

ZOOSHARE BIOGAS CO-OPERATIVE INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2024

Draft

ZOOSHARE BIOGAS CO-OPERATIVE INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2024

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INDEPENDENT AUDITORS' REPORT

To the Members of
ZooShare Biogas Co-operative Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of ZooShare Biogas Co-operative Inc., which comprise the consolidated statement of financial position as at December 31, 2024 and the consolidated statements of operations and changes in (deficiency) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ZooShare Biogas Co-operative Inc. as at December 31, 2024, and the results of its operations and cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

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 ZooShare Biogas Co-operative Inc. 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates the Co-operative has a working capital deficiency and a net asset deficiency. As stated in Note 1 in the financial statements, these conditions, along with other matters set forth in Note 1 in the financial statements indicate that a material uncertainty exists that may cast significant doubt on the Co-operative's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITORS' REPORT (Continued)

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 Canadian accounting standards for not-for-profit organizations, 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 Co-operative'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 Co-operative or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Co-operative'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.

INDEPENDENT AUDITORS' REPORT (Continued)

- 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 Co-operative'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 Co-operative'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 Co-operative 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.

KRIENS~LAROSE, LLP

**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
June 24, 2025

	2024	2023
	\$	\$
ASSETS		
CURRENT		
Cash	106,593	27,781
Accounts receivable	129,996	251,432
HST receivable	19,499	-
Deposits (Note 3)	50,895	50,895
	306,983	330,108
PROJECT AND EQUIPMENT (Note 4)	5,425,883	5,690,445
INVESTMENT IN PARTNERSHIP (Note 2)	365,568	365,568
	5,791,451	6,056,013
	6,098,434	6,386,121
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	720,011	524,726
Contingent liability (Note 14)	114,288	-
Government remittances payable	1,902	3,699
GST/HST payable	-	15,716
Deferred contributions (Note 5)	13,888	16,710
Deferred government assistance (Note 6)	56,066	56,066
Due to Toronto Zoo (Note 7)	40,800	27,794
Promissory notes (Notes 8, 11)	238,391	238,391
Community bonds (Note 8)	2,116,030	1,635,619
Canada Emergency Business Account (CEBA) Loan (Note 9)	-	40,000
	3,301,376	2,558,721

See accompanying notes to the financial statements

	2024	2023
	\$	\$
LIABILITIES (CONTINUED)		
LONG-TERM		
Deferred contributions (Note 5)	489,562	503,450
Deferred government assistance (Note 6)	717,675	773,741
Due to Toronto Zoo (Note 7)	15,300	22,950
	1,222,537	1,300,141
LONG-TERM DEBT		
Community bonds (Note 8)	3,940,458	4,420,869
	8,464,371	8,279,731
NET ASSETS (DEFICIENCY)		
CONTRIBUTED SURPLUS	20,738	20,738
UNRESTRICTED NET ASSETS (DEFICIENCY)	(2,386,675)	(1,914,348)
	(2,365,937)	(1,893,610)
	6,098,434	6,386,121

APPROVED ON BEHALF OF THE BOARD:

_____, Director _____ Director

ZOOSHARE BIOGAS CO-OPERATIVE INC.
STATEMENT OF OPERATIONS AND CHANGES IN (DEFICIENCY)
 FOR THE YEAR ENDED DECEMBER 31, 2024

	2024	2023
	\$	\$
REVENUES		
Power	380,884	352,826
Organic waste processing fees	273,247	271,072
Government assistance - LCEF grant (Note 6)	56,066	56,066
Management fees	20,899	23,226
Grants (Note 5)	16,710	18,566
Government assistance (Note 10)	5,198	8,768
Plant tour fees	1,093	-
Interest and other	149	205
Liquidated damages	-	20,112
Miscellaneous	-	1,556
	754,246	752,397
EXPENSES		
Operational and maintenance	374,676	408,710
Environmental spill (Note 14)	276,180	-
Amortization	264,561	264,561
Management fees	111,939	77,508
Insurance	67,665	53,659
Project management (Note 11)	61,698	59,136
Salaries and benefits	35,580	58,149
Professional fees	26,177	33,802
Office and general	5,077	3,438
Bad debt	2,239	-
Bank charges	781	714
Bond interest	-	148,144
Interest on long-term debt	-	4,204
	1,226,573	1,112,025
(DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	(472,327)	(359,628)
(DEFICIENCY), beginning of year	(1,893,610)	(1,533,982)
(DEFICIENCY), end of year	(2,365,937)	(1,893,610)

See accompanying notes to the financial statements

ZOOSHARE BIOGAS CO-OPERATIVE INC.
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2024

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	2024	2023
	\$	\$
CASH FROM OPERATING ACTIVITIES		
Cash receipts from power revenue	487,865	274,339
Cash receipts from organic processing fee	256,705	267,988
Cash receipts from contributions	-	7,500
Cash receipts from government assistance	5,198	8,768
Cash receipts from sponsorship	1,093	-
Cash receipts from management fees	50,300	33,845
Cash receipts from miscellaneous	798	20,821
Interest received	149	205
Cash paid to suppliers and employees	(689,450)	(725,206)
	112,658	(111,740)
CASH FROM FINANCING ACTIVITIES		
Contributions (payments) related to the project	798	1,236
Debt financing	5,356	(42,330)
Payment of CEBA loan, net of forgivable portion	(40,000)	-
Bonds payable	-	148,144
Promissory notes payable	-	4,203
	(33,846)	111,253
Change in cash	78,812	(487)
CASH, beginning of year	27,781	28,268
CASH, end of year	106,593	27,781

See accompanying notes to the financial statements

STATUS AND NATURE OF ACTIVITIES

ZooShare Biogas Co-operative (the "Co-operative") was incorporated under the Ontario Co-operative Corporations Act on April 26, 2011, as a corporation without share capital. The Co-operative's objective is to promote the development of renewable energy resources in the Province of Ontario. The Co-operative is a not-for-profit organization under the Income Tax Act (Canada) and, as such, is exempt from the payment of corporate taxes under section 149(1)(l).

1. OPERATIONS

The ability of the Co-operative to repay all or a portion of its liabilities is economically dependent on the 2025 operating results, continued external financing and the power generated from the biogas plant.

The Co-operative's financial results has resulted in a cumulative fund deficit of \$2,365,937 as at December 31, 2024 (2023: \$1,893,610). The consecutive fiscal year losses can result in the Co-operative having cashflow difficulties in realizing its assets and discharging its liabilities in the normal course of business. Please refer to Note 12 for the assessment on liquidity risk.

On January 25, 2022, the Board of Directors of the Co-operative voted to defer accrued interest payments on all maturing bond redemptions. Principal to be repaid on maturity and interest will be deferred until a later date.

On July 12, 2023, the Co-operative transitioned all outstanding bonds to a 0% interest rate following the successful attainment of the requisite threshold through a bondholder vote. Consequently, interest accrual and calculation for these bonds ceased as of July 11, 2023.

Furthermore, during fiscal year 2023, the Co-operative board resolved to discontinue accruing interest on outstanding promissory notes issued by the Co-operative effective June 8, 2023

The financial statements have been prepared using the accounting principles applicable to a going concern, which assume that the Co-operative will achieve a balanced or surplus budget and will be able to realize its assets and satisfy its liabilities in the normal course of operations.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Co-operative has elected to apply the standards in Part III of the Chartered Professional Accountants of Canada (CPAC) Accounting Handbook for Not-For-Profit Organizations (NFPOs) in accordance with Canadian generally accepted accounting principles and includes following significant accounting policies.

Consolidation

The consolidated financial statements include the Co-operative's interest in the following joint arrangement and joint venture:

- ZooShare Biogas Development Inc. (the "Corporation")
- ZooShare Biogas Limited Partnership (the "Partnership")

ZooShare Biogas Co-operative Inc. and ZooShare Biogas Development Inc. (the "Corporation") are related by means of a 50% ownership interest. The purpose of the Corporation is to secure long-term debt at a lower rate for necessary capital. There has been no long-term debt secured or transactions incurred as at December 31, 2024.

ZooShare Biogas Co-operative Inc. and ZooShare Biogas Limited Partnership are related by means of a 51% ownership interest. The objective of the Partnership is to develop and operate Canada's 1st zoo-based biogas plant at the Toronto Zoo.

The investment in the Partnership represents 49% of ZooShare Biogas LP's Class B units as a result of financial consolidation. The Co-operative holds 100% of the Class B units from contributions to pre-development costs related to the project. Only 51% is consolidated in proportionate to ownership interest, thus the remaining 49% is reflected as an investment.

The biogas plant was operational effective April 1, 2021. The revenue earned and expenditures incurred by the Partnership from April 1, 2021 forward, of which the Co-operative has a 51% interest, have been recognized in the statement of operations and changes in (deficiency).

The joint ventures have been accounted for using the proportionate consolidation method. Assets, liabilities, revenues and expenses are consolidated in proportion to the Co-operative's interest in the joint ventures. All intercompany transactions and balances have been eliminated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

The Co-operative measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Co-operative subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include the accounts payable and accrued liabilities.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses for the reporting period. Significant financial statement items that require the use of estimates include the estimated useful lives of project and equipment and rates of amortization, allowance for doubtful accounts, and contingent liabilities. Actual results could differ from these estimates. These estimates are reviewed periodically and adjustments are made, as appropriate, in the statement of operations in the year they become known.

Project and Equipment

All project related costs incurred up to the operational date are capitalized. Those costs include equipment costs, soft costs and related financing charges for each project. The project was operational on April 1, 2021. Project betterments and equipment are recorded at cost.

Amortization is provided on a straight line basis over the estimated useful life of the asset at the following rates:

Initial Build Equipment	10 years
CHP Equipment	15 years
Biogas Plant	40 years from start of operation

Useful life is reassessed on an annual basis.

Where equipment no longer has any long-term service potential to the Co-operative, the excess of their net carrying amount over any residual value is recognized as an expense in the statement of operations.

The Co-operative has a 51% interest in the project and equipment of the Partnership.

Continued...

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long Lived Assets

The Co-operative tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the project may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the project is expected to generate through its direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Revenue Recognition

The Co-operative follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the period in which related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Power

Revenue is recognized based on energy produced and delivered to the grid. Revenue is recognized based on energy acknowledged by Toronto Hydro as determined by the Toronto Hydro meters at periodic dates through the year.

Other

All other revenue, with the exception of interest, is recognized when earned and collection is reasonably assured.

Interest

Revenue is recognized in the period earned.

Government Assistance

Government assistance is a restricted contribution and is accounted for using the deferral method based on the assistance provided:

Wage Subsidies

Wage subsidies are recognized as revenue in the year the related wages are incurred.

Purchase of Capital Assets

Assistance for the acquisition of capital assets is deferred and recognized on the same basis as the related amortization expense based on the estimated useful life.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related Party Transactions

Related party transactions in the normal course of business are recorded at the exchange amount which is the amount of consideration exchanged in the transaction. Related party transactions outside the normal course of business are recorded at either the exchange amount or the carrying amount depending on the substance of the transaction.

Carrying amount is defined as the recorded amount of the item transferred.

For transactions with related parties involving financial instruments they are initially and subsequently recorded at cost unless the financial instrument is an equity instrument quoted in an active market.

Cost is defined depending on the existence or absence of repayment terms. If there are repayment terms then cost is the undiscounted cash flows from excluding any interest element. If there are no repayment terms then cost is determined to be either the exchange amount or the carrying amount depending on the substance of the transaction.

3. DEPOSITS

The balance consists of the financial assurance of the project and the deposits made on equipment or services not received by the year end date.

4. PROJECT AND EQUIPMENT

	2024		2023	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Initial Build Equipment	1,152,428	430,345	1,152,428	315,102
CHP Equipment	425,404	106,351	425,404	77,991
Biogas Plant	4,834,402	449,655	4,834,402	328,696
	6,412,234	986,351	6,412,234	721,789
Net book value	5,425,883		5,690,445	

5. DEFERRED CONTRIBUTIONS

The changes in deferred contributions in the year are as follows:

	2024 \$	2023 \$
Balance, beginning of year	520,160	531,226
Assistance received during the year	-	7,500
Amounts recognized as revenue in the year	(16,710)	(18,566)
	503,450	520,160
Current portion	13,888	16,710
Long-term portion	489,562	503,450
	503,450	520,160

Continued...

6. DEFERRED GOVERNMENT ASSISTANCE

During the fiscal year, the Partnership received government assistance from the Minister of the Environment as part of the Low Carbon Economy Fund (LCEF) agreement, effective July 23, 2019, of which the Co-Operative has a 51% interest. The agreement will expire on September 20, 2022. The government will contribute 31% of total eligible expenditures incurred for the project, up to a maximum of \$2,660,000.

The purpose of the fund is to invest in projects that will materially reduce carbon emissions under the Pan-Canadian Framework on Clean Growth and Climate Change that contribute to Canada's first Nationally Determined Contribution under the Paris Agreement, and support the advancement of new technologies and Canada's long-term transition towards cleaner growth through the decarbonization of the economy.

The changes in the deferred government assistance for the Co-Operative is as follows:

	2024 \$	2023 \$
Balance, beginning of year	829,807	885,873
Assistance received during the year	-	-
Amounts recognized as revenue in the year	(56,066)	(56,066)
	<u>773,741</u>	<u>829,807</u>
Current portion	56,066	56,066
Long-term portion	717,675	773,741
	<u>773,741</u>	<u>829,807</u>

Continued...

7. DUE TO TORONTO ZOO

On March 15, 2017, the Partnership revised the terms of their agreement with the Board of Management of the Toronto Zoo for the use of land for the operation of a biogas facility. The following represents 51% of the total commitment to the Toronto Zoo.

	Back Rent	Additional Rent	Total
	\$	\$	\$
2018	7,650	-	7,650
2019	7,650	17,850	25,500
2020	7,650	19,380	27,030
2021	7,650	20,910	28,560
2022	7,650	22,440	30,090
2023	7,650	23,970	31,620
2024	7,650	25,500	33,150
2025	7,650	25,500	33,150
2026	7,650	25,500	33,150
2027	7,650	25,500	33,150
2028 to 2039		25,500	25,500

The back rent of \$76,500 is to be repaid annually in increments of \$7,650 starting in 2018.

	2024	2023
	\$	\$
Current portion	40,800	27,794
Long-term portion	15,300	22,950
Total	56,100	50,744

8. LONG-TERM DEBT

Promissory Notes

The notes were issued for services rendered and include the following attributes:

Balance at December 31	\$192,999 (2023 - \$192,999)
Effective date	January 1, 2022 - January 23, 2022
Interest rate	5% annually; As of June 8, 2023, interest accrual on outstanding promissory notes was discontinued.
Repayment terms	1 year after effective date; Expired promissory notes were not renewed but remained outstanding
Security	Floating charge against all assets and contracts of the Co-operative; rank ahead of Community Bonds

Community Bonds - Series 4

The bonds were issued to the general public and include the following attributes:

Balance at December 31	\$2,454,306 (2023 - \$2,454,306)
Effective date	June 2020 to June 2021
Interest rate	5% annually; Transitioned to a 0% interest rate effective July 12, 2023.
Term	5 years
Security	Floating charge against all assets and contracts of the Co-operative's interest in the LP.

Community Bonds - Series 5

The bonds were issued to the general public and include the following attributes:

Balance at December 31	\$1,073,203 (2023 - \$1,073,203)
Effective date	June 2020 to June 2021
Interest rate	5.5% annually Transitioned to a 0% interest rate effective July 12, 2023.
Term	15 years
Security	Floating charge against all assets and contracts of the Co-operative's interest in the LP.

Continued...

8. LONG-TERM DEBT (Continued)

Community Bonds - Series 4 (2021-2022)

The bonds were issued to the general public and include the following attributes:

Balance at December 31	\$809,413 (2023 - \$809,413)
Effective date	June 2021 to June 2022
Interest rate	5% annually Transitioned to a 0% interest rate effective July 12, 2023.
Term	5 years
Security	Floating charge against all assets and contracts of the Co-operative's interest in the LP.

Community Bonds - Series 5 (2021-2022)

The bonds were issued to the general public and include the following attributes:

Balance at December 31	\$83,946 (2023 - \$83,946)
Effective date	June 2021 to June 2022
Interest rate	5.5% annually Transitioned to a 0% interest rate effective July 12, 2023.
Term	15 years
Security	Floating charge against all assets and contracts of the Co-operative's interest in the LP.

	2024	2023
	\$	\$
Promissory Notes		
Note balance	192,999	192,999
Accrued interest	45,392	45,392
	238,391	238,391

Continued...

8. LONG-TERM DEBT (Continued)

	2024	2023
Community Bonds	\$	\$
Series 4	2,454,306	2,454,306
Series 5	1,073,203	1,073,203
Series 4 (2021-2022)	809,413	809,413
Series 5 (2021-2022)	83,946	83,946
Series 1 and Series 2 matured - not paid out	926,925	926,925
Holding account	19,455	19,455
Accrued interest	689,240	689,240
	6,056,488	6,056,488

The maximum amount of long-term debt to be redeemed or reinvested is as follows:

	Bonds	Promissory Notes	Total
	\$	\$	\$
2025	2,116,030	238,391	2,354,421
2026	2,760,168	-	2,760,168
2027	23,139	-	23,139
2028	-	-	-
2029	-	-	-
Thereafter	1,157,151	-	1,157,151
Total	6,056,488	238,391	6,294,879

9. CANADA EMERGENCY BUSINESS ACCOUNT (CEBA) LOAN

In fiscal year 2021, the Co-operative received \$60,000 in government assistance from the Canada Emergency Business Account (CEBA). The CEBA loan is interest-free, with 33% forgivable if repaid by March 28, 2024. Upon receipt, management concluded that the loan would be repaid before the deadline. Therefore, the forgivable portion of \$20,000 was recognized as government assistance revenue in the 2021 fiscal year, while the remaining \$40,000 was recorded as a loan. On March 26, 2024, the Co-operative repaid the remaining \$40,000 in full, thereby satisfying the conditions of the loan program.

Continued...

10. GOVERNMENT ASSISTANCE

During the fiscal year, the Co-operative received government assistance as follows:

	2024	2023
	\$	\$
Canada Summer Jobs Grant	5,198	8,768

The Canada Summer Jobs grant provides wage subsidies to employers from not-for-profit organizations, the public sector, and private sector organizations with 50 or fewer full-time employees, to create quality summer work experiences for young people aged 15 to 30 years.

11. RELATED PARTY TRANSACTIONS

The Co-operative is related to ReGenerate Biogas Inc. by virtue of the President is also a Board Member of the Co-operative.

During the year, the Co-operative (through the Limited Partnership) paid ReGenerate Biogas Inc. \$255 (2023: \$nil) for the consulting fee related to the transition fee. As at December 31, 2024, \$nil (2023: \$nil) was due to ReGenerate Biogas Inc.

A promissory note has been issued by the Co-operative to ReGenerate Biogas Inc. with the same terms as listed in Note 8. As at December 31, 2024, the outstanding balance of the promissory note is \$159,304 (2023: \$159,304) .

All these transactions were carried out in the normal course of operations and recorded at the exchange value. This value corresponds to the consideration agreed upon by the parties and is determined based on the costs incurred.

12. FINANCIAL INSTRUMENTS

The Co-operative is exposed to various risks through its financial instruments. The following presents the Co-operative's risk exposure and concentrations at December 31, 2024.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Co-operative is exposed to credit risk with respect to its accounts receivable. Actual exposure to credit losses has been minimal in prior years. The allowance for doubtful accounts is \$0 (2023 : \$0).

Liquidity Risk

Liquidity risk is the risk that the Co-operative will encounter difficulties in meeting obligations associated with financial liabilities. The Co-operative is exposed to this risk mainly in respect of its accounts payable, accrued liabilities, and long-term debt. Liquidity risk has increased as current liabilities exceed current assets by \$2,994,393 (2023 - \$2,228,613) and the available cash is \$106,593 (2023 - \$27,781). The Co-operative expects to meet its liquidity requirements by preparing and monitoring cashflows from obligations, and anticipating investing and financing activities that can be readily converted into cash.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: currency risk, interest rate risk and other price-risk. There has been no change in the risk assessment from the prior fiscal year.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Co-operative is not exposed to currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Co-operative has a low interest rate risk.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Co-operative is not exposed to this risk.

13. COMMITMENTS

The Partnership, of which the Co-operative has a 51% interest, entered an operation and management services agreement dated October 31, 2019 with Oshawa PUC Energy Services Inc. The agreement is effective on the operational date and will expire 40 years thereafter. The operator fee is a cost plus 20% model plus HST and is capped at a maximum yearly value of \$105,000, adjusted annually for Consumer Price Index (CPI).

The Partnership has also entered into an agreement, effective January 1, 2024, to engage an independent manager to provide services in accordance with best industry practices, facility agreements, budgets, and operating plans. This agreement is set to automatically expire on December 31, 2026. The fees amount to \$50,000 per calendar year, plus 13% HST, adjusted annually based on the Consumer Price Index (CPI) in addition to a success fee based on power generation and tipping fee revenue.

14. CONTINGENCIES

An outstanding claim has been filed against the Partnership, of which the Co-operative has a 51% interest, which are related to disputes over work not completed with separate contractors.

In February 2025, the Partnership received correspondence from Transport Canada requesting payment of \$224,094 in connection with environmental remediation efforts carried out in October and November 2023. As at December 31, 2024, this amount has been accrued and included in environmental spill expense. The Partnership has responded to Transport Canada within the prescribed 60-day period and maintains its position that it is not responsible for the spill. In addition, responsibility for the payment of expenses related to the environmental spill remains the subject of ongoing discussions between the Limited Partnership and EnerFORGE. Any necessary adjustments will be reflected in the statement of income and loss in the year they become known.

The Partnership is also currently undergoing an audit regarding the contributions received under the Low Carbon Economy Fund, as outlined in Note 6. Any potential reassessment of eligible expenditures could result in a reduction in the amount of funding received.