Consolidated Financial Statements

Community Energy Development Co-operative Limited

December 31, 2017

Contents

Independent Auditor's Report

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To the Members of
Community Energy Development Co-operative Limited

We have audited the accompanying consolidated financial statements of Community Energy Development Co-operative Limited, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations and comprehensive loss, changes in members' equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, notes and schedules.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Co-operative's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Co-operative's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Community Energy Development Co-operative Limited as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Beamsville, Canada	Chartered Professional Accountants
May 28, 2018	Licensed Public Accountants

Community Energy Development Co-operative Limited
Consolidated Statement of Operations

Year ended December 31		**2017**		2016
Revenue				
Energy generation revenue	$	**2,862,006**	$	471,948
Interest income		**6,923**		2,844
Share of profit in associates (Schedule 1)		**226,539**		150,152
		3,095,468		624,944
Direct costs				
Consulting fees		**-**		674
Land lease payments		**147,646**		14,945
Project insurance		**37,540**		10,620
Repairs and maintenance		**197,423**		-
System operating expenses		**24,966**		77,249
		407,575		103,488
Gross profit		**2,687,893**		521,456
Operating expenses				
Advertising and promotion		**11,323**		13,985
Board remuneration		**33,997**		26,547
Insurance		**11,247**		11,961
Interest and bank charges		**(245)**		4,081
Management fees		**159,437**		411,559
Office		**8,544**		6,732
Professional fees		**77,203**		82,738
Interest on long-term debt		**992,621**		259,395
Interest - other (Note 9)		**962,143**		281
Depreciation		**1,306,639**		317,800
Remeasurement gain on business combination (Note 2)		**(619,991)**		-
Impairment loss on investment in associates		**2,411**		2,937
		2,945,329		1,138,016
Loss before deferred income tax recovery		**(257,436)**		(616,560)
Deferred income tax recovery		**(171,855)**		-
Net loss and comprehensive loss	**$**	**(85,581)**	$	(616,560)

Attributable to				
Owners of the parent	**$**	**(43,213)**	$	(616,555)
Non-controlling interests		**(42,368)**		(5)
	$	**(85,581)**	$	(616,560)

Community Energy Development Co-operative Limited
Statement of Changes in Members' Equity

Year ended December 31, 2017

	Share Capital	Deficiency	Total	Non-controlling Interest (Schedule 3)	Total Equity
Balance, December 31, 2015	$ 5,884,733	$ (157,655)	**$ 5,727,078**	$ -	**$ 5,727,078**
Net loss	-	(616,555)	**(616,555)**	(5)	**(616,560)**
Shares issued	220	-	**220**	-	**220**
Other changes in non-controlling interest (Schedule 3)	-	-	**-**	120,243	**120,243**
Dividends declared	-	(133,426)	**(133,426)**	-	**(133,426)**
Balance, December 31, 2016	5,884,953	(907,636)	**4,977,317**	120,238	**5,097,555**
Net loss	-	(43,213)	**(43,213)**	(42,368)	**(85,581)**
Shares issued	1,026,970	-	**1,026,970**	-	**1,026,970**
Other changes in non-controlling interest (Schedule 3)	-	-	**-**	4,662,310	**4,662,310**
Dividends	-	(533,671)	**(533,671)**	-	**(533,671)**
Balance, December 31, 2017	**$ 6,911,923**	**$ (1,484,520)**	**$ 5,427,403**	$ 4,740,180	**$ 10,167,583**

See accompanying notes to the consolidated financial statements.

Community Energy Development Co-operative Limited
Consolidated Statement of Financial Position

December 31	2017	2016
Assets		
Current		
Cash	**$ 1,529,057**	$ 362,165
Accounts receivable	**235,988**	78,265
Prepaid expenses	**10,267**	18,456
Bond subscriptions receivable (Note 12)	**-**	2,000
Total current assets	**1,775,312**	460,886
Long-term		
Restricted cash (Note 10)	**952,985**	-
Below market leases (Note 4)	**469,240**	-
Investments in associates (Note 5)	**257,828**	3,251,175
Energy generation equipment (Note 6)	**32,403,240**	23,828,340
Deferred income taxes (Note 7)	**11,318**	-
Projects under development	**145,933**	101,461
Deferred costs of securing financing (Note 8)	**87,321**	182,379
Total long-term assets	**34,327,865**	27,363,355
Total assets	**$ 36,103,177**	$ 27,824,241

On behalf of the board

_____________________________ Member _____________________________ Member

Community Energy Development Co-operative Limited
Consolidated Statement of Financial Position

December 31		**2017**		2016
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 9)	**$**	**1,481,302**	$	17,513,784
Harmonized sales tax payable		**399,855**		-
Current portion of long-term debt (Note 10)		**701,673**		-
Current portion of note payable (Note 11)		**70,583**		-
Current portion of bonds issued (Note 12)		**540,852**		423,411
Total current liabilities		**3,194,265**		17,937,195
Long-term				
Long-term debt (Note 10)		**17,827,118**		-
Note payable (Note 11)		**1,346,744**		1,484,120
Bonds issued (Note 12)		**3,567,467**		3,303,371
Bonds subscribed (Note 12)		**-**		2,000
Total long-term liabilities		**22,741,329**		4,789,491
Total liabilities		**25,935,594**		22,726,686
Members' equity				
Equity of the members of the Co-operative				
Share capital (Note 13)				
Membership shares		**7,300**		6,830
Class A preference shares issued		**5,748,268**		5,878,123
Class B preference shares issued		**1,156,355**		-
Share capital (Note 13)		**6,911,923**		5,884,953
Deficiency		**(1,484,520)**		(907,636)
Total members' equity before non-controlling interest		**5,427,403**		4,977,317
Non-controlling interest (Schedule 3)		**4,740,180**		120,238
Total members' equity		**10,167,583**		5,097,555
Total liabilities and members' equity	**$**	**36,103,177**	$	27,824,241

Community Energy Development Co-operative Limited
Consolidated Statement of Cash Flows

Year ended December 31	2017	2016
Operating		
Net loss and comprehensive loss	**$ (85,581)**	$ (616,560)
Items not affecting cash (Note 14)	**931,892**	688,788
	846,311	72,228
Change in non-cash working capital items (Note 14)	**975,572**	833,272
	1,821,883	905,500
Financing		
Financing expenses incurred	**(887,637)**	(128,871)
Proceeds from long-term debt	**19,931,907**	-
Repayment of long-term debt	**(477,259)**	-
Issuance of note payable	**-**	1,484,120
Issuance of bonds	**586,541**	2,360,445
Repayment of note payable	**(66,793)**	-
Repayment of bonds	**(424,767)**	(300,103)
Issuance of Class A preferred shares	**-**	365,172
Redemption of Class A preferred shares	**(129,855)**	-
Issuance of Class B preferred shares	**1,163,910**	-
Cash disbursed to non-controlling interests	**(1,247,842)**	-
Issuance of membership shares	**470**	220
Dividends paid	**(533,671)**	(133,426)
	17,915,004	3,647,557
Investing		
Purchase of energy generation equipment	**(16,764,712)**	(5,346,860)
Projects under development	**(44,472)**	(47,418)
Investments in associates	**(807,826)**	(1,205,258)
	(17,617,010)	(6,599,536)
Increase (decrease) in cash	**2,119,877**	(2,046,479)
Cash		
Beginning of year	**362,165**	2,408,644
End of year	**$ 2,482,042**	$ 362,165

Cash consists of:		
Cash	**$ 1,529,057**	$ 362,165
Restricted cash	**952,985**	-
	$ 2,482,042	$ 362,165

Supplemental cash flow information (Note 14)

1. General Information and Statement of Compliance with IFRS

Community Energy Development Co-operative Ltd. (the "Co-operative") is a renewable energy co-operative, incorporated on October 31, 2012, under the Ontario Co-Operative Corporations Act and, as such, the business of the Co-operative is restricted to:

(a) Generating, within the meaning of the Ontario Electricity Act, 1998, electricity produced from one or more sources that are renewable energy sources for the purposes of that Act; and

(b) Selling, as a generator within the meaning of Ontario Electricity Act, 1998, electricity it produces from one or more renewable energy sources.

The Co-operative is incorporated and domiciled in Ontario. Its registered office and principal place of business is 1633 Snyder's Road East, Petersburg, Ontario, Canada, N0B 2H0.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The Board of Directors of the Co-operative approved these financial statements on May 28, 2018.

2. Business combinations

During 2016 and 2017, the following business combinations involving the Co-operative took place:

<u>Acquisition of Businesses carried on by Associates</u>

As set out in Notes 3 and 5, in prior years, the Co-operative entered into legal agreements with various parties which are described as “Joint Venture Agreements” ("the Agreements"). The arrangements governed by the Agreements are considered “separate vehicles”, as defined in IFRS 11. These vehicles meet the definition of “associates” in IAS 28 and, in accordance with IAS 28, the Co-operative’s investment in these associates has been accounted for using the equity method.

Effective November 30, 2016, the Co-operative acquired the interests of the counterparties to two of the Agreements and became the 100% owner of all of the assets, and assumed responsibility for 100% of the liabilities, of the vehicles previously governed by the Agreements. A third arrangement governed by one of the Joint Venture Agreements previously operated four separate energy generation facilities; effective November 30, 2016, the Co-operative acquired the counterparty's interests in two of the four facilities.

The Co-operative determined that these transactions were "business combinations", as defined in IFRS 3 - Business Combinations, and, in accordance with IFRS 3, applied the acquisition method to account for these combinations.

At the time of the transactions, the assets of the acquired businesses consisted entirely of energy generation equipment, and none of the businesses had any material liabilities. The Co-operative determined that the fair value at the time of each combination of each of the projects was approximately equal to the Co-operative's equity interest in the business acquired plus the

2. Business combinations (continued)

consideration paid for the counterparty's interest. Accordingly, the Co-operative allocated the combined amount to the cost of energy generation equipment.

For the period prior to the business combinations, the Co-operative's proportionate share of the net income or net loss of the associates was included in income and added to the cost of the investment in associates. For the period subsequent to the business combinations, the income and expenses relating to the assets previously owned by the associates has been accounted for in accordance with IFRS 10 - Consolidated Financial Statements.

The Co-operative acquired control of the following businesses in this manner:

	Cost of the Co-operative's interest in the business	Amount paid for the counterparty's interest in the business	Total amount added to cost of energy generation equipment
CEDC Vigor Sunshare Joint Venture - 62 Janti - Cyr	$ 871,215	$ 874,785	$ 1,746,000
CEDC Vigor Sunshare Joint Venture - 30 Mumford	185,392	285,608	471,000
CEDC Wellesley Sunshare Joint Venture	968,401	1,180,599	2,149,000
CEDC MCCO Sunshare Joint Venture	476,809	408,191	885,000
	$ 2,501,817	$ 2,749,183	$ 5,251,000

The amounts paid to the counterparties as set out above included amounts required to adjust the parties' actual contributions to the cost of the assets made prior to the business combinations to the proportions required pursuant to the Agreements.

2. Business combinations (continued)

Acquisition of Control of Associates

In 2016 and 2017, the following partnerships were created pursuant to the *Limited Partnerships Act (Ontario)*

- Sunshare1 LP
- Sunshare2 LP
- Sunshare3 LP
- Sunshare4 LP

The Co-operative is a member of all four partnerships. All four partnership agreements stipulate that a wholly owned subsidiary of the Co-operative, which is also a partner, and which has agreed to assume the obligations and liabilities as general partner, has full power and exclusive authority to manage the affairs of the partnership. Accordingly, the Co-operative, through its ownership of the general partners, controls the partnerships.

During 2016 and 2017, the Co-operative and the counterparties to six of the Joint Venture Agreements (as described in Notes 3 and 6 and above in Section 1 of this note transferred their respective interests in the arrangements to partnerships controlled by the Co-operative. Prior to the transfers, the Co-operative did not control the arrangements, and therefore accounted for its interests therein as investments in associates, pursuant to IAS 28. Notwithstanding the fact that no cash or other consideration was exchanged in these transactions, the Co-operative acquired control of the businesses governed by the transferred agreements. Accordingly, the transactions been accounted for in accordance with IFRS 3 - Business Combinations.

At the time of the business combinations, the following assets were acquired:

- Energy generation equipment. The Co-operative determined the fair value of each project based on projected future cash flows, which were, in turn, based on detailed engineering studies completed prior to the projects being put into production, adjusted for actual experience, discounted to present value using a discount rate of 8%.
- Below market leases. Certain of the energy generation projects are located on property owned by the counterparties to the transferred Agreements under long-term leases requiring no rent or nominal rent. The fair value of these below market leases was determined to be the net present value of the amount that would have been paid at normal commercial lease rates.

Where the fair value of the Co-operative's share of the combined assets exceeds the carrying value of its previously held equity interests in the associates, the Co-operative recognized the resulting remeasurement gain in profit and loss.

Under the terms of the Agreements, the counterparties were entitled to 49% of the net profits earned by each of the projects. In exchange for their interests in the transferred Agreements, the counterparties received units in the limited partnerships entitling them to the same percentage of the net profits earned by the projects.

Additional information regarding these business combinations is presented in Schedule 2.

3. Significant accounting policies

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards. The significant policies are detailed as follows:

Principles of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Co-operative and its controlled entities (i.e. its subsidiaries). A controlled entity is any entity over which the Co-operative has the right and ability to exercise continuing power to determine the strategic operating, investing and financing policies without the co-operation of others, in order to obtain future economic benefits and where the Co-operative is exposed to the related risks.

In preparing the consolidated financial statements, all intra-group balances and transactions between the entities in the consolidated group have been eliminated.

Non-controlling interest represents the equity interest in a subsidiary that is not attributable directly or indirectly to the Co-operative and is shown separately within the equity section of the consolidated Statement of Financial Position and Statement of Operations and Comprehensive Income (Loss).

The Co-operative's subsidiaries are:

- The following wholly-owned corporations, incorporated under the laws of Ontario.
  - ♦ SolarDev1 Inc.
  - ♦ SolarDev2 Inc.
  - ♦ SolarDev3 Inc.
  - ♦ SolarDev Inc.

  All four corporations are in the business of managing the affairs of one of the limited partnerships.

- The following limited partnerships created under the *Limited Partnerships Act (Ontario):*
  - ♦ Sunshare1 LP
  - ♦ Sunshare2 LP
  - ♦ Sunshare3 LP
  - ♦ Sunshare4 LP

  All four limited partnerships are in the business of owning and operating solar energy projects. The limited partnerships are authorized to issue several different classes of partnership units; each class of units entitles the holders thereof to a share of the profits that the partnership earns from one or more specific projects.

3. **Significant accounting policies (continued)**

Pursuant to the terms of the limited partnership agreements, the affairs of each partnership are governed by the general partner, which has full power and exclusive authority to manage the affairs of the partnership. In the case of all four limited partnerships, the general partner is one of the wholly-owned subsidiary corporations of the Co-operative. Accordingly, the Co-operative, through its ownership of the general partners, has the power to control the financial and operating policies of the limited partnerships.

Each partnership is authorized to issued a number of different classes of units. Each class of units gives the holder the right to receive a specified percentage of the net income earned by one of more of the energy generation projects owned by the partnership.

Additional information about the subsidiaries and the non-controlling interest therein is presented in Schedules 3 and 4.

Revenue recognition

Revenue from solar energy generation is recognized at the time the electricity is transferred to the provincial grid and a corresponding statement has been issued by the relevant local distribution company, providing that the amounts are determinable and the ability to collect is reasonably assured.

Investments in associates

The Co-operative has equity interests in various unincorporated entities governed by legal agreements which are described as “Joint Venture Agreements” (the "Agreements"). Although the Agreements do not create separate legal entities, they anticipate that the joint ventures will transact business in their own names. The joint ventures have obtained Ontario Master Business Licenses, and have been awarded electricity supply contracts in their own names. Therefore, they are considered “separate vehicles”, as defined in IFRS 11. The Co-operative has the ability to exercise significant influence over the financial and operating policies of these entities, but does not have joint control. Accordingly, these entities meet the definition of “associates” in IAS 28 and the Co-operative’s investment in these associates is accounted for using the equity method. These investments do not have a quoted market price. Therefore, the fair market value of these investments cannot be readily determined.

Energy generation equipment

Energy generation equipment is initially recognized at cost. Cost includes the purchase price and other acquisition costs such as installation costs including design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs, duties, testing and preparation charges. In addition, because a contract to supply electricity to a local power authority is required in order for the Co-operative to realize economic benefits from the equipment, and since the estimated useful lives of the contracts and of the equipment is approximately the same, the cost of acquiring such contracts is added to the cost of the equipment.

The cost incurred to enhance the service potential of an item of energy generation equipment (betterment) is also included in the cost of an asset.

3. Significant accounting policies (continued)

Energy generation equipment (continued)

Energy generation equipment is depreciated using the straight-line method over the 20-year useful life of the related contract to supply electricity to a local power authority.

Deferred costs of securing financing

Deferred costs of securing financing comprise professional fees and other costs relating to marketing shares, debentures, convertible debentures and debt (“capital”) of the Co-operative. The Co-operative submitted Offering Memoranda to the Financial Services Commission of Ontario in both 2014 and 2017, permitting it to sell bonds and shares to the public. In addition, as described in more detail in Note 8, the Co-operative incurred lender fees and other expenses in the course of arranging for debt financing to complement the capital raised. These fees have been applied to reduce the carrying value of debt and equity instruments issued. The remaining unapplied amounts pertain to debt and equity instruments that the Co-operative has issued or anticipates issuing after the end of the fiscal year.

Below market leases

Some of the Co-operative's energy generation projects are located on property leased under long-term leases requiring no rent or nominal rent. Where energy generation projects are acquired under circumstances to which IFRS 3 - Business Combinations - applies, the Co-operative recognizes the fair value of its rights under these leases as an asset, and amortizes the asset over the term of the lease.

Financial instruments

The Co-operative considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Co-operative accounts for the following as financial instruments:

- cash
- accounts receivable
- bond subscriptions receivable
- accounts payable and accrued liabilities
- bonds subscribed and issued
- long-term debt
- note payable

A financial asset or liability is recognized when the Co-operative becomes party to contractual provisions of the instrument.

Financial assets or liabilities arising from arm’s length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption.

The Co-operative subsequently measures all of its financial assets and financial liabilities at amortized cost less any reduction for impairment.

3. Significant accounting policies (continued)

Financial instruments (continued)

The Co-operative removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net income.

Membership shares are redeemable at the option of the holder for a fixed amount of cash. In recognition of problems inherent in applying IAS 32 to members' shares in co-operatives, the IASB has issued IFRIC 2 - Members' Shares in Co-operative Entities and Similar Instruments. The Co-operative's membership shares meet the conditions set out in IFRIC 2, and, accordingly, are classified as equity.

Income taxes

Income taxes comprise current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. The carrying amount of a deferred tax asset is reviewed at the end of each fiscal year and reduced to the extent that it is no longer probable that the related tax loss will be realized.

3. Significant accounting policies (continued)

Impairment

Non-financial assets

At the end of each fiscal year, the Co-operative reviews the carrying amounts of its investments in associates to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Co-operative estimates the recoverable amount of the cash generating unit (“CGU”) to which the asset belongs. A CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or CGUs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs. Otherwise, assets are allocated to the smallest group of CGUs for which a reasonable and consistent allocation base can be identified.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Financial assets

The Co-operative considers evidence for impairment of financial assets measured at amortized cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those not found to be specifically impaired are then collectively assessed for any impairment by grouping together assets with similar risk characteristics.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Co-operative on terms that the Co-operative would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, and the disappearance of an active market due to financial difficulty.

An impairment loss with respect to a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Significant management judgements

The following are management judgements in applying the accounting policies of the Co-operative that have the most significant effect on the financial statements.

Classification of investment in associates

The Co-operative assesses whether various legal agreements into which it has entered, which are described as “Joint Venture Agreements”, have resulted in the establishment of “separate vehicles”, as defined in IFRS 11. The key factor in making this assessment is the extent to which the legal agreements to which the joint ventures and the venturers are parties will result in the joint ventures carrying on business in their own right.

3. Significant accounting policies (continued)

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

*Impairment of non-financial asset*s

The Co-operative assesses the carrying value of its below market leases, investments in associates, and projects under development for impairment as circumstances warrant. Recoverability of these assets is dependent on assumptions and judgments regarding future performance. A material change in assumptions may significantly impact the potential impairment of these assets. Assumptions used in the calculation of recoverable amounts include the likelihood of the Co-operative being successful in bringing projects into production or of securing financing, future cash flows and gross margins, and the discount rate used to determine the present value of cash flows. Recoverability is estimated at the lowest level of independent cash flows, which could be an individual asset or CGU.

In 2017, the Co-operative recognized an impairment loss on investments in associates of $2,411 (2016 - $2,937).

Fair Value of Assets Acquired in Business Combinations

The Co-operative assesses the fair value of assets acquired in the course of business combinations. The value of energy generation equipment acquired is dependent on assumptions and judgments regarding future cash flows and the discount rate used to determine the present value of the cash flows. The value of below market leases is dependent on assumptions regarding comparable commercial lease rates . A material change in assumptions may significantly impact the fair value of these assets.

Standards, amendments and interpretations to existing standards that have been adopted by the Co-operative

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)

The IASB issued Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 to address an acknowledged inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and those in IAS 28 Investments in Associates in dealing with the sale or contribution of a subsidiary. The Co-operative’s management has determined that there was no impact of this initiative on these financial statements. The new standard has been applied for annual reporting periods beginning on January 1, 2016.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Co-operative

3. Significant accounting policies (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Co-operative (continued)

At the date of authorization of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted by the Co-operative. Information on those expected to be relevant to the Co-operative's financial statements is provided below. Management anticipates that all relevant pronouncements will be adopted in the Co-operative's accounting policies for the first period beginning after the effective date of the pronouncement.

IFRS 9 Financial Instruments

The IASB published IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, substantially overhauls accounting requirements related to hedging and introduces a new credit loss impairment model. The Co-operative's management has yet to assess the impact of IFRS 9 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance on how to account for certain types of arrangements. The Co-operative's management has yet to assess the impact of IFRS 15 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

IFRS 16 Leases

IFRS 16, Leases ("IFRS 16") was issued in January 2016, and supersedes IAS 17, Leases. This standard introduces a single lessee accounting model. The new standard will affect the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position, including for most leases which are currently accounted for as operating leases. The Standard is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if the Co-operative is also applying IFRS 15. The Co-operative has not yet assessed the impact of adoption.

4. Below market leases

			2017	2016
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Below market leases	$ 477,386	$ 8,146	**$ 469,240**	$ -

The Sunshare1, Sunshare2, and Sunshare3 Limited Partnerships own certain energy generation projects that are located on property owned by entities which also own non-controlling interests in

4. Below market leases (continued)

the limited partnerships, under long-term leases requiring no rent or nominal rent. As set out in Note 2, in accordance with IFRS 3, the Co-operative recognized the fair value of these below market leases in accounting for the acquisition of the businesses that operate these projects. The Co-operative's rights under the leases is being amortized using the straight-line method over the terms thereof.

5. Investments in associates

As at December 31, 2015, the Co-operative had interests in 12 unincorporated associates. These associates were governed by legal agreements described as "Joint Venture Agreements" between the Co-operative and various development partners.

As described in Note 2, during 2016, the Co-operative purchased the interests of its development partners in two of the associates, and a third associate became a subsidiary. Also in 2016, the business that was to be carried on by one of the associates was abandoned. As a result, as at December 31, 2016, the Co-operative had a continuing interest in 8 associates.

Also as described in Note 2, during 2017, five of the associates became subsidiaries. In 2017, the business that was to be carried on by a sixth associate was abandoned. As a result, as at December 31, 2017, the Co-operative has a continuing interest in 2 associates, each of which operates a single energy development project.

The Co-operative has a 51% economic interest and a 40% voting interest in both of these associates.

	2017	2016
CEDC Balnar Sunshare	**$ -**	$ 511,533
CEDC Leis Sunshare	**-**	351,785
CEDC Rohnbrad Sunshare	**-**	1,474,032
CEDC Salus Sunshare	**-**	211,762
CEDC Turkey Sunshare	**110,069**	117,598
CEDC Vigor Sunshare	**-**	564,395
CEDC Oskam Sunshare	**147,759**	18,978
CEDC Greenhorizons Sunshare	**-**	1,092
	$ 257,828	$ 3,251,175

Summarized financial information for these associates is presented in Schedule 1.

6. Energy generation equipment

Cost	
At January 1, 2016	$ -
Assets purchased in the year	18,895,140
Assets acquired in the course of business combinations	5,251,000
At December 31, 2016	24,146,140
Assets purchased in the year	1,940,640
Assets acquired in the course of business combinations	7,941,560
At December 31, 2017	$ 34,028,340
Depreciation	
At January 1, 2016	-
Depreciation expense for the year	317,800
At December 31, 2016	317,800
Depreciation expense for the year	1,307,300
At December 31, 2017	$ 1,625,100
Net book value at December 31, 2016	$ 23,828,340
Net book value at December 31, 2017	$ 32,403,240

7. Deferred income taxes

Temporary differences between accounting and taxable income which result in future income tax assets (liabilities) are as follows:

	2017	2016
Undeducted losses for tax purposes available for carryforward	$ 2,030,073	$ 1,860,250
Temporary differences between carrying value of energy generation equipment and tax value	(2,011,330)	(1,629,749)
Temporary differences between carrying value of unamortized costs of arranging financing and tax value	(7,425)	(13,879)
Less: Valuation allowance	-	(216,622)
	$ 11,318	$ -

Prior to the current year, the Co-operative did not meet the criteria set out in IAS 12 to recognize a net deferred tax asset. Management has determined that the Co-operative meets the critera as at the end of 2017. Accordingly, previously unrecognized tax assets have been recognized in the current year.

Deferred income tax recovery recorded through profit and loss in the consolidated financial statements differs from the amount which would have been obtained by applying the statutory income tax rate of 26.5% to the net loss for the year as follows:

	2017	2016
Anticipated deferred income tax recovery	$ 68,220	$ 163,388
Reversal of valuation allowance (valuation allowance) recognized through profit and loss	103,635	(163,388)
	$ 171,855	$ -

Deferred income taxes comprise the following:

	2017	2016
Deferred income tax recovery recorded through profit and loss	$ 171,855	$ -
Deferred taxes recognized on business combinations	(160,537)	-
	$ 11,318	$ -

8. Deferred costs of securing financing

Deferred costs of securing financing comprise the following:

(a) Costs incurred in the course of issuing securities to the public, comprising legal and related costs associated with filing Offering Memoranda with the Financial Services Commission of Ontario in 2014 and 2017, which permitted the Co-operative to market to the public the bonds described in Note 12 and the shares described in Note 13.

(b) Lender fees and related legal and engineering costs incurred in the course of arranging the debt financing from CWB Maxium Financial Inc. described in Note 10.

In accordance with standards for the initial measurement of debt instruments, as set out in IAS 39, costs related to issuing bonds and arranging for debt financing are recorded as a reduction in the carrying value of the related debt instruments, and are accreted over the term of the debt. Costs related to issuing shares are recorded as a reduction in the carrying value of the shares, and are charged to retained earnings when the shares are redeemed.

			2017	2016
	Bond and Share Issue Costs	Debt Issue Costs	**Total**	Total
Balance, beginning of year	$ -	$ 182,379	**$ 182,379**	$ 53,508
Costs incurred in the year	51,929	836,370	**888,299**	128,871
Costs allocated to share capital and bonds issued	(10,985)	(972,372)	**(983,357)**	-
Balance, end of year	$ 40,944	$ 46,377	**$ 87,321**	$ 182,379

9. Related party transactions

(a) During the year, the Co-operative entered into the following transactions with Vigor Clean Tech Inc. ("VCT"), a corporation which is related by virtue of common management:

	2017	2016
Energy generation equipment purchased	**$ 1,936,500**	$ 10,998,183
Share of costs incurred by associates (see Note 6) in respect of the acquisition of energy generation equipment	**790,307**	5,191,394
Management fees	**159,437**	405,050
Interest	**962,143**	-

Key management is employed by VCT, which compensates management staff from the management fees it receives.

(b) Accounts payable and accrued liabilities include amounts payable to VCT

2017	2016
$ 1,090,508	$ 6,682,184

10. Long-term debt

CWB Maxium Financial Inc. term loans. All loans are payable in blended quarterly instalments, interest payable at various rates between 5.11% and 5.70%. All loans are amortized over 17 years, but are due on the tenth anniversary date. At that time, the Co-operative will have the option of renewing the loans for an additional 7 years, at then-current interest rates, or repaying them in full.

Each loan is secured by one or more specific energy generation projects.

	2017
Loan payable at 5.49%, quarterly instalments of $159,655, due January 30, 2027	**$ 6,761,011**
Loan payable at 5.31%, quarterly instalments of $151,791, due April 28, 2027	**6,573,392**
Loan payable at 5.11%, quarterly instalments of $17,642, due June 7, 2027	**782,279**
Loan payable at 5.70%, quarterly instalments of $123,309, due December 21, 2027	**5,337,964**
	19,454,646
Less unaccreted costs of issuing debt	**925,855**
	18,528,791
Less current portion	**701,673**
Due beyond one year	**$ 17,827,118**

Estimated principal repayments are as follows:

2018	$ 701,673
2019	799,531
2020	844,127
2021	891,213
2022	940,928
Subsequent years	15,277,174
	$ 19,454,646

Under the terms of the loan agreements, the Co-operative is required to retain a portion of the income earned from the energy generation projects that are pledged as security for the loans in segregated bank accounts at CWB Maxium's parent, Canada Western Bank. The segregated funds are designated for financing repairs required to the projects, as well as for maintaining a reserve to finance loan payments, should the cash flow from the projects be insufficient to make the required payments.

11. Note payable

	2017	2016
Note payable to 2300070 Ontario Inc. bearing interest at 5% per annum, unsecured, payable in quarterly blended instalments of $35,350, due December 23, 2021.	**$ 1,417,327**	$ 1,484,120
Less current portion	**70,583**	-
Due beyond one year	**$ 1,346,744**	$ 1,484,120

Estimated principal repayments are as follows:

2018	$ 70,583
2019	74,179
2020	77,958
2021	1,194,607
	$ 1,417,327

12. Bonds issued and subscribed

	2017	2016
Series M1-5 bonds		
Bonds issued	**$ 1,158,415**	$ 1,524,214
Accrued interest	**111,676**	110,555
Series L1-5 bonds		
Bonds issued	**1,921,223**	1,921,223
Accrued interest	**312,555**	148,138
Series N1-5 bonds		
Bonds issued	**97,852**	51,000
Accrued interest	**4,706**	-
Bonds subscribed for but not paid	**-**	2,000
Series Q bonds		
Bonds issued	**208,857**	-
Accrued interest	**567**	-
Series O bonds		
Bonds issued	**134,923**	-
Accrued interest	**453**	-
Series P bonds		
Bonds issued	**184,672**	-
Accrued interest	**235**	-
Less: unaccreted costs of issuing debt	**(27,815)**	(28,348)
	4,108,319	3,728,782
Less current portion	**540,852**	423,411
	$ 3,567,467	$ 3,305,371

Estimated principal repayments are as follows:

2018	$ 540,852
2019	503,030
2020	466,307
2021	190,195
2022	70,071
Subsequent years	2,365,679
	$ 4,136,134

Series M1-5 Medium Term Bonds

The Board of Directors has authorized the issuance of up to $2.0 million unsecured, non-voting, Series M1-5 medium term bonds as part of its offering statement. These bonds are expected to help shape the payments to bondholders to mirror the anticipated early cash flows of the Co-operative. The minimum individual purchase is $1,000 and each individual may invest an unlimited amount, subject to the maximum total offering.

Each Series M1-5 medium term bond is a package of five bonds, with varying interest rates and maturity dates. Investments in Series M1-5 bonds are allocated as follows:

M1	24% of amount invested	5.50% interest rate	1 year term
M2	22% of amount invested	5.75% interest rate	2 year term
M3	20% of amount invested	6.00% interest rate	3 year term
M4	18% of amount invested	6.25% interest rate	4 year term
M5	16% of amount invested	6.50% interest rate	5 year term

Interest accrues and compounds annually on these bonds. The face value of each bond and the interest compounded over the term of the bond is payable at maturity. No payments are required to the bondholders until each maturity date.

The Co-operative may at any time redeem, without the consent of the bondholders, all or any part of the issued and outstanding Series M1-5 medium term bonds upon payment of the principal together with any accrued interest. The rights of the bondholders may be modified or waived at a meeting of all bondholders with a vote of at least two-thirds of the aggregate principal present, provided that quorum is achieved. Quorum is achieved if at least 25% of the principal amount of the bonds are represented in person or rendered by instruments in writing signed by the holders of at least two-thirds of the aggregate principal amount.

The bonds are not redeemable by the holder on demand. In addition, holders of the bonds are not entitled to demand the redemption of their outstanding principal upon withdrawal from membership in the Co-operative.

The bonds are junior in rank with respect to the payment of interest and principal on the Co-operative's term loans. The bonds are equivalent in rank with respect to the payment of interest and principal on the Series L1-4 long term bonds and the Series N1-5 medium term bonds. The bonds are senior in rank to the payment of dividends on and redemption amount of the Class A preference shares, Class B preference shares, Class C preference shares, and membership shares upon dissolution.

Series L1-4 Long Term Bonds

The Board of Directors has authorized the issuance of up to $4.0 million unsecured, non-voting, Series L1-4 long term bonds as part of its offering statement. These bonds are expected to allow the Co-operative to manage its cash flow in respect to its anticipated future loan payments and anticipated future cash flow from the exploitation of Feed-in Tariff (FIT) contracts. The minimum individual purchase is $1,000 and each individual may invest an unlimited amount, subject to the maximum total offering.

Each Series L1-4 long term bond is a package of four bonds, with varying interest rates and maturity dates. Investments in Series L1-4 bonds are allocated as follows:

L1	16% of amount invested	7.00% interest rate	8 year term
L2	16% of amount invested	7.50% interest rate	12 year term
L3	32% of amount invested	8.00% interest rate	16 year term
L4	36% of amount invested	8.50% interest rate	20 year term

Interest accrues and compounds annually on each bond. The face value of each bond and the interest compounded over the term of the bond is payable at maturity. No payments are required to the bondholders until each maturity date.

The Co-operative may at any time redeem, without the consent of the bondholders, all or any part of the issued and outstanding Series L1-4 long term bonds upon payment of the principal together with any accrued interest. The rights of the bondholders may be modified or waived at a meeting of all bondholders with a vote of at least two-thirds of the aggregate principal present, provided that quorum is achieved. Quorum is achieved if at least 25% of the principal amount of the bonds are represented in person or rendered by instruments in writing signed by the holders of at least two-thirds of the aggregate principal amount.

The bonds are not redeemable by the holder on demand. In addition, holders of the bonds are not entitled to demand the redemption of their outstanding principal upon withdrawal from membership in the Co-operative.

The bonds are junior in rank with respect to the payment of interest and principal on the Co-operatives term loans. The bonds are equivalent in rank with respect to the payment of interest and principal on the Series M1-5 medium term bonds and Series N1-5 medium term bonds. The bonds are senior in rank to the payment of dividends on and redemption amount of the Class A preference shares, Class B preference shares, Class C preference shares, and membership shares upon dissolution.

Series N1-5 Medium Term Bonds

The Board of Directors has authorized the issuance of up to $2.0 million unsecured, non-voting, Series N1-5 medium term bonds as part of its offering statement. These bonds are expected to help shape the payments to bondholders to mirror the anticipated early cash flows of the Co-operative. The minimum individual purchase is $1,000 and each individual may invest an unlimited amount, subject to the maximum total offering.

Each Series N1-5 medium term bond is a package of five bonds, with varying interest rates and maturity dates. Investments in Series N1-5 bonds are allocated as follows:

N1	24% of amount invested	5.50% interest rate	1 year term
N2	22% of amount invested	5.75% interest rate	2 year term
N3	20% of amount invested	6.00% interest rate	3 year term
N4	18% of amount invested	6.25% interest rate	4 year term
N5	16% of amount invested	6.50% interest rate	5 year term

Interest accrues and compounds annually on each bond. The face value of each bond and the interest compounded over the term of the bond is payable at maturity. No payments are required to the bondholders until each maturity date.

The Co-operative may at any time redeem, without the consent of the bondholders, all or any part of the issued and outstanding Series N1-5 medium term bonds upon payment of the principal together with any accrued interest. The rights of the bondholders may be modified or waived at a meeting of all bondholders with a vote of at least two-thirds of the aggregate principal present, provided that quorum is achieved. Quorum is achieved if at least 25% of the principal amount of the bonds are represented in person or rendered by instruments in writing signed by the holders of at least two-thirds of the aggregate principal amount.

The bonds are not redeemable by the holder on demand. In addition, holders of the bonds are not entitled to demand the redemption of their outstanding principal upon withdrawal from membership in the Co-operative.

The bonds are junior in rank with respect to the payment of interest and principal on the Co-operative's term loans. The bonds are equivalent in rank with respect to the payment of interest and principal on the Series L1-4 long term bonds and Series M1-5 medium term bonds. The bonds are senior in rank to the payment of dividends on and redemption amount of the Class A preference shares, Class B preference shares, Class C preference shares, and membership shares upon dissolution.

13. Share capital

Authorized

100,000 Membership shares, par value of $10 each, redeemable at par value at the option of the holder

10,000,000 Class A preference shares, par value of $5 each, variable, non-cumulative preferential dividend rate determined by the Board of Directors, non-voting, redeemable at the option of the Co-operative

10,000,000 Class B preference shares, par value of $5 each, variable, non-cumulative preferential dividend rate determined by the Board of Directors, non-voting, redeemable at the option of the Co-operative

10,000,000 Class C preference shares, par value of $5 each, variable, non-cumulative preferential dividend rate determined by the Board of Directors, non-voting, redeemable at the option of the Co-operative

Issued

	2017	2016
730 membership shares (2016 - 683)	**$ 7,300**	$ 6,830
Class A preference shares issued	**$ 5,798,530**	$ 5,929,520
Pro-rata allocation of bond and share issue costs - Class A preference shares	**(50,262)**	(51,397)
Class B preference shares issued	**1,163,910**	-
Pro-rata allocation of bond and share issue costs - Class B preference shares	**(7,555)**	-
	$ 6,904,623	$ 5,878,123

13. Share capital (continued)

In 2017, 26,190 Class A preference shares were redeemed, for a redemption amount of $130,950, leaving 1,159,706 Class A preference shares outstanding. Also in 2017, 232,782 Class B preference shares were issued for total proceeds of $1,163,910.

Transaction costs in the amount of $51,397 and $7,555, representing the pro-rata share of the bond and share issue costs as set out in Note 8 were allocated to the Class A and Class B preference shares, respectively, and have reduced the carrying value of these shares. The amount allocated to the Class A shares has been reduced by the portion applicable to the 26,190 Class A preference shares redeemed in 2017.

These shares are not redeemable at the option of the holder.Therefore, the shares have been classified as equity. From time-to-time, the Co-operative may, upon written request from a shareholder and subject to Board approval, redeem the shares. If the Co-operative is unable or unwilling to comply with the request, the Co-operative will attempt to facilitate a transfer to a third-party on a best efforts basis.

To date, no Class C preference shares have been issued.

14. Supplementary cash flow information

	2017	2016
(a) Items not affecting cash		
Depreciation of energy generation equipment	**$ 1,306,639**	$ 317,800
Deferred income taxes	**(171,855)**	-
Accrued interest added to bonds payable	**219,227**	245,062
Impairment loss on investments in associates	**2,411**	2,937
Accretion of debt issue costs	**50,482**	3,964
Share of depreciation recorded by associates	**136,833**	119,025
Amortization of below market leases	**8,146**	-
Fair value increase on business combinations	**(619,991)**	-
	$ 931,892	$ 688,788
(b) Change in non-cash working capital items		
Accounts receivable	**$ (155,141)**	$ (78,265)
Prepaid expenses	**8,189**	68,693
Accounts payable and accrued liabilities	**722,669**	329,558
Harmonized sales tax payable	**399,855**	513,286
	$ 975,572	$ 833,272
Interest paid	**$ 821,122**	$ -
Interest received	**$ 6,319**	$ -

15. Lease commitments

The Co-operative has entered into six 20-year leases for premises where it has installed equipment used in commercial operations. The lease commencement dates vary from December 11, 2015 to September 1, 2016. Included in each lease is an option to renew for two additional 10 year terms.

The Co-operative's total future minimum lease payments under lease commitments over the next five years are as follows:

2018	$ 139,500
2019	139,500
2020	139,500
2021	139,500
2022	139,500
Subsequent years	2,020,667
	$ 2,718,167

In addition to the above noted minimum lease payments, the Co-operative is also obligated to pay its share of operating costs, which fluctuate year to year.

16. Capital management

The Co-operative's objectives when managing capital are to provide a return for members and ensure sufficient resources are available to meet day-to-day operations. Capital is considered to consist of total equity, bonds payable, long-term debt, note payable, and the portion of accounts payable related to the acquisition of long term assets. As at December 31, 2017, capital was $35,562,020 (2016 - $ 27,065,609).

The Co-operative manages its capital structure and makes adjustments to it, based on the funds available to the Co-operative or in the light of changes in economic conditions and the risk characteristics of the underlying assets. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Co-operative, is reasonable.

There has been no change in the overall capital risk management strategy during the year.

17. Financial instruments

The Co-operative is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides a measure of the Co-operative’s risk exposures and concentrations at December 31, 2017.

(a) Liquidity risk

Liquidity risk is the risk that the Co-operative will encounter difficulty in meeting the obligations associated with its financial liabilities. The Co-operative is exposed to this risk mainly in respect of amounts owing to vendors, its lender, bond holders, members, and a related corporation. The Co-operative's ability to meet obligations depends largely on its operating receipts and other related sources, whether in the form of revenue or advances. Liquidity risk has changed significantly during the past fiscal year, due to the issuance of bonds, preference shares, and long-term debt in the current year.

(b) Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Co-operative is mainly exposed to interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. All of the Co-operative's long term debt instruments bear interest at fixed rates. Accordingly, the Co-operative is exposed to fair value risk.Currently, the fair value of these instruments approximates the carrying value, since they bear interest at rates which approximate current market rates for similar instruments. Interest rate risk has changed significantly during the past fiscal year, due to the additional long-term debt incurred in the current year.

Community Energy Development Co-operative Ltd.
Schedule 1 - Consolidated Schedule of Investments in Associates

Year Ended December 31, 2017

	CEDC BALNAR SUNSHARE JOINT VENTURE	CEDC LEIS SUNSHARE JOINT VENTURE	CEDC OSKAM SUNSHARE JOINT VENTURE	CEDC ROHNBRAD SUNSHARE JOINT VENTURE	CEDC TURKEY SUNSHARE JOINT VENTURE	CEDC SALUS SUNSHARE JOINT VENTURE	CEDC VIGOR SUNSHARE JOINT VENTURE	CEDC GREEN HORIZONS SUNSHARE JOINT VENTURE	**TOTAL 2017**	TOTAL 2016
Financial Position										
Current assets - Accounts Receivable	$ -	$ -	$ 815	$ -	$ 3,225	$ -	$ -	$ -	**$ 4,040**	$ 4,610
Energy generation equipment, net of accumulated amortization			$ 350,514		$ 836,472				**1,186,986**	6,424,293
Total assets	$ -	$ -	$ 351,328	$ -	$ 839,697	$ -	$ -	$ -	**$ 1,191,026**	$ 6,428,903
Current liabilities	$ -	$ -	$ 186	$ -	$ 54	$ -	$ -	$ -	**$ 240**	$ -
Non-current liabilities (see Note below)	-	-	-	-	471,100	-	-	-	**471,100**	495,942
Total liabilities	$ -	$ -	$ 186	$ -	$ 471,155	$ -	$ -	$ -	**$ 471,340**	$ 495,942
Co-venturers' capital	$ -	$ -	$ 351,143	$ -	$ 368,543	$ -	$ -	$ -	**$ 719,685**	$ 5,932,961
Co-operative's share of the above capital	$ -	$ -	$ 191,044	$ -	$ 196,167	$ -	$ -	$ -	**$ 387,211**	$ 3,251,175
Operations										
Energy generation revenue	$ 123,639	$ 93,052	$ 36,644	$ 370,589	$ 107,989	$ -	$ 96,733	$ -	**$ 828,646**	$ 672,420
Direct costs										
System operating expenses	2,166	513	1,417	4,492	540		1,764		**10,893**	48,042
Land lease payments	-	-	-	-	-		11,000		**11,000**	41,000
Project insurance	2,676	1,992	872	8,124	3,336		8,351		**25,350**	16,419
Operations and Maintenance	4,273	3,788	1,988	10,100	5,050		7,500		**32,698**	450
	9,115	6,292	4,276	22,716	8,926	-	28,615	-	**79,941**	105,911
Gross Profit	114,524	86,760	32,368	347,873	99,063	-	68,118	-	**748,705**	566,509
Interest on long-term debt (see Note below)	-	-	-	-	17,982		-		**17,982**	28,290
Amortization	43,697	29,082	14,359	109,363	40,541		27,185		**264,227**	231,113
	43,697	29,082	14,359	109,363	58,523	-	27,185	-	**282,209**	259,403
Net income and comprehensive income	$ 70,827	$ 57,678	$ 18,009	$ 238,510	$ 40,540	$ -	$ 40,933	$ -	**$ 466,496**	$ 307,106
Co-operative's share thereof	$ 36,122	$ 29,416	$ 8,467	$ 121,640	$ 11,864	$ -	$ 19,031	$ -	**$ 226,539**	$ 150,152

Non-current liability of the CEDC Turkey Sunshare JV consists of a note payable to the co-venturer, bearing interest at 5.5% per annum. The note is repayable in quarterly blended payments of $12,932 including interest. The note matures on September 30, 2030.

For Associates involved in business combinations in the year, the results of operations shown above represent the income and expenses for the period prior to the buisness combinations.

Community Energy Development Co-operative Ltd.
Schedule 2 - Business Combinations (Note 2)

Year Ended December 31, 2017

	Fair Value of Assets Acquired: Energy Generation Equipment	Fair Value of Assets Acquired: Below Market Leases	Fair Value of Assets Acquired: Total	Fair Value of Co-Operative's interest in Assets Acquired	Carrying Value of Co-Operative's Equity Interest prior to Combination	Remeasurement Gain (Loss)	Non-Controlling Interest Arising on Combination	Results of Post-Acqusition Activities of Subsidiary: Revenue	Results of Post-Acqusition Activities of Subsidiary: Net Income (Loss)
Associate Acquired in 2016									
CEDC Crestview Joint Venture	$ 273,280	$ -	$ 273,280	$ 153,040	$ 153,040	$ -	$ 120,243	$ -	$ (10)
Associates Acquired in 2017									
CEDC Salus Joint Venture	$ 533,793	$ 37,311	$ 571,104	$ 291,263	$ 213,135	$ 78,128	$ 279,841	$ 68,726	$ 62,494
CEDC Vigor Joint Venture	2,290,020		2,290,020	1,167,910	1,202,657	(34,747)	1,122,110	16,546	12,721
CEDC Balnar Joint Venture	1,035,057	90,859	1,125,916	574,217	487,714	86,503	551,699	7,319	1,814
CEDC Leis Joint Venture	751,866	62,319	814,185	415,234	336,683	78,551	398,951	5,491	4,081
CEDC Rhonbrad Joint Venture	3,330,824	249,825	3,580,649	1,826,131	1,414,576	411,555	1,754,518	61,105	44,028
	$ 7,941,560	$ 440,314	$ 8,381,874	$ 4,274,756	$ 3,654,765	$ 619,991	$ 4,107,118	$ 159,187	$ 125,138

Community Energy Development Co-operative Ltd.
Schedule 3 - Non-Controlling Interests in Subsidiaries

Year Ended December 31, 2017

	Sunshare1 Limited Partnership	Sunshare2 Limited Partnership	Sunshare2 Limited Partnership	Sunshare4 Limited Partnership	Total
Non-Controlling Interest as at January 1, 2016	$ -	$ -	$ -	$ -	$ -
Non-Controlling Interest arising on business combinations (Schedule 2)	120,243	-	-	-	120,243
Net loss allocated to non-controlling interest	(5)				(5)
Non-Controlling Interest as at December 31, 2016	120,238	-	-	-	120,238
Non-Controlling Interest arising on business combinations (Schedule 2)	279,841	2,072,759	1,754,518		4,107,118
Deferred taxes recognized on business combinations	(20,657)	(33,193)	(106,687)		(160,537)
Non-Controlling Interest in assets acquired subsequent to business combination	27,072	1,936,500			1,963,572
Contributions by non-controlling interests		13,283	28,244		41,527
Distributions to non-controlling interests	(290,283)	(999,087)			(1,289,370)
Net income (loss) allocated to non-controlling interest	(10,749)	(14,746)	(16,873)		(42,368)
Non-Controlling Interest as at December 31, 2017	$ 105,462	$ 2,975,516	$ 1,659,202	$ -	$ 4,740,180

Community Energy Development Co-operative Ltd.
Schedule 4 - Consolidated Financial Information of Subsidiaries

Year Ended December 31, 2017

	Sunshare1 Limited Partnership	Sunshare2 Limited Partnership	Sunshare2 Limited Partnership	Sunshare4 Limited Partnership	TOTAL 2017	TOTAL 2016
Financial Position						
Assets						
Current						
Cash	$ 153,071	$ 837,978	$ 46,532	$ 1,750	$ 1,039,331	$ -
Accounts receiable	77,596	151,360	64,671		293,627	
Total current assets	230,667	989,338	111,203	1,750	1,332,958	-
Long-term						
Restricted cash	706,293	246,692			952,985	
Below market leases	60,995	151,824	256,421		469,240	
Energy generation equipment	20,217,074	8,888,543	3,297,624		32,403,241	273,280
Projects under development				145,933	145,933	
Deferred costs of securing financing		46,377			46,377	
Total Long-term assets	20,984,362	9,333,436	3,554,045	145,933	34,017,776	273,280
Total assets	$ 21,215,029	$ 10,322,774	$ 3,665,248	$ 147,683	$ 35,350,734	$ 273,280
Liabilities						
Current						
Accounts payable	$ 66,480	$ 432,787	$ 110,632		$ 609,899	$ -
Harmonized sales tax payable (recoverable)	54,231	(27,910)	11,732		38,053	
Current portion of long-term debt and note	512,032	189,641	70,583		772,256	
Total current liabilities	632,743	594,518	192,947	-	1,420,208	-
Long-term debt and note	13,037,842	4,789,275	1,417,327		19,244,444	
Total liabilities	13,670,585	5,383,793	1,610,274	-	20,664,652	-
Partners' Equity	$ 7,544,444	$ 4,938,981	$ 2,054,974	$ 147,683	$ 14,686,082	$ 273,280
Attributable to						
Owners of the parent	$ 7,438,982	$ 1,963,465	$ 395,772	$ 147,683	$ 9,945,902	$ 153,042
Non-controlling interests	105,462	2,975,516	1,659,202	-	4,740,180	120,238
	$ 7,544,444	$ 4,938,981	$ 2,054,974	$ 147,683	$ 14,686,082	$ 273,280
Operations						
Energy generation revenue	$ 2,146,240	$ 52,122	$ 61,095		$ 2,259,457	$ -
Expenses						
System operating expenses	10,526	2,491	4,530		17,547	10
Land lease payments	73,889	1,354	3,404		78,647	
Project insurance	10,486	2,960			13,446	
Operations and Maintenance	120,510	20,129	10,100		150,739	
Other		160			160	
Professional fees			15,166		15,166	
Interest on long-term debt	600,256	-	36,375		636,631	
Amortization	850,825	67,927	33,200		951,952	
	1,666,492	95,021	102,775	-	1,864,288	10
Net income and comprehensive income	$ 479,748	$ (42,899)	$ (41,680)		$ 395,169	$ (10)
Attributable to						
Owners of the parent	$ 490,497	$ (28,153)	$ (24,807)	$ -	$ 437,537	$ (5)
Non-controlling interests	(10,749)	(14,746)	(16,873)		(42,368)	(5)
	$ 479,748	$ (42,899)	$ (41,680)	$ -	$ 395,169	$ (10)