

**MINUTES OF THE REGULAR MEETING OF COUNCIL HELD IN THE COUNCIL CHAMBER AND ELECTRONICALLY (HYBRID) FROM CITY HALL, 141 WEST 14<sup>TH</sup> STREET, NORTH VANCOUVER, BC, ON **MONDAY, MAY 13, 2024****

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**PRESENTATION**

Lonsdale Energy Corporation – Annual General Meeting and Annual Report  
– Deputy Director, Project Management and Delivery, and Manager, Finance,  
Lonsdale Energy Corporation

The Deputy Director, Project Management and Delivery, and the Manager, Finance, Lonsdale Energy Corporation, provided a PowerPoint presentation regarding the “Lonsdale Energy Corporation – Annual General Meeting and Annual Report” and responded to questions from Council.

**REPORT**

7. Lonsdale Energy Corporation – 2024 Annual General Meeting  
– File: 11-5500-06-0001/1

Report: Chief Executive Officer and Manager, Finance, Lonsdale Energy Corporation, May 1, 2024

Moved by Councillor Shahriari, seconded by Councillor McIlroy

PURSUANT to the report of the Chief Executive Officer and the Manager, Finance, Lonsdale Energy Corporation, dated May 1, 2024, entitled, “2024 Annual General Meeting”:

THAT the 2023 Financial Statements be received and filed;

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

AND THAT the Mayor and Corporate Officer be authorized to sign and seal the resolution.

**CARRIED UNANIMOUSLY**

R2024-05-13/7



# AGM and Annual Report

Council Meeting, May 13, 2024

## System Stats



	2023	2022
Total buildings	108	103
Residents served*	15,603	14,809
Energy delivered	74,453 MWh heating 2,215 MWh cooling	78,704 MWh heating 2,221 MWh cooling
Network length	15 kilometres	14 kilometres
Emission intensity	189 kg CO2/MWh	187kg CO2/MWh

*\*based on an average household of 2.1, per 2021 Census data*



# 2023 Highlights



In 2023, 15% of heat sales came from low-carbon energy sources



- 5 new buildings connected
  - Morrison on the Park, 650 E 2nd Street
  - Lonsdale Square Apartments, 126 E 21st Street
  - Sunrise at Lonsdale Square, 2141 Eastern Avenue
  - Victor Apartments, 65 Chesterfield Avenue
  - Neu on Third, 632 E 3rd Street

# Financials



Income Statement	2023	2022
Revenue	\$8,579,000	\$8,796,000
Net Income	\$157,000	\$267,000
Energy Sales (MWh)	75,935	78,704

- Revenue down as expected due to:
  - Commodity rate following lower natural gas rates
  - A milder winter led to less energy sales
- Net Income down as expected due to:
  - Investments towards low-carbon energy options
  - RNG provided at cost of natural gas to customers (~\$400,000)



# Financials



Debt Servicing	2023	2022
Principal Paid to City	\$1,080,000	\$917,000
Interest Paid to City	\$798,000	707,000
Debt Service Coverage Ratio	1.59	1.57
Funded Debt to Total Capital	0.06	0.00



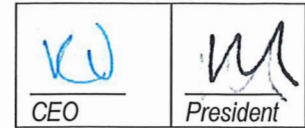
- Lonsdale Energy has met its financial obligations to the City
- The City earned interest at 3.51%
  - Comparatively, it earned a 2.80% yield from its fixed income investments
- Per its new credit agreement, Lonsdale Energy cannot exceed:
  - 0.65 funded debt to total capital



**Thank you**

**Karsten Veng**, Chief Executive Officer  
**Sean Wood**, Manager - Finance





THE CORPORATION OF THE CITY OF NORTH VANCOUVER  
LONSDALE ENERGY CORPORATION

REPORT

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To: Mayor Linda Buchanan and Members of Council

From: Karsten Veng, Chief Executive Officer, Lonsdale Energy, and Sean Wood, Manager – Finance, Lonsdale Energy

SUBJECT: 2024 ANNUAL GENERAL MEETING

Date: May 1, 2024

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**RECOMMENDATION:**

**PURSUANT** to the report of the Chief Executive Officer of Lonsdale Energy Corp., dated April 11, 2024, entitled, "2024 Annual General Meeting":

**THAT** the 2023 Financial Statements (Attachment 1) 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 Corporate Officer be authorized to sign and seal the said resolution.

**ATTACHMENTS:**

1. Financial Statements of Lonsdale Energy Corp. for the period ended December 31, 2023
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: 2019 – 2023
4. 5-Year Summary of Lonsdale Energy Corp. System Growth Summary: 2019-2023



## PURPOSE:

This report presents the audited Financial Statements for the year ended December 31, 2023 (**Attachment 1**) for Lonsdale Energy Corp. (Lonsdale Energy), and provides a summary of 2023 activities and analysis of the statements. The statements comply with the International Financial Reporting Standards (IFRS) as required for government business enterprises. The report recommends that a resolution (**Attachment 2**) be adopted by the City of North Vancouver (the City), the sole shareholder, in lieu of holding an Annual General Meeting.

## BACKGROUND:

Established in 2004, Lonsdale Energy provides hydronic (water-based) space heating, cooling and domestic hot water services to multi-family, commercial, and institutional buildings. The Company operates the district energy system (DES) to provide reliable and competitively priced thermal energy across four interconnected service areas within the City. Approximately 27% of the City's population are Lonsdale Energy customers. With the City and Lonsdale Energy recently setting ambitious GHG targets, exploring ways of reducing the carbon emissions was the primary focus in 2023 and will continue to be in the coming years.

For details on the historical performance of the Company, a summary of Lonsdale Energy's financial results over the past 5 years is provided in **Attachment 3**.

## DISCUSSION:

### *Review of 2023 Activity*

In 2023, Lonsdale Energy continued to shift focus and accelerate efforts towards a transition away from natural gas as an energy source. This included hiring and reallocating staff time towards research and development of low-carbon energy sources. Also, as part of a new 5-year business plan which began development during the year, Lonsdale Energy has set a new vision for the company, which includes reaching net zero emissions. In consideration of this new direction, the Company set the following carbon interim emissions reduction targets:

1. 40% of energy sales from low-carbon energy sources by 2027,
2. 60% of energy sales from low-carbon energy sources by 2030.

The Company considers its interim emissions reduction targets to be ambitious, tangible and achievable. Additionally, the Company is aligning with the City's climate targets:

1. Reduce emissions by 80% below 2007 levels by 2040, and
2. Net zero by 2050.

These targets align well with the City's targets and emphasize Lonsdale Energy's desire to be an environmental leader in the community. **During 2023, 15% of heat sales came from low-carbon energy sources.** Through the purchase of 12,153 MWh of RNG in 2023, combined with previously discussed energy sources, Lonsdale Energy reduced its natural gas consumption and removed approximately 2,800 tonnes of CO2 emissions.



**Table 1.0: RNG GHG Reductions Graphic**

Lonsdale Energy continued to expand its DES infrastructure in 2023. System growth was aimed at connecting and servicing five new buildings:

Connection Date	Name	Service Area	Address
Jan. 17, 2023	Morrison on the Park	Moodyville	650 E 2 <sup>nd</sup> Street
May 1, 2023	Lonsdale Square Apartments	Central Lonsdale	126 E 21 <sup>st</sup> Street
Sep. 7, 2023	Sunrise at Lonsdale Square	Central Lonsdale	2141 Eastern Ave.
Sep. 14, 2023	Victor Apartments	Lower Lonsdale	65 Chesterfield Ave.
Dec. 6, 2023	Neu on Third	Moodyville	632 E 3 <sup>rd</sup> Street

**Table 2.0: 2023 Building Connections**

With these building additions, the DES at the end of 2023 can be summarized with the following statistics (**Attachment 4** provides detailed statistics for the past five years):

Buildings Connected	108
Heated Space (square feet)	8,250,000
Residential Units	7,430
*Approximate Residents Served	15,600
Heating Capacity (MW)	34.5
Trenched Meters of Pipe (km)	14.7

*\*This assumes an average household of 2.1 per 2021 census data.*

**Table 3.0: 2023 System Summary**

During 2023, Lonsdale Energy added approximately 500 metres of underground pipeline to its network, worth \$2.77 million. Additionally, the Company commenced work on a couple of larger civil projects, such as Harbourside Drive (\$845,000) and E 15<sup>th</sup> Street (\$468,000), which will be completed in 2024. Lonsdale Energy added \$1.82 million of new plant and equipment assets to the system in 2023 (2022 - \$1.54 million). A significant portion was for a 4.5 MW in boiler additions at Mini-Plant 8 (\$1.24 million), which was commissioned in February 2023. Additionally, in the fourth quarter of 2023, Lonsdale Energy commenced construction of MP9, which is located at the Harbourside development, which will begin occupancy at the end of 2024. These boilers were necessary to meet customer demand and coincide with the purchasing of RNG, which helps to offset the carbon emissions of the added capacity. Remaining additions to plant and equipment consist of construction of energy transfer stations to service new buildings. The Company also continued to improve and integrate new customers into its Supervisory

Control and Data Acquisition (SCADA) software. In addition to saving the Company money by eliminating the need for 24-hour staff supervision, the control system provides an abundance of valuable performance data to better serve customers, improve system efficiency, and manage the utilization of energy sources.

Lonsdale Energy continued to progress on several low-carbon energy sources during the year: sewer heat recovery, digital boilers, data server waste heat recovery, ocean source heating, and thermal energy storage. The feasibility and economic viability of these projects is being assessed, as well as the impact on rate payers. The Company also started work on a 5-Year Business Plan and Carbon Neutrality Road Map, as well as negotiating a Commercial Credit Agreement, all aimed at facilitating the transition of the DES to low-carbon energy sources.

**Financial Performance Overview**

The financial performance of the Company is directed by strategic decision making that balances a traditional return on investment for the shareholder with the goal of reducing carbon emissions and maintaining competitively priced energy for customers. Prioritizing one of these objectives can be detrimental to the others. For example, the prioritization of profits could lead to the use of cheaper, but higher carbon producing technologies. Or implementing a plan to rapidly reduce carbon emissions could require substantial rate increase to customers to cover the significantly higher operating costs. Additionally, the Company is committed to providing a reliable and safe service to the community. These competing objectives must be considered when assessing financial performance. Lonsdale Energy’s emerging business plan will provide further clarity on the strategic direction from 2024-forward. In the interim, Lonsdale Energy has increased its focus on carbon emission reductions and system reliability, while maintaining a reasonable balance towards return on investment and affordability.

Traditional measures of financial performance have been impacted by a change in operations to focus on carbon emission reductions. To meet its carbon reduction targets, the Company has allocated more resources, including staff time, to the research and development of low-carbon energy sources, which has resulted in upfront costs (reducing profits) for the tradeoff of long-term benefits such as emission reductions, which are not directly represented on the financial statements. Despite the change in strategic focus, Lonsdale Energy once again earned a profit in 2023 and met all its financial obligations.

**Financial Obligations and Return on Investment**

During 2023, Lonsdale Energy satisfied all of its loan obligations to the City per the agreed upon debt repayment schedule endorsed by Council on April 17, 2023. Key figures as of December 31, 2023, include:

	2023	2022
Principal Paid	\$1,080,282	\$917,098
Interest Paid	\$798,088	\$706,877
Debt Service Coverage Ratio	1.59	1.57

*Table 4.0: Key Debt Obligation Figures*

The City continued to earn a competitive return on its loans to the company, earning 3.51% in interest compared to a yield of 2.51% from the City’s fixed income investment



portfolio in 2022 and 2.80% in 2023. A Debt Service Coverage Ratio (Earnings Before Interest, Taxes, Depreciation and Amortization [EBITDA] / Total Debt Service) of approximately 1.6 is indicative of the Company’s ability to meet its debt obligations. This ratio means that Lonsdale Energy could adequately cover its debt obligations approximately 1.6 times. Per Moody’s Rating Methodology for Regulated Electric and Gas Networks (dated April 13, 2022), a ratio of 1.6 aligns with an “A” credit rating, meaning of high quality and subject to very low credit risk. In addition to the interest paid, \$45,900 in dividends were issued to the City, and profits of \$156,878 were contributed to retained earnings. Given the impact Lonsdale Energy’s carbon reductions have on the City’s carbon emission reduction targets for the community, internal resources and capital contributed towards reduction of the DES’s carbon emissions can also be viewed as a return on investment that will be realized as new low-carbon energy sources are added to the system.

**Carbon Emission Reductions and Affordability**

Due to high capital cost and higher operating costs (in comparison to a base case of Lonsdale Energy’s high efficiency natural gas boilers), the transition to low-carbon energy sources is expected to increase the Company’s rates to deliver energy to customers. This trend is exemplified in the rates of Lower Mainland district energy systems when compared to their GHG emissions. As the GHG Emission Intensity (the emissions per unit of energy delivered) is reduced, the effective price to customers (cost per unit of energy delivered) correspondingly increases. As a general conclusion, the systems with lowest emissions will also have the highest prices of energy.

**GHG Emission Intensity & Effective Rates for Lower Mainland District Energy Systems**  
*Effective Rates as at Dec. 31, 2023*

Energy Provider	Type of Service	*GHG Emission Intensity (kg CO2/MWh)	Effective Rate (\$ / MWh)
PCI Marine Gateway (Heating & Cooling)	Hot Water	42	\$155
SFU UniverCity Energy	Hot Water	44	\$164
Shannon Estates Utility Ltd.	Hot Water	61	\$189
False Creek Neighbourhood Energy Utility (NEU)	Hot Water	70	\$129
Surrey City Energy	Hot Water	132	\$122
<b>Lonsdale Energy</b>	<b>Hot Water</b>	<b>189</b>	<b>\$108</b>
River District Energy (East Fraserlands)	Hot Water	220	\$112
Richmond Oval Village District Energy	Hot Water	220	\$114
UBC Neighbourhood DEU	Hot Water	220	\$116

**Notes:**

1. Effective rates for UBC Neighbourhood DEU, River District Energy, NEU, SFU UniverCity, Richmond Oval, Surrey City Energy, PCI Marine Gateway, and Shannon Estates Utility Ltd. were estimated for 2023 by the City of Vancouver and referenced from report dated 2023-06-19.
2. LEC’s effective rate is calculated based on revenue and heat delivered for the 12 months ended December 31, 2023.
3. Actual effective rates for individual customer buildings may vary due to individual building characteristics and/or energy performance.

**Table 5.0: GHG Emission Intensity and Effective Rates for Lower Mainland District Energy Systems**

Lonsdale Energy is somewhat of an outlier, as it has reduced carbon emission through the purchase or RNG in 2022 and 2023, however, as of 2023, limited cost impact was

reflected in its Effective Rate, as the Company did not pass additional costs of RNG on to its customers. This has resulted in a lower GHG Emissions factor (189kgCO<sub>2</sub>/MWh), while still maintaining its historical place as a low-cost provider of thermal energy. To account for an increased costs of clean energy sources in future years, a clean energy premium of 7% was applied to the Company’s Capacity Charge in the 2023 Rate Review. As this premium was not implemented until December 2023, it did not have a material impact on the company’s effective rate in 2023.

	2019	2020	2021	2022	2023
Effective Price	\$86	\$91	\$97	\$108	\$108
GHG Emission Intensity	219	218	218	187	189
Low-Carbon Heat Sales	0.4%	1.0%	1.0%	15.0%	14.0%

*Table 6.0: Lonsdale Energy 5-Year Performance Figures*

The above table shows the impact of RNG on the Company’s GHG Emission Intensity, as well as heat sales from low-carbon energy sources. Note, the increase in effective price from 2021 to 2022 is not a result of RNG purchases, but instead resulting from inflation and volatility in the natural gas market. There is a slight increase in 2023 GHG Emission Intensity due to the contractual setup of RNG purchases, which are allocated on a percentage basis to various plants. Therefore, prevailing temperatures and actual plant use in 2023 slightly decreased RNG purchases. Staff have renegotiated the basis of these figures to minimize the effects on future RNG purchases.

Lonsdale Energy will continue to strive to minimize the effects of its low-carbon energy transition on rates to customers. The development of a business plan and a Carbon Neutrality Road Map, which began in 2023, will provide guidance for the Company on this journey in a manner that ensures prices remain competitive for customers.

***Financial Statement Analysis – Statement of Net and Comprehensive Income***

The Statement of Net and Comprehensive Income, or the Income Statement, provides a summary of the revenues, expenses, and financing activities contributing towards a profit (or loss). Lonsdale Energy’s Revenue is earned from utility services while its Cost of Sales are the direct inputs (natural gas, renewable natural gas, and electricity) necessary to provide the services. Operating costs are made up of the servicing and maintenance contracts necessary to run the DES, as well as the General and Administrative expenses. Contributions are made up of the portion of deferred revenue being recognized in the current year. Contributions are received from various sources and made towards the assets of the Company and are recognized over the life of said assets.

A vertical analysis of the Income Statement displays Lonsdale Energy’s expenses as a function of revenue earned, allowing for a proportional comparison to the prior year with consideration for changes in Revenue. It also provides us with the ratios of Gross Margin and Profit Margin.

Income Statement	2023	% of Revenue	2022	% of Revenue
Revenue	\$8,578,865	100%	\$8,796,481	100%
Less: Cost of Sales	4,305,995	50%	4,734,300	54%
<b>Gross Margin</b>	<b>4,272,870</b>	<b>50%</b>	<b>4,062,181</b>	<b>46%</b>
Less: Operating Expenses	4,451,963	52%	3,994,262	45%
Net: Contributions & Financing Costs	335,971	4%	199,121	2%
<b>Net Income (\$) / Profit Margin (%)</b>	<b>\$ 156,878</b>	<b>2%</b>	<b>\$ 267,040</b>	<b>3%</b>

Table 7.0: Vertical Analysis of the 2023 Income Statement

Ratios	2023	2022	Description
Gross Margin	50%	46%	Revenue available after paying direct costs
Profit Margin	2%	3%	Revenue available to increase equity

Table 8.0: Income Statement Ratios

The following are key takeaways from the Income Statement and management's analysis:

- Revenues decreased from \$8.8M to \$8.6M.  
**Management Analysis:** Revenues decreased 2.6% year-over-year because a milder winter resulted in less energy sales (2023 – 74,453 MWh; 2022 – 78,703 MWh) reducing revenues. Additionally, 3 of the 5 buildings added were after September 1<sup>st</sup>, limiting revenue growth from new customers.
- Gross Margin improved from 46% to 50%.  
**Management Analysis:** Despite a decrease in revenues, Lonsdale Energy increased its gross margin by \$210,689, meaning it earned more on its utility revenues less direct inputs. This is the result of normalization in FortisBC rates, more success in use of variable market natural gas rates to save on natural gas costs, and a rate adjustment to consider RNG as an input for the month of December.
- Operating Costs increased from \$4.0M to \$4.5M.  
**Management Analysis:** This is primarily a result of a 19.5% increase in general administrative costs which was driven by an increase in staff and the support services for staff (IT, insurance, professional services, and general administrative costs). Seven staff members have been hired over the past two years to facilitate a transition to low-carbon energy sources, operate and maintain the growing system, and improve customer service. A rate adjustment was implemented in December 2023 to address higher operating costs of low-carbon energy sources. Additionally, the rate of development in the City has begun to return to pre-COVID-19 levels.
- Lonsdale Energy had a small decrease in profit margin from 3% to 2%.  
**Management Analysis:** The most significant impact on year-over-year profit was an increase in general administrative costs driven by the transition in focus to low-carbon energy sources. As projects progress, a greater portion of costs will be allocated to the projects, minimizing this impact. Additionally, a return to the development pace prior to COVID-19 will increase revenues and help match staffing growth to the projected revenues from the customer base. Also, in late 2023, Lonsdale Energy adjusted rates in consideration of low-carbon energy sources, which will improve its gross margin and increase future

profits. Lonsdale Energy had not previously adjusted rates for RNG, while it assessed its long-term viability, as well as determined energy sourcing in the short-to-medium term.

In summary, while Net Income decreased from \$267,040 to \$156,878 in 2023, this was primarily the result of a transition in focus to the decarbonization of the DES. As the related projects progress and with appropriate rate adjustments moving forward, profits are projected to increase and will be balanced with investment in low-carbon energy sources and affordability to customers.

**Financial Statement Analysis – Statement of Financial Position**

The Statement of Financial Position, or Balance Sheet, is a summary of Lonsdale Energy’s assets, liabilities and shareholder’s equity on December 31, 2022. It provides a snapshot of the assets owned by the Company’s, and whether they were sourced from liabilities or investment from the shareholder. The asset base is primarily made up of the Plant and Equipment used to generate and deliver energy to customers, as well as the materials for construction of future infrastructure. Additionally, liquid assets (cash, accounts receivable and prepaid expenses) are held for operating the Company. A loan from the City for construction of DES infrastructure represents a significant portion of Lonsdale Energy’s liabilities. Deferred contributions from government entities, utilities, developers, etc. for asset construction are also a portion of liabilities, as the Company recognizes these contributions over the life of the asset. Current liabilities represent the outflow of resources owed within a year.

A vertical analysis of the Balance Sheet displays Lonsdale Energy’s Assets, Liabilities and Shareholder’s Equity as a function of total assets, allowing for a proportional comparison to the prior year.

Balance Sheet	2023	% of Assets	2022	% of Assets
Current Assets	\$ 4,191,716	9.2%	\$ 3,124,271	7.4%
Long-term Assets	41,559,436	90.8%	39,065,345	92.6%
<b>Total Assets</b>	<b>45,751,152</b>	<b>100.0%</b>	<b>42,189,616</b>	<b>100.0%</b>
Current Liabilities	7,620,683	16.7%	4,760,659	11.3%
Long-term Liabilities	33,301,176	72.8%	32,602,586	77.3%
Shareholder’s Equity	4,829,294	10.6%	4,826,371	11.4%
<b>Total Liability &amp; Shareholder’s Equity</b>	<b>\$ 45,751,152</b>	<b>100.0%</b>	<b>\$ 42,189,616</b>	<b>100.0%</b>

Table 9.0: Vertical Analysis of the 2023 Balance Sheet

Ratios	2023	2022	Description
Current Ratio	0.55	0.66	Measures liquidity
Debt-to-Assets	0.89	0.89	Assets purchased through debt
Funded Debt to Total Capital	0.06	0.00	A measure of debt to the commercial bank in comparison to total capital. Per the credit agreement, it cannot be 0.65 or greater.

Table 10.0: Balance Sheet Ratios

The following are key takeaways from the Balance Sheet and management’s analysis:

1. Short-term assets increased and Long-term assets decreased as a proportion of total assets.

**Management Analysis:** This change is representative of Lonsdale Energy holding more assets as liquid assets or cash. Lonsdale Energy's cash balance was \$1.8M at the end of 2023, compared to \$0.8M at the end of 2022. This is somewhat subjective, depending on the timing of large payables, for example, Lonsdale Energy paid for a large boiler purchase at the end of 2022, however the Company will generally be carrying a larger cash balance in the years to come to manage cash flows for several significant capital projects.

2. Current liabilities increased 5% proportionally and by \$2.9M.

**Management Analysis:** A significant portion of this increase is due to Lonsdale Energy drawing \$2.0M on a line of credit it secured in 2023 from a commercial bank. The \$2.0 million was drawn to facilitate cash flow while a second facility, for capital projects (some of which were completed in 2023), was being secured. Once the second facility is drawn upon in 2024, this \$2.0M will move from current to long-term liabilities. Additionally, Lonsdale Energy had some large payables outstanding at the end of the year inflating its accounts payable balance compared to 2022. These payables were paid in early 2024.

3. Lonsdale Energy has a current ratio below 1.0.

**Management Analysis:** The current ratio represents a company's ability to pay off its current liabilities with current assets. A current ratio of 0.55 therefore needs explanation, as it indicates insufficient liquid assets. However, \$2.0M of current liabilities are actually long-term liabilities once Lonsdale Energy has access to all of the facilities in its credit agreement with the bank. Reclassifying this amount increases the current ratio to 0.75. Beyond this, the Company has used additional working capital to fund additional capital projects while the agreement is finalized. With the appropriate drawing on the facility, the current ratio would have been 1.21 at the end of 2023. Management regularly generates 24-month cash flow projections to monitor its cash balance and is confident in the organization's ability to meet its short-term obligations.

In the past, Lonsdale Energy has provided a debt-to-equity ratio in its analysis, which has measured its loans from the City in comparison to shareholder's equity (i.e. leverage). However, in 2023 the Company negotiated a credit agreement with a commercial bank and, with this new funding source, Lonsdale Energy and stakeholders need to reconsider how leverage is measured. As the City is Lonsdale Energy's sole shareholder, the bank considers its loan to Lonsdale Energy as a shareholder loan and therefore classifies it as a form of equity. As part of the credit agreement, it is a condition that Lonsdale Energy does not exceed a funded debt to total capital (FDTC) ratio of 0.65, which measures the Company's reliance on the bank's lending facility. With this new context and only \$2.0M drawn on the line of credit from the bank in 2023, the Company's FDTC ratio was 0.06, well below the covenant limit.

In summary, there were no major changes in the Balance Sheet from 2022 to 2023 as operations remained largely the same. Lonsdale Energy continued to increase assets as it added infrastructure to the DES. At face value, there are some concerns arising from an increase to the current liabilities and a low current ratio, however these are the result of the use of working capital and a line of credit to manage cash flows while commercial



funding was negotiated with the bank. Upon completion in 2024, funds will be drawn for projects completed in 2023 and these indicators will return to normal.

**Annual General Meeting**

As the City is the sole shareholder of Lonsdale Energy, a Unanimous Consent Resolutions of the Shareholder (**Attachment 2**) has been submitted so the shareholder may consent to the resolutions of the AGM as required by Provincial legislation.

The consent resolution reappoints Jessica McIlroy, Leanne McCarthy, Karsten Veng, and Larry Sawrenko to act as the directors of the Company and also appoints the following officers of the Company:

<b>Name</b>	<b>Office</b>
Larry Sawrenko	Chairperson of the Board and President
Jessica McIlroy	Vice-Chair of the Board and Director At Large
Karsten Veng	Chief Executive Officer
Sean Wood	Secretary-Treasurer

Additionally, the 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 Lonsdale Energy issued a Request for Proposal for Professional Audit Services related to the Company’s financial statements from 2021-2025 and BDO was the successful proponent.

**Outlook for 2024**

2024 will be a busy year for Lonsdale Energy with 12 scheduled connections, delivery of a strategic business plan, and initiation of work on a carbon neutrality road map. The Company will continue to assess the feasibility of low-carbon energy sources from a technical and economic perspective. Staff will complete rigorous financial analysis on these projects to determine the impacts on profits and affordability to customers before making any investment decisions or recommendations.

**FINANCIAL IMPLICATIONS:**

Discussed throughout the report.

**STRATEGIC PLAN IMPLICATIONS:**

Lonsdale Energy’s goals aligns with the 2022-2026 Council Strategic Plan, more specifically, Council’s Livable City commitment to creating a resilient city that leads the way in climate action and acts as a steward of the environment for future generations by:

- Supporting Lonsdale Energy Corporation in advancing its decarbonization strategy in order to transition to a net-zero emissions system.

RESPECTFULLY SUBMITTED:



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Karsten Veng, P.Eng., PMP  
Chief Executive Officer, Lonsdale Energy



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Sean Wood, CPA  
Manager - Finance, Lonsdale Energy

Financial Statements of

**LONSDALE ENERGY CORP.**

Year ended December 31, 2023



Tel: 604 688 5421  
Fax: 604 688 5132  
vancouver@bdo.ca  
www.bdo.ca

BDO Canada LLP  
Unit 1100 - Royal Centre  
1055 West Georgia Street  
Vancouver, BC V6E 3P3 Canada

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## Independent Auditor's Report

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To the Shareholders of Lonsdale Energy Corporation

### Opinion

We have audited the financial statements of Lonsdale Energy Corporation (the "Entity"), which comprise the Statement of Financial Position as at December 31, 2023, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, 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  
April 19, 2024



# LONSDALE ENERGY CORP.

## Statement of Financial Position

December 31, 2023, with comparative information for 2022

	Note	2023	2022
<b>Assets</b>			
Current assets:			
Cash		\$ 1,758,100	\$ 709,364
Accounts receivable	5	2,292,410	2,292,925
Prepaid expenses		141,207	121,982
		4,191,717	3,124,271
Plant and equipment	6(a)	36,745,283	35,975,408
Plant and equipment under construction	6(b)	3,742,344	1,808,033
Supplies for the distribution system and general equipment	6(b)	481,149	636,923
Software assets	7	590,660	644,980
		\$ 45,751,153	\$ 42,189,615
<b>Liabilities and Shareholder's Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 1,772,895	\$ 1,115,823
Due to the City of North Vancouver	8(a)	1,107,755	1,121,922
Line of Credit	9	2,000,000	-
Security deposits		797,500	657,500
Current portion of Loan from City of North Vancouver	8(b)	1,010,000	1,080,000
Current portion of deferred contributions	10	932,533	785,413
		7,620,683	4,760,658
Loan from City of North Vancouver	8(b)	25,612,804	25,573,086
Deferred contributions	10	7,688,372	7,029,500
		40,921,859	37,363,244
Shareholder's equity:			
Share capital	11	2,000,010	2,000,010
Contributed surplus	12	3,669	111,723
Retained earnings		2,825,615	2,714,638
		4,829,294	4,826,371
Commitments and contingencies (note 16)			
		\$ 45,751,153	\$ 42,189,615

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, 2023, with comparative information for 2022

	<i>Note</i>	2023	2022
Revenue	13 & 14	\$ 8,578,865	\$ 8,796,481
Cost of sales		4,305,995	4,734,300
		4,272,870	4,062,181
Operating expenses:			
Plant operation and maintenance		347,137	325,009
Depreciation		1,911,242	1,834,262
General and administrative	15	2,193,584	1,834,991
		4,451,963	3,994,262
Contributions and financing costs:			
Contributions	10 & 12	1,040,587	785,413
Finance income		93,472	120,585
Finance costs	8(b)	(798,088)	(706,877)
		335,971	199,121
Net income and comprehensive income		\$ 156,878	\$ 267,040

See accompanying notes to financial statements.

# LONSDALE ENERGY CORP.

## Statement of Changes in Equity

Year ended December 31, 2023, with comparative information for 2022

	Share capital	Contributed surplus	Retained earnings	Shareholder's equity
Balance, December 31, 2021	\$ 2,000,010	\$ 111,723	\$ 2,501,497	\$ 4,613,230
Net income and comprehensive income	-	-	267,040	267,040
Cash dividends	-	-	(53,900)	(53,900)
Balance, December 31, 2022	2,000,010	111,723	2,714,637	4,826,370
Net income and comprehensive income	-	-	156,878	156,878
Cash dividends (Note 11)	-	-	(45,900)	(45,900)
Contributed Surplus funded initiatives (Note 12)	-	(108,054)	-	(108,054)
Balance, December 31, 2023	\$ 2,000,010	\$ 3,669	\$ 2,825,615	\$ 4,829,294

See accompanying notes to financial statements.

# LONSDALE ENERGY CORP.

## Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in)		
Operations:		
Net income	\$ 156,878	\$ 267,040
Adjustments for:		
Depreciation	1,911,242	1,834,262
Recognition of deferred contributions	(1,040,587)	(785,413)
Net finance cost	704,616	586,292
Loss on disposal of plant and equipment	30,197	96,928
Change in non-cash operating working capital:		
Accounts receivable	515	(257,971)
Prepaid expenses	(19,225)	(6,949)
Accounts payable and accrued liabilities	657,072	163,826
Due to the City of North Vancouver	(14,167)	455,785
Security deposits	140,000	102,441
Net cash from operating activities	2,526,541	2,456,241
Investing:		
Purchase of plant and equipment (including supplies for the distribution system put into use)	(4,538,853)	(2,602,268)
Change in supplies for distribution system	155,774	(264,266)
Purchase of software assets	(52,452)	(172,693)
Holdback for debt reserve fund received	-	20,000
Interest received	93,472	120,585
Net cash used in investing activities	(4,342,059)	(2,898,642)
Financing:		
Contributions received	1,738,524	1,278,233
Line of credit	2,000,000	-
Repayments of loans from the City of North Vancouver	(1,080,282)	(680,000)
Proceeds from loans from the City of North Vancouver	1,050,000	630,000
Dividends paid to the City of North Vancouver	(45,900)	(53,900)
Interest paid	(798,088)	(706,877)
Principal payments on Green Municipal Investment Fund loan	-	(237,098)
Net cash from financing activities	2,864,254	230,358
Increase (decrease) in cash	1,048,736	(212,043)
Cash, beginning of year	709,364	921,407
Cash, end of year	\$ 1,758,100	\$ 709,364

See accompanying notes to financial statements.

# LONSDALE ENERGY CORP.

Notes to Financial Statements

Year ended December 31, 2023

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## 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 April 11, 2024.

### (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) Functional and presentation currency:

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

### (d) 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.



# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 2. Basis of presentation (continued):

### (d) Critical accounting judgements and estimates (continued):

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 17 - 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, 2023 which have given rise to changes in the Company's accounting policies or resulted in any material changes to the measurement or presentation of any items in the Company's financial statements, but affect the disclosure of accounting policies of the Company.

IAS 1 amendments and IFRS Practice Statement 2 became effective January 1, 2023. The amendments aim to make accounting policy disclosures more informative. The amendments also provide guidance under what circumstances, the accounting policy information is likely to be considered material and therefore require disclosure.

## 4. Material accounting policies:

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

#### (i) Recognition and measurement:

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

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

# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 4. Material 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) 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	4.0%
General equipment	5.0%
Computer and office equipment	20.0%

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

# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 4. Material accounting policies (continued):

### (b) Software assets:

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	10.0%

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 of 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 fees are calculated 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.

# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 4. Material 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 trade receivables.

The Company initially recognizes cash and accounts receivable on the date on which they are originated. Cash and trade receivable are initially measured at fair value and are subsequently classified and measured at amortized cost, using the effective interest rate method, because they solely meet the 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 trade 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.

# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 4. Material 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, a line of credit, and a loan from City of North Vancouver.

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.

### (g) Impairment of long-lived assets:

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

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

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

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

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

# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 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 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:

	2023	2022
Trade receivables	\$ 1,883,717	\$ 2,035,006
Sales tax receivable	408,693	257,919
	<u>\$ 2,292,410</u>	<u>\$ 2,292,925</u>

The Company settles the receivables due from the City separate from its payment of the amounts due to the City (Note 8(a)). 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:

	2023	2022
(a) Utilities		
Current	\$ 1,264,875	\$ 1,647,442
Past due 30-60 days	13,219	31,386
Past due 61-90 days	6,812	2,688
Past due greater than 90 days	51,951	6,665
(b) Application fees		
Current	\$ -	\$ 472
Past due 30-60 days	-	-
Past due 61-90 days	-	51,975
Past due greater than 90 days	-	-
(c) Other		
Current	\$ 546,860	\$ 294,378
Past due 30-60 days	-	-
Past due 61-90 days	-	-
Past due greater than 90 days	-	-
	<u>\$ 1,883,717</u>	<u>\$ 2,035,006</u>



# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 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, 2023 and 2022 as the impact is expected to be trivial.

# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 6. Plant and equipment:

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

	Distribution system	General equipment	Total
<i>Cost</i>			
Balance as at December 31, 2022	\$ 30,881,989	\$ 18,204,443	\$ 49,086,432
Additions	840,652	1,763,890	2,604,542
Disposal	-	(30,197)	(30,197)
Balance as at December 31, 2023	\$ 31,722,641	\$ 19,938,136	\$ 51,660,777
<i>Accumulated depreciation</i>			
Balance as at December 31, 2022	\$ 5,256,811	\$ 7,854,213	\$ 13,111,024
Depreciation	829,485	974,985	1,804,470
Disposal	-	-	-
Balance as at December 31, 2023	\$ 6,086,296	\$ 8,829,198	\$ 14,915,494
<i>Net book value</i>			
At December 31, 2022	\$ 25,625,178	\$ 10,350,230	\$ 35,975,408
At December 31, 2023	\$ 25,636,345	\$ 11,108,938	\$ 36,745,283

(b) Assets under construction represent \$3,742,344 (2022 - \$1,808,033) of work completed on plant and equipment during the year for assets which have not yet been put into use. Supplies for the distribution system and general equipment represent \$481,149 (2022 - \$636,923) of plant and equipment, which have not yet been installed or used for the district energy system. Consequently, they are not being amortized. Certain comparative figures have been reclassified to conform with the current year's presentation.

# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 7. Software assets:

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### Cost

Balance, at December 31, 2022	\$ 1,186,450
Additions	52,452
<u>Balance, at December 31, 2023</u>	<u>\$ 1,238,902</u>

### Accumulated Depreciation

Balance, at December 31, 2022	\$ 541,470
Depreciation	106,772
<u>Balance, at December 31, 2023</u>	<u>\$ 648,242</u>

### Net book value

At December 31, 2022	\$ 644,980
At December 31, 2023	\$ 590,660

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 and 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. Customers continue to be integrated into the controls system as they are added 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 \$1,107,755 (2022 - \$1,121,922) arises from operating expenses paid by the City on behalf of the Company. The amounts outstanding as at December 31, 2023 are expected to be repaid as part of the ongoing operations of the Company. The amount due to the City is non-interest bearing, unsecured and due on demand.

# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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

(b) Loans from the City of North Vancouver:

	2023	2022
Demand promissory note (i)	\$ 26,622,804	\$ 26,653,086

On August 1, 2023 a five-year non revolving demand term loan was issued by the City to borrow a maximum of \$35,632,966. This Promissory Note replaced and nullified all previous Promissory Notes issued by the City to the Company. The loan matures on August 1, 2028 and bears interest at 3.51% per annum. As at December 31, 2023 an amount of \$26,622,804 remains due to the City. During the year, the Company drew \$1,050,000 (2022 - \$630,000) from this promissory note. After considering the principal payments of \$4,369,162 made to date, the remaining funding available to the Company under the terms of the agreement is \$4,641,000, which the Company expects to draw on for future asset construction.

Although the term loans are due on demand, with the exception of an amount of \$1,010,000 (2022 – \$1,080,000), 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 2023, \$1,080,282 (2022 - \$680,000) was repaid to the City in payment of the principal of the loans from the City. The interest expense of \$798,088 (2022 - \$703,877) related to the Due to the City of North Vancouver is included in finance costs in the Statement of Net and Comprehensive Income.

## 9. Line of Credit:

In 2023, the Company negotiated a credit agreement with a Canadian Bank which was executed on December 22, 2023. Included in this credit agreement was a Line of Credit revolving facility. The borrowing purpose of this facility is for general corporate purposes. The Company may borrow, repay and reborrow up to \$2,000,000 of the amount of this facility. During the year, the Company drew \$2,000,000 from the line of credit. The line of credit shall be repaid in full by June 30, 2024, which may be extended by the Bank to a date that is not more than one year after the current maturity date, and bears an interest at bank prime rate + 0.30%.

# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 10. Deferred contributions:

	2023	2022
(a) Green Municipal Investment Fund Project Grant	\$ 657,377	\$ 738,869
(b) Gas Tax Agreement – Innovation Fund	675,651	700,049
(c) Infrastructure Stimulus Fund Grant	71,311	73,395
(d) Solar Water Installation	81,961	95,621
(e) Contributions from developers and new customers	6,930,977	6,190,603
(f) Contributions from utility companies	203,628	16,376
	8,620,905	7,814,913
Current portion	(932,533)	(785,413)
Non-current portion	\$ 7,688,372	\$ 7,029,500

### (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:

	2023	2022
Deferred contribution - FCM Grant, beginning of year	\$ 738,869	\$ 820,051
Revenue recognized from grant	(81,492)	(81,182)
Deferred contribution - FCM Grant, end of year	\$ 657,377	\$ 738,869

### (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 Company has received the maximum eligible grant of \$973,750.

# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 10. Deferred contributions (continued):

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

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.

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

	2023	2022
Deferred contribution - Gas Tax Grant, beginning of year	\$ 700,049	\$ 724,447
Revenue recognized from grant	(24,398)	(24,398)
Deferred contribution - Gas Tax Grant, end of year	\$ 675,651	\$ 700,049

### (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:

	2023	2022
Deferred contribution - Infrastructure Stimulus Fund Grant, beginning and end of year	\$ 73,395	\$ 75,478
Revenue recognized from grant	(2,084)	(2,083)
Deferred contribution – Infrastructure Stimulus Fund Grant, end of year	\$ 71,311	\$ 73,395

### (d) Solar Water Installation:

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



# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 10. 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:

	2023	2022
Deferred contribution - Solar Water Installation, beginning of year	\$ 95,621	\$ 109,281
Revenue from contributions recognized	(13,660)	(13,660)
Deferred contribution - Solar Water Installation, end of year	\$ 81,961	\$ 95,621

### (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 5%) asset on an annual basis from the date the asset is put into use.

# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 10. Deferred contributions (continued):

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

	2023	2022
Deferred contribution from developers and new customers, beginning of year	\$ 6,190,603	\$ 5,573,730
Contributions	1,531,561	1,278,233
Revenue recognized from contributions	(791,187)	(661,360)
Deferred contribution, end of year	\$ 6,930,977	\$ 6,190,603

### (f) Contribution from utility companies:

- (i) 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.
- (ii) In 2023, the Company received funding under the Product Rebate Program administered by FortisBC of \$71,964 and \$135,000 for boilers added to the district energy system. These contributions are recognized over the useful life of the respective boilers at a rate of 5% per year.

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

	2023	2022
Deferred contribution from utility companies, beginning of year	\$ 16,376	\$ 19,105
Contributions	206,964	-
Revenue recognized from contributions	(19,712)	(2,279)
Deferred contribution from utility companies, end of year	\$ 203,628	\$ 16,376

## 11. Share capital:

The authorized capital of the Company consists of an unlimited number of voting common shares without par value. As of December 31, 2023, a total of 2,001,000 shares were issued and outstanding to the Company's sole shareholder, the City, for a value of \$2,000,010 (2022 - \$2,000,010).

There were no changes in share capital during the year.

Dividends issued amounted to \$45,900 (2022 - \$53,900), were approved by the board on December 14, 2023, and were paid to the City.

# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 12. Contributed Surplus:

### (a) Contributed Surplus – Corporate

In July 2008, the City provided a \$100,000 contribution to the Company for the purpose of investigating business opportunities outside the municipality. During 2023, the Company spent \$96,331 on related activities and is recognizing this amount in 2023.

	2023	2022
Deferred contribution - Solar Water Installation, beginning of year	\$ 100,000	\$ 100,000
Revenue from contributions recognized	(96,331)	-
Deferred contribution - Solar Water Installation, end of year	\$ 3,669	\$ 100,000

### (b) Contributed Surplus – Community Energy Promotion

In April 2008, the City provided a \$11,722 in surplus funds from the Community Energy Conference to the Company for the purpose of funding promotional initiatives. During 2023, the Company spent more than this amount on related activities and is recognizing the full amount during the year.

	2023	2022
Deferred contribution - Solar Water Installation, beginning of year	\$ 11,723	\$ 11,723
Revenue from contributions recognized	(11,723)	-
Deferred contribution - Solar Water Installation, end of year	\$ -	\$ 11,723

## 13. Related parties:

The City has incurred expenses, including sales taxes, on behalf of the Company in the year of approximately \$2,504,543 (2022 - \$1,942,631) by providing staff, IT support, payroll support, purchasing material, and assisting in installation of 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 \$106,344 (2022 - \$38,927) has been capitalized to Plant and equipment. Specifically, City staff has been involved in purchasing materials and backfill for and assisting in installation of components of the distribution system. The Company made \$49,379 (2022 - \$47,498) 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 2023 is \$275,513 (2022 - \$270,424) for heating and cooling services rendered by the Company to the City.

# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 13. Related parties (continued):

Included in the services provided to the Company by the City is key management personnel compensation, comprised of the chief executive officer; deputy director, customer connections and innovation; deputy director, project management and delivery; manager – engineering; manager – finance; and communications officer. 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, 2023, key management personnel compensation of \$1,061,086 (2022 - \$634,039) 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.

## 14. Revenue:

	Note	2023	2022
Revenue from contracts with customers			
Energy sales		\$8,564,155	\$8,790,489
Miscellaneous revenue		14,710	5,992
		<u>\$8,578,865</u>	<u>\$8,796,481</u>
Revenue recognized from contributions			
Contributions from government	10(a)–(d), 12	\$229,688	\$121,324
Contributions from developers	10(e)	80,828	79,068
Connection fees	10(e)	224,992	213,904
Application fees	10(e)	485,367	368,388
Contributions from utility companies	10(f)	19,712	2,729
Total revenue recognized from contributions		<u>\$1,040,587</u>	<u>\$785,413</u>
Total revenue and contributions		<u>\$9,619,452</u>	<u>\$9,581,894</u>

# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 15. General and administrative expenses:

	2023	2022
Administrative support	\$68,659	\$42,731
Financial services	49,425	18,589
Insurance	240,628	207,148
IT Support	68,605	32,473
Miscellaneous	122,567	109,372
Professional services	142,210	110,145
Rent	49,379	47,498
Salaries	1,452,111	1,267,035
Total general and administrative expenses	\$2,193,584	\$1,834,991

## 16. Commitments and contingencies:

- (a) As at December 31, 2023, the Company has approximately \$4,559,560 (2022 - \$1,113,635) 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. Due to delays in construction of the wastewater treatment plant no energy was delivered during as at December 31, 2023.
- (c) On December 22, 2023, the Company entered into a credit agreement with a Canadian Bank providing two credit facilities. Facility #2 of the credit agreement is a revolving term facility (Facility #1 has been disclosed in Note 9). The borrowing purpose of this facility is for the construction of district energy generation and distribution assets. The Company may borrow up to \$24,000,000 for construction of these assets. Facility #2 has conditions precedent which were not satisfied as of December 31, 2023 and therefore the company did not have access to this facility during the year.

# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 17. 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, line of credit, 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.

## 18. Financial risk management:

### Overview

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

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

### Risk management framework:

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

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



# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 18. 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, 2023, \$51,951 (2022 - \$6,665) of accounts receivable exceeded 90 days. Management has performed an assessment on the collectability of these amounts and determined these amounts are collectible. The Company continues to actively monitor its exposure to credit risk.

# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 18. 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, 2023, all financial liabilities, except for a portion of 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, 2023	Carrying amount	Total contractual cash flows	Less than one year	1 to 5 years	More than 5 years
Loan from City of North Vancouver	\$ 26,622,804	\$ 26,622,804	\$ 1,010,000	\$ 25,612,804	-
Line of Credit	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	-	-

As at December 31, 2022	Carrying amount	Total contractual cash flows	Less than one year	1 to 5 years	More than 5 years
Loan from City of North Vancouver	\$ 26,653,086	\$ 26,653,086	\$ 1,080,000	\$ 25,573,086	-

# LONSDALE ENERGY CORP.

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 18. 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 City of North Vancouver bears a fixed rate of interest of 3.51%. The loan from the City of North Vancouver matures on August 1, 2028 and the Company is aware that the interest rate may be adjusted in line with market pricing at that time. The line of credit bears a variable rate, however given it is limited to \$2,000,000 and will be settled during a one-year period, the interest rate risk of this facility is limited.

- *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 \$410,344 (2022 - \$453,381). 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.

## 19. 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.

## 20. Subsequent event:

Subsequent to year end, on February 2, 2024, the City completed execution of sub-agreements to the Company's credit agreement which were condition precedents to the Company accessing Facility #2 (Note 16(c)). These agreements satisfy the condition precedents of the credit agreement and will be compiled into the credit agreement, allowing the company to borrow up to \$24,000,000 of Facility #2 for the purpose of constructing district energy assets. This facility has a financial covenant where the Company agrees to a ratio of Funded Debt to Total Capital of not greater than 0.65:1.

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, hereby consents to and adopts in writing the following resolutions:

**ANNUAL MEETING MATTERS**

**RESOLVED THAT:**

1. the financial statements of the Company for the period ended December 31, 2023, made up of the 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 4;
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      Larry Sawrenko
6. 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
7. June 14, 2024, be and is hereby selected as the annual reference date for the Company for its current annual reference period.

**APPOINTMENT OF OFFICERS:**

**WHEREAS** the sole shareholder of the Company has determined that it is advisable to remove: (i) Leanne Mary McCarthy as the Chairperson of the board of directors of the Company (the "**Board**") and the President of the Company; and (ii) Larry Sawrenko as the Secretary-Treasurer of the Company;

**AND WHEREAS** the sole shareholder of the Company has determined that, following the removal of Leanne Mary McCarthy as Chairperson of the Board and President of the Company and Larry Sawrenko as Secretary-Treasurer of the Company, it is advisable to appoint: (i) Larry Sawrenko as Chairperson of the Board and President of the Company; and (ii) Sean Wood as Secretary-Treasurer of the Company;

**AND WHEREAS** each of the foregoing individuals has agreed to their appointment to the office or offices set forth above.

**NOW THEREFOR BE IT RESOLVED THAT:**

1. The removal of Leanne Mary McCarthy as Chairperson of the Board and President of the Company and Larry Sawrenko as Secretary-Treasurer of the Company be and is hereby authorized and approved.
2. Larry Sawrenko be and is hereby appointed as the Chairperson of the Board and President of the Company to hold office until the earlier of his resignation, the appointment of his successor or such other time as may be determined by the shareholder of the Company.
3. Sean Wood be and is hereby appointed as the Secretary-Treasurer of the Company to hold office until the earlier of his resignation, the appointment of his successor or such other time as may be determined by the shareholder of the Company.
4. After giving effect to the foregoing, the following persons be and are hereby confirmed as the officers of the Company holding the office or offices set out opposite their respective names at the pleasure of the shareholder or until they resign:

<u>Name</u>	<u>Office</u>
Larry Sawrenko	Chairperson of the Board and President
Jessica Ann McIlroy	Vice-Chair of the Board and Director at Large
Karsten Veng	Chief Executive Officer
Sean Wood	Secretary-Treasurer

**BE IT RESOLVED THAT** any one (1) director or officer of the Company be and is hereby authorized and directed for and on behalf of and in the name of the Company to do all such acts and things and to execute and deliver all such documents, instruments and writings which in the opinion of such officer or director may be necessary or advisable in order to give full effect to these resolutions and any such acts, executions or deliveries that have occurred prior to the date of these resolutions are hereby ratified and confirmed.

**DATED**, as of the 13th day of May, 2024.

**THE CORPORATION OF THE CITY OF NORTH VANCOUVER**

Per: \_\_\_\_\_

Name:

Title:

Per: \_\_\_\_\_

Name:

Title:

**Historical Income Statements for Years of Operation - 2019 to 2023**

Income Statement line description	2019	2020	2021	2022	2023
Revenue	\$ 5,297,998	\$ 6,418,511	\$ 7,538,894	\$ 8,796,481	\$ 8,578,865
Cost of Sales	\$ 2,125,632	\$ 2,405,710	\$ 3,292,352	\$ 4,734,300	\$ 4,305,995
Gross profit	\$ 3,172,366	\$ 4,012,801	\$ 4,246,542	\$ 4,062,181	\$ 4,272,870
Plant Operation and Maintenance	\$ 335,474	\$ 382,410	\$ 382,831	\$ 325,009	\$ 347,138
Depreciation	\$ 1,456,913	\$ 1,627,878	\$ 1,751,491	\$ 1,834,262	\$ 1,911,242
General and Administrative	\$ 766,138	\$ 895,126	\$ 1,435,982	\$ 1,834,991	\$ 2,193,584
Total - Operating Expenses	\$ 2,558,525	\$ 2,905,414	\$ 3,570,304	\$ 3,994,262	\$ 4,451,964
Income (loss) before other expenses	\$ 613,841	\$ 1,107,387	\$ 676,238	\$ 67,919	\$ (179,094)
Contributions	\$ 688,149	\$ 669,309	\$ 655,380	\$ 785,413	\$ 1,040,587
Finance income	\$ 77,511	\$ 94,106	\$ 82,709	\$ 120,585	\$ 93,472
Finance costs	\$ (654,777)	\$ (698,885)	\$ (714,798)	\$ (706,877)	\$ (798,088)
Subtotal	\$ 110,883	\$ 64,530	\$ 23,291	\$ 199,121	\$ 335,971
<b>Net Income and Comprehensive</b>					
<b>Income</b>	<b>\$ 724,724</b>	<b>\$ 1,171,917</b>	<b>\$ 699,529</b>	<b>\$ 267,040</b>	<b>\$ 156,877</b>
Cash Dividends	\$ (30,100)	\$ (34,000)	\$ (33,000)	\$ (53,900)	\$ (45,900)
<b>Retained Earnings (Net Accumulated Surplus/loss)</b>	<b>\$ 697,052</b>	<b>\$ 1,834,969</b>	<b>\$ 2,501,498</b>	<b>\$ 2,714,638</b>	<b>\$ 2,825,615</b>
Sales (kW.hr)	60,157	69,488	76,641	80,925	76,668
<b>Assets</b>	<b>\$ 37,651,636</b>	<b>\$ 40,147,661</b>	<b>\$ 41,048,701</b>	<b>\$ 42,189,615</b>	<b>\$ 45,751,153</b>
<b>Effective Price to Customers (\$/MWh)</b>	<b>\$ 86</b>	<b>\$ 91</b>	<b>\$ 97</b>	<b>\$ 108</b>	<b>\$ 108</b>
<b>GHG Emission Intensity (kgCO2/MWh)</b>	<b>219</b>	<b>218</b>	<b>218</b>	<b>187</b>	<b>189</b>
<b>Heat Sales from Low-Carbon Sources</b>	<b>0.4%</b>	<b>1.0%</b>	<b>1.0%</b>	<b>15.0%</b>	<b>14.0%</b>



## 5-Year District Energy System Growth Summary: 2019-2023

	2019	2020	2021	2022	2023
<b>HEATING DATA:</b>					
Buildings Connected	87	95	99	103	108
Gross Floor Area Served (Sq. Ft.)	6,576,117	7,374,023	7,671,248	7,921,031	8,236,029
Residential Units Served	5,479	6,378	6,765	7,052	7,430
Residents Served (*assuming an average household of 2.1)	11,506	13,394	14,207	14,809	15,603
Heating Capacity (MW)	28	28	30	35	35
Heating Energy Delivered (MWh)	59,275	67,753	74,783	78,704	75,935
<b>COOLING DATA:</b>					
Buildings Connected	6	6	6	6	6
Cooling Capacity (MW)	1.2	1.2	1.2	1.2	1.2
Cooling Energy Delivered (MWh)	882	1,734	1,858	2,221	2,215
<b>CUSTOMER BREAKDOWN:</b>					
Residential buildings	41	45	48	51	54
Mixed - Residential / Commercial	20	25	26	26	28
Commercial	19	17	17	16	16
Institutional	7	8	8	10	10
Cooling Customers	6	6	6	6	6
<b>Total Energy Transfer Stations</b>	<b>93</b>	<b>101</b>	<b>105</b>	<b>109</b>	<b>114</b>
<b>DISTRICT ENERGY DATA:</b>					
Trenched kilometers of pipe	13	13	14	14	15
Number of boilers in LEC system	30	30	32	35	35
Number of heat pump modules in LEC system	11	11	11	11	11
Total Energy Sales (MWh)	60,157	69,488	76,641	80,926	76,668
District Energy System Emission Intensity (kgCO <sub>2</sub> /MWh)	219	218	218	187	189
<i>* An average household of 2.1 is based on 2021 Census data.</i>					