SCUGOG HYDRO ENERGY CORPORATION

T2 and CT23 RETURNS

FOR THE PERIOD

01-01-2005 TO 06-30-2005

INCLUDING FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30TH, 2005

VERIDIAN
CORPORATION

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January 2, 2006

Private and Confidential

Corporations Tax Branch
33 King Street West, 4th Floor
Oshawa, ON L1H 8E9

Dear Sirs:

Re: Scugog Hydro Energy Corporation (MOF A/C # 1800289)

I am the Treasurer of Veridian Connections Inc. Veridian Connections Inc. purchased the shares of Scugog Hydro Energy Corporation on June 30, 2005. On August 9th, 2005, Scugog Hydro Energy Corporation was amalgamated with Veridian Connections Inc.

Enclosed please find an amended filing of the December 31, 2004 PILs tax returns for Scugog Hydro Energy Corporation. The returns have been amended to remove the regulatory assets deduction for tax purposes of $327,438 and to correct the adjustment to income for the amortization of tangible assets from $116,802 to $112,500.

We also enclose the filing of the June 30, 2005 PILs tax returns for the six month period ended on June 30, 2005 required due to a change of control on this date.

PILs tax returns for the period July 1, 2005 to August 8th, 2005 will be filed within the next month.

Please contact me should you have any questions.

Yours truly,

David Clark
Treasurer, Veridian Connections Inc.

Canada Customs and Revenue Agency / Agence des douanes et du revenu du Canada

T2 CORPORATION INCOME TAX RETURN

200

055 Do not use this area

This form serves as a federal, provincial, and territorial corporation income tax return, unless the corporation is located in Quebec, Ontario, or Alberta. If the corporation is located in one of these provinces, you have to file a separate provincial corporate return.

Parts, sections, subsections, and paragraphs mentioned on this return refer to the *Income Tax Act*. This return may contain changes that had not yet become law at the time of printing. If you need more information about items on the return, see the *T2 Corporation – Income Tax Guide* (T4012).

Send one completed copy of this return, including schedules and the *General Index of Financial Information* (GIFI), to your tax services office or tax centre. You have to file the return within six months after the end of the corporation's taxation year. For more information on when and how to file T2 returns, refer to the Guide under the heading "Before you start."

Identification

Business Number (BN) 001 87051 7182 RC0001

Corporation's name

002 SCUGOG HYDRO ENERGY CORPORATION

Has the corporation changed its name since the last time we were notified? 003 1 Yes [ ] 2 No [X]

If *Yes*, do you have a copy of the articles of amendment? . . . 004 1 Yes [ ] 2 No [ ]

Address of head office

Has the address changed since the last time we were notified? . . . . 010 1 Yes [X] 2 No [ ]

011 55 TAUNTON ROAD EAST

012

City	Province, territory, or state
015 AJAX	016 ON
Country (other than Canada)	**Postal code/ZIP code**
017	018 L1T 3V3

Mailing address (if different from head office address)

Has the address changed since the last time we were notified? . . . . 020 1 Yes [ ] 2 No [X]

021 c/o

022

023

City	Province, territory, or state
025	026
Country (other than Canada)	**Postal code/ZIP code**
027	028

Location of books and records

Has the location of books and records changed since the last time we were notified? . . . . 030 1 Yes [ ] 2 No [X]

031 SAME AS ABOVE

032

City	Province,territory, or state
035	036
Country (other than Canada)	**Postal code/ZIP code**
037	038

040 Type of corporation at the end of the taxation year

1 [X] Canadian-controlled private corporation (CCPC)

2 [ ] Other private corporation

3 [ ] Public corporation

4 [ ] Corporation controlled by a public corporation

5 [ ] Other corporation (specify, below)

If the type of corporation changed during the taxation year, provide the effective date of the change . . . . 043 ______ YYYY MM DD

To which taxation year does this return apply?

Taxation year start 060 2005-01-01 (YYYY MM DD) Taxation year end 061 2005-06-30 (YYYY MM DD)

Has there been an acquisition of control to which subsection 249(4) applies since the previous taxation year? 063 1 Yes [X] 2 No [ ]

If *Yes*, provide the date control was acquired . . . . 065 2005-06-30 (YYYY MM DD)

Is the corporation a professional corporation that is a member of a partnership? . . . . 067 1 Yes [ ] 2 No [X]

Is this the first year of filing after:

Incorporation? . . . . 070 1 Yes [ ] 2 No [X]

Amalgamation? . . . . 071 1 Yes [ ] 2 No [X]

If *Yes*, complete lines 030 to 038 and attach Schedule 24.

Has there been a windup of a subsidiary under section 88 during the current taxation year? . . . . 072 1 Yes [ ] 2 No [X]

If *Yes*, complete and attach Schedule 24.

Is this the final taxation year before amalgamation? . . . . 076 1 Yes [ ] 2 No [X]

Is this the final return up to dissolution? . . . . 078 1 Yes [ ] 2 No [X]

Is the corporation a resident of Canada?

080 1 Yes [X] 2 No [ ] If *No*, give the country of residence on line 081 and complete and attach Schedule 97.

081

Is the non-resident corporation claiming an exemption under an income tax treaty? . . . . 082 1 Yes [ ] 2 No [X]

If *Yes*, complete and attach Schedule 91.

If the corporation is exempt from tax under section 149, tick one of the following boxes:

085
1 [ ] Exempt under paragraph 149(1)(e) or (l)
2 [ ] Exempt under paragraph 149(1)(j)
3 [ ] Exempt under paragraph 149(1)(t)
4 [ ] Exempt under other paragraphs of section 149

Do not use this area

091	092	093	094	095	096

Attachments

Financial statement information: Use GIFI schedules 100, 125, and 141.
Schedules – Answer the following questions. For each *Yes* response, attach to the T2 return the schedule that applies.

		Yes	Schedule
Is the corporation related to any other corporations?	150		9
Does the corporation have any non-resident shareholders?	151		19
Is the corporation an associated Canadian-controlled private corporation?	160		23
Is the corporation an associated Canadian-controlled private corporation that is claiming the expenditure limit?	161		49
Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents	162		11
If you answered *Yes* to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee?	163		44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	164		14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	165		15
Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989?	166		T5004
Is the corporation a member of a partnership for which a partnership identification number has been assigned?	167		T5013
Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust?	168		22
Did the corporation have any foreign affiliates during the year?	169		25
Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the federal *Income Tax Regulations*?	170		29
Has the corporation had any non-arm's length transactions with a non-resident?	171		T106
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	172		
For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares?	173	X	50
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	201	X	1
Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; or gifts of cultural or ecological property?	202		2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	203		3
Is the corporation claiming any type of losses?	204	X	4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	205		5
Has the corporation realized any capital gains or incurred any capital losses during the taxation year?	206		6
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or ii) is the corporation claiming the refundable portion of Part I tax?	207		7
Does the corporation have any property that is eligible for capital cost allowance?	208	X	8
Does the corporation have any property that is eligible capital property?	210		10
Does the corporation have any resource-related deductions?	212		12
Is the corporation claiming reserves of any kind?	213		13
Is the corporation claiming a patronage dividend deduction?	216		16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	217		17
Is the corporation an investment corporation or a mutual fund corporation?	218		18
Was the corporation carrying on business in Canada as a non-resident corporation?	220		20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	221		21
Is the corporation a non-resident-owned investment corporation claiming an allowable refund?	226		26 *
Does the corporation have any Canadian manufacturing and processing profits?	227		27
Is the corporation claiming an investment tax credit?	231		31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	232		T661
Is the corporation subject to gross Part I.3 tax?	233		33/34/35
Is the corporation a member of a related group with one or more members subject to gross Part I.3 tax?	236		36
Is the corporation claiming a surtax credit?	237		37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	238		38
Is the corporation claiming a Part I tax credit?	242		42
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	243		43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	244		45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	249		46
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	250		39
Is the corporation claiming a Canadian film or video production tax credit refund?	253		T1131
Is the corporation claiming a film or video production services tax credit refund?	254		T1177
Is the corporation subject to Part XIII.1 tax?	255		92 *

* We do not print this schedule.

Attachments – continued from page 2

		Yes	Schedule
Did the corporation have any foreign affiliates that are not controlled foreign affiliates?	256		T1134-A
Did the corporation have any controlled foreign affiliates?	258		T1134-B
Did the corporation own specified foreign property in the year with a cost amount over $100,000?	259		T1135
Did the corporation transfer or loan property to a non-resident trust?	260		T1141
Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year?	261		T1142
Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada?	262		T1145
Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts?	263		T1146
Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED?	264		T1174

Additional information

		1 Yes	2 No
Is the corporation inactive?	280		X
Has the major business activity changed since the last return was filed? (enter *Yes* for first-time filers)	281		X

What is the corporation's major business activity? 282 ____
(Only complete if *Yes* was entered at line 281.)

If the major business activity involves the resale of goods, show whether it is wholesale or retail 283 1 Wholesale [ ] 2 Retail [ ]

Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents.

284	ELECTRIC POWER DISTRIBUTOR	285	100.000 %
286		287	%
288		289	%

		1 Yes	2 No
Did the corporation immigrate to Canada during the taxation year?	291		X
Did the corporation emigrate from Canada during the taxation year?	292		X

Taxable income

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFI.		300	-22,528	A
Deduct: Charitable donations from Schedule 2	311			
Gifts to Canada, a province, or a territory from Schedule 2	312			
Cultural gifts from Schedule 2	313			
Ecological gifts from Schedule 2	314			
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	320			
Part VI.1 tax deduction from Schedule 43 *	325			
Non-capital losses of preceding taxation years from Schedule 4	331			
Net capital losses of preceding taxation years from Schedule 4	332			
Restricted farm losses of preceding taxation years from Schedule 4	333			
Farm losses of preceding taxation years from Schedule 4	334			
Limited partnership losses of preceding taxation years from Schedule 4	335			
Taxable capital gains or taxable dividends allocated from a central credit union	340			
Prospector's and grubstaker's shares	350			
Subtotal		▶		B
Subtotal (amount A **minus** amount B) (if negative, enter "0")				C
Add: Section 110.5 additions and/or subparagraph 115(1)(a)(vii) additions		355		D
Taxable income (amount C **plus** amount D)		360		
Income exempt under paragraph 149(1)(t)		370		
Taxable income for a corporation with exempt income under paragraph 149(1)(t) (line 360 **minus** line 370)				Z

* This amount is equal to 3 times the Part VI.1 tax payable at line 724 on page 8.

Small business deduction

Canadian-controlled private corporations (CCPCs) throughout the taxation year

Income from active business carried on in Canada from Schedule 7	400		A
Taxable income from line 360 on page 3, **minus** 10/3 of the amount on line 632* on page 7, **minus** 3 times the amount on line 636** on page 7, and **minus** any amount that, because of federal law, is exempt form Part I tax	405		B

Calculation of the business limit:

For all CCPCs, calculate the amount at line 4 below.

225,000	x	Number of days in the taxation year in 2003 / Number of days in the taxation year	/ 181	=		1
250,000	x	Number of days in the taxation year in 2004 / Number of days in the taxation year	/ 181	=		2
300,000	x	Number of days in the taxation year after 2004 / Number of days in the taxation year	181 / 181	=	300,000	3
		Add amounts at lines 1, 2, and 3			300,000	4

Business limit (see notes 1 and 2 below) . . . 410 148,767 C

Notes: 1. For CCPCs that are not associated, enter the amount from line 4 at line 410. However, if the corporation's taxation year is less than 51 weeks, prorate the amount from line 4 by the number of days in the taxation year divided by 365, and enter the result on line 410.

2. For associated CCPCs, use Schedule 23 to calculate the amount to be entered at line 410.

Business limit reduction:

Amount C 148,767 x 415 *** ______ D / 11,250 = ______ E

Reduced business limit (amount C **minus** amount E) (if negative, enter "0") . . . 425 148,767 F

Small business deduction – 16.00 % of whichever amount is the least: A, B, C, or F . . . 430 ______ G

(enter amount G on line 9 of page 7)

* Calculate the amount of foreign non-business income tax credit deductible on line 632 without reference to the refundable tax on the CCPC's investment income (line 604) and without reference to the corporate tax reductions under section 123.4.

** Calculate the amount of foreign business income tax credit deductible at line 636 without reference to the corporate tax reductions under section 123.4.

*** **Large corporation tax**

- The large corporation tax to be entered at line 415 is the gross Part I.3 tax, which is the amount before deducting the surtax credits, increased to reflect a full-year tax liability if the taxation year is less than 51 weeks. For the purpose of the business limit reduction, the gross Part I.3 tax is equal to 0.225% x (taxable capital employed in Canada **minus** $10,000,000).
- If the corporation is not associated with any corporations in both the current and the preceding taxation years, enter the corporation's gross Part I.3 tax for its **preceding** taxation year.
- If the corporation is not associated with any corporations in the current taxation year, but was associated in the preceding taxation year, enter the corporation's gross Part I.3 tax for its **current** taxation year.
- For corporations associated in the current taxation year, see Schedule 23 for the special rules that apply.

Accelerated tax reduction

Canadian-controlled private corporations throughout the taxation year that claimed the small business deduction

Reduced business limit (amount from line 425) . . . 148,767 x 300,000 / line 4 above = 148,767 A

Net active business income (amount from line 400) * . . . ______ B

Taxable income from line 360 on page 3 **minus** 3 times the amount at line 636** on page 7, and **minus** any amount that, because of federal law, is exempt from Part I Tax ______ C

Deduct:

Aggregate investment income (amount from line 440 of page 6)		D		
Amount C **minus** amount D (if negative, enter "0")		►		E
Amount A, B, or E above, whichever is less				F
Amount Z from Part 9 of Schedule 27 ______ x 100 / 7 =		G		
Amount QQ from Part 13 of Schedule 27		H		
Taxable resource income from line 435 above		I		
Amount used to calculate the credit union deduction (amount E in Part 3 of Schedule 17)		J		
Amount on line 400, 405, 410, or 425 of the small business deduction, whichever is less		K		
Total of amounts G, H, I, J, and K		►		L
Amount F **minus** amount L (if negative, enter "0")				M
Accelerated tax reduction – 7.00 % of amount M (enter amount N on line 637 of page 7)				N

* If the amount at line 450 of Schedule 7 is positive, members of partnerships need to use Schedule 70 to calculate net active business income.

** Calculate the amount of foreign business income tax credit deductible at line 636 without reference to the corporate tax reductions under section 123.4.

Resource deduction

Taxable resource income [as defined in subsection 125.11(1)] . . . . . 435 ______ A

Amount A	______	x	Number of days in the taxation year in 2004 / Number of days in the taxation year	/ 181	x 2 % =	______	B
Amount A	______	x	Number of days in the taxation year in 2005 / Number of days in the taxation year	181 / 181	x 3 % =	______	C
Amount A	______	x	Number of days in the taxation year in 2006 / Number of days in the taxation year	/ 181	x 5 % =	______	D
Amount A	______	x	Number of days in the taxation year after 2006 / Number of days in the taxation year	/ 181	x 7 % =	______	E

Resource deduction – total of amounts B, C, D, and E . . . . . 438 ______ F
(enter amount F on line 10 of page 7)

General tax reduction for Canadian-controlled private corporations

Canadian-controlled private corporations throughout the taxation year

Taxable income from line 360 on page 3 . . . . . ______ A

Amount Z from Part 9 of Schedule 27 . . . . ______ x 100 / 7 =	______	B	
Amount QQ from Part 13 of Schedule 27	______	C	
Taxable resource income from line 435 above	______	D	
Amount used to calculate the credit union deduction (amount E in Part 3 of Schedule 17)	______	E	
Amount on line 400, 405, 410, or 425 on page 4, whichever is the least	______	F	
Aggregate investment income from line 440 of page 6	______	G	
Amount used to calculate the accelerated tax reduction (amount M of page 4)	______	H	
Total of amounts B, C, D, E, F, G, and H	______	▶	______ I

Amount A **minus** amount I (if negative, enter "0") . . . . . ______ J

Amount J	______	x	Number of days in the taxation year after 2003 / Number of days in the taxation year	181 / 181	x 7 % =	______	K

General tax reduction for Canadian-controlled private corporations – amount K . . . . . ______ L
(enter amount L on line 638 of page 7)

General tax reduction

Corporations other than a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, or a mutual fund corporation

Taxable income from line 360 on page 3 . . . . . ______ M

Amount Z from Part 9 of Schedule 27 . . . . ______ x 100 / 7 =	______	N	
Amount QQ from Part 13 of Schedule 27	______	O	
Taxable resource income from line 435 above	______	P	
Amount used to calculate the credit union deduction (amount E in Part 3 of Schedule 17)	______	Q	
Total of amounts N, O, P, and Q	______	▶	______ R

Amount M **minus** amount R (if negative, enter "0") . . . . . ______ S

Amount S	______	x	Number of days in the taxation year after 2003 / Number of days in the taxation year	181 / 181	x 7 % =	______	T

General tax reduction – amount T . . . . . ______ U
(enter amount U on line 639 of page 7)

Refundable portion of Part I tax

Canadian-controlled private corporations throughout the taxation year

Aggregate investment income ..... **440** ______ x 26 2 / 3 % = ... ______ A
(amount P from Part 1 of Schedule 7)

Foreign non-business income tax credit from line 632 on page 7 .... ______

Deduct:

Foreign investment income .... **445** ______ x 9 1 / 3 % = ______
(amount O from Part 1 of Schedule 7) (if negative, enter "0") ______ ▶ ______ B

Amount A **minus** amount B (if negative, enter "0") .... ______ C

Taxable income from line 360 on page 3 .... ______

Deduct:

Amount on line 400, 405, 410, or 425 on page 4, whichever is the least .... ______

Foreign non-business income tax credit from line 632 of page 7 ______ x 25 / 9 = ______

Foreign business income tax credit from line 636 of page 7 ______ x 3 = ______

______ ▶ ______

x 26 2 / 3 % = ______ D

Part I tax payable minus investment tax credit refund (line 700 **minus** line 780 of page 8) ______

Deduct: Corporate surtax from line 600 of page 7 .... ______

Net amount .... ______ ▶ ______ E

Refundable portion of Part I tax – Amount C, D, or E, whichever is the least .... **450** ______ F

Refundable dividend tax on hand

Refundable dividend tax on hand at the end of the preceding taxation year **460** ______

Deduct: Dividend refund for the previous taxation year .... **465** ______

______ ▶ ______ G

Add the total of:

Refundable portion of Part I tax from line 450 above .... ______

Total Part IV tax payable from line 360 of Schedule 3 .... ______

Net refundable dividend tax on hand transferred from a predecessor corporation on amalgamation, or from a wound-up subsidiary corporation ... **480** ______

______ ▶ ______ H

Refundable dividend tax on hand at the end of the taxation year – Amount G **plus** amount H .... **485** ______

Dividend refund

Private and subject corporations at the time taxable dividends were paid in the taxation year

Taxable dividends paid in the taxation year from line 460 of Schedule 3 ...... ______ x 1 / 3 ______ I

Refundable dividend tax on hand at the end of the taxation year from line 485 above .... ______ J

Dividend refund – Amount I or J, whichever is less (enter this amount on line 784 of page 8) .... ______

Part I tax

Base amount of Part I tax – 38.00 % of taxable income (line 360 or amount Z, whichever applies) from page 3 ..... 550 ______ A

Corporate surtax calculation

Base amount from line A above	______	1
Deduct:		
10 % of taxable income (line 360 or amount Z, whichever applies) from page 3	______	2
Investment corporation deduction from line 620 below	______	3
Federal logging tax credit from line 640 below	______	4
Federal qualifying environmental trust tax credit from line 648 below	______	5

For a mutual fund corporation or an investment corporation throughout the taxation year, enter amount a, b, or c below on line 6, whichever is the least:

28.00 % of taxable income from line 360 of page 3	______	a	
28.00 % of taxed capital gains	______	b	______ 6
Part I tax otherwise payable (line A **plus** lines C and D **minus** line F)	______	c	

Total of lines 2 to 6	______	7
Net amount (line 1 **minus** line 7)	______	8

Corporate surtax – 4.00 % of the amount on line 8 ..... 600 ______ B

Recapture of investment tax credit from line PPP in Part 21 of Schedule 31 ..... 602 ______ C

Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income
(if it was a CCPC throughout the taxation year)

Aggregate investment income from line 440 on page 6		______	i
Taxable income from line 360 on page 3	______		
Deduct:			
Amount on line 400, 405, 410, or 425 of page 4, whichever is the least	______		
Net amount	______ ▶	______	ii

Refundable tax on CCPC's investment income – 6 2 / 3 % of whichever is less: amount i or ii ..... 604 ______ D

Subtotal (add lines A, B, C, and D) ______ E

Deduct:

Small business deduction from line 430 of page 4		______	9
Federal tax abatement	608	______	
Manufacturing and processing profits deduction from amount BB or amount RR of Schedule 27	616	______	
Investment corporation deduction	620	______	
(taxed capital gains 624 ______)			
Additional deduction – credit unions from Schedule 17	628	______	
Federal foreign non-business income tax credit from Schedule 21	632	______	
Federal foreign business income tax credit from Schedule 21	636	______	
Accelerated tax reduction from amount N on page 4	637	______	
Resource deduction from line 438 on page 5		______	10
General tax reduction for CCPCs from amount R on page 5	638	______	
General tax reduction from amount U on page 5	639	______	
Federal logging tax credit from Schedule 21	640	______	
Federal political contribution tax credit	644	______	
Federal political contributions 646 ______			
Federal qualifying environmental trust tax credit	648	______	
Investment tax credit from Schedule 31	652	______	
Subtotal		______ ▶	______ F

Part I tax payable – Line E **minus** line F (enter amount G on line 700 of page 8) ..... ______ G

Summary of tax and credits

Federal tax

Part I tax payable from page 7	700	
Part I.3 tax payable from Schedule 33, 34, or 35	704	
Part II surtax payable from Schedule 46	708	
Part IV tax payable from Schedule 3	712	
Part IV.1 tax payable from Schedule 43	716	
Part VI tax payable from Schedule 38	720	
Part VI.1 tax payable from Schedule 43	724	
Part XIII.1 tax payable from Schedule 92	727	
Part XIV tax payable from Schedule 20	728	
Total federal tax		

Add provincial or territorial tax:

Provincial or territorial jurisdiction 750 Ontario
(if more than one jurisdiction, enter "multiple" and complete Schedule 5)

Net provincial or territorial tax payable (except Quebec, Ontario, and Alberta)	760	
Provincial tax on large corporations (New Brunswick and Nova Scotia)	765	

Total tax payable 770 ______ A

Deduct other credits:

Investment tax credit refund from Schedule 31	780	
Dividend refund from page 6	784	
Federal capital gains refund from Schedule 18	788	
Federal qualifying environmental trust tax credit refund	792	
Canadian film or video production tax credit refund (Form T1131)	796	
Film or video production services tax credit refund (Form T1177)	797	
Tax withheld at source	800	
Total payments on which tax has been withheld	801	
Allowable refund for non-resident-owned investment corporations from Schedule 26	804	
Provincial and territorial capital gains refund from Schedule 18	808	
Provincial and territorial refundable tax credits from Schedule 5	812	
Royalties deductible under Syncrude Remission Order	815	
Tax remitted under Syncrude Remission Order	816	
Tax instalments paid	840	
Total credits	890	

______ B

Refund code 894 ______ Overpayment ______

Balance (line A minus line B) ______

If the result is negative, you have an **overpayment**.
If the result is positive, you have a **balance unpaid**.
Enter the amount on whichever line applies.
Generally, we do not charge or refund a difference of $2 or less.

Balance unpaid ______

Enclosed payment 898 ______

Direct deposit request

To have the corporation's refund deposited directly into the corporation's bank account at a financial institution in Canada, or to change banking information you already gave us, complete the information below:

☐ Start ☐ Change information 910 ______ Branch number

914 ______ Institution number 918 ______ Account number

If the corporation is a Canadian-controlled private corporation throughout the taxation year, does it qualify for the one-month extension of the date the balance of tax is due? 896 1 Yes ☐ 2 No ☒

Certification

I, 950 CLARK (Last name) 951 DAVID (First name) 954 TREASURER (Position, office, or rank)

am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I further certify that the method of calculating income for this taxation year is consistent with that of the previous year except as specifically disclosed in a statement attached to this return.

955 2006-01-03 Date (yyyy/mm/dd) ______ Signature of the authorized signing officer of the corporation 956 (905) 427-9870 Telephone number

Is the contact person the same as the authorized signing officer? If *No*, complete the information below 957 1 Yes ☒ 2 No ☐

958 ______ Name 959 ______ Telephone number

Language of correspondence – Langue de correspondance

990 Indicate the language in which you would like to receive correspondence.
Indiquer la langue de correspondance de votre choix.
1 English / Anglais ☒ 2 Français / French ☐

Canada Customs and Revenue Agency
Agence des douanes et du revenu du Canada

GENERAL INDEX OF FINANCIAL INFORMATION – GIFI

Form identifier 100

Name of corporation	Business Number	Taxation year end Year Month Day
SCUGOG HYDRO ENERGY CORPORATION	87051 7182 RC0001	2005-06-30

Identification of the imported corporation from the GIFI file

Name of the corporation . . . ______

Balance Sheet

Account	Description	GIFI		Amount	Prior year
Assets					
	Total current assets	1599	+	1,311,862	1,347,812
	Total tangible capital assets	2008	+	3,748,075	3,704,042
	Total accumulated amortization of tangible capital assets	2009	–	2,275,150	2,218,407
	Total intangible capital assets	2178	+	294,290	336,591
	Total accumulated amortization of intangible capital assets	2179	–		
	Total long-term assets	2589	+		
	* Assets held in trust	2590	+		
	Total assets (mandatory field)	2599	=	3,079,077	3,170,038
Liabilities					
	Total current liabilities	3139	+	844,452	2,169,310
	Total long-term liabilities	3450	+	51,389	51,156
	* Subordinated debt	3460	+		
	* Amounts held in trust	3470	+		
	Total liabilities (mandatory field)	3499	=	895,841	2,220,466
Shareholder equity					
	Total shareholder equity (mandatory field)	3620	+	2,183,236	949,572
	Total liabilities and shareholder equity	3640	=	3,079,077	3,170,038
Retained earnings					
	Retained earnings/deficit – end (mandatory field)	3849	=	-348,520	-316,306

* Generic item

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GENERAL INDEX OF FINANCIAL INFORMATION – GIFI

Form identifier 125

Name of corporation	Business Number	Taxation year end Year Month Day
SCUGOG HYDRO ENERGY CORPORATION	87051 7182 RC0001	2005-06-30

Income Statement

Description GIFI

Operating name 0001

Description of the operation .. 0002

Sequence Number 0003 01

Account	Description	GIFI		Amount	Prior year
	Income statement information				
	Total sales of goods and services	8089	+	2,276,862	4,070,097
	Cost of sales	8518	–	1,924,931	3,497,682
	Gross profit/loss	8519	=	351,931	572,415
	Cost of sales	8518	+	1,924,931	3,497,682
	Total operating expenses	9367	+	395,068	653,644
	Total expenses (mandatory field)	9368	=	2,319,999	4,151,326
	Total revenue (mandatory field)	8299	+	2,329,483	4,536,908
	Total expenses (mandatory field)	9368	–	2,319,999	4,151,326
	Net non-farming income	9369	=	9,484	385,582
	Farming income statement information				
	Total farm revenue (mandatory field)	9659	+		
	Total farm expenses (mandatory field)	9898	–		
	Net farm income	9899	=		
	Net income/loss before taxes and extraordinary items	9970	=	9,484	385,582
	Extraordinary items and income (linked to Schedule 140)				
	Extraordinary item(s)	9975	–		
	Legal settlements	9976	–		
	Unrealized gains/losses	9980	+		
	Unusual items	9985	–		
	Current income taxes	9990	–		
	Deferred income tax provision	9995	–		
	Net income/loss after taxes and extraordinary items (mandatory field)	9999	=	9,484	385,582

Canada Customs and Revenue Agency / Agence des douanes et du revenu du Canada

SCHEDULE 141

NOTES CHECKLIST

Corporation's name	Business Number	Taxation year end Year Month Day
SCUGOG HYDRO ENERGY CORPORATION	87051 7182 RC0001	2005-06-30

- This schedule should be completed from the perspective of the person who prepared or reported on the **financial statements**. This person is referred to as the "accounting practitioner", in this schedule.
- For more information, see RC4088, *Guide to the General Index of Financial Information (GIFI) for Corporations* and T4012, *T2 Corporation – Income Tax Guide.*
- Attach a copy of this schedule, along with any Notes to the financial statements, to the GIFI.

Part 1 – Accounting practitioner information

Does the accounting practitioner have a professional designation? . . . . . 095 1 Yes [X] 2 No [ ]

Is the accounting practitioner connected* with the corporation? . . . . . 097 1 Yes [X] 2 No [ ]

* A person connected with a corporation can be: (i) a shareholder of the corporation who owns more than 10% of the common shares; (ii) a director, an officer, or an employee of the corporation; or (iii) a person not dealing at arm's length with the corporation.

Note
If the accounting practitioner does not have a professional designation or is connected with the corporation, you do not have to complete Parts 2 and 3 of this schedule. However, you do have to complete Part 4.

Part 2 – Type of involvement

Choose the option that represents the highest level of involvement of the accounting practitioner: 198

Completed an auditor's report . . . . . 1 [ ]

Completed a review engagement report . . . . . 2 [ ]

Conducted a compilation engagement . . . . . 3 [ ]

Part 3 – Reservations

If you selected option "1" or "2" under **Type of involvement** above, answer the following question:

Has the accounting practitioner expressed a reservation? . . . . . 099 1 Yes [ ] 2 No [ ]

Part 4 – Other information

Were notes to the financial statements prepared? . . . . . 101 1 Yes [X] 2 No [ ]

If *Yes*, complete lines 102 to 107 below:

Are any values presented at other than cost? . . . . . 102 1 Yes [ ] 2 No [X]

Has there been a change in accounting policies since the last return? . . . . . 103 1 Yes [ ] 2 No [X]

Are subsequent events mentioned in the notes? . . . . . 104 1 Yes [ ] 2 No [X]

Is re-evaluation of asset information mentioned in the notes? . . . . . 105 1 Yes [ ] 2 No [X]

Is contingent liability information mentioned in the notes? . . . . . 106 1 Yes [ ] 2 No [X]

Is information regarding commitments mentioned in the notes? . . . . . 107 1 Yes [X] 2 No [ ]

Does the corporation have investments in joint venture(s) or partnership(s)? . . . . . 108 1 Yes [ ] 2 No [X]

If *Yes*, complete line 109 below:

Are you filing financial statements of the joint venture(s) or partnership(s)? . . . . . 109 1 Yes [ ] 2 No [ ]

Canada Customs and Revenue Agency / Agence des douanes et du revenu du Canada

SCHEDULE 1

NET INCOME (LOSS) FOR INCOME TAX PURPOSES

Corporation's name	Business Number	Taxation year end Year Month Day
SCUGOG HYDRO ENERGY CORPORATION	87051 7182 RC0001	2005-06-30

- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes.
- Please provide us with the applicable details in the identification area, and complete the applicable lines that contain a numbered black box. You should report amounts in accordance with the Generally Accepted Accounting Principles (GAAP).
- Sections, subsections, and paragraphs referred to on this schedule are from the *Income Tax Act*.
- For more information, see the *T2 Corporation Income Tax Guide*.

Net income (loss) after taxes and extraordinary items per financial statements			9,484	A
Add:				
Amortization of tangible assets	104	56,745		
Subtotal of additions		56,745	56,745	
Other additions:				
Miscellaneous other additions:				
600 ADDBACK RE S. 12 (1) (X)	290	10,311		
Subtotal of other additions	199	10,311	10,311	
Total additions	500	67,056	67,056	
Deduct:				
Capital cost allowance from Schedule 8	403	47,059		
Subtotal of deductions		47,059	47,059	
Other deductions:				
Miscellaneous other deductions:				
700 DEDUCT RE: ELECTION UNDER S. 13 (7.4)	390	10,311		
701 DEDUCT RE: CORRECTION OF 2004 CARRYING CHARGES	391	41,698		
Subtotal of other deductions	499	52,009	52,009	
Total deductions	510	99,068	99,068	
Net income (loss) for income tax purposes – enter on line 300 of the T2 return			-22,528	

T2 SCH 1 E (01)

Canada

Canada Customs and Revenue Agency / Agence des douanes et du revenu du Canada

SCHEDULE 4

CORPORATION LOSS CONTINUITY AND APPLICATION

Name of corporation	Business Number	Taxation year end Year Month Day
SCUGOG HYDRO ENERGY CORPORATION	87051 7182 RC0001	2005-06-30

- For use by a corporation to determine the continuity and use of available losses; to determine the current-year non-capital loss, farm loss, restricted farm loss, and limited partnership loss; to determine the amount of restricted farm loss and limited partnership loss that may be applied in a year; and to request a loss carryback to previous years.
- The corporation can choose whether or not to deduct an available loss from income in a taxation year. It can deduct losses in any order. However, for each type of loss, deduct the oldest loss first.
- For information on these losses, see the *T2 Corporation Income Tax Guide*.
- File one completed copy of this schedule with the T2 return, or send it by itself to the tax centre where the return is filed.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act*.

Part 1 – Non-capital losses

Determination of current-year non-capital loss

Net income (loss) for income tax purposes		-22,528
Deduct: (increase a loss)		
Net capital losses deducted in the year (enter as a positive amount)		
Taxable dividends deductible under sections 112, 113, or subsection 138(6)		
Amount of Part VI.1 tax deductible		
Amount deductible as prospector's and grubstaker's shares – Paragraph 110(1)(d.2)		
Subtotal (if positive, enter "0")		-22,528
Deduct: (increase a loss)		
Section 110.5 and/or subparagraph 115(1)(a)(vii) – Addition for foreign tax deductions		
Subtotal		-22,528
Add: (decrease a loss)		
Current-year farm loss		
Current-year non-capital loss (if positive, enter "0")		-22,528

Continuity of non-capital losses and request for a carryback

	Line		
Non-capital loss at the end of preceding taxation year		197,100	
Deduct: Non-capital loss expired *	100		
Non-capital losses at beginning of taxation year	102	197,100	
Add: Non-capital losses transferred on an amalgamation or the windup of a subsidiary corporation	105		
Current-year non-capital loss (from calculation above)	110	22,528	219,628
Deduct:			
Amount applied against taxable income (enter on line 331 of the T2 return)	130		
Amount applied against taxable dividends subject to Part IV tax	135		
Section 80 – Adjustments for forgiven amounts	140		
Subsection 111(10) – Adjustments for fuel tax rebate			
Other adjustments	150		
Subtotal			219,628
Deduct – Request to carry back non-capital loss to:			
First preceding taxation year to reduce taxable income	901		
Second preceding taxation year to reduce taxable income	902		
Third preceding taxation year to reduce taxable income	903		
First preceding taxation year to reduce taxable dividends subject to Part IV tax	911		
Second preceding taxation year to reduce taxable dividends subject to Part IV tax	912		
Third preceding taxation year to reduce taxable dividends subject to Part IV tax	913		
Non-capital losses – Closing balance	180		219,628

* A non-capital loss expires as follows:
- After **7** taxation years if it arose in a taxation year ending before March 23, 2004; or
- After **10** taxation years if it arose in a taxation year ending after March 22, 2004.

Election under paragraph 88(1.1)(f)

Paragraph 88(1.1)(f) election indicator ..... 190 Yes ☐

Loss from a wholly owned subsidiary deemed to be a loss of the parent from its immediately preceding taxation year.

Part 2 – Capital losses

Continuity of capital losses and request for a carryback

Capital losses at end of preceding taxation year	200		
Capital losses transferred on an amalgamation or the windup of a subsidiary corporation	205		
Current-year capital loss (from Schedule 6 calculation)	210		
Add:			
Allowable business investment loss expired as non-capital loss ______ x 4/3		220	
Deduct:		Subtotal	
Amount applied against current-year capital gain (see Note 1)	225		
Section 80 – Adjustments for forgiven amounts	240		
Other adjustments	250		
		Subtotal	

Deduct – Request to carry back capital loss to: (see Note 2)

	Capital gain (100%)		Amount carried back (100%)	
First preceding taxation year		951		
Second preceding taxation year		952		
Third preceding taxation year		953		
Capital losses – Closing balance			280	

Note 1

On line 332 of the T2 return, enter the amount from line 225 multiplied by 50%.

Note 2

Enter on lines 225, 951, 952, or 953, whichever applies, the actual amount of the loss. At the time of the application of the loss carryback, the net capital loss amount will be calculated at the inclusion rate of the year to which the net capital loss is applied.

Part 3 – Farm losses

Continuity of farm losses and request for a carryback

Farm losses at end of preceding taxation year			
Deduct: Farm loss expired after 10 taxation years	300		
Farm losses at beginning of taxation year	302		
Add: Farm losses transferred on an amalgamation or the windup of a subsidiary corporation	305		
Current-year farm loss	310		
Deduct:			
Amount applied against taxable income (enter on line 334 of the T2 return)	330		
Amount applied against taxable dividends subject to Part IV tax	335		
Section 80 – Adjustments for forgiven amounts	340		
Other adjustments	350		
		Subtotal	
Deduct – Request to carry back farm loss to:			
First preceding taxation year to reduce taxable income	921		
Second preceding taxation year to reduce taxable income	922		
Third preceding taxation year to reduce taxable income	923		
First preceding taxation year to reduce taxable dividends subject to Part IV tax	931		
Second preceding taxation year to reduce taxable dividends subject to Part IV tax	932		
Third preceding taxation year to reduce taxable dividends subject to Part IV tax	933		
Farm losses – Closing balance		380	

Part 4 – Restricted farm losses

Current-year restricted farm loss

Total losses for the year from farming business		485	A
Minus the deductible farm loss:			
\$2,500 plus B or C, whichever is less		\$ 2,500	
(Amount A above ______ – \$2,500) divided by 2 =	______ B		
	\$ 6,250 C		2,500
Current-year restricted farm loss (enter this amount on line 410 of page 3)			

Part 4 – Restricted farm losses (continued)

Continuity of restricted farm losses and request for a carryback

Restricted farm losses at end of preceding taxation year			
Deduct: Restricted farm loss expired after 10 taxation years	400		
Restricted farm losses at beginning of taxation year	402		
Add: Restricted farm losses transferred on an amalgamation or the windup of a subsidiary corporation	405		
Current-year restricted farm loss (enter on line 233 of Schedule 1)	410		
Deduct:			
Amount applied against farming income (enter on line 333 of the T2 return)	430		
Section 80 – Adjustments for forgiven amounts	440		
Other adjustments	450		
Subtotal			
Deduct – Request to carry back restricted farm loss to:			
First preceding taxation year to reduce farming income	941		
Second preceding taxation year to reduce farming income	942		
Third preceding taxation year to reduce farming income	943		
Restricted farm losses – Closing balance		480	

Note

The total losses for the year from all farming businesses are calculated without including scientific research expenses.

Part 5 – Listed personal property losses

Continuity of listed personal property loss and request for a carryback

Listed personal property losses at end of preceding taxation year			
Deduct: Listed personal property loss expired after seven taxation years		500	
Listed personal property losses at beginning of taxation year		502	
Add: Current-year listed personal property loss (from Schedule 6)		510	
Subtotal			
Deduct:			
Amount applied against listed personal property gains (enter on line 655 of Schedule 6)	530		
Other adjustments	550		
Subtotal			
Deduct – Request to carry back listed personal property loss to:			
First preceding taxation year to reduce listed personal property gains	961		
Second preceding taxation year to reduce listed personal property gains	962		
Third preceding taxation year to reduce listed personal property gains	963		
Listed personal property losses – Closing balance		580	

Part 7 – Limited partnership losses

Current-year limited partnership losses						
1	2	3	4	5	6	7
Partnership identifier 600	Fiscal period ending 602	Corporation's share of limited partnership loss 604	Corporation's at-risk amount 606	Total of corporation's share of partnership investment tax credit, farming losses, and resource expenses 608	Column 4 **minus** column 5 If negative, enter "0".	Current-year limited partnership losses Column 3 - 6 620

Total (enter this amount on line 222 of Schedule 1)

Limited partnership losses from prior taxation years that may be applied in the current year						
1	2	3	4	5	6	7
Partnership identifier 630	Fiscal period ending 632	Limited partnership losses at end of preceding taxation year 634	Corporation's at-risk amount 636	Total of corporation's share of partnership investment tax credit, business or property losses, and resource expenses 638	Column 4 **minus** column 5 If negative, enter "0".	Limited partnership losses that may be applied in the year The lesser of columns 3 and 6 650

Continuity of limited partnership losses that can be carried forward to future taxation years					
Partnership identifier 660	Limited partnership losses at end of preceding taxation year 662	Limited partnership losses transferred on an amalgamation or the windup of a subsidiary 664	Current-year limited partnership losses (from column 620) 670	Limited partnership losses applied (cannot exceed column 650) 675	Limited partnership losses closing balance (662 + 664 + 670 - 675) 680

Total (enter this amount on line 335 of the T2 return)

Non-Capital Loss Continuity Workchart

Part 6 – Analysis of balance of losses by year of origin

Non-capital losses

Year of origin	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce: Taxable income	Applied to reduce: Part IV tax	Balance at end of year
Current	N/A	22,528			N/A		22,528
2004		N/A		N/A			
2003	73,336	N/A		N/A			73,336
2002	123,764	N/A		N/A			123,764
2001		N/A		N/A			
2000		N/A		N/A			
1999		N/A		N/A			
1998		N/A		N/A			*
Total	197,100	22,528					219,628

Farm losses

Year of origin	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce: Taxable income	Applied to reduce: Part IV tax	Balance at end of year
Current	N/A				N/A		
2004		N/A		N/A			
2003		N/A		N/A			
2002		N/A		N/A			
2001		N/A		N/A			
2000		N/A		N/A			
1999		N/A		N/A			
1998		N/A		N/A			
1997		N/A		N/A			
1996		N/A		N/A			
1995		N/A		N/A			*
Total							

Restricted farm losses

Year of origin	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce: Taxable income	Applied to reduce: Part IV tax	Balance at end of year
Current	N/A				N/A	N/A	
2004		N/A		N/A		N/A	
2003		N/A		N/A		N/A	
2002		N/A		N/A		N/A	
2001		N/A		N/A		N/A	
2000		N/A		N/A		N/A	
1999		N/A		N/A		N/A	
1998		N/A		N/A		N/A	
1997		N/A		N/A		N/A	
1996		N/A		N/A		N/A	
1995		N/A		N/A		N/A	*
Total						N/A	

* This balance expires this year and will not be available next year.

Scugog Hydro Energy Corporation

ELECTION UNDER SUBSECTION 13(7.4)

The company hereby elects to have subsection 13(7.4) of the Income Tax Act apply to reduce the capital cost of depreciable property of Class 1 acquired in the taxation year by an amount of $11,407 received in the taxation year in respect of that property that would otherwise be included in income under paragraph 12(1)(x).

Authorized Signing Officer

Canada Customs and Revenue Agency / Agence des douanes et du revenu du Canada

SCHEDULE 8

CAPITAL COST ALLOWANCE (CCA)

Name of corporation	Business Number	Taxation year end Year Month Day
SCUGOG HYDRO ENERGY CORPORATION	87051 7182 RC0001	2005-06-30

Is the corporation electing under regulation 1101(5q)? **101** 1 Yes ☐ 2 No ☒

	1 Class number 200	2 Undepreciated capital cost at the beginning of the year 201	3 Cost of acquisitions during the year* 203	4 Net adjustments 205	5 Proceeds of dispositions during the year (amount not to exceed the capital cost) 207	6 Undepreciated capital cost (column 2 **plus** column 3 **plus** or **minus** column 4 **minus** column 5)	7 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)** 211	8 Reduced undepreciated capital cost (column 6 **minus** column 7)	9 CCA rate % 212	10 Recapture of capital cost allowance (amount on line 107 of Schedule 1) 213	11 Terminal loss (amount on line 404 of Schedule 1) 215	12 Capital cost allowance (column 8 **multiplied** by column 9; or a lower amount) (amount on line 403 of Schedule 1)*** 217	13 Undepreciated capital cost at the end of the year (column 6 **minus** column 12) 220
1	1	813,366	44,013		0	857,379	22,007	835,372	4	0	0	16,570	840,809
2	8	71,630			0	71,630		71,630	20	0	0	7,104	64,526
3	2	744,483			0	744,483		744,483	6	0	0	22,151	722,332
4	12	2,488			0	2,488		2,488	100	0	0	1,234	1,254
	Total	1,631,967	44,013			1,675,980	22,007	1,653,973				47,059	1,628,921

* Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule, see Regulation 1100(2) and (2.2).

** The net cost of acquisitions is the cost of acquisitions plus or minus certain adjustments from column 4.

*** If the taxation year is shorter than 365 days, prorate the CCA claim. See the *T2 Corporation Income Tax Guide* for more information.

Canada

Canada Customs and Revenue Agency | Agence des douanes et du revenu du Canada

SCHEDULE 50

SHAREHOLDER INFORMATION

Name of corporation	Business Number	Taxation year end Year Month Day
SCUGOG HYDRO ENERGY CORPORATION	87051 7182 RC0001	2005-06-30

All private corporations must complete this schedule for any shareholder who holds 10% or more of the corporation's common and/or preferred shares.

	Name of shareholder 100	Business Number (Notes 1 & 3) 200	Social Insurance Number (Note 2 & 3) 300	Percentage common shares 400	Percentage preferred shares 500
1	TOWNSHIP OF SCUGOG	NR		100.000	
2					
3					
4					
5					
6					
7					
8					
9					
10					

Note 1: If a corporate shareholder does not have a business number, "NR" must be entered to indicate the corporation is not registered.

Note 2: If an individual shareholder does not have a social insurance number, "NA" must be entered to indicate the SIN is not available.

Note 3: If a trust holds 10% or more of the corporation's common or preferred shares, enter "NR" for the business number and, if space permits, enter the trust's name and account number. Do not enter anything in the "SIN" column.

Corporate Taxpayer Summary

Summary of federal information

Taxation Year: 2005-01-01 to 2005-06-30

Jurisdiction: Ontario

Corporation is associated N
Corporation is related N

Balance due/refund (–)				Active business income	
Net income	-22,528	Taxable income		Dividends paid	

Credits against part I tax		Federal taxes		Refunds/credits	
Small bus deduction		Part I		ITC refund	
M&P deduction		Surtax		Dividends refund	
Foreign tax credit		Part I.3		Instalments	
Political contributions		Part IV		Surtax credit	
Investment tax credits		Part I & Surtax		Other	
Abatement/Other		Other			

Summary of federal carryforward/carryback information

Carryback amounts		Carryforward balances	
Investment tax credits		RDTOH	
Non-capital loss		Donations	
Capital loss		Investment tax credits	
Farm loss		Non-capital losses	219,628
Restricted farm loss		Capital/L.P.P. losses	
Surtax credit		Farm losses	
Part I tax credit (Schedule 42)		Restricted farm losses	
		Foreign business tax credit	
		Unused surtax credit	
		Capital dividend amount	
		Part I tax credit (Schedule 42)	

Summary of provincial information – provincial income tax payable

Province	% Allocation	Taxable income	Tax payable before deduction	Deductions/credits	Net tax payable
Newfoundland and Labrador					
Prince Edward Island					
Nova Scotia					
New Brunswick					
Manitoba					
Saskatchewan					
British Columbia					
Yukon Territory					
Northwest Territories					
Nunavut					
Totals per Federal T2 and Schedule 5					
Alberta (AT1)					
Ontario (CT23)	100.00				
Québec (CO-17)					

Summary of taxes payable to provinces and provincial carryforward amounts

Province	Taxable capital	Capital tax payable*	Income tax payable	Total tax payable	Balance due/ refund (-)
B.C. (General)			–		
B.C. (Special)			–		
Sask. (SCT-1)			–		
Manitoba (MCT-1)			–		
Alberta (AT1)	–	–			
Schedule 361			–		–
Schedule 342			–		–
Ontario (CT23)	2,202,042				
Québec (CO-17)					

* For Québec, this includes compensation tax and special taxes

Provincial carryforwards:	Ontario	Québec	Alberta
Non-capital losses	219,628		
Net capital/L.P.P losses			
Farm losses			
Restricted farm losses			
Donations			

Five Year Comparative Summary

	Current year	1st prior year	2nd prior year	3rd prior year	4th prior year
Federal information					
Taxation year end	2005-06-30	2004-12-31	2003-12-31	2002-12-31	2001-12-31
Balance due/refund					
Net income	-22,528	398,793			
Taxable income					
Active business income		398,793			
Dividends paid					
Federal taxes					
Part I					
Surtax					
Part I.3					
Part IV					
Other federal taxes (Parts II, IV.1, VI, VI.1, XIII.1, XIV)					
Credits against part I tax					
Small business deduction					
M&P deduction					
Foreign tax credit					
Political contribution					
Investment tax credit					
Abatement/other					
Refunds/credits					
ITC refund					
Dividend refund					
Instalments					
Other					
Ontario					
Taxable income					
Income tax payable before deduction					
Income tax deductions /credits					
Net income tax payable					
Taxable capital	2,202,042	2,390,338			
Capital tax payable					
Total tax payable					
Balance due/refund					

Ontario

Ministry of Finance
Corporations Tax Branch
PO Box 620
33 King Street West
Oshawa ON L1H 8E9

2004/
2005

CT23 Corporations Tax and Annual Return

For taxation years commencing after December 31, 2002

Corporations Tax Act – Ministry of Finance (MOF)
Corporations Information Act – Ministry of Consumer and Business Services (MCBS)

This form is a combination of the Ministry of Finance (MOF) **CT23 Corporations Tax Return** and the Ministry of Consumer and Business Services (MCBS) **Annual Return**. Page 1 is a common page required for both Returns. For tax purposes, depending on which criteria the corporation satisfies, it must complete either the **Exempt from Filing (EFF)** declaration on page 2 or file the **CT23 Return** on pages 3-17. Corporations that **do not** meet the EFF criteria but do meet the Short-Form criteria, may request and file the **CT23 Short-Form Return** (see page 2).

The **Annual Return** (common page 1 and MCBS Schedule A on pages 18 and 19, and Schedule K on page 20) contains non-tax information collected under the authority of the *Corporations Information Act* for the purpose of maintaining a public database of corporate information. This return must be completed by Ontario share-capital corporations or Foreign-Business share-capital corporations that have an extra-provincial licence to operate in Ontario.

Ministry Use

MCBS Annual Return Required? *(Not required if already filed or Annual Return exempt. Refer to Guide)* [X] Yes [ ] No

Corporation's Legal Name *(including punctuation)*
SCUGOG HYDRO ENERGY CORPORATION

Ontario Corporations Tax Account No. (MOF)
1800289

Mailing Address
55 TAUNTON ROAD EAST
AJAX
ON CA L1T 3V3

This Return covers the Taxation Year
Start (year month day): 2005-01-01
End (year month day): 2005-06-30

Has the mailing address changed since last filed CT23 Return? [X] Yes
Date of Change (year month day): 2005-06-30

Date of Incorporation or Amalgamation (year month day): 1999-11-01

Registered/Head Office Address
55 TAUNTON ROAD EAST
AJAX
ON CA L1T 3V3

Ontario Corporation No. (MCBS): 1382155

Location of Books and Records
SAME AS ABOVE
CA

Canada Customs and Revenue Agency Business No.
If applicable, enter: 87051 7182 RC0001

Name of person to contact regarding this CT23 Return: DAVID CLARK
Telephone No.: (905) 427-9870
Fax No.:

Jurisdiction Incorporated: Ontario

Address of Principal Office in Ontario *(Extra-Provincial Corporations only)* (MCBS)
Ontario Canada

If not incorporated in Ontario, indicate the date Ontario business activity commenced and ceased:
Commenced (year month day):
Ceased (year month day):
[X] *Not Applicable*

Former Corporation Name *(Extra-Provincial Corporations only)* [X] *Not Applicable* (MCBS)

Preferred Language / *Langue de préférence*
[X] English / *anglais* [ ] French / *français*

Ministry Use

Information on Directors/Officers/Administrators must be completed on MCBS Schedule A or K as appropriate. If additional space is required for Schedule A, only this schedule may be photocopied. State number submitted (MCBS). ▶ No. of Schedule(s):

If there is no change to the Directors'/Officers'/Administrators' information previously submitted to MCBS, please check (X) this box. Schedule(s) A and K are not required (MCBS). ▶ [ ] No Change

Certification (MCBS)

I certify that all information set out in the **Annual Return** is true, correct and complete.

Name of Authorized Person *(Print clearly or type in full)*
DAVID CLARK

Title: D [X] Director O [X] Officer P [ ] Other individuals having knowledge of the Corporation's business activities

Note: Sections 13 and 14 of the *Corporations Information Act* provide penalties for making false or misleading statements or omissions.

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
SCUGOG HYDRO ENERGY CORPORATION	1800289	2005-06-30

CT23 Corporations Tax Return

Identification continued (for CT23 filers only)

Type of Corporation – Please check (X) box(es) if applicable in sections 1 & 2

1

1 [X] Canadian–controlled Private (CCPC) all year (Generally a private corporation of which 50% or more shares are owned by Canadian residents.) (fed.s.125(7)(b))

2 [ ] Other Private

3 [ ] Public

4 [ ] Non-share Capital

5 [ ] Other (specify)

Share Capital with full voting rights owned by Canadian Residents (nearest percent) ____ %

2

1 [ ] Family Farm Corporation s.1 (2)

2 [ ] Family Fishing Corporation s.1 (2)

3 [ ] Mortgage Investment Corporation s.47

4 [ ] Credit Union s.51

5 [ ] Bank Mortgage Subsidiary s.61 (4)

6 [ ] Bank s.1 (2)

7 [ ] Loan and Trust Corporation s.61 (4)

8 [ ] Non-resident Corporation s.2(2)(a) or (b)

9 [ ] Non-resident Corporation s.2(2)(c)

10 [ ] Mutual Fund Corporation s.48

11 [ ] Non-resident owned investment Corporation s.49

12 [ ] Non-resident ship or aircraft under reciprocal agreement with Canada s.28(b)

14 [ ] Bare Trustee Corporation

15 [ ] Branch of Non-resident s.63(1)

16 [ ] Financial institution prescribed by Regulation only

17 [ ] Investment Dealer

18 [ ] Generator of electrical energy for sale or producer of steam for use in the generation of electrical energy for sale

19 [ ] Hydro successor, Municipal Electrical Utility or subsidiary of either

20 [ ] Producer and seller of steam for uses other than for the generation of electricity

21 [ ] Insurance Exchange s.74.4

22 [ ] Farm Feeder Finance Co-operative Corporation

23 [ ] Professional Corporation (incorporated professionals only)

Ontario Retail Sales Tax Vendor Permit No. (Use Head Office no.)

If applicable, enter

Ontario Employer Health Tax Account No. (Use Head Office no.)

If applicable, enter

Specify major business activity

Please check (X) box(es) if applicable

[ ] First Year of Filing

[ ] Amended Return

[X] Taxation Year End has changed – Canada Customs and Revenue Agency approval required

[ ] Final Taxation Year up to Dissolution (wind-up) *(Note: For discontinued businesses, see Guide.)*

[ ] Final Taxation Year before Amalgamation

[ ] Floating Fiscal Year End

[ ] Transfer or Receipt of Asset(s) involving a corporation having a Canadian permanent establishment outside Ontario

[X] Acquisition of Control fed s. 249(4)

Date Control was acquired (year month day): 2005-06-30

	Yes	No
Was the corporation inactive throughout the taxation year?		X
Has the corporation's Federal T2 Return been filed with the Canada Customs and Revenue Agency (CCRA)?	X	
Are you requesting a refund due to: the Carry-back of a Loss?		X
an Overpayment?		X
a Specified Refundable Tax Credit?		X
Are you a Member of a Partnership or Joint Venture?		X

Allocation – If you carry on a business through a permanent establishment in a jurisdiction outside Ontario, you may allocate that portion of taxable income deemed earned in that jurisdiction to that jurisdiction (s.39) (Int.B. 3008).

DOLLARS ONLY

Net Income (loss) for Ontario purposes (per reconciliation schedule, page 15)	±	From 690	-22,528
Subtract: Charitable donations	–	1	
Subtract: Gifts to Her Majesty in right of Canada or a province and gifts of cultural property *(Attach schedule 2)*	–	2	
Subtract: Taxable dividends deductible, per federal Schedule 3	–	3	
Subtract: Ontario political contributions *(Attach Schedule 2A)* (Int.B. 3002R)	–	4	
Subtract: Federal Part VI.1 tax ______ x 3	–	5	
Subtract: Prior years' losses applied – Non-capital losses	–	From 704	
Net capital losses (page 16) From 715 ______ x inclusion rate 50.000000 % =	–	714	
Farm losses	–	From 724	
Restricted farm losses	–	From 734	
Limited partnership losses	–	From 754	
Taxable Income (Non-capital loss)	=	10	-22,528
Addition to taxable income for unused foreign tax deduction for federal purposes	+	11	
Adjusted Taxable Income 10 + 11 (if 10 is negative, enter 11)	=	20	

Number of Days in Taxation Year

Taxable Income

From 10 (or 20 if applicable)	______	x 30 100.0000 % Ontario Allocation	x 12.5 %	x	Days after Dec. 31, 2002 and before Jan. 1, 2004: 33 ______ ÷ Total Days 73 181	= + 29	
From 10 (or 20 if applicable)	______	x 30 100.0000 % Ontario Allocation	x 14 %	x	Days after Dec. 31, 2003: 34 181 ÷ Total Days 73 181	= + 32	

Income Tax Payable (before deduction of tax credits) 29 + 32 = 40

Incentive Deduction for Small Business Corporations (IDSBC) (s.41)

If this section is not completed, the IDSBC will be denied.

Did you claim the federal Small Business Deduction (fed.s.125(1)) in the taxation year or would you have claimed the federal Small Business Deduction had the provisions of fed.s.125(5.1) not been applicable in the taxation year? (X) Yes [X] No

* Income from active business carried on in Canada for federal purposes (fed.s.125(1)(a))			50	
Federal taxable income, less adjustment for foreign tax credit (fed.s.125(1)(b))	+ 51			
Add: Losses of other years deducted for federal purposes (fed.s.111)	+ 52			
Subtract: Losses of other years deducted for Ontario purposes (s.34)	– 53			
	=		54	
Federal Business limit (line 410 of the T2 Return) for the year before the application of fed.s.125(5.1)	55	148,767		

Ontario Business Limit Calculation

320,000 x	Days after Dec. 31, 2002 and before Jan 1, 2004: 31 ______ ÷ ** 365	= + 46		
400,000 x	Days after Dec 31, 2003: 34 181 ÷ ** 365	= + 47	198,356	
Business Limit for Ontario purposes 46 + 47	= 44	198,356	x Percentage of federal Business limit (from T2 Schedule 23). Enter 100% if not associated. 48 100.0000 %	= 45 198,356

Income eligible for the IDSBC From 30 100.0000 % ***Ontario Allocation x 56 ______ Least of 50, 54 or 45 = 60

* *Note: Modified by s.41(6) and (7) for corporations that are members of a partnership. (Refer to Guide.)*

** *Note: Adjust accordingly for a floating taxation year and use 366 for a leap year.*

*** *Note: Ontario Allocation for IDSBC purposes may differ from* 30 *if Taxable Income is allocated to foreign jurisdictions. See special rules (s.41(4)).*

continued on Page 5

Income Tax *continued from Page 4*

Calculation of IDSBC Rate

Number of Days in Taxation Year

					Total Days			
Calculation of IDSBC Rate	7 %	x	Days after Dec 31, 2002 and before Jan 1, 2004: 31	÷	Total Days: 73 181	= +	89	
	8.5 %	x	Days after Dec 31, 2003: 34 181	÷	Total Days: 73 181	= +	90	8.5000
IDSBC Rate for Taxation Year 89 + 90						=	78	8.5000
Claim	From 60	x	From 78 8.5000 %			=	70	

Corporations claiming the IDSBC must complete the Surtax section below if the corporation's taxable income (or if associated, the associated group's taxable income) is greater than the amount 400,000 in 114 below.

Surtax on Canadian-controlled Private Corporations (s.41.1)

Applies if you have claimed the Incentive Deduction for Small Business Corporations.

Associated Corporation - The Taxable Income of associated corporations is the taxable income for the taxation year ending on or before the date of this corporation's taxation year end.

***Taxable Income of the corporation** - From 10 (or 20 if applicable) + 80

If you are a member of an associated group (X) 81 (Yes)

Name of associated corporation (Canadian & foreign) *(if insufficient space, attach schedule)*	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End		* Taxable Income (if loss, enter nil)
			+ 82	
			+ 83	
			+ 84	
Aggregate Taxable Income 80 + 82 + 83 + 84, etc.			= 85	

Number of Days in Taxation Year

				Total Days			
320,000	x	Days after Dec 31, 2002 and before Jan 1, 2004: 31	÷	73 181	= +	115	
400,000	x	Days after Dec. 31, 2003: 34 181	÷	73 181	= +	116	400,000
115 + 116					=		400,000

– 114 400,000

(If negative, enter nil) = 86

Number of Days in Taxation Year

Calculation of Specified Rate for Surtax 4.6670 % x Days after Dec 31, 2002: 38 181 ÷ Total Days: 73 181 = + 97 4.6670

From 86 x From 97 4.6670 % = 87

From 87 x From 60 ÷ From 114 400,000 = 88

Surtax Lesser of 70 or 88 = 100

* *Note: Short Taxation Years* – Special rules apply where the taxation year is less than 51 weeks for the corporation and/or any corporation associated with it.

continued on Page 6

DOLLARS ONLY

Additional Deduction for Credit Unions (s.51(4)) *(Attach schedule 17)*

[110]

Manufacturing and Processing Profits Credit (M&P) (s.43)

Applies to Eligible Canadian Profits from manufacturing and processing, farming, mining, logging and fishing carried on in Canada, as determined by regulations.

Eligible Canadian Profits from mining are the "resource profits from the mining operations", as determined for Ontario depletion purposes, after deducting depletion and resource allowances but excluding amounts from sale of Canadian resource property, rentals or royalties. If you are claiming this credit, attach a copy of Ontario schedule 27.

The whole of the active business income qualifies as Eligible Canadian Profits if: a) your active business income from sources other than manufacturing and processing, mining, farming, logging or fishing is 20% or less of the total active business income and b) the total active business income is $250,000 or less.

Eligible Canadian Profits	+	[120]
Subtract: Income eligible for the Incentive Deduction for Small Business Corporations (IDSBC)	– From	[56]
Add: Adjustment for Surtax on Canadian-controlled private corporations		
From [100] ÷ From [30] 100.0000 % ÷ From [78] 8.5000 % = [121] (*Ontario Allocation)		
Lesser of [56] or [121]	+	[122]
[120] – [56] + [122]	=	[130]
Taxable Income	+ From	[10] -22,528
Subtract: Income eligible for the Incentive Deduction for Small Business Corporations (IDSBC)	– From	[56]
Add: Adjustments for Surtax on Canadian-controlled private corporations	+ From	[122]
Subtract: Taxable Income [10] -22,528 X Allocation % to jurisdictions outside Canada ____%	–	[140]
Subtract: Amount by which Canadian and foreign investment income exceeds net capital losses	–	[141]
[10] – [56] + [122] – [140] – [141]	=	[142]

Claim

Number of Days in Taxation Year

[143] (Lesser of [130] or [142])	X From [30] 100.0000 % (Ontario Allocation)	X 1.5 %	X Days after Dec. 31, 2002 and before Jan 1, 2004 [33] ÷ Total Days [73] 181	= +	[154]
[143] (Lesser of [130] or [142])	X From [30] 100.0000 % (Ontario Allocation)	X 2 %	X Days after Dec. 31, 2003 [34] 181 ÷ Total Days [73] 181	= +	[156]

M&P claim for taxation year [154] + [156] = [160]

* *Note: Ontario Allocation for M&P Credit purposes may differ from [30] if Taxable Income is allocated to foreign jurisdictions. See special rules (s.43(1))*

Manufacturing and Processing Profits Credit for Electrical Generating Corporations

= [161]

Manufacturing and Processing Profits Credit for Corporations that Produce and Sell Steam for uses other than the Generation of Electricity

= [162]

Credit for Foreign Taxes Paid (s.40)

Applies if you paid tax to a jurisdiction outside Canada on foreign investment income (Int.B. 3001R). *(Attach schedule).* [170]

Credit for Investment in Small Business Development Corporations (SBDC)

Applies if you have an unapplied, previously approved credit from prior years' investments in new issues of equity shares in Small Business Development Corporations. Any unused portion may be carried forward indefinitely and applied to reduce subsequent years' income taxes. (Refer to the former *Small Business Development Corporations Act*)

Eligible Credit [175] Credit Claimed [180]

Subtotal of Income Tax

[40] – [70] + [100] – [110] – [160] – [161] – [162] – [170] – [180] = [190]

continued on Page 7

Income Tax *continued from Page 6*

Specified Tax Credits *(Refer to Guide)*

Ontario Innovation Tax Credit (OITC) (s.43.3) ***Applies*** to scientific research and experimental development in Ontario.
Eligible Credit From 5620 OITC Claim Form *(Attach original Claim Form)* + 191

Co-operative Education Tax Credit (CETC) (s.43.4) ***Applies*** to employment of eligible students.
Eligible Credit From 5798 CT23 Schedule 113 *(Attach Schedule 113)* + 192

Ontario Film & Television Tax Credit (OFTTC) (s.43.5)
Applies to qualifying Ontario labour expenditures for eligible Canadian content film and television productions. 204 Name of Production
Eligible Credit From 5850 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)
(Attach the original Certificate of Eligibility) + 193

Graduate Transitions Tax Credit (GTTC) (s.43.6) No. of Graduates From 6596
Applies to employment of eligible unemployed post secondary graduates, for employment commencing prior to July 6, 2004 and expenditures incurred prior to January 1, 2005. 194
Eligible Credit From 6598 CT23 Schedule 115 *(Attach Schedule 115)* + 195

Ontario Book Publishing Tax Credit (OBPTC) (s.43.7)
Applies to qualifying expenditures in respect of eligible literary works by eligible Canadian authors.
Eligible Credit From 6900 OBPTC Claim Form *(Attach **both** the original Claim Form and the Certificate of Eligibility)* + 196

Ontario Computer Animation and Special Effects Tax Credit (OCASE) (s.43.8)
Applies to labour relating to computer animation and special effects on an eligible production.
Eligible Credit From 6700 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)
(Attach the original Certificate of Eligibility) + 197

Ontario Business-Research Institute Tax Credit (OBRITC) (s.43.9)
Applies to qualifying R&D expenditures under an eligible research institute contract.
Eligible Credit From 7100 OBRITC Claim Form *(Attach original Claim Form)* + 198

Ontario Production Services Tax Credit (OPSTC) (s.43.10)
Applies to qualifying Ontario labour expenditures for eligible productions where the OFTTC has not been claimed.
Eligible Credit From 7300 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)
(Attach the original Certificate of Eligibility) + 199

Ontario Interactive Digital Media Tax Credit (OIDMTC) (s.43.11)
Applies to qualifying labour expenditures of eligible products for the taxation year.
Eligible Credit From 7400 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC)
(Attach the original Certificate of Eligibility) + 200

Ontario Sound Recording Tax Credit (OSRTC) (s.43.12)
Applies to qualifying expenditures in respect of eligible Canadian sound recordings.
Eligible Credit From 7500 OSRTC Claim Form *(Attach **both** the original Claim Form and the Certificate of Eligibility)* + 201

Apprenticeship Training Tax Credit (ATTC) (s.43.13) No. of Apprentices From 5896
Applies to employment of eligible apprentices 202
Eligible Credit From 5898 CT23 Schedule 114 *(Attach Schedule 114)* + 203

Other (specify) ______ + 203.1

Total Specified Tax Credits 191 + 192 + 193 + 195 + 196 + 197 + 198 + 199 + 200 + 201 + 203 + 203.1 = 220

Specified Tax Credits *Applied to reduce Income Tax* = 225

Income Tax 190 – 225 **OR Enter NIL if reporting Non-Capital Loss** *(amount cannot be negative)* = 230

To determine if the Corporate Minimum Tax (CMT) is applicable to your Corporation, see **Determination of Applicability** section for the CMT on Page 8. If CMT is not applicable, transfer amount in 230 to Income Tax in **Summary** section on Page 17.

OR

If CMT is not applicable for the current taxation year but your corporation has CMT Credit Carryovers that you want to apply to reduce income tax otherwise payable, then proceed to and complete the Application of CMT Credit Carryovers section part B, on Page 8.

Corporate Minimum Tax (CMT)

DOLLARS ONLY

Total Assets of the corporation	+ 240	3,079,077
Total Revenue of the corporation	+ 241	4,697,576

The above amounts include the corporation's and associated corporations' share of any partnership(s) / joint venture(s) total assets and total revenue.

If you are a member of an associated group (X) 242 [ ] (Yes)

Name of associated corporation (Canadian & foreign) *(if insufficient space, attach schedule)*	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	Total Assets	Total Revenue
			+ 243	+ 244
			+ 245	+ 246
			+ 247	+ 248

Aggregate Total Assets	240 + 243 + 245 + 247, etc.	= 249	3,079,077
Aggregate Total Revenue	241 + 244 + 246 + 248, etc.	= 250	4,697,576

Determination of Applicability

Applies** if **either Total Assets 249 exceeds $5,000,000 ***or*** Total Revenue 250 exceeds $10,000,000.

Short Taxation Years – Special rules apply for determining total revenue where the taxation year of the corporation or any associated corporation or any fiscal period of any partnership(s) / joint venture(s) of which the corporation or associated corporation is a member, is less than 51 weeks.

Associated Corporation – The total assets or total revenue of associated corporations is the total assets or total revenue for the taxation year ending on or before the date of the claiming corporation's taxation year end.

If CMT is applicable to current taxation year, complete section **Calculation: CMT** below and **Corporate Minimum Tax Schedule 101**.

Calculation: CMT *(Attach Schedule 101.)*

Gross CMT Payable - - CMT Base From Schedule 101 2136 [ ] (If negative, enter zero) X From 30 100.0000 % (Ontario Allocation) X 4 % = 276

Subtract: Foreign Tax Credit for CMT purposes *(Attach Schedule)*	– 277	
Subtract: Income Tax	– From 190	
Net CMT Payable (If negative, enter Nil on Page 17.)	= 280	

If 280 is less than zero and you do not have a CMT credit carryover, transfer 230 from **Page 7 to Income Tax Summary, on Page 17.**

If 280 is less than zero and you have a CMT credit carryover A & B below.

If 280 is greater than or equal to zero, transfer 230 to **Page 17** and transfer 280 to **Page 17, and to Part 4 of Schedule 101: Continuity of CMT Credit Carryovers.**

CMT Credit Carryover available From Schedule 101 From 2333

Application of CMT Credit Carryovers

A. Income Tax (before deduction of specified credits) + From 190

Gross CMT Payable + From 276

Subtract: Foreign Tax Credit for CMT purposes – From 277

If 276 – 277 is negative, enter NIL in 290 = → – 290

Income Tax eligible for CMT Credit = 300

B. Income Tax (after deduction of specified credits) + From 230

Subtract: CMT credit used to reduce income taxes – 310

Income Tax = 320

Transfer to page 17

If A & B apply, 310 *cannot exceed the lesser of* 230, 300 *and your CMT credit carryover available* 2333.

If only B applies, 310 *cannot exceed the lesser of* 230 *and your CMT credit carryover available* 2333.

Capital Tax *(Refer to Guide and Int.B. 3011R)*

If your corporation is a Financial Institution (s.58(2)), complete lines 480 and 430 on page 10 then proceed to page 13.

If your corporation is not a member of an associated group and/or partnership and the Gross Revenue and Total Assets as calculated on page 10 in 480 and 430 are both $3,000,000 or less, your corporation is exempt from Capital Tax for the taxation year, except for a branch of a non-resident corporation. A corporation that meets these criteria should disregard all other Capital Tax items (including the calculation of Taxable Capital). Enter NIL in 550 on page 12 and complete the return from that point. All other corporations must compute their Taxable Capital in order to determine their Capital Tax payable.

Members of a partnership (limited or general) or a joint venture, must attach all financial statements of each partnership or joint venture of which they are a member. The Paid-up Capital of each corporate partner must include its share of liabilities that would otherwise be included if the partnership were a corporation. If Investment Allowance is claimed, Total Assets must be adjusted by adding the corporation's share of the partnership's Total Assets and by deducting investments in the partnership as it appears on the corporation's balance sheet, in addition to any other required adjustments (s.61(5)). Special rules apply to limited partnerships (Int.B. 3017R).

Any Assets and liabilities of a corporation that are being utilized in a joint venture must be included along with the corporation's other Assets and liabilities when calculating its Taxable Paid-up Capital.

Special rules and rates apply to Non-Resident corporations (s.63, s.64 and s.69(3)).

Paid-up Capital of Non-resident: Paid-up capital employed in Canada of a non-resident subject to tax by virtue of s.2(a) or (b), and whose **business is not carried on solely in Canada** is deemed to be the **greater** of (1) taxable Income in Canada divided by 8 percent or (2) total assets in Canada minus certain indebtedness in accordance with the provisions of s.63(1)(a) (Int.B. 3010).

Paid-up Capital

Paid-up capital stock (Int.B. 3012R and 3015R)	+	350	2,531,756
Retained earnings (if deficit, deduct) (Int.B. 3012R)	±	351	-348,520
Capital and other surpluses, excluding appraisal surplus (Int.B.3012R)	+	352	
Loans and advances *(Attach schedule)* (Int.B. 3013R)	+	353	
Bank loans (Int.B. 3013R)	+	354	
Bankers acceptances (Int.B. 3013R)	+	355	
Bonds and debentures payable (Int.B. 3013R)	+	356	
Mortgages payable (Int.B. 3013R)	+	357	
Lien notes payable (Int.B. 3013R)	+	358	
Deferred credits (including income tax reserves, and deferred revenue where it would also be included in paid-up capital for the purposes of the large corporations tax) (Int.B. 3013R)	+	359	
Contingent, investment, inventory and similar reserves (Int.B. 3012R)	+	360	
Other reserves not allowed as deductions for income tax purposes *(Attach schedule)* (Int.B. 3012R)	+	361	18,806
Share of partnership(s) or joint venture(s) paid-up capital *(Attach schedule(s))* (Int.B. 3017R)	+	362	
Subtotal	=	370	2,202,042
Subtract: Amounts deducted for income tax purposes in excess of amounts booked *(Retain calculations. Do not submit.)* (Int.B. 3012R)	−	371	
Deductible R & D expenditures and ONTTI costs deferred for income tax if not already deducted for book purposes (Int.B. 3015R)	−	372	
Total Paid-up Capital	=	380	2,202,042
Subtract: Deferred mining exploration and development expenses (s.62(1)(d)) (Int.B. 3015R)	−	381	
Electrical Generating Corporations Only – All amounts with respect to electrical generating assets, except to the extent that they have been deducted by the corporation in computing its income for income tax purposes for the current or any prior taxation year, that are deductible by the corporation under clause 11(10)(a) of the *Corporations Tax Act*, and the assets are used both in generating electricity from a renewable or alternative energy source and are qualifying property as prescribed by regulation	−	382	
Net Paid-up Capital	=	390	2,202,042

Eligible Investment *(Refer to Guide and Int.B. 3015R)*

Attach computations and list of corporation names and investment amounts. Short-term investments (bankers acceptances, commercial paper, etc.) are eligible for the allowance only if issued for a term of and held for 120 days or more prior to the year end of the investor corporation.

Bonds, lien notes and similar obligations, (similar obligations, e.g. stripped interest coupons, applies to taxation years ending after October 30, 1998)	+	402	
Mortgages due from other corporations	+	403	
Shares in other corporations (certain restrictions apply) *(Refer to Guide)*	+	404	
Loans and advances to unrelated corporations	+	405	
Eligible loans and advances to related corporations (certain restrictions apply) *(Refer to Guide)*	+	406	
Share of partnership(s) or joint venture(s) eligible investments *(Attach schedule)*	+	407	
Total Eligible Investments	=	410	

continued on Page 10

SCUGOG HYDRO ENERGY CORPORATION		Attached Sch.
Corp Tax Acct. No. : 1800289	Year Ended:	30-Jun-2005

CCA - 2001	28,221
AMORTIZATION - 2001	(26,889)
CCA - 2002	119,632
AMORTIZATION - 2002	(111,708)
CCA - 2003	103,977
AMORTIZATION - 2003	(110,360)
CCA - 2004	100,508
AMORTIZATION - 2004	(112,501)
CCA - 2005	47,059
AMORTIZATION - 2005	(56,745)
Total	(18,806)

DOLLARS ONLY

Total Assets (Int.B. 3015R)

Total Assets per balance sheet	+ 420	3,079,077
Mortgages or other liabilities deducted from assets	+ 421	
Share of partnership(s)/joint venture(s) total assets *(Attach schedule)*	+ 422	
Subtract: Investment in partnership(s)/joint venture(s)	− 423	
Total Assets as adjusted	= 430	3,079,077
Amounts in 360 and 361 (if deducted from assets)	+ 440	
Subtract: Amounts in 371, 372 and 381	− 441	
Subtract: Appraisal surplus if booked	− 442	
Add or Subtract: Other adjustments (specify on an attached schedule)	± 443	
Total Assets	= 450	3,079,077
Investment Allowance (410 ÷ 450) x 390 — Not to exceed 410	= 460	
Taxable Capital 390 − 460	= 470	2,202,042
Gross Revenue (as adjusted to include the share of any partnership(s)/joint venture(s) Gross Revenue)	480	2,329,483
Total Assets (as adjusted)	From 430	3,079,077

Calculation of Capital Tax for all Corporations except Financial Institutions

Note: This version (2004/2005) of the CT23 may only be used for a taxation year that commenced after December 31, 2002.

Financial Institutions use calculations on page 13.

Important: If the corporation is a family farm corporation, family fishing corporation or a credit union that is not a Financial Institution, complete only Section A below.

OR If the corporation is **not** a member of an associated group and/or partnership, complete Section B below, then review only the Capital Tax calculations in Section C below, selecting and completing the one specific subsection (e.g. C3) that applies to the corporation.

OR If the corporation **is** a member of an associated group and/or partnership, complete Section B below and Section D on page 11, and if applicable, complete Section E or Section F on page 12. Note: if the corporation is a member of a connected partnership, please refer to the 2004/2005 CT23 Guide for additional instructions before completing the Capital Tax section.

SECTION A

This section applies only if the corporation is a family farm corporation, a family fishing corporation or a credit union that is not a Financial Institution (Int.B. 3018).

Enter NIL in 550 on page 12 and complete the return from that point.

SECTION B

Calculation of Taxable Capital Deduction (TCD)

Number of Days in Taxation Year

		Days	÷ Total Days		
5,000,000 x	35 Days before Jan. 1, 2005		÷ 73 181	= + 500	
7,500,000 x	36 Days after Dec. 31, 2004 and before Jan. 1, 2006	181	÷ 73 181	= + 501	7,500,000
10,000,000 x	37 Days after Dec. 31, 2005 and before Jan. 1, 2007		÷ 73 181	= + 502	

Taxable Capital Deduction (TCD) 500 + 501 + 502 = 503 7,500,000

SECTION C

This section applies if the corporation is not a member of an associated group and/or partnership.

C1. If 430 and 480 on page 10 are both $3,000,000 or less, enter NIL in 550 on page 12 and complete the return from that point.

C2. If Taxable Capital in 470 **is equal to or less than the TCD in** 503, enter NIL in 550 on page 12 and complete the return from that point.

C3. If Taxable Capital in 470 **exceeds the TCD in** 503, complete the following calculation and transfer the amount from 523 to 543 on page 12, and complete the return from that point.

+ From 470 2,202,042
− From 503 7,500,000
= 471 ______ x From 30 100.0000 % (Ontario Allocation) x 0.3 % x 555 181 (Days in taxation year) / 365 (366 if leap year) = + 523 ______

If floating taxation year, refer to Guide.

Transfer to 543 on page 12 and complete the return from that point

continued on Page 11

Capital Tax Calculation *continued from Page 10*

SECTION D

This section applies ONLY to a corporation that is a member of an associated group (excluding Financial Institutions and corporations exempt from Capital Tax) and/or partnership. You must check either 509 or 524 and complete this section before you can calculate your Capital Tax Calculation under either Section E or Section F.

D1. 509 (X if applicable) All corporations that you are associated with do **not** have a permanent establishment in Canada.

If Taxable Capital 470 on page 10 is equal to or less than the TCD 503 on page 10, enter NIL in 550 on page 12 and complete the return from that point.

If Taxable Capital 470 on page 10 exceeds the TCD 503 on page 10, proceed to **Section E**, enter the TCD amount in 542 in Section E, and complete Section E and the return from that point.

D2. 524 (X if applicable) One or more of the corporations that you are associated with **maintains** a permanent establishment in Canada.

You and your associated group may continue to allocate the TCD by completing the Calculation below. Or, the associated group **may file an election** under subsection 69(2.1) of the *Corporations Tax Act*, whereby total assets are used to allocate the TCD among the associated group. Once a ss.69(2.1) election is filed, all members of the group will then be required to file in accordance with the election and allocate a portion (portion is henceforth referred to as **Net Deduction**) of the capital tax effect relating to the TCD to each corporation in the group on the basis of the ratio that each corporation's total assets multiplied by its Ontario allocation is to the total assets of the group.

The total asset amounts and Ontario allocation percentages to be used for this calculation must be taken from each corporation's financial information from its last taxation year ending in the immediately preceding calendar year.

In addition, although each corporation in the associated group may deduct its Net Deduction amount as apportioned by the total asset formula, the group may, at the group's option, reallocate the group's total Net Deduction among the group on what ever basis the corporate group wishes, as long as the total of the reallocated amounts does not exceed the group's total Net Deduction amount originally calculated for the associated group.

Calculation

Do not complete this calculation if ss.69(2.1) election is filed

Taxable Capital From 470 on page 10 - - - - - - + From 470 ______.

Determine aggregate taxable capital of an associated group (excluding financial institutions and corporations exempt from capital tax) and/or partnership having a permanent establishment in Canada

Names of associated corporations (excluding Financial Institutions and corporations exempt from Capital Tax) having a permanent establishment in Canada *(if insufficient space, attach schedule)*	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End		Taxable Capital
			+ 531	.
			+ 532	.
			+ 533	.

Aggregate Taxable Capital 470 + 531 + 532 + 533, etc. - - - - - - = 540 ______.

If 540 above is equal to or less than the TCD 503 on page 10, the corporation's Capital Tax for the taxation year, is NIL.

Enter NIL in 523 in section E on page 12, as applicable.

If 540 above is greater than the TCD 503 on page 10, the corporation must compute its share of the TCD below in order to calculate its Capital Tax for the taxation year under Section E on page 12.

From 470 ______. ÷ From 540 ______. X From 503 ______. = 541 ______.

Transfer to 542 *in Section E on page 12*

Ss.69(2.1) Election Filed

591 (X if applicable) Election filed. *Attach a copy of Schedule 591 with this CT23 Return.* Proceed to Section F on page 12.

continued on Page 12

DOLLARS ONLY

Capital Tax Calculation *continued from Page 11*

SECTION E

This section applies if the corporation is a member of an associated group and/or partnership whose total **aggregate** Taxable Capital 540 on page 11 exceeds the TCD 503 on page 10.

Complete the following calculation and transfer the amount from 523 to 543, and complete the return from that point.

\+ From 470 ______

− 542 ______

= 471 ______ X From 30 100.0000 % (Ontario Allocation) X 0.3 % X 555 181 (Days in taxation year) / * 365 (366 if leap year) = + 523 ______ (Total Capital Tax for the taxation year)

Transfer to 543 and complete the return from that point

SECTION F

This section applies if a corporation is a member of an associated group and the associated group has filed a ss.69(2.1) election

\+ From 470 ______ X From 30 100.0000 % (Ontario Allocation) X 0.3 % = + 561 ______

− Capital tax deduction from 995 relating to **your corporation's** Capital Tax deduction, on Schedule 591 − From 995 ______

= 562 ______

Capital Tax 562 ______ X 555 181 (Days in taxation year) / * 365 (366 if leap year) = 563 ______ (Total Capital Tax for the taxation year)

Transfer to 543 and complete the return from that point

* *If floating taxation year, refer to Guide.*

Capital Tax before application of specified credits = 543 ______

Subtract: Specified Tax Credits applied to reduce capital tax payable *(Refer to Guide)* − 546 ______

Capital Tax 543 − 546 *(amount cannot be negative)* = 550 ______ *Transfer to page 17*

continued on Page 13

Capital Tax *continued from Page 12*

Calculation of Capital Tax for Financial Institutions

1.1 Credit Unions only

For taxation years commencing **after May 4, 1999** enter NIL in 550 on page 12, and complete the return from that point.

1.2 Other than Credit Unions

(Retain details of calculations for amounts in boxes 565 and 570. Do not submit with this tax return.)

565 ______ x 0.6 % x From 30 100.0000 % (Ontario Allocation) x 555 181 (Days in taxation year) ÷ * 365 (366 if leap year) = + 569 ______

Lesser of adjusted Taxable Paid Up Capital and Basic Capital Amount in accordance with Division B.1

570 ______ x 571 ______ (Capital Tax Rate *(Refer to Guide)*) x From 30 100.0000 % (Ontario Allocation) x 555 181 (Days in taxation year) ÷ * 365 (366 if leap year) = + 574 ______

Adjusted Taxable Paid Up Capital in accordance with Division B.1 in excess of Basic Capital Amount

Capital Tax for Financial Institutions – other than Credit Unions (before Section 2) 569 + 574 = 575 ______

** If floating taxation year, refer to Guide.*

2. Small Business Investment Tax Credit

(Retain details of eligible investment calculation and, if claiming an investment in CSBIF, retain the original letter approving the credit issued in accordance with the Community Small Business Investment Fund Act. Do not submit with this tax return.)

Allowable Credit for Eligible Investments – 585 ______

Financial Institutions: Claiming a tax credit for investment in Community Small Business Investment Fund (CSBIF)? (X) ☐ Yes

Capital Tax - Financial Institutions 575 – 585 = 586 ______

Transfer to 543 on page 12

Premium Tax (s.74.2 & 74.3) *(Refer to Guide)*

(1) Uninsured Benefits Arrangements 587 ______ x 2 % = 588 ______

Applies to Ontario-related uninsured benefits arrangements.

(2) Unlicensed Insurance (enter premium tax payable in 588 and attach a detailed schedule of calculations. If subject to tax under (1) above, add both taxes together and enter total tax in 588.)

Applies to Insurance Brokers and other persons placing insurance for persons resident or property situated in Ontario with unlicensed insurers.

Deduct: Specified Tax Credits applied to reduce premium tax *(Refer to Guide)* – 589 ______

Premium Tax 588 – 589 = 590 ______

Transfer to page 17

DOLLARS ONLY

Reconcile net income (loss) for federal income tax purposes with net income (loss) for Ontario purposes if amounts differ

Net Income (loss) for federal income tax purposes, per federal T2 Schedule 1 ± 600 -22,528 (Transfer to page 15)

Add:

Federal capital cost allowance	+	601	47,059
Federal cumulative eligible capital deduction	+	602	
Ontario taxable capital gain	+	603	
Federal non-allowable reserves. Balance beginning of year	+	604	
Federal allowable reserves. Balance end of year	+	605	
Ontario non-allowable reserves. Balance end of year	+	606	
Ontario allowable reserves. Balance beginning of year	+	607	
Federal exploration expenses (e.g. CEDE, CEE, CDE, COGPE)	+	608	
Federal resource allowance *(Refer to Guide)*	+	609	
Federal depletion allowance	+	610	
Federal foreign exploration and development expenses	+	611	
Crown charges, royalties, rentals, etc. deducted for Federal purposes *(Refer to Guide)*	+	617	

Management fees, rents, royalties and similar payments to non-arms' length non-residents

Number of Days in Taxation Year

			Days after Dec. 31, 2002 and before Jan. 1, 2004		Total Days		
612	x 5 / 12.5 x	33		÷ 73	181	= + 633	

			Days after Dec. 31, 2003		Total Days		
612	x 5 / 14 x	34	181	÷ 73	181	= + 634	

Total add-back amount for Management fees, etc. 633 + 634 =	+	613	
Federal Scientific Research Expenses claimed in year from line 460 of fed. form T661 excluding any negative amount in 473 from Ont. CT23 Schedule 161	+	615	
Add any negative amount in 473 from Ont. CT23 Schedule 161	+	616	
Federal allowable business investment loss	+	620	
Total of other items not allowed by Ontario but allowed federally *(Attach schedule)*	+	614	

Total of Additions 601 to 611 + 617 + 613 + 615 + 616 + 620 + 614 = 47,059 ▸ 640 47,059 (Transfer to page 15)

Deduct:

Ontario capital cost allowance (excludes amounts deducted under 675)	+	650	47,059
Ontario cumulative eligible capital deduction	+	651	
Federal taxable capital gain	+	652	
Ontario non-allowable reserves. Balance beginning of year	+	653	
Ontario allowable reserves. Balance end of year	+	654	
Federal non-allowable reserves. Balance end of year	+	655	
Federal allowable reserves. Balance beginning of year	+	656	
Ontario exploration expenses (e.g. CEDE, CEE, CDE, COGPE) *(Retain calculations. Do not submit.)*	+	657	
Ontario depletion allowance	+	658	
Ontario resource allowance *(Refer to Guide)*	+	659	
Ontario current cost adjustment *(Attach schedule)*	+	661	
CCA on assets used to generate electricity from natural gas, alternative or renewable resources.	+	675	

Subtotal of deductions for this page 650 to 659 + 661 + 675 — 681 47,059 (Transfer to page 15)

continued on Page 15

Reconcile net income (loss) for federal income tax purposes with net income (loss) for Ontario purposes if amounts differ

continued from Page 14

Net Income (loss) for federal income tax purposes, per federal Schedule 1		From ± 600	-22,528
Total of Additions on page 14		From = 640	47,059
Sub Total of deductions on page 14	From = 681 47,059		

Deduct:

Ontario New Technology Tax Incentive (ONTTI) Gross-up
(*Applies* only to those corporations whose Ontario allocation is less than 100% in the current taxation year.)

Capital Cost Allowance (Ontario) (CCA) on prescribed qualifying intellectual property deducted in the current taxation year 662 ______

ONTTI Gross-up deduction calculation:

Gross-up of CCA

[From 662 ______ x 100 / (From 30: 100.0000 Ontario Allocation)] − From 662 ______ = 663 ______

Workplace Child Care Tax Incentive (WCCT)
(*Applies* to eligible expenditures incurred prior to January 1, 2005.)

Qualifying expenditures: [665 ______ x 30 % x 100 / (From 30: 100.0000 Ontario allocation)] = 666 ______

Workplace Accessibility Tax Incentive (WATI)
(*Applies* to eligible expenditures incurred prior to January 1, 2005.)

Qualifying expenditures: [667 ______ x 100 % x 100 / (From 30: 100.0000 Ontario allocation)] = 668 ______

Number of Employees accommodated 669 ______

Ontario School Bus Safety Tax Incentive (OSBSTI)
(*Applies* to the eligible acquisition of school buses purchased after May 4, 1999 and before January 1, 2006.) *(Refer to Guide)*

Qualifying expenditures: [670 ______ x 30 % x 100 / (From 30: 100.0000 Ontario allocation)] = 671 ______

Educational Technology Tax Incentive (ETTI)
(*Applies* to eligible expenditures incurred prior to January 1, 2005.)

Qualifying expenditures: [672 ______ x 15 % x 100 / (From 30: 100.0000 Ontario allocation)] = 673 ______

Ontario allowable business investment loss	+ 678	
Ontario Scientific Research Expenses claimed in year in 477 from Ont. CT23 Schedule 161	+ 679	
Amount added to income federally for an amount that was negative on federal form T661, line 454 or 455 (if filed after June 30, 2003)	+ 677	
Total of other deductions allowed by Ontario *(Attach schedule)*	+ 664	

Total of Deductions 681 + 663 + 666 + 668 + 671 + 673 + 678 + 679 + 677 + 664	= 47,059	680	47,059
Net income (loss) for Ontario Purposes 600 + 640 − 680		= 690	-22,528

Transfer to page 4

DOLLARS ONLY

Continuity of Losses Carried Forward

	Non-Capital Losses (1)	Total Capital Losses	Farm Losses	Restricted Farm Losses	Listed Personal Property Losses	Limited Partnership Losses (6)
Balance at Beginning of Year	700 (2) 197,100	710 (2)	720 (2)	730	740	750
Add: Current year's losses (7)	701 22,528	711	721	731	741	751
Losses from predecessor corporations (3)	702	712	722	732		752
Subtotal	703 22,528	713	723	733	743	753
Subtract: Utilized during the year to reduce taxable income	704 (2)	715 (2) (4)	724 (2)	734 (2) (4)	744 (4)	754 (4)
Expired during the year	705		725	735	745	
Carried back to prior years to reduce taxable income (5)	706 (2) to Page 17	716 (2) to Page 17	726 (2) to Page 17	736 (2) to Page 17	746	
Subtotal	707	717	727	737	747	757
Balance at End of Year	709 (8) 219,628	719	729	739	749	759

Analysis of Balance at End of Year by Year of Origin

Year of Origin (oldest year first) year month day	Non-Capital Losses	Non-Capital Losses of Predecessor Corporations	Total Capital Losses from Listed Personal Property only	Farm Losses	Restricted Farm Losses
800 9th preceding taxation year 1996-12-31	817 (9)	860 (9)		850	870
801 8th preceding taxation year 1997-12-31	818 (9)	861 (9)		851	871
802 7th preceding taxation year 1998-12-31	819 (9)	862 (9)		852	872
803 6th preceding taxation year 1999-12-31	820	830	840	853	873
804 5th preceding taxation year 2000-12-31	821	831	841	854	874
805 4th preceding taxation year 2001-12-31	822	832	842	855	875
806 3rd preceding taxation year 2002-12-31	823 123,764	833	843	856	876
807 2nd preceding taxation year 2003-12-31	824 73,336	834	844	857	877
808 1st preceding taxation year 2004-12-31	825	835	845	858	878
809 Current taxation year 2005-06-30	826 22,528	836	846	859	879
Total	829 219,628	839	849	869	889

Notes:

(1) Non-capital losses include allowable business investment losses, fed.s.111(8)(b), as made applicable by s.34.

(2) Where acquisition of control of the corporation has occurred, the utilization of losses can be restricted. See fed.s.111(4) through 111(5.5), as made applicable by s.34.

(3) Includes losses on amalgamation (fed.s.87(2.1) and s.87(2.11)) and/or wind-up (fed.s.88(1.1) and 88(1.2)), as made applicable by s.34.

(4) To the extent of applicable gains/income/at-risk amount only.

(5) Generally a three year carry-back applies. See fed.s.111(1) and fed.s.41(2)(b), as made applicable by s.34.

(6) Where a limited partner has limited partnership losses, attach loss calculations for each partnership.

(7) Include amount from 11 if taxable income is adjusted to claim unused foreign tax credit for federal purposes.

(8) Amount in 709 must equal total of 829 + 839.

(9) Include non-capital losses incurred in taxation years ending after March 22, 2004.

SCUGOG HYDRO ENERGY CORPORATION | 1800289 | 2005-06-30

DOLLARS ONLY

Request for Loss Carry-Back (s.80(16))

Applies to corporations requesting a reassessment of the return of one or more previous taxation years under s.80(16) with respect to one or more types of losses carried back.

- If, after applying a loss carry-back to one or more previous years, there is a balance of loss available to carry forward to a future year, it is the corporation's responsibility to claim such a balance for those years following the year of loss within the limitations of fed.s.111, as made applicable by s.34.
- Where control of a corporation has been acquired by a person or group of persons, certain restrictions apply to the carry-forward and carry-back provisions of losses under fed.s.111(4) through 111(5.5), as made applicable by s.34.
- Refunds arising from the loss carry-back adjustment may be applied by the Minister of Finance to amounts owing under **any Act administered by the Ministry of Finance**.
- Any late filing penalty applicable to the return for which the loss is being applied will not be reduced by the loss carry-back.
- The application of a loss carry-back will be available for interest calculation purposes on the day that is the latest of the following:
  1) the first day of the taxation year after the loss year,
  2) the day on which the corporation's return for the loss year is delivered to the Minister, or
  3) the day on which the Minister receives a request in writing from the corporation to reassess the particular taxation year to take into account the deduction of the loss.
- If a loss is being carried back to a **predecessor corporation**, enter the predecessor corporation's account number and taxation year end in the spaces provided under Application of Losses below.

Application of Losses

	Predecessor Ontario Corporation's Tax Account No. (MOF)	Taxation Year Ending year month day	Non-Capital Losses	Total Capital Losses	Farm Losses	Restricted Farm Losses
Total amount of loss			910 22,528	920	930	940
Deduct: Loss to be carried back to preceding taxation years and applied to reduce taxable income						
i) 3rd preceding	901	2002-12-31	911	921	931	941
ii) 2nd preceding	902	2003-12-31	912	922	932	942
iii) 1st preceding	903	2004-12-31	913	923	933	943
Total loss to be carried back			From 706	From 716	From 726	From 736
Balance of loss available for carry-forward			919 22,528	929	939	949

Summary

Income Tax	+ From 230 or 320	
Corporate Minimum Tax	+ From 280	
Capital Tax	+ From 550	
Premium Tax	+ From 590	
Total Tax Payable	= 950	
Subtract: Payments	– 960	
Capital Gains Refund (s.48)	– 965	
Qualifying Environmental Trust Tax Credit *(Refer to Guide)*	– 985	
Specified Tax Credits *(Refer to Guide)*	– 955	
Other, specify	–	
Balance	= 970	
If payment due	Enclosed * 990	
If overpayment: Refund *(Refer to Guide)*	= 975	
Apply to (year month day)	980	*(includes credit interest)*

* Make your cheque (drawn on a Canadian financial institution) or a money order in Canadian funds, payable to the **Minister of Finance** and print your Ontario Corporation's Tax Account No. (MOF) on the back of cheque or money order. *(Refer to Guide for other payment methods.)*

Certification

I am an authorized signing officer of the corporation. I certify that this CT23 return, including all schedules and statements filed with or as part of this CT23 return, has been examined by me and is a true, correct and complete return and that the information is in agreement with the books and records of the corporation. I further certify that the financial statements accurately reflect the financial position and operating results of the corporation as required under section 75 of the *Corporations Tax Act*. The method of computing income for this taxation year is consistent with that of the previous year, except as specifically disclosed in a statement attached.

Name *(please print)*: DAVID CLARK

Title: TREASURER

Full Residence Address

Signature: D Clark

Date: 2006-01-03

Note: Section 76 of the *Corporations Tax Act* provides penalties for making false or misleading statements or omissions.

Schedule A: Information on Ontario Corporations

(Corporations that are incorporated, continued or amalgamated under the *Ontario Business Corporations Act*)

To submit additional Director or Officer Information, please photocopy this page and attach the completed schedules with your return.

Identification

Corporation's Legal Name *(including punctuation)*	Ontario Corporation No. (MCBS)	Date of Incorporation or Amalgamation (year month day)
SCUGOG HYDRO ENERGY CORPORATION	1382155	1999-11-01

Director/Officer Information

Full Name and Address for Service

Last Name	First Name	Middle Name(s)
Angemeer	Michael	

Street Number and Name	Suite
2 Hodgson Street	

City/Town/Village	Province/State	Country	Postal/Zip Code
Brampton	ON	CA	L6Y 3G8

Director

Are you a Resident Canadian? *(Applies to directors of business corporations only)*

[X] Yes [ ] No

Date Elected (year month day): 2005-06-30

Date Ceased (year month day): 2005-08-09

Officer

State the appointment period for each of the following:

	Date Appointed (year month day)	Date Ceased (year month day)
President	2005-06-30	2005-06-30
Secretary		
Treasurer		
General Manager		
Other *(specify)*		

Other Titles *(please specify)*

[ ] Chair
[ ] Chair Person
[ ] Chairman
[ ] Chairwoman
[ ] Vice-Chair
[ ] Vice-President
[ ] Assistant Secretary
[ ] Assistant Treasurer
[ ] Chief Manager
[ ] Executive Director
[ ] Managing Director
[ ] Chief Executive Officer
[ ] Chief Financial Officer
[ ] Chief Information Officer
[ ] Chief Operating Officer
[ ] Chief Administrative Officer
[ ] Comptroller
[ ] Authorized Signing Officer
[ ] Other (untitled)

Director/Officer Information

Full Name and Address for Service

Last Name	First Name	Middle Name(s)
Clark	David	John

Street Number and Name	Suite
35 Lillian Crescent	

City/Town/Village	Province/State	Country	Postal/Zip Code
Newcastle	ON	CA	L1B 1G3

Director

Are you a Resident Canadian? *(Applies to directors of business corporations only)*

[X] Yes [ ] No

Date Elected (year month day): 2005-06-30

Date Ceased (year month day): 2005-08-09

Officer

State the appointment period for each of the following:

	Date Appointed (year month day)	Date Ceased (year month day)
President		
Secretary		
Treasurer	2005-06-30	2005-08-09
General Manager		
Other *(specify)*		

Other Titles *(please specify)*

[ ] Chair
[ ] Chair Person
[ ] Chairman
[ ] Chairwoman
[ ] Vice-Chair
[ ] Vice-President
[ ] Assistant Secretary
[ ] Assistant Treasurer
[ ] Chief Manager
[ ] Executive Director
[ ] Managing Director
[ ] Chief Executive Officer
[ ] Chief Financial Officer
[ ] Chief Information Officer
[ ] Chief Operating Officer
[ ] Chief Administrative Officer
[ ] Comptroller
[ ] Authorized Signing Officer
[ ] Other (untitled)

Note: Sections 13 and 14 of the *Corporations Information Act* provide penalties for making false or misleading statements or omissions.

Ontario

Ministry of Finance
Corporations Tax Branch
PO Box 622
33 King Street West
Oshawa ON L1H 8H6

CT23 Change of Address

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
SCUGOG HYDRO ENERGY CORPORATION	1800289	2005-06-30

CT23 Change of Address

Federal Account Number	87051 7182 RC0001
Effective Date of Change	2005-06-30

New Mailing Address:

C/O	
Address 1	55 TAUNTON ROAD EAST
Address 2	
City	AJAX
Province	ON
Country	CA
Postal Code	L1T 3V3
Zip Code	

Non-Capital Loss Continuity Workchart – Ontario

Non-capital losses

Year	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce taxable income	Balance at end of year
Current	N/A	22,528			N/A	22,528
2004		N/A		N/A		
2003	73,336	N/A		N/A		73,336
2002	123,764	N/A		N/A		123,764
2001		N/A		N/A		
2000		N/A		N/A		
1999		N/A		N/A		
1998		N/A		N/A		*
Total	197,100	22,528				219,628

Farm losses

Year	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce taxable income	Balance at end of year
Current	N/A				N/A	
2004		N/A		N/A		
2003		N/A		N/A		
2002		N/A		N/A		
2001		N/A		N/A		
2000		N/A		N/A		
1999		N/A		N/A		
1998		N/A		N/A		
1997		N/A		N/A		
1996		N/A		N/A		
1995		N/A		N/A		*
Total						

Restricted farm losses

Year	Balance at beginning of year	Loss incurred in current year	Adjustments and transfers	Loss carried back Parts I & IV	Applied to reduce taxable income	Balance at end of year
Current	N/A				N/A	
2004		N/A		N/A		
2003		N/A		N/A		
2002		N/A		N/A		
2001		N/A		N/A		
2000		N/A		N/A		
1999		N/A		N/A		
1998		N/A		N/A		
1997		N/A		N/A		
1996		N/A		N/A		
1995		N/A		N/A		*
Total						

* This balance expires this year and will not be available next year.

Ontario

Ministry of Finance
Corporations Tax Branch
PO Box 620
33 King Street West
Oshawa ON L1H 8E9

Ontario Capital Cost Allowance
Schedule 8

Corporation's Legal Name	Ontario Corporations Tax Account No. (MOF)	Taxation Year End
SCUGOG HYDRO ENERGY CORPORATION	1800289	2005-06-30

Is the corporation electing under regulation 1101(5q)? 1 [ ] Yes 2 [X] No

1 Class number	2 Ontario undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of the prior year's CCA schedule)	3 Cost of acquisitions during the year (new property must be available for use) See note 1 below	4 Net adjustments (show negative amounts in brackets)	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 Ontario undepreciated capital cost (column 2 plus column 3 or minus column 4 minus column 5)	7 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5) See note 2 below	8 Reduced undepreciated capital cost (column 6 minus column 7)	9 CCA rate %	10 Recapture of capital cost allowance	11 Terminal loss	12 Ontario capital cost allowance (column 8 multiplied by column 9; or a lower amount)	13 Ontario undepreciated capital cost at the end of the year (column 6 minus column 12)
1	813,366	44,013		0	857,379	22,007	835,372	4	0	0	16,570	840,809
8	71,630			0	71,630		71,630	20	0	0	7,104	64,526
2	744,483			0	744,483		744,483	6	0	0	22,151	722,332
12	2,488			0	2,488		2,488	100	0	0	1,234	1,254
Totals	1,631,967	44,013			1,675,980	22,007	1,653,973				47,059	1,628,921

Enter in boxes 650 . . . . 650 . . . . 650 on the CT23.

Note 1. Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule. See Regulation 1100(2) and (2.2) of the *Income Tax Act* (Canada).

Note 2. The net cost of acquisitions is the cost of acquisitions plus or minus certain adjustments from column 4.

Note 3. If the taxation year is shorter than 365 days, prorate the CCA claim.

Note 4. Ontario recapture should be included in net income after deducting the federal recapture and the Ontario terminal loss is deducted from net income after including the federal terminal loss.

Financial Statements of

SCUGOG HYDRO ENERGY CORPORATION

June 30, 2005

Deloitte & Touche LLP
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Auditors' Report

To the Shareholder of
Scugog Hydro Energy Corporation

We have audited the balance sheet of Scugog Hydro Energy Corporation as at June 30, 2005 and the statements of earnings and deficit and of cash flows for the six month period then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Scugog Hydro Energy Corporation as at June 30, 2005 and the results of its operations and cash flows for the six month period then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Toronto, Ontario
September 23, 2005

SCUGOG HYDRO ENERGY CORPORATION
Table of Contents
June 30, 2005

SCUGOG HYDRO ENERGY CORPORATION
Balance Sheet
June 30, 2005

	2005	2004
ASSETS		
CURRENT		
Cash	$ 487,928	$ 516,751
Accounts receivable	170,440	188,150
Unbilled revenue	529,939	520,455
Inventory	13,419	14,668
Due from Township of Scugog	140	4,671
Prepaid expenses and other assets	18,612	18,632
Regulatory assets (Note 13)	91,384	84,485
	1,311,862	1,347,812
CAPITAL ASSETS (Note 4)	1,472,925	1,485,635
REGULATORY ASSETS (Notes 3 and 13)	294,290	294,893
	$ 3,079,077	$ 3,128,340
LIABILITIES		
CURRENT		
Accounts payable and accrued charges	$ 777,653	$ 790,260
Current portion of customer deposits	56,447	63,539
Customer credit balances	10,352	49,633
Promissory Note (Note 5)	-	1,265,878
	844,452	2,169,310
OTHER LIABILITIES		
Consumer and other deposits, less amount included under current liabilities	51,389	51,156
	895,841	2,220,466
SHAREHOLDER'S EQUITY		
SHARE CAPITAL (Note 6)	2,531,756	1,265,878
DEFICIT (Note 3)	(348,520)	(358,004)
	2,183,236	907,874
	$ 3,079,077	$ 3,128,340

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APPROVED BY THE BOARD

.... Director

.... Director

FOR DISCUSSION PURPOSES ONLY

SCUGOG HYDRO ENERGY CORPORATION
Statement of Earnings and Deficit
Six month period ended June 30, 2005

	2005 (6 months)	2004 (12 months)
REVENUE (Note 9)	$ 2,276,862	$ 4,070,097
ENERGY COST	1,924,931	3,497,682
GROSS MARGIN	351,931	572,415
OTHER INCOME		
Regulatory asset recoveries (Note 3)	26,251	371,177
Interest	5,884	13,374
Late payment penalties	5,783	11,542
Miscellaneous	14,703	29,020
	52,621	425,113
	404,552	997,528
EXPENDITURE (Note 7)		
Operation maintenance	73,186	143,441
Administration	227,718	322,852
Financial expense	37,419	74,851
Amortization of capital assets and capital contributions	56,745	112,500
	395,068	653,644
NET INCOME	9,484	343,884
DEFICIT, BEGINNING OF YEAR		
As previously reported	(316,306)	(701,888)
Correction of carrying charges (Note 3)	(41,698)	-
As restated	(358,004)	(701,888)
DEFICIT, END OF YEAR	$ (348,520)	$ (358,004)

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SCUGOG HYDRO ENERGY CORPORATION
Statement of Cash Flows
Six month period ended June 30, 2005

	2005 (6 months)	2004 (12 months) (Note 3)
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net income	$ 9,484	$ 343,884
Items not affecting cash		
Amortization of regulatory assets	-	704
Amortization of capital contributions	(7,571)	(14,730)
Amortization of capital assets	64,316	127,230
	66,229	457,088
Changes in non-cash working capital components		
Accounts receivable	17,710	(56,379)
Unbilled revenue	(9,484)	(69,201)
Inventory	1,249	(5,988)
Due from Township of Scugog	4,531	(4,586)
Prepaid expenses and other assets	20	(114)
Accounts payable and accrued charges, and customer credit balances	(51,888)	(32,851)
	28,367	287,969
INVESTING		
Regulatory assets	(6,296)	(371,177)
Additions to capital assets	(54,346)	(67,260)
	(60,642)	(438,437)
FINANCING		
Capital contributions	10,311	11,407
Decrease in consumer and other deposits	(6,859)	(53,422)
	3,452	(42,015)
NET CASH OUTFLOW	(28,823)	(192,483)
CASH POSITION, BEGINNING OF YEAR	516,751	709,234
CASH POSITION, END OF YEAR	$ 487,928	$ 516,751
SUPPLEMENTARY INFORMATION		
Interest paid	$ 37,419	$ 74,851
Common shares issued for non-cash consideration (Note 6)	$ 1,265,878	$ -

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1. NATURE OF OPERATION

Scugog Hydro Energy Corporation "the Corporation" was incorporated November 1, 1999 under the laws of the Province of Ontario.

The Corporation is wholly-owned by the Township of Scugog.

The principal activity of the corporation is to distribute electricity to the Township of Scugog, under the license issued by the Ontario Energy Board ("OEB").

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and reflect the following policies as set forth in the Accounting Procedures Manual issued by the Ontario Energy Board under the authority of the Ontario Energy Board Act, 1998.

Inventory

Meters are valued at cost on a specific-item basis.

Regulation

The Scugog Hydro Energy Corporation is regulated by the Ontario Energy Board "OEB" and any power rate adjustments require OEB approval.

Capital assets

Capital assets purchased or constructed by the Corporation are recorded as an asset at cost. Amortization is provided on a straight-line basis over the estimated useful lives of the assets.

The estimated service lives of the various assets used in calculating amortization are as follows:

Building	50-60 years
Plant and equipment	3-10 years
Transmission and distribution system	15-35 years
Office equipment	5-10 years

Regulatory assets

Regulatory assets primarily represent costs that have been deferred because it is probable that they will be recovered through future rates. The Corporation accrues carrying charges on certain regulatory assets as allowed by the OEB. The Minister of Energy issued a letter dated December 19, 2003 (the "Minister's letter") stating an intention to allow electricity distributors to make application to the OEB to recover regulatory assets (based on year-end balances as at December 31, 2003) to be phased in over a three year period effective April 1, 2005.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Energy and distribution revenue is recorded on the basis of regular meter readings plus estimates of customer usage since the last meter reading date to the end of the year. The related cost of power is recorded on the basis of power consumed.

Impairment of long-lived assets

The Corporation adopted the new Canadian accounting standard for impairment of long-lived assets, which requires that an impairment loss be recognized when events or circumstances indicate that the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. Any resulting impairment loss is recorded in the period in which the impairment occurs.

The Corporation has determined that there was no impairment of long-lived assets as at June 30, 2005.

Contributions in aid of construction

Contributions in aid of construction consist of third party contributions toward the cost of constructing distribution assets and may be refunded by the Corporation based on future economic evaluations, in accordance with the OEB Distribution System Code. They are accounted for as reductions to the cost of related capital assets and are amortized at rates corresponding to the useful lives of the related capital assets.

Payment in lieu of income taxes

Under the Electricity Act, 1998, the Corporation is required to make payments-in-lieu of corporate taxes to the Ontario Electricity Financial Corporation (OEFC), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes.

The Corporation, regulated by the Ontario Energy Board, provides for payments-in-lieu of corporate income taxes using the taxes payable method. Under the taxes payable method, no provisions are made for future income taxes as a result of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Rate-regulated enterprises need not recognize future income taxes to the extent that future income taxes are expected to be included in the rates charged to and recovered from future customers.

Payments-in-lieu of income taxes are henceforth referred to as income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

3. CORRECTION OF PRIOR YEAR CARRYING CHARGES

Carrying charges as previously recorded have been adjusted to reflect the correct method of calculation under the related legislation. As a result, regulatory asset recoveries income for the year ended December 31, 2004, net income for the year ended December 31, 2004, and regulatory assets as at December 31, 2004 have each been reduced by $41,698 and deficit as at December 31, 2004 has been increased by $41,698.

4. CAPITAL ASSETS

	2005			2004
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 69,469	$ -	$ 69,469	$ 69,469
Building, plant and equipment	501,048	317,866	183,182	190,064
Transmission and distribution system	3,538,915	2,004,728	1,534,187	1,536,372
Other equipment	17,211	5,979	11,232	12,137
	4,126,643	2,328,573	1,798,070	1,808,042
Contributions in aid of construction	(378,568)	(53,423)	(325,145)	(322,407)
	$ 3,748,075	$ 2,275,150	$ 1,472,925	$ 1,485,635

Amortization provided for the current six-month period totalled $56,745 (2004, twelve months - $112,500).

5. PROMISSORY NOTE

	2005	2004
5.69% promissory note issued to the Township of Scugog. The Township has the option of calling the principal amount in whole or in part with notice of twelve months. Pursuant to the share purchase agreement (Note 15) this promissory was converted to equity on June 30, 2005	$ -	$ 1,265,878

Interest on the promissory note for the current six-month period was $36,000 (2004, twelve months - $72,000).

6. SHARE CAPITAL

Authorized
Unlimited number of common shares

	2005	2004
Issued 200 common shares (2004 - 100 common shares)	$ 2,531,756	$ 1,265,878

During the current fiscal period, the Company issued 100 common shares in settlement of the $1,265,878 "5.69%" promissory note (Note 5) issued to the Township of Scugog, pursuant to the Share Purchase Agreement dated March 24, 2005 (Note 15).

7. SERVICE AGREEMENT BETWEEN WHITBY HYDRO ENERGY SERVICES CORPORATION AND SCUGOG HYDRO ENERGY CORPORATION

Effective July 1, 2000 a master service agreement was made between Whitby Hydro Energy Services Corporation ("Whitby Hydro") and Scugog Hydro Energy Corporation ("Scugog Hydro") whereby Whitby Hydro had agreed to provide day-to-day operation, maintenance and repair of Scugog Hydro's electrical distribution system and to provide all related customer services. In addition, certain employees of Scugog Hydro were transferred to and became employees of Whitby Hydro, as well, Whitby Hydro acquired certain equipment and inventory from Scugog Hydro in connection with this master service agreement. This agreement was terminated effective June 30, 2005 (the closing date) in accordance with the share purchase agreement made among Veridian Connections Inc. and Veridian Corporation and Scugog Hydro Energy Corporation and the Corporation of the Township of Scugog, dated March 24, 2005.

8. INCOME TAXES

The Corporation became obligated to make payments-in-lieu of taxes on October 1, 2001. There were no income or capital taxes in the periods prior to October 1, 2001.

The provision for income taxes under the taxes payable method for the period is $Nil (2004 - $Nil).

Future income taxes have not been recorded in the accounts as they are expected to be reflected through future distribution revenues. As at June 30, 2005, net future income tax assets of $124,995 (December 31, 2004 - $142,564) have not been recorded. Consequently, the change in future income tax assets of $17,569 has not been reflected in the income tax provision for the period ended June 30, 2005.

Significant components of the Corporation's future taxes as at June 30 are as follows:

	2005	2004
Tax benefit of loss carry forwards	$ 45,568	$ 69,639
Plant and equipment	79,427	75,887
Regulatory assets	-	(2,962)
Net future income tax asset	$ 124,995	$ 142,564

The Corporation has income tax losses carried forward of $126,158 (2004 - $192,799) which begin to expire in 2009.

The 2004 comparative numbers reflect an updated future tax position of Scugog Hydro from that prevailing at the time of issuance of the 2004 audited financial statements, based on an amendment to their 2004 tax return, made subsequent to the issuance of the 2004 audited financial statements.

9. RELATED PARTY TRANSACTIONS

The following summarizes the Corporation's related party transactions with the Township of Scugog for the six month period ended June 30, 2005.

	2005 (6 months)	2004 (12 months)
Revenue		
Energy	$ 11,666	$ 13,118
Street lighting	25,320	45,396
Expenditures		
Wages and benefits	$ 7,708	$ 16,026
Other	1,172	2,288
Interest on long-term debt	36,000	72,000

10. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The fair value of financial instruments that are included in the financial statements approximate the carrying amount due to the short-term maturity of those instruments.

Credit risk

Credit risk results from the potential that a counter party will fail to perform its obligations. Accounts receivable are widely dispersed among numerous customers and hence the risk of significant credit loss is remote.

11. INTEREST IN LIMITED PARTNERSHIP

The Corporation is a limited partner of EnerConnect, a power procurement partnership. Scugog Hydro Energy Corporation has a .4% interest in this partnership. The investment of $12,000 was expensed in the years in which it was made.

12. CLASS ACTION OF LATE PAYMENT CHARGES

A class action lawsuit claiming $500 million in restitutionary payment plus interest was served on Toronto Hydro Electric Commission on November 18, 1998. The action was initiated against Toronto Hydro as the representative of the Defendant Class consisting of all municipal electric utilities in Ontario, which have charged late payment charges on overdue utility bills at any time after April 1, 1981.

The claim is that late payment penalties result in the municipal electric utilities receiving interest at effective rates in excess of 60% per year, which is illegal under Section 347 (1)(b) of the Criminal Code.

The Municipal Electric Association is undertaking the defense of the class action. At this time it is not possible to quantify the effect, if any, on the financial statements of Scugog Hydro Energy Corporation.

13. REGULATORY ASSETS

Regulatory assets arise as a result of the rate-making process and consist of the following:

	2005	2004
Deferred qualifying transitional costs	$ 8,201	$ 8,201
Pre-market opening cost of power variances	85,993	84,311
	94,194	92,512
Retail cost variance account	15,363	13,759
Conservation and demand management	(19,953)	-
Other regulatory assets	8,635	8,131
Retail settlement variance account	399,536	342,798
Global adjustment	(7,060)	-
Payment in lieu of taxes	16,483	8,905
Amounts recovered through billings	(94,476)	(51,404)
Net regulatory assets	412,722	414,701
Provision for above regulatory assets	(27,048)	(35,323)
	385,674	379,378
Less current portion	91,384	84,485
	$ 294,290	$ 294,893

14. GUARANTEES

In the normal course of business, the Company enters into agreements that meet the definition of a guarantee. The Company's primary guarantees subject to the disclosure requirements are as follows:

(a) Indemnity has been provided to all directors and or officers of the Company for various items including, but not limited to, all costs to settle suits or actions due to association with the Company, subject to certain restrictions. The Company has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the Company. The maximum amount of any potential future payment cannot be reasonably estimated.

14. GUARANTEES (continued)

(b) In the normal course of business, the Company has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Company to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Company has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements.

15. SALE OF SHARES OF THE CORPORATION

Effective June 30, 2005, 100% of Scugog Hydro Energy Corporation's shares were sold by the Corporation of the Township of Scugog to Veridian Connections Inc. for consideration of $3,450,000, (subject to a price adjustment clause) pursuant to a share purchase agreement dated March 24, 2005 made among Veridian Connections Inc. and Veridian Corporation and Scugog Hydro Energy Corporation and the Corporation of the Township of Scugog.