement of loss. As the Corporation's underlying ownership interest changes as a result of external financings completed by the associate or joint venture with third parties, the Corporation's investment is adjusted to reflect any dilution effect which is recorded in the consolidated statement of loss.

Joint arrangements

The Corporation has the ability to jointly control the relevant activities of these joint arrangements and has classified this investment as a joint venture and is accounted for using the equity method (Note 4). Under this method, the Corporation's share of the joint venture's earnings or losses is included in the consolidated statement of loss and other comprehensive earnings and the carrying amount of the investment is adjusted by a like amount. The joint venture follows the same accounting policies, when applicable, as described herein.

Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit with banks and short-term investments in money market instruments that are readily convertible to cash with maturities of three months or less at the time of purchase.

Income taxes

The Corporation follows the liability method of accounting for income taxes. Under this method, deferred income taxes are recognized based on the expected future tax consequences of unused tax losses, unused tax credits, and differences between the carrying amount of balance sheet items and their corresponding tax basis, using the substantively enacted income tax rates for the years in which the differences are expected to reverse. Deferred income tax assets are recognized to the extent it is probable they will be utilized.

Foreign currency translation

The presentation currency and the functional currency of the Corporation and its subsidiary is the US dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each financial statement reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Gains and losses on translation of monetary assets and liabilities are included in the determination of net loss and comprehensive earnings for the period.

Earnings (loss) per share

Basic and diluted net earnings per share is calculated using the weighted average number of common shares outstanding for the respective periods. The diluted net earnings per share is calculated using the weighted average number of common shares outstanding for the respective periods after giving effect to dilutive stock options and warrants. For loss periods, the diluted loss per share is calculated using weighted average number of common shares outstanding for the respective periods without giving effect to dilutive stock options and warrants since their inclusion would be anti-dilutive.

Diluted earnings per share is calculated using the treasury stock method, whereby it is assumed that proceeds received on the exercise of in-the-money stock options and warrants are used to repurchase the Corporation's shares at the average market price during the period.

Segment reporting

The Corporation manages its business under one operating segment consisting of the acquisition and management of renewable energy investments and royalties in North America. The Corporation's principal asset, a 50% interest in joint venture, is located in Delaware, USA, while the executive and head office of the Corporation are located in Canada. The reportable segment is consistent with the internal reporting structure of the Corporation which is provided to the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") who fulfill the role of the chief operating decision-maker ("CODM"). The CODM are responsible for assessing performance of the Corporation's operating segment.

Impairment of interest in joint venture

At each reporting date the carrying amount of the Corporation's interest in joint venture is reviewed to determine whether there is any indication that the asset is impaired. If an impairment indicator exists, the Corporation then must determine its recoverable amount. The recoverable amount is the greater of (i) fair value less costs of disposal and (ii) value in use, determined using the present value of future cash flows expected to be derived from the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value, using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the consolidated statement of loss. If an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in impairment in the consolidated statement of loss.

Investments

On initial recognition, the Corporation may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive earnings. The cumulative gain or loss is not reclassified to the consolidated statement of loss on disposal of the equity investments, instead it is transferred within another component of equity.

Investments in associates over which the Corporation exercises significant influence are accounted for using the equity method. Under this method, the Corporation's share of the associate's earnings or losses is included in the consolidated statement of loss and other comprehensive earnings and the carrying amount of the investment is adjusted by a like amount.

Hedge accounting

Cash flow hedges are used to manage exposure to fluctuations in interest rates on debt. The effective portion of the change in fair value of the hedging item is recorded in other comprehensive earnings. If the change in fair value of the hedging item is not completely offset by the change in fair value of the hedged item, the ineffective portion of the hedging relationship is recorded in net earnings. Amounts accumulated in other comprehensive earnings are reclassified to net earnings when the hedged item is recognized in net earnings. The Corporation ensures that the hedge accounting relationships are aligned with the Corporation's risk management objectives and strategy and applies a more qualitative and forward-looking approach to assessing hedge effectiveness.

Intangible assets – renewable royalty interests

Renewable royalty interests acquired are recognized separately from goodwill if the asset is separable or arises from contractual or legal rights. These intangible assets are also recognized when acquired individually or with a group of other assets. Royalty interests are initially recorded at their estimated fair value. Intangible assets with a finite life are amortized on a straight-line basis over their useful economic lives of 17-30 years as appropriate, upon commencement of commercial operations, with the amortization expense included in the consolidated statements of loss. Intangible assets that are not yet ready for use are not amortized until commencement of commercial operations. All intangible assets are reviewed for impairment indicators at each reporting period. The useful lives are reviewed at each reporting period to ensure no adjustments to amortization basis are needed. The Corporation has no identifiable intangible assets for which the expected useful lives are indefinite.

Impairment of renewable royalty interests

At each reporting date the carrying amounts of renewable royalty interests are reviewed to determine whether there is any indication that those assets are impaired. If an impairment indicator exists, the Corporation then must determine its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use, which is the present value of future cash flows expected to be derived from the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the consolidated statements of loss. If an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in impairment in the consolidated statements of loss.

Revenue recognition

Royalty and investment income is recognized when either the underlying renewable asset generates energy, or receives payment for generated energy and other revenue streams of the asset subject to the royalty, the amount can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the Corporation and the costs incurred or to be incurred in respect of the transaction can be reliably measured. Interest income is recognized on an accrual basis. Management fee revenue for office administration and support is recognized when a customer obtains control of promised services in an amount that reflects the consideration the Corporation expects to receive in exchange for those goods and services. The Corporation determined that royalty income is not in scope of IFRS 15 as it does not meet the criteria for contract with a customer.

Share-based compensation

The compensation cost for options granted to employees and directors is determined based on the estimated fair value of those instruments at the time of the grant using the Black-Scholes option pricing model and is amortized over the vesting period with an offset to share-based payment reserve. When options are exercised, the corresponding share-based payment reserve and the proceeds received by the Corporation are credited to share capital. At each reporting date the Corporation revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognized in the consolidated statement of loss such that the cumulative expense reflects the revised estimate with a corresponding adjustment to reserves.

The Corporation also has a deferred share unit ("DSU") plan and a restricted share unit ("RSU") plan, which are accounted for as equity instruments. Each unit awarded under the plans represents a unit with an underlying value equal to the value of one common share of the Corporation. The units awarded vest over a specified service period in accordance with the plan and can be equity or cash settled at the discretion of the Corporation. The units expected to be settled through the issuance of shares are recorded as share-based compensation through the share-based payments reserve and are expensed over the vesting period. For those units expected to be settled in cash, the Corporation records the estimated liability at each reporting date and the amount is expensed over the vesting period.

Warrants

Warrants issued without consideration or for goods and services provided are considered equity and not recorded until exercised by the holder and do not violate the fixed for fixed concept. The Corporation then recognizes the proceeds and issuance of shares. Warrants issued for goods or services received are measured at fair value at the date of issue using the Black-Scholes pricing model, which incorporates certain input assumptions including the warrant exercise price, risk-free interest rate, expected warrant life and expected share price volatility. The fair value is included as a component of equity and is transferred from warrants to common shares on exercise. Warrants exercised for settlement of financial liabilities results in the extinguishment and derecognition of the liability and the issuance of common shares.

Leases

The Corporation accounts for its leases by (i) recognizing 'right-of-use' assets and lease liabilities in the consolidated balance sheet, initially measured at the present value of future lease payments discounted at the incremental borrowing rate; (ii) recognizing depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of loss; and (iii) separating the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Corporation recognizes a lease expense on a straight-line basis as permitted by IFRS 16.

New standards and interpretations

In February 2021, the IASB issued amendments to IAS 1, Presentation of Financial Statements, and IFRS Practice Statement 2. The amendments to IAS 1 require an entity to disclose its material accounting policies instead of its significant accounting policies. The amendments include clarification on how an entity can determine material accounting policies by applying the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023. The Corporation adopted the amendments effective January 1, 2023, with no material impact to the consolidated financial statements for 2023.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires the Corporation to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences.

Estimates and assumptions are continually evaluated and are based on historical experience, current and future economic conditions and other factors, including expectations of events that are believed to be reasonable under the circumstances. In preparing these consolidated financial statements, the significant judgments made by management in applying the Corporation's accounting policies, basis of consolidation and the key sources of estimation uncertainty include but are not limited to the following:

Income taxes

The Corporation has available unused operating losses and temporary timing differences as disclosed in Note 5 to the consolidated financial statements. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that all or part of the related tax benefit will be realized.

Interest in joint venture

The Corporation has the ability to jointly control the relevant activities of these joint arrangements and has classified these investments as a joint venture (Note 4). The Corporation's joint venture holds renewable royalty interests and investments in renewable royalties. The amortization of renewable royalty interests is recorded straight line over the expected life of the asset. The investments in operational stage renewable royalties are recorded at fair value and, considering the longevity of the projects, the Corporation has determined that any investment income is a return on investment and is therefore recorded in earnings. Cash distributions received from the investments in developmental stage renewable royalties are expected primarily to be return on capital, whereas any royalty distributions are expected to be return of capital. The estimates used for amortization and fair value affect the related amount of the equity pickup and the assessment of the recoverability of the carrying value of the investments in joint venture.

Fair value measurements and valuation processes

If certain of the Corporation's assets and liabilities are measured at fair value, at each reporting date the Corporation determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Corporation uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Corporation uses an income approach valuation methodology such as discounted cash flows and net present valuation calculations. When an income approach is not possible or the purchase is recent, the Corporation uses cost as a proxy for fair value.

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

The Corporation's joint venture holds investments in certain preferred shares (Note 4) that will (i) have the right to receive distributions based on a percentage of the gross revenues of the renewable assets associated with each investment /or (ii) yield distributions in the form of cash or royalty contracts on renewable energy projects at a future date. The joint venture also has the right to be granted gross revenue royalties on a portfolio of renewable energy projects or cash proceeds from the sale of renewable energy projects from the portfolio until the estimated value of the cash and such royalties at the time of commercial operations achieve a minimum return threshold on the investment. The number of royalties to be granted is dependent on pricing, timing of permits, and construction timing of commercial operations, technology, size of the project, cash distributed, and expected energy rates.

These investments are not traded in the active market and the fair value is determined using an income approach methodology primarily using risk adjusted discounted cash flows or hurdle rate of returns to capture the present value of expected future economic benefits to be derived from the ownership of the investments or the royalty contracts to be granted in exchange. The valuations of these private equity investments can be sensitive to changes in one or more unobservable inputs which are considered reasonably possible within the next financial year. Further information on unobservable inputs and related qualitative analysis are provided in Note 10. The Corporation records its share of fair value changes in these investments through other comprehensive earnings.

4. INTEREST IN JOINT VENTURE

		GBR Joint Venture
Balance, December 31, 2021		116,139,000
Investment in joint venture		43,850,000
Distribution from joint venture		(20,850,000)
Share of earnings		521,000
Revaluation of investments (net of tax of $417,000) [1]		11,435,000
Balance, December 31, 2022	$	151,095,000
Investment in joint venture		15,950,000
Distribution from joint venture		(54,125,000)
Share of loss		(1,742,000)
Revaluation of investments[1]		18,313,000
Revaluation of cash flow swap[1]		(3,979,000)
Balance, December 31, 2023	$	125,512,000

[1] *Recognized through other comprehensive earnings*

The Corporation, with certain funds (the "Apollo Funds") managed by affiliates of Apollo Global Management, Inc. ("Apollo") hold interests in two joint venture entities, both with a 50% ownership interest in Great Bay Renewables

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

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% ownership of the Joint Venture as at December 31, 2023 (December 31, 2022 – 50%).

During the year ended December 31, 2023 the Corporation invested $15,950,000 into GBR to fund the Hexagon Energy, LLC. investment ("Hexagon"), Hodson Energy LLC ('Hodson") and Bluestar Energy Capital LLC ("Bluestar") tranches detailed below. During the year ended December 31, 2022, $43,850,000 was invested to fund Titan Solar ("Titan"), a wind project in Hansford County, Texas, the Bluestar and Nova Energy, LLC ("Nova") investments, Hodson, a Tri Global Energy LLC ("TGE") tranche as well as working capital. During the year ended December 31, 2023 the Corporation received a distribution from GBR totaling $54,125,000 after the closing of GBR's credit facility which is described below (December 31, 2022 $20,850,000 was received following the redemption of a renewable energy investment in Apex Clean Energy ("Apex")).

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

	As at December 31, 2023 Total	As at December 31, 2022 Total
Balance Sheets		
Current assets		
Cash	$ 5,208,000	$ 2,863,000
Other current assets	2,277,000	1,958,000
Non-current assets		
Investments[(1)]	$ 300,315,000	$ 229,166,000
Investment in associate [(1)]	2,128,000	5,970,000
Royalty interests[(1)]	57,569,000	60,644,000
Other non-current assets	–	42,000
Total Assets	**$ 367,497,000**	**$ 300,643,000**
Current liabilities		
Trade and other payables	$ 1,552,000	$ 1,163,000
Current portion of long-term debt[(1)]	828,000	–
Non-current liabilities		
Long-term debt[(1)]	$ 108,774,000	$ –
Derivative - cash flow swap	7,959,000	–
Total Liabilities	**$ 119,113,000**	**$ 1,163,000**

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

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

		Year ended December 31, 2023 Total		Year ended December 31, 2022 Total
Statement of (Loss) Earnings and Comprehensive Earnings				
Revenue				
Royalty revenue	$	10,441,000	$	7,274,000
Interest revenue		97,000		4,000
Expenses				
General and administrative expense	$	(4,132,000)	$	(3,236,000)
Interest on long term debt		(1,680,000)		–
Amortization		(1,802,000)		(864,000)
Other items impacting net (loss) earnings				
Gain on disposal of geothermal wells		132,000		–
Share of loss in associates		(6,540,000)		(2,137,000)
Net (loss) earnings	$	(3,484,000)	$	1,041,000
Other comprehensive earnings revaluation		36,626,000		23,704,000
Other comprehensive (loss), fair value adjustment of cash flow swap		(7,959,000)		–
Other comprehensive (loss), cash taxes		–		(834,000)
Total comprehensive earnings	$	25,183,000	$	23,911,000
Statement of Cash Flows				
Operating activities	$	5,073,000	$	2,670,000
Financing activities		33,039,000		46,000,000
Investing activities		(35,767,000)		(88,498,000)
Net increase (decrease) in cash and cash equivalents	$	2,345,000	$	(39,828,000)
Cash and cash equivalents, beginning of year		2,863,000		42,691,000
Cash and cash equivalents, end of year	$	5,208,000	$	2,863,000

Joint venture Agreement

During the year ended December 31, 2023 $31,900,000 was funded into GBR equally by the Corporation and Apollo (December 31, 2022 – $87,700,000). This amount, in addition to cash on hand at GBR, was used to fund capital calls associated with the Hexagon investment, Hodson investment tranche, and Bluestar and Nova investment tranches noted below.

Hexagon Energy, LLC.

On June 21, 2023 the Corporation announced that GBR had executed agreements to invest a total of $45,000,000 into Hexagon's portfolio of solar, solar plus battery storage and standalone battery storage development projects. Hexagon, based in Charlottesville, Virginia, committed its portfolio of 43 development projects totaling 5.3 GWac located across 12 states and four regional transmission organizations as well as any additional projects added to its portfolio in the future to this new royalty investment structure with GBR. GBR will receive a royalty on all projects developed and vended by Hexagon until a minimum target return threshold is achieved. As individual pipeline projects are developed, GBR will receive a 2.5% gross revenue royalty on each solar and solar plus storage project and a 1.0% gross revenue royalty on each standalone storage project until the target minimum total return threshold is achieved. In addition to the royalty entitlement, GBR has the option to receive a certain percentage of any project sales proceeds during the term of the agreement. GBR may also elect to receive a higher percentage of these sales proceeds, with the higher portion being applied to the target minimum total return threshold.

The total $45,000,000 investment in Hexagon will be completed in tranches over approximately the next three years as Hexagon achieves certain project advancement milestones.

As at December 31, 2023 the total invested in Hexagon is $22,500,000 with incurred acquisition costs of $366,000 for a total investment of $22,866,000.

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 year ended December 31, 2023.

Hodson Energy LLC

During the year ended December 31, 2023 GBR invested $10,500,000 into Hodson and incurred acquisition costs of $138,000 (December 31, 2022 - Investment of $14,000,000, acquisition costs of $272,000) for a total invested at December 31, 2023 of $24,910,000 including a warrant balance of $237,000 (December 31, 2022 - $14,000,000, acquisition costs of $272,000 including warrants of $237,000).

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

During the year ended December 31, 2023 GBR invested $1,500,000 into Nova (December 31, 2022 - $5,000,000 with incurred acquisition costs of $107,000). As at December 31, 2023 the total invested into Nova is $6,500,000 with incurred acquisition costs of $107,000 for a total investment of $6,607,000 (December 31, 2022 - $5,000,000 with incurred acquisition costs of $107,000 for a total investment of $5,107,000).

During the year ended December 31, 2023 GBR invested $1,198,000 into Bluestar (December 31, 2022 - $3,000,000). As at December 31, 2023 the total invested into Bluestar is $4,198,000 (December 31, 2022 - $3,000,000).

During the year ended December 31, 2023 GBR recorded its share of loss of $6,540,000 in relation to these investments (December 31, 2022 - $2,137,000).

Tri Global Energy LLC ("TGE")

As at December 31, 2023 and December 31, 2022 the total invested in TGE is $47,116,000 including acquisition costs of $616,000. During the year ended ended December 31, 2023, GBR and TGE finalized the valuation of the Appaloosa Wind royalty, in accordance with the terms of the agreement, and as a result the assigned value of the royalty interest was adjusted downward by $1,018,000. The reduction in value of the Appaloosa royalty interest will be reflected in the calculation on the hurdle rate for the TGE investment resulting in additional royalties received from TGE.

Longroad Energy ("Longroad")

As at December 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 December 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 including acquisition costs of $799,000).

Northleaf Capital Partners ("Northleaf")

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

Level 3 Financial Assets (GBR)

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 10.

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

	TGE	Longroad	Northleaf	Titan	Hodson[1]	Hexagon	Total
Balance, December 31, 2021	$ 58,780,000	$ 35,495,000	$ 53,398,000	$ –	$ –	$ –	$ 147,673,000
Additional investments	1,529,000	–	2,000	46,799,000	14,272,000	–	62,602,000
Reclassification to royalty interests	(4,813,000)	–	–	–	–	–	(4,813,000)
Revaluation gains (losses) 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	$ 14,272,000	$ –	$ 229,166,000
Additional investments	–	–	–	1,000	10,638,000	22,866,000	33,505,000
Reclassification from royalty interest	1,018,000	–	–	–	–	–	1,018,000
Revaluation gains through OCI	12,861,000	6,830,000	(89,000)	7,071,000	3,712,000	6,241,000	36,626,000
Balance, December 31, 2023	$ 79,829,000	$ 49,619,000	$ 59,267,000	$ 53,871,000	$ 28,622,000	$29,107,000	$ 300,315,000

[1] *Includes warrants valued at $237,000*

Investment in Associate (GBR)

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
Additional investments	1,198,000	1,500,000	2,698,000
Share of loss	(1,421,000)	(5,119,000)	(6,540,000)
Balance, December 31, 2023	$ 2,128,000	$ –	$ 2,128,000

Debt (GBR)

At amortized cost	December 31, 2023
Long-term debt	$ 109,602,000
Current	828,000
Non-current	108,774,000
	$ 109,602,000

On October 31, 2023 GBR entered into senior secured credit financing agreements ("financing") with a term of 5 years and a maturity date of October 31, 2028 in an aggregate amount of $246,500,000 bearing interest at variable rates. The financing includes a $123,500,000 initial term facility ("ITF"), a $100,000,000 delayed draw term facility ("Delayed Draw Facility"), and a $23,000,000 letter of credit facility ("L/C"), with the two term facilities qualifying for green loan eligibility. MUFG Bank and Natixis are Coordinating Lead Arrangers, Bookrunners, and Syndication Agents with respect to the facilities.

GBR principal repayments are based on expected royalty cash flows and a 20 year amortization period. The financing allows for additional repayments without penalty and any unused portion of the financing is available for qualifying investments with draw amounts based on established sizing criteria. GBR has pledged equity and security in the form of a first lien on existing cash generating assets or expected near term cash generating assets of GBR along with a pledge of the equity in the subsidiary holdings in its development investments. The credit financing agreements do not require any security from ARR and ARR has not pledged any security in favour of the agreements.

The ITF of $123,500,000 (of which $117,872,000 has been drawn by GBR) was used for closing costs and return of capital totaling $108,250,000 to the shareholders of GBR, ARR and Apollo. The borrowing is intended to finance or reimburse investments previously made in Eligible Green Collateral Projects, under the categories of "Renewable Energy Production" and "Green Technologies – Energy Storage Systems", under the Green Loan Principles administered by the International Capital Market Association. As of December 31, 2023 there was approximately $4,738,000 of letter of credits issued on the L/C as required for debt service reserves.

In connection with the financing GBR entered into floating-to-fixed interest rate swaps to lock in approximately 100% of the interest rate on the ITF for the full term of the debt and approximately 50% of the initial draw beyond (less principal payments made in the first five years) the maturity date through the 20 year amortization period to reduce refinancing risk. GBR expects the interest rate on the debt to be approximately 6.4% per annum, excluding financing closing costs, for the first three years and approximately 6.5% for the last two years over the initial term of the loan. As of December 31, 2023 the balance outstanding on the swap was $122,107,000 (December 31, 2022 - $nil). GBR has applied hedge accounting to this relationship whereby the change in fair value of the effective portion of the hedging derivative is recognized in accumulated other comprehensive earnings. Settlement of both the fixed and variable portions of the interest rate swap occurs on a quarterly basis. The full amount of the hedge was determined to be effective as of December 31, 2023. GBR has classified this financial instrument as a cash flow hedge and the fair value of the hedging instrument is recorded as a liability of $7,959,000 (December 31, 2022 – $nil) on GBR's balance sheet. ARR has recorded its 50% portion of other comprehensive earnings (loss) associated with this financial instrument in the consolidated statements of comprehensive earnings.

GBR is amortizing costs attributable to securing the financing of $8,512,000 over 5 years using an effective interest rate of 8.25%. During the year ended December 31, 2023, $242,000 of the costs were recognized as interest expense in long term debt in the statement of earnings of GBR (December 31, 2022 - $nil).

GBR is in compliance with debt covenants related to the financing and as at December 31, 2023 has approximately $105,628,000 of additional liquidity remaining.

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

The following principal repayments for the financing are required over the next five years and thereafter.

		Total
2024	$	828,000
2025		1,795,000
2026		5,119,000
2027		2,235,000
2028 & thereafter		107,895,000
	$	117,872,000
Less: unamortized debt costs	$	8,270,000
	$	109,602,000

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

Royalty Interests (GBR)

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

	As at December 31, 2022	Net additions & reclassifications	Disposals	As at December 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	(1,018,000)	–	3,795,000
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	$ (1,018,000)	$ (389,000)	$ 59,917,000
Accumulated amortization				
Jayhawk - Wind	$ (245,000)	$ (267,000)	$ –	$ (512,000)
Young Wind - Wind	–	$ (662,000)	–	(662,000)
Appaloosa - Wind	–	$ (149,000)	–	(149,000)
Hansford County - Wind	–	$ (592,000)	–	(592,000)
Neo Geothermal - Thermal	(90,000)	–	90,000	–
Clyde River - Hydro	(345,000)	(88,000)	–	(433,000)
Balance, end of period	$ (680,000)	$ (1,758,000)	$ 90,000	$ (2,348,000)
Net book value	$ 60,644,000	$ (2,776,000)	$ (299,000)	$ 57,569,000

	As at December 31, 2021	Net additions & reclassifications	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

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

Key management compensation (GBR)

During the year ended December 31, 2023 GBR LLC paid compensation to key management personnel of $1,364,000 (December 31, 2022 - $611,000) related to salaries and benefits.

Commitments (GBR)

As at December 31, 2023 the following are GBR's commitments and contractual obligations, of which the Corporation's commitments would be at a 50% basis, over the next five calendar years:

	Bluestar & Nova	Hodson	Hexagon	Total
2024	17,500,000	12,500,000	15,000,000	$ 45,000,000
2025	4,300,000	3,000,000	7,500,000	14,800,000
2026	–	–	–	–
2027	–	–	–	–
2028	–	–	–	–
	$ 21,800,000	$ 15,500,000	$ 22,500,000	$ 59,800,000

GBR is committed under a consulting and financial advisory agreement to remit the following payments on the Hodson and Hexagon investments, until royalty funding has been completed or the agreement has been 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 and Nova investments, Hodson and Hexagon investments to fund up to an additional $21,800,000, $15,500,000, and $22,500,000 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 and Hexagon 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 $40,000 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 indeterminate, and no amount is reflected herein.

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

See Note 9 for a summary of related party transactions; see Note 10 for financial instruments and fair value qualitative and quantitative analysis.

5. INCOME TAXES

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

	December 31, 2023	December 31, 2022
Non capital loss carryforwards	$ 1,387,000	$ 500,000
Carrying value of investments in excess of tax values	(10,622,000)	(6,500,000)
	$ (9,235,000)	$ (6,000,000)

	December 31, 2023	December 31, 2022
Deferred tax assets	$ 1,387,000	$ 500,000
Deferred tax liabilities	(10,622,000)	(6,500,000)
Total deferred income tax	$ (9,235,000)	$ (6,000,000)

A deferred tax asset was not recognized with respect to Canadian non-capital tax losses of $6,312,000 (December 31, 2022- $5,647,000). If not utilized, the Canadian losses expire between 2039 and 2042.

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates of 23% (December 31, 2022 – 23%) to earnings before taxes. The differences are from the following items:

	Year Ended	
	December 31, 2023	December 31, 2022
Expected tax (recovery)	$ (344,000)	$ (150,000)
Change in unrecognized deferred tax assets	(195,000)	279,000
Difference in statutory tax rates applicable to subsidiaries	28,000	(7,000)
Non-deductible / (non-taxable) items	88,000	(32,000)
	$ (423,000)	$ 90,000

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

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

		Year Ended	
		December 31, 2023	December 31, 2022
Current tax	$	(409,000) $	–
Deferred tax		(14,000)	90,000
	$	(423,000) $	90,000

During the year ended December 31, 2022, the Corporation paid cash taxes of $1,637,000 relating to a distribution of funds from GBR.

6. GENERAL AND ADMINISTRATIVE EXPENSES

		Year Ended		
		December 31, 2023		December 31, 2022
Office and administrative	$	607,000	$	642,000
Professional fees		805,000		599,000
Management fees		509,000		526,000
Director fees		125,000		179,000
Travel and accommodations		57,000		26,000
	$	2,103,000	$	1,972,000

7. SHAREHOLDERS EQUITY

Share capital

The Corporation is authorized to issue an unlimited number of one class of shares, designated as common shares.

Year ended December 31, 2023

During the year ended December 31, 2023 the Corporation issued 4,918 common shares under its long term incentive plan.

Year ended December 31, 2022

On December 8, 2022 the Corporation announced a bought deal public offering (the "Offering") of common shares of the Corporation. A total of 4,268,800 common shares were issued at a price of C$9.00 per share for gross proceeds of $28,194,000 (C$38,419,000). Total share issuance costs of $1,863,000 were incurred in relation to the Offering.

The Corporation's parent, Altius Minerals Corporation acquired 2,298,700 shares for $15,160,000 (C$20,688,000) in the Offering and holds approximately 58% of the issued and outstanding common shares of ARR.

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.

	Year Ended December 31, 2023	Year Ended December 31, 2022
Basic	30,784,980	26,775,809
Diluted	31,276,620	27,281,539

8. SHARE BASED COMPENSATION

The Corporation recognized the following share-based compensation:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Deferred share unit expense	$ 271,000	$ 199,000
Stock option expense	24,000	58,000
Restricted share unit expense	49,000	63,000
Total share-based compensation	$ 344,000	$ 320,000

A summary of the status of the Corporation's stock option plan as of December 31, 2023 and changes during the year then ended, is as follows. Please note the weighted average exercise price is noted in Canadian dollars.

	Year ended December 31, 2023		Year ended December 31, 2022	
	Number of Options	Weighted Average Exercise Price ($CAD)	Number of Options	Weighted Average Exercise Price ($CAD)
Outstanding, beginning of year	1,114,397	$ 5.62	1,114,397	$ 5.62
Granted	–	–	–	–
Forfeited	–	–	–	–
Exercised	–	–	–	–
Outstanding, end of year	1,114,397	$ 5.62	1,114,397	$ 5.62
Outstanding & exercisable, end of year	1,114,397	$ 5.62	1,057,198	$ 5.32

The weighted average remaining contractual life is two years. There were no stock options granted in 2023 and 2022. The weighted average fair value of stock options granted was estimated on the dates of grant to be C$2.26 using the Black-Scholes option pricing model with the following assumptions:

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

Expected life (years)	4.00
Risk-free interest rate (%)	0.13
Expected Volatility (%)	35.19
Expected dividend yield (%)	–

A summary of the status of the Corporation's warrants as of December 31, 2023 is as follows:

	Number of Warrants	
	Year ended December 31, 2023	Year ended December 31, 2022
Outstanding & exercisable, beginning and end of year	3,093,835	3,093,835

The warrants were issued to the Parent on April 30, 2020 with an exercise price of $4.00 and an expiry date of April 30, 2030. Included in the warrants granted were 736,400 for management services. The weighted average fair value of warrants issued for management services was estimated on the dates of grant to be $1.28 using the Black-Scholes option pricing model with the following assumptions:

Expected life (years)	5.00
Risk-free interest rate (%)	0.31
Expected Volatility (%)	36.76
Expected dividend yield (%)	–

A summary of the status of the Corporation's RSUs and DSUs as of December 31, 2023 is as follows:

	Number of DSUs	Number of RSUs
Outstanding, December 31, 2022	36,704	20,405
Exercised	–	(9,832)
Granted	41,192	–
Outstanding, December 31, 2023	77,896	10,573
Exercisable, December 31, 2023	77,896	–

9. RELATED PARTY TRANSACTIONS

Altius Minerals Services Agreement

The Corporation and Altius entered into a services agreement dated January 15, 2021 pursuant to which Altius will provide office space, management, and administrative services, including the services of certain executives to the Corporation for a monthly fee of C$50,000 plus applicable taxes beginning on February 1, 2021, which amount was calculated on a cost recovery basis, and will be reviewed and adjusted by agreement of the parties, if necessary. The fees are reviewed annually by the independent directors of the Corporation. Altius is also entitled to be reimbursed for reasonable out-of-pocket costs it incurs directly for the Corporation. Either the Corporation or Altius may terminate the Altius Minerals Services Agreement on 60 days' written notice to the other and in other prescribed circumstances, including in certain events of insolvency and if there is a violation of the confidentiality and non-use obligations set forth in the agreement.

During the year ended December 31, 2023 Altius billed the Corporation $509,000 (C$690,000) (December 31, 2022 - $526,000 (C$690,000)) for office space, management, and administrative services. At December 31, 2023 and 2022 the balance owing to Altius is $nil.

GBR Services Agreement

GBR I, LLC and Altius entered into the GBR Services Agreement on October 11, 2020 pursuant to which Altius agreed to provide GBR with certain back office services including bookkeeping, accounting, treasury services as well as other services as needed to GBR. Altius will also invoice GBR for certain direct costs that it incurs on GBR's behalf.

During the year ended December 31, 2023 Altius billed GBR $90,000 (December 31, 2022 - $90,000) for finance and administrative services. At December 31, 2023 and 2022 the balance owing to Altius is $nil.

GBR-ARR Services Agreement

GBR and the Corporation entered into the GBR-ARR Services Agreement pursuant to which GBR has agreed to provide certain services to the Corporation for support services, including communications with shareholders and stakeholders of the Corporation, review of public disclosure documents, assistance with the preparation of reports to the Board, attendance at Board meetings and such other services reasonably requested by ARR. As consideration for the services, the Corporation shall pay GBR a daily rate ranging from $800 to $2,000 for each individual providing services to the Corporation under the GBR-ARR Services Agreement. The GBR-ARR Services Agreement also stipulates the maximum amount of time per employee that may be spent on various services under the GBR-ARR Services Agreement.

During the year ended December 31, 2023 GBR billed the Corporation $69,000 (December 31, 2022 - $56,000) for support services. At December 31, 2023 and 2022 the balance owing to GBR is $nil.

Other

During the year ended December 31, 2023 the Corporation paid salaries and benefits to directors of $115,000 (December 31, 2022 - $169,000) and recognized share-based compensation of $344,000 (December 31, 2022 – $320,000).

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.

10. 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 as well as a derivative 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, using risk adjusted discounted cash flows or hurdle rate of returns, 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 to be granted in exchange for the TGE, Hodson and Hexagon investments.

The total number and value of royalty contracts, or in certain instances cash, to be ultimately awarded under the TGE, Hodson and Hexagon investment agreements is subject to a minimum return threshold, which has the effect of muting the potential value of key inputs on the present value of the expected future economic benefits of the investments. The total value to be received under the Longroad, Northleaf and Titan Solar agreements are also subject to various return thresholds, which has the effect of muting the potential value impact of key inputs. 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.

Significant unobservable inputs	Relationship and sensitivity of unobservable inputs to fair value	Quantitative impact
Discount rate	The Corporation uses risk adjusted discount rates and or hurdle rates of return to determine the fair value of the TGE, Hexagon and Hodson investments based on the stage of development. For the Northleaf, Longroad and Titan 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. A 1% change in discount rates results in a change of $7,829,000 for the investment in TGE, $275,000 for the investment in Hodson, $101,000 for the investment in Hexagon and $13,296,000 for the royalty investments in Northleaf, Longroad and Titan.
Timing of commercial operations	For the TGE, Hodson and Hexagon investments, 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.	While the timing of commercial operations may impact the fair market value of a specific royalty, this impact on the investment is muted because of the minimum return threshold concept implicit in the investments. As a result, any delays for an individual royalty will result in a higher number of royalties being granted to the Corporation, which will offset the reduction in investment value from the delay of any individual royalty.
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, Longroad and Titan royalty investments.	The Northleaf, Longroad and Titan 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 declines will result in a higher number of royalties granted and thus a higher value. A 10% increase in power prices results in a $2,509,000 change in valuation of Northleaf, Longroad and Titan.

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.

A summary of the major financial instrument risks and the Corporation's approach to the management of these risks are highlighted as follows:

Credit risk

Credit risk is the risk that a third party might fail to fulfill its performance obligations under the terms of a financial instrument. Credit risk arises from cash and cash equivalents and receivables. The Corporation closely monitors its financial assets, including the receivables from royalty operators who are responsible for remitting royalty income.

The Corporation's cash and cash equivalents are held in fully segregated accounts and include only Canadian and US dollar instruments. The Corporation does not expect any liquidity issues or credit losses on these instruments.

Foreign currency risk

The Corporation has a portion of its cash denominated in Canadian dollars for certain working capital items and corporate costs. The Corporation does not enter into any derivative contracts to reduce this exposure and maintains limited balances in other currencies.

Liquidity risk

The Corporation has adequate working capital, expected future cash flows from its joint venture and continues to explore external funding options and believes that it is able to meet current and future obligations. This conclusion could change with a significant change in the operations of the Corporation or as a result of other developments. The Corporation's joint venture has adequate working capital and expected future cash flows from its royalties and royalty investments and believes that it is able to meet current and future obligations, specifically with respect to the recent credit financing. This conclusion could change with a significant change at the operations of GBR which would require additional financial support from the Corporation and the other joint venture partner, Apollo.

Other price risk

The value of the Corporation's investments is exposed to fluctuations in price depending on a number of factors, including general market conditions, company-specific operating performance, commodity prices, and the success of the sale of projects. The Corporation does not utilize any derivative contracts to reduce this exposure.

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

Interest rate risk

The Corporation is indirectly exposed to interest rate risk on debt in the joint venture. This risk is managed by monitoring debt balances, entering into hedging transactions and making discretionary payments. The joint venture has a floating to fixed interest rate swap to manage the interest rate risk of its debt balance.

The Corporation's cash and cash equivalents may fluctuate in value depending on the market interest rates and the time to maturity of the instruments. The Corporation manages this risk by limiting the maximum term to maturity on invested funds or holding the investments to maturity.

11. CAPITAL MANAGEMENT

The Corporation defines its capital as its total equity attributable to shareholders. The Corporation's objectives when managing capital is to maintain financial liquidity and flexibility to preserve its ability to meet financial obligations and to ensure that sufficient capital and access to capital for potential growth and to pursue additional investment opportunities.

The Corporation monitors and adjusts its capital structure, when necessary, in light of changes to economic conditions, the objectives of its shareholders, the cash requirements of its business and the condition and availability of external funding. The Corporation does not have any externally imposed restrictions.

12. COMMITMENTS

The Corporation's joint venture has investment commitments of $59,800,000 and the table below refers to ARR's proportionate 50% of these obligations.

	Mgmt services agreement	Bluestar & Nova[1]	Hodson[1]	Hexagon[1]	Total
2024	$ 644,000	$ 8,750,000	$ 6,250,000	$ 7,500,000	$ 23,144,000
2025	–	2,150,000	1,500,000	3,750,000	7,400,000
2026	–	–	–	–	–
2027	–	–	–	–	–
2028	–	–	–	–	–
	$ 644,000	$ 10,900,000	$ 7,750,000	$ 11,250,000	$ 30,544,000

[1] *GBR commitments are presented at a 50% basis*

Refer to Note 9 for the Altius Minerals Services Agreement. Refer to Note 4 for additional details surrounding GBR's commitments to Bluestar & Nova, Hexagon and Hodson.

13. SUBSEQUENT EVENTS

On February 29, 2024 GBR announced it entered into a $30,000,000 royalty investment with Apex related to Apex's 195 MWac Angelo Solar project in Tom Green County, Texas ("Angelo") which is anticipated to achieve commercial operations in May 2024. The royalty investment has been structured using royalty rates that vary over time and achieve the joint venture's investment hurdles.