

**MINUTES OF THE REGULAR MEETING OF COUNCIL, HELD ELECTRONICALLY FROM
CITY HALL, 141 WEST 14TH STREET, NORTH VANCOUVER, BC, ON
MONDAY, JUNE 21, 2021**

REPORT

9. Lonsdale Energy Corp. – 2021 Annual General Meeting – File: 11-5500-06-0001/1

Report: Chief Executive Officer, Lonsdale Energy Corp., May 31, 2021

Moved by Councillor McIlroy, seconded by Councillor Girard

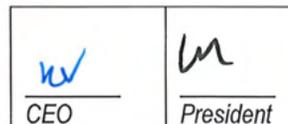
PURSUANT to the report of the Chief Executive Officer, Lonsdale Energy Corp., dated May 31, 2021, entitled “2021 Annual General Meeting”:

THAT the 2020 Financial Statements be received and filed;

THAT the proposed Unanimous Consent Resolutions of the Shareholder of Lonsdale Energy Corp. be endorsed;

AND THAT the Mayor and Corporate Officer be authorized to sign and seal the necessary documents to give effect to this motion.

CARRIED UNANIMOUSLY



REPORT

To: Mayor Linda Buchanan and Members of Council

From: Karsten Veng, Chief Executive Officer, LEC

SUBJECT: 2021 ANNUAL GENERAL MEETING

Date: May 31, 2021

RECOMMENDATION:

PURSUANT to the report of the Chief Executive Officer of Lonsdale Energy Corp., dated May 31, 2021, entitled, "2021 Annual General Meeting":

THAT the 2020 Financial Statements be received and filed;

THAT the attached proposed Unanimous Consent Resolutions of the Shareholder of Lonsdale Energy Corp. (Attachment 2) be endorsed;

AND THAT the Mayor and City Clerk be authorized to sign and seal the said resolution.

ATTACHMENTS:

1. Financial Statements of Lonsdale Energy Corp. for the period ended December 31, 2020, made up of the Statement of Financial Position, Statement of Net and Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows
2. Proposed Unanimous Consent Resolutions of the Shareholder of Lonsdale Energy Corp. (in lieu of the annual general meeting)
3. Historical Data for 2004 – 2020 Years of Operation
4. Summary of Lonsdale Energy Corp. Statistics as of December 31, 2020

PURPOSE:

This report provides information concerning Lonsdale Energy Corp.'s (LEC) 2020 activities and presents the audited Financial Statements for that year (**Attachment 1**). It recommends that a resolution be adopted by the City of North Vancouver (the City), sole shareholder of LEC, in lieu of holding an annual general meeting.

DISCUSSION:

Review of 2020 Activity

LEC was incorporated on July 7, 2003 and by November of that year, the company started to provide hydronic space heating and domestic hot water service to buildings within the City. Since then LEC has grown to provide reliable and reasonably priced thermal energy as well as cooling services to customers in four separate service areas. LEC's statements comply with the International Financial Reporting Standards (IFRS).

The following customers were added to the LEC network in 2020:

| Connection Date | Name | Service Area | Location |
|-----------------|-----------------------|------------------|----------------------------------|
| Jan. 2020 | The Trails – Phase 1 | Moodyville | 509-603 E 2 nd Street |
| Feb. 2020 | The Royals | Central Lonsdale | 1441 St. Georges Ave. |
| Apr. 2020 | Creston | Harbourside | 715 W 15 th Street |
| Apr. 2020 | The Lonsdale | Central Lonsdale | 108 W 13 th Street |
| Jun. 2020 | Evolv35 | Moodyville | 720 E 3 rd Street |
| Oct. 2020 | Crest by Adera | Central Lonsdale | 128 E 8 th Street |
| Oct. 2020 | Central MacLean Homes | Central Lonsdale | 1730 Chesterfield Ave. |
| Dec. 2020 | Van. Resource Society | Central Lonsdale | 125 E 20 th Street |

With the addition of these 8 accounts LEC's distribution network has 101 energy transfer stations delivering heating and cooling services to 95 buildings. LEC services approximately 7.4 million square feet of property which includes 6,378 households as well as various commercial and institutional premises. **Attachment 4** provides additional statistics on the LEC district energy system (DES).

During 2020 LEC added approximately 700 meters of distribution piping worth almost \$2.2 million to its system. Unlike the past few years, there were no construction projects dedicated to the interconnection of LEC's service areas. LEC was able to achieve interconnection of all of its service areas in 2019 allowing the transfer of sustainable energy between service areas to be used in priority over energy generated from natural gas boilers. In 2020 construction was spread out over many smaller projects focused on the connection of customers. Significant projects included two blocks of construction on Chesterfield Avenue to reach 1730 Chesterfield (170 m) and another two blocks of construction for the early 2021 connection of 129 E 12th Street (140 m). Expansion of the DES during the year added heating services to approximately 900 new residential units within the City. The company also built its second Network Transfer Station at 717 Chesterfield Avenue during 2020. These stations transfer energy between service areas while maintaining the integrity of LEC's distribution system. Without the stations LEC

risks compromising the DES due to the large differences in pressure caused by the different elevations of the service areas.

New plant and equipment infrastructure added in 2020 included the completion of two additional boilers at Mini-Plant 2 (151 W 2nd Street) in February and the construction of Energy Transfer Stations in the customer buildings noted above. The addition of two boilers at Mini-Plant 2 was necessary in order to meet the demand of LEC's growing customer base while the company continues to investigate viable sustainable energy sources. Cooling services nearly doubled this year (1,734 MWh) compared to 2019 (881 MWh) which was due to enabling waste heat recovery from the new ice rink at Shipyard Commons during Winter 2020 as well as increased cooling demand from the many businesses and hotel that opened in the Shipyard Commons during the Summer.

During 2020 LEC continued to integrate new customers into its controls and automation system software, however with the substantial upgrade and migration of its controls systems being completed from 2017-2019, software additions were less significant than in prior years. In addition to saving the company money by eliminating the need for 24 hour human supervision of the system, LEC's control system provides an abundance of valuable performance data to better serve customers, improve system efficiency, and prioritize the use of the most appropriate energy source.

The provincial government declared a state of emergency on March 18, 2020 in response to the COVID-19 pandemic. This was an early indicator of the global impact of the pandemic and LEC management responded by assessing the impact on the company as a going concern; the rates of the company; the impact on its operations and stakeholders; and began developing strategies in response to this dynamic situation. For example, on May 20, 2020 management recommended to Council a rate freeze through to November 1, 2021 to provide customers with relief, stability and predictability in an uncertain economic climate. After assessing the impact of COVID-19 on market, economical and regulatory forces and how they affect LEC, as well as reviewing shifting construction schedules, development applications, and collection of receivables from customers, LEC management determined that there were no substantial ongoing concerns and it would be able to continue operations and meet all of its obligations.

Review of Financial Performance

A brief historical review of the company's performance can be summarized as follows:

- 2004-2008: LEC incurred losses and created a deficit during its startup years while it launched and established a customer base.
- 2009-2014: the company grew and began earning a modest income and decreased its deficit.
- 2015: non-recurring expenses resulting from obligations under a finance lease with Corix Utilities Inc. caused an increase in the deficit.
- 2016: LEC once again earned a modest income.
- 2017-2020: the company matured and experienced rapid growth while eliminating the deficit and provided retained earnings to its shareholder.

For more details on the historical performance of the company, a summary of LEC's financial results is provided in **Attachment 3**. The financial statements of LEC

(Attachment 1) provide the financial information of the business for the benefit of the sole shareholder, the City, and other stakeholders. LEC is reporting a profit of \$1,171,917 for the year ended December 31, 2020. This exceeds the previous year's results (\$724,724) and is the fourth year in a row that LEC has earned a significant profit. LEC continues to add equity for the shareholder and has increased retained earnings to \$1,834,969. LEC also issued dividends of \$34,000 in 2020.

Statement of Financial Position

Plant and equipment (consisting of the generation equipment, distribution system piping and energy transfer stations) continue to make up the majority of the company's assets, which is common for a utility company. LEC continued to expand its infrastructure in order to meet customer demand with additions valued at \$2.8 million. Compared to the previous year, LEC saw a 51% increase in its cash balance. This was the result of a loan draw of \$730,000 at the end of the year which was made to continue project construction through the end of the 2020 and start of 2021.

LEC also saw a significant increase of 48% in its Accounts receivable. The majority of the 60+ days overdue balances from monthly billing was from a single customer which has been mostly collected in 2021. Larger invoices issued at the end of the year related to construction services, such as connection fees and customer-requested service line extensions, have also contributed to a higher than usual balance. Note, collection of application fees is also impacted by the fluid nature of construction schedules, construction progress and permitting issuance leading to longer collection periods. LEC remains confident in the collectability of its receivables based on its historical track record of collection and the procedures available to the company to ensure collection under Bylaw No. 7575.

LEC continues to use loans from the City as the primary source of funding the construction of new assets and therefore these loans make up the majority of the liabilities and shareholder's equity of the company. While the balance of the loans from the City increased to \$26,006,065 in 2020, the proportion that the loan balance makes up of total liabilities and shareholder's equity has decreased from 67% to 65% as LEC continues to meet and exceed the repayment schedule submitted to Council while also increasing retained earnings to the shareholder. In addition to this, the City continues to earn a competitive return on the loans in the form of interest payments from LEC (2020 - \$692,885). The company's Accounts payable balance at the end of the year is nearly double the balance of 2019. This increase is due to payments at the end of the year resulting from additional administration as the company worked through internal and external requirements to transition board member signing authorities for the new CEO. Continued growth and good management practices by LEC continue to increase retained earnings and equity for the shareholder.

Statement of Net and Comprehensive Income

Financial results on the Statement of Net and Comprehensive Income once again indicate strong financial performance. Revenues have grown by 21% and profit margin (Net income / revenue) has increased from 14% in 2019 to 18% in 2020. Given that rates were frozen during the year, revenue increases were mostly driven by the increase in customer connections, however the increase in Net income was the result of other factors in addition to customer growth. Cost of Sales represent the cost to

generate the thermal energy that was delivered to customers; primarily natural gas and electricity costs. It would be expected that as customer demand and revenues increase, the Cost of Sales would increase proportionally. However, through the strategic use of market priced natural gas rate structures at two plants, LEC was able to earn significant savings on Cost of Sales in 2020 increasing its Gross Margin ($[\text{Revenue} - \text{Cost of Sales}] / \text{Revenue}$) from 59.9% to 62.5% this year. This 2.6% increase represents savings on Cost of Sales of approximately \$168,000 in 2020.

A number of factors contributed to the almost \$350,000 increase in LEC's 2020 Operating expenses:

- Increased operational costs due to growth in both the size and complexity of the DES.
- The aging of the system has increased maintenance and repair costs. At almost 20 years old, the company is reaching the end of the useful life for some of its plant and equipment assets leading to increased maintenance requirements and more preventative maintenance to avoid failures or major repairs.
- 2020 was a less capital intensive year resulting in staff being more focused on operational needs compared to the past few years. This resulted in less internal salary being allocated towards bringing capital assets to use.
- Insurance costs increased proportionally to the increase in assets. The company also faced unavoidable increases to premiums due to increased uncertainty resulting from the COVID-19 pandemic.
- IT support costs increased during the year due to a review of services conducted in 2020 and inflationary increases.

While operating expenses increased significantly, as a percentage of revenue they decreased from 48% in 2019 to 45% in 2020. This was primarily driven by revenue growth outpacing the corresponding operating expenses than by any change in operating practices. In reviewing operating expenses, management has determined that LEC is benefiting from a temporary lag in costs and expects that operating costs will increase in the coming years as the company catches up on necessary staffing and operating requirements to meet the larger customer base and to maintain aging equipment. The lack of a proportional increase in operating expenses this year was another contributing factor to the increase in the Net income and the profit margin of the Company.

LEC's strong financial performance in 2020 was highlighted by the continued addition of significant assets, improvement to its debt-to-equity ratio, significantly increasing the retained earnings for the shareholder, and increasing its profit margin from 14% to 18%. This performance is a result of good management practices including:

- natural gas purchasing strategies,
- maintaining high DES efficiencies to maximize energy inputs,
- preventative maintenance programs to mitigate the risk of significant repair and replacement costs,
- good treasury and cash flow management minimizing interest costs, and
- a sophisticated controls system that keeps operating costs low.

While operating costs may increase in 2021, management expects continued growth and will continue to implement good practices to promote strong financial performance and provide value to the shareholder.

Outlook for 2021

LEC has four customer connections scheduled for 2021: 129 E 12th Street, 311 W 1st Street, 181 W 6th Street and 143 E 17th Street. This is the lowest number of connections among the past five years and noticeably less than the eight connections in 2020 and the thirteen connections in 2019. This lull in connections appears largely attributable to the economic impacts of COVID-19, however based on current and expected development and construction applications, management expects customer connections to pick up and return to previous levels in the coming years. This projection is further supported by the Province's restart plan announced on May 25, 2021 and an expected return towards normalcy in fall of 2021.

In addition to building the distribution piping to connect the above mentioned buildings, LEC has completed the majority of its distribution piping project on Chesterfield Avenue from 3rd Street to Keith Road. This project aims to be completed in July 2021 and when completed, serves multiple purposes for the DES. It provides a new interconnection between the Lower Lonsdale and Harbourside service areas, as well as a second interconnection between the Lower Lonsdale and Central Lonsdale service areas. It increases the redundancy of the system by helping ensure heating availability in the event of a necessary shutdown or pipe failure scenario. This connection will further enhance LEC's ability to transport waste heat recovered from cooling processes via the low carbon heat recovery system in Mini-Plant 5 located in the Shipyards precinct. On hot summer days when the heat recovery system output exceeds the Lower Lonsdale service area's heating demand, the piping interconnections allow for the recovered heat to be distributed to the Central Lonsdale and Harbourside service areas. This ensures that the sustainable energy generated is used to its maximum potential and avoids rejecting any waste heat to atmosphere through cooling towers. Additionally, once heat recovery from the North Shore Waste Water Treatment Plant (NSWWTP) commences, the new piping connection will allow thermal energy to be transported in the opposite direction in order to supply low carbon heat to Lower Lonsdale, LEC's largest service area. Considering the amount of clean energy that will be generated by the NSWWTP for LEC's system, it is important that the use of this energy can be maximized in the DES.

LEC expects to hire three to four additional staff members in 2021 in engineering, accounting and communications/branding capacities. LEC has operated with a lean staffing complement for most of its existence, however the scope of its operations and rapid growth over the past five years underscore the need for more staff to properly serve a larger customer base (growth of 51% from 2016 to 2020). Additional staff is also needed to collaborate and liaise with other important stakeholders and increase capacity of the company to investigate and integrate low carbon energy sources. LEC expects to continue its strong financial performance in 2021 while focusing profits on reducing debt obligations to the City and reducing Greenhouse Gas (GHG) emissions in the community.

In 2021 LEC staff has and will continue work on existing sustainability projects as well as pursue new sustainable energy sources. New customer connections require the DES to expand its heating capacity for the next winter. This capacity increase is expected to be added with high efficiency natural gas boilers at Mini-Plant 2, however thermal energy storage solutions continue to be actively developed which may supplement capacity and reduce the need for adding new heat generating equipment. These solutions also would provide other benefits, such as increased resilience and optimizing the use of current and future low-carbon sources. This capacity will also serve as a backup to future sustainable energy opportunities which will be discussed later in this report. In some cases these energy sources, while innovative, require technology that is less mature and therefore a certain level of redundancy is needed in order to provide customers with reliable service.

Alternative Energy Sources

LEC is continuously exploring new ways to innovate and enhance the sustainability of its DES. Currently, LEC's alternative energy sources include a solar panel array on the roof of the Library, a geo-exchange field under the School District 44 head office, as well as recovery of rejected heat from the cooling process used in cooling services at the School District 44 head office, the Shipyard Commons and the newly constructed ice rink. These energy sources are used in priority and directly offset energy that would otherwise be provided by natural gas fired boilers in LEC's system. The DES's hydronic hot water basis coupled with customer buildings employing hydronic heating systems enables seamless integration of a wide variety of low carbon energy sources.

On October 5, 2017, LEC entered into a Thermal Energy Sale and Purchase Agreement with the Greater Vancouver Sewerage & Drainage District (GVS&DD). Under the agreement, GVS&DD is to recover heat from the treated sewerage effluent which will then be distributed throughout LEC's DES. The GHG reduction resulting from this heat recovery will allow LEC to supply a considerably large amount of low-carbon energy to customers (20,000-30,000 MWh) and displace up to 7,200 tonnes of carbon emissions within the City per year (as estimated by the GVS&DD). This would represent approximately one-third of the 69,000 MWh of energy LEC delivered in 2020. LEC received Council's approval on July 24, 2017 for a loan of \$3.6 million to fund the capital cost of the distribution system linking the NSWWTP with the Harbourside service area. Upon completion, GVS&DD will be responsible for the operation and maintenance of the heat recovery facility.

The reduction of use of natural gas boilers is a key objective for LEC as it focuses on decarbonization of the DES. In alignment with City Council's commitment to GHG reductions, LEC is increasingly exploring the feasibility of technologies that will result in significant emissions reductions for the buildings sector. Technologies currently being investigated by staff include server/data centre heat recovery; sewer heat recovery; and ocean source heating. In the case of the latter two, LEC has engaged with City staff to discuss options, scope and feasibility. Management has begun mapping a decarbonization plan and projecting GHG emission reductions based on existing alternative energy sources, the NSWWTP heat recovery and implementation of the above technologies.

Considering the large capital investment necessary for alternative energy projects and higher operating costs, all of these opportunities need to be considered for financial viability, as well as how they will affect the rates of customers. LEC will complete rigorous financial analysis on these projects before making any investment decisions or recommendations.

Annual General Meeting

Legislation requires that each year the company hold an Annual General Meeting (AGM) so that its shareholders can approve the company’s financial statements; appoint the Directors and Auditors; and conduct any other business as required. Alternatively, the shareholders may consent in writing to the business required to be transacted at the AGM. Accordingly, a consent resolution has been submitted so that the shareholder may consent to the resolutions to be passed at an AGM (**Attachment 2**).

It should be noted that the consent resolution names BDO Canada LLP as auditors of the company until the next annual reference date or until a successor is appointed. The City and LEC have issued a Request for Proposal of Professional Audit Services for the audit of the 2021 to 2025 Financial Statements. After conducting the selection process, a Unanimous Consent Resolution of the Shareholder will appoint the successful firm as the auditors of the Company.

Nomination of the Directors

Article 18.1 of the Articles of the company specifies the officers that must be appointed to the company as follows: a Chair of the Board, a Vice-Chair, a President and a Secretary-Treasurer.

A Unanimous Consent Resolution of the Shareholder dated December 21, 2018 appointed Leanne McCarthy and Jessica Mcllroy to the LEC Board. Additionally, a Unanimous Consent Resolution of the Shareholder dated December 7, 2020 appointed Karsten Veng to the Board. The proposed Unanimous Consent Resolutions of the Shareholder of LEC (**Attachment 2**) has been prepared on the same basis as previous years and references LEC’s Officers as follows:

| Name | Office |
|-----------------|----------------------------------|
| Leanne McCarthy | Chair of the Board and President |
| Jessica Mcllroy | Vice-Chair and Director At Large |
| Karsten Veng | Secretary-Treasurer |

Karsten Veng also acts as the Chief Executive Officer of the company and is therefore involved in the day-to-day management and operations of the company. The title Director at Large recognizes the fact that while not being specifically involved in the company’s operations, the appointee represents the communities’ broader interests.

Amount Due to the City of North Vancouver

On June 29, 2012 the City received a loan of \$2,000,000 under the Green Municipal Investment Fund Project Loan through the Municipal Finance Authority (“MFA”) to finance eligible capital costs. Funding was transferred to LEC who is responsible for

principal and interest payments. As of December 31, 2020, the loan had an outstanding balance of approximately \$465,077 (2019 - \$684,287). The final principal payment which will retire this loan is scheduled for 2022.

On August 1, 2018, the City authorized a five-year demand term loan maturing on August 1, 2023, and bearing an interest rate of 2.65% per annum. The total authorized amount of this loan is \$33,661,966. This replaced and consolidated funding previously approved by Council for various capital projects authorized from 2013 to 2018. As of December 31, 2020, the amount owed to the City against the loan was \$25,173,086 (2019 - \$25,623,086).

On July 15, 2019 the company was authorized to borrow an additional \$1,681,000 from the City bearing the same interest rate and terms as the above loan for additional capital projects scheduled into 2021. This increases the total funding available to the Company from the City to \$35,342,966. As of December 31, 2020, the amount owed to the City against this loan was \$1,345,000 (2019 - \$700,000).

In a report to Council dated June 6, 2017 titled "2017-2018 LEC Construction Program Financing", the company informed Council of its intention to cease using its operating revenue for the purpose of funding capital expansions and major upgrades. This practice enhances transparency as LEC would borrow funding for future capital projects making Council aware of significant capital projects for the company. Concurrently operating revenue could then be targeted toward the principal payment of older existing loans. A report to Council dated June 22, 2020 provided an updated loan repayment schedule which indicated that the company intended to allocate \$1.331 million for this purpose in 2020. Despite challenges faced during the COVID-19 pandemic, this was achieved through payment of \$692,885 in interest to the City and principal payments throughout 2020 totaling \$659,210. With total interest and principal payments of \$1,352,095 LEC exceeded its 2020 target by approximately \$21,000. In addition to these payments, administrative services as well as maintenance and operations activities provided by the City are reimbursed on a quarterly basis.

At year-end, LEC had a cash balance of approximately \$1,349,000. This is a considerable amount of cash on hand, however a significant portion of this balance is made up of cash disbursements from the above mentioned loans. A draw of \$730,000 was made on November 5, 2020 in order to have cash available for multiple capital projects through late 2020 and early 2021. This draw was made by management to avoid potential cash flow issues resulting from approval delays while LEC transitioned in its new Chief Executive Officer at the end of the year. Loan dollars are solely used on the capital projects specified in the loan agreements. The remaining balance reflects LEC's available working capital as of December 31, 2020.

FINANCIAL IMPLICATIONS:

Discussed throughout the report.

INTER-DEPARTMENTAL IMPLICATIONS

LEC works in constant cooperation with City departments. LEC is involved in the review of development and building permit applications of buildings with a floor area exceeding 1,000 square meters. All LEC projects are reviewed by the Engineering, Parks and Environment department to ensure proper coordination between LEC and the City. The Finance Department is also involved in the invoicing of all City charges recoverable from LEC.

RESPECTFULLY SUBMITTED BY:



Karsten Veng, P.Eng., PMP
Chief Executive Officer, LEC

Financial Statements of

LONSDALE ENERGY CORP.

Year ended December 31, 2020



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Independent Auditor's Report

To the Shareholders of Lonsdale Energy Corp.

Opinion

We have audited the financial statements of Lonsdale Energy Corp. (the "Entity"), which comprise the Statement of Financial Position as at December 31, 2020, and the Statements of Net and Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Entity 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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Entity'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 Entity'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 Entity 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.

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.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 31, 2021

LONSDALE ENERGY CORP.

Statement of Financial Position

December 31, 2020, with comparative information for 2019

| | Note | 2020 | 2019 |
|--|------|---------------|---------------|
| Assets | | | |
| Current Assets: | | | |
| Cash | | \$ 1,349,238 | \$ 896,635 |
| Accounts receivable | 5 | 1,966,861 | 1,333,640 |
| Prepaid expenses | | 74,815 | 57,328 |
| | | 3,390,914 | 2,287,603 |
| Plant and equipment | 6(a) | 35,625,669 | 34,325,528 |
| Supplies for the distribution system and general equipment | 6(b) | 553,332 | 436,624 |
| Software assets | 7 | 557,746 | 581,881 |
| Debt Reserve Fund | 8(c) | 20,000 | 20,000 |
| | | \$ 40,147,661 | \$ 37,651,636 |
| Liabilities and Shareholder's Equity | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | | \$ 947,124 | \$ 494,592 |
| Security deposits | | 405,059 | 330,059 |
| Due to the City of North Vancouver | 8(a) | 525,425 | 522,235 |
| Current portion of Loan from City of North Vancouver | 8(b) | 512,021 | 405,790 |
| Current portion of loan from Green Municipal Investment Fund | 8(c) | 227,979 | 219,210 |
| Current portion of deferred contributions | 9 | 669,309 | 686,794 |
| | | 3,286,917 | 2,658,680 |
| Loan from City of North Vancouver | 8(b) | 26,006,065 | 25,217,296 |
| Loan from Green Municipal Investment Fund | 8(c) | 237,098 | 465,077 |
| Deferred contributions | 9 | 6,670,879 | 6,501,798 |
| | | 36,200,959 | 34,842,851 |
| Shareholder's equity: | | | |
| Share capital | 10 | 2,000,010 | 2,000,010 |
| Contributed surplus | | 111,723 | 111,723 |
| Retained earnings | | 1,834,969 | 697,052 |
| | | 3,946,702 | 2,808,785 |
| Commitments and contingencies (note 14) | | | |
| | | \$ 40,147,661 | \$ 37,651,636 |

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director

1



Director

LONSDALE ENERGY CORP.

Statement of Net and Comprehensive Income

Year ended December 31, 2020, with comparative information for 2019

| | <i>Note</i> | 2020 | 2019 |
|-------------------------------------|-------------|--------------|--------------|
| Revenue | 12 | \$ 6,418,511 | \$ 5,299,353 |
| Cost of sales | | 2,405,710 | 2,125,632 |
| | | 4,012,801 | 3,173,721 |
| Operating expenses: | | | |
| Plant operation and maintenance | | 382,410 | 335,474 |
| Depreciation | | 1,627,878 | 1,456,913 |
| General and administrative | 13 | 895,126 | 766,138 |
| | | 2,905,414 | 2,558,525 |
| Contributions and financing costs: | | | |
| Contributions | 9 & 12 | 669,309 | 686,794 |
| Finance income | | 94,106 | 77,511 |
| Finance costs | 8(b) & 8(c) | (698,885) | (654,777) |
| | | 64,530 | 109,528 |
| Net income and comprehensive income | | \$ 1,171,917 | \$ 724,724 |

See accompanying notes to financial statements.

LONSDALE ENERGY CORP.

Statement of Changes in Equity

Year ended December 31, 2020, with comparative information for 2019

| | Share capital | Contributed surplus | Retained earnings | Shareholder's equity |
|--|------------------|------------------------|----------------------|-------------------------|
| Balance, December 31, 2018 | \$ 2,000,010 | \$ 111,723 | \$ 2,428 | \$ 2,114,161 |
| Net income and comprehensive income | - | - | 724,724 | 724,724 |
| Cash dividends | | | (30,100) | (30,100) |
| Balance, December 31, 2019 | 2,000,010 | 111,723 | 697,052 | 2,808,785 |
| Net income and comprehensive income | - | - | 1,171,917 | 1,171,917 |
| Cash dividends (Note 10) | | | (34,000) | (34,000) |
| Balance, December 31, 2020 | \$ 2,000,010 | \$ 111,723 | \$ 1,834,969 | \$ 3,946,702 |

See accompanying notes to financial statements.

LONSDALE ENERGY CORP.

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|--|--------------|-------------|
| Cash provided by (used in) | | |
| Operations: | | |
| Net income | \$ 1,171,917 | \$ 724,724 |
| Adjustments for: | | |
| Depreciation | 1,627,878 | 1,456,913 |
| Recognition of deferred contributions | (669,309) | (686,794) |
| Net finance cost | 604,779 | 577,267 |
| Change in non-cash operating working capital: | | |
| Accounts receivable | (633,221) | (276,289) |
| Prepaid expenses | (17,487) | 3,712 |
| Accounts payable and accrued liabilities | 452,532 | (164,628) |
| Due to the City of North Vancouver | 3,190 | (36,805) |
| Security deposits | 75,000 | 100,000 |
| Net cash from operating activities | 2,615,280 | 1,698,100 |
| Investing: | | |
| Purchase of plant and equipment (including supplies for the distribution system put into use) | (2,836,175) | (4,498,624) |
| Change in supplies for distribution system | (116,708) | 141,655 |
| Purchase of software assets | (67,709) | (136,812) |
| Interest received | 94,106 | 77,510 |
| Net cash used in investing activities | (2,926,486) | (4,416,271) |
| Financing: | | |
| Contributions received | 820,905 | 1,364,196 |
| Repayments of loans from the City of North Vancouver | (440,000) | (635,880) |
| Proceeds from loans from the City of North Vancouver | 1,335,000 | 2,965,040 |
| Dividends paid to the City of North Vancouver | (34,000) | (30,100) |
| Interest paid | (698,885) | (654,777) |
| Principal payments on Green Municipal Investment Fund loan | (219,210) | (210,779) |
| Net cash from financing activities | 763,810 | 2,797,700 |
| Increase in cash | 452,603 | 79,529 |
| Cash, beginning of year | 896,635 | 817,106 |
| Cash, end of year | \$ 1,349,238 | \$ 896,635 |

See accompanying notes to financial statements.

LONSDALE ENERGY CORP.

Notes to Financial Statements

Year ended December 31, 2020

1. Reporting entity:

Lonsdale Energy Corp. (the "Company") is domiciled in Canada and was incorporated under the Business Corporations Act (British Columbia) on July 7, 2003 and commenced development activities thereafter and commercial operations on March 1, 2004. Since inception, the efforts of the Company have been devoted to the development and operation of a district energy system in the City of North Vancouver. The address of the Company's registered office is 141 West 14th Street North Vancouver, British Columbia, V7M 1H9.

The Company is a wholly owned subsidiary of The Corporation of the City of North Vancouver (the "City"), the parent organization. The full financial statements of the City are publicly available and produced by the City.

Under Section 149(1)(d) of the Income Tax Act, the Company is exempt from income and capital taxes by virtue of the fact that it is a wholly owned subsidiary of the City.

2. Basis of presentation:

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were authorized for issue by the Board of Directors on May 31, 2021.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost and a going concern basis. The going concern basis of presentation assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and settle its liabilities and commitments in the normal course of business.

Management believes that, based on its current cash flow forecasts and the continued and on-going availability of financing, when and if required, to fund future capital requirements that the Company will be able to operate for the foreseeable future.

(c) Presentation of financial statements:

The Company uses a classified statement of financial position. The statement of financial position distinguishes between current and non-current assets and liabilities. Current assets and liabilities are those expected to be recovered or settled within twelve months from the reporting date and non-current assets and liabilities are those where the recovery or settlement is expected to occur more than twelve months from the reporting date. The Company classifies the statement of net and comprehensive income using the function of expense method, which classifies expenses according to their functions, such as costs of operation or administrative activities.

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

2. Basis of presentation (continued):

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(e) Critical accounting judgements and estimates:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 5 - valuation of accounts receivable (note 15)

Note 6 - useful lives of plant and equipment (note 4(a)(iii)) and valuation of plant and equipment (note 4(g))

Note 7 - useful lives of software assets (note 4(b))

3. Adoption of new accounting standards:

There are no new accounting standards, interpretations and/or amendments impacting the Company that have been adopted for the accounting year beginning on January 1, 2020 which have given rise to changes in the Company's accounting policies or resulted in any material changes to the Company's financial statements.

4. Significant accounting policies:

(a) Plant and equipment, supplies for the distribution system:

(i) Recognition and measurement:

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets include the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

4. Significant accounting policies (continued):

(a) Plant and equipment, supplies for the distribution system (continued):

The supplies for the distribution system are capital items, not for resale, which have yet to be used in the construction of the distribution system infrastructure, and accordingly are not amortized until installed and available for use.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and are recognized net within other income in profit or loss.

(ii) Subsequent costs:

The cost of replacing a part of an item of plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of plant and equipment are recognized in statement of net and comprehensive income as incurred.

(iii) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation of the various components of the general equipment and sections of the distribution system starts once a component/section is available for use at the following rates on a straight line basis for the current and comparative periods:

| Asset | Rate |
|-------------------------------|------|
| Distribution system | 2.5% |
| Communication system | 4% |
| General equipment | 5% |
| Computer and office equipment | 20% |

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

4. Significant accounting policies (continued):

(b) Software assets:

The software assets are integral to the functionality of related equipment. Software assets are recognized at cost, net of accumulated amortization and accumulated impairment losses, if any. Software assets, less their estimated residual values, are amortized on a straight-line basis. Depreciation of the software assets starts once the software is available for use at the following rate on a straight line basis for the current and comparative periods:

| Asset | Rate |
|----------|------|
| Software | 10% |

The estimated useful lives, amortization method, and residual value of each asset are evaluated annually or more frequently if required, and are adjusted, if appropriate.

(c) Revenue recognition:

The Company recognizes revenue when it transfers control over a promised good or services, which constitutes a performance obligation under the contract, to a customer and where the Company is entitled to consideration as a result of completion of the performance obligation. Depending on the terms of the contract with the customer, revenue recognition can occur at a point in time or over time. When a performance obligation is satisfied, revenue is measured at the transaction price that is allocated to that performance obligation. Revenue is recognized over time generally using output as a measure or progress (i.e. kilowatt hours delivered) as the Company's customers simultaneously receive and consume energy. Energy sales are based on fixed rates and meter readings and are billed on a cyclical basis. Revenue is accrued for energy delivered but not yet billed where collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

Application fee revenues are based on a percentage of the value of a development. Revenue is earned and recognized annually on an accrual basis over the three year period services are provided.

(d) Government grants:

Government grants are recognized initially as deferred contributions at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. Grants that compensate the Company for operating expenses incurred are initially deferred and recognized in statement of net and comprehensive income as other income in the same periods in which the expenses are recognized. Grants that compensate the Company for the cost of an asset are initially deferred and recognized in profit or loss on a systematic basis consistent with the depreciation of the of the asset, over the useful life of the asset when put into use.

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

4. Significant accounting policies (continued):

(e) Finance income and finance costs:

Finance income comprises of interest on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(f) Financial instruments:

(i) Financial assets:

The Company has the following financial assets: cash and accounts receivables.

The Company initially recognizes cash and accounts receivable on the date on which they are originated. Cash and accounts receivable are initially measured at fair value and are subsequently classified and measured at amortized cost, using the effective interest rate method, because they meet the solely payments of principal and interest criterion and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. The carrying amount is reduced through the use of a loss allowance and the amount of the related loss allowance is recognized in profit or loss (Note 5(c)). Subsequent recoveries of receivables and unbilled service revenue previously provisioned are credited to profit or loss.

Due to its short term nature, the carrying amounts of accounts receivable and unbilled service revenue approximates their fair value.

(ii) Financial liabilities:

The Company initially recognizes financial liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company has the following financial liabilities: accounts payable and accrued liabilities, due to the City of North Vancouver, security deposits, loan from City of North Vancouver, and loan from the Green Municipal Investment Fund.

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

4. Significant accounting policies (continued):

(f) Financial instruments (continued):

(ii) Financial liabilities (continued):

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Share capital:

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

(g) Impairment of long lived assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

4. Significant accounting policies (continued):

(h) New standards and interpretations not yet adopted:

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company. Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. There are currently no new standards, amendments, or interpretations that are expected to materially impact the Company's financial statements.

5. Accounts receivable:

| | 2020 | 2019 |
|----------------------|---------------------|---------------------|
| Trade receivables | \$ 1,782,951 | \$ 1,141,525 |
| Sales tax receivable | 183,910 | 192,115 |
| | <u>\$ 1,966,861</u> | <u>\$ 1,333,640</u> |

The Company settles the receivables due from the City separate from its payment of the amounts due to the City. As a result, the outstanding receivables and payables due from/to the City are recorded on a gross basis.

The aging of trade receivables at the reporting date was:

| | 2020 | 2019 |
|-------------------------------|---------------------|---------------------|
| (a) Utilities | | |
| Current | \$ 778,010 | \$ 660,500 |
| Past due 30-60 days | 501,070 | 259,381 |
| Past due 60-90 days | 55,347 | 48,782 |
| Past due greater than 90 days | 41,914 | 29,878 |
| (b) Application fees | | |
| Current | \$ - | \$ - |
| Past due 30-60 days | 26,775 | - |
| Past due 60-90 days | - | 606 |
| Past due greater than 90 days | 4,567 | 19,719 |
| (c) Other | | |
| Current | \$ 148,507 | \$ 975 |
| Past due 30-60 days | - | 108,105 |
| Past due 60-90 days | - | - |
| Past due greater than 90 days | 226,761 | 13,579 |
| | <u>\$ 1,782,951</u> | <u>\$ 1,141,525</u> |

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

5. Accounts receivable (continued):

(a) Utilities

Included in utilities are trade receivables for the monthly provision of space heating, space cooling and domestic hot water services.

(b) Application fees

Included in application fees are trade receivables for 0.15% of the construction value of new developments connecting to the Company's district energy system. These trade receivables cover multiple phases of development and the developers are offered the option of paying fees separately by phase. Phased payments can result in the potential for longer aging of trade receivables. These trade receivables are still expected to be collected within one year.

(c) Other

Included in other are trade receivables such as the non-refundable connection fees from new customers or contributions from developers for extended distribution piping as part of the initial connection of a building to the system.

The Company measures the loss allowance using the simplified method at an amount equal to the lifetime expected credit loss (ECL) for accounts receivables. The ECL is an estimation of loss in the event of default of the accounts receivable arising from default events occurring in the lifetime of the instrument. The lifetime ECL is estimated based on historical default rates and forward looking trends in the energy and real estate industry.

No loss allowance has been made in relation to the collectability of accounts receivable as at December 31, 2020 and 2019 as the impact is expected to be trivial.

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

6. Plant and equipment:

(a) The Company's plant and equipment consists of the following:

| | Distribution system | General equipment | Total |
|---------------------------------|---------------------|-------------------|---------------|
| <u>Cost</u> | | | |
| Balance as at December 31, 2019 | \$ 25,827,669 | \$ 16,713,635 | \$ 42,541,304 |
| Additions | 2,185,108 | 651,067 | 2,836,175 |
| Disposal | - | - | - |
| Balance as at December 31, 2020 | \$ 28,012,777 | \$ 17,364,702 | \$ 45,377,479 |
| <u>Accumulated depreciation</u> | | | |
| Balance as at December 31, 2019 | \$ 3,008,504 | \$ 5,207,272 | \$ 8,215,776 |
| Depreciation | 678,142 | 857,892 | 1,536,034 |
| Disposal | - | - | - |
| Balance as at December 31, 2020 | \$ 3,686,646 | \$ 6,065,164 | \$ 9,751,810 |
| <u>Net book value</u> | | | |
| At December 31, 2019 | \$ 22,819,165 | \$ 11,506,363 | \$ 34,325,528 |
| At December 31, 2020 | 24,326,131 | 11,299,538 | 35,625,669 |

(b) Supplies for the distribution system and general equipment represent \$553,332 (2019 - \$436,624) in plant and equipment which have not been installed or used for the district energy system as at December 31, 2020. Consequently, they are not being amortized.

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

7. Software assets:

Cost

| | | |
|-------------------------------|----|---------|
| Balance, at December 31, 2019 | \$ | 828,573 |
| Additions | | 67,709 |
| Balance, at December 31, 2020 | \$ | 896,282 |

Accumulated Depreciation

| | | |
|-------------------------------|----|---------|
| Balance, at December 31, 2019 | \$ | 246,692 |
| Depreciation | | 91,844 |
| Balance, at December 31, 2020 | \$ | 338,536 |

Net book value

| | | |
|----------------------|----|---------|
| At December 31, 2019 | \$ | 581,881 |
| At December 31, 2020 | \$ | 557,746 |

In 2014, the Company initiated the replacement and upgrade of the central control system in the Lower Lonsdale service area as well as acquiring a new financial reporting system software. The new financial reporting system was put into service in March 2015 and is being amortized over its estimated useful life of 10 years. The control system was put into service in July 2016 and is being amortized over its estimated useful life of 10 years.

In 2017, the Company undertook further controls upgrades for the Harbourside and Central Lonsdale service areas. The control system in Harbourside was put into service in September 2017, the Central Lonsdale system was completed and put into service in January 2019. Customers in the new Moodyville service area have been substantially added to the control system as they have been connected to the district energy system.

8. Due to the City of North Vancouver:

(a) Due to the City of North Vancouver:

The amount due to the City of \$525,425 (2019 - \$522,235) arises from operating and financing expenses paid by the City on behalf of the Company. The amounts outstanding as at December 31, 2020 are expected to be repaid as part of the ongoing operations of the Company. The amount due to the City is non-interest bearing, unsecured and due on demand.

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

8. Due to the City of North Vancouver (continued):

(b) Loans from the City of North Vancouver:

| | 2020 | 2019 |
|-----------------------------|----------------------|----------------------|
| Demand promissory note (i) | \$ 25,173,086 | \$ 24,923,086 |
| Demand promissory note (ii) | 1,345,000 | 700,000 |
| | <u>\$ 26,518,086</u> | <u>\$ 25,623,086</u> |

(i) On August 1, 2018 a new five-year demand term loan was issued by the City. This Promissory Note replaced and nullified all previous Promissory Notes issued by the City to the Company. The loan matures on August 1, 2023 and bears interest at 2.65% per annum. As at December 31, 2020 an amount of \$25,173,086 remains due to the City. Additional funding is available to the Company under the terms of the agreement to a maximum of \$33,661,966.

(ii) On July 15, 2019 the City's Council authorized the Company to borrow an additional \$1,681,000 from the City. The loan bears interest at 2.65% per annum. As at December 31, 2020 an amount of \$1,345,000 had been drawn by the Company and is due to the City. This Promissory Note carries the same terms as the Promissory Note in *Note 8.(b)(i)*.

Although the term loans are due on demand, with the exception of an amount of \$512,021, the amounts have been classified as a non-current liability as the City has, as approved by council, committed to providing the Company with a twelve month notice period for any reimbursements of the loan requested in advance of the planned repayment schedule.

In 2020, \$440,000 was repaid to the City in payment of the principal of the loans from the City. The interest expense of \$692,885 (2019 - \$648,777) related to the Due to the City of North Vancouver is included in finance costs in the statement of net and comprehensive income.

The loans are secured by an interest in all of the Company's current and future property, including plant and equipment, supplies for the distribution system and other related assets.

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

8. Due to the City of North Vancouver (continued):

(c) Loan from Green Municipal Investment Fund:

On June 29, 2012, the City received a loan of \$2,000,000 under the Green Municipal Investment Fund Project Loan through the Municipal Finance Authority ("MFA") to finance eligible costs incurred related to the capital projects undertaken by the Company. The loan bears interest at the ten year Government of Canada bond yield rate in effect at the date of request of the disbursement less 1.5% (effective interest rate of 0.3%) and is payable semi-annually and matures on the tenth anniversary of the loan date. As a condition to receive the loan, the Company made a debt reserve deposit payment of \$20,000 which is recorded on the statement of financial position.

The annual principal payments to the MFA are held in a sinking fund deposit account which accrues interest income based on actuarial estimates. The total principal repayments made including the interest income earned on the sinking fund deposit will be used to retire the loan on June 29, 2022. The difference between the actuarial and actual interest income earned during the term will be paid by or reimbursed to the Company.

The City assumed this loan on behalf of the Company. The City then loaned the proceeds of the loan to the Company with terms consistent with the MFA. The loan is subject to certain financial and non-financial covenants. As at December 31, 2020, the City and Company were in compliance with these covenants.

Future principal repayments, including actuarial adjustments of \$131,913 (2019 - \$184,542), on this loan over the next two years are as follows:

| | |
|------|------------|
| 2021 | 227,979 |
| 2022 | 237,098 |
| | <hr/> |
| | \$ 465,077 |

The interest expense of \$6,000 (2019 - \$6,000) is included in finance costs in the Statement of Comprehensive Income.

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Deferred contributions:

| | 2020 | 2019 |
|---|--------------|--------------|
| (a) Green Municipal Investment Fund Project Grant | \$ 904,844 | \$ 986,662 |
| (b) Gas Tax Agreement – Innovation Fund | 748,845 | 773,243 |
| (c) Infrastructure Stimulus Fund Grant | 77,561 | 79,644 |
| (d) Solar Water Installation | 122,941 | 136,601 |
| (e) Contributions from developers and new customers | 5,464,163 | 5,187,878 |
| (f) Contributions from utility company | 21,834 | 24,564 |
| | 7,340,188 | 7,188,592 |
| Current portion | (669,309) | (686,794) |
| Non-current portion | \$ 6,670,879 | \$ 6,501,798 |

(a) Green Municipal Investment Fund Project Grant:

In 2005, the City and the Federation of Canadian Municipalities (FCM) entered into an agreement whereby FCM provides a grant from the Green Municipal Investment Fund. The grant provides for 25% of the eligible costs, to a maximum of \$2,000,000, related to the construction of the mini-plants, distribution system and project soft costs such as those related to intangible assets, development costs and pre-operating costs. The Company has received the maximum eligible grant of \$2,000,000.

The contribution is recognized over the useful life of the related assets. The portion of the grant that is not recognized as revenue is recorded as deferred contribution.

The following table summarizes the amount recognized as of December 31:

| | 2020 | 2019 |
|--|------------|--------------|
| Deferred contribution - FCM Grant, beginning of year | \$ 986,662 | \$ 1,068,480 |
| Revenue recognized from grant | (81,818) | (81,818) |
| Deferred contribution - FCM Grant, end of year | \$ 904,844 | \$ 986,662 |

(b) Gas Tax Agreement - Innovation Fund:

In 2009, the City and the Union of British Columbia Municipalities (UBCM) entered into an agreement whereby UBCM provided a grant from the Gas Tax Innovation Fund. The grant provides for 100% of the eligible costs, to a maximum of \$973,750 related to the construction of a section of the distribution system in Central Lonsdale.

The contribution is recognized over the useful life of the distribution system at a rate of 2.5% per year from the date the section covered under the grant is available for use. The portion of the grant that is not recognized as revenue is recorded as deferred contribution.

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Deferred contributions (continued):

(b) Gas Tax Agreement - Innovation Fund (continued):

The following table summarizes the amount recognized as of December 31:

| | 2020 | 2019 |
|---|------------|------------|
| Deferred contribution - Gas Tax Grant, beginning of year | \$ 773,243 | \$ 797,641 |
| Revenue recognized from grant | (24,398) | (24,398) |
| Deferred contribution - Gas Tax Grant, end of year | \$ 748,845 | \$ 773,243 |

(c) Infrastructure Stimulus Fund Grant:

In 2011, the City and the Province of British Columbia (Province) entered into agreement whereby the Province provides a grant from the Infrastructure Stimulus Fund. The grant provides for 66.66% of the eligible costs, to a maximum of \$83,332 related to the construction of a section of the distribution system in Central Lonsdale. The maximum contribution of \$83,332 was received in 2011.

The contribution is recognized over the useful life of the distribution system at a rate of 2.5% per year from the date the section completed under the grant is available for use. Depreciation of this section of the distribution system started to be recognized as of November 1, 2017 resulting in the commencement of revenue recognition.

The following table summarizes the amount recognized as of December 31:

| | 2020 | 2019 |
|--|-----------|-----------|
| Deferred contribution - Infrastructure grant, beginning and end of year | \$ 79,644 | \$ 81,727 |
| Revenue recognized from grant | (2,083) | (2,083) |
| Deferred contribution - Infrastructure Stimulus Fund Grant, end of year | \$ 77,561 | \$ 79,644 |

(d) Solar Water Installation:

In 2010, the City transferred the ownership of the Solar Panels to the Company which involved the transfer of all costs incurred and contributions received that were associated with the project.

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Deferred contributions (continued):

(d) Solar Water Installation (continued):

The City had incurred a total of \$347,150 in project costs and received two grant contributions from the Federal Government and the Province towards the project for a total of \$273,202. The contributions are recognized over the useful life of the solar panels at rate of 5% per year.

The following table summarizes the amount recognized as of December 31:

| | 2020 | 2019 |
|---|------------|------------|
| Deferred contribution - Solar Water Installation, beginning of year | \$ 136,601 | \$ 150,261 |
| Revenue from contributions recognized | (13,660) | (13,660) |
| Deferred contribution - Solar Water Installation, end of year | \$ 122,941 | \$ 136,601 |

(e) Contributions from developers and new customers:

The Company recognizes as a contribution from developers the amounts reimbursed by developers to the Company for costs to construct or acquire property and equipment. Revenue is recognized over the useful life of the distribution system at a rate of 2.5% per year from the date a section is available for use.

Prior to connection of a development the Company receives contributions from developers in the form of application fees for engineering services rendered during the permitting process, as well as for a period of eighteen months after occupancy has been achieved in order to monitor building performance. This period is to ensure the in-building system performance is in accordance with the Hydronic Heat Energy Bylaw (Bylaw No. 7575) and meets the Company's district energy system requirements. The contributions are recognized over a three year period which includes eighteen months for services during the permitting process and eighteen months for performance monitoring and related activities.

The Company also includes in the contributions from developers and new customers the non-refundable connection fees or general contributions received as part of the initial connection of a building to the system. These fees and general contributions are linked to the cost of the initial connection including installation of the building heat exchanger. The contributions are recognized over the useful life of the general equipment at a rate of either 2.5% or 5% per year from the date of connection of the building. This amount includes compensation of \$98,493 and \$23,676 received in 2016 and 2017 respectively, from the City for service connection rebates granted to rental buildings.

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Deferred contributions (continued):

The following table summarizes the amount recognized as of December 31:

| | 2020 | 2019 |
|---|--------------|--------------|
| Deferred contribution from developers and new customers, beginning of year | \$ 5,187,878 | \$ 4,385,788 |
| Contributions | 820,905 | 1,364,196 |
| Revenue recognized from contributions | (544,620) | (562,106) |
| Deferred contribution, end of year | \$ 5,464,163 | \$ 5,187,878 |

(f) Contribution from utility company:

In 2009, the City received funding under the Efficient Boiler Program administered by Fortis Gas Inc. of \$54,586. The contribution is recognized over the useful life of the boilers at a rate of 5% per year.

The following table summarizes the amount recognized as of December 31:

| | 2020 | 2019 |
|--|-----------|-----------|
| Deferred contribution from utility company, beginning of year | \$ 24,564 | \$ 27,293 |
| Revenue recognized from contributions | (2,730) | (2,729) |
| Deferred contribution from utility company, end of year | \$ 21,834 | \$ 24,564 |

10. Share capital:

The authorized capital of the Company consists of an unlimited number of voting common shares without par value. As of December 31, 2020, a total of \$2,000,010 (2019 - \$2,000,010) shares were issued and outstanding to the Company's sole shareholder, the City.

There were no changes in share capital during the year.

Dividends issued amounted to \$34,000, were approved by the board on September 8, 2020, and were paid to the City.

11. Related parties:

The City has incurred expenses, including sales taxes, on behalf of the Company in the year of approximately \$1,190,533 (2019 - \$1,288,943) by providing staff, purchasing material and installing and operating the distribution system for the Company's benefit. These expenses are included in Plant operation and maintenance, General and administrative, and additions to Plant and equipment. Of this amount \$88,249 (2019 - \$172,891) has been capitalized to Plant and equipment. Specifically, City staff has been involved in purchasing materials for and installing and

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

11. Related parties (continued):

operating components of the distribution system. The Company made \$47,267 (2019 - \$46,200) in rent payments to the City included in the General and administrative expenses for use of a portion of the building at 141 West 14th Street for office space. These costs have been charged to the Company by the City on a cost recovery basis. Included in revenue for 2020 is \$242,346 (2019 - \$221,190) for heating and cooling services rendered by the Company to the City.

Included in the services provided to the Company by the City is key management personnel compensation, comprised of the executive director, deputy director, manager - engineering, two project engineers, construction manager, and accountant.

These key management personnel are directly employed by the City and contracted to the Company based on an allocation of their compensation. For the year ended December 31, 2020, key management personnel compensation of \$918,180 (2019 - \$951,957) was included in the costs charged to the Company by the City. This includes services by key management personnel necessary to bring assets to working condition. Costs for services to bring assets to working condition have been attributed to the acquisition cost of the asset.

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 related parties.

12. Revenue:

| | Note | 2020 | 2019 |
|--|----------|-------------|-------------|
| Revenue from contracts with customers | | | |
| Energy sales | | \$6,418,511 | \$5,297,998 |
| Miscellaneous revenue | | - | 1,355 |
| | | \$6,418,511 | \$5,299,353 |
| Current portion of contributions | | | |
| Contributions from government | 9(a)-(d) | \$121,959 | \$121,959 |
| Contributions from developers | 9(e) | 71,452 | 111,193 |
| Connection fees | 9(e) | 193,747 | 158,192 |
| Application fees | 9(e) | 279,421 | 292,721 |
| Contributions from utility companies | 9(f) | 2,730 | 2,729 |
| Total current portion of contributions | | \$669,309 | \$686,794 |
| Total revenue and contributions | | \$7,087,820 | \$5,986,147 |

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

13. General and administrative expenses:

| | 2020 | 2019 |
|---|-----------|----------|
| Administrative support | \$17,158 | \$22,600 |
| Financial services | 3,318 | 6,622 |
| Insurance | 133,220 | 111,147 |
| IT Support | 59,763 | 30,896 |
| Miscellaneous | 19,745 | 14,285 |
| Professional services | 90,405 | 56,757 |
| Rent | 47,267 | 46,200 |
| Salaries | 524,250 | 477,631 |
| Total general and administrative expenses | \$895,126 | 766,138 |

14. Commitments and contingencies:

- (a) As at December 31, 2020, the Company has approximately \$402,786 (2019 - \$466,463) in open purchase and work orders relating to Plant and equipment.
- (b) On October 5, 2017, the Company entered in an agreement with Greater Vancouver Sewerage and Drainage District for the purchase of thermal energy from the new North Shore wastewater treatment plant currently under construction. Under the agreement, the Company will be obligated to purchase minimal quantities of energy from the new plant at a mutually agreed upon date between both parties when thermal energy will be available. The cost of this future energy is based on an agreed upon pricing model.

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

15. Fair values:

Financial Assets and Liabilities:

The Company uses the following hierarchy to determine and disclose fair value of financial instruments:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data, which are unobservable inputs.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company does not have any financial assets or liabilities that are carried at fair value.

The fair values of cash, accounts receivable, accounts payable and accrued liabilities, due to the City of North Vancouver, and security deposits approximate their carrying values due to their short term nature.

The fair value of the loan from the City of North Vancouver is equal to its carrying amount as the loan is due on demand.

The fair value of the loan from the Green Municipal Investment Fund at year end is \$456,747 (2019 - \$661,941) and is classified as level 3.

16. Financial risk management:

Overview

The Company has exposure to the following risks from its use of financial instruments:

- operational risk
- credit risk
- liquidity risk
- market risk

Risk management framework:

Management has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

16. Financial risk management (continued):

Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of spending authority;
- ethical and business standards; and
- risk mitigation, including insurance when this is effective.

Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has established a credit policy under which each new customer and developer must provide a security deposit that is held for 18 months following the issuance of a building occupancy permit.

As at December 31, 2020, \$273,242 (2019 - \$63,176) of accounts receivable exceeded 90 days. As a result of the COVID-19 pandemic and material disruptions to businesses and the economy, the Company's credit risk has increased due to some commercial customers not being able to pay their district energy bills when due (note 18). Management has performed an assessment on the collectability of these amounts and determined these amounts are collectible. The Company continues to actively monitor its exposure to credit risk.

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

16. Financial risk management (continued):

Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Company anticipates that its cash flows from operations and current grant agreements will be sufficient to satisfy its current obligations. The City provides financing to the Company through its formal related party loan which has a specified rate of interest and is repayable on demand with, as approved by council, a twelve-month notice period for any reimbursements of the loan requested in advance of the planned repayment schedule.

As at December 31, 2020, all financial liabilities, except for the loan from the Green Municipal Investment Fund and the loan from City of North Vancouver, have been classified as current as they are contractually due within the next fiscal year.

| As at December 31, 2020 | Carrying amount | Total contractual cash flows | Less than one year | 1 to 5 years | More than 5 years |
|---|-----------------|------------------------------|--------------------|--------------|-------------------|
| Loan from Green Municipal Investment Fund | \$ 465,077 | \$ 474,077 | \$ 233,979 | \$ 240,098 | \$ - |
| Loan from City of North Vancouver | 26,518,086 | 26,518,086 | 512,021 | 26,006,065 | - |

| As at December 31, 2019 | Carrying amount | Total contractual cash flows | Less than one year | 1 to 5 years | More than 5 years |
|---|-----------------|------------------------------|--------------------|--------------|-------------------|
| Loan from Green Municipal Investment Fund | \$ 684,287 | \$ 693,287 | \$ 219,210 | \$ 474,077 | \$ - |
| Loan from City of North Vancouver | 25,623,086 | 25,623,086 | 405,790 | 25,217,296 | - |

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

16. Financial risk management (continued):

Market risk:

Market risk is the risk that changes in market prices, such as energy prices, interest rates and other rate risks, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

- *Interest rate risk:*

In respect of financial assets, the Company's policy is to invest cash at fixed rates of interest in order to maintain liquidity. The loan from the Green Municipal Investment Fund and the loan from City of North Vancouver bear a fixed rate of interest. The loan from City of North Vancouver is maturing on August 1, 2023 and the Company is cognizant that the interest rate may be adjusted in line with market pricing at that time.

- *Energy price risk:*

The Company is exposed to price risk associated with the purchase of natural gas. An increase of 1% of the cost of natural gas would generate a corresponding annualized increase to the Company's expenses of \$82,960 (2019 - \$63,876). The risk of energy price risk is mitigated by the Company's ability to adjust the commodity rates by an equal percentage of the energy price changes in accordance with the City's bylaw 7575.

17. Capital management:

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern to sustain future development of the business, so that it can provide returns for the shareholder and benefits for other stakeholders.

The Company considers the items included in shareholder's equity as capital. There were no changes in the Company's approach to capital management during the year.

18. COVID-19 uncertainty:

The COVID-19 pandemic has disrupted economic activities in Canada and forced the Company to adjust its operations. Revenues and income continued to grow for the Company and it satisfied principal payment requirements for the year. A large portion of customer base is residential, for which demand in this customer segment did not decrease. In addition to this, government support to Canadian citizens and small business allowed the Company's customers to continue making regular payments towards utilities. Development construction continued throughout the year despite the pandemic and buildings were largely connected as scheduled. The Company has noticed a delay in new developments as some developers are choosing to defer applications or construction, however management expects this is a temporary slowdown and expects new developments to continue at the pace necessary to meet market demand into 2022. Furthermore, accounts receivable increased this year due to slower collection from a few customers of which the majority of balances have been collected in 2021.

LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2020

18. COVID-19 Impact (continued)

Given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time. The Company will continue to monitor the impacts of COVID-19 and focus on collecting receivables, managing expenditures, and, if necessary, leveraging existing reserves and investigate available credit facilities to ensure it is able to continue providing essential services to its citizens.

As the impacts of COVID-19 continue, there could be specific impact on the Company, its customers, employees, suppliers, the City of North Vancouver, and other third party business associates that could impact the timing and amounts realized on the Company's assets and future ability to deliver services and projects.

UNANIMOUS CONSENT RESOLUTIONS OF THE SHAREHOLDER

OF

LONSDALE ENERGY CORP.

(the "Company")

in lieu of the annual general meeting

The undersigned, being the sole shareholder of the Company entitled to vote at an annual general meeting, hereby consents to and adopts in writing the following resolutions:

RESOLVED THAT:

1. the financial statements of the Company for the period ended December 31, 2020, made up of statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows as at the end of that period and the report of the auditors thereon are hereby received and filed;
2. all lawful acts, contracts, proceedings, appointments and payments of money by the directors of the Company since the last annual reference date of the Company, and which have previously been disclosed to the shareholder, are hereby adopted, ratified and confirmed;
3. the number of Directors of the Company is hereby fixed at 3;
4. the following persons, each of whom has consented in writing to act as a director, are hereby elected as directors of the Company, to hold office until the next annual general meeting of the Company or unanimous resolutions consented to in lieu of holding an annual general meeting, or until their successors are appointed:

Jessica McIlroy

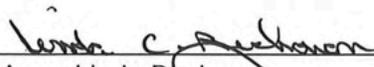
Leanne McCarthy

Karsten Veng

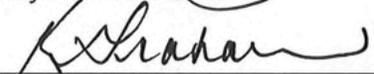
5. BDO Canada LLP be appointed as auditors of the Company until the next annual reference date of the Company or until a successor is appointed, at a remuneration to be fixed by the Directors; and
6. June 15, 2021 be and is hereby selected as the annual reference date for the Company for its current annual reference period.

DATED as of June 21, 2021.

THE CORPORATION OF THE CITY OF
NORTH VANCOUVER



Mayor Linda Buchanan



Karla Graham, City Clerk

Historical Income Statements for Years of Operation - 2004 to 2020

| Income Statement line description | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|--------------|----------------|
| Revenue | \$ 176,707 | \$ 409,108 | \$ 415,741 | \$ 630,088 | \$ 1,016,118 | \$ 1,158,110 | \$ 1,434,108 | \$ 1,562,007 | \$ 1,693,413 | \$ 2,038,134 | \$ 2,594,229 | \$ 2,647,001 | \$ 2,838,793 | \$ 3,900,077 | \$ 4,132,957 |
| Cost of Sales | \$ 66,777 | \$ 187,089 | \$ 245,839 | \$ 299,299 | \$ 479,519 | \$ 469,707 | \$ 722,351 | \$ 752,254 | \$ 747,330 | \$ 965,876 | \$ 1,261,027 | \$ 1,175,841 | \$ 1,196,282 | \$ 1,538,595 | \$ 1,678,140 |
| Gross profit | \$ 109,930 | \$ 222,019 | \$ 169,902 | \$ 330,789 | \$ 536,599 | \$ 688,403 | \$ 711,757 | \$ 809,753 | \$ 946,083 | \$ 1,072,258 | \$ 1,333,202 | \$ 1,471,160 | \$ 1,642,511 | \$ 2,361,482 | \$ 2,454,817 |
| Plant Operation and Maintenance | \$ 19,087 | \$ 91,585 | \$ 95,244 | \$ 98,149 | \$ 114,689 | \$ 138,289 | \$ 143,305 | \$ 191,350 | \$ 212,842 | \$ 289,346 | \$ 310,795 | \$ 289,127 | \$ 225,115 | \$ 134,380 | \$ 218,812 |
| Depreciation | \$ 68,531 | \$ 114,823 | \$ 127,777 | \$ 146,220 | \$ 212,246 | \$ 293,444 | \$ 273,586 | \$ 309,667 | \$ 430,542 | \$ 564,686 | \$ 693,517 | \$ 795,568 | \$ 886,925 | \$ 1,064,736 | \$ 1,206,818 |
| General and Administrative | \$ 98,268 | \$ 145,543 | \$ 172,968 | \$ 140,987 | \$ 173,957 | \$ 146,916 | \$ 185,574 | \$ 188,783 | \$ 309,926 | \$ 445,511 | \$ 361,409 | \$ 348,892 | \$ 497,248 | \$ 405,632 | \$ 587,399 |
| Total - Operating Expenses | \$ 185,886 | \$ 351,951 | \$ 395,989 | \$ 385,356 | \$ 500,892 | \$ 578,649 | \$ 602,465 | \$ 689,800 | \$ 953,310 | \$ 1,299,543 | \$ 1,365,721 | \$ 1,433,587 | \$ 1,609,288 | \$ 1,604,748 | \$ 2,013,029 |
| Income (loss) before other expenses | \$ (75,956) | \$ (129,932) | \$ (226,087) | \$ (54,567) | \$ 35,707 | \$ 109,754 | \$ 109,292 | \$ 119,953 | \$ (7,227) | \$ (227,285) | \$ (32,519) | \$ 37,573 | \$ 33,223 | \$ 756,734 | \$ 441,788 |
| Contributions | | \$ 60,136 | \$ 259,458 | \$ 38,804 | \$ 63,416 | \$ 117,389 | \$ 120,875 | \$ 146,532 | \$ 174,480 | \$ 211,010 | \$ 225,615 | \$ 232,648 | \$ 260,629 | \$ 357,676 | \$ 571,832 |
| Finance income | | \$ 23,432 | \$ 22,037 | \$ 24,530 | \$ 17,321 | \$ 5,111 | \$ 11,171 | \$ 15,742 | \$ 25,121 | \$ 32,071 | \$ 34,429 | \$ 27,172 | \$ 27,691 | \$ 42,975 | \$ 65,426 |
| Finance costs | \$ (111,951) | \$ (207,481) | \$ (194,850) | \$ (34,141) | \$ (123,277) | \$ (125,421) | \$ (128,876) | \$ (131,322) | \$ (139,585) | \$ (157,986) | \$ (214,870) | \$ (253,282) | \$ (302,870) | \$ (357,790) | \$ (498,448) |
| Subtotal | \$ (111,951) | \$ (123,913) | \$ 86,645 | \$ 29,193 | \$ (42,540) | \$ (2,921) | \$ 3,170 | \$ 30,952 | \$ 60,016 | \$ 85,095 | \$ 45,174 | \$ 6,538 | \$ (14,550) | \$ 42,861 | \$ 138,810 |
| Income before non-recurring expenses | \$ (187,907) | \$ (253,845) | \$ (139,442) | \$ (25,374) | \$ (6,833) | \$ 106,833 | \$ 112,462 | \$ 150,905 | \$ 52,789 | \$ (142,190) | \$ 12,655 | \$ 44,111 | \$ 18,673 | \$ 799,595 | \$ 580,598 |
| Non-recurring expenses | | | | | | | | | | | | | | | \$ (1,030,721) |
| Net Income and Comprehensive Income | \$ (187,907) | \$ (253,845) | \$ (139,442) | \$ (25,374) | \$ (6,833) | \$ 106,833 | \$ 112,462 | \$ 150,905 | \$ 52,789 | \$ (142,190) | \$ 12,655 | \$ (986,610) | \$ 18,673 | \$ 799,595 | \$ 580,598 |
| Cash Dividends | | | | | | | | | | | | | | | |
| Retained Earnings (Net Accumulated Surplus/loss) | \$ (277,787) | \$ (531,632) | \$ (671,074) | \$ (696,448) | \$ (703,281) | \$ (596,449) | \$ (483,987) | \$ (333,082) | \$ (280,293) | \$ (422,483) | \$ (409,828) | \$ (1,396,438) | \$ (1,377,765) | \$ (578,170) | \$ 2,428 |
| Sales (MW.hr) | 1,176 | 3,630 | 4,981 | 6,828 | 11,063 | 14,121 | 18,738 | 22,847 | 23,946 | 27,922 | 31,254 | 32,402 | 37,787 | 49,503 | 53,626 |

SUMMARY OF LEC STATISTICS
AS OF DECEMBER 31, 2020

CUSTOMER DATA

- Customer accounts served by building type:
 - Residential Buildings 45
 - Mixed Residential / Commercial Buildings 25
 - Commercial Buildings 17
 - Institutional Buildings 8
 - Cooling Customers 6
 - **Total** **101**
- New customers connected in 2020 8
- New residential suites connected in 2020 899
- Total number of residential suites served 6,378
- Square footage of new buildings connected in 2020 797,906 square feet
- Total square footage of buildings served 7,374,023 square feet

SYSTEM DATA

- Trenched kilometers of distribution pipe added in 2020 0.7 kilometers
- Total trenched kilometers of distribution pipe 13.3 kilometers
- Heating:
 - Number of new boilers installed in 2020 0
 - Total number of boilers 30
 - Total heating energy capacity 28 MW
 - Kilowatt-hours of heating energy delivered in 2020 67,753 MW.h
- Cooling:
 - Number of new heat pump modules in 2020 0
 - Total number of heat pump modules 11
 - Total cooling energy capacity 1.2 MW
 - Kilowatt-hours of cooling energy delivered in 2020 1,734 MW.h