Grant Thornton

Financial Statements

Community Energy Development Co-operative Ltd.

December 31, 2015

Contents

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Independent Auditor's Report

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To the Members of
Community Energy Development Co-operative Ltd.

We have audited the accompanying financial statements of Community Energy Development Co-operative Ltd., which comprise the statement of financial position as at December 31, 2015, and the statements of operations and comprehensive loss, changes in members' equity (deficiency), and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Community Energy Development Co-operative Ltd. as at December 31, 2015, 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
May 10, 2016

Chartered Professional Accountants
Licensed Public Accountants

Community Energy Development Co-operative Ltd.
Statement of Operations and Comprehensive Loss

Year ended December 31	**2015**	2014
Revenue	**$ -**	$ -
Operating expenses		
Professional fees	**48,396**	7,538
Office	**11,673**	4,211
Management fees	**7,855**	7,636
Insurance	**7,200**	810
Finance charges	**4,000**	-
Travel	**2,348**	1,547
Advertising and promotion	**2,168**	1,320
Memberships, dues and licenses	**2,038**	1,080
Interest and bank charges	**1,076**	49
Conferencing and training	**550**	-
Donations	**-**	500
	87,304	24,691
Net loss and comprehensive loss before other income (expenses)	**(87,304)**	(24,691)
Other income (expenses)		
Interest income	**231**	16
Share of loss in associates	**(3,729)**	-
Interest on bonds issued	**(13,631)**	-
Impairment loss on investments in associates	**(1,779)**	-
	(18,908)	16
Net loss and comprehensive loss	**$ (106,212)**	$ (24,675)

Community Energy Development Co-operative Ltd.
Statement of Changes in Members' Equity (Deficiency)

Year Ended December 31

	Membership Shares	Class A Preference Shares Issued	Class A Preference Shares Subscribed	Convertible Debentures	Deficiency	Total Members' Equity (Deficiency)
Balance as at January 1, 2014	**$ 2,260**	**$ -**	**$ -**	**$ -**	**$ (26,768)**	**$ (24,508)**
Issuance of membership shares	1,270	-	-	-	-	1,270
Issuance of convertible debentures	-	-	-	120,740	-	120,740
Net loss and comprehensive loss for the year	-	-	-	-	(24,675)	(24,675)
Balance as at December 31, 2014	**$ 3,530**	**$ -**	**$ -**	**$ 120,740**	**$ (51,443)**	**$ 72,827**
Issuance of membership shares	3,080	-	-		-	3,080
Issuance of convertible debentures	-	-	-	73,090	-	73,090
Conversion of convertible debentures to Class A preference shares	-	193,830	-	(193,830)	-	-
Class A preference shares paid and issued, net of share issuance costs	-	5,319,121	-	-	-	5,319,121
Class A preference shares subscribed for but not yet paid at year end	-	-	365,172	-	-	365,172
Net loss and comprehensive loss for the year	-	-	-	-	(106,212)	(106,212)
Balance as at December 31, 2015	**$ 6,610**	**$ 5,512,951**	**$ 365,172**	**$ -**	**$ (157,655)**	**$ 5,727,078**

See accompanying notes and schedule to the financial statements.

Community Energy Development Co-operative Ltd.
Statement of Financial Position

December 31	2015	2014
Assets		
Current		
Cash	**$ 2,408,644**	$ 18,089
Harmonized sales tax recoverable	**163,413**	33,439
Prepaid expenses	**7,109**	-
Due from related corporation (Note 8)	**33,289**	-
Bond and share subscriptions receivable (Notes 9 and 10)	**2,659,065**	-
	5,271,520	51,528
Long-term		
Investments in associates (Note 5)	**2,167,879**	145,591
Deposits (Note 4)	**1,923,885**	-
Energy supply contracts (Note 6)	**54,043**	26,400
Deferred costs of securing financing (Note 7)	**53,508**	134,650
	4,199,315	306,641
	$ 9,470,835	$ 358,169

On behalf of the board

__________________________ Member __________________________ Member

Community Energy Development Co-operative Ltd.
Statement of Financial Position

December 31	2015	2014
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 32,449**	$ 5,055
Due to related corporation (Note 8)	**-**	280,287
Current portion of bonds issued (Note 9)	**200,483**	-
	232,932	285,342
Long-term		
Bonds issued (Note 9)	**1,216,932**	-
Bonds subscribed (Note 9)	**2,293,893**	-
	3,510,825	-
	3,743,757	285,342
Members' equity (deficiency)		
Share capital (Note 10)		
Membership shares	**6,610**	3,530
Class A preference shares issued	**5,512,951**	-
Class A preference shares subscribed	**365,172**	-
	5,884,733	3,530
Convertible debentures (Note 11)	**-**	120,740
Deficiency	**(157,655)**	(51,443)
	5,727,078	72,827
	$ 9,470,835	$ 358,169

On behalf of the board

____________________ Member ____________________ Member

Community Energy Development Co-operative Ltd.
Statement of Cash Flows

Year ended December 31	**2015**	2014
Increase (decrease) in cash and cash equivalents		
Operating		
Net loss and comprehensive loss	**$ (106,212)**	$ (24,675)
Items not affecting cash		
Interest accrued on bonds issued	**13,631**	-
Share of loss in associates	**3,729**	-
Impairment loss on investments in associates	**1,779**	-
Operating costs financed by related corporation	**29,388**	6,290
	(57,685)	(18,385)
Change in non-cash working capital items		
Harmonized sales tax recoverable	**(129,974)**	9,773
Prepaid expenses	**(7,109)**	-
Accounts payable and accrued liabilities	**27,394**	3,056
Deferred charges	**(2,567)**	-
	(169,941)	(5,556)
Financing		
Repayment of advances from related corporation, net	**(342,964)**	(99,972)
Issuance of bonds	**1,164,130**	-
Issuance of membership shares	**3,080**	1,270
Issuance of Class A preference shares	**3,718,598**	-
Issuance of convertible debentures	**73,090**	120,740
	4,615,934	22,038
Investing		
Energy supply contracts	**(27,643)**	-
Investments in associates	**(2,027,795)**	-
	(2,055,438)	-
Increase in cash and cash equivalents	**2,390,555**	16,482
Cash and cash equivalents		
Beginning of year	**18,089**	1,607
End of year	**$ 2,408,644**	$ 18,089

During the year, the Co-operative converted $193,830 of convertible debentures into Class A preference shares in a non-cash transaction.

As described in Note 4, during the year, the Co-operative issued $165,075 Series M1-5 medium term bonds, $106,890 Series L1-4 long term bonds, and $1,651,920 of Class A preference shares in exchange for the assignment of debt owed to individuals by Vigor Clean Tech Inc., in a non-cash transaction.

Nature of operations

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 that *Act*, electricity it produces from one or more renewable energy sources.

1. General Information and Statement of Compliance with IFRS

The Co-operative is a co-operative 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 10, 2016.

2. Significant accounting policies

Revenue recognition

The Co-operative is in the start-up phase, and accordingly, has not begun to generate revenue as of the end of the year. When the Co-operative has commenced operations, revenue from solar energy generation will be 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". Although not separate legal entities, the joint venture agreements 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 supply contracts

The Co-operative has incurred costs of $54,043 in respect of the acquisition of energy supply contracts with local energy distribution companies. The Co-operative anticipates completing the acquisition of these contracts in 2016 and 2017. These contracts, once acquired, will give the Co-operative the right to supply a pre-determined number of kilowatts of electricity to the local power grid. This capacity will be reserved for the Co-operative and cannot be impacted by future changes to the local power grid. These contracts are recorded at cost, and will be amortized over the 20-year term of the contracts, once the Co-operative has begun supplying electricity to the local power grid pursuant to the contracts.

2. Significant accounting policies (continued)

Deferred costs of securing financing

Deferred costs of securing financing consist of professional fees and other costs relating to marketing shares, debentures, convertible debentures and debt (“capital”) of the Co-operative. The Co-operative submitted an Offering Memorandum (“the Offering Memorandum”) to the Financial Services Commission of Ontario (“FSCO”), detailing plans to raise as much as $12.1 million of capital. In addition, as described in more detail in Note 7, the Co-operative has paid fees and other expenses in the course of arranging for debt financing to complement the capital raised. The Co-operative intends to use all funds raised, including share capital and debt, to finance the acquisition of contracts to supply electrical energy to local energy distribution companies in Ontario, as well as the equipment and other assets necessary to supply fulfil those contracts.

Convertible debentures

Convertible debentures consisted of unsecured, non-interest bearing advances. The debenture subscription agreement under which debentures were issued in 2014 and 2015 provided that all outstanding convertible debentures were to be converted into Class A preference shares on the earlier of 10 business days after the date that FSCO receipted the Co-operative’s Offering Memorandum, or April 30, 2015. FSCO receipted the Offering Memorandum on March 28, 2015. Accordingly, all debentures outstanding were automatically converted into Class A preference shares on April 10, 2015. Prior to conversion, the debentures were not redeemable in cash, although they would have been redeemable in cash in the event that the Co-operative violated certain terms of the debenture agreement (an "Event of Default").

Pursuant to the terms of the debenture agreements, all of the convertible debentures outstanding as of April 10, 2015 were automatically converted into Class A preference shares on that date.

IAS 32 specifies that a contract that will be settled by an entity delivering a fixed number of its own equity instruments is an equity instrument. Accordingly, the convertible debentures are classified as equity instruments.

Contributed services

The Board of Directors contribute time to assist the Co-operative in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

2. Significant accounting policies (continued)

Financial instruments

Financial assets measured at amortized cost comprise cash, due from related corporation, and bond and share subscriptions receivable.

Financial liabilities measured at amortized cost comprise accounts payable and accrued liabilities, due to related corporation, and bonds payable.

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, these shares 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 to 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 each fiscal year and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2. 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.

2. Significant accounting policies (continued)

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.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

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.

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 assets

The Co-operative assesses the carrying value of its investments in associates, deposits, energy supply contracts, and deferred costs of securing financing 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 the project 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 2015, the Co-operative recognized an impairment loss on investments in associates of $1,779 (2014 - nil).

2. 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

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.

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 yet to assess the impact of this initiative on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2016.

3. Income taxes

The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 15.0% (2014 - 15.5%) to the net loss and comprehensive loss for the years as follows:

	2015	2014
Net loss and comprehensive loss for the year before income taxes	**$ (106,212)**	$ (24,675)
Anticipated income tax recovery	**$ (15,932)**	$ (3,825)
Tax effect of the following:		
Share and bond issuance costs	**(385)**	(12,975)
Deferred income tax benefit not recognized relating to the benefits of losses carried forward and other tax assets	**16,317**	16,800
Income tax expense	**$ -**	$ -

The Co-operative has the following amounts available to reduce future taxable income:

(a) Losses of $191,817 incurred for tax purposes. The losses will expire as follows: $6,854 – 2033; $52,132 – 2034; $132,831 - 2035.

(b) Costs of $82,844 associated with issuing shares and arranging for debt financing, which will be deductible over the next three to four taxation years, respectively.

(c) Other costs of $12,680 incurred in the prior year which will be deductible in future years at the rate of 7% per year, on a declining basis.

4. Deposits

During the year, the Co-operative sold bonds and shares to individuals who had previously loaned funds to a related corporation, Vigor Clean Tech Inc. ("VCT"). These individuals paid for the bonds and shares purchased by assigning to the Co-operative their debts receivable from VCT.

As described in the Co-operative's Offering Memorandum, it is anticipated that these debt assignments will be applied against the purchase of certain energy development projects that the Co-operative expects to purchase from VCT.

5. Investments in associates

The Co-operative has interests in 12 unincorporated associates. These associates are governed by legal agreements described as "Joint Venture Agreements" between the Co-operative and various development partners located in the province of Ontario.

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

For energy development projects where the Co-operative's co-venturer owns the land, the Co-operative has agreed to increase its share of capital contributed to the project and its share of payment of operating expenses to 56% from 51% in lieu of payment for the rental of land. For energy development projects where the Co-operative and its co-venturer rent land, the Co-operative's share of capital and operating expenses remains at 51%.

In total, the associates are developing 26 electrical energy projects.

	2015	2014
CEDC Vigor Sunshare	**$ 302,648**	$ 109,815
CEDC Wellesley Sunshare	**978,865**	10,464
CEDC Rohnbrad Sunshare	**110,866**	5,866
CEDC MCCO Sunshare	**234,636**	4,293
CEDC Turkey Sunshare	**116,149**	4,688
CEDC Crestview Sunshare	**162,222**	-
CEDC Salus Sunshare	**224,308**	-
Other associates	**38,185**	10,465
	$ 2,167,879	$ 145,591

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

6. Energy supply contracts

The Co-operative has incurred costs in respect of the acquisition of four groups of energy supply contracts, as follows:

	2015	2014
Solvation V - 500 kilowatts	**$ 10,000**	$ 10,000
Solvation VF - 490 kilowatts	**9,800**	9,800
Solvation F - 330 kilowatts	**6,600**	6,600
Application fees and other costs related to energy supply contracts under phase four of the Province of Ontario's Feed-in Tariff ("FIT") Program	**27,643**	-
	$ 54,043	$ 26,400

6. Energy supply contracts (continued)

The Solvation V, Solvation VF, and Solvation F contracts comprise groups of contracts granted by the Province of Ontario and transferred to the Co-operative. The Co-operative anticipates completing the acquisition of the equipment necessary to fulfil these contracts in 2016. The cost of acquiring these contracts will be amortized over a 20-year term at such time as the projects are complete and operational. As these projects were not complete at the end of 2015, no amortization has been recorded in the current year.

In October 2015, the Province of Ontario began accepting applications for energy supply contracts under a fourth phase of its FIT Program. The Co-operative has paid fees and incurred legal costs of $27,643 in respect of applying for contracts under this program. As at the end of the year, the status of these applications is not certain.

7. Deferred costs of securing financing

Deferred costs of securing financing comprise the following:

(a) Costs incurred in the course of issuing up to $12.1 million of shares, debentures and convertible debentures to the public, including legal and related costs associated with filing the Offering Memorandum with FSCO, which will permit the Co-operative to market securities to the public, and which was receipted by FSCO on March 28, 2015.

(b) Fees and expenses paid in the course of arranging for debt financing. In 2014, Maxium Financial Services Inc. provided a letter of intent indicating that it would provide up to $13.1 million of 15-year debt financing to allow the Co-operative to complete the acquisition of certain energy development projects set out in the Offering Memorandum, on the basis of a maximum of 65% debt to 35% equity. In order to access the first tranche of debt financing, the Co-operative would need to raise a minimum of $2.5 million of equity.

On March 31, 2016, the Co-operative received an updated letter of intent from CWB Maxium Financial Inc. (formerly Maxium Financial Services Inc.) to provide up to $17.2 million of up to 10-year debt financing to complete the acquisition of the energy projects, on the basis of a maximum of 80% of debt to 20% equity. The term loan will be amortized over a period of up to 17 years. At the end of the 10-year term, the Co-operative will have the option of renewing the loan for an additional term of up to 7 years at then current market interest rates, or repaying the outstanding balance in full.

	Bond and Share Issue Costs	**Debt Issue Costs**	**2015**	2014
Balance, beginning of year	$ 83,709	$ 50,941	**$ 134,650**	$ 8,673
Costs incurred in the year	-	2,567	**2,567**	125,977
Costs allocated to share capital and bonds during the year	(83,709)	-	**(83,709)**	-
Balance, end of year	**$ -**	**$ 53,508**	**$ 53,508**	$ 134,650

In accordance with standards for the initial measurement of debt instruments, as set out in IAS 39, share issue costs and debt issue costs will be deducted from capital and debt secured.

Although, as set out in Note 11, the Co-operative had issued $120,740 of convertible debentures in 2014, significant efforts at marketing capital to the public could not begin until FSCO receipted the Offering Memorandum, and the debt could not be accessed until specified amounts of capital were raised. The Co-operative filed the Offering Memorandum in November 2014, and it was receipted by FSCO on March 28, 2015. In 2015, the Co-operative issued Series M1-5 medium term bonds, Series L1-4 long term bonds, and Class A preference shares. Accordingly, the above bond and share issue costs have been allocated against the proceeds received in the year, on a pro-rata basis.

8. Due to (from) related corporation

The amount due to (from) a related corporation, Vigor Clean Tech Inc. ("VCT"), which is related by common management, is due on demand, and non-interest bearing.

	2015	2014
Balance, beginning of year	**$ 280,287**	$ 99,972
The Co-operative's 51% or 56% share of costs incurred by associates (see Note 5) in respect of the acquisition of energy supply contracts and development costs by the associates	**1,754,145**	116,334
Fees for services rendered in respect of the acquisition of energy supply contracts (see Note 6)	**27,643**	-
Costs incurred in respect of securing financing (see Note 7)	**2,567**	125,977
Other operating costs	**29,388**	6,290
Harmonized sales tax on the above amounts	**100,535**	31,686
Amounts paid in the year	**(2,227,854)**	(99,972)
Balance, end of year	**$ (33,289)**	$ 280,287

9. Bonds

	Bonds issued	Bonds subscribed
Series M1-5 medium term bonds issued	**$ 835,347**	**$ -**
Series M1-5 medium term bonds subscribed for but not yet paid at year end	**-**	**973,418**
Accrued interest - Series M1-5 bonds	**6,551**	**-**
Pro-rata allocation of bond and share issue costs - Series M1-5 bonds	**(15,653)**	**-**
Series L1-4 long term bonds issued	**600,748**	**-**
Series L1-4 long term bonds subscribed for but not yet paid at year end	**-**	**1,320,475**
Accrued interest - Series L1-4 bonds	**7,080**	**-**
Pro-rata allocation of bond and share issue costs - Series L1-4 bonds	**(16,658)**	**-**
Less: current portion	**(200,483)**	**-**
	$ 1,216,932	**$ 2,293,893**

Estimated principal repayments are as follows:

2016	$ 200,483
2017	417,397
2018	381,221
2019	345,046
2020	308,871
Subsequent years	2,076,970
	$ 3,729,988

9. Bonds (continued)

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 will accrue annually on each bond and will be compounded. The face value of each bond and the interest compounded over the term of the bond will be paid 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 issuer 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 anticipated 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. 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.

9. Bonds (continued)

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 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 will accrue annually on each bond and will be compounded. The face value of each bond and the interest compounded over the term of the bond will be paid 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 issuer 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 anticipated 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. 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.

Bond Subscriptions Receivable

As at December 31, 2015, the Co-operative had sold $973,417 of Series M1-5 medium term bonds and $1,320,476 of Series L1-4 long term bonds to investors who wished to hold the bonds in their Registered Retirement Savings Plans ("RRSPs"). There can be significant delays between the date of the agreement between the Co-operative and the individual investor and the receipt of funds from the RRSP custodian as RRSP custodians exercise due diligence to verify that the Co-operative's securities are eligible RRSP investments. However, as the funds are expected to be received within the next year, the bond subscriptions receivable have been classified as a current asset.

10. Share capital

Authorized

100,000 Membership shares, par value of $10 each

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

	2015		2014	
	Shares issued	**Shares subscribed**	Shares issued	Shares subscribed
661 membership shares (2014 - 353)	**$ 6,610**	**$ -**	$ 3,530	$ -
Class A preference shares issued	**$ 5,564,348**	**$ -**	$ -	$ -
Class A preference shares subscribed for but not paid at year end	**-**	**365,172**	-	-
Pro-rata allocation of bond and share issue costs - Class A preference shares	**(51,397)**	**-**	-	-
	$ 5,512,951	**$ 365,172**	$ -	$ -

10. Share capital (continued)

During the year, 1,147,138 Class A preference shares were sold for $5 per share for total proceeds of $5,735,690. In addition, convertible debentures of $193,830 were converted into 38,766 Class A preference shares in a non-cash transaction.

Transaction costs in the amount of $51,397, representing the pro-rata share of the bond and share issue costs as set out in Note 7 allocated to the Class A preference shares, have reduced the carrying value of these shares and share subscriptions.

As at December 31, 2015, the Co-operative had sold $365,172 Class A preference shares to investors who wished to hold the bonds in their Registered Retirement Savings Plans ("RRSPs"). There can be significant delays between the date of the agreement between the Co-operative and the individual investor and the receipt of funds from the RRSP custodian as RRSP custodians exercise due diligence to verify that the Co-operative's securities are eligible RRSP investments. However, as the funds are expected to be received within the next year, the share subscriptions receivable have been classified as a current asset.

These shares are not redeemable at the option of the holder. Therefore, the shares have been classified as equity on the balance sheet of the Co-operative. From time-to-time, the Co-operative may, upon written notice from a shareholder and subject to Board approval, redeem the shares if requested. 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 B preference shares or Class C preference shares have been issued.

Subsequent to year-end, the Co-operative has issued an additional 47 membership shares, for additional share capital of $470.

11. Convertible debentures

During 2014 and 2015, the Co-operative issued convertible debentures totaling $120,740 and $73,090, respectively. The convertible debentures were unsecured, non-interest bearing, and were not repayable in cash, except in the event that the Co-operative violated certain terms of the debenture agreement (an "Event of Default"). Pursuant to the terms of the debenture agreements, all of the convertible debentures outstanding as of April 10, 2015 were automatically converted into Class A preference shares on that date.

12. 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 and bonds payable. 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.

13. 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, 2015.

(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, 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 and preference shares 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. The Co-operative is exposed to interest rate risk on its fixed interest rate financial instruments. Given the current composition of bonds payable, fixed-rate instruments subject the Co-operative to a fair value risk.

14. Comparative figures

The statement of financial position as at December 31, 2014 has been reclassified, where applicable, to conform with the presentation adopted in the current year. In the prior year, the Co-operative issued convertible debentures of $120,740, which were classified as a long-term liability. In the current year, these convertible debentures have been reclassified as equity. Accordingly, the convertible debentures issued in the prior year have been reclassified from long-term liabilities to equity. This change in classification does not affect prior year earnings.

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

Year Ended December 31, 2015

Schedule 1

	CEDC TURKEY SUNSHARE JOINT VENTURE	CEDC ROHNBRAD SUNSHARE JOINT VENTURE	CEDC WELLESLEY SUNSHARE JOINT VENTURE	CEDC VIGOR SUNSHARE JOINT VENTURE	CEDC MCCO SUNSHARE JOINT VENTURE	CEDC CRESTVIEW SUNSHARE JOINT VENTURE	CEDC SALUS SUNSHARE JOINT VENTURE	OTHER ASSOCIATES	TOTAL 2015	TOTAL 2014
As at December 31										
Current assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**	$ -
Non-current assets (see Note below)	$ 726,789	$ 217,384	$ 1,919,343	$ 588,525	$ 460,071	$ 289,682	$ 400,550	$ 74,873	**$ 4,677,218**	$ 280,573
Current liabilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**	$ -
Non-current liabilities (see Note below)	$ 519,379	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ 519,379**	$ -
Co-venturers' capital	$ 207,410	$ 217,384	$ 1,919,343	$ 588,525	$ 460,071	$ 289,682	$ 400,550	$ 74,873	**$ 4,157,839**	$ 280,573
Year Ended December 31										
Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**	$ -
Profit (loss) from continuing operations	$ (7,311)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ (7,311)**	$ -
After-tax profit (loss) from discontinued operations	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**	$ -
Other comprehensive income (loss)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**	$ -
Total comprehensive income (loss)	$ (7,311)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	**$ (7,311)**	$ -
Co-operative's share of the above capital - 51%	$ 105,779	$ 110,866	$ 978,865	$ 300,148	$ 234,636	$ 147,738	$ 204,281	$ 38,185	$ 2,120,498	$ 143,091
Co-operative's additional share of long-term debt	$ (25,970)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (25,970)	$ -
Additional costs incurred in respect of associate	$ 36,340	$ -	$ -	$ 2,500	$ -	$ 14,484	$ 20,027	$ -	$ 73,351	$ 2,500
Carrying amount of investment in associate	**$ 116,149**	**$ 110,866**	**$ 978,865**	**$ 302,648**	**$ 234,636**	**$ 162,222**	**$ 224,308**	**$ 38,185**	**$ 2,167,879**	$ 145,591

Non-current assets owned by all associates comprise costs incurred in respect of the acquisition of energy supply contracts and the installation of energy generation equipment.

During the year, the CEDC Turkey Sunshare JV borrowed $525,000 from the Co-operative's co-venturer in the project. The promissory note bears 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.