REPORT

19. Lonsdale Energy Corp. – 2022 Annual General Meeting – File: 11-5500-06-0001/1

Report: Chief Executive Officer, Lonsdale Energy Corp., May 25, 2022

Moved by Councillor McIlroy, seconded by Councillor Valente

PURSUANT to the report of the Chief Executive Officer, Lonsdale Energy Corp., dated May 25, 2022, entitled "2022 Annual General Meeting":

THAT the 2021 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 execute the necessary documentation to give effect to the motion.

CARRIED UNANIMOUSLY

CEO	President

lonsdale energy corp.

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141 West 14th Street, North Vancouver BC V7M 1H9

REPORT

To: Mayor Linda Buchanan and Members of Council

From: Karsten Veng, Chief Executive Officer, LEC

SUBJECT: 2022 ANNUAL GENERAL MEETING

Date: May 25, 2022

RECOMMENDATION:

PURSUANT to the report of the Chief Executive Officer of Lonsdale Energy Corp., dated May 25, 2022, entitled, "2022 Annual General Meeting":

THAT the 2021 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, 2021, 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 Income Statements for Years of Operation - 2004 – 2021
4. Summary of Lonsdale Energy Corp. Statistics as of December 31, 2021

PURPOSE:

This report provides information concerning Lonsdale Energy Corp.'s (LEC) 2021 activities and presents the audited Financial Statements for that year (**Attachment 1**). The statements comply with the International Financial Reporting Standards (IFRS). The report recommends that a resolution be adopted by the City of North Vancouver (the City), the sole shareholder of LEC, in lieu of holding an Annual General Meeting.

DISCUSSION:

Review of 2021 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 and cooling services to customers in four interconnected service areas within the City of North Vancouver.

With the addition of four accounts in 2021 to LEC's distribution network, the Company has 105 energy transfer stations delivering heating and cooling services to 99 buildings in the City. LEC services approximately 7.67 million square feet of property which includes 6,765 households as well as numerous commercial and institutional premises. **Attachment 4** provides additional statistics on the LEC District Energy System (DES). The following customers were added to the LEC District Energy System in 2021:

Connection	Name	Service Area	Address
Mar. 2021	Victoria by Domus Homes	Central Lonsdale	129 E 12th Street
Apr. 2021	The Grand Lion	Lower Lonsdale	311 W 1st Street
May 2021	Avesta at 181 W 6th St.	Lower Lonsdale	181 W 6th Street
Jun. 2021	Origin	Central Lonsdale	143 E 17th Street

During 2021 LEC added approximately 640 meters of distribution piping worth approximately $2.34 million to the DES. The most significant of these projects was a stretch of 460 meters on Chesterfield Avenue from W 3rd Street to Keith Road. This second interconnection between the Lower Lonsdale Service Area (LLSA) and Central Lonsdale Service Area (CLSA) is farther west than the previous interconnection and meets with the CLSA and Harbourside Service Area (HSSA) interconnection. This centralizes and harmonizes the flows between the LLSA and HSSA by allowing a more direct and efficient pathway to transfer heat (in either direction) than the existing interconnection on St. Georges Avenue. Conversely, in the cooling season, this allows the low-carbon heat recovered from the cooling of the Shipyards Precinct to more efficiently reach the HSSA. Furthermore, the interconnection increases the capacity of thermal energy that can be transferred between LEC's largest service area, Lower Lonsdale, and the other service areas, allowing LEC to maximize future low-carbon energy sources. Lastly, this interconnection increases the redundancy and reliability of the DES by creating another significant pathway for the transfer of thermal energy in the case of a plant failure or natural disaster. The remaining distribution piping construction during the year was purposed to connect the above noted and future customers to the

DES. New connections during the year added heating services to 387 new residential units.

LEC added approximately $700,000 in new plant and equipment infrastructure. The most significant project was the $327,000 addition of two boilers at Mini-Plant 2 (151 W 2nd Street) to service the demand of a growing customer base. The remaining additions to plant and equipment primarily consist of construction of energy transfer stations to service new customer buildings. The substantial upgrade and migration to a new controls system was completed from 2017-2019, and therefore software additions have been less significant in the past two years. However, during 2021 LEC continued to improve and integrate new customers into its controls and automation system. 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 manage the utilization of energy sources.

Although the COVID-19 pandemic continued to affect operating procedures and the global economy during 2021, LEC continued to adapt operations to safeguard staff and stakeholders' health and maintained its strong financial performance. LEC's revenues continued to grow and the Company met all of its interest and principal payment obligations. LEC experienced a slowing of development within the City with only four connections during 2021. This is the lowest number of connections in the past five years, however, management has identified this as a temporary slowdown and LEC's current construction schedule expects ten connections in 2022. Despite a return toward normalcy in 2022, given the dynamic circumstances and uncertainty around COVID-19, management continue to monitor, assess, and strategize around the risks and impacts of COVID-19.

The 2019 Notice of Motion passed by Council setting targets to reduce carbon emissions by 80% below 2007 levels by 2040 and by 100% (net zero) by 2050 have prioritized LEC efforts towards a transition away from natural gas. Sustainability is a key value for LEC and is a part of the vision of the company, and these targets have shifted focus and accelerated activity around decarbonization. In 2021 the organization investigated the feasibility of several innovative opportunities for sustainable and low-carbon energy such as renewable natural gas; digital boilers; sewer heat recovery facilities; ocean source heating; and thermal energy storage. The viability of projects is being assessed by staff, as well as the implications of additional capital and operating costs on rate payers.

Review of Financial Performance

The following table provides a brief summary and timeline of the company's financial performance:

2004-2008	LEC incurred losses which created a deficit during its startup years while it constructed infrastructure and established a customer base.
2009-2014	The company entered a growth phase and began earning a modest income and decreasing 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.
2021-forward	The company continues to grow and increases focus on reducing carbon emissions of the DES.

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 provide the financial information of the business for the benefit of the sole shareholder, the City, and other stakeholders. LEC is reporting a net income of approximately $700,000 for the year ended December 31, 2021. This is less than last year's profit of $1,172,000 and is the fifth year in a row that LEC has earned a significant profit. A decrease in net income was expected, and communicated in last year's Annual General Meeting report, as a result of increased operating costs due to the need for additional staff to operate an increasingly complex system and serve a customer base that has grown significantly in the past five years (energy sales have increased by approximately 103%). In addition to hiring a CEO at the end of 2020, LEC added three staff members during 2021 including an Automation and Controls Specialist, an additional Project Engineer, and an Accounting and Office Administrator. Additionally, a lag in customer connections due to less development applications (likely a response to the COVID-19 pandemic) resulted in less than expected revenue growth. With ten building connections scheduled for 2022 LEC expects to return to a pre-pandemic level of growth. Despite these challenges, LEC earned a net income on par with 2017-2019 levels ($581,000-$800,000) and continues to provide a return on investment to the shareholder by increasing equity with a Retained Earnings balance of $2.5 million. LEC also issued dividends of $33,000 to the shareholder in 2021.

Statement of Financial Position

Plant and equipment (consisting primarily of the plant/energy generation equipment, distribution system piping and energy transfer stations) continue to make up the majority of the LEC's assets. An asset and debt intensive balance sheet is common for a utility company which is based on an infrastructure network. Additions of $3.0 million to assets was driven by the need to meet new customer demand. Compared to the previous year, LEC saw a 31.7% decrease in its cash balance. LEC's cash balance frequently fluctuates as a result of the timing and magnitude of loan draws for capital projects and the timing of payments for related projects. The 2020 cash balance was noticeably higher than 2021 due to a $730,000 loan draw at the end of 2020 to meet the construction schedule. Supplies for distribution system and general equipment decreased by $180,675 from 2020. This inventory is made up of pipes and ancillary materials towards the construction of DES infrastructure and therefore, similar to the cash balance, the inventory value on hand is subject to construction schedules and shipping time from vendors.

Accounts receivables grew by approximately 3.5%, however this is related to system growth. As seen in Note 5 of the financial statements, the profile of LEC's aging receivables improved from 2020 as most receivables in 2021 are classified as current receivables. This improvement was driven by the hiring of an additional accounting staff member during the year. Greater than 90 days past due balances are minimal, however, in the cases of application fees (Note 5(b)) or other fees (Note 5(c)), collection is impacted by the fluid nature of construction schedules, construction progress and permitting issuance, all of which led to longer collection periods. LEC is 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.

Prepaid expenses are made up of the Company's prepaid insurance. Premiums for insurance increased annually on a proportional basis to the growth of LEC's asset base. Additionally, premiums have increased based on the influence of global market pressures and increased uncertainty in the midst of the COVID-19 pandemic. LEC continues to consult with its insurance broker to limit premium increases wherever possible.

LEC's Current Ratio (Current Assets / Current Liabilities) dropped to 0.83 (2020 – 1.03). This ratio measures the liquidity of the company and its ability to meet current obligations with cash/liquid assets. Generally, maintaining a current ratio of at least 1.0 is recommended, to ensure cash/cash equivalents are on hand to cover current obligations, however with the frequent cash fluctuations already discussed, this ratio can vary month-to-month for LEC. LEC's management team generates monthly 18-month cash flow projections to monitor its cash balance and is confident in the organization's ability to meet its short-term obligations.

LEC continued to use loans from the City as a primary source of funding for the construction of new assets in 2021 and therefore these loans make up the majority of the Liabilities and Shareholder's Equity of the Company. After netting the loan draws and principal payments during 2021 the balance of the loans due to the City increased slightly to $26,061,065 in 2021, however the proportion that the loan balance makes up of total Liabilities and Shareholder's Equity decreased from 64.8% to 63.5%. This is a result of LEC continuing to meet and exceed the repayment schedule while also increasing retained earnings to the shareholder through profits. These results are also supported by a decrease in the Debt-to-Equity Ratio (Total Liabilities / Shareholders' Equity) from approximately 9:1 (9.17) in 2020 to 8:1 (7.90) in 2021 which represents the company funding less of its assets through debt. Although this ratio seems high, it needs to be considered in the context of the capital intensive utility industry and the need to rapidly expand the DES to meet the boom of developments within the City during LEC's existence. The company needed to rapidly construct infrastructure to connect new buildings within the City in order to maximize current and future potential carbon emission reductions in the community.

Statement of Net and Comprehensive Income

Financial results on the Statement of Net and Comprehensive Income indicate strong financial performance despite increases in Costs of Sales and Operating Expenses for the Company. Revenues increased by 17.4% from 2020 as the system grew and LEC received revenues from new customers, however Cost of Sales have increased at a greater rate (36.9%) resulting in the Gross Margin ([Revenue – Cost of Sales] / Revenue) decreasing to 56.3% (2020 – 62.5%). Cost of Sales are the direct cost toward generating thermal energy and currently comprise of energy purchases from FortisBC. FortisBC significantly increased rates over the past few years due to the economic fallout of the COVID-19 pandemic. Additionally, a pipe rupture outside of Prince George in October 2018 has had long term impacts on the natural gas market and rate increases from FortisBC. Generally, the risk of changes in energy purchase costs having an impact on LEC's gross margin has been mitigated by the Company's Bylaw provision to adjust Commodity rates on a monthly basis to match changes in the price of FortisBC's Rate 3.

However, Fortis BC rate changes in 2021 included increases to their fixed Demand Charges, which are not considered under Bylaw No. 7575's rate structure, and as such, these additional costs have not been passed on to LEC's customers. Management is aware of this issue and is reviewing the rate structure provided in the bylaw, and has engaged with a consultant to review the possibility of using longer term fixed price contracts with FortisBC. However, current natural gas costs, as well as future carbon tax increases, are further motivation for the Company to diversify its energy purchases with more low carbon energy sources.

Operating expenses increased by 22.9% ($665,000) from 2020 to 2021. Operations remained largely unchanged year-over-year and this is reflected in minimal changes to the Plant Operation and Maintenance costs. Depreciation is applied on a straight-line basis in consideration of the useful lives of LEC's assets as outlined in Note 4(a)(iii). Therefore, increases in depreciation are proportional to the recent asset additions. The majority of the increase in Operating Expenses is within the General and Administrative expenses which are detailed in Note 13. The increase in these expenses is primarily driven by an increase in salaries resulting from the hiring of a CEO, an Automation and Controls Specialist, a Project Engineer, and an Accounting and Office Administrator. As mentioned in last year's Annual General Meeting report, LEC's profits had benefited from a lag in operating costs due to lean staffing, however management identified numerous staffing needs to advance LEC's low-carbon energy objectives, properly operate the current DES, and meet the service needs of a larger customer base (an approximate 50% increase in buildings over the past five years).

LEC's Net Income dropped to $699,529 in 2021 (2020 - $1,171,917) and its Profit Margin (Net Income / Revenue) decreased to 9.3% (2020 – 18.2%). This is a result of the previously mentioned increases to Cost of Sales and Operating Expenses, and the impact of these increased expenses was amplified by only four building connections in the year. Management views this as a temporary slowdown with 10 connections scheduled for 2022 and 26 in the following four years (2023-26). The Net Income earned in 2021 still represents a significant return for the shareholder and is on par with earnings from 2017-2019 indicating continued strong financial performance from LEC.

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, 2021, the loan had an outstanding balance of approximately $237,098 (2020 - $465,077). The final principal payment which will retire this loan is scheduled for June 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 $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, 2021, the amount owed to the City against the loan was $25,098,086 (2020 - $25,173,086). Under the terms of the agreement additional funding of $5,955,000 may be drawn by LEC for future construction.

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, 2021, the amount owed to the City against this loan was $1,605,000 (2020 - $1,345,000). Under the terms of the agreement additional funding of $76,000 may be drawn by LEC for future construction.

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 loans. Based on the loan repayment schedule provided and approved by Council the company was designated to allocate $1,464,000 of Capacity Revenue for this purpose in 2021. This was achieved and exceeded through payment of $708,798 of interest and $850,000 of principal payments in 2021 totaling $1,558,798 towards LEC's debt obligations. This exceeds the scheduled amount by approximately $95,000. In addition to these payments, administrative services and operations activities provided by the City are reimbursed on a quarterly basis.

At year-end, LEC had a cash balance of approximately $921,000. Approximately $225,000 of this cash balance was made up of drawn funds relating to the above noted loans. As many of LEC's capital projects are constructed over extended periods of time, management often makes progress draws to minimize interest costs resulting in frequent fluctuations of its cash balance. 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, 2021.

The loans provided by the City have facilitated the significant growth of LEC's infrastructure and connection to 99 buildings by the end of 2021. This investment will allow the DES to maximize carbon reductions within the community as new low-carbon energy sources are connected. Additionally, the City continues to earn a competitive return on the loans in the form of a 2.65% interest rate resulting in $708,798 in interest revenue for the City in 2021. This is comparable to the 2.48% yielded from the City's fixed income investment portfolio in 2021. Lastly, a Debt Service Coverage Ratio (Earnings Before Interest, Taxes, Depreciation and Amortization [EBITDA] / Total Debt Service) of approximately 2.0 provides the City with confidence that LEC can meet its debt obligations. This means that based on 2021 earnings LEC could adequately cover all of its debt obligations for the year twice.

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 Unanimous Consent Resolutions of the Shareholder (**Attachment** 2) has been submitted so that the shareholder may consent to the resolutions to be passed at an AGM.

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 issued a Request for Proposal of Professional Audit Services for the audit of the 2021 to 2025 Financial Statements and BDO was the successful proponent.

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 McIlroy 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 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 McIlroy	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.

Low-Carbon and Sustainable Energy Sources

In addition to achieving a return on investment for its shareholder, LEC aligns with the City's goal of reducing carbon emissions within the community and LEC is continuously exploring new ways to innovate and enhance the sustainability of its DES. Currently, LEC's renewable 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 structure and layout of the DES, with centralized energy plants, 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 energy 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). This would represent approximately 26-39% of the 76,600 MWh of energy LEC delivered in 2021. 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. Due to construction delays, there is uncertainty on when LEC will receive heat energy from this project.

Decarbonization of the system is a key objective for LEC and it 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 digital boilers; server/data centre heat recovery; sewer heat recovery; ocean source heating; and thermal storage to maximize low carbon energy sources. In 2021 LEC engaged consultants to conduct feasibility studies on a number of these projects, as well as opened up conversations with other stakeholders such as the City, BC Hydro and Metro Vancouver, on potential projects viability. At the end of 2021, LEC agreed with FortisBC to purchase Renewable Natural Gas (RNG) at two of its plants for the 2022 calendar year. Management also identified a significant funding opportunity through the CleanBC Community Fund Intake 3 to proceed with a renewable energy project with a grant deadline of May 25, 2022.

Management continues to develop a decarbonization plan to map and project GHG emission reductions based on existing renewable energy sources, the NSWWTP Plant, a Sewer Heat Recovery Facility with grant support, and future implementation of the other technologies. Considering the large capital investment necessary for these renewable energy sources, as well as higher operating costs, all of these opportunities need to be considered for financial viability and impact on rate payers. LEC will complete rigorous financial analysis on these projects before making any investment decisions or recommendations.

Outlook for 2022

2022 will be a busy year for LEC as construction schedules return to pre COVID-19 levels and the company continues its carbon reduction journey. With the continued aging of the DES, LEC has implemented a new and more robust preventative and corrective maintenance contract for its plant and equipment in 2022. It is expected the contract will increase maintenance and repairs costs for 2022, however it will help LEC avoid significant repair costs and reduce the possibility of plant failures and/or significant replacement in the future. The ten scheduled customer connections in 2022 is a return to the level of connections seen in 2019 (13) and 2020 (8) as opposed to the slowdown experienced in 2021 (4). All of the distribution system construction activity in 2022 is purposed towards connecting these new buildings, as opposed to previous years where significant projects were undertaken to interconnect service areas. In addition to building energy distribution infrastructure, LEC will need to increase capacity at MP8 by approximately 4.5 MW with the addition of three high efficiency natural gas boilers to meet the customer demand for the coming winter. LEC continues to seek renewable energy sources, as well as a thermal storage solution, to add capacity not dependent on natural gas, however no sustainable energy projects will reach an implementation stage before winter 2022/2023. Fortunately, the commencement of RNG purchases will roughly offsets the added natural gas capacity at MP8. This added capacity will also provide the DES with redundancy in the future when more low-carbon energy sources are utilized, increasing the resiliency of the system.

In 2022 LEC will continue to increase focus on the decarbonization of the DES. LEC began purchasing RNG in January and is committed to purchasing the equivalent of 13,889 MWh of energy. Based on energy projections for 2022, it is expected this will replace approximately 14% of natural gas purchases in the year. LEC and the City continue to progress towards a renewable energy project with the possibility of the project being co-funded through a grant from the CleanBC Communities Fund. Considering the significance of the grant funds available (73% of eligible project costs), the selected project would be large in scope and provide significant reductions to system-wide carbon emissions. LEC is at various stages of investigation, assessment, and progression of its other sustainable energy projects. In relation to an increased focus on sustainability and community engagement LEC hired a Communications Officer in May 2022, and intends to hire another position focused on sustainable energy development before the end of the year. These positions are needed to increase the ability of the Company to seek and implement sustainability initiatives and enhance engagement, communication, and dissemination of information/knowledge with stakeholders.

A key objective of LEC is to ensure a high level of redundancy and resiliency of the District Energy System. While the main objective of pursuing low carbon energy projects is to reduce LEC's greenhouse gas emissions, these new projects will also incorporate new fuel sources (waste heat and electricity), which will provide the system with increased redundancy and resiliency.

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

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

Financial Statements of

LONSDALE ENERGY CORP.

Year ended December 31, 2021

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, 2021, 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, 2021, 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.

Chartered Professional Accountants

Vancouver, British Columbia
[Date of Board Approval]

LONSDALE ENERGY CORP.

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	Note	2021	2020
Assets			
Current Assets:			
Cash		$ 921,407	$ 1,349,238
Accounts receivable	*5*	2,034,954	1,966,861
Prepaid expenses		115,033	74,815
		3,071,394	3,390,914
Plant and equipment	*6(a)*	37,008,595	35,625,669
Supplies for the distribution system and general equipment	*6(b)*	372,657	553,332
Software assets	*7*	576,055	557,746
Debt Reserve Fund	*8(c)*	20,000	20,000
		$ 41,048,701	$ 40,147,661
Liabilities and Shareholder's Equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 951,997	$ 947,124
Security deposits		555,059	405,059
Due to the City of North Vancouver	*8(a)*	666,137	525,425
Current portion of Loan from City of North Vancouver	*8(b)*	642,021	512,021
Current portion of loan from Green Municipal Investment Fund	*8(c)*	237,098	227,979
Current portion of deferred contributions	*9*	655,380	669,309
		3,707,692	3,286,917
Loan from City of North Vancouver	*8(b)*	26,061,065	26,006,065
Loan from Green Municipal Investment Fund	*8(c)*	-	237,098
Deferred contributions	*9*	6,666,713	6,670,879
		36,435,470	36,200,959
Shareholder's equity:			
Share capital	*10*	2,000,010	2,000,010
Contributed surplus		111,723	111,723
Retained earnings		2,501,498	1,834,969
		4,613,231	3,946,702
Commitments and contingencies (note 14)			
		$ 41,048,701	$ 40,147,661

See accompanying notes to financial statements.

Approved on behalf of the Board:

____________________ Director ____________________ Director

LONSDALE ENERGY CORP.

Statement of Net and Comprehensive Income

Year ended December 31, 2021, with comparative information for 2020

	Note	2021	2020
Revenue	*12*	$ 7,538,894	$ 6,418,511
Cost of sales		3,292,352	2,405,710
		4,246,542	4,012,801
Operating expenses:			
Plant operation and maintenance		382,831	382,410
Depreciation		1,751,491	1,627,878
General and administrative	*13*	1,435,982	895,126
		3,570,304	2,905,414
Contributions and financing costs:			
Contributions	*9 & 12*	655,380	669,309
Finance income		82,709	94,106
Finance costs	*8(b) & 8(c)*	(714,798)	(698,885)
		23,291	64,530
Net income and comprehensive income		$ 699,529	$ 1,171,917

See accompanying notes to financial statements.

LONSDALE ENERGY CORP.

Statement of Changes in Equity

Year ended December 31, 2021, with comparative information for 2020

	Share capital	Contributed surplus	Retained earnings	Shareholder's equity
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	-	-	(34,000)	(34,000)
Balance, December 31, 2020	2,000,010	111,723	1,834,969	3,946,702
Net income and comprehensive income	-	-	699,529	699,529
Cash dividends (Note 10)	-	-	(33,000)	(33,000)
Balance, December 31, 2021	$ 2,000,010	$ 111,723	$ 2,501,498	$ 4,613,231

See accompanying notes to financial statements.

LONSDALE ENERGY CORP.

Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in)		
Operations:		
Net income	$ 699,529	$ 1,171,917
Adjustments for:		
Depreciation	1,751,491	1,627,878
Recognition of deferred contributions	(655,380)	(669,309)
Net finance cost	632,089	604,779
Change in non-cash operating working capital:		
Accounts receivable	(68,093)	(633,221)
Prepaid expenses	(40,218)	(17,487)
Accounts payable and accrued liabilities	4,873	452,532
Due to the City of North Vancouver	140,712	3,190
Security deposits	150,000	75,000
Net cash from operating activities	2,615,003	2,615,279
Investing:		
Purchase of plant and equipment (including supplies for the distribution system put into use)	(3,035,251)	(2,836,175)
Change in supplies for distribution system	180,675	(116,708)
Purchase of software assets	(117,475)	(67,709)
Interest received	82,709	94,106
Net cash used in investing activities	(2,889,342)	(2,926,486)
Financing:		
Contributions received	637,285	820,905
Repayments of loans from the City of North Vancouver	(850,000)	(440,000)
Proceeds from loans from the City of North Vancouver	1,035,000	1,335,000
Dividends paid to the City of North Vancouver	(33,000)	(34,000)
Interest paid	(714,798)	(698,885)
Principal payments on Green Municipal Investment Fund loan	(227,979)	(219,210)
Net cash from financing activities	(153,492)	763,810
(Decrease) / Increase in cash	(427,831)	452,603
Cash, beginning of year	1,349,238	896,635
Cash, end of year	$ 921,407	$ 1,349,238

See accompanying notes to financial statements.

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 Suite E, 15 Chesterfield Place, North Vancouver, British Columbia, V7M 3K3.

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, 2022.

(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.

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 and 15 - valuation of accounts receivable

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

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

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, 2021 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.

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 significant 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.

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 and it is highly probable that a subsequent change in its estimate would result in a significant revenue reversal.

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.

Connection fee revenues are determined based on the capacity requirements planned for a development and are initially deferred and recognized in profit or loss on a systematic basis consistent with the depreciation of the asset.

4. Significant accounting policies (continued):

(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.

(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.

4. Significant accounting policies (continued):

(f) Financial instruments (continued):

(*ii*) Financial liabilities (continued):

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.

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.

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:

	2021	2020
Trade receivables	$ 1,834,818	$ 1,782,951
Sales tax receivable	200,136	183,910
	$ 2,034,954	$ 1,966,861

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:

	2021	2020
(a) Utilities		
Current	$ 1,579,866	$ 778,010
Past due 30-60 days	116,191	501,070
Past due 60-90 days	2,024	55,347
Past due greater than 90 days	22,087	41,914
(b) Application fees		
Current	$ -	$ -
Past due 30-60 days	-	26,775
Past due 60-90 days	-	-
Past due greater than 90 days	39,375	4,567
(c) Other		
Current	$ 52,042	$ 148,507
Past due 30-60 days	-	-
Past due 60-90 days	-	-
Past due greater than 90 days	23,233	226,761
	$ 1,834,818	$ 1,782,951

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 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 trade receivables. The ECL is an estimation of loss in the event of default of the trade 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, 2021 and 2020 as the impact is expected to be trivial.

6. Plant and equipment:

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

	Distribution system	General equipment	Total
Cost			
Balance as at December 31, 2020	$ 28,012,777	$ 17,364,702	$ 45,377,479
Additions	2,338,816	696,435	3,035,251
Disposal	-	-	-
Balance as at December 31, 2021	$ 30,351,593	$ 18,061,137	$ 48,412,730
Accumulated depreciation			
Balance as at December 31, 2020	$ 3,686,646	$ 6,065,164	$ 9,751,810
Depreciation	771,106	881,219	1,652,325
Disposal	-	-	-
Balance as at December 31, 2021	$ 4,457,752	$ 6,946,383	$ 11,404,135
Net book value			
At December 31, 2020	$ 24,326,131	$ 11,299,538	$ 35,625,669
At December 31, 2021	25,893,841	11,114,754	37,008,595

(b) Supplies for the distribution system and general equipment represent $372,657 (2020 - $553,332) in plant and equipment which have not been installed or used for the district energy system as at December 31, 2021. Consequently, they are not being amortized.

7. Software assets:

Cost		
Balance, at December 31, 2020	$	896,282
Additions		117,475
Balance, at December 31, 2021	$	1,013,757
Accumulated Depreciation		
Balance, at December 31, 2020	$	338,536
Depreciation		99,166
Balance, at December 31, 2021	$	437,702
Net book value		
At December 31, 2020	$	557,746
At December 31, 2021	$	576,055

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. New customers and 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 $666,137 (2020 - $525,425) arises from operating and financing expenses paid by the City on behalf of the Company. The amounts outstanding as at December 31, 2021 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.

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

(b) Loans from the City of North Vancouver:

		2021		2020
Demand promissory note *(i)*	$	25,098,086	$	25,173,086
Demand promissory note *(ii)*		1,605,000		1,345,000
	$	26,703,086	$	26,518,086

(*i*) On August 1, 2018 a five-year demand term loan was issued by the City to borrow a maximum of $33,661,966. 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, 2021 an amount of $25,098,086 remains due to the City. During the year, the Company drew $775,000 (2020 - $690,000) from this promissory note. Additional funding available to the Company under the terms of the agreement is $5,955,000, which the Company expects to draw on for future asset construction.

(*ii*) On July 15, 2019 the City's Council authorized the Company to borrow an additional $1,681,000. This Promissory Note carries the same terms as the Promissory Note in *Note 8.(b)(i)*. As at December 31, 2021 an amount of $1,605,000 remains due to the City. During the year, the Company drew $260,000 (2020 - $645,000) from this promissory note. Additional funding is available to the Company under the terms of the agreement to a maximum of $76,000.

Although the term loans are due on demand, with the exception of an amount of $642,021 (2020 – $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 based on management's forecast.

In 2021, $850,000 (2020 - $440,000) was repaid to the City in payment of the principal of the loans from the City. The interest expense of $708,798 (2020 - $692,885) 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.

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, 2021, the City and Company were in compliance with these covenants.

Future principal repayments, including actuarial adjustments of $70,516 (2020 - $131,913), on this loan over the year is as follows:

2022	$	237,098
	$	237,098

The interest expense of $6,000 (2020 - $6,000) is included in finance costs in the Statement of Comprehensive Income.

9. Deferred contributions:

		2021		2020
(a) Green Municipal Investment Fund Project Grant	$	820,052	$	904,844
(b) Gas Tax Agreement – Innovation Fund		724,447		748,845
(c) Infrastructure Stimulus Fund Grant		75,478		77,561
(d) Solar Water Installation		109,281		122,941
(e) Contributions from developers and new customers		5,573,730		5,464,163
(f) Contributions from utility company		19,105		21,834
		7,322,093		7,340,188
Current portion		(655,380)		(669,309)
Non-current portion	$	6,666,713	$	6,670,879

(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:

		2021		2020
Deferred contribution - FCM Grant, beginning of year	$	904,844	$	986,662
Revenue recognized from grant		(84,792)		(81,818)
Deferred contribution - FCM Grant, end of year	$	820,052	$	904,844

(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.

9. Deferred contributions (continued):

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

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

		2021		2020
Deferred contribution - Gas Tax Grant, beginning of year	$	748,845	$	773,243
Revenue recognized from grant		(24,398)		(24,398)
Deferred contribution - Gas Tax Grant, end of year	$	724,447	$	748,845

(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:

		2021		2020
Deferred contribution - Infrastructure grant, beginning and end of year	$	77,561	$	79,644
Revenue recognized from grant		(2,083)		(2,083)
Deferred contribution – Infrastructure Stimulus Fund Grant, end of year	$	75,478	$	77,561

(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.

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:

		2021		2020
Deferred contribution - Solar Water Installation, beginning of year	$	122,941	$	136,601
Revenue from contributions recognized		(13,660)		(13,660)
Deferred contribution - Solar Water Installation, end of year	$	109,281	$	122,941

(e) Contributions from developers and new customers:

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 to monitor the building system's performance. This period is to ensure the in-building system performs 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 the connection fees received as part of the initial connection of a building to the system in the contributions from developers and new customers. These fees and general contributions (see below) 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 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.

The Company recognizes general contributions received as part of initial connection, such as the amounts reimbursed by developers to the Company for costs to construct or acquire property and equipment, in deferred contributions from developer and new customers. Revenue from the contribution is recognized over the useful life of the distribution system (at a rate of 2.5%) or equipment (at a rate of 4%) asset on an annual basis from the date the asset is put into use.

9. Deferred contributions (continued):

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

	2021	2020
Deferred contribution from developers and new customers, beginning of year	$ 5,464,163	$ 5,187,878
Contributions	637,285	820,905
Revenue recognized from contributions	(527,718)	(544,620)
Deferred contribution, end of year	$ 5,573,730	$ 5,464,163

(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:

	2021	2020
Deferred contribution from utility company, beginning of year	$ 21,834	$ 24,564
Revenue recognized from contributions	(2,729)	(2,730)
Deferred contribution from utility company, end of year	$ 19,105	$ 21,834

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, 2021, a total of $2,000,010 (2020 - $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 $33,000, were approved by the board on December 7, 2021, 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 $1,802,693 (2020 - $1,190,533) 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 $245,125 (2020 - $88,249) has been capitalized to Plant and equipment. Specifically, City staff has been involved in purchasing materials for and installing and

11. Related parties (continued):

operating components of the distribution system. The Company made $47,498 (2020 - $47,267) in rent payments to the City included in the General and administrative expenses for use of a portion of the building at Suite E, 15 Chesterfield Place in North Vancouver for office space. These costs have been charged to the Company by the City on a cost recovery basis. Included in revenue for 2021 is $250,740 (2020 - $242,346) 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 chief executive officer; deputy director; manager – engineering; accountant; three project engineers; construction manager; automation and controls specialist; and accounting and office administrator.

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, 2021, key management personnel compensation of $578,593 (2020 - $390,322) 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	2021	2020
Revenue from contracts with customers			
Energy sales		$7,537,365	$6,418,511
Miscellaneous revenue		1,529	-
		$7,538,894	$6,418,511
Current portion of contributions			
Contributions from government	*9(a)–(d)*	$124,933	$121,959
Contributions from developers	*9(e)*	72,176	71,452
Connection fees	*9(e)*	207,783	193,747
Application fees	*9(e)*	247,759	279,421
Contributions from utility companies	*9(f)*	2,729	2,730
Total current portion of contributions		$655,380	$669,309
Total revenue and contributions		$8,194,274	$7,087,820

13. General and administrative expenses:

	2021	2020
Administrative support	$35,198	$17,158
Financial services	12,576	3,318
Insurance	168,678	133,220
IT Support	30,962	59,763
Miscellaneous	56,212	19,745
Professional services	57,199	90,405
Rent	47,498	47,267
Salaries	1,027,659	524,250
Total general and administrative expenses	$1,435,982	895,126

14. Commitments and contingencies:

(a) As at December 31, 2021, the Company has approximately $806,536 (2020 - $402,786) 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 initial term of the agreement expires on the first of the month following the twentieth anniversary date of the first energy delivery; the agreement may be renewed for up to a maximum of four renewal terms. The cost of this future energy is based on an agreed upon pricing model.

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 $233,778 (2020 - $456,747) 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.

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, 2021, $84,695 (2020 - $273,242) 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 as some customers, primarily commercial customers, may not be 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.

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, 2021, all financial liabilities, except for 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, 2021	Carrying amount	Total contractual cash flows	Less than one year	1 to 5 years	More than 5 years
Loan from Green Municipal Investment Fund	$ 237,098	$ 237,098	$ 237,098	$ -	$ -
Loan from City of North Vancouver	26,703,086	26,703,086	642,021	26,061,065	-

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	-

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 10% of the cost of natural gas would generate a corresponding annualized increase to the Company's expenses of $139,029 (2020 - $82,960). The risk of energy price fluctuations is mitigated by the Company's policy of adjusting the commodity rates by an equal percentage of the energy price changes in accordance with the City's Bylaw No. 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 resulted in the Company adjusting some of its operations. Despite economic effects, revenues continue to grow significantly for the Company and it exceeded its principal payment obligations for the year. A large portion of the Company's customer base is residential, for which demand has remained consistent. 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, although the Company only connected four buildings. This was the lowest number of connections in the past five years. Management predicted this temporary slowdown due to fewer development applications during the pandemic and is currently experiencing the market catching up to housing demand. The Company currently has ten connections scheduled for 2022 with numerous applications for 2023.

18. COVID-19 Impact (continued):

Given the dynamic nature of these circumstances, and uncertainty of the duration of disruption, the full related financial impact cannot be reasonably estimated at this time. The Company will continue to monitor the impact 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 customers.

As the impact of COVID-19 continues, there could be further 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.

ATTACHMENT 2

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, 2021, 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, 2022 be and is hereby selected as the annual reference date for the Company for its current annual reference period.

DATED as of June 20, 2022.

THE CORPORATION OF THE CITY OF NORTH VANCOUVER

____
Mayor Linda Buchanan

____
Karla Graham, Corporate Officer

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:

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1. the financial statements of the Company for the period ended December 31, 2021, 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;

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DATED as of June 20, 2022.

THE CORPORATION OF THE CITY OF NORTH VANCOUVER

Linda C. Buchanan

Mayor Linda Buchanan

K Graham

Karla Graham, Corporate Officer

ATTACHMENT 3

Historical Income Statements for Years of Operation - 2004 to 2021

Income Statement line description	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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	$ 5,297,998	$ 6,418,511	$ 7,538,894
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	$ 2,125,632	$ 2,405,710	$ 3,292,352
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	$ 3,172,366	$ 4,012,801	$ 4,246,542
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	$ 335,474	$ 382,410	$ 382,831
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	$ 1,456,913	$ 1,627,878	$ 1,751,491
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	$ 766,138	$ 895,126	$ 1,435,982
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	$ 2,558,525	$ 2,905,414	$ 3,570,304
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	$ 613,841	$ 1,107,387	$ 676,238
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	$ 688,149	$ 669,309	$ 655,380
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	$ 77,511	$ 94,106	$ 82,709
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)	$ (654,777)	$ (698,885)	$ (714,798)
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	$ 110,883	$ 64,530	$ 23,291
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	$ 724,724	$ 1,171,917	$ 699,529
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	$ 724,724	$ 1,171,917	$ 699,529
Cash Dividends																$ (30,100)	$ (34,000)	$ (33,000)
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	$ 697,052	$ 1,834,969	$ 2,501,498
Sales (kW.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	60,157	69,488	76,641

SUMMARY OF LEC KEY STATISTICS
AS OF DECEMBER 31, 2021

CUSTOMER DATA

• Customer accounts served by building type:		
○ Residential Buildings	48	
○ Mixed Residential / Commercial	26	
○ Commercial	17	
○ Institution	8	
○ Cooling	6	
○ **Total**	**105**	
• New customers connected in 2021	4	
• New residential suites connected in 2021	387	
• Total number of residential suites served	6,765	
• Square footage of new buildings connected in 2021	195,383	square feet
• Total square footage of buildings served	7,671,248	square feet

SYSTEM DATA

• Trenched kilometers of distribution pipe added in 2021	0.6	kilometers
• Total trenched kilometers of distribution pipe	14.0	kilometers
• Heating:		
○ Number of new boilers installed in 2021	2	
○ Total number of boilers	32	
○ Total heating energy capacity	30	MW
○ Kilowatt-hours of heating energy delivered in 2021	74,783	MW.h
• Cooling:		
○ Number of new heat pump modules in 2021	0	
○ Total number of heat pump modules	11	
○ Total cooling energy capacity	1.2	MW
○ Kilowatt-hours of cooling energy delivered in 2021	1,858	MW.h